

Report to the Cabinet

Report reference: C/125/2006-7.
Date of meeting: 12 March 2007.



**Epping Forest
District Council**

**Portfolio: Environmental Protection.
Customer Services, Media, Communications and ICT.**

Subject: Provision of Sacks and Wheeled Bins.

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Democratic Services Officer: Gary Woodhall (01992 – 56 4470).

Recommendations/Decisions Required:

- (1) To endorse the actions of officers in taking urgent steps to source additional dry recycling and garden waste sacks for the waste management service;**
- (2) To agree to the retrospective setting aside of the relevant contract standing orders, in view of the urgency of the situation;**
- (3) To agree an additional capital estimate of £240,000 (subject to ongoing discussions with Otto UK) to be financed partly by a virement from the General Capital Contingency (£105,000) and the remainder by way of a supplementary capital estimate of £135,000; and**
- (4) To report to Council accordingly.**

Recycling sacks:

1. The waste management service uses two kinds of sack to collect recyclables:
 - (a) a clear plastic sack for the collection of all dry recyclables except glass; and
 - (b) a bio-degradable sack for the collection of garden waste.
2. As part of the introduction of the wheeled bin service, it was agreed that at the time of delivering the bins, residents would be supplied with 2 rolls of sacks. Furthermore, in order to encourage recycling it was also agreed that these sacks should remain free of charge and available to residents from various Council and other outlets. The new waste arrangements have given rise to a significant increase in levels of recycling, which has of itself increased the demand for the clear recycling sacks. Whilst this is good news, it did unfortunately result in the Council experiencing severe shortages of sacks, and in order to meet the demand and ensure availability, officers were required to acquire sacks in the quickest way possible, which meant having to set aside the normal contract standing orders applying to such procurements. Members are requested to consider endorsing the actions of officers in taking steps to secure and maintain supplies and to retrospectively set aside the relevant contract standing orders.
3. The situation with the bio-degradable sacks has been equally problematic. In July 2005, in order to stimulate the collection of garden waste, Council agreed to remove the charge for additional garden sacks. The previous system provided each householder with 1 roll (26 sacks) free of charge, with a fee of £3.00 per each subsequent roll. This fee was intended to:

(a) prevent abuse of the system; and

(b) constrain service costs.

4. A supplementary estimate of £57,000 was approved to cover the income foregone.

5. Garden waste sacks are very expensive at around £0.13p each. This cost reflects the need for the sacks to be starch based so that they will positively degrade over a relatively short period of time, ensuring that the final compost/soil improver can be used as a by-product of the composting process. The cost is also affected by the very limited number of suppliers. The Council purchases its sacks through a consortium arrangement with a number of other Essex authorities.

6. In 2005/06 we ordered and used in the region of 1.5 million sacks. During 2006/07 this number has steadily increased to the point we have now ordered a total of more than 2 million sacks. Because of the increased demand, we unfortunately ran into similar problems as with the clear sacks, with the need to source sacks from wherever we could at the best price we could attain. Once again it was not possible, if supplies were not to run out for an extended period, to comply with contract standing orders. Members are therefore requested, as above, to consider endorsing the actions of officers in taking steps to secure and maintain supplies and to retrospectively set aside the relevant contract standing orders.

7. The cost of the free garden sacks is becoming a serious consideration. At the most recently tendered cost, 2 million sacks will cost in excess of £250,000, and if current demand is not somehow controlled, these costs will almost certainly rise. The Portfolio Holder Advisory Group is looking at the new waste management contract is in the process of considering options for constraining expenditure and/or service delivery alternatives.

Wheeled bins:

8. The wheeled bins for the new waste management service were procured via the Yorkshire Purchasing Organisation (a large local authority consortium). At the time of procurement the similar arrangements which now exist in Essex were not available. The successful tenderer was Otto UK and the Council entered into a contract for the provision of wheeled bins in a range of sizes, namely:

(a) a standard 180 litre bin;

(b) a smaller 140 litre bin;

(c) a larger 240 litre bin; and

(d) some 360 litre and larger bins (for communal usage in the main).

