

MID SUFFOLK DISTRICT COUNCIL

TO: COUNCIL	REPORT NUMBER: MC/22/37
FROM: Peter Gould, Cabinet Member for Assets and Investments	DATE OF MEETING: 23 February 2023
OFFICER: Emily Atack, Director Assets & Investments	KEY DECISION REF NO. N/A

CASE FOR A NEW JOINT DEPOT

1. PURPOSE OF REPORT

- 1.1 The Councils' operational depots are no longer fit for future purpose and will not be able to meet the future needs of the Councils and our residents in the short to medium term. There are currently 3 main operational depots that are operated by a shared Babergh and Mid Suffolk workforce and joint commercial contracts. This report considers the high-level options for the Councils' future operational depot requirements and seeks to allocate the necessary capital to progress this project.
- 1.2 It is proposed that the Council adds a total of £6m to the capital programme from 23/24.

2. OPTIONS CONSIDERED

- 2.1 **Do nothing.** This is not considered a viable option due to the size, age and condition of the existing depots and growth of the districts.
- 2.2 **To operate from a single new or refurbished depot primarily serving Mid Suffolk District** but utilising the shared Babergh and Mid Suffolk workforce and joint commercial contracts. Under this option Babergh would take a similar approach, and for both Councils this has been assumed to be the same as the current service delivery model, but with improved premises. This option would not benefit from operational efficiencies and savings that could be delivered from a single shared depot site, such as reducing vehicle servicing costs, contract management costs, build costs, maintenance costs, operational space requirements and duplicated facilities. Refurbishing the existing depot whilst it continued to be operational would also pose a risk to delivering the current service and cost more. It is still very likely that an additional parking and yard space or extension would be required to meet the depot needs over the short and longer term as the current sites are constrained. This option is therefore likely to be more expensive and less efficient than a shared depot.
- 2.3 **To operate from a shared depot site serving both districts.** This option would provide modern fit for future purpose accommodation delivering operational and occupational efficiencies and is the most financially viable option as well as the most practical and effective operational option. This in Officers' opinion offer the best option for the operation to cope with the predicted challenges in the future.

3. **To co-locate with other public sector organisations.** This option has been considered as part of the Ipswich and Central Suffolk One Public Estate Board. External consultants have been appointed by the board to consider the options for co-location. The recommended approach for Babergh & Mid Suffolk was to share a depot with the potential for a shared vehicle workshop that could be used by other public sector organisations. There were limited benefits to any wider co-location with public sector partners. A vehicle workshop will be part of the proposed premises and as such we will continue to investigate how this could be shared with partners should we progress a single depot option as recommended.

4. RECOMMENDATIONS

- 4.1 That £6m is added to the Council's Capital Programmes from 23/24 budget year to deliver improved depot facilities.
- 4.2 Capital receipts from the disposal of existing depot sites will be added to the capital programme in later years.

REASON FOR DECISION

To enable the delivery of fit for purpose operational depot premises to serve the districts effectively and efficiently.

5. KEY INFORMATION

- 5.1 There are 3 main operational depots that serve Babergh and Mid Suffolk Councils supporting the delivery of waste services, building services and repairs and car parking services. The main waste depots are in Stowmarket and Sudbury with Building Service operating out of a smaller depot at Great Wenham and using the waste depots to a degree, although shared use of the larger depots has become less feasible as waste services have grown to meet the needs of the districts. The current sites occupy approximately 1.51 hectares (3.73 acres).

- 5.2 The Stowmarket and Sudbury depots are now over 50 years old and are no longer fit for modern purposes. As the districts have grown over the years the pressure on the sites to house additional staff and vehicles has meant that they are unable to meet the future requirements for the services.

The sites are becoming obsolescent due to their layout and the number of operations being conducted from them and will be unable to take more vehicles when further services are required to be undertaken. There are significant and increasing costs of maintaining the properties in the future.

- 5.3 Expanding population within the districts has seen over the last 8 years an additional 5,989 net completions of new housing stock and further growth of 4,966 is predicted for the 5 next years across both districts.

