

**NOT FOR PUBLICATION**

Appendix A to this report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972

Report to: **Executive**

Date: **11<sup>th</sup> March 2021**

Title: **Harbour Depot, Batson Creek, Salcombe**

Portfolio Area: **Enterprise, Cllr Hilary Bastone**

Wards Affected: **Salcombe**

Urgent Decision: **Y** Approval and clearance obtained: **Y**

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**Recommendations:**

That the Executive recommend to Council to:

- 1. Approve proceeding with the construction of the new harbour depot at Batson Creek, Salcombe in accordance with the existing planning permission (Ref: 1522/19/FUL),**
- 2. Approve the revised business case as set out within Exempt Appendix A of this report, increasing the capital budget from £1m to £1.425m.**
- 3. Approve proceeding with awarding the construction contract as set out within Exempt Appendix A of this report.**
- 4. Approve proceeding with the delivery of the new substation and 1MW transformer through Western Power Distribution.**
- 5. Approve the use of £200,000 from the Marine Infrastructure reserve to fund part of the capital cost of the project.**
- 6. Make an internal borrowing facility available to Salcombe Harbour Authority, in the form of a 50 year loan of up to £1.225m at a fixed interest rate of 1.5%, to fund the construction.**

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### **1. Executive summary**

- 1.1 The purpose of this report is to provide the Executive with a project update and to seek approval of the corresponding recommendations.
- 1.2 The Salcombe Harbour Authority currently operates from a depot in Island Street, Salcombe, as well as at an administrative office located in Whitestrand, Salcombe.
- 1.3 The current facilities are becoming increasingly unsuitable for the harbour authority to undertake their operational duties in a safe and efficient manner, owing to lack of space and restricted vehicle access.
- 1.4 Delivery of the project will future proof the Harbour Authority's operational requirements, should it require to use wider vessels (likely as a result of MCA stability regulations).
- 1.5 The Health and Safety operational risks of operating in a bespoke building will require less mitigation than is currently the case in the Island Street workshop and productivity and quality control of vessel maintenance will be improved.
- 1.6 Following completion of the recent tender evaluation the recommendation to the Executive is to deliver the new Harbour Depot, in accordance with the current planning permission (1522/19/FUL), for occupation by the Salcombe Harbour Authority.
- 1.7 The project cost of up to £1.425m would be delivered through a combination of internal borrowing of up to £1.225m and £200k from the Marine Infrastructure Reserve.
- 1.8 A rate of 1.5% has been taken as a fair balance between lost investment income that the council would make investing the funds, an appropriate market rate and the current Public Works Loan Board Rate. As such this represents the most economically advantageous rate that the council can offer to support project delivery. The revised business case is presented in **Exempt Appendix A**.
- 1.9 Whilst additional capital borrowing is required the revenue position remains neutral to the position set out at the Salcombe Harbour Board meeting of January 2019. This is due to the construction price achieved through the additional competitive tendering exercise and the recommendation to reduce the interest rate proposed at 1.5%.
- 1.10 Approval of this revised business case will ensure that the project can be managed correctly, with appropriate consideration of risk,

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and the building delivered on time, budget and to the expected quality standards.

- 1.11 Subject to Executive approval the revised business case would then be presented at the Salcombe Harbour Board meeting of the 15<sup>th</sup> March 2021, ahead of Full Council meeting on the 25<sup>th</sup> March. This will then enable the borrowing to be agreed and the project to proceed in time to commence construction in September 2021.
- 1.12 This report should be read in conjunction with the separate Executive report titled: Commercial Units, Batson Creek, Salcombe which is also being presented at this Executive meeting.

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### **2. Background**

- 2.1 The Salcombe Harbour Authority currently operates from a depot in Island Street, Salcombe, as well as at an administrative office located in Whitestrand, Salcombe.
- 2.2 The current facilities are becoming increasingly unsuitable for the harbour authority to undertake their operational duties in a safe and efficient manner, owing to lack of space and restricted vehicle access.
- 2.3 The proposal is to relocate the authority to a new purpose built facility is to be constructed within SHDC's Batson Creek car park (TQ8 8DU), located to the East of Gould Road and northwest of the Fish Quay.



