

**CABINET
16 OCTOBER 2017**

PART 1 –

AGENDA ITEM No.

7

**TITLE OF REPORT: SHARED SERVICE FOR WASTE & STREET CLEANSING –
SELECTION OF OPTIONS**

REPORT OF THE HEAD OF LEISURE & ENVIRONMENTAL SERVICES AND THE HEAD
OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT

EXECUTIVE MEMBER FOR WASTE MANAGEMENT, RECYCLING AND ENVIRONMENT:
COUNCILLOR MICHAEL WEEKS

COUNCIL PRIORITY: ATTRACTIVE AND THRIVING / PROSPER AND PROTECT /
RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

In June this year, the Council commenced an OJEU procurement in order to procure a new waste collection and street cleansing contract (Lot 1) and recycling contract (Lot 2) to start in May 2018 for 7 years with the option to extend for a further 7 years. The new contract will provide combined services for North Herts and East Herts as both Councils look to achieve economies of scale and efficiencies through joint working.

The tender included a number of options that could be taken up when the contract is awarded. This report asks Cabinet to consider the options that should be adopted. The majority of the options are independent (i.e. NHDC and East Herts Council can make different decisions) but one is dependent (i.e. the same decision needs to be reached across both Districts).

2. RECOMMENDATIONS

This report recommends as follows.

- 2.1 That Cabinet agree in principle to a change in the way that materials are collected, from separated paper to separated glass if this provides material financial savings.
- 2.2 That Cabinet delegate authority to the Chief Executive (in consultation with the Executive Member for Waste Management, Recycling and Environment) to determine the collection option once the financial impact is known, and following consultation with East Hertfordshire Council.
- 2.3 That Cabinet agree to the introduction of weekly food waste collections and a charged garden waste collection service for the new contract commencement on 9th May 2018
- 2.4 If the above is agreed, then Cabinet are asked to recommend to Council that £126k is added to the capital programme for the purchase of food caddies that will allow the weekly collection of food waste.

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| 2.5 | That Cabinet agree to continue the provision of kerbside textile collections. |
| 2.6 | That Cabinet agree to include the separate collection of batteries from the kerbside for the new contract commencement on 9 th May 2018. |
| 2.7 | That Cabinet agree to delegate the decision to the Head of Leisure and Environment to determine the viability of the kerbside collection of WEEE following further liaison with the preferred bidder. |

3. REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations mainly provide significant efficiency savings, but some of them also provide additional services to residents and promote recycling to support the Councils KPI to achieve a 60% recycling rate.
- 3.2 The delegation of the decision in relation to separate paper or separate glass is to enable this decision to happen as quickly as possible. This enables the Lot 1 contractor to start mobilisation for the contract, as the way that materials are collected affects the vehicles and resources required for the contract.
- 3.3 The contract documentation and signing can not be completed until all options are determined and the preferred contractor will not commit to ordering assets such as vehicles or securing the additional depot site(s) required to deliver this contract until the Council formally commits by signing the contract. Any delay can have a significant impact on the successful mobilisation of the contract.
- 3.4 Changes to services provide the most opportunity for savings at contract commencement or contract extension/ retendering, next due in 2025. The recommendations are made given the financial pressures facing the authority as identified in the MTFS.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The options to be included within the procurement were agreed by both Councils, with some options only relevant to one of the Councils. Cabinet can choose to not take up the options, with some decisions being dependant on agreement from East Herts Members.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation with the Joint Project board of both Authorities and HCC as the disposal authority.
- 5.2 A public consultation was undertaken where 8016 responses were received key findings are described within this report.
- 5.3 A questionnaire was circulated to local authorities across the Country who currently charge for garden waste collection to inform officers on the potential impacts of the service.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 5th May 2017.

7. BACKGROUND

7.1 **Minute 44 of Cabinet on 26/7/16** **RESOLVED:**

- (1) *That a Shared Waste and Street Cleansing Service be implemented with East Hertfordshire District Council, and a joint contract be procured to provide these services;*
- (2) *That the Shared Waste and Street Cleansing Service be implemented with East Hertfordshire District Council on the basis of the preferred option (Option 2) set out in the Outline Business Case;*
- (3) *That the Head of Leisure and Environmental Services be delegated authority to make minor changes to the scope of the Shared Service, in consultation with the Executive Member for Waste Management, Recycling and Environment and East Hertfordshire District Council; and*
- (4) *That the Executive Member for Waste Management, Recycling and Environment and all officers involved in the Shared Service project be thanked for their diligent efforts in producing the Outline Business Case.*

- 7.2 The contract documentation has been produced and agreed by Project Board in accordance with the above recommendations. Councillors' workshops have been arranged to ensure sufficient awareness of the process.