- 5.4 Alongside business-as-usual growth all service areas need to plan and prepare for the use of alternative fuels in the vehicle fleet. An interim step has been taken for our waste fleet, to use HVO (Hydrotreated Vegetable Oil) fuel as one of the cleanest fuels on the market. HVO is a second-generation,

synthetic, advanced renewable diesel alternative that eliminates up to 90% of net CO₂ and significantly reduces nitrogen oxide (NO_x), particulate matter (PM) and carbon monoxide (CO) emissions. Further changes to our vehicle fleet (such as Building Services and Public Realm vehicles) will be required as the country transitions towards fully electric or alternatively fuelled vehicles.

- 5.5 The changes laid out in the Resource and Waste Strategy (RAWS) represent a particular challenge for the Waste and Recycling Services. The changes proposed within the strategy include the introduction of separate household food waste collections, the collection of glass from the kerbside, segregated fibres and containers and there could be a need for similar changes to our business waste collections. These changes will put further pressures on the existing depot estate and will constrain the services that can be delivered.
- 5.6 Operational business service savings and income generation could be delivered in the order of £75-150,000 per annum from a single shared depot. Operating from a single modern and fit for purpose depot owned by the Councils will have a positive impact on the cost and will increase the range of potential bidders for a Waste Service collection contract at the time of any re-procurement. Indeed, owning our own depot will leave the widest range of service delivery model options available to Babergh and Mid Suffolk District Councils (BMSDC) for the implementation of any future changes that may be required.
- 5.7 A new depot would also improve staff well-being by providing a modern fit for purpose accommodation that meets their operational needs and helps them to work effectively and efficiently to manage the increasing pressures of the services being delivered to a growing population. A staff working group with representatives from each of the operational services has been set up and has supported the preparation of this initial business case. Staff will be consulted widely if budget is secured to progress this project and alternative options have been identified.
- 5.8 Occupational cost savings of running a single depot would be in the order of £60,000 per annum due to reduced business rates, utility costs and maintenance for a single modern depot compared to the current 3 depots.
- 5.9 Significant capital investment is needed to secure a new depot- in the order of £12m. This would provide a site of approximately 3.25 hectares (8 acres) and accommodation for 200 operational staff – this would be more than double the current operational capacity, whilst still delivering operational financial savings to help offset the cost of capital finance. The detailed financial implications are set out in section 7 below.
- 5.10 If funding is approved the next stage of the project will be to identify suitable options for a single depot including staff and stakeholder consultation and engagement, to review options for the existing sites in greater detail and develop a final detailed business case based on the preferred option. The outline business case for the funding is attached as a confidential item in appendix 1.

6. LINKS TO CORPORATE PLAN

- 6.1.1 This proposal aligns with the Councils' Joint Strategic Asset Management Plan for 2020-2025, a core priority of which is to strengthen the management of corporate assets, to ensure they are safe and improve the quality and value for money of the service they can deliver.
- 6.1.2 In addition, this proposal will support the growth of the local economies and delivery of housing coming forward within the districts.

7. FINANCIAL IMPLICATIONS

- 7.1 Significant capital investment is needed to secure a new depot- in the order of £12m across Babergh and Mid Suffolk District Councils, with each Council borrowing £6 million. The costs of borrowing £6 million per Council to finance a new depot are set out in the tables below, the first table shows a worst-case scenario with no disposals and therefore no receipts to off-set the capital expended for the new depot. This may be the position if a site is retained for the Councils' own use or development The second table assumes capital receipts for the existing depots are realised in years 4 and 5, reducing the annual borrowing costs by approximately £75,000 per council.
- 7.2 To model the effects of the disposals, the possible scenario has been prepared to show the effect on the project finances. Looking at the worst-case scenario then the finance table, it assumes that there are no disposals to counter act the capital expended for the new depot.
- 7.3 The projections assume an interest rate of 4.5%. On 18th January 2023 the rate for borrowing from the Public Works Loan Board (PWLB) for a 5-year fixed maturity loan was 4.14% and the rate for a 50-year loan was 4.2%.

