

# Finance and Resources Committee

3.00pm, Tuesday, 4 December 2018

## Depots Gateway Review

Item number	7.2
Report number	
Executive/routine	
Wards	All
Council Commitments	<a href="#">2</a> , <a href="#">10</a> , <a href="#">18</a> <a href="#">23</a> , <a href="#">25</a>

### Executive Summary

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The Council's Depot Strategy forms part of the Asset Management Strategy, which sits within the wider Council Change Portfolio.

The Depot Strategy was approved by the Finance and Resources Committee, on 2 February 2016, and this report provides an update on the implementation of agreed investment in the Council's depot estate, which is aimed at achieving more effective and efficient use of the depot assets and associated service provision.

The approach is constantly under review and there is now further scope to unlock opportunities to share support services such as fleet maintenance, storage and fuelling supply. Consequently, consideration is being given to go much farther than originally proposed and this has identified potential to reduce from 19 sites to 6 sites delivering capital receipts and associated revenue benefits in line with Council outcomes. This has been highlighted as part of the emerging Change Strategy.

## Depots Gateway Review

### 1. Recommendations

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- 1.1 It is recommended that Committee:
  - 1.1.1 Welcomes progress made with implementing the investment strategy for the Council's depot estate;
  - 1.1.2 Endorses the direction of travel, noting the potential opportunities for service improvement, benefits realisation, and savings that the Depots Strategy can deliver;
  - 1.1.3 Notes the potential synergies across Council services and with partners and how best they might be facilitated;
  - 1.1.4 Notes that the Depots Strategy is fully aligned with the future strategic direction of the Council's emerging Change Strategy; and that going forward it will be reported and monitored through the Change Board governance structure;
  - 1.1.5 Notes that the strategy will be delivered within the financial envelope previously approved by Council with capital receipts and income generated by the rationalisation ringfenced to offset the costs of upgrading the estate, and that any future deviation or additional ring-fencing of capital receipts will require separate financial approval; and
  - 1.1.6 Notes the proposed next steps at paragraph 3.29 and requests further reports as progress is made.

### 2. Background

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- 2.1 On 2 February 2016, the Finance and Resources Committee approved a report setting out the investment strategy for the Council's depots estate. At that time, Committee requested that further reports on progress be provided at gateway intervals. This paper presents an overview on the status of the programme to date.
- 2.2 The depots estate delivers a wide range of operational services including Waste and Cleansing, Fleet, Edinburgh Roads Services, Parks and Greenspace, Scientific Services, Housing Property, Print Services, Passenger Operations, Taxi Inspection and Licensing, Information and Learning Resources (ILR), City Archives and the Council Records Centre.
- 2.3 The depots have previously suffered from a lack of planned preventative maintenance resulting in much of the building fabric being in a poor condition, out of

date and not optimised for service delivery. The main over-arching objectives of the investment strategy were to:

- Create long term savings through the reduction of the number of depot sites;
- Re-provide, extend and upgrade the retained estate to provide modern, fit for purpose facilities; and
- Provide supporting infrastructure for the operation of the new Zero Waste facility at Millerhill.

2.4 The report outlined how the depots be rationalised thereby releasing a potential £26.7m of investment into the retained estate and identified the operational and property savings, and capital receipts, that would be applied to offset the cost of this investment. The intent was to reduce the number of operational depot sites from 19 to 12. To accommodate the relocating services at receiving sites, the following levels of investment were agreed:

- Seafield (Phase 1 and 2) – New eastern waste collection depot/ waste transfer station with an estimated capital cost of £9m;
- Bankhead – New western waste collection depot/ waste transfer station with an estimated capital cost of £10.6m; and
- Russell Road – Consolidated single depot for Fleet Services with an estimated capital cost of 7m.

2.5 The strategy is predicated on being a self-funding programme, based on the savings achieved delivering the necessary funding for new investment. This is achieved through the reduction in the number of depot sites delivering those property savings, and part of the service savings associated with the exit from Powderhall depot (where a significant service saving is anticipated once Millerhill is fully operational). The strategy has a ‘domino’ effect, in that, property exits are reliant on new investment being delivered at the receiving sites. Should new investment not be available, the rationalisation strategy cannot be delivered.

