

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF POLICY AND FINANCE COMMITTEE ON 30 JUNE 2022

SUBJECT: Combined Cleansing Services Contract extension – Financial Implications

REPORT AUTHOR: Carolin Martlew, Interim Group Head of Corporate Support and Section 151 Officer

DATE: May 2022

EXTN: 01903 737558

AREA: Corporate Support

EXECUTIVE SUMMARY:

The Environment Committee considered a report 'Combined Cleansing Services Contract' at its meeting on 19 May 2022. The Environment Committee report contained a number of recommendations which have significant financial implications for the Council. Under the Council Constitution, the Environment Committee resolution is subject to Policy and Finance Committee and Full Council confirmation of finances being available. This report requests that the Policy and Finance committee recommend a supplementary estimate to Full Council to regularise the budget position for 2022/23 and future years.

RECOMMENDATIONS:

The Policy and Finance Committee recommends to Full Council to approve:

- (1) A supplementary revenue budget of £180k in 2022/23 to fund the increase in cost of the contract indexation as agreed for year 6 of the current contract and 2 months of the new contract. This equates to a Band D equivalent Tax of £2.86; and
- (2) A further supplementary revenue budget of £109k (£655k full year effect) plus appropriate indexation in 2022/23 to fund the increased cost of continuing current weekly refuse collections in February and March 2023. The £109k for 2022/23 equates to a band D equivalent Council Tax of £1.73 (and the £655k equates to a band D Council Tax of £10.40).

1. BACKGROUND:

On 19 May 2022, the Environment Committee considered a report 'Combined Cleansing Services Contract' which outlined the negotiations between the Council and its Contractor for an extension to the current contract arrangement for the Contract from 1 February 2023. This Committee chose the option to continue with the current weekly refuse collection arrangements as per the current contract from 1 February 2023. However, should New Burdens Funding be made available by central government to cover the cost of a weekly residual food collection service, this would be implemented together with an alternate weekly residual waste collection, using provision of a 240 litre residual waste bin.

The implementation of this option involves significant increased budgets and it falls to this Committee and ultimately Full Council to approve the funding for the recommendations.

2. PROPOSAL(S):

As referred to in Background above, the Environment Committee recommended that from 1 February 2023 the Council continue current weekly refuse collection arrangements as per the current contract from 1 February 2023.

As part of the current Combined Cleansing Services Contract (year 6), which is the final year, allowed for a negotiated position to be determined in respect of the contractual indexation to be applied as of 1 February 2022. Previous years of the contract (and the budgetary position included) were explicit that the indexation was based on a CPI calculation, but capped at 2%. Following further negotiation, it was determined and agreed that a true CPI linked based increase should be applied. This has now been agreed at 5.14%. and the additional funding required is stated above.

The implementation of these arrangements require provision to be made in budgets and the Medium Term Financial Strategy (MTFS) that were not included when these were considered between October 2021 and February 2022. This report therefore recommends the appropriate additions be made to the Council's revenue budget to enable implementation of the Environment Committee recommendations.

Should New Burdens Funding become available, alternate weekly residual collection, using provision of a 240 litre residual waste bin will be introduced alongside a weekly food waste collection service (using food caddies) for all street level properties in the district. The implementation of this will be the subject of further reports when the information becomes available.

3. OPTIONS:

Policy and Finance Committee has the following options available:

- a. Agree the recommendations and forward the supplementary budgets to Full Council for approval;
- b. Not approve the recommendations.

4. CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	✓	
Legal	✓	
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓

6. IMPLICATIONS:

Financial Implications

The recommendations have significant financial implications which are contained in the report:

- i. It should be noted that the weekly residual waste service delivery option chosen by the Environment Committee results in a recurring revenue budget increase of £655k per annum (plus appropriate indexation with effect from 1 April 2023). The fortnightly residual waste collection service delivery option, rejected by the Environment Committee, would have resulted in an increase of £429k per annum (£397k additional contract costs plus £132k annual cost of wheelie bins). This cost of the fortnightly residual option is £226k lower than the weekly residual collection service delivery model (£655k less £429k). This equates to a potential additional increase of £678k over the 3 year contract extension as the timing and amount of any New Burdens Funding is not certain. It should be noted that the increase in cost of either option has not been reflected in the Council's Medium Term Financial Strategy (Financial Prospects report considered by this committee on 14 October 2021) and will place further financial pressure to balance the budget including additional future year savings.
- ii. The supplementary revenue budget of £180k is requested as the 2022/23 budget did not include sufficient provision for the increase for indexation due to its commercial sensitivity. In addition, a supplementary recurring revenue budget is required for 2022/23 of £109k (plus indexation) to fund the increased cost of the contract for February and March 2023. The total supplementary revenue supplementary estimate required for 2022/23 is £289k plus appropriate indexation.

The full year effect of weekly residual waste collection is summarised in the table below:

Item	£'000	Full year
Additional Annual Cost	109	655
Additional Annual Cost indexation	180	180
Additional recurring revenue cost	289	835

The Council has a duty to ensure its expenditure can be met by its income, inclusive of reserves. These recommendations will increase the Council's revenue expenditure. The increase must be met from ongoing income or savings in other areas. It is not sustainable to fund ongoing revenue spending from reserves.

7. REASON FOR THE DECISION:

To provide funding for the recommendations approved by the Environment Committee on 19 May 2022.

8. BACKGROUND PAPERS:

[\(Public Pack\)Agenda Document for Environment Committee, 19/05/2022 18:00 \(arun.gov.uk\)](#) (Item 7)