The Councils' Treasury Management Advisors, Arlingclose, are currently projecting the 5-year rate to peak at 4.6% during 2023 before gradually dropping back and the 50-year rate to peak at 4.4% during 2023.

- 7.4 Looking at the worst-case scenario then the finance table, it assumes that there are no disposals to counter-act the capital expended for the new depot. This may be the position if a site is retained for the Councils' own use or development.

No repayment from capital receipts

	Capital Expenditure/ receipt	MRP	Interest	Total Financing	Annual cost per Band D equivalent
2023/24	1,200,000	0	54,000	54,000	0.71
2024/25	2,400,000	0	162,000	162,000	2.14
2025/26	2,400,000	0	270,000	270,000	3.57
2026/27	0	33,613	268,487	302,100	4.00
2027/28	0	35,125	266,907	302,032	4.00
2028 - 2076 Average annual*	0	123,568	174,484	298,052	3.94
Total*	6,000,000	6,000,000	9,396,644	15,396,644	204

* Please note that table does not add down as the average cost per year for a number of years is shown

Repayment from receipts in years 4 & 5

	Capital Expenditure/ receipt	MRP	Interest	Total Financing	Annual cost per Band D equivalent
2023/24	1,200,000	0	54,000	54,000	0.71
2024/25	2,400,000	0	162,000	162,000	2.14
2025/26	2,400,000	0	270,000	270,000	3.57
2026/27	-750,000	33,613	234,737	268,350	3.55
2027/28	-750,000	30,710	199,605	230,316	3.05
2028 - 2076 Average annual*	0	92,410	130,488	222,898	2.95
Total*	4,500,000	4,500,000	7,183,749	11,683,749	155

* Please note that table does not add down as the average cost per year for a number of years is shown

The above shows the effect of the disposals in reducing the amount required to fund the project.

- 7.5 In addition to debt funding and use of capital receipts from sales, we will seek to secure additional funding such as CIL (Community Infrastructure Levy) or other external/grant funding, which, if successful, will also reduce the overall costs of finance.
- 7.6 The operational teams have also identified total annual savings of £75,000-150,000 per annum and reduced property operational costs of £60,000. This will result in savings of between £67,500 and £105,000 per annum per Council. These savings will off-set the finance costs.

8. LEGAL IMPLICATIONS

- 8.1 Any land or property purchase would be subject to the usual due diligence process to analyse any potential risk associated with the Councils becoming owners of the land or property. This process would involve investigating the land to identify any encumbrances which may adversely affect the Councils' proposed use for the land including considering the most suitable solution to mitigate any issues which may arise.

9. RISK MANAGEMENT

9.1 Key risks are set out below:

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference*
The current depots are not fit for future purpose and do not deliver best value.	3	3	Operational Risk Assessments, Safe working practises Depot project commencement and management of premises in line with SAMP (Strategic Asset Management Plan).	Significant Risk SRR006 Operational Risk register R002
Finding a suitable site with planning consent or capable of obtaining planning consent	3	4	Early engagement with the local surveying firms.	Depot Project Risk register R2002
Legally securing the site once found	1	4	Appointing agents to act between the parties, and then to quickly obtain Council Approval.	Depot Project Risk register R2006
Ground Conditions preclude the development taking place	3	4	Ground surveys to be undertaken before purchase/ time of the purchase if the information is not available.	Depot Project Risk register R2003
Costs of funding increase	3	4	Monitor rates closely and consider longer term fixed rates as appropriate. Seek capital receipts, additional funding, and grants to minimise borrowing costs.	Significant Risk SRR013 R2004
Capital receipts from existing sites are lower than anticipated	3	4	Monitor market, seek to de-risk sites and maximise value.	Depot Project Risk Register R2007
Delays to programme	2	4	To be managed	Depot Project Risk Register R2002

New depot is not fit for purpose	1	1	Careful consideration of requirements and consultation with working group. Engage technical delivery team.	Depot Project Risk Register R3004
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**Name of risk register where risk is currently documented and being actively managed and its reference number*

10. CONSULTATIONS

- 10.1 An internal working group has been established with representatives from all the operational service areas and key contract personnel. These proposals have also been discussed with Cabinet members and Political Group Leaders. Further consultation with staff and stakeholders will be undertaken if the budget is secured to enable the project to progress.

