

## Committee Report

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**PURPOSE:** Final Decision Report

**KEY OR NON-KEY DECISION:** Key decision over £500k

**COMMITTEE:** Homes and Housing Delivery Committee

**DATE:** 01 November 2024

**TITLE:** Expansion of the joinery shop

**Ward(s):** Lawrence Hill

**Officer presenting the report:** Craig Cook **Job title:** Head of Repairs and Maintenance

**Committee Chair:** Cllr Barry Parsons

**Executive Director lead:** John Smith: Executive Director for Growth & Regeneration

**Proposal origin:** BCC Staff

### **Purpose of Report:**

1. To seek approval to move and expand the joinery shop from its current location at Wellington Road depot to a new, larger premises that will allow for growth and increased capacity to meet demand and create revenue stream for the HRA.
  - a. Review relocation options within the paper.
2. Approve the delegation of authority to the executive director of growth and regeneration (in consultation with the chair of homes and housing delivery committee) to approve and award contract for terms in respect of any lease, in line with maximum budget envelope outlined in this report.

### **Evidence Base / Options to consider:**

The joinery shop has outgrown its current location at Wellington Road. Demand has increased due to fire safety legislative changes in the sector. Internally BCC has accelerated the fire door replacement programme and externally other local authorities are seeking providers to supply high quality fire doors. The demand has meant that the joinery shop has been unable to produce enough fire doors and require to contract out work at an increased cost to the council. BCC is also continuing to turn down work for internal project teams and other Local Authorities.

The joinery shop is currently based at Wellington Road depot. The Wellington Rd Depot is located within the

Frome Gateway Area of Growth and Regeneration. This planning policy designation is set out in [Policy DS5: Frome Gateway](#) in BCC's [emerging Local Plan](#).

Of strategic importance is that the depot is proposed at the preferred location for a new energy centre for the Frome Gateway District Heating Network. All new development in and around this area will be required to connect into the energy centre and this is an important part of BCC's low carbon transition. Resultingly, BCC Regeneration have been working with Vattenfall to progress design and feasibility work to progress against this objective. Following successful public consultation cabinet reports endorses (decision 3) two options, one of which is *The Wellington Road Depot Site: where an energy centre is proposed to support the expanding district heat network, co-located with residential above including larger affordable family homes*

Vattenfall are currently exploring the use of the Depot site for both a temporary and permanent energy centre. The delivery of the temporary centre is required in time for the first wave of new developments being built.

BCC Regeneration are also undertaking scoping work to understand the potential for the Depot to be used, alongside the temporary energy centre, on a meanwhile use basis to relocate and accommodate local businesses who may be at risk of displacement because of other development sites in the area coming forward for redevelopment.

Therefore, to ensure both BCC Regeneration and Vattenfall can occupy the site and progress against these two objectives, **vacant possession is requested by Summer 2025**. However, there may be some flexibility in this as the Frome gateway regeneration team will work in collaboration with the service by not applying pressure for a vacant possession order that does have the ability to move if required.

There is also significant investment required in the site for both health and safety concerns and building facilities management requirements. The joinery shop requires new premises to continue business.

This presents the business with an opportunity to meet this demand and at the same time creating jobs and additional revenue for the Council.

This report therefore facilitates two elements:

- 1. New premises.** This report will evaluate two options - either BCC owned Sandy Park or a private commercial premises.
- 2. New equipment.** Investment in new manufacturing equipment and techniques to produce products which will significantly reduce manufacturing production costs and installation costs further downstream in the R & M team.

#### **New premises considerations:**

#### **Current Location:**

Total working space at this site **1570.9** m2

#### **New premises requirements:**

Minimum floor space of **2,820m<sup>2</sup>** (approximately 170% the area of the premises at Wellington Road)

Good access to main road networks for bringing in materials and transporting finished products to customers.

Easy access for large vehicles to enter/manoeuvre around the site as well as to empty the dust from the external storage container and to supply the treatment tank.

Good clearance heights on access points into the building for a forklift truck and around the building for safe and effective handling of materials and products to be moved between sections.

Plenty of storage to allow for bulk purchasing of raw materials and finished products.