### 3. Main report

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#### Current Position

- 3.1 Two years on, significant progress has been made towards a phased implementation programme. Seafield Phase 1 was completed in February 2017 on time and within budget of £5.8m. Overall the new development has been a success, providing operational staff with a real boost in morale. In addition to new canteen and locker facilities, there are purpose built briefing / training rooms which are also being used to host external organisations, such as the recent SWITCH seminar (the Scottish Health & Safety organisation for the Waste Industry).
- 3.2 Seafield Phase 2, which delivering the waste bulking/ transfer station along with separate public recycling facilities, is programmed to be completed this month. A

building warrant has now been submitted for an additional maintenance shed allowing vehicles to be serviced on site bringing further service efficiencies.

- 3.3 Delivery of the new western waste collection depot at Bankhead is programmed to be completed in July 2019, facilitating waste services exit from the Russell Road site. Visuals from Seafield and Bankhead are attached as Appendix 1.
- 3.4 The central tenet of three major redevelopment sites (Seafield, Bankhead and Russell Road), primarily for Waste Services, Cleansing and Fleet, still holds for the two depots above. However, ongoing work to deliver service improvement plans means that some of the approved depots moves may now deviate from the original plan.
- 3.5 Since the original strategy was approved, the Council Change Strategy has continued to evolve. The creation of Place Management has brought together a range of services previously under different divisions, which has provided an opportunity to consider further service efficiencies and deliver a potentially much more radical view of the depots estate.
- 3.6 There is also impetus to further develop detailed proposals for some of the sites identifying potential synergies with other Council and public-sector services, rather than viewing the depot estate in isolation. While the overarching objectives of the Council Depots Strategy remain relevant (long term savings, fit for purpose facilities, value for money), there is a renewed emphasis on efficient and effective deployment of resources and delivery of strategic Council and public-sector partner priorities, including:
  - Council's desire to expand and accelerate its mixed tenure housing programme by increasing housing supply;
  - Forthcoming new infrastructure and any potential for joint working, from both the Council and partner side;
  - Opportunities for service co-location within the existing estate; and
  - Definition of services' demand strategies.
- 3.7 The Depots Strategy is fully aligned with the future strategic direction of Council's emerging Change Strategy. Going forward the strategy will be reported and monitored through the Change Board governance structure.
- 3.8 Within this revised approach, it is considered that the Depots Strategy can go much further and consolidate the remaining 16 depots into approximately 6 sites, where depots are multi service hubs with shared facilities, rather than single service silos as illustrated in Appendices 2 and 3. Some of the potential surplus sites may be disposed of and deliver a capital receipt, or alternatively, be leased out generating a revenue income stream to support delivery of the strategy.
- 3.9 The above approach does mean that there are significant service dependencies as new locations are found for a wide range of services currently located at Council depots. It is anticipated that these moves will be transformational as much as

possible (rather than simply replacing like for like). The Depots Strategy is identified within the Council's current Place Change proposals and is predicated on a number of factors, including:

- Delivery of the Fleet Review;
- Outcomes of the Council's City Collections Storage Project (Museums and Galleries, Reserve Collections, City Archives and Record Centre);
- Consolidation of the Print, Mail and Scanning service, together with Sign workshop;
- Outcomes of the Plant Nursery business case;
- Detailed design work associated with Bankhead (Waste and ERS combined sites), as a potential enhanced North West depot location; and
- Identification of a new South East depot site.

3.10 The principles set out above have been translated into site specific strategies. Depots have been categorised under three headings: i) sites to be retained, ii) sites under review, and iii) sites to be released. Each site has its own prioritised major projects and workstreams and are described in appendix 4.

