

REPORT TITLE: WASTE CONTRACT EXTENSION

22 JULY 2020

REPORT OF CABINET MEMBER: Councillor Martin Tod, Cabinet Member for Service Quality and Transformation

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WARD(S): ALL

PURPOSE

Following a competitive tendering process, the Council has awarded the waste collection services to BIFFA under a new contract which is due to commence 1 October 2020. Mobilisation plans had been progressing well. However, as a result of the impact Covid 19 has had on many areas of the economy, the delivery of new vehicles required for the new contract has been delayed. This report therefore recommends an extension to the current waste contract and a revised start date for the new contract of 1<sup>st</sup> February 2021, the same day that the charged for garden waste is due to commence.

RECOMMENDATIONS:

That Cabinet:

1. That an exemption to CPR be approved in accordance with paragraph 41 of the contract procedure rules in the council's constitution.
2. Approve extension of the existing waste contract with BIFFA until 31<sup>st</sup> January 2021 due to supply chain delays in provision of new vehicles due to Covid 19.
3. Delegate to the Strategic Director (Services), in consultation with the Cabinet Member for Service Quality and Transformation and the Service Lead – Legal, authority to negotiate, prepare and enter into final documentation to complete the extension and later commencement date of the new contract.
4. Agree that £150,000 of the savings resulting from this decision be used to further support the implementation of the improved Garden Waste service.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 Tackling the Climate Emergency and Creating a Greener District - The new waste contract delivers significant improvements to vehicle emissions and a positive impact on recycling tonnages through the implementation of communal glass collection, and waste electrical equipment. The unavoidable late start of the contract will unfortunately defer this benefit by a further 4 months.
- 1.2 Your Services, Your Voice – Delaying the commencement of the new contract in February 2021 will not impact on existing services, which are currently performing well. The new contract will introduce an improved reporting system and direct digital link with freighters providing an opportunity for additional performance improvements.

### 2 FINANCIAL IMPLICATIONS

- 2.1 The council faces a significant in year financial deficit and a delayed start date of the new contract provides some financial benefit. The current waste contract costs approximately £3.4m per annum compared to c£4.2m for the new contract. Delaying the commencement of the new contract will result in a reduced operating costs for 2020/21 estimated at £267,000 (subject to the overall costs of vehicle maintenance).
- 2.2 It is proposed to retain £150,000 of this reduced spend and allocate it to fund the promotion and implementation of the improved Garden Waste service, including marketing and promotion and digital improvements to facilitate on line payments, direct debits and integration with the BIFFA ICT systems. All residual savings will contribute towards meeting the projected deficit resulting from reduced income across council services in 2020/21.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 This will require the extension of the current contract by a further 4 months until 31st January 2021, leaving the new 8 year contract to start on 1st February 2021, until 31st January 2029.
- 3.2 The vehicles necessary to perform the services under the new contract have been delayed as a result of supply chain shortages due to Covid 19. It is therefore recommended that a short extension to the existing contract of four months duration be agreed with Biffa to allow sufficient time for delivery of the vehicles. The new contract to be completed on the expiry of the current contract with a delayed commencement date to accord with the expiry of the short extension.

- 3.3 The council's Contract Procedure Rules at paragraph 41 of the constitution provide that Cabinet may approve an exception to the rules where it can be demonstrated that by extending the term (either by exercising an option within the contract or otherwise), or varying and/or extending the scope of an existing contract, it is not practical to seek competitive tenders or quotations and is in the best interests of the council. Additionally, it would not be possible to obtain genuine competition under the Contract Procedure Rules for the requested contract extension due to the short time period. This request to approve the exception to the Contract Procurement Rules is because under the constitution the monetary value means that approval must be authorised by Cabinet.

#### 4 WORKFORCE IMPLICATIONS

- 4.1 The work associated with this change can be incorporated within existing resources.

#### 4.2 PROPERTY AND ASSET IMPLICATIONS

- 4.3 The new contract is subject to an amended lease for the depot in Barfield Rd, Winchester. This revised lease commencement will also be delayed by 4 months.

#### 5 CONSULTATION AND COMMUNICATION

- 5.1 A communication strategy is being developed in relation to the October start. This will be revised and combined with the Communication strategy for the new Garden Waste service.

#### 6 ENVIRONMENTAL CONSIDERATIONS

- 6.1 The new contract will result in very significant reductions to carbon emissions as a result of the Council's activities. Whilst technology is not sufficiently developed to support electric freighters for this service, the Council will continue to work with BIFFA to test opportunities as technological developments come forward. The delay in the start date will mean these benefits are also slightly delayed as set out in section 1 above.

#### 7 EQUALITY IMPACT ASSESSEMENT

- 7.1 None

#### 8 DATA PROTECTION IMPACT ASSESSMENT

- 8.1 None required

## 9 RISK MANAGEMENT

- 9.1 The main risk relates to the vehicles not being delivered on time, and the extension having to be extended a further time, which we can manage through the wording in the legal documents which will follow.

