

Supplementary Committee Agenda



**Epping Forest
District Council**

Cabinet Monday, 20th April, 2009

Place: Council Chamber, Civic Offices, High Street, Epping

Time: 7.00 pm

Democratic Services: Gary Woodhall (The Office of the Chief Executive)
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**8.a DRAFT HOUSING REVENUE ACCOUNT SUBSIDY DETERMINATION 2009/10
(Pages 3 - 6)**

(Housing Portfolio Holder) To consider the attached report (C-126-2008/09).

**19. REVISED WASTE MANAGEMENT SERVICE - PURCHASE OF VEHICLES &
CONTAINERS (Pages 7 - 12)**

(Environment Portfolio Holder) To consider the revised report (C-123-2008/09).

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Report to the Cabinet

Report reference: C-126-2008/09.

Date of meeting: 20 April 2009.



**Epping Forest
District Council**

**Portfolio: Housing.
Finance & Performance Management.**

Subject: Draft Housing Revenue Account Subsidy Determination 2009/10.

Responsible Officer: Peter Maddock (01992 564602).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations:

(1) That Officers be authorised to respond to the consultation paper requesting:

(a) that authorities' Housing Revenue Accounts be compensated by Government where rent increases have already been set below the 6.2% increase in the original 2009/10 Determination; and

(b) that authorities' General Funds be compensated by Government for any additional costs of benefit administration; and

(2) That if the Government ignores the request in recommendation (1(a)) above, this Council adjusts the rent increase for 2009/10 to achieve a 3.1% increase on guideline rents in the least disruptive manner possible.

Executive Summary

The report provides a commentary on the Draft HRA Subsidy Determination 2009/10 Amending Determination 2009 and recommends a response to the consultation paper.

Reasons for Proposed Decision

To agree the response to the paper and the consequent actions.

Other Options for Action

Members could decide not to make any response to the consultation.

If the Government decides not to compensate authorities that used their discretion to raise rents at a lower level than the guideline, Members could decide to leave the rent increase as originally set and forego the reduction in negative subsidy.

Report:

1. The Housing Revenue Account (HRA) is a ring-fenced account that contains all income and expenditure relating to the management and maintenance of Council housing. Each year the Government assesses the surplus or deficit on each authority's HRA for the forthcoming financial year. This is based on historic information provided to the department of Communities and Local Government (CLG) by each council.

2. The HRA Subsidy Determination, as this assessment is known, is issued in the December prior to the start of the financial year to which it relates. Within the calculation there are a number of elements including the Guideline Rent. The determination issued in

December 2008 increased the guideline rent by 6.2%, due in part to the high rate of increase in the Retail Prices Index at September 2008. In fact, the determination did state that authorities could increase actual rents by up to 7%. The outcome based on the original HRA Subsidy Determination 2009/10, which assumes a rent increase of 6.2%, is that the Council has to pay the CLG £11.2 million (this is commonly known as negative subsidy).

3. During the 2009/10 budget cycle Members considered the level of the rent increase and felt that a 7% increase was excessive given the current economic climate. Therefore Full Council on 17 February set the average increase in rents at 4%. This was possible as the HRA is in a good financial position with the latest indications suggesting that the HRA would not fall into a deficit until 2029/30.

4. On 6 March the government announced that it intended to take forward proposals for implementing a reduction in the increase to guideline rents from 6.2% to 3.1%. This move being designed to encourage authorities to reduce their actual rents accordingly. Whilst the principle is to be welcomed the timing is not, as authorities had set their budgets and issued their rent increase notification letters in order to comply with statutory notification timetables.

5. On 26 March 2009 the CLG issued a draft HRA Amending Determination 2009 confirming their proposal to set the increase in guideline rents at 3.1% rather than 6.2% as in the original Determination. The Draft Determination is issued in the form of a consultation paper requesting comments by 10am on 24 April 2009. The determination is made on the basis that Authorities confirm their intention to take up the offer by completing a pro forma to that effect by 24 April 2009. The offer states that if a council's 2009/10 average rent increase is less than or equal to the lower of:

- (a) 3.1% of the authority's average guideline rent in 2008/09; or
- (b) 3.1% of the authority's actual average rent in 2008/09.

