

REPORT TITLE: ENVIRONMENTAL SERVICES KERBSIDE GLASS COLLECTION AND CONTRACT STRATEGY

THE OVERVIEW AND SCRUTINY COMMITTEE – 13 DECEMBER 2018  
CABINET - 18 DECEMBER 2018

REPORT OF PORTFOLIO HOLDER: ENVIRONMENT – CLLR WARWICK

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WARD(S): ALL

PURPOSE

Following further consideration and advice on the matters considered in Exempt Report CAB 3044 (which remains exempt), this report seeks a number of decisions from Cabinet regarding the procurement of waste collection services across the District and in particular a one year extension of the current contract. The report also provides details of how a new service for the collection of glass at the kerbside could be introduced from 1<sup>st</sup> October 2019 and on a matter concerning trade waste services.

RECOMMENDATIONS:

1. That the waste collection contract with Biffa be extended for one year until 30<sup>th</sup> September 2020 on one of the alternative terms which are set out in Exempt Appendix 1.
2. That Cabinet determines which of the terms for the core service provision set out in Exempt Appendix 1 to approve and that officers be authorised to take the necessary actions in relation to the contract and the Inter Authority Agreement with East Hampshire District Council to give effect to this decision.

3. That Cabinet decide whether to award a contract for a kerbside glass collection service from October 2019 until September 2020 for one year on the terms set out in Exempt Appendix 1 and thereafter incorporate kerbside glass collection as part of the baseline service to be provided for in the waste collection contract.
4. If Cabinet does agree to award a one year contract for kerbside glass collection that Cabinet agree to suspend the Council's Contract Procedures Rules to allow for the award of the contract to the existing contractor.
5. That the resolution of the trade waste position which has arisen within the scope of the existing contract is resolved as proposed in Exempt Appendix 5
6. That Cabinet incorporate into its financial proposals for the 2019/20 budget the necessary revenue and capital expenditure provision required for its decision on Recommendations 1 and 2 above.
7. That the timetable and key milestones for the retendering of the waste contract be noted.

## IMPLICATIONS:

### 1 COUNCIL STRATEGY OUTCOME

- 1.1 The Council Strategy 2018 – 2020 identifies improving the quality of the environment as a key outcome. Domestic waste collection is an extremely high profile statutory service and it is therefore important to ensure that effective arrangements are secured at all times. Measures to increase the rate of recycling in the District are a priority for the Council and the introduction of a kerbside glass collection service should create an opportunity for residents to ensure more household glass enters the recycling waste stream.

### 2 FINANCIAL IMPLICATIONS

- 2.1 There are significant financial implications arising from the report.
- 2.2 The introduction of a kerbside glass collection service will involve two additional costs for the Council. To enable residents to put their glass bottles and jars on the kerbside for collection it is necessary to provide each household with a suitable container (likely to be a box of approximately 40 litres), to distribute these to approximately 50,000 properties across the District and to promote the new scheme to residents. It is suggested that these be issued free of charge to households so as to encourage up take of the service. The precise cost of this exercise will only be determined by a competitive tendering exercise, but the total including purchase, distribution and publicity is likely to be in the region of £200,000. This will be a one-off cost part of which can be financed over more than one year.
- 2.3 If Members agree, kerbside glass collection will be an integral part of the Council's waste collection and recycling service and will form part of the prices given by tenderers when the long term contract is procured next year. This will increase the cost of the service, but until tenders are received the additional cost cannot be predicted with certainty.
- 2.4 For reasons which are explained later in the report the new long term contract will start in October 2020 following a one year extension of the existing contract. It is however possible to introduce the glass collection service sooner and from 1<sup>st</sup> October 2019 by awarding a one year contract to our existing contractor. A proposed price for this service has been negotiated with the assistance of our external advisors WYG and this is set out in Exempt Appendix 1.
- 2.5 A thorough communications exercise and strategy will be needed to explain and inform householders about the new kerbside glass service, and to ensure they are familiar with changes to the collection rounds which will be necessary from October 2019 as explained in 11.10 below which will have a cost depending on the extent and nature of the mechanisms used.

