



REPORT

SUBJECT: Lease of Unit 10C, Severnbridge Industrial Estate

MEETING: Individual Cabinet member decision (Cllr Phil Murphy)

DATE: 26th July 2017

DIVISION/WARDS AFFECTED: Severnside

1. PURPOSE

To gain approval to enter into a 5 year lease of Unit 10C, Severnbridge Industrial Estate to use as a Vehicle Maintenance Workshop.

2. RECOMMENDATIONS

- 2.1 That a 5 year lease be agreed for Unit 10C, Severnbridge Industrial Estate and fit out costs associated with its conversion to a vehicle maintenance workshop be approved.

3. KEY ISSUES

- 3.1 Presently approximately 70 vehicles (light goods and HGV's) are inspected, serviced and repaired at the vehicle repair shop in Pill Farm depot (Unit 10b).

- 3.2 The repair shop in Pill Farm depot is small and inadequate to carry out works in an acceptable environment resulting in mechanics routinely carrying out repairs outside of the repair shop due to access and the lack of suitable pits or ramps.
- 3.3 The repair shop is also in very poor condition with investment required to make the building sound for ongoing use as a repair shop. Outstanding works to bring it back to acceptable standard include roof repairs, gutters, asbestos encapsulation, upgrade exhaust extraction system, electrical upgrade and work to existing ramps. Costs are estimated at between £20,000 and £25,000.
- 3.4 Even if the remedial works are undertaken the repair shop remains too small to carry out a full range of servicing and repairs under cover in suitable working conditions; a situation which has become unacceptable to continue to sanction in the long term.
- 3.5 Two mechanics operate from Caldicot and, in the event of suitable alternative premises not being secured officers have investigated the option of these staff and the 70 vehicles being transferred to the Raglan Workshop. In the event of the vehicles being transferred to Raglan then additional costs will be incurred for downtime, labour (drivers) and fuel. These are estimated in the resources section below.
- 3.6 Officers have for several years been seeking an affordable unit in the Caldicot area in order that the vehicle maintenance function may be transferred from its current workshop (10b , Caldicot Pill Farm) into more suitable premises without being too remote from its main users (largely operational vehicles used by highways, SWTRA, waste, grounds, PTU). However the units in the area appear attractive to private sector users and are either let quickly or are unaffordable.
- 3.7 Although some of the smaller vehicles used by PTU in the South are inspected and maintained at Caldicot Pill Farm (minibuses). The majority of PTU vehicles in the South are inspected and maintained by Newport Bus Company (buses and minibuses). Last year approximately £140,000 was paid to Newport Bus for inspection and maintenance services. Even if Unit 10C, Severn bridge Industrial estate is leased not all PTU vehicles will be serviced 'in house' as the unit will have insufficient lifts and ramps. However an increased level of inspection and repair may be undertaken in house with an anticipated saving in expenditure and down time of approximately £10,000 per annum (reflected in the resource section below).

4. REASONS

- 4.1 For several years officers have been concerned about working conditions for mechanics in Pill Farm depot. Various alternative workshops have been considered in recent years but either suitability or costs have rendered them unacceptable. The need for investment into the fabric of the workshop to return it to a suitable condition for use as a workshop has again focused attention on how vehicle maintenance should be undertaken in the south of the county.
- 4.2 Both in terms of capacity and downtime the transfer of all maintenance to Raglan is not feasible. Unit 10C will provide a suitable premises for conversion to a workshop and is affordable. Ideally a much bigger workshop would be acquired but these come to the market infrequently and market forces render them too expensive. However the lease of Unit 10C offers a larger more suitable workshop than that in Pill Farm depot and which can absorb some additional works. This approach retains the mix between 'in house' and private vehicle maintenance provision. Transferring all works to private workshops has been contemplated but those capable of managing specialist vehicles such as waste/recycling freighters, gritters, gulley emptiers etc. are few so overall retaining an 'in house' provision with selective use of private providers gives flexibility whilst retaining expertise.

5. RESOURCE IMPLICATIONS:

5.1

Proposed New Depot - 10C Severn Bridge Ind Est

<u>Initial Set Up Costs</u>		One Off Set Up Costs	Annual Costs
IT (SRS Quote) WIFI, Phones, PDQ machine		£2,500	
Works needed to occupy premises	Extraction system, equipment move	£15,000	
		£17,500	

Annual Costs

Lease of Premises	£18k per annum minimum of 3 years but 5 years is preferred	£18,000
Lease of Equipment to set up garage element	£12k approx for £100k of equipment - Estimated Equipment Cost £61,230	£7,348
Rates		£8,000
Utilities		£4,000
Service Charge		£2,500
Cleaning Costs - Offices/Mess Rooms etc	Based around current costs of Pill Farm	£1,000
		£40,848

Savings

Utilities - Pill Farm		-£3,000
		-£3,000

Total Annual Costs

£37,848

Potential Income Generation

Servicing of PTU fleet	Carried out internally - keeping money in house.	-£10,400
Air Conditioning	Estimate - based on 30 vehicles @ £50 per regen	-£1,500
Engine Diagnostics	Estimate - based on 30 vehicles @ £30 fee - will increase over time once marketing is undertaken and capacity can be ascertained.	-£900

Minor Repairs and Servicing	Estimate - based on 30 vehicles @ £35 labour rate for 4 hrs service - will increase over time once marketing and capacity known.	-£4,200
Total Income		-£17,000

£17,500 £20,848

Cost Avoidance

Repairs to Unit 10b , Caldicot Pill Farm Depot (excludes essential repairs to render the unit wind and watertight)	-£15,000
Downtime on transfer of vehicles from Caldicot to Raglan (allowing labour time only – 630 hrs @ £13.39 per hour)	-£8,435
Additional fuel costs travel from Caldicot to Raglan – 34 HGV's @ 5 mpg – 45 miles round trip – 10 journeys per year	
- 36 light goods @ 25 mpg – 45 miles – 5 journeys per year	
- HGV – 3,060 gals, light goods – 324 gals – 3,384 gals	
- 3,384 gals @ £4.50 per gallon	-£15,228

Net Cost Implications	One off	Recurring
	£2,500	-£2,815

The cost avoidance entries included above are legitimate costs in arriving at a decision. However based upon the income and expenditure estimates the revenue budget will incur additional costs of £20,848. Some modest allowance has been made for additional income (air conditioning, diagnostics, servicing) and officers will be seeking to attract further income from other potential customers in the area to reduce the additional cost impact. In the event of no further net income being secured then the additional cost will fall to be recovered through the existing customer base (Highways, SWTRA, Waste and Street scene, PTU, social care, leisure).

If the lease of Unit 10C is approved it is not feasible to release the existing workshop for alternative use as it lies within the larger Caldciot Pill Farm depot. As such no allowance is made for any reduced rental on existing premises and the workshop will be used for storage, small plant maintenance etc.

6. FUTURE GENERATIONS and EQUALITY ASSESSMENT

This decision relates to depot facilities to service various front line services. The decision does not impact upon service standards or quality or any adjustment to service standards. As such an FGEA is considered unnecessary.

SAFEGUARDING ASSESSMENT:. None apply to this report

7. CONSULTEES:

Cabinet
SLT
Head of Community Delivery
Fleet Manager
Head of Finance

Note: During consultation period our Estates Team has negotiated a reduction in rental to £17,000 per annum and a two month rent free period. This offers a 'one off' saving in year one and a recurring operating cost of £36,848.

8. BACKGROUND PAPERS: None

9. AUTHORS

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