

**Wiltshire Council**

**Cabinet**

**5 February 2019**

---

**Subject: Strategic Depot Review**

**Cabinet Member: Cllr Toby Sturgis, Cabinet Member for Spatial Planning,  
Development Management and Property  
Cllr Philip Whitehead, Cabinet Member for Finance,  
Procurement, ICT and Operational Assets**

**Key Decision: Key**

---

### **Executive Summary**

The purpose of this report is to set out a phased approach to a strategic depot review, describing a concept for the first phase of that review, and setting out the revenue savings and capital required to ensure continuity of service.

Both phases of the review will require further consultation with services, contractors, and other stakeholders. The proposals in this report allow for immediate issues to be resolved in some parts of the depot portfolio.

### **Proposal(s)**

Cabinet are being asked to confirm:

- A phased approach to a depot review to deliver short-term operational requirements, longer-term service and strategic needs, improve facilities, and deliver cashable savings.
- Allocation of an additional £1.4m capital to meet any shortfall in capital requirements

### **Reason for Proposal(s)**

The phased approach and additional capital is being sought to ensure that statutory services can continue to be delivered from the depot portfolio and that service delivery is not put at risk.

**Alistair Cunningham - Corporate Director Growth, Investment & Place**

## **Wiltshire Council**

### **Cabinet**

**5 February 2019**

---

**Subject: Strategic Depot Review**

**Cabinet Member: Cllr Toby Sturgis, Cabinet Member for Spatial Planning,  
Development Management and Property  
Cllr Philip Whitehead, Cabinet Member for Finance,  
Procurement, ICT and Operational Assets**

**Key Decision: Key**

---

### **Purpose of Report**

1. The reports sets out a phased approach for a review of the depot portfolio, including a review of the financial implications.

### **Relevance to the Council's Business Plan**

2. The Council delivers statutory services from the depot portfolio and the review will ensure that it can continue to do so from compliant, fit-for-purpose facilities. The services provided span across a number of the Council's Priorities, including:
  - Safer Communities
  - Transport and Infrastructure
3. The review links to aspirations to work with our partners to innovate the way we work, with several services now being delivered from external providers and helping services to transform the way they work.

### **Background**

4. The council continues to have a significant requirement for operational depot facilities from which to deliver its services - waste and recycling collection, highways maintenance, street scene, fleet etc. Whether services are delivered in-house or by contractors, there will always be a need for a local authority to have locations from which to deliver these services. At any one point in time, an external provider may offer to operate from their own facilities rendering one or more council facilities surplus to requirement for a contracted period. However, the council must retain an enduring capacity or risk being a hostage to depot-owning contractors for generations.
5. In a large and rural county, the cost-effective delivery of operational services basic logistics necessitates multiple facilities, based on a geographical spread. The council will therefore always need multiple depot facilities across the county.

6. Parts of the council's depot portfolio is becoming increasingly dilapidated and has suffered from years of under-investment. There are a number of relatively modern and cost-effective facilities, but also an increasing number that are no longer fit-for-purpose with escalating costs for maintenance, compliance, and energy consumption.
7. The council is at risk of sanctions (fines and possible closure) by the Environment Agency (EA) at two sites due to non-compliance relating to contaminants associated with open storage of salt. Improvement notices have been issued by the EA and an amount of mitigating works have been undertaken, however these sites remain a cause for concern. In the last 2 years the mitigating works have cost £230,000 in revenue caused by the historic lack of capital maintenance.
8. Aside from the immediate financial and reputational issues this presents, should a closure be enforced the council's winter maintenance (gritting) service would fail in its statutory duty under the Highways Act 1980.

## **Main Considerations for the Council**

### Key Services - Current Requirements

#### **Highways Maintenance**

9. The Highways Maintenance service is delivered by Ringway who currently occupy operational and office space in various sites. This contract is due for renewal in 2022.
10. Part of this contract is the winter maintenance service delivered from the 'salt stores' across the county, with Ringway providing the staff required.
11. The Amenity and Streetscene service is delivered by Idverde who currently occupy operational and office space in various sites. This contract is due for renewal in 2020.