- 2.6 If the operation of the kerbside collection service results in additional glass being sent for recycling the Council will receive a small additional income which will reduce the net annual cost. In addition, the Council has approximately 80 'bring sites' for glass collection (in addition to those provided commercially in supermarkets and at County Council HWRCs). These range considerably in their level of usage but all are provided for domestic glass only.
- 2.7 As part of the programme to promote the use of kerbside collection and to obtain the best price possible from a contractor the number of existing bring sites will be reviewed and the total number reduced by approximately twenty before the launch of the kerbside service based on expectations of their future use.
- 2.8 It should be noted that the Government's new waste strategy which is expected to be announced before Christmas may have implications for local authority glass recycling schemes. This might impact on the cost/benefit of a kerbside glass recycling scheme in some way, as might any decision in the future by Hampshire County Council as waste management authority regarding the way in which glass (and other materials) can be processed. There is therefore a benefit from having the opportunity to review the operation of the scheme and the basis on which it operates before finalising the terms offered in the long term contract.
- 2.9 For reasons explained later in the report, it is recommended to extend the contract with the Council's existing contractor, Biffa, for one year to 30<sup>th</sup> September 2020 to allow for a legally compliant procurement process and mobilisation to take place. In addition this would allow for an open and advantageous procurement process to take place.

Biffa will not undertake that additional year on identical financial terms to those in the Initial Term of the contract because the service will be for Winchester only and because additional contractor costs will arise as a result. There have also been significant other cost pressures which Biffa are not willing or able to absorb for a further year. The Council must therefore reach a negotiated agreement for the additional year of service. The starting point for this is the offer made by Biffa for the long term extension as described in Exempt Report CAB3044 but of course this included some economies and efficiencies which cannot be achieved over one year. There will be a benefit however from the operation of the client team directly within the City Council's management structure, both in terms of effectiveness and through a reduction in cost once the long term contract is under way.

- 2.10 As the fleet of vehicles now operating on the contract will be towards the end of its reliable service life the contractor has been asked to provide alternative prices based on either a 'part retained, part new hired in' fleet (with alternatives for the level of shared maintenance risk on the retained vehicles) or a 'all new hired in' fleet which will be more reliable but more expensive. WYG are of the view that the 'part retained, part hired' mix should be

capable of delivering the service to an acceptable standard, but Cabinet may consider the 'all hired' option more in line with its risk appetite for the service.

- 2.11 At the end of the extension period the vehicles used will be returned to their hire company. The Council has considered hiring or purchasing vehicles and then making these available to Biffa and any new contractor but for operational and financial reasons this would not represent a viable option given that a new long term contract with a completely new fleet will operate from 2020.
- 2.12 Details of the terms proposed are set out in Exempt Appendix 1. These should remain confidential because it would be prejudicial to the Council obtaining the best tender prices in the future for contractors to see these figures but it in the interests of transparency it can be stated that they will result in a material additional cost in a 12 month period (October 2019 to September 2020) spanning part of the Council's 2019/20 financial year and part of its 2020/21 financial year.
- 2.13 The annual cost of the service from October 2020 will be known only once the tendering exercise has been completed.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 A significant number of legal implications have been outlined in previous Cabinet reports which are touched upon in this report and these are dealt with in Exempt Appendix 2.

### 4 WORKFORCE IMPLICATIONS

- 4.1 Introducing a kerbside glass collection service and preparing for the round rescheduling exercise described in the report will require concentrated effort from staff across a number of teams, particularly the revised client team and the Council's communications team. Additional short term resources may be required to provide capacity at particular times and these will be provided from existing budgets.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 It will be necessary to agree terms for the use of the operational facilities provided by the Council, including the depot at Bar Field Close. The Estates team will undertake these negotiations.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 The City Council and East Hants District Council conducted a detailed options appraisal for waste collection services in 2016 which included public consultation. Kerbside glass collection which was the additional service most requested by respondents.

- 6.2 The options appraisal indicated general satisfaction with the existing core alternative weekly collection (AWC) service and it is proposed to proceed to tender on this basis. This does not preclude subsequent improvements to the diversity or quantity of plastics or mixed material products being recycled which is more a function of the waste management process than the collection arrangements. A number of 'priced options' for services, such as food waste collection, may be included in the tendering exercise as they have been in the past which will enable the Council to consider introducing these at some point in the future. Further details of the options Members may wish to consider can be evaluated before any final decision is made and it is proposed to hold a workshop for Members in the new year at which the various issues and options will be discussed.
- 6.3 The introduction of kerbside glass collection service at the same time as a rescheduled AWC service will require a major communications exercise through the middle period of 2019. This will require resources to be allocated from the client, communications team and customer service teams in addition to their normal workload. Additional temporary staffing may be required to support promotion and communications activity which it is hoped to accommodate within the approved project budget.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 As a requirement of the new contract from 2020 the Council will require the incoming contractor to provide a new vehicle fleet operation with EURO 6 standard engines and other measures to reduce carbon emissions and improve fuel efficiency. Enhanced ICT systems will also be a contractual requirement which will also help to improve performance and reduce wasted journeys. More detail of the precise specification will be provided in due course.
- 7.2 The introduction of new rounds from October 2019 will also have a small but worthwhile environmental benefit by optimising the routes for vehicles and therefore reducing total emissions.