**Figure 2.1: Site Location**

- 2.4 Batson Creek car park provides:
  - public car parking (March and September only).
  - 25 reserved parking spaces for adjacent Fish Quay.
  - 24hr HGV access to facilitate the export of fish catch from Fish Quay.
  - Year round access to the Fish Quay and Crab Shed Restaurant.
  - Boat storage capacity, administered by the Harbour Authority, during the winter months (September to March). During this period the public parking capacity reduces approximately 20 spaces only.
- 2.5 In 2019 SHDC gained planning permission (1522/19/FUL) for the creation of the new harbour master's depot.
- 2.6 The approved site layout is included in **Appendix B**.

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- 2.7 An overview of the procurement timetable is presented below:
- **March 2019:** SHDC commenced use of the SCAPE minor buildings framework to progress the project through the feasibility, planning and pre construction stages.
  - **July 2019** SHDC gained planning permission (1522/19/FUL) for the construction of five new units.
  - **Early 2020** In consultation with SLT it was agreed to not commit to the SCAPE Gateway 5 costs and to instead undertake a further competitive tendering exercise. The project team believed that this would achieve better value and that whilst not necessarily the preferred route, would help to attract interest from smaller, local contractors. This could be considered even more relevant in response to COVID.
  - **March 2020:** SHDC appointed AECOM to provide the necessary Project Management and Quantity Surveying services required to progress the project from its current status through to on site completion.
  - **December 2020:** Tender documentation issued in accordance with the South Hams and West Devon's joint Contract Procured Rules (2014).
  - **February 2021:** Tender submissions received.
- 2.8 Refer to Section 4 of this report for further information regarding the current Project Expenditure and revised business case.

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### **3. Outcomes/outputs**

- 3.1 The new depot has been designed in close partnership with the Salcombe Harbour Authority, who are the end user, and as such will create a modern, purpose built, two-storey facility to replace the older and outdated facility located on Island Street.
- 3.2 The new harbour depot facility will be an industrial / commercial building that combines a maintenance workshop, a heavy lifting gantry crane and storage facility, together with a changing room, toilet facilities, a kitchen and staffroom.
- 3.3 Upon completion SHDC will retain ownership of the harbour depot and it will be used and occupied by the Salcombe Harbour Authority.
- 3.4 The footprint of the new harbour building will result in the loss of 16 existing public car parking spaces. SHDC recognises that Salcombe is a popular tourist destination and that the local geography restricts the opportunities to provide parking for both locals and visitors. As such the development includes the requirement for these lost spaces to be reclaimed through the design of a revised car park layout.
- 3.5 The existing planning permission proposes to mitigate this loss through the stop up of the existing main car park entrance, generation of a new car park entrance and realignment of spaces.
- 3.6 Relocating the main car park entrance will also reduce the distance that HGV's have to travel through the car park and provide greater separation between the commercial Fish Quay and general public car park traffic.
- 3.7 The delivery of the new workshop will allow the Salcombe Harbour Authority to:
  - Undertake regular maintenance and repair of their vessels.
  - organise and monitor all harbour-based activities, such as checking moorings, ensuring safety and the maintenance of existing walk ashore facilities.
  - centrally manage the administrative duties relating to the operation of Salcombe Harbour.
- 3.8 In the long term the delivery of the new workshop will ensure that the Salcombe Harbour Authority can maintain a presence within Salcombe, retain a local skilled workforce and ensure Salcombe remains a sustainable coastal community.
- 3.9 During the construction phase, a significant amount of economic activity will occur in the locality. The contractor is regional and will use local supply chains where appropriate and it is estimated

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that the total construction spend has a multiplier effect of 2.84 to the local economy whilst works are on site. This would equate to a ~£4m boost during 2021/2022.

