

## **ESSENTIAL REFERENCE PAPER 'F'**

### **New Recycling Service – Changes to financial profiles**

#### 1.0 Executive Summary

- 1.1 On 6 March 2013 Council approved a scheme to change the current kerbside sorting of dry recyclables using boxes to a dual stream comingled system, with paper being kept separate in a box and all other dry recyclables placed in wheeled bins. The purpose of the changes was to comply with the necessity to remove card from the organic waste bin and to increase recycling performance and diversion from landfill.
- 1.2 The report detailed the Capital and Revenue costs of change and the future cost savings that result from the proposals.
- 1.3 The project is now being implemented and this has resulted in a number of changes to the financial profiles. This document summarises the changes to date.

#### 2.0 Revised Costs

- 2.1 The Council agreed the following financial provisions:
- A A provision in the Capital Programme for 2013/14 of £2,075,000 and a one off Revenue Supplementary Estimate of £416,050 for 2013/14
  - B An appropriation of £280,000 (or balance held on the waste contract reserve at 31 March 2013) in 2013/14 in order to part fund the Supplementary Estimate of £416,050 referred to in (A) above.
- 2.2 The table below shows the breakdown of these costs.

*Table 1: Collection of card with dry recycling (Commingled) with growth in recycling\**

	2013/14	2014/15	2015/16
<b>Capital</b>			
<u>One-off capital costs</u>			
Replacement Vehicles	1,100,000	-	-
Wheeled Bins (gross)	975,000	-	-
Inner Paper Box (assuming 50% take up)	125,000		
Gross capital cost to be added to capital prog	2,200,000	-	-
Funding from County (70% of bin cost)**	(680,000)	-	-
Total Impact on EHDC	1,520,000	-	-
<u>Revenue Impact</u>			
One off payment loss through sale of vehicles	593,000		
One off start up costs	73,000		
Ongoing annual operating savings	(10,750)	(25,800)	(25,800)
Revenue cost from loss of investment interest**	13,000	31,200	31,200
Income			
Additional income from recycling credits	(60,900)	(146,200)	(146,200)
Loss of income from mixing material	8,700	20,900	20,900
	616,050	(119,900)	(119,900)
<b>Funded by</b>			
Budgeted Service capacity in MTFP***	(200,000)	(100,000)	(100,000)
Use of waste contract reserve 2012/13	(280,000)	-	-
	136,050	-219,900	-219,900

\*Assumes a growth in recycling capture from 175kg to 225kg per household, per annum.

\*\* Assumes bid to HCC successful and the full sum is received

\*\*\* Savings of £100k are identified in 14/15 MTFP

1.4 Since approval of the scheme, the following changes to costs and funding profiles have occurred:

#### Capital Expenditure

- a) The bid to the County Council for a contribution to capital costs was successful, but the sum granted was £235,789 against a bid of £680,000, resulting in an under recovery of £444,211. This was due to the County Council's fund

being oversubscribed and successful bids from 9 district councils.

- b) Prices for wheeled bins came in lower than expected at procurement resulting in a cost of £ £925,375 against a budget of £975,000. Inner boxes are expected to cost £91,000 against a budget of £125,000. This assumes a 50% take up by residents. The actual take up will not be known until the scheme is in operation as some residents will request a box when first offered in August, while others will wait until the scheme is in operation. The net effect is a probable underspend of £83,625.
- c) Prices for new vehicles also came in lower than expected at £1,047,054 against a budget of £1,100,000, an underspend of £52,946.

The net effect of these changes is that the Council will need to fund a shortfall in capital grant contribution of an estimated £307,640, subject to residents take up of inner boxes. This will also generate a slightly higher revenue cost from loss of investment interest (see Table 2).

#### Revenue Expenditure

- d) The current recycling 'kerbsider' vehicle fleet is owned by the Council's contractor, Veolia Environmental Services Ltd. These vehicles are due to be sold and the income will contribute to the cost of paying off the vehicle leases. Veolia had estimated that the sale would generate £194,000. However, based on current quotes it is likely that they will generate only £100,000, a £94,000 shortfall in income. This is due to the market demand for these vehicles falling, with many local authorities moving co-mingled collections.
- e) The cost of paying off the leases was estimated to be £787,409, however this is now likely to be £760,231, a saving of £27,178.

The net Revenue effect of these changes is a requirement for an additional £66,822 in 2013/14 only. However this can be fully funded from balances in the waste contract reserve which currently stands at £460,875.

1.5 Table 2 summarises the revised position as at 17<sup>th</sup> May 2013.

*Table 2: Collection of card with dry recycling (Commingled) with growth in recycling – Revised 17-5-13\**

	2013/14	2014/15	2015/16
<b>Capital</b>			
<u>One-off capital costs</u>			
Replacement Vehicles	1,047,054	-	-
Wheeled Bins (gross)	925,375	-	-
Inner Paper Box (assuming 50% take up)	91,000		
Gross capital cost within capital programme	2,063,429	-	-
Funding from County**	(235,789)	-	-
Total Impact on EHDC	1,827,640	-	-
<b>Revenue Impact</b>			
One off payment loss through sale of vehicles	660,231		
One off start up costs	73,000		
Ongoing annual operating savings	(10,750)	(25,800)	(25,800)
Revenue cost from loss of investment interest	15,200	36550	36,550
Income			
Additional income from recycling credits	(60,900)	(146,200)	(146,200)
Loss of income from mixing material	8,700	20,900	20,900
	685,481	(114,550)	(119,900)
<b>Funded by</b>			
Budgeted Service capacity in MTFP***	(200,000)	(100,000)	(100,000)
Use of waste contract reserve 2012/13	(460,875)	-	-
	24,606	-214,550	-214,550

\*Assumes a growth in recycling capture from 175kg to 225kg per household, per annum.

\*\* Actual sum received

\*\*\* Savings of £100k are identified in 14/15 MTFP