## 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 An Equality Impact Assessment (EIA) was carried out for the waste contract in 2010. This has been reviewed and no changes to the way in which the service is provided arise from the proposal to offer a one year extension which alter the findings of the earlier EIA. The kerbside glass collection service will be offered on the same basis as other elements of the service such as garden waste collection and therefore will also be reviewed against the existing EIA once details of the collection system have been finalised. A full EIA will be carried out of proposals for the new contract once its content has been determined.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required

10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><i>Property</i></p> <p><i>New contractors might not choose to use the depot facilities provided by the Council</i></p>	<p>Given the suitability of the depot it is unlikely that this would be the case. It would be attractive to alternative occupiers</p>	
<p><i>Community Support</i></p> <p><i>The rescheduling of rounds has no negative impact on householders but the process of communication and engagement requires careful planning</i></p> <p><i>The introduction of any new recycling services requires some additional effort and planning by householders in order to be effective</i></p>	<p>Careful and extensive communications planning will ensure that householders are clearly informed. A short term additional service may be provided to 'mop up' bins which have been put out on the wrong day whilst services bed in.</p> <p>Kerbside glass recycling requires relatively little additional effort by householders many of whom already set glass aside.</p> <p>Extensive communications will be needed with households which cannot for practical reasons make use of the boxes.</p>	<p>To promote recycling awareness and reinvigorate enthusiasm for the benefits.</p> <p>To reduce contamination which has a detrimental effect on environmental performance and affects the Council's income.</p>
<p><i>Timescales</i></p> <p><i>The extended timescales set out within the report allow sufficient time for communication and mobilisation. Alternative timetables might not be allow for sufficient pre-planning and communication.</i></p> <p><i>A rushed or poorly planned procurement process could reduce competition and lock the Council into long term prices which are higher than would have been achieved by allowing sufficient time</i></p>	<p>Ensure that key decisions on timetable are taken after consideration of delivery and communications implications.</p>	<p>This extended timescales will provide time in the procurement process to fully promote competition and enable the Council to maximise the benefits of tendering.</p>

<p><i>Project capacity</i></p> <p><i>There is a significant but manageable level of resource required for the extension option which may require that existing teams are supplemented on a short term basis. Retendering will require a full project management approach with additional resources required.</i></p>	<p>Allocate sufficient project resources to ensure delivery against chosen route</p>	<p>Client activities and systems will be realigned on the needs of Winchester residents and providing a service level specified by the Council</p>
<p><i>Financial / VfM</i></p> <p><i>These are described extensively in the report and previously in Exempt Reports CAB3023 and 3044. The increase in contract costs from the waste retendering needs to be managed to avoid a negative impact on other services in the context of budget planning. It is considered that an increase in cost from the current very low level to market norms is inevitable.</i></p>	<p>Ensure that financial planning takes into account potential cost increases.</p> <p>Determine what services are affordable and make reasonable and necessary adjustments</p>	<p>Contract commencement is most cost effective point for new or alternative services to be introduced with fleet renewal and ICT upgrades.</p>
<p><i>Legal</i></p> <p><i>These are described in the Exempt Appendix 2 to the report.</i></p>	<p>Advice from Leading Counsel has been sought as described in Exempt Appendix 2</p>	
<p><i>Innovation</i></p> <p><i>The commencement of new contracts with new vehicles and services provides a good opportunity for innovation particularly in customer interactions and management information</i></p> <p><i>Proposals due in the Government's forthcoming waste strategy could have an impact on waste/recycling volumes and the financing of local authority waste</i></p>	<p>Avoid untried or untested technology or systems</p> <p>Wait for more details of Government proposals regarding operation and financing of recycling services before making major commitments and be prepared for flexibility.</p>	<p>Improved management information and customer service can be delivered by new ICT and systems. Opportunity for more direct communication between customer and service provider.</p>



<i>management/collection. These could have an impact on services delivered by Council.</i>		
<i>Reputation  The Council's reputation would be damaged if services fell below reasonable public expectations or there were unnecessary additional costs</i>	Take account of Options Appraisal which provides evidence of customer feedback and performance measurement	Improvements to service, and in particular information for customers on service can enhance reputation and public confidence.
<i>Other</i>		
<i>None</i>		

## 11 SUPPORTING INFORMATION:

### Background

- 11.1 Following its consideration of Exempt Report CAB3044 in September 2018 Cabinet made a number of decisions regarding the procurement of the two contracts for environmental services which are the basis for this report.
- 11.2 Cabinet agreed that the Council's contract for the collection of domestic waste (currently let to Biffa UK) should be retendered following the decision of East Hants District Council not to extend that contract jointly under the current arrangements which terminate at the end of September 2019. A joint re-procurement was the favoured option to benefit from economies of scale but would also have seen a significant uplift in the contract price. Cabinet decided to offer an extension of the existing contract with IdVerde for grounds maintenance, litter clearance and other services for beyond the existing term of the contract and arrangements for this are currently in hand. This report deals only with the issues relating to the waste contract.

