

	<b>AGENDA ITEM NO.</b>
<b>Report Cover Sheet</b>	
<b>Name of Meeting:</b>	Executive
<b>Date of Meeting:</b>	23 July 2007
<b>Report Title:</b>	Acquisition of Refuse/Recycling Containers
<b>Summary of report:</b>	The report considers options for financing the acquisition of the new containers that will be required for the new refuse/recycling contract.
<b>For further information please contact (report author);</b>	Mike Snow <a href="mailto:Mike.snow@warwickdc.gov.uk">Mike.snow@warwickdc.gov.uk</a> Tel 01926 456800
<b>Business Unit:</b>	Finance
<b>Would the recommended decision be contrary to the policy framework:</b>	No
<b>Would the recommended decision be contrary to the budgetary framework:</b>	No
<b>Wards of the District directly affected by this decision:</b>	All
<b>Key Decision?</b>	No
<b>Included within the Forward Plan?</b>	N/A
<b>Is the report Private &amp; Confidential?</b>	No
<b>Date and name of meeting when issue was last considered and relevant minute number:</b>	(If applicable)
<b>Background Papers:</b>	
<b>Consultation Undertaken</b>	
Below is a table of the Council's regular consultees. However not all have to be consulted on every matter and if there was no obligation to consult with a specific consultee they will be marked as n/a.	

Consultees	Yes/ No	Who
Other Committees	No	
Ward Councillors	No	
Portfolio Holders	Yes	Michael Kinson
Other Councillors	No	
Warwick District Council recognised Trades Unions	No	
Other Warwick District Council Service Areas	No	Waste, Policy
Project partners	No	
Parish/Town Council	No	
Highways Authority	No	
Residents	No	
Citizens Panel	No	
Other consultees	No	
<b>Officer Approval</b>		
With regard to officer approval all reports must be approved by the report authors relevant director, Finance Services and Legal Services.		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director(s)	26/06/07	Mary Hawkins
Chief Executive	28/6/07	
CMT	28/6/07	
Section 151 Officer	28/6/07	Mary Hawkins
Legal	26/6/07	Simon Best
Finance		Report from Finance
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1. RECOMMENDATIONS**

- 1.1 That the 2007/08 Capital Programme be increased by £1,238,000 for the acquisition of refuse /recycling containers. This to be financed by £238,000 Waste Grant from WCC and £1,000,000 prudential borrowing, or if resources allow when the capital programme is next reassessed, by use of reserves.
- 1.2 That officers are authorised to order the Refuse/Recycling containers in July/August 2007 following the initial financial evaluation of the main contract tenders against the affordability envelope.
- 1.3 That the Refuse/Recycling revenue budget is decreased by £150,000 from 2008/09, with a corresponding increase in Financing costs to reflect the revenue implications of acquiring the refuse/recycling containers.

## **2. REASONS FOR THE RECOMMENDATIONS**

- 2.1 The Council is currently tendering for its major Integrated Waste Contract (refuse collection, recycling, street and other cleansing and public convenience cleaning), due to commence in April 2008. The Council is one of a reducing number of Councils who do not issue householders with wheeled bin containers for the storage and collection of residual waste.
- 2.2 Health and Safety guidelines recommend wheeled bin containers for the storage and collection of residual waste, citing a growing number of accidents to operatives through the use and collection of plastic refuse sacks. In addition sacks placed outside properties are vulnerable to attack by vermin, are unhygienic, detract from the cleanliness of the surrounding environment and since they are not bio-degradable, they remain for many years on landfill sites.
- 2.3 To encourage greater recycling to meet both local and national targets and to foster an awareness of waste minimisation the Council proposes to introduce alternate week collections. An integral part of that strategy is to ensure that households have appropriate containers in which to store both residual waste and recyclable materials for collection.
- 2.4 It is envisaged that approximately 56,000 wheelie bins will be needed to serve those households who have facilities for storage of wheeled bins at a cost of around £824,000.
- 2.5 In addition to the wheeled bins, further recycling boxes are needed to ensure all households participate in the recycling scheme. Recycling boxes were delivered to all households at the introduction of the recycling scheme in 2003 but with the anticipated collection of additional materials including plastic bottles and card some households may need additional boxes. It is anticipated that approximately 25,000 further boxes are required at around £44,000.
- 2.4 The Council is intending to extend the green waste collection service across the District as a feature of the new Waste Contract and as a consequence, a further 26,000 green wheeled bins will be required, costing around £370,000.

- 2.5 The Council has been successful in securing a Waste Grant from Warwickshire County Council of £238,000 towards the cost of the green waste containers. Taking this into account, the net cost of the additional containers now required, to the District Council, is £1m.
- 2.6 There is around a six month lead time from the date of order of the containers and to ensure that they are available for delivery to households for the start of the new contract it will be necessary to order them by August 2007 at the very latest.
- 2.7 It is intended to acquire the containers through the Eastern Shires Purchasing Organisation (ESPO) who have already obtained competitive prices for a wide range of containers through a major procurement process within parameters of the European Procurement Regulations. This will ensure that the Council obtains the containers at a competitive price, and obviates the need for the Council to undertake its own procurement exercise.