6. The Government will amend the amount of negative subsidy payable by the full amount of the reduction in rental income, between the original guideline of 6.2% and the revised guideline of 3.1%. This means that authorities can in theory reduce their rent increases without any overall effect on the HRA. In practice for this Council, this would mean reducing the proposed increase in actual rents by 0.9% or slightly less given that the Councils Guideline rent is higher than its actual rent.

7. The consultation paper also suggests that if the Council wishes to benefit from any reduction in guideline rents then it has to fulfil the above criteria. Given that Members have already decided to set the rent increase significantly below the guideline increase it seems inequitable that the Council cannot take advantage of the difference between a guideline increase of 6.2% and 4%. A fairer settlement would be to compensate authorities where they have already used their discretion to set rent increases below the original guideline. Officers feel that this Authority should not be penalised for pre-empting the reduction in the guideline, when it seemed clear well before the issue of the 2009/10 determination that inflation based on September would be artificially high compared to actual inflation in 2009/10.

8. If the Council were to take advantage of the reduced guideline rent it would be worth some £765,000 to the HRA in reduced subsidy payments to the CLG. However this would be offset by the lost rental income by reducing the increase by 0.9% (£220,000), the administration costs of amending the rent increase and informing tenants (chargeable to the HRA) and amending the Housing Benefit records and informing claimants (chargeable to the General Fund). These costs have as yet not been quantified but are likely to be less than the £545,000 potential benefit to the HRA.

9. Given that some of the additional costs will fall on the General Fund, it is felt that these costs should be re-imbursed by the CLG and that the response to the consultation should include this point.

10. If the decision is made to reduce the rent increase to 3.1% on 2009/10 Guideline Rents this will take some time before it can be applied to rent accounts and would need to be backdated to April 2009. Officers have met and have identified concerns with the unstable interface between the Academy (Benefits) and Ohms (Rents) IT systems. In particular the backdated rent decrease may prove too complex for the interface and the success of any attempt to process such transactions in bulk cannot be guaranteed. Furthermore, to back date the rent decrease on both Academy and Ohms systems would require manual adjustments being undertaken and each benefit claim (around 3,700 claims) would need to be individually recalculated by benefit assessors. With the current backlog of work in the Benefits Division following the system conversion there may not be enough resources to cope with the work required.

11. The effect on residents must also be considered and when the budget was approved by Council in February the rent increase of 4% was stated to increase the average weekly rent from £72.61 to £75.52. If the lower figure of 3.1% now under consideration is used the increase would be reduced by 66p per week. So whilst there may be a clear benefit in aggregate to the HRA the effect on individual tenants is negligible.

12. Officers identified a number of options they felt should be included on the return submission to the CLG which would greatly reduce the burden on the Council, these are: wait until April 2010 to backdate the adjustment to the rent accounts and adjust them at the same time as creating the 2010/11 rent accounts; do not back date the reduction in the rent accounts (as this is a minimal amount) and to allow a reduction from a time in the future say 1 June; or to reduce the rent from 1 September by a higher percentage to reflect the full year reduction in only six months.

Conclusion

13. Following CLG proposed announcement to reduce the 2009/10 Guideline Rent, the Council calculated that this could be worth a net £545,000 to the HRA. However, there are a number of concerns with the difficulties in implementing the back dated rent reductions and also the additional costs being imposed on the General Fund.

Resource Implications

The HRA would pay around £765,000 less to CLG in Housing Subsidy; however, this would be offset by the lost rental income by reducing the increase by 0.9% (£220,000). As highlighted at 3 above, the HRA is not currently under financial pressure and is forecasted to remain in surplus for the next twenty years.

The General Fund would incur additional costs in benefit administration to amend some 3,700 claims, although a reliable estimate of this cost cannot be made at this time.

Legal and Governance Implications

The report is necessary to respond to a proposed legislative change.

Safer, Cleaner, Greener Implications

There are no safer, cleaner, greener implications.

Consultation Undertaken

There has been no external consultation.

Background Papers

Various working papers held in Accountancy.

Impact Assessments

As rent increases are applied uniformly there are no equalities impacts.

If no reduction is implemented a net gain of £545,000 to the HRA could be foregone, although the HRA is currently predicted to remain in surplus for the next twenty years.

If a reduction is implemented it will impose costs on the General Fund that are not likely to be recoverable. Also, implementing any change will create significant additional work for the Benefits Division. Members have identified improvements in benefits processing times as a key corporate objective and having to amend 3,700 claims would seriously obstruct improvement.