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### **4. Project Finances**

4.1 The project has an approved Capital budget of £1,000,000, as detailed within the Commercial Development Opportunities Executive report on the 13<sup>th</sup> December 2018 and approved by Full Council on the 17<sup>th</sup> January 2019.

4.2 The approved business case was based around the following decision process:

- **December 2018 Executive:** Council borrowing from the Public Works Loan Board (PWLB) for the full build cost. The Harbour Authority would then pay the cost of the borrowing and capital repayment, over a 50 year term, back to the Council.
- **January 2019 Harbour Board:** agreed that the borrowing amount would be capped at £800k, resulting in repayments of approximately £36k/yr. Any excess construction cost above £800k up to £1m would be funded through the use of the Marine Infrastructure Reserve (£200,000).
- **January 2019 Harbour Board:** noted that in the event that the anticipated build cost exceeded the £1m project budget, the scheme will be put on hold and the Harbour Board consulted on the possible options going forward.

4.3 The current project expenditure is presented below:

	<b>Expenditure 19/20</b>	<b>Expenditure 20/21 to date</b>	<b>Total Expenditure to date</b>
<b>Total</b>	<b>£114,156</b>	<b>£6,000</b>	<b>£120,156</b>

4.4 Tender documentation was issued on the 4th December 2020 through Pro Contract, in accordance with South Hams and West Devon's joint Contract Procured Rules (2014).

4.5 Tender submission were received from three contractors on the 6th February 2021.

4.6 The returned tender prices range between £850,000 and £1,100,000.

4.7 The tender evaluation score was based upon 70% cost and 30% quality.

4.8 Completion of the tender evaluation process and consideration of the all cost elements has identified a project shortfall, against the current £1,000,000 approved capital expenditure, of £425,000.

4.9 Whilst additional capital borrowing is required the revenue position remains neutral to the position set out at the Salcombe Harbour Board meeting of January 2019. This is due to the



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construction price achieved through the additional competitive tendering exercise and the recommendation to reduce the chargeable interest through internal borrowing to 1.5% rather than the higher Public Works Loan Board rate of 2.0%.

- 4.10 The rate of 1.5% has been taken as a fair balance between lost investment income that the council would make investing the funds, an appropriate market rate and the current Public Works Loan Board Rate. As such this represents the most economically advantageous rate that the council can offer to support project delivery.
- 4.11 The tender submissions remain commercially sensitive and as such all financial information is included within **Exempt Appendix A.**

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### **5. Consultation and Support**

- 5.1 The new depot has been designed in close partnership with the Salcombe Harbour Authority, who are the end user, and as such will create a modern, purpose built, two-storey facility to replace the older and outdated facility located on Island Street.
- 5.2 In 2017 SHDC commenced work on a Batson masterplan of which the delivery of these new units is a key element. The masterplan has been undertaken in consultation with stakeholders and local representatives with key events taking place in October 2017 and October 2018 respectively.
- 5.3 Project progress has continued to be presented at the Salcombe Harbour Board meetings.
- 5.4 Delivery will future proof the Harbour Authority's operational and health and safety requirements.
- 5.5 Please find further supporting statements below:

"The Harbour team do such brilliant work and really need more space and a state of the art work shop and facilities to be able to offer the best and safest service to residents and visitors. I am so pleased that this project will move forward in tandem with the employment units and free up their present space for new businesses." **Cllr Judy Pearce**

"The provision of new employment units has been talked about for a long time and at last we have the opportunity to provide sustainable and affordable workspace for small local businesses. These are essential to keep our small businesses operating in town, allow them to grow and provide employment where it is needed. The project timing will help the surrounding area to move on from the impact of Covid." **Cllr Mark Long**

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### **6. Options available and consideration of risk**

6.1 With consideration of the information presented within this report and **Exempt Appendix A** the options available to the Council are as follows:

#### **Option 1: Do not proceed**

6.2 The decision could be taken by the Council that the additional borrowing is not justified.

6.3 This decision would need take into account the following:

- the H&S risks associated with the Salcombe Harbour Authority remaining in the existing facility on Island Street.
- the restriction on future operational improvements for the Harbour Authority that would remain in place.
- the substation saving that the latest tendering exercise has provided when compared against previously quoted construction prices.
- the impact on the separate commercial unit project, presented within a separate report, as the costs associated with the delivery of the new substation and 1MVA transformer which has been quoted by Western Power are currently shared.