### Retendering Timetable

- 11.3 In Exempt Report CAB3044 reference was made to the timetable for retendering and the short period of time available for this. Delegated authority was given to officers, in consultation with the Portfolio Holder, to use the contract provision for an extension of the contract for up to one year if this was necessary to ensure the best outcome from the procurement process.
- 11.4 Immediately on appointment the Council's external advisors, WYG, were asked to review a timetable for procurement of the long term contract by October 2019 and advise on the logistics and implications of such an exercise. They have advised that completing a tendering exercise and then

mobilising personnel, plant and specialist vehicles for a new contract to start by October 2019 would be very challenging, specifically because the period for mobilisation which can be provided may be too short to ensure full readiness for contract start. Separately and additionally if contractors felt unable to meet the timetable this would have an adverse effect on the competitive nature of the tender process and significantly increase a number of risks to the Council including continuity of service provision.

- 11.5 An extended procurement timetable will provide space for Member engagement in the design of the contract requirements and minimise scheduling risk if external events were to affect the timetable.
- 11.6 The Council would also benefit from a better understanding of the implications for such an important contract of the proposals in the Government's forthcoming waste strategy which is expected to be published before Christmas and possibly even before Members consider this report. This may contain environmental or financial proposals which waste management or waste collection authorities are required to incorporate into their service model.
- 11.7 Officers have, in accordance with the delegation given, discussed with the existing contractor its terms for extending the contract for one year. Biffa is willing to extend the contract term for one year and the terms proposed for that extension are set out in Exempt Appendix 1. The cost is based on new rounds to provide for the Winchester only nature of the contract and using either a fleet of new vehicles leased for one year or a mixture of the best of the current fleet retained in service and new, hired vehicles. WYG have reviewed the proposals (which have been provided on an open book basis) and with some comments on assumptions conclude that the prices is based on reasonable operational assumptions. They have made a number of points on the proposals including on fleet maintenance risk, glass collection costs and the green waste service and on some but not all of these it has been possible to reach agreement with Biffa. It should be made clear that the amount which has been included in the budget to provide a 'back up' team to support the new rounds roll out is a provisional sum which may be reduced following further discussion with Biffa.
- 11.8 The one year extension price will require an increase in the Council's expenditure for the period over the annual cost in the Initial Term as a result of pressures affecting the contractor's cost base, the change to a solus contract and the use of a short term fleet. This requires approval as part of the Council's forthcoming budget process. Cabinet is therefore asked to approve those terms for inclusion in the budget, and to approve the granting of a one year extension in the contract on those terms. The legal advice relating to this recommendation is contained in Exempt Appendix 2.
- 11.9 Having made provision for the one year extension, the timetable for the tendering process allows sufficient time for consideration by Members of the service issues which should be addressed in the new contract and for these

to be incorporated into the contract where agreed. The timetable and key milestones are shown in Appendix 4. Assuming that the Government does publish the new waste strategy shortly, it will also be possible to take account of any major changes in policy in decision making.

#### Round Rescheduling

- 11.10 From October 2019 the Council will be operating a waste collection contract on a solus basis and not jointly with East Hants District Council. This means that the routes taken by refuse vehicles collecting waste (the 'round schedule') will have to change to produce the optimal routing for economy and environmental efficiency. As a consequence, collection days for some households will need to change. However, the round schedule will not need to change again in 2020 (even though the identity of the contractor may be different) because the incoming contractor will be required to use these same, optimised rounds. Overall this separation between the introduction of 'new rounds' and 'new contractor' should reduce the level of risk of disruption to services. Nevertheless, this is a major exercise which it is essential to complete successfully and which will be the responsibility of the new client team. A timetable and communications strategy for this process will be prepared shortly.

