

Committee: Council
Date: 23 November 2016

Wards: All

Subject: The addition of Waste Management Schemes to the Capital Programme in 2017/18 (from the Financial Report 2016/17 – August 2016)

Lead officer: Cormac Stokes, Head of Street Scene and Waste

Lead member: Councillor Mark Allison, Deputy Leader and Cabinet Member for Finance

Contact officer: Zoe Church, Head of Business Planning, zoe.church@merton.gov.uk

Recommendations:

- A. That Council approve the following new Capital Schemes for Phase C of the South London Waste Partnership

Schemes	2017-18 £000s	2018/19 £000s	Total £000s	Useful Life
SLWP Vehicles *	1,286	2,670	3,956	8
SLWP IT	42	0	42	8
SLWP Depot	73	0	73	15
SLWP Wheelie Bins	0	2,674	2,674	15
Total **	1,401	5,344	6,745	

* to note that this expenditure will be required regardless of whether or not the Phase C of the Waste Partnership is progressed.

** This investment will significantly contribute towards the estimated £1.7 million of annual revenue savings (allowing for the debt charges of the scheme)

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to approve the capital schemes required to progress Phase C of the South London Waste Partnership (SLWP)
- 1.2. In accordance with the Authority's Financial Regulations any addition of £500,000 or more to the Capital Programme for a new scheme must be authorised by decision of Council.

2 DETAILS

- 2.1. The Partnership is made up of 4 South West London boroughs - Kingston, Croydon, Sutton and Merton. It has been enormously successful in procuring waste disposal contracts and facilities that will save the Council tax payers of these boroughs hundreds of millions of pounds over the coming years. Its partnership experience and

purchasing power is now being applied to other areas.

- 2.2. If Members of the 4 boroughs agree, we will procure contracts for a wide range of environmental services including: waste collection, street cleansing, grounds and parks maintenance, winter gritting and fleet maintenance as well as commercial waste collection. This would be a very significant step and one driven by the financial challenge we face. There is only so much that can be saved by a single council acting alone and the economies of scale of 4 boroughs working together are simply out of reach. These economies of scale offer savings around vehicle purchase and route optimisation, depot rationalisation as well as management efficiencies that we cannot deliver in isolation.
- 2.3. This report specifically progresses the capital funding required for Phase C of the waste services contracts. It is Council procedure that any new capital scheme £500,000 or more must be approved by Council. This report breaks down the capital Funding Requirement into four elements.
- 2.4. This investment will significantly contribute towards the estimated £1.7 million of annual revenue savings (allowing for the debt charges of the scheme). In addition, the vehicles expenditure will be required regardless of whether or not the Phase C of the Waste Partnership is progressed.

3 ALTERNATIVE OPTIONS

- 3.1. Alternative options were considered by Cabinet in November 2014. The agreed options were to undertake a joint procurement through the South London waste Partnership using complete dialogue.
- 3.2. The only alternative option available to the Council is to request that the bidder funds the required Capital and recharge this back to the Council. The Council would also still face the need to make budget savings already built into the MTFS.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. There is no statutory duty to consult on changes to these services. The decisions have been made by Cabinet under the authority delegated to them. It is not usual to consult on this type of service before the specification is formed as there are often so many different opinions from a wide variety of stakeholders that it makes it very difficult to put a specification that satisfies everyone.

5 TIMETABLE

- 5.1. Will be added to the Capital Programme immediately

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. Revenue

- 6.1.1 This investment will significantly contribute towards the estimated £1.7 million of

annual revenue savings (allowing for the debt charges of the scheme)

6.2. Capital

6.2.1 As a result of the announcement of the preferred bidder for Phase C Waste and Grounds Maintenance Contracts. The following schemes will need to be added to the capital programme in 2017/18 as it has been confirmed that it will be cheaper for all the partners to fund the capital expenditure themselves:

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Total	1,401	5,344	6,745	

6.2.2 The vehicles expenditure will be required regardless of whether or not the Phase C of the Waste Partnership is progressed.

6.2.3 The debt charges for both these schemes are summarised below and will be funded from the savings from the two SWLP contracts:

Calculation of Debt Charges to Revenue - Internal Borrowing

	Year 1 £000s	Year 2 £000s	Year 3 £000s	Year 4 £000s	Year 5 £000s	Year 6 £000s	Year 7 £000s	Year 8 £000s
MRP @ 7 years - Vehicles	0	184	565	565	565	565	565	565
Reduction in Vehicle Replacement Programme	0	0	(150)	(150)	(150)	(150)	(150)	(150)
MRP @ 7 years - IT	0	6	6	6	6	6	6	6
MRP @ 15 Years - Depot	0	5	5	5	5	5	5	5
MRP @ 15 Years - Containers	0	0	178	178	178	178	178	178
Internal Interest in Model @ 0.5%*	7	33	29	25	21	18	14	10
Total	7	227	633	629	626	622	618	614

* 7 years used as repayments period dovetails with the contract period

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. In accordance with the Authority's Constitution the proposed capital schemes for SWLP Vehicles and Wheelie Bins require Council approval for inclusion in the Capital Programme. SWLP Depot and IT costs are included as they are all interlinked as part of the Phase C tendering process.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. None for the purposes of this report.

9 CRIME AND DISORDER IMPLICATIONS

9.1. None for the purposes of this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. It is envisaged that this proposal is linked to two items on the Key Strategic Risk Register:

KSR49 Developing a Corporate Business Plan and Setting a Balanced Budget for 2017-21 and Beyond, and

KSR61 Failure to deliver the Multi-Year Savings Programme

Both these risks are red. The proposals contained in this report are pivotal to the delivery of the Environment and Regeneration Savings Package over the current planning period.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

11.1 None

12 BACKGROUND PAPERS

12.1. Background papers held within the Resources Division of Corporate Services.