

## **Report to the Cabinet**

**Report reference:** C-029-2013/14  
**Date of meeting:** 9 September 2013



**Epping Forest  
District Council**

**Portfolio:** Environment

**Subject:** Capital budget allocation for replacement of waste and recycling containers and the use of prudential borrowing powers in relation to the new waste (etc.) contract

**Responsible Officer:** John Gilbert (01992 564062)  
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**Democratic Services Officer:** Gary Woodhall (01992 564470)

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### **Recommendations/Decisions Required:**

- (1) To agree to replace those waste and recycling containers that have reached the end of their design life and cannot be repaired or reused;**
- (2) Subject to recommendation (1) to recommend to Council an ongoing capital allocation of £30,000 per year from 2014/15 onwards; and**
- (3) To agree in principle to the use of the Council's capital resources and/or prudential borrowing powers for the provision of the waste management and, if required, the grounds maintenance fleet and associated equipment, as part of the procurement of the next waste management (etc.) contract.**

### **Executive Summary:**

The Council first introduced wheelie bins for refuse collection in 2005. Additional wheelie bins and containers were introduced in 2009 for the collection of food and garden recycling. Wheelie bins are expected to last at least seven years before requiring replacement, however some can last a lot longer.

Wheelie bins can get damaged for a variety of reasons. Wherever possible repairs are carried out by swapping usable parts with other damaged bins. With an aging bin stock it is becoming increasingly difficult to carry out repairs, bins are also beginning to fail structurally. As more wheelie bins and containers reach the end of their operational life it is becoming necessary to replace them. It is good financial management to replace these with capital budget and not revenue.

As the procurement exercise for the next waste management (etc.) contractor gathers momentum, a decision is required on the Council's appetite for the use of its own capital resources or for prudential borrowing to fund the required vehicle fleets and associated equipment. Although it is entirely possible for the new service provider to meet the financing costs, it may be financially preferable, as with the containers referred to earlier, for the Council to use its own capital resources or borrowing powers, to achieve savings in revenue.

## **Reasons for Proposed Decision:**

To replace end of life waste and recycling containers and to be able to advise prospective service providers on the Council's willingness to make capital moneys available for the provision of vehicles and equipment.

## **Other Options for Action:**

To only utilise revenue budgets to replace damaged and end of life assets and to procure new vehicles etc for the new waste management (etc.) contract This is not good financial management and can not be recommended.

## **Report:**

### Wheeled bins and associated containers

1. The Council first introduced wheelie bins for residual collection in 2005. Food and garden collection bins were introduced in 2009. Other containers include larger 'euro bins' for collections in flats and communal buildings, blue boxes for glass collection, kerbside and kitchen caddies. Wheelie bins and other collection containers have a design life of seven to ten years. However some bins can last a lot longer. The Council has adopted a policy of reusing bins as much as possible, by salvaging parts from damaged wheelie bins or purchasing spares to repair damaged bins. For this the Council has a revenue budget allocation.

2. A wheelie bin consists of seven usable parts: the main body, lid, two wheels, an axle and two clips to hold the lid. When a resident reports a damaged wheelie bin they are provided with a replacement. The damaged bin is repaired, if possible, for example if a wheel has come off. The bin is then stored at the storage compound in North Weald Airfield until supplied to another resident. This approach has extended the life of the wheelie bin stock and negated the necessity of bulk replacement of stock at the end of seven years.

3. There are over 150,000 containers in use in the district. The average cost of a standard 180 litre wheelie bin is £20 whereas that of a kerbside caddy is £5 and kitchen caddy £2. The cost of replacing the entire stock of 48,000 wheelie bins introduced in 2005 is estimated to be £960,000. The estimated value of the entire stock of containers is £2,066,000

4. It is therefore suggested that a capital provision of £30,000 per annum be sought commencing in the 2014/15 financial year, to enable the programmed replacement of containers. **(Recommendations (1) and (2))**

### Use of capital resources for the procurement of new vehicles and plant

5. As part of the on-going procurement exercise for the waste management (etc) contract, the first stage of Competitive Dialogue has been completed. Each contractor has been able to directly engage with the Council's officer project team in order to discuss, in confidence if necessary, options for the delivery of these services in the future.