Good lighting & temperature control

A power supply capable of meeting operational requirements

Easy installation of a dust extraction system from each bench/machine to a central collection point (a large container external to the building).

Two options have been considered as part of the proposal.

BCC owned premises and Commercial private rented premises. The corporate property team have been extensively consulted to seek any vacant or tenanted premises. There are no suitable sites within BCC's property portfolio (confirmed 30/09/2024 with Head of service from the corporate landlord) except for Sandy Park. A full options matrix is appended to this report but summarised below.

### **BCC owned Sandy Park:**

#### **Benefits:**

- No rent payments lost to private sector.
- Gives some financial security to Joinery shop with influence over rents long term.
- Centralises some council services together.
- Give a long-term solution to Sandy Park depot.
- Investment would go into council stock.

#### **Risks:**

**Elevated level of investment** required to meet some but not all our requirements for a building.

- The building is grade 2 listed and very tall interior uninsulated roof structure, with poor heat retention. A building within a building would need to be built for the workshop so as not to

touch any of the original architecture. Circa £1.4m.

- A new heating system would need to be installed.
- The floor will need strengthening with steel reinforcement to take the weight of the machinery and extraction pipes to make it suitable for use and levelling. This will cost circa £500k.
- The building would require a substantial 3 phase electricity supply to run machinery and sufficiently heat and cool building which is currently not available on site. This would need to be installed with costs between £40k -£160k.
- We estimate in total this would be around £2.3m.

**Building is smaller than our ideal minimum size of 2,820m<sup>2</sup>.** Total floor space at Sandy Park is circa 2,800m<sup>2</sup> before the internal building is installed along with other changes. With the internal building it would be **2,350m<sup>2</sup>**; approximately 20% below requirements and have therefore reflected this in reduced benefits of a similar scale.

**The length of time to implement** the building changes (estimate 2 years) would mean that the Joinery shop would need an extension at Wellington Road on its leaving date. This would also delay some of the benefits. This does not align with the vacant possession request.

The corporate landlord have also identified other uses for Wellington Road and Sandy Park to mitigate general funding loss for buildings.

### **Commercial private rented premises:**

#### **Benefits:**

- Lowest capital investment option
- Ability to meet the Summer 2025 exit if a suitable building can be found. It is estimated that it will take 8.5 months to implement.
- Benefits delivered quicker due to shorter implementation timeline with less structural changes and planning issues.
- Some of the initial setup or rent costs could be negotiated with the landlord as part of the lease agreement to mitigate initial costs.
- Could create further opportunity to rent out vacant space to other council services.

#### **Risks**

- Rent opportunity lost to private sector.
- Finding a suitable premises may be a risk and delay the project, however preliminary investigations have taken place and the business started identifying suitable potential locations which meet our requirements.
- Volatile rental market subject to external landlord however some of this can be mitigated in contractual terms for both parties.

## Financial Appraisal

A capital budget of 1.25m has already been approved as part of the HRA business plan. Documents linked below for reference. Ongoing revenue costs are offset in unit price charges back to service utilising joinery shop manufacturing.

### New Machinery

Investment in new machinery to improve productivity and develop new products. We are forecasting that our revenue will grow from £3-£3.5m to circa £6m over the next 4 years as the new products and our capacity increases.

In total the business case is seeking £0.43m of investment in new machinery; £0.07m is to replace outdated old machinery and £0.36m for new machinery and workbenches. Particularly the introduction of digital CNC production will see significant improvements in production time in the factory, but also fitting time on site.

A financial appraisal is included in the pack, but the two tables below summarise this information.

<b>Investment Costs</b>	<b>Option A Sandy Park</b>	<b>Option B Commercial Premises</b>
Property Investment:		
- Fit Out Costs	£200k	£200k
- Drainage	£65k	
- Floor strengthening	£200k	
- Floor levelling	£300k	
- Phase 3	£160k	
- Building redevelopment	£1,375	-
New Machinery	£445k	£445k
Moving Costs:		
- Lost revenue	£272k	£272k
- Remedial costs of old premises	£30k	£30k
- Moving costs	£33k	£33k
- Legal expenses / surveys	£45k	£15k
<b>Total Investment Costs</b>	<b>£3,125k</b>	<b>£995k</b>