Report to the Cabinet

Report reference: C-123-2008/09

Date of meeting: 20 April 2009



**Epping Forest
District Council**

Portfolio: Environment

Subject: Revised Waste Management Service – Purchase of Vehicles & Containers

Responsible Officer: John Gilbert 01992 564062).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the revised waste management service commence on 7 September 2009 and that the service be rolled out across the whole District at the same time;
- (2) That three procurement exercises be pursued for:
 - (a) wheeled bins;
 - (b) food waste containers; and
 - (c) refuse collection vehicles;
- (3) That the procurement exercises be conducted by the Essex Procurement Hub using framework agreements to obtain quotes covering the cost and supply arrangements for this equipment;
- (4) That at the same time as the exercises in (3) above are being conducted, Sita be asked to provide the Council with the best quotes they are able to obtain for the equipment required, without the addition of any pecuniary interest (profit element) to benefit Sita;
- (5) That upon completion of the procurement exercises above, the Environment Portfolio Holder meet with the Directors of Environment and Street Scene and Finance and ICT to evaluate the quotes obtained and will determine which is the most economically advantageous; and
- (6) That dependant on the outcome of the evaluation exercise, and if it is appropriate, exclusive rights be awarded to Sita to procure the specified goods on behalf of the Council (in accordance with section 7 of the European Commission Directive 93/36EEC) and that Sita be required to observe the principle of non-discrimination on grounds of nationality when awarding any contract.

Executive Summary:

The revised waste management service was agreed by Cabinet at its special meeting on 19 January 2009. The funding for the changes will be met jointly by this Council and the Essex County Council, in the latter case subject to this Council signing the Inter Authority Agreement (IAA) with the County Council. Agreement to sign the IAA was agreed in principle

by Cabinet at its meeting on 9 March 2009.

In view of the likely timeframes involved in going through normal purchasing arrangements, this report puts forward recommendations related to the purchasing arrangements for the additional vehicles and containers which will be required to deliver the new service. Whilst early purchasing is of the essence in this matter if the new service is to be introduced in September of this year, this has to be balanced against the need to ensure that the Council purchases the right quality equipment and is able to demonstrate that it has achieved value for money.

This report sets out the purchasing options.

This is a key decision.

Green & Unique

“A safe, healthy & attractive place”

2009/10 Cabinet priority 3: achieving value for money

2009/10 Cabinet priority 17: implementing the revised waste management service by September 2009

Reasons for Proposed Decision:

To agree the most effective process for purchasing vehicles and containers for the revised waste management service so as to ensure the service is able to commence in September 2009.

Other Options for Action:

Given that the commencement of the revised service in September 2009 is one of the Cabinet's key priority objectives for 2009/10, there are no other options available which will enable this timeframe to be achieved. Furthermore, the introduction of the service changes in September would provide a significantly enhanced service to residents at the time when the weekly summer collections would be drawing to an end.

Report:

1. Cabinet, at its special meeting on 19 January 2009 agreed to the introduction of a revised waste management service:

- new weekly co-mingled collection of food and garden waste utilising a new 180 litre wheeled bin;
- all residual waste to be collected fortnightly using the existing standard 180 litre bin;
- all current fortnightly collections of recyclables to be retained (blue box and clear sack); and
- the use of bio-degradable plastic sacks for the collection of garden waste was to cease with the introduction of the revised service.

2. It was further resolved that the revised service should be introduced as soon as possible in the 2009 calendar year. The Waste Management Partnership Board met on 18 March 2009 and received details of the steps already taken to bring the revised service into place, and agreed that that it should commence on 7 September 2009, with all of the District receiving the revised service at that time (i.e. no phasing in arrangements).

3. This proposal is a pragmatic one since:

- (a) it coincides with the drawing to an end of the weekly summer collection period, and

therefore provides a significantly enhanced service to replace that going into the autumn;

(b) it constrains the period of time over which the Council is making operational support payments to Sita for the existing service level;

(c) provides a useful period of time over which residents can become familiar with the new arrangements ahead of the spring of 2010 when it can be anticipated that the amount of garden waste put out for collection will rise again; and

(d) it will avoid the difficulties which arose during the original introduction of the wheeled bin where a 4 phase approach was used (*Recommendation (1)*).

