



DERBY CITY COUNCIL

**COUNCIL CABINET**  
**25 APRIL 2006**

Cabinet Member for Corporate Policy

# **ITEM 19**

## **Addendum**

### **Contract and Financial Procedure Matters Report – Addendum – Environmental Services Capital Programme**

#### **SUMMARY**

- 1.1 This addendum deals with an additional item that requires reporting to and approval by Council Cabinet. The report seeks approval as required under Financial Procedure Rules to commence planned capital expenditure schemes within Environmental Services, financed through unsupported borrowing. It explains the nature of the expenditure, shows that expenditure is cost effective and confirms that financing costs can be contained within existing budget provision.
- 1.2 Subject to any issues raised at the meeting, I support the following recommendation.

#### **RECOMMENDATION**

- 2.1 Approve the commencement of Environmental Services capital schemes as planned within the capital programme, using unsupported borrowing to finance the continued renewals of the refuse collection vehicle fleet, grounds maintenance plant and equipment and street cleansing plant and equipment schemes, at a total cost of £1.466m in 2006/7.

**Contract and Financial Procedure Matters Report – Addendum  
– Environmental Services Capital Programme****SUPPORTING INFORMATION**

- 1.1 The Council has been gradually replacing leasing with unsupported borrowing as a means to finance capital expenditure on items such as vehicles and plant. This allows more flexibility in managing these assets and should be cheaper in the longer term if the assets are maintained for longer than the previous leasing contract period.
- 1.2 The table below summarises the current planned capital expenditure in three areas of Environmental Services. This is subject to change depending on retention of works contracts and possible changes in the operation based on overall Council strategy, in areas of Rethink Rubbish blue box collections for example.

<b>Section</b>	<b>2006/07 £'000</b>	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>
Refuse Collection vehicles	1,071	100	100
Grounds Maintenance plant and equipment	345	50	50
Street Cleansing plant and equipment	50	50	50

An explanation of assets planned to be purchased in 2006/07 as part of the plant renewal programme or service expansion is shown below.

<b>Asset Description</b>	<b>Approx value £'000</b>	<b>Reason for investment</b>
<b>Refuse Collection Vehicles</b>		
5 x Refuse Collection Vehicles	550	<p>New service – The introduction of three Rethink Rubbish rounds in 2006/07 requires an additional two new vehicles.</p> <p>Replacement – Three new vehicles are required to replace two “P” registered and one “X” registered vehicles used on Rethink Rubbish rounds. These are life expired and prone to breakdowns. Their secondary lease expires in 2006/07.</p>
1 x Refuse Bin Delivery Vehicle	30	<p>Replacement – Since the introduction of Rethink Rubbish there has been the need to deliver extra bins &amp; boxes to residents. Currently a vehicle on short term hire is used. With the introduction of further rounds in 2006/07 and the anticipated continued need for this service a decision has been made to purchase a designated vehicle. This will be a cheaper long term option than short term hiring. Purchase cost over 7 years is approx £36k, that’s approx £5k per year. Hire costs are approx £9k per year.</p>
6 x Paperback Collection Vehicles	258	<p>New service – The introduction of three Rethink Rubbish rounds in 2006/07 requires an additional two new vehicles.</p> <p>Replacement - Four new vehicles are required to replace one “P” registered and three “N” registered vehicles used on for paperback collection. These are life expired and prone to breakdowns. Their secondary lease expires in 2006/07.</p>
2 x Trade Waste Collection Vehicles	233	<p>Replacement – The two second hand trade waste vehicles “N” &amp; “P” registered are over 10 years old and are life expired and will be returned to the leasing company in 2006/07 on the lease expiry date.</p>
<b>Total</b>	<b>1,071</b>	

<b>Grounds Maintenance Equipment</b>		
5 x Astra vans for Supervisors	48	Replacements- Previous vans returned off five year lease in March 06.
Various mowers	297	Replacements – Current mowers will be returned to the leasing company at the end of their five year lease. These are not in a condition that justifies buyout or secondary leasing.
Total	345	
<b>Street Cleansing</b>		
Sundry assets	50	The plant required for the Street Cleansing contract was acquired in 2004/05 and 2005/06 following the award of the Street Cleansing contract to Environmental Services in March 2005. No significant capital expenditure is planned in 2006/07; however a notional amount is included to cover items such as leaf blowers, jet washers, pedestrian sweepers that may be required.

- 1.3 A full option appraisal has been undertaken on both the number and type of assets required and on the various financing options available (leasing, contract hire and unsupported borrowing). The assets identified and the financing of these assets through unsupported borrowing is the most cost effective option and can be contained within existing planned budgets.
- 1.4 Approval is requested to continue the renewal programme using unsupported borrowing.

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Background papers:	None
List of appendices:	Appendix 1 – Implications

<b>IMPLICATIONS</b>
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**Financial**

1. As set out in this report.

**Legal**

2. None

**Personnel**

3. None

**Equalities impact**

4. None

**Corporate priorities**

5. The recommendations create a budget whose use is consistent with the Council's corporate priorities.