#### **Links to other Council Priorities**

3.11 This cross-Council, strategic approach to the depot sites facilitates the reduction in the size of the estate, whilst also accelerating economic development and affordable housing opportunities, placemaking and links to other Council priorities such as the Asset Management Strategy, Early Years, and Fleet and Culture Reviews. The following provides commentary on individual sites: -

#### **Bankhead and Seafield Depots**

3.12 There is further scope to unlock opportunities to share support services such as fleet maintenance and fuelling supply across the remaining depots estate. The Fleet service is currently undergoing a full review to reconsider at the way the Council fleet is financed, maintained, and operated to reduce the number of vehicles, reduce harmful emissions, maximise utilisation and make efficiency savings, whilst improving key services. This applies to not only the investment in the vehicles themselves but the facilities in which they are housed and maintained. By investing in the two core depots where the core HGV fleet are based, efficiency savings could be realised by undertaking essential maintenance outside core working hours, reducing dead mileage and associated staff time with transporting of vehicles to a single workshop facility.

3.13 The proposal being considered is to locate workshop facilities within the depots at Seafield and Bankhead where the majority of the HGV fleet are based. The facilities will be equipped to undertake all forms of planned and reactive vehicle maintenance.

- 3.14 The approach taken at the Bankhead site is to view the depot in its entirety rather than as two standalone facilities (Waste Transfer and Edinburgh Roads Services). Detailed design work is now required to assess the suitability of Bankhead as a potential core western depot location.
- 3.15 Refurbishment is being undertaken at the current Bankhead ERS offices to improve facilities, accommodate additional staff from Barnton Depot and other Place Management services located across the wider Council estate, and to facilitate Barnton's release from the depots estate. Full engagement and dialogue with staff and the trade unions have been both constructive and helpful.
- 3.16 By taking a more collegiate approach, it is anticipated that the consolidation of Bankhead will result in economies of scale, co-location opportunities and income generation from the closure of Barnton Depot. A review of salt stocks has been completed facilitating the closure of Tower Street and the proposed relocation of the Car Pound. This is dependent on NSL Limited (National State and Local) discussions and a potential capital receipt at Tower Street.
- 3.17 The 10-year projection table below demonstrates what can be achieved with joined up thinking, taking a corporate approach and a relatively modest amount of investment. It also shows the benefits of thinking longer term and not just in terms of savings that can be made in one financial year.

<b>Revenue Savings</b> £2.1m	<b>Capital Receipt</b> tbc	<b>Capital Investment</b> £174k
Barnton Depot closure	Tower Street	Bankhead ERS remodelling
Barnton Depot lease income		
Salt transfer savings		
Operational savings		

*NB: Revenue savings are calculated over a ten-year period. They are not expected to be used to support the prudential borrowing requirement.*

### **Murrayburn and Longstone Depots, Woods Centre**

- 3.18 The original proposal to dispose of part of the Murrayburn site, retaining the Council's historic archives and Records Centre as part of any future housing redevelopment does not deliver the required benefits from either a placemaking or an estates strategy perspective. The condition of Murrayburn Depot is also much worse than previously thought.
- 3.19 The site is suitable for a mix of uses, including affordable housing and could form part of a wider placemaking exercise incorporating other Council and partner assets across Murrayburn and Longstone Depots. Existing feasibility studies suggest that

the Murrayburn Depot site alone could provide land for between 150 - 200 mixed tenure homes.

- 3.20 The timescales for the closure of Murrayburn are currently uncertain as there are dependencies associated with relocating Archives and the Records Management service, and associated risks in relation to business continuity and service provision. The costs of this relocation will also need to be considered within the overall funding package.
- 3.21 The options for the City Archives and Records Centre are to be considered as part of a wider City Collections storage workstream. The scope of this proposal includes storage associated with nine Museum and Gallery venues, Reserve Collections, the City Archives store, and the Records Centre. The archives and artefacts are currently dispersed across several different locations, some of them poorly suited for this purpose and others earmarked for alternative uses or disposal such as Murrayburn. The status quo is considered inefficient and unsustainable.
- 3.22 In addition, there are opportunities to transform frontline service delivery for both the Museums and Galleries and the Archives and Records Management services. This includes exploring cross council and external partner collaboration, as well as potentially improving public access arrangements.
- 3.23 The Print, Mail and Scanning service are currently based across two different sites at the Woods Centre and Murrayburn. The fabric of the Woods Centre is not fit for purpose and it the proposal to bring these operations together in a single production floor (along with the Sign workshop, currently located at Bankhead Depot) and suitable locations are currently being assessed. Doing so will act as an enabler in realising further service efficiencies.
- 3.24 The site of the Woods Centre can be developed, in principle, for affordable housing. Housing has instructed a capacity study which suggests that the site could provide land for around 50 homes once the existing buildings have been demolished.