- 7.3 Procurement documents were jointly produced and bidders were invited to tender on 30th May 2017. Closing date for receipt of all bids was Wednesday 9th Aug 2017, followed by an extensive evaluation process.

- 7.4 There is an Intermediate Inter Authority Agreement (IIAA) in place between North Hertfordshire District Council (NHDC) and East Hertfordshire District Council (EHC) and a more detailed Inter Authority Agreement (IAA) which will set out, in a legally binding contract, the formal arrangements regarding management, finance and resources is currently under development and will be in place prior to the contract commencing.

- 7.5 The contracts consist of

- Lot 1 – Main contract for collection of all waste and recycling and street cleansing and associated assets and infrastructure
- Lot 2 – Contract managing the recycled materials collected from Households, which will include transportation of all recycled materials stored at Buntingford depot or other facilities to a processing plant (s)

These contracts are for seven years, commencing May 2018 with an option to extend for a further seven years.

Normally any significant changes will occur at contract renewal (2025 or 2032) as this is usually the best opportunity to maximise any potential savings &/or improvements, when vehicles assets have come to the end of their working life.

7.6 The process agreed for procurement of these contracts was:-

1. Agree to the appointment of the contractors on the basis of the core contract which is the subject of an earlier report at the same meeting.
2. Consider and agree any dependent options for the preferred bidders for Lots 1 & 2 and any independent options. Decisions in respect of such options are the subject of this report.

7.7 The main driver for both authorities is to make financial savings whilst not adversely impacting on service delivery or performance and to consider overall "whole system cost" Therefore, there has been consultation with the disposal authority (Hertfordshire County Council) in particular with regard to the dependent options.

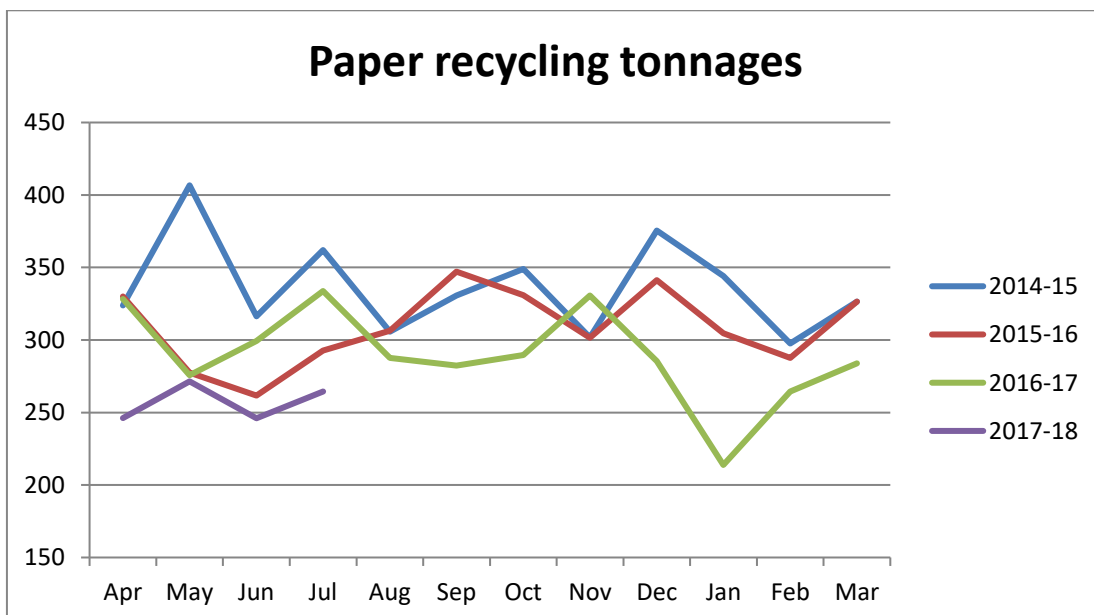
7.8 In respect of the bids received for lot 2, it was apparent to officers that bidders struggled to submit comprehensive tender responses within the timescales. The decision was taken to extend the procurement period by 3 weeks and provide more guidance to all bidders on the Council's requirements. It is hoped that this will lead to submission of more comprehensive tenders which meet the Council's requirements, which would then allow the Councils to award this contract. The award criteria for lot 2 are also 40% quality and 60% price.