4. However, in order to achieve this implementation date, consideration has to be given to how best to purchase the vehicles and containers which will be required so that all are available at the date of commencement. There tends to be long lead in time for refuse freighters (RCVs) and waste containers, and these lead in times can vary considerably over a time period based on demand and the availability of raw materials etc.

5. The existing wheeled bins were purchased from Otto. They are of excellent quality and meet all the required standards for wheeled bins. The existing bin lifts on vehicles were also provided by Otto, on the basis that this ensured compatibility between the bins and the lifts thereby minimising damage and associated costs. It is also very advantageous to continue with the use of Otto bins or those with the same specification since it is intended to use standard colour bins but interchange different coloured lids for the different services, thereby making the best use of both the new and the existing stock of wheeled bins.

6. Five new RCVs are required to deliver the new service, namely:

(i) One 4 X 2 RCV (with lift);

(ii) One 6 X 4 RCV (with bar lift); and

(iii) Three 6 X 4 RCVs (with split lifts).

7. Contract standing orders (CSOs) require, where a framework agreement exists, for the Essex Procurement Hub to be used for purchasing goods and services. The Hub does have a framework for RCVs (hire and/or purchase) but does not have one for wheeled bins and caddies etc. However, The Hub does have access to other consortia arrangements which do have appropriate frameworks in place. Sita UK, as a large European based organisation, also has in place arrangements for the purchase of vehicles and containers with the major providers to the industry.

8. It is therefore proposed that The Hub undertake three procurement exercises for:

(i) wheeled bins;

(ii) food waste containers; and

(iii) RCVs.

(Recommendations (2) and (3))

9. Given Sita's purchasing powers it is further proposed that they be requested to provide the Council with the best quotes they can obtain for the same specification equipment, these quotes to exclude the addition of any on-cost (*Recommendation (4)*).

10. Once these separate exercises have been completed, it is suggested that the Environment Portfolio Holder meet with the Directors of Environment & Street Scene and Finance & ICT to evaluate the quotes and to determine which is the most economically advantageous (MEA). If the outcome of that evaluation is that any of the quotes of Sita reflect MEA then the relevant equipment be purchased through Sita. Such action can be taken in accordance with Section 7 of the European Commission Directive 93/36EEC (*Recommendations (5) & (6)*).

Resource Implications:

At the Cabinet meeting on 19 January 2009, capital provision of £1.375 million was made for the purchase of vehicles and containers. This allocation is net of the £500,000 of capital to be provided to the Council by the Essex County Council in 2009/10.

Similarly, at the same Cabinet meeting, CSB provision of £150,000 was made for 2009/10 with a further £150,000 in 2010/11 for the provision of the services. This figure is net of estimated recycling credit and other related payments and the revenue support payment of £280,000 in 2009/10 and £450,000 in 2010/11 and thereafter, from Essex County Council. This CSB provision was agreed by Council as part of the 2009/10 budget setting meeting.

There are no staffing implications with all implementation and service management requirements being met from within existing resources.

Legal and Governance Implications:

Environmental Protection Act 1990
Waste & Emissions Trading Act 2003
Controlled Waste Regulations 1992
Household Waste & Recycling Act 2003
European Commission Directive 93/36EEC

There are no Human Rights implications arising from this report or its recommendations.

See impact assessments for reference to Contract Standing Orders.

Safer, Cleaner and Greener Implications:

The collection of and recycling of household waste is a key component of the Council's "Safer, Cleaner, Greener" strategy. The new service arrangements should enable the Council's recycling performance to exceed 50% thereby maintaining top quartile performance and contributing to the targets and aspirations of the Essex Joint Municipal Waste Management Strategy, adopted by the Council in September 2008.

The new service arrangements will require additional discipline on the part of residents, but the Council will continue to exercise its powers only when absolutely necessary and only following officer visits and the provision of advice and guidance.

Consultation Undertaken:

Waste Management Partnership Board.
Sita UK.
Essex County Council.

Background Papers:

Cabinet report, 19 January 2009

Impact Assessments:

The new waste service must be fully inclusive ensuring that the needs of all elements of the community are, as far as is practicable, met (e.g. those with disabilities, religious and ethnic groups). This may require special collection arrangements either individually such as in the case of a specific disability or collectively, such as the collection of additional waste at times of special festivals.

There are risks associated with the timing of these procurements to ensure that the service can be provided for the planned commencement date of 7 September 2009. This may require the setting aside of Contract Standing Orders in order to obtain the best prices as well as adhering to timetable.

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