9. At the time of ordering bins an initial judgement had to be made in respect of the likely balance between these bin sizes. The original estimated balance allowed for a reasonable number of each type of bin to be retained as 'stock' to enable damaged and lost bins to be quickly replaced.

10. As part of the implementation there has been a detailed review of all the households in the district so that we now have a much more accurate picture of the numbers of flats and similar communal buildings, where at present wheeled bins have not been provided and a sack based system remains in place. At the time of writing this report around 56,000 wheeled bins had been delivered to the Council, with the percentage of 180 litre bins reaching nearly 75%. The approximate breakdown of bins delivered is:

Bin size	Ordered	Received (EFDC)	Delivered to residents	Remaining "in stock"
140	5,000	5,000	1,296	3,704
180	34,000	41,467	40,713	754
240	8,500	6,500	4,329	2,171
340	2,500	2,500	510	1,990
Total	50,000	55,467	46,848	8,619

11. Whilst the contract specification does provide a degree of flexibility to enable the Council to amend this balance, the need for the provider to have some certainty within their manufacturing process means that this flexibility is limited. Officers have already opened discussions with Otto UK regarding the numbers and types of bins now held in reserve which the Council believes should be considered within the balance flexibility and where a financial credit should be considered.

12. Furthermore, the rate of delivery of wheeled bins into the UK did not align with the Council's revised implementation programme, which was slowed from the original due to Member concerns in respect of public reaction to the new arrangements. This resulted in the need for wheeled bins to be stored ahead of delivery. Every effort was made to use Council owned facilities, such as the T11 site adjacent to the Depot, but it was, and has remained necessary to store quantities of wheeled bins in facilities made available by the supplier or obtained by the Council. In both cases storage charges have accrued which the Council has had to meet.

13. Following the commencement of the implementation, it became necessary to consider how to enable flats and similar buildings to participate in the new recycling service. In many cases this has resulted in the need to acquire and provide new 660 litre and 1,100 litre bins. To date nearly 600 of these larger bins have been provided at a cost of £55,000. These bins were not included in the original budget submission to members in 2004.

14. It is only now that the final phase of the roll out has been completed that it has been possible to construct an accurate summary of the costs incurred. Prior to the full roll out being completed there was still considerable uncertainty about the numbers and sizes of bins required, and it should be noted that bin exchanges are still taking place from the earlier phases.

Financial position:

15. The position regarding revenue expenditure is as follows:

Sacks:

Garden waste: 2.023 million sacks: £253,165: (Average cost of 13.0p per sack)
 Recycling sacks: 1.513 million sacks: £ 57,820: (Average cost of 4.0p per sack)

£310,985

Budget provision: £322,770

Balance remaining: £ 11,785

16. So at this time there is no need for any additional budget provision for sacks. However, the phased process employed for the roll out of wheeled bins and the flexible exchange policy adopted has led to additional costs being incurred. The costs set out below are the predicted additional costs to 31 March 2007.

Wheeled bins

Storage:	£ 14,000
Transport:	£ 5,000
Exchanges:	£ 74,000
Pre-delivery cleansing:	£ 9,000
	£102,000

17. Members have already approved the following supplementary estimates:

Council	Amount	Purpose
24 April 2006	£300,000	To fund the costs of terminating the previous arrangements with SHWM, negotiating with the Administrator, making payments to key suppliers and conducting a procurement exercise.
25 July 2006	£230,000	To fund weekly summertime collections.
25 July 2006	£1,800,000	To fund higher service costs after the contractor served notice of changing to a cost plus arrangement.

18. Following the administration process a number of issues are still being resolved, such as the status of the refuse freighters owned by the Bank of Scotland. In view of this it is not proposed to fund the wheeled bin revenue expenditure from this source.