8. RELEVANT CONSIDERATIONS

Material Collection (Separate Paper, Separate Glass or Fully co-mingled)

8.1 The preferred option is dependant on the costs of collection, the costs of haulage and processing materials and the income received from materials. Based on market information it is expected that the increased processing costs and potential for lower quality material (separately collected material will have a higher value in the market place, due to reduced cross contamination) will more than off-set the reduced collection costs for fully co-mingled. Officers therefore recommend the exclusion of fully commingled for consideration and propose a choice between separate paper (current service for both districts) and a service change to separate glass. A final decision can not be made until the final lot 2 bids are received.

- 8.2 From Lets Recycle indicator values there is sufficient confidence that there could be reasonable savings in material income from a service change to separate glass. The increased income from glass separated at source is significantly higher than the glass that has to be mechanically separated (£6.50 income versus £20 cost per tonne based on August 2017 indicator values). The difference in the price that can be achieved between separated paper and co-mingled paper is much lower (less than £5 per tonne), albeit that the current paper contract procured as part of the Hertfordshire Waste Partnership Consortium consistently achieves above the indicator prices. Residents also currently put some paper in the co-mingled bin rather than use the box and this generates an even lower level of income per tonne. In North Herts recent compositional analysis suggests that 22% of the commingled material in the grey bin is paper which should have been separated in the box. These differences are subject to changes in material prices. Looking at material prices over the last 20 months (since January 2016) shows that in all months the separated glass would have provided the Council with the most financial return. Although market prices are driven by global economic factors and can not be fully predicted, advice from consultants is that they can not foresee any significant change in these cost/ income differences in the future.
- 8.3 Actual processing costs can only be determined once the winning Lot 2 bidder is known, as it will depend on how each bidder will deal with the material and the technology within their plant that they have available.
- 8.4 The feedback from the public consultation of 8016 responses, in relation to this service option was that 91% of residents agreed that they would be willing to continue to separate one material from their main recycling if it helps reduce the cost of the service and 69% agreed they would be prepared to separate one material even if it didn't save additional money.
- 8.5 Tonnages associated with the collection of paper have shown a steady decline over recent years due to an increase in digital technology use (see graph below) leading to reduced income for the Council despite securing favourable prices from recently let contracts. Although it is expected that separating paper will still provide the Council with an improved financial position over a fully commingled collection. The decline in paper use is likely to continue reducing the financial advantage in later years of the contract.



- 8.6 Collection of glass as part of our commingled collection has been stable and currently makes up approximately 30-35% of the commingled material. The removal of the glass from the commingled bin should adequately compensate for paper in the bin in terms of bin capacity as it is estimated that 35-40% of the commingled material would be paper.
- 8.7 The award of Lot 2 and the decision in relation to the collection option (i.e. separate paper or glass) should be made as soon as possible. This then enables the Lot 1 contractor to start their mobilisation (e.g. procurement of vehicles which currently have minimum lead times of 6 months). This is the only dependent option i.e. North Herts and East Herts have to make the same decision.
- 8.8 Cabinet are therefore asked to:
- **Agree in principle to a change in the way that materials are collected, from separated paper to separated glass if this provides material financial savings.**
 - **That authority is delegated to the Chief Executive (in consultation with the Executive Member for Waste Management, Recycling and Environment) to determine the collection option once the financial impact is known, and following consultation with East Hertfordshire Council.**

Kerbside Textile Collection

- 8.9 North Herts currently provide a kerbside textile collection service, and this was included as an optional item in the contract. It is recommended to continue this service.
- 8.10 The feedback from the consultation in relation to this was that 24% of residents weren't aware of the textiles recycling service. 75% said they may use the service in the future or have used it before and would use it again.
- 8.11 Officers have the option to consider an additional cost for the delivery of two bags and literature. The two bags could be used for different services (e.g. textiles and batteries). However this would be avoided by asking residents to provide their own bag (as currently) and delivery costs have the potential to be reduced if delivery is sought outside of this contract.
- 8.12 **Cabinet is asked to agree to the continuation of the textile collection service, and that residents making use of the service should provide their own bag.**

Kerbside Battery Collection

- 8.13 For North Herts an option was included for a kerbside battery collection service. This will also avoid batteries being put in to the residual waste stream or contaminating the commingled recycling stream.
- 8.14 Feedback from the consultation in relation to this was that 65% of residents would use this service if it was available.