#### **Waste Services**

12. The council's waste and recycling collection service is delivered by Hills Waste. This contract is due for renewal in 2026 (option on 8-year extension to 2034). Hills' have an aspiration to vacate a number of council depots and use their own facilities. It is anticipated that three sites will be vacated within the next 6-12 months. This aspiration is currently under consideration and subject to planning permission and, therefore, in the short term the main waste depots owned by the council remain necessary.
13. The council's household recycling centre (HRC) service is delivered by FCC operating from the council-owned sites. This contract is due for renewal in 2026 (option on 8-year extension to 2034).

#### **Fleet Services**

14. Following the outsourcing of various contract services, the council's Fleet Services now only occupy a small number of sites, primarily maintaining the winter fleet of gritting vehicles and smaller scale operations, such as taxi inspections and MOT services.

### **Other services**

15. There are a range of other services making use of depots with a list of a few occupiers set out below (the list is not exhaustive):
  - Parking Services
  - Housing Services
  - Environmental Enforcement
  - RoW & Countryside Team
  - Bridge and Structures
16. In addition, several sites have third party occupiers, some of which are linked to Council services and others not. The aspiration is to consolidate occupation of council-related uses to mitigate potential conflict from non-Council occupiers.

### Review Work Required

17. Over recent years there have been various discussions about how the depot portfolio should adapt to the changing needs of the organisation. In light of the recent changes for the waste collection service it is apparent that several of the depots will be operating well below capacity, which is an inefficient use of space and results in disproportionate costs being incurred to maintain just a few services. As such a review of the depots is required which will, inevitably, result in some form of consolidation.
18. Work has been undertaken in recent years to streamline the Winter Maintenance activity and reduce the number of depot facilities required to support the service. Due to the geography and performance requirements of the service, it is not feasible to reduce the number of facilities any further. Action is required in the remaining salt stores to improve compliance, capacity, and staff working conditions. The capital required to achieve these improvements has been assessed. Initial feasibility work is underway to test the constraints and opportunities of the proposals.
19. An initial review has been undertaken of all other depots to confirm suitability to meet existing service requirements. For those depots clearly needed in the short to medium term, work to improve compliance and working conditions has been initially identified, and the capital cost of those works assessed. This review needs further consultation with site users to ensure that their services can continue to operate and the level of service is not adversely affected.
20. As mentioned above, the potential for consolidation and closure of certain depots will be considered with an associated reduction in revenue costs. It is considered that these closures can be achieved without detriment to any longer-term depot requirement, and with some closures the potential exists to generate capital receipts.
21. The provision of HRCs have not been reviewed in full and more work in this area will be required going forward as further opportunities may exist to enhance existing or create new purpose-built facilities, with the potential release of sites for disposal.

## Phased Approach

22. As set out above there is an immediate need for action due to the significant risk of service failure in relation to the winter depots. There are a number of variables that prevent a full, long-term strategic view of the council's depot requirements being taken. Therefore, it is proposed that the Council adopt a phased approach that delivers the short-term requirements necessary to support the delivery of services, with a longer-term strategy developed as the current uncertainties are resolved.
23. Phase 1, broadly from now until 2022, will resolve the short-term compliance and maintenance issues, close and dispose/develop a number of surplus sites, and deliver associated revenue savings. The aim is to consolidate and improve the existing depot facilities. The actions will be subject to full consultation with service teams.
24. Phase 2 will be scoped whilst Phase 1 is in delivery. The longer-term strategy for the provision of depots may include seeking new sites through the Local Plan process and allocate land in appropriate locations with good transport links. This can take place during the current service contract cycles ensuring that the options for future delivery of those services will include the option for them to be delivered from new, cost effective and fit-for-purpose facilities. Two of the key elements for Phase 2 will be a review of the HRCs and a review of the requirements of the waste service once the waste providers' requirements for the next 8 years become known.

## **Overview and Scrutiny Engagement**

25. The Environment Select Committee Chairman had a briefing on this item on 14 November 2018 and was largely in support of the approach. At the Environment Select Committee had a briefing on the 8th January concerning the principles set out in this report.