6. One of the issues which has been brought up by each of the contractors is the willingness of the Council to utilise its own capital assets or to exercise its prudential borrowing powers to purchase assets such as vehicles, plant and equipment. Whilst the new contract will require the contractors to provide the necessary plant and equipment, there may well be financial advantage in the Council providing the capital provided that the Council secures a revenue advantage in so doing. This provision could take the form of the use of existing capital resources or the Council borrowing from the Public Works Loan Board, where

it can obtain preferential rates of interest.

7. For the purposes of the initial tender submission, which follows the first stage of competitive dialogue, the contractors have been instructed to assume that they will meet all required investment costs. However, as the dialogue progresses, it will be necessary to be able to inform contractors as to the Council's appetite for making capital available. The use of capital on this way is in accordance with Council policy provided that a clear revenue benefit can be demonstrated. **(Recommendation (3))**

### **Resource Implications:**

The total asset value of the existing wheelie bins and other container stock is listed as follows:

<b>Container type</b>	<b>Year of introduction</b>	<b>Approximate number</b>	<b>Estimated cost</b>
Wheelie bin for residual waste	2005	48,000	£ 960,000
Wheelie bin for food and garden recycling	2009	48,000	£ 960,000
25 litre kerbside caddies	2009	10,000	£ 50,000
5 litre kitchen caddies	2009	48,000	£ 96,000
			£ 2,066,000

Current arrangement of carrying out repairs to damaged bins will be continued and new bins only purchased when it is no longer possible to carry out cost affective repairs.

The scale of potential capital provision for vehicles, plant and equipment cannot be precisely quantified since it will vary dependant upon the nature of the services to be provided by any particular contractor. However, given the known costs of refuse freighters and other plant and equipment, the total capital requirement could be in the region of £5 million. Indicative rates for the Council to borrow such a sum over a 5 to 7 year period are in the region of 2%, whereas for a waste contractor to borrow this same sum, rates in the order of twice this could be anticipated. The Council would expect any associated reductions in revenue costs to be reflected in the annual contract sums.

### **Legal and Governance Implications:**

Relevant legislation includes:

- Environmental Protection Act 1990
- Controlled Waste Regulations 1992
- Local Government & Finance Act 1988
- Household Waste & Recycling Act 2003

### **Safer, Cleaner and Greener Implications:**

The collection and recycling of household waste is a key component of the Council's "Safer, Cleaner, Greener" strategy. The state of containers presented by residents for collection of their residual waste and recycling has an impact on the street scene in the district. If the state of containers is poor and they are in a bad state of repair then it would reflect badly on the

street and neighbourhood.

It is a key requirement of the waste and grounds maintenance specifications that vehicles and plant are fit for purpose and meet current environmental standards. This will require the new service provider to provide new fleet and equipment throughout the period of the contract

**Consultation Undertaken:**

None

**Background Papers:**

Cabinet reports and agendas for the Environment Portfolio Holder Advisory Group.

**Impact Assessments:**

Risk Management

By choosing to have an ongoing programme of replacement of bins that have reached the end of their operational life the Council is better managing the financial risk. By avoiding the need for replacement of stock at once, which would mean some usable bins would also get discarded. If the bin stock is not kept in good working order then the collection arrangements could be affected by delays caused in dealing with damaged and unfit containers.

The delivery of a consistent and high quality waste and ground maintenance service relies upon the use of modern and efficient plant and equipment. Therefore, vehicles and plant need to be replaced at regular intervals.

Equality and Diversity

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* No

*What equality implications were identified through the Equality Impact Assessment process?*  
None.

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A.