### **Russell Road**

- 3.25 As part of the Asset Management Strategy, the approach to the retained estate is to identify income generation options where possible, and this is to be applied at the Russell Road Depot which has the potential to be redeveloped for light industrial/business uses. This will provide the Council with a revenue stream, whilst also offering new space to the market from both this location and many of the smaller depot sites.
- 3.26 In addition, the Russell Road site is being considered as one option for the consolidated access and storage solution for Council services, including archives, museums reserve collections and records.

### **Powderhall, Peffer Place, Inch Depots**

- 3.27 Where sites of strategic size are released from the depots estate, the Council will undertake a Placemaking exercise to identify service, partner, and community requirements in the area before developing their own plans. The redevelopment of

the former waste transfer site at Powderhall Depot is an example of this approach. This site will form part of the Council's commitment to provide new affordable homes and new early learning and childcare provision in the city. A full Placemaking exercise is underway involving, in depth, community and stakeholder consultation. Grant funding is also being sought to renovate the listed former stable building into creative workshops and a community space.

- 3.28 At Inch Depot options are being explored such as an enhanced new South East depot location or whether to release it for alternative uses. These options need to be fully explored and discussed with communities, other services, and potential partners.

### **Next Steps**

- 3.29 The next steps are to undertake further detailed options appraisals, planning, development, and engagement associated with:
- Requirements for the South East and North West depot sites, along with permutations for the Inch plant nursery;
  - Proposals for the consolidation of the Council's storage estate; and
  - Major projects and workstreams described in appendix 4.

## **4. Measures of success**

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- 4.1 Overall progress on the implementation of the Depots Strategy can be measured by a range of factors, including:
- Improved and enhanced depots estate;
  - Facilitating increased housing supply by exiting depot sites;
  - Increasing the supply of small industrial units at depot sites unsuitable for housing;
  - Investment in the council depots estate brings improved reliability of frontline services supported by efficient depots;
  - Delivering a saving whilst improving frontline services;
  - Reducing the size of the estate and accelerating economic development opportunities in tandem; and
  - Improving working conditions for staff.

## **5. Financial impact**

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- 5.1 The Depots Strategy continues to be self-funding. The total cost of the strategy is being met from within the capital receipts achieved and will continue to be contained within the previously approved prudential borrowing of £20.85m.



- 5.2 The overall loan charges associated with the expenditure to be funded by borrowing over a 20-year period would be a principal amount of £20.85m and interest of £13.59m, resulting in a total cost of £34.440m based on a loans fund interest rate of 5.1%. The annual loan charges would be £1.722m which can be accommodated by identified revenue savings.
- 5.3 The Depots Strategy continues to deliver enhanced service delivery and an improved estate at no net revenue cost. However, depending on the outcome of work in the west of the city, the strategy may deliver a further potential revenue saving.

## **6. Risk, policy, compliance, and governance impact**

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- 6.1 No adverse risks have been identified.
- 6.2 There is potential that proposals for the Depots Strategy are delayed and/ or re-shaped through the processes of stakeholder engagement. This is to be mitigated through full engagement and consultation.

## **7. Equalities impact**

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- 7.1 The contents and proposals of this report have been assessed with respect to the Equality Act 2010 public sector equality duty. In this regard, an integrated impact assessment (IIA) was completed. Initial findings have indicated that reducing property costs will enable greater savings to be realised, which in turn will enable more effective protection of frontline services to vulnerable citizens, and meeting demographic pressures.
- 7.2 The IIA identifies positive environment and sustainability impacts as investment is made in fit for purpose, accessible and more efficient buildings.