## **Safeguarding Implications**

26. There are no immediate safeguarding implications from this report.

## **Public Health Implications**

27. A key element of the depot portfolio is to provide a base for public health related services to be delivered, including waste collections and highway works. Retention of and improvements in depots will enable those services to continue and mitigate the risk of failure in this area.

## **Procurement Implications**

28. The improvement of facilities and disposal of surplus sites will have a procurement implication and the necessary processes will be followed as necessary.

29. The future procurement of services will also be affected by a change to the depot portfolio, with the risk of not limiting opportunities for competitive tenders being considered at an early stage. To mitigate this, it is proposed that a number of sites are retained, but put to alternate use during the period of existing contracts. As the scope of Phase 2 is being developed these procurement issues will be considered in more detail.

### **Equalities Impact of the Proposal**

30. It is not considered that there is a direct equalities impact as a result of this report.

### **Environmental and Climate Change Considerations**

31. The depot portfolio plays a part in ensuring that environmental obligations on the council are fulfilled, including the disposal of waste and improvement / maintenance of amenities in Wiltshire. This paper sets out to maintain the ability to deliver these obligations.
32. In addition, the council has a number of statutory functions to undertake, many of which require licencing from the Environment Agency. The proposal mitigates the risk that the Environment Agency will have concerns over the ability to licence sites.
33. Location of the depots is key to a successful portfolio, due to the need for cross county geographical service deliver and this proposal seeks to ensure that depots are located throughout the county to enable efficient delivery of services, reasonable response times and minimise distances travelled to deliver services

### **Risks that may arise if the proposed decision and related work is not taken**

34. Lack of a review of the portfolio and a failure to invest in facilities creates clear risks on the continuing delivery of services from depots and may result in the Council failing to meet its statutory obligations.
35. Several depots will be operating at less than capacity yet operating costs will continue to be incurred at a similar level. By not looking at some form of consolidation, revenue savings cannot be realised from the portfolio.
36. The future procurement of services and the ability to invite competitive tenders from a wide range of providers will be at risk if the council does not have suitable, fit-for-purpose, well-located depot sites in the future.

### **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

37. Through all Phases of this strategy there may be occasions when depot sites are not operating at full capacity with operating costs remaining largely consistent. To mitigate this, sites will be put to alternate council uses or external revenue income streams sought, with the ability to take those sites back at the appropriate time to deliver services.

## Financial Implications

38. Provision exists in the current approved Capital Programme for investment from now until 2022 for £4.750 million to be funded by borrowing. The borrowing costs for this budget would be circa £0.214 million per year and have already been approved and budgeted for in the Capital Financing budget.
39. It is anticipated that the concept set out in Phase 1 requirement results in a £1.4m deficit and need to re-profile the capital spend over the period.

<b>Capital Implications</b>					
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Totals</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Existing Capital Prog Depot Budget</b>	<b>£0.250</b>	<b>£0.500</b>	<b>£3.000</b>	<b>£1.000</b>	<b>£4.750</b>
<b>Required Capital Prog Depot Budget</b>	<b>£0.100</b>	<b>£1.300</b>	<b>£3.500</b>	<b>£1.250</b>	<b>£6.150</b>
<b>Variance</b>	<b>£(0.150)</b>	<b>£0.800</b>	<b>£0.500</b>	<b>£0.250</b>	<b>£1.400</b>

40. If the additional £1.400 million had to be funded through borrowing the associated borrowing costs would be circa £0.063 million per annum.
41. Phase 1 may result in the release of council-owned assets that would then be considered for disposal. Valuations of these assets have not been undertaken. Any capital generated from sales will assist with the overall capital position of the Council.
42. The capital receipt potential is not included in the receipt forecasts in the 19/20 Budget setting Capital Programme for the coming 5 years and therefore whatever is achieved will be in addition to the existing programme. It is considered that the receipts from sales should adequately cover the additional capital costs of the work programme, as set out above and below. It should be noted that at this stage it is not possible to accurately forecast the amount or year in which the capital receipt will be generated.
43. Revenue savings will be generated through site closures resulting in removal of operating costs.