- 8.15 Officers have the option to consider an additional cost for the delivery of two bags and literature. The two bags could be used for different services (e.g. textiles and batteries). However this would be avoided by asking residents to provide their own bag, and using alternative communication methods. Officers will explore options at a later date for delivery of bags outside of this contract.
- 8.16 **Cabinet is asked to agree to the commencement of the battery collection service, and that residents making use of the service should provide their own bag.**

Kerbside Small WEEE (Waste Electrical) Collection

- 8.17 For North Herts an option was included for a small waste electrical (WEEE) collection service.
- 8.18 The feedback from the consultation in relation to this was that 59% would use this service if it was available.
- 8.19 As it is proposed that the two collection options above are taken up, it is proposed that this option is not taken up at this stage until further discussion has taken place with the Lot 1 preferred bidder. This is to ensure that the operation of the core service will not be affected should this option be taken up.
- 8.20 Cabinet is asked to note that the Small WEEE Collection option was available, and that it will kept under review as to whether it can/ should be adopted at a later date.

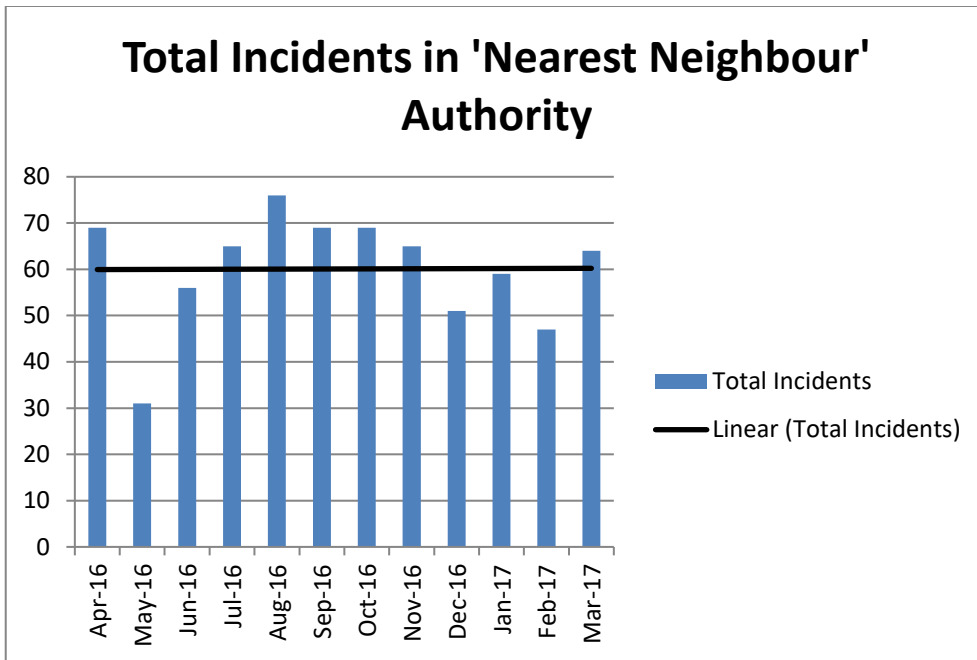
Capital purchase of vehicles

See Part 2 report.