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property</i>	none	None
<i>Community Support</i>	None	None
<i>Timescales</i>	None	None
<i>Project capacity – Combining start of new contract and green waste may increase risk of failure due to capacity</i>	Clear project governance arrangements in place along with appropriate capacity identified in a range of council teams	None
<i>Financial / VfM</i>	none	Potential saving to WCC as a result of delay to contract start date.
<i>Legal – Risk of formal challenge to the decision</i>	External legal advice sought on preferred route and approval of the exemption under the CPR therefore minimising the risk of a challenge.	Robust process is followed to approve the contract extension.
<i>Innovation</i>	None	None
<i>Reputation- Delayed start in new services to residents may impact on public confidence</i>	Considered low risk due to the main services (general waste, recycling, glass and garden waste) not affected by the change	None
<i>Other</i>	None	None

## 10 SUPPORTING INFORMATION:

### 10.1 New contract

In October 2019 BIFFA began a one year contract extension, following the split of responsibilities from the shared approach under the contract with East Hampshire District Council.

A new 8 year contract was tendered, leading to the successful company, BIFFA, being awarded the new 8 year contract with a scheduled September 2020 commencement date.

As a result of BIFFA's appointment, and the method of operation BIFFA are proposing, there is no intention to change any of the collection days, or any of the main types of collections. There were however a number of improvements to the new contract.

- a) A new set of vehicles would be provided which would support a more effective and environmentally efficient way of collecting household waste.
- b) A new waste electrical and electronic equipment collection would begin, from each household, to be collected in a cage on the underside of new vehicles.
- c) A new collection of glass from communal properties on a monthly basis would begin.
- d) A new tracking software and hardware to link the customer service centre, the contract monitoring operatives, and the BIFFA crews and staff would be installed into the new vehicles
- e) The new vehicles would have a new livery and this would kick start an ongoing communications approach to increase recycling, and reduce the overall amount of waste produced.

## 10.2 COVID 19

Whilst the effect of COVID 19 on the day to day collection of waste during the period of the pandemic has been managed without any change to the collections that the city council offers, it has had a significant impact on the implementation of the new contract.

The new vehicles which are due to arrive, have new technology installed, and be the basis of the new collections, are now not scheduled to arrive until around November.

This is due to the manufacturer (Dennis Eagle) having their manufacturing and supply lines closed during the pandemic. These are now open again, and BIFFA are confident that the vehicles have been ordered and will be with us by late November ready for testing, fit out and deployment.

Because of the significant growth in waste during December and January, and the need to leave some contingency for further delay, it is recommended that any delay to the new contract last until February 2021.

## 10.3 Options

There are two main options in relation to a contract extension. Firstly to begin the new contract on the original start date, but not to roll out the new services

until the vehicles are ready, and secondly to set an extension period and to begin the new contract and the new services on that extension date.

To ensure we chose the right option we sought external legal advice and reviewed the financial implications of both.

#### 10.4 Finance

The current contract has a value of approximately £3.4 million per annum, whilst the new contract has a value of approximately £4.2 million per annum, subject to property escalator uplifts. Therefore the extension of the old contract by 4 months saves around one third of the difference in value between the two, equating to c£267,000.

The contract date was October, so there will be a need to index the price of the contract related to CPI, however with present and forecast CPI values this is likely to have a minimal impact.

Whilst there will be growth in houses which needs to be taken into account, this will impact on the cost of waste collection regardless of whether the existing or current contract is used, and so is immaterial to decision making.

The council would need to continue its threshold provision within the current contract for vehicle maintenance, where a rate of just over £2,000 for maintenance is built into the contract price for each month, totalling £25,000 per vehicle for the year, for ten vehicles. This means that there would be a maintenance value of just over £33,000 provided for within the contract, for each of the ten vehicles for the 12 months of the existing contract plus the 4 month extension. As long as the maintenance value falls within this existing and extended provision there is no further impact on the council's finances. At present the maintenance values are tracking the expected values, when averaged out across the fleet of 10 vehicles, but this will continue to be monitored.

Therefore the extension of the current contract by 4 months leaves a forecast benefit to the city council in financial year 20/21 of £267,000 on a one off basis, before any additional maintenance costs of the vehicles.

Alternatively, the new contract could commence at the higher rate of £4.2m but without additional services due to lack of vehicles. The increased cost to the council over this period would be £267,000

#### 10.5 Conclusion

The conclusion is therefore because of the legal advice of the impact of the delay in vehicle delivery from COVID 19, that it is better to move the service commencement date to the 1<sup>st</sup> February, with enough contingency in place to manage a further delay should this occur.

11 OTHER OPTIONS CONSIDERED AND REJECTED

- 11.1 Consideration has been given to commencing as planned at October 2019 utilising existing vehicles and deferring the introduction of the new vehicles and additional recycling services. This would result in the Council paying for services before they were introduced and did not offer reasonable value for money to the Council.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Other Background Documents:-

None

APPENDICES:

None