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Totals</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Potential Forecast Savings</b>	<b>£(0.083)</b>	<b>£(0.040)</b>	<b>£(0.156)</b>	<b>£0.000</b>	<b>£(0.279)</b>

Option 1 – Finance on overall programme £6.150m borrowing:

	2019/20	2020/21	2021/22	2022/23	Totals
	£'m	£'m	£'m	£'m	£'m
<b>Potential Forecast Savings</b>	<b>£(0.083)</b>	<b>£(0.123)</b>	<b>£(0.279)</b>	<b>£(0.279)</b>	<b>£(0.764)</b>
<b>Whole Programme Borrowing Costs</b>	<b>£0.004</b>	<b>£0.063</b>	<b>£0.221</b>	<b>£0.277</b>	<b>£0.565</b>
<b>Net Position</b>	<b>£(0.079)</b>	<b>£(0.060)</b>	<b>£(0.058)</b>	<b>£(0.002)</b>	<b>£(0.199)</b>
<b>Net Non-Budgeted Savings</b>	<b>£(0.033)</b>	<b>£(0.073)</b>	<b>£(0.222)</b>	<b>£(0.166)</b>	<b>£(0.494)</b>

Therefore, the revenue savings will cover the cost of borrowing of the whole programme with a surplus of £0.002m. The £4.750 is already budgeted and therefore in actual terms the savings realised in future budgets (2022/23 onwards) will be higher at £0.166m.

Option 2 – Finance additional £1.4m from new Capital Receipts:

	2019/20	2020/21	2021/22	2022/23	Totals
	£'m	£'m	£'m	£'m	£'m
<b>Potential Forecast Savings</b>	<b>£(0.083)</b>	<b>£(0.123)</b>	<b>£(0.279)</b>	<b>£(0.279)</b>	<b>£(0.764)</b>
<b>Whole Programme Borrowing Costs</b>	<b>£0.004</b>	<b>£0.063</b>	<b>£0.214</b>	<b>£0.214</b>	<b>£0.495</b>
<b>Net Position</b>	<b>£(0.079)</b>	<b>£(0.060)</b>	<b>£(0.065)</b>	<b>£(0.065)</b>	<b>£(0.269)</b>
<b>Net Non-Budgeted Savings</b>	<b>£(0.033)</b>	<b>£(0.073)</b>	<b>£(0.229)</b>	<b>£(0.229)</b>	<b>£(0.564)</b>

Therefore, the revenue savings will cover the cost of borrowing of the whole programme with a surplus of £0.065m. The £4.750 is already budgeted and therefore in actual terms the savings realised in future budgets (2022/23 onwards) will be higher at £0.229m.

44. There are two sites from which the council can expect to receive additional income if we are successful in leasing those sites out on a commercial basis. Potential income has not been accounted for above due to the risks of forecasting.



45. In respect of the revenue savings associated with closures, part of the saving (£0.050m) was proposed and accepted as a savings target for 2019/20 against SA&FM. It is therefore already removed from the council's 2019/20 budget and would therefore offset the revenue saving identified above.

### **Legal Implications**

46. The proposal ensures that the statutory services are maintained and, where possible, enhances through having better facilities to provide them. It is not an objective to reduce sites to a level that put this service delivery at risk, although there may have to be some adjustment to way in which they are provided.
47. Disposal of surplus sites will have regard to the Council's obligation to achieve "best consideration" as required under statute.

### **Options Considered**

48. The option of not consolidating and investing has been considered but this may have a direct impact on delivery of statutory services.

### **Conclusions**

49. It can be concluded that to ensure that statutory services are being secured for the future investment in the depot portfolio is required, with revenue savings being an outcome of such investment.

**Alistair Cunningham - Corporate Director Growth, Investment & Place**  
**Simon Hendey - Director Housing and Commercial**

---

Report Author: Nick Darbyshire, Head of Strategic Assets & Facilities Management, [nick.darbyshire@wiltshire.gov.uk](mailto:nick.darbyshire@wiltshire.gov.uk), Tel: 01225 718384

5th February 2019

### **Appendices**

None

### **Background Papers**

The following documents have been relied on in the preparation of this report:

None