19. The estimate approved for the temporary reversion to weekly collections was sufficient to fund a period of seven weeks. As the contractor needed time to put the enhanced service in place it was only possible to provide the service for six weeks and so an underspend of £35,000 occurred. It is suggested that this underspend is used to finance £35,000 of the revenue expenditure on wheeled bins.

20. The £1.8 million supplementary estimate was made in view of management accounts received from the contractor highlighting the extent of the losses they felt they were incurring up to the end of June. Throughout the seven months that cost plus has been in place officers have continued to exert pressure on the contractor to seek savings. Whilst there is room for further savings, the savings made to date mean that the remaining £67,000 (£102,000 less £35,000) of wheeled bin revenue expenditure can be met from within the £1.8 million.

21. The original decision to implement a new waste management system was taken by Cabinet in December 2004. At that time, in presenting the costs associated with wheeled bins two assumptions were made:

- (a) that the cost of a 180 litre bin would be £18.00 delivered; and
- (b) that bins would be leased and therefore funded by revenue and not capital.

22. The wheeled bins were procured via the Yorkshire Purchasing Organisation and that tendering exercise produced a cost of £19.56 delivered, £1.56 more than estimated. This was reported to Members in May 2005 and a Portfolio Holder decision was taken to accept the Otto tender. At that time it was still anticipated that the bins would be leased and that, given underspends elsewhere in the service, it would be possible to accommodate the higher cost within existing estimates.

23. In the event, for financial management reasons, it was considered beneficial to use capital funding rather than revenue (via leasing) to purchase the bins. However, when the bins were included in the capital programme the original estimate of £900,000 was used when a figure of £978,000 would have been more appropriate. As set out in paragraph (13) above, we have also had to purchase larger 600 litre and 1,100 litre bins for flats and similar buildings. This has added a further £55,250 to the capital costs.

24. The final makeup of the bins actually delivered also affects the overall costs, for the

simple reason that the budget was based around the 180 litre bin, smaller bins are cheaper and larger ones more expensive. It can be seen from the table in paragraph 9 above, that nearly 7,500 more 180 litre bins were required than originally anticipated, although this has been partially offset through a reduction in 240 litre bins. The total variance in bins received is 5,467 resulting in additional expenditure of £106, 935.

25. In summary the capital position with wheeled bins is as follows:

Original budget	50,000 bins at £18.00	£900,000
Cost variance	50,000 bins at £1.56	£78,000
Quantity variance	5,467 bins at £19.56	£106,935
Additional larger bins	566 at £97.63	£55,250
Total Cost		£1,140,185
Less original budget		£900,000
Additional capital provision required		£240,185

Statement in Support of Recommended Action:

26. The recycling service cannot function without supplies of sacks. The problems as described in the report resulted in shortfalls in supplies and difficulties in provision to customers, and officers had to take urgent steps to seek supplies of sacks from wherever they were available. To do otherwise would have resulted a cessation of the service. To meet the time constraints immediate orders were placed outside of the standard procurement and standing order processes.

27. As stated in the main body of the report, there have been a number of factors influencing the balance of numbers of wheeled bins. It was always understood that this balance would shift as the implementation proceeded, but the change in the numbers of 180 litre bins required was much larger than anticipated. Discussions are underway with Otto UK about the degree to which this situation was exacerbated by their manufacturing all of the bins ahead of the implementation programme and before the final balance of bin types was known.

Other Options for Action:

28. There are no other options available given the circumstances.

Consultation undertaken:

29. Otto UK.

Resource implications:

Budget provision: Revenue budgets from within existing budget and supplementary allocations. Additional capital of £240,185 subject to further negotiations with Otto UK.

Personnel: Nil.

Land: Storage of wheeled bins at T11, Langston Road.

Community Plan/BVPP reference: Implementation of new waste management arrangements.

Relevant statutory powers: The Environmental protection Act 1990.

Background papers: Previous Cabinet and associated reports.

Environmental/Human Rights Act/Crime and Disorder Act Implications: N/A.

Key Decision reference (if required): Will advise when key decisions have ref nos.