## **8. Sustainability impact**

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- 8.1 The proposals contained within the Depots Strategy align strategically with the key programme areas outlined in the Sustainable Energy Action Plan (SEAP), sustainability commitments outlined in the 2050 City Vision, the Air Quality Action Plan and Sustainable Edinburgh 2020.
- 8.2 The Council's depot estate can positively impact on sustainability, through actions specifically designed to lower carbon emissions – for example, energy efficiency, resource efficiency and by encouraging low and zero carbon energy generation.
- 8.3 As large operational facilities, the retained depot estate could provide potential for roof top solar PV generation.
- 8.4 The depot review takes cognisance of the impact of vehicle travel time on proposed new facilities with the ultimate aim of reducing fuel usage.

- 8.5 As the number of electric vehicles in the city continues to grow, the Council's depots are able to facilitate EV charging hubs providing charging facilities to residents, businesses, Council staff and the Council's own fleet vehicles.

## 9. Consultation and engagement

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- 9.1 Consultation and engagement with staff is taking place in relation to the wider strategic context.
- 9.2 Communications have been established with the Trade Unions and regular meetings are held in relation to the Depots Strategy.
- 9.3 ERS staff have, and continue to be, consulted on the Depots Strategy, notably the remodelling of Bankhead Depot and closure of the Barnton site.
- 9.4 Placemaking exercises will be undertaken involving in depth community and stakeholder engagement in recognition of the potential sensitivity of individual sites.
- 9.5 Both the Depot's Strategy and the Museums and Galleries Consolidation workstreams form part of the Council Budget Consultation currently underway.

## 10. Background reading/external references

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- 10.1 [Review of Council Depots Estate – Investment Strategy at Finance and Resources, 2 February 2016. Referred to City of Edinburgh Council on 4 February 2016.](#)

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## 11. Appendices

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- 11.1 Appendix 1: Construction Photographs of Seafield and Bankhead Depots
- 11.2 Appendix 2: Existing Depots Map

- 11.3 Appendix 3: Proposed Depots Map
- 11.4 Appendix 4: Depots Programme Status