Charging for Garden Waste

- 8.21 There is an independent option for both Councils to implement charging for garden waste. This would be accompanied by a change to separate weekly food collection, and would therefore result in an increase to the annual price for collection. The Council would keep the income that was generated from charging residents for the garden waste collection service. For North Herts, the income would be collected by the contractor on behalf of the Council and reconciled on a monthly basis.
- 8.22 There would also be up-front costs to acquire the food waste containers, which are estimated to be £2.50 per unit. This would equate to around £126k. This would require approval by Full Council for inclusion within the capital programme. There would also be costs associated with container delivery (for the food waste containers) and the likely need for the collection of mixed organic bins from those not taking up the garden waste service.
- 8.23 The feedback from the public consultation in relation to this was that 85% of residents disagreed or strongly disagreed with introducing a chargeable garden waste service alongside weekly food waste collections. However, 32% of the people who disagreed and 19% of those who strongly disagreed with introducing the service did say they would be likely to use a paid for garden waste service. Overall 26% of all residents said they would be likely to use a paid for garden waste service, which is the same percentage as those that responded to a similar survey in a 'nearest neighbour' authority who have implemented a similar service. The actual proportion of the residents in that authority that are now signed up is 74% of eligible properties.

- 8.24 When asked what they would be likely to pay for the garden waste service, 35% of residents indicated they would be very or quite likely to pay up to £40 a year, with 15% saying they would be very or quite likely to pay £41-55, and 6% saying they would be very or quite likely to pay between £56-£70. Given the high drop off between £40 (35%) and £41-£55 (15%), a charge of £40 has been assumed in assessing the financial impact. A lot of Authorities that have introduced garden waste charging have chosen to charge £35 in the current financial year (2017/18), although this will be subject to review as to what they charge next year. Some authorities charge £40 or more.
- 8.25 The option of a weekly food collection service alongside a chargeable garden waste service in the tender documents is an 'independent' item meaning that each Authority does not require the other to select the same position on the introduction of the service. The driver for the joint waste and street cleansing service is savings and therefore optimal efficiency is achieved if both Authorities have the same position. However, efficiencies can be achieved with differing positions. Should one Authority agree to adopt the weekly food collection and chargeable garden waste service and other did not it would be difficult and costly to introduce such a service during the 7 year contract period, should the other Authority later wish to make a decision post contract award. Contract negotiations to vary the contract would almost inevitably result in a cost to the service and the vehicles procured for the service at the beginning of the contract may not be fit for purpose for future changes and therefore will result in further additional capital and/or revenue costs for new vehicles. Efficiencies anticipated from a joint client team would need to be reviewed to ensure sufficient capacity is available to manage two essentially different services. Any income/savings will solely benefit the Authority which achieves income levels from such a service over the 7year contract life.
- 8.26 Recycling credits are only received for dry recycling, so this change has no impact. It is currently anticipated that a proportion of the increased food waste collected would offset some of the reduction in garden waste, and therefore there would be little detrimental impact on the Alternative Finance Model (AFM). However this is dependant on higher take up more closely resembling the experience of neighbouring authorities, than the baseline 40% with take up needing to be in the region of 60-70%.
- 8.27 Residents in North Herts are only permitted to have one bin for compostable waste, during the public consultation 20% of residents indicated that they would be interested in having more than one chargeable garden waste bin.
- 8.28 Compostable waste tonnages are difficult to predict accurately due to fluctuations in the growing season. Data from the 'nearest neighbour' previously referenced, is that tonnages for compostable waste during the first year of service change did not show a significant drop in the amount collected once a chargeable garden waste came into effect. Although this would be affected by levels of take-up and this is now 74% of eligible authorities in that Authority.
- 8.29 There is a risk of increased fly tipping as a result of the change however, data from the same 'nearest neighbour' in relation to fly tipping shows no noticeable increase following the introduction of a chargeable garden waste service.



- 8.30 A number of residents responding to the public consultation indicated that they would utilise the Household Waste Recycling Centres for the disposal of garden waste and Hertfordshire County Council has been consulted on the introduction of garden waste charging. As part of this they provided some information on the likely impact on Household Waste Recycling Centres (HWRC) from introducing garden waste charging. This confirmed that they would expect an increase in HWRC visits following the introduction of garden waste charging.
- 8.31 If introduced, the charge for garden waste collection should be treated in the same way as other fees and charges. This means that it will increase each year in line with the agreed Medium Term Financial Strategy (MTFS).
- 8.32 Work undertaken in 2016 by the Borough of Broxbourne to determine the proportion of Councils currently charging for garden waste revealed the following:-

Charging for Garden Waste in England 201 District Councils, 36 Metropolitan Districts, 32 London Borough and 55 Unitary Authorities	Number of Council's	% of Council's
No	109	38%
Unknown	23	8%
Yes	156	54%
Grand Total	288	100%

- 8.33 Questionnaires were sent to Councils who currently charge for garden waste. 19 responses were received all of which indicated that that would still have made the decision to charge given the information they know now about the implementation of the service, all Councils indicated that the service was either cost neutral or producing a surplus..