Options	Sandy Park	Commercial	Close business
<b>One off cost:</b>			
- Building investment	-£2.30	-£0.20	
- New Machinery	-£0.44	-£0.44	
- Moving costs	-£0.38	-£0.35	
- Redundancy			-£1.50
<b>Total One-off Costs</b>	<b>-£3.12</b>	<b>-£0.99</b>	<b>-£1.50</b>
<b>Benefits (5yrs):</b>			
- Increase in productivity (Joinery Shop) - 1	£0.70	£0.88	
- Increase in productivity (Carpentry)	£0.40	£0.40	
- Increased profitability / revenues - 2	£2.71	£3.39	
<b>Total Benefit</b>	<b>£3.81</b>	<b>£4.67</b>	<b>£0.00</b>
<b>Costs (5yrs):</b>			
- Rent / rates	-£0.23	-£1.50	
- Lost profit			-£3.86
- Maintenance	-£0.08	-£0.08	
- Indirect staffing	-£0.28	-£0.28	
<b>Total Costs</b>	<b>-£0.58</b>	<b>-£1.86</b>	<b>-£3.86</b>
<b>Net Benefit (Total Benefit – Total Costs)</b>	<b>£3.23</b>	<b>£2.81</b>	<b>-£3.86</b>
<b>5-year return £m (One-off less Net Benefit)</b>	<b>£0.11</b>	<b>£1.82</b>	<b>-£5.36</b>
<b>Payback (Years)</b>	<b>4.8</b>	<b>1.8</b>	<b>0.0</b>

The points to bring to your attention are the variation in capital cost between the premises options. Also the reduction in productivity and revenue between the two sites.

When reviewing the 5 year cost benefit analysis, although the rental cost is higher for the commercial premises this is offset by the capital expenditure, reduction in productivity and revenue opportunity. The overall payback period for each site is indicated at the base of the table. The costs remain fluid due to the volatility in the sector but can be mitigated through lease negotiations.

## Location Summary

Summary of Key Issues	Sandy Park	Commercial
Investment	High	Low
Payback	4.8 years	1.8 years
Risk of benefit not being delivered	High	Low
Length of implementation	2 years	8.5 months
Availability of premises	Planning issues	Suitable premises identified

### **Officer Recommendations:**

That the Committee for Homes and Housing Delivery approves the proposal to:

1. Move the joinery shop to private rented premises and invest in new equipment, in line with the proposals set out in the report.
2. Authorise the Executive Director of Growth and Regeneration (in consultation with Chair of the Homes and Housing Delivery Committee) to approve negotiation and award contract for terms in respect of any lease, in-line with maximum budget envelopes outlined in this report.

### **Notes:**

3. The creation of the commercial manager post, paid through efficiency savings in staffing time and increased revenue from increased output.
4. The requirement for support from either the PMO or external third party to project manage the relocation of the joinery shop.

### **Corporate Strategy alignment:**

1. HC1 – Housing supply. Ensures the landlord function meets its statutory obligations on fire safety whilst also providing value for money and furthermore a revenue stream to the HRA.

### **City Benefits:**

1. This proposal ensures the service secure value for money when delivering services for residents of retained social housing stock. As a result, the HRA will be able to reinvest the savings and new revenue into improving the stock further. The full business case is appended in Appendix A.
2. The equalities assessment has been considered in the EQIA also appended to the document, but this proposal improves conditions for staff working within the joinery shop, increases local jobs and will give opportunity to recruit more apprentices from diverse backgrounds.
3. The sustainability assessment addresses better use of space to reduce waste and maximise efficiency in the production process. This in turn reduces transportation and fitting time, reducing carbon footprint. There will be environmental benefits to either move as moving to a third party would move the emissions to scope 3 in respect to our carbon targets, or we would be investing in newer and efficient systems in one of our assets and moving out of an inefficient one (Wellington Rd).
4. The team currently employ several apprentices who are highly skilled, being either nominated or awarded best in class each year. The proposal will bring new employment to the city, through additional apprenticeships and trades based roles.
5. The team are developing innovation to meet external market requirements including sustainability and energy efficient products. The expansion will reduce waste, produce sustainable products with longevity to match less sustainable products such as composite and UPVC.