11. EQUALITY ANALYSIS

Equality Impact Assessment (EIA) not required. At this stage, the report is requesting a capital investment in land and buildings with no direct impact on our communities directly, this will be reviewed if the project progresses to the next stage.

12. ENVIRONMENTAL IMPLICATIONS

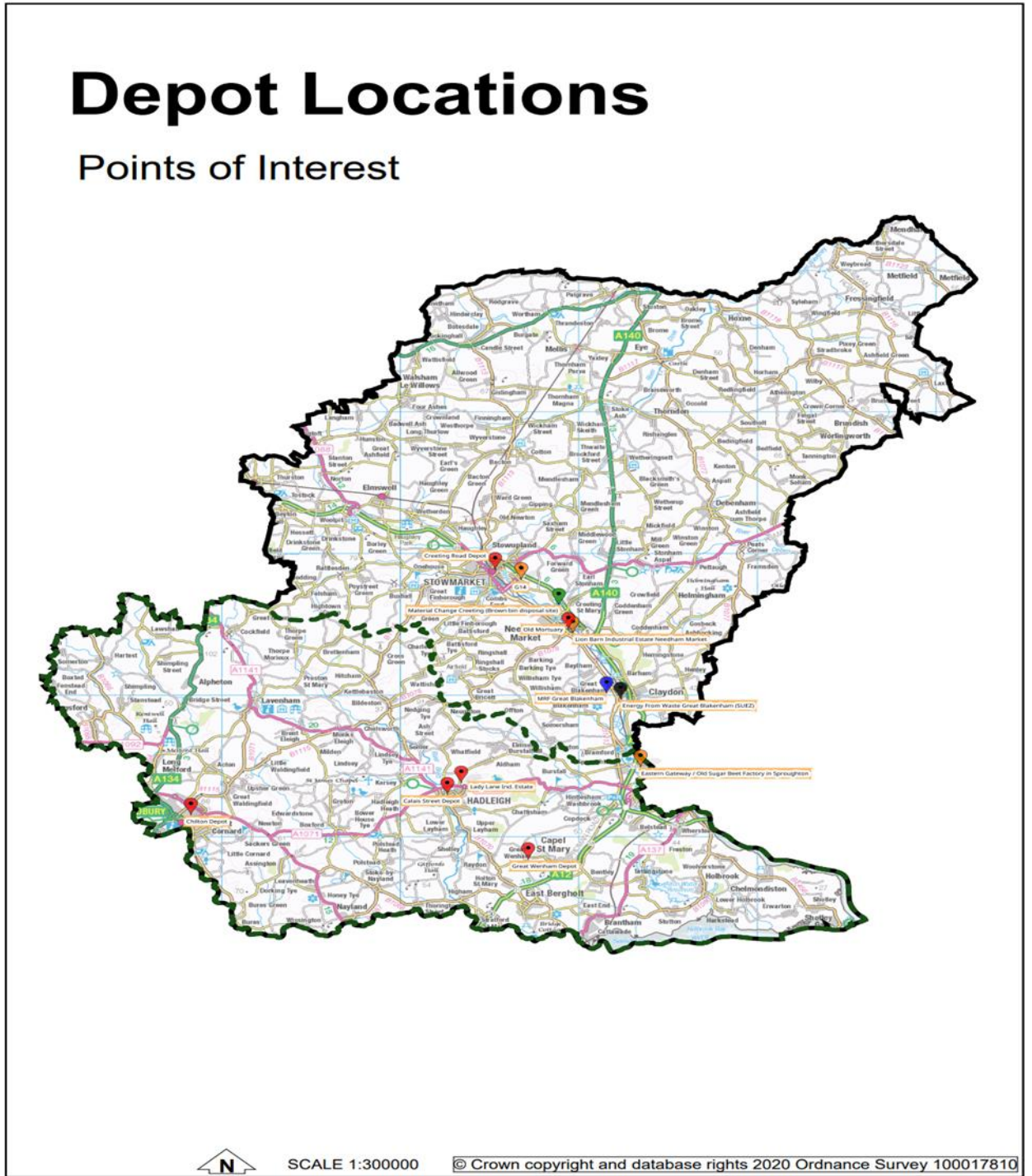
There are no direct environmental implications of the decision to add funding to the capital programme however the subsequent acquisition or development of land and property and the occupation of buildings may have environmental implications. This would be considered in further detail once the preferred option has been identified. It would also be considered as part of any planning application. The Councils would seek to achieve BREEAM Excellent for a new build depot and would seek to minimise impact on climate change.