- 8.34 The charge levied by the Councils which responded ranged from £24 to £96 for a 240L bin, with the average price from response being just under £47. If the two extremes of the range are excluded (range £30-£65) the average charge becomes £46. Some authorities offered a discount scheme or ad hoc collect of sacks at lower costs.
- 8.35 **Cabinet are asked to agree the introduction of Garden waste charging, and consider the level of the charge in the first year.**
- 8.36 **If the above is agreed, then Cabinet are asked to recommend to Council that £126k is added to the capital programme for the purchase of food caddies that will allow the weekly collection of food waste.**

9. LEGAL IMPLICATIONS

- 9.1 This report relates to a key decision regarding the award of contracts for waste collection, street cleansing and recycling in collaboration with East Hertfordshire District Council. Within Cabinet's terms of reference are "*to prepare and agree to implement policies and strategies other than those reserved to Council*" and "*to approve those major service developments or reductions which also constitute Key Decisions.*" Cabinet is also authorised to "*promote and develop external partnerships to meet strategic objectives*" and therefore Cabinet is authorised to give effect to the collaboration with East Hertfordshire Council in order to meet the Council's strategic objective to secure economies of scale and efficiencies through joint working. Cabinet may delegate a key decision, any matters relating to a key decision, to Council Officer(s)
- 9.2 The Council has a statutory duty to seek best value for the provision of services.
- 9.3 The options set out in this report were detailed in the procurement documents published with the OJEU contract notice and therefore the Council has a legal basis to vary the contract to incorporate any option.
- 9.4 The power to charge for the collection of garden waste is embedded in the Environmental Protection Act 1990 Section 45 (3) and the Controlled Waste (England and Wales) Regulations 2012. These regulations revoked the Controlled Waste Regulations 1992 which also contained the power to charge for garden waste. This power is the same power used to charge for bulky waste collections.

10. FINANCIAL IMPLICATIONS

- 10.1 Section 8 details the financial impacts of various options. As highlighted in the Medium Term Financial Strategy (MTFS) the Council needs to identify and deliver savings of at least £4.2 million by 2021/22. Some of these savings have been identified but not yet delivered and these total £1.9 million, although just under £1 million of these related to the waste contract.
- 10.2 Bidders were asked to provide an option for the Council to purchase the vehicles that would be used on the contract. Although this option can not taken up it is still possible that an element of the contract would be treated as capital expenditure. This is due to the substantial use that the Councils would be making of the vehicles involved.

11. RISK IMPLICATIONS

- 11.1 There are many risks associated with these major contracts which have been subject to Scrutiny by both Councils over recent years and identified as corporate risks. These risks have been managed and reported accordingly. In addition, Project Board, consisting of senior Councillors and Officers, has been regularly updated with risk and issue log and has taken measures, where appropriate, to mitigate and manage risks for both Councils. Broadly these risks have been regarding financial, operational, governance, contractual, legal and reputational.
- 11.2 The main risk from this report relates to charging for garden waste charging. There is significant uncertainty over the reaction to the introduction of charging, and the level of take-up of the new service.
- 11.3 There may be additional notional risks around fly tipping and management of gardens and the service is in liaison with The Housing and Public Protection Service regarding the mitigation of these risks.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 An equalities impact assessment has been undertaken in liaison with the Councils Policy Officer and is attached at Appendix A, this will be review and updated during mobilisation of services.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 Public Services (Social Value) Act 2012 requires public authorities, in respect of all procurement above the relevant EU threshold, to consider:-
 - (a) how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and
 - (b) how, in conducting the process of procurement, it might act with a view to securing that improvement.
- 13.2 The application of this Act was considered in the Part 1 report regarding the award of contract.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 The human resource implications were considered in the Part 1 report regarding the award of contract.

15. APPENDICES

- 15.1 Appendix A: Equalities Impact Assessment

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 Strategic Outline Case (SOC), Outline Business Case (OBC), Project board Reports, previous reports to Committees