### **Consultation Details:**

1. The relocation has been discussed under the previous administration following the governance pathway to full council.
  - a. Cabinet member briefing
  - b. Executive Director meeting
  - c. Capital investment programme board
  
2. Internal BCC departments have been consulted, which this report addresses feedback to work collaboratively for the best possible solution including:
  - a. Corporate landlord function
  - b. Frome Gateway project team
  - c. Corporate finance
  - d. Project Management office
  - e. Corporate Health and Safety

**Background Documents:**

[\(Public Pack\)Housing Revenue Account \(HRA\) Budget Proposals 2024/25 Agenda Supplement for Cabinet, 23/01/2024 16:00 \(bristol.gov.uk\)](#) page 4.

[Frome Gateway Framework Decision Pathway Report Feb 2024.pdf \(bristol.gov.uk\)](#)

[Frome Gateway, Spatial Regeneration Framework \(bristol.gov.uk\)](#)

[Bristol Local Plan: Publication version November 2023](#)

[Local plan review \(bristol.gov.uk\)](#)

<b>Revenue Cost</b>		<b>Source of Revenue Funding</b>	
<b>Capital Cost</b>	<b>£1,250,000.00</b>	<b>Source of Capital Funding</b>	HRA – Already approved at Full council link above
<b>One off cost</b> <input checked="" type="checkbox"/>	<b>Ongoing cost</b> <input type="checkbox"/>	<b>Saving Proposal</b> <input type="checkbox"/> <b>If yes - existing or new saving?</b> Choose an item. <b>OR Income generation proposal</b> <input checked="" type="checkbox"/>	

**1. Finance Advice:** The two options presented in this report are to move the joiner's shop to Sandy Park, or to enter into an agreement with an external landlord for the lease of suitable industrial space. The Joiners shop is unable to remain at its current site at Wellington Road. Both options present the opportunity for efficiency savings to be generated, however the potential with the Sandy Park site with regards to storage of glass units is lower as the size of the property is smaller. The options appraisal undertaken would suggest that from a financial perspective, a move to an external landlord is preferable, given the significant capital requirement to improve the existing property at Sandy Park, the greater potential for efficiencies to be generated, as well an increased possibility of generating external income. However, further work is required at this point to determine the size and make up of any external opportunities more accurately.

**Finance Business Partner:** Martin Johnson – Interim finance Manager Housing and Landlord Services 4 September 2024



**2. Legal Advice:** The proposal to expand the joinery shop raises no particular legal issues. Renting commercial premises will require legal support in connection with any lease negotiated by property services. The service will need to keep under review the degree of external work undertaken and its potential impact on the commercial nature of its activities.

**Legal Team Leader:** Eric Andrews; Legal Services; 5 September 2024

**3. Implications on IT:** I.T. are supportive and available to aid in progressing relevant work and can be engaged through the existing work request process.

**IT Team Leader:** Alex Simpson – Lead Enterprise Architect. 28 August 2024

**4. HR Advice:** The requirement to transfer the Joinery Shop to another location will affect the current 23 staff who will move into new premises with investment in new manufacturing equipment. This will enable business development and create additional job opportunities over the next 4-5 years, including the expansion of the current apprenticeship programme.

In relation to the requirement for the staff affected by the work relocation, the provision within The Bristol Contract (Terms and Conditions of Employment) would apply in that a change to a work base will require consultation with the colleagues affected and recognised trade unions to be held at least one month before the change happens.

**HR Partner:** Niki Rodgers, HR Consultancy Manager, Growth and Regeneration 5 September 2024

## APPENDICES

**Appendix A – Further essential background / detail on the proposal**

**YES**

<b>Appendix B – Equality Impact Assessment (EqIA)</b>	<b>YES</b>
<b>Appendix C – Environmental Impact Assessment</b>	<b>YES</b>
<b>Appendix D – Decision Risk Assessment</b>	<b>YES</b>
<b>Appendix E – Exempt Information</b>	<b>NO</b>
<b>Appendix F – Details of consultation carried out - internal and external</b>	<b>YES</b>
<b>Appendix G – Options appraisal matrix</b>	<b>YES</b>
<b>Appendix H – Business case / financial analysis</b>	<b>YES</b>