13. APPENDICES

Title	Location
(a) Location Plans & Photographs of Existing Depots	Attached
(b) Outline Business Case (Commercially Confidential)	Attached in Part 2

Depot Locations

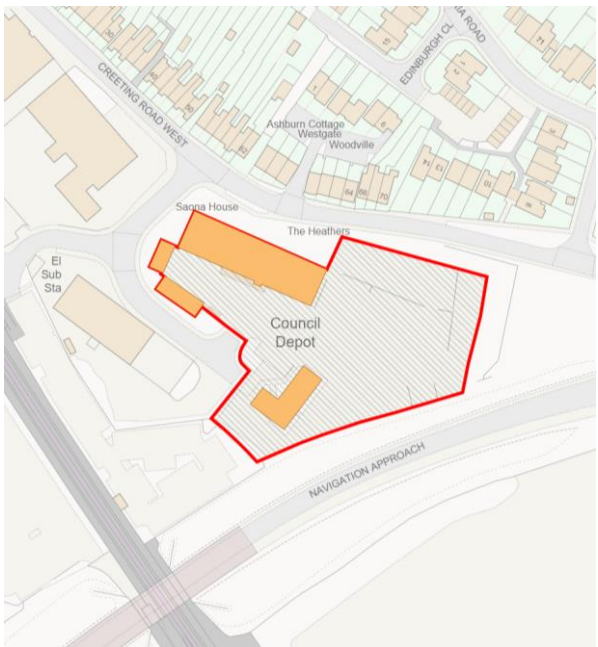
Points of Interest



Depot Creting Road West, Stowmarket IP14 5AT

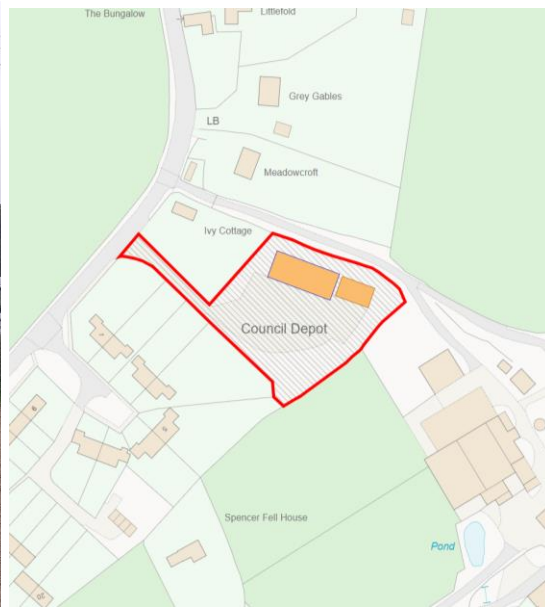
The Creting Road Depot is an operational depot which serves waste collection to the Mid Suffolk area, it consists of offices, workshops, stores, and hard standing land for waste collection vehicle parking.

The site is accessed through Creeting Road West. The site is occupied by BMSDC and Serco.



Wenham Depot, Wenham Road, Great Wenham, Colchester, CO7 6PS

The Wenham depot is an operational depot based in Great Wenham It is located just off the A12 in semi-rural and residential area.



Chilton Depot, Alexandria Road, Sudbury CO10 2XH

The Chilton Road depot is a large operational depot that serves Babergh district. The site is located just off Alexandria Road in Sudbury. The site has a number of commercial operators close by in addition to residential housing.

The site serves for waste collection for the Babergh area. Part of the site is occupied by Serco