## Appendix 1

### Bankhead Depot (anticipated completion, 2019)



*Project Underway*



*Project During Construction*



*Project at Current Stage*

### Seafield Phase 1 (completed, 2017)



*1<sup>st</sup> Floor Office Area*



*Cafeteria Area*



*External View*

### Seafield Phase 2 (practical completion imminent, 2018)



*Internal View of Current Progress*

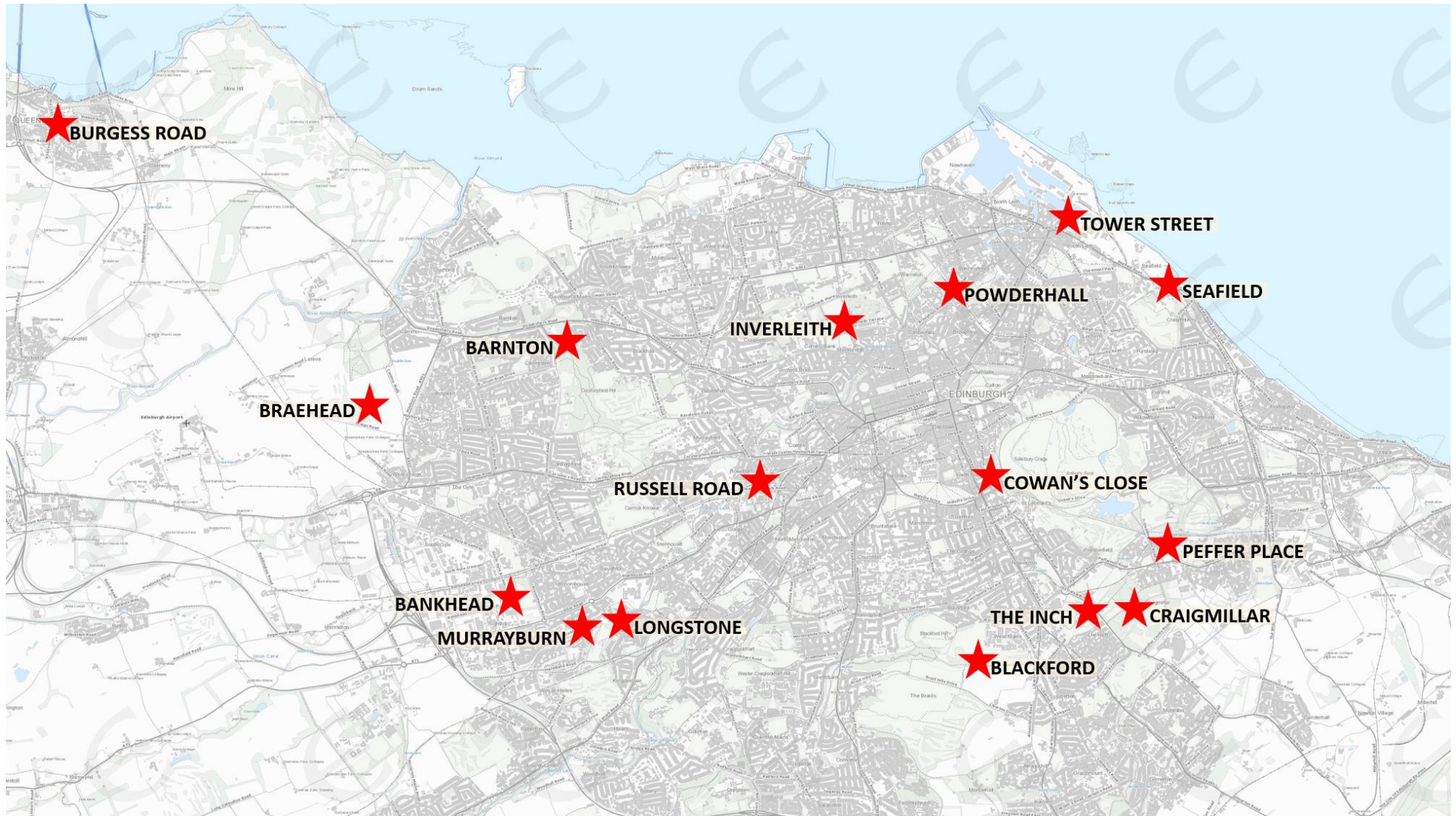


*Side View*

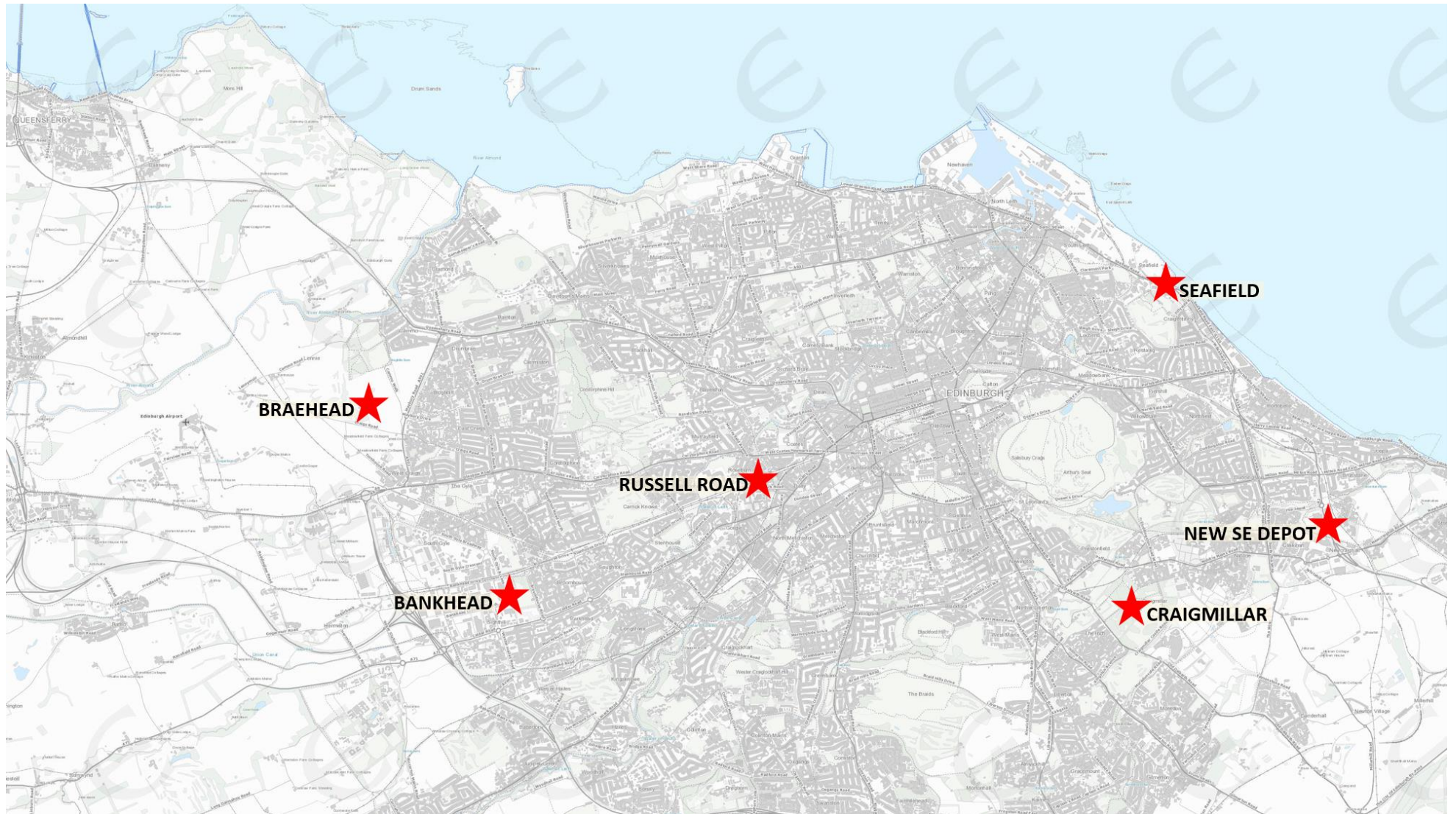


*Aerial View*

## Appendix 2: Existing Depots Map



### Appendix 3: Proposed Depots Map



#### Appendix 4: Depots Programme Status

Depot	Original Proposal 2016	Current Proposal 2018
Balcarres Street	Dispose: sold in 2015	No change. Disposed
Bankhead	Retain: invest and enhance	Further develop and invest
Barnton	Retain: satellite depot	Close depot. Retain site and lease out for income
Blackford	Retain: satellite depot	Close depot. Retain site and lease out for income
Braehead	Retain: satellite depot	Retain as strategic salt store on temporary basis
Burgess Road	Retain: satellite depot	Close depot and sell site.
Cowan's Close	Dispose: transfer to HRA	No change. Dispose: transfer to HRA
Craigmillar	Retain: satellite depot	Retain: invest and enhance
The Inch	Retain: satellite depot	Dispose or develop: options appraisal, engagement, and consultation
Inverleith	Retain: satellite depot	Dispose or develop: options appraisal, engagement and consultation
Longstone	Dispose: transfer to HRA	No change. Dispose: suitable for affordable housing and site assembly
Murrayburn	Dispose part site (retaining Archives and Record Centre)	Dispose in full: suitable for affordable housing and site assembly
Peffer Place	Dispose: alternative uses to be evaluated	No change. Dispose: transfer to HRA
Powderhall	Dispose: transfer to HRA	Dispose: transfer to HRA and site assembly
Russell Road	Retain: invest and enhance	Close depot. Light industrial uses for income and potential Council storage facility for Museum Reserve Collections, Archives and Council Records
Seafield	Retain: invest and enhance	Further develop and invest
Stanley Street	Dispose: alternative uses to be evaluated	No change. Close depot. Site leased out
Tower Street	Retain: satellite depot	Close depot: sell for development
West Shore Road	Dispose: transfer to HRA	No change. Dispose: transfer to HRA