### **3. ALTERNATIVE OPTION(S) CONSIDERED**

- 3.1 To delay ordering the containers may result in them not being ready to be used when the new contract commences in April 2008. This could raise serious contractual issues with the new contractor as the specified services for residual waste and the extension of the green waste composting scheme both identify the use of wheeled containers for collection of the waste. Any variation to the specification at contract start date would be costly and could jeopardise the contract.
- 3.2 In turn this would have a detrimental effect on the waste targets and any disruption to the waste collection services would impact on householders.

### **4. BUDGETARY FRAMEWORK**

- 4.1 The Council's revenue budget projections allow an affordability envelope of £1.295m to cover the anticipated cost of the new Integrated Waste Contract. Refuse/Recycling/ Street cleansing and Public Conveniences (excluding the cost of cleansing of housing, leisure, car parks and corporate land). Consultants recently employed by the Council confirmed that the current recycling element of the contract was underpriced and only sustainable because the current level of participation was low due to the current recycling schemes being voluntary. Their view was that the current price of the residual waste collection was also understated since the real costs had increased far greater than the application of the price index over the 10 years that the contract had been in operation.
- 4.2 The specified service from April 2008 should encourage more residents to participate and to separate out materials for collection by the various waste collection schemes. It should also encourage residents to be more aware of what they place in their residual waste and to encourage waste minimisation. A greater level of recycling will enable the Council to meet statutory targets, including those contained in the Local Area Agreements and to benefit from increased recycling credits and other available grants.

- 4.2 Prior to starting the procurement process, the Executive agreed that it would be more cost effective to acquire the new containers directly, and not include it within the tender specification. There reasons for this:-
- a) A contractor would almost certainly seek to acquire the containers by leasing at higher leasing costs than the Council can negotiate and these increased costs would be reflected in the contract price for the life of the contract and
  - b) If the contractor provided the containers either by purchase or lease, the ownership of the containers would remain with him. At the end of the contract period, the council would either have to purchase the containers off him or procure/lease containers for utilisation on any new contract.
- 4.3 The Council's revenue budget set aside for the renewal of the contracts, including the additional £1.295m referred to in paragraph 4.1, includes an allowance for leasing the containers of around £250,000 per annum.
- 4.4 Officers have recently been in discussion with Sector, the Council's Treasury Management Consultants over the best method to finance the acquisition of the containers. There are three options:-
- a) **Operating Lease**  
This method would be more costly, and could create problems at the end of the lease with regard to ownership of the containers. In theory they would be retained in the ownership of the leasing company.
  - b) **Use of Reserves**  
In the past the Council has paid for a large part of its capital programme from reserves. However, current projections indicate that the Council is unlikely to have sufficient internal funding available to purchase the containers. If reserves were able to be used, there would be a cost to the Council from using reserves by way of loss of investment interest.
  - c) **Borrowing**  
The Council now has freedom to borrow freely as long as it is able to accommodate the revenue implications of that borrowing. Financially the cost of this option would be in line with using reserves, in that borrowing rates are in line with investment rates.
- It is therefore recommended that the Council should finance the containers from borrowing, unless, when the capital programme and its funding are next reassessed there are adequate internal reserves.
- 4.5 Taking into account the grant from WCC, if the Council borrows to finance the containers, the cost should be around £150,000 per annum over ten years which is considerably less than the projections allowed in the affordability envelope allowed for leasing of containers within the financial projections (paragraph 4.3 above).
- 4.6 Tenders are due to be opened on the 9<sup>th</sup> July and a detailed evaluation will then take place to establish the best tendered price in terms of cost and quality, performance etc. The results of the evaluation and final recommendation on the

preferred contractor are due to be reported to the Executive in September for approval. On the basis that the tenders come in within the budget projections, it is proposed to order the containers in August as detailed in paragraph 2.5.

## **5. POLICY FRAMEWORK**

- 5.1 These proposals directly address the Corporate Strategy in seeking to improve services to provide a cleaner and greener environment. More specifically, CO2(1) seeks to conserve, recycle as a council and encourage others to conserve and recycle resources.
- 5.2 Achievement of the Council's Corporate Objectives and key policy areas will be underpinned by raising the level of service offered through the provision of wheeled bins for residual household waste, green wheeled bins to the remaining 50% of households and additional red boxes for recycling.
- 5.3 Acquiring these bins will contribute to the Council's ability to provide a modern and efficient approach to waste collection by replacing bin bags which pose several Health and Safety risks. Currently, we do not provide bags or bins to households for the disposal of their residual waste.
- 5.4 The use of these containers is an central element of the Council's overall strategy to reduce the amount waste which is tipped in landfill sites; therefore, it is crucial to ensuring that we meet our strategic targets in the Warwickshire and National waste strategies.