6.4 This is not the recommended option as it would fail to provide the facilities required to ensure that the Salcombe Harbour Authority can maintain a workshop facility that meets its current and future needs.

#### **Option 2: Proceed with construction**

6.5 The decision could be taken by the Council to approve the revised business case and proceed with the project.

6.6 This is the recommended option.

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### **7. Proposed Way Forward**

- 7.1 Subject to approval, award the construction contract to the based upon the recommendations of the tender evaluation process.
- 7.2 Commission delivery of the new substation and 1MVA transformer by Western Power Distribution.
- 7.3 Deliver the new commercial units in accordance with the following key project milestones:

<b>Meeting</b>	<b>Date</b>	<b>Critical Milestone</b>
Salcombe Harbour Board	15 <sup>th</sup> March 2021	Support of Executive
Full Council	25 <sup>th</sup> March 2021	Support of Executive and Salcombe Harbour Board
Contract Award	31 <sup>st</sup> March	Full Council Approval
Start Date	September 2021	
Completion Date	April 2022	

- 7.4 A detailed programme will be identified following contract award and in accordance with NEC form of contract

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### **8. Implications**

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>Statutory powers are provided by the S1 Localism Act 2011 general power of competence. Capital projects on the Capital Programme programme are implemented in line with the Council's legal requirements, which are examined on a project-by-project basis. To date there are no undue legal concerns.</p> <p>Since there is commercially sensitive information in Appendix A regarding the budgets for the projects, there are grounds for the publication of this appendix to be restricted, and considered in exempt session.</p> <p>The public interest has been assessed and it is considered that the public interest will be better served by not disclosing the information in the appendices.</p> <p>Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p>
Financial implications to include reference to value for money	Y	<p>The report sets out an increased capital budget requirement of up to £425,000, bringing the overall project budget to £1,425,000. This will be funded through a combination of internal borrowing of £1,225,000 and £200k from the Marine Infrastructure Reserve.</p>
Risk	Y	<p>All construction projects contain risk. The contingency on this project reflects the ground works and sensitive nature of the site, and has been set at 24% of the construction budget.</p>
Supporting Corporate Strategy	Y	<p>Enterprise and Communities</p>
Climate Change - Carbon / Biodiversity Impact	Y	<p>Timber cladding selected for aesthetic reasons, and as a sustainable material and carbon store.</p>

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		30m2 of solar panels to be located on the roof as the orientation is suitable. This will provide an input capacity of approx. 30KW. The drainage system is complex to ensure than no contamination or pollutants can enter the estuary, which is a SSSI.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	Y	N/A
Safeguarding	Y	
Community Safety, Crime and Disorder	Y	
Health, Safety and Wellbeing	Y	
Other implications	N	N/A

### **Supporting Information**

#### **Appendices:**

**Exempt Appendix A** – Revised Business Case

**Appendix B** – Site Location Plan (19/1505/FUL)

#### **Background Papers:**

Commercial Development Opportunities Executive report on the 13<sup>th</sup> December 2018

Full Council on the 17<sup>th</sup> January 2019.

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed/sign off	<b>Yes/No</b>
SLT Rep briefed/sign off	<b>Yes/No</b>
Relevant Heads of Practice sign off (draft)	<b>Yes/No</b>
Data protection issues considered	<b>Yes</b>
Accessibility checked	<b>Yes</b>