#### Kerbside Glass Collection

- 11.11 At its September meeting Cabinet agreed that a price for the introduction of a kerbside glass collection service should be obtained as part of the tendering exercise. If it is introduced for the first time with the new contract this would mean that the service will start in October 2020.
- 11.12 Cabinet has asked officers to consider whether the service could commence in October 2019 so that residents can benefit from kerbside collection as soon as possible. A price for the provision of this service as an additional contract has been negotiated with the current contractor and this falls below the relevant threshold for EU procurement. If the Council wishes to award a one year contract it is therefore permissible to do so providing that Cabinet agrees to suspend the Council's Contract Procedure rules on this occasion.
- 11.13 The cost for the one year service is set out in Exempt Appendix 1. It is clearly more expensive to operate a contract for one year than it will be for the cost to be spread over the life of a long term contract and the Council can expect the annual cost to be lower in the future. Some additional income from the sale of glass for recycling will be received which will reduce offset a small percentage of the collection cost.
- 11.14 The Council must also provide the containers in which households will store and put out their glass items for collection and this requires a capital budget allocation for their purchase and distribution. The precise amount required will not be known until a procurement exercise has been completed but will be at a level which requires full Council approval for inclusion in the 2019/20 budget. Cabinet is asked to recommend that the Council makes provision in

its capital expenditure programme for 2019/20 at an appropriate level. The estimated cost of this procurement is given in Exempt Appendix 1.

- 11.15 If it is the wish of Cabinet, and assuming that Full Council does agree the necessary budget provision, it would be possible to begin a kerbside glass collection service in October 2019 following a communications campaign to explain the service to householders.

#### Trade Waste

- 11.16 A matter has arisen in relation to the existing contract which requires resolution.
- 11.17 It is therefore proposed to resolve this dispute in a manner which is explained in Exempt Appendix 5 and which Cabinet is invited to consider.

#### Conclusion

- 11.18 There are a number of complex and challenging tasks required over the next twelve months to ensure that the revised waste collection arrangements are put in place. These will fall mainly on the client team as it is restructured from the current arrangements and this will require sufficient resources and intensive management. The tendering of the service will proceed in parallel. The proposed arrangements for the tender, using priced options for services the Council might wish to consider in addition to the core AWC will allow some flexibility for the Council to choose which services to deliver from 2020 in the light of price information and the Council's priorities.
- 11.19 The Council has benefited over the last eight years from an extremely competitively priced waste collection contract. Based on the benchmark costs for other local authorities, it is to be expected that the Council's costs will rise in the future. It is therefore all the more important to ensure that there is as much competition for the new long term contract as possible and that the contract is carefully designed to be cost effective and can be efficiently operated. Additionally both of these points should be borne in mind when making a judgement on the one year extension option.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 The Council has already conducted an options appraisal in relation to the long term procurement of these services. This concluded that continuing to work in partnership with East Hants District Council would be the best option because of the economies of scale which can be achieved through joint procurement. However, East Hants District Council has decided to delegate its service to Havant Borough Council rather than continue working jointly with the City Council.
- 12.2 The option to retender the whole contract for a start in October 2019 has been considered but as discussed in the report and following advice from

WYG there is a risk that the mobilisation period available for the contract would be insufficient. Mobilisation covers the period between the decision as to who the successful tenderer is, the completion of the contract and then, importantly, the procurement and delivery of the necessary fleet of vehicles, TUPE negotiations with staff and any necessary alterations to the depot for a new operation. There is also a risk that the condensed timescale would have an adverse effect on competitive bidding for the contract which would not be in the Council's long term interest.

- 12.3 By extending the contract for one year the City Council ensures that it has sufficient time to consider its requirements and service innovations and to include these in its new procurement process. This will be a fully competitive tendering procedure. Were Members to wish to explore any other service delivery option in parallel with the timetable for procurement then there will also be scope to do this.
- 12.4 In relation to the one year extension the following options have been considered and rejected:
- a) Another local authority providing the service for one year – this could only be done by a neighbouring authority with an in-house service and capability to provide the capacity needed.
  - b) Letting a one year contract through an EU procurement process or framework on the open market.
- 12.5 There is no neighbouring authority which would be in a position to provide a one year service across the whole District at short notice and a tender process for a one year contract would have most of the same risks as it would for the long term contract with no guarantee that a favourable price would be obtained.
- 12.6 The proposed approach of letting a one year extension to the existing contractor is therefore considered to strike a reasonable balance between managing risk, service delivery and cost. The proposals contained in the report represent a reasonable compromise between the need to ensure continuity of services whilst recognising the Council's financial position.
- 12.7 The timescales proposed also ensure that there is sufficient time in the procurement process for Cabinet to make a final selection of service delivery options once it has a full picture of the legislative and financial background. It will also allow for the reorganisation of the client team to provide a Winchester focussed and responsive service for residents.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Exempt Report CAB3044 – 10 September 2018

APPENDICES:

Exempt Appendix 1	Financial and pricing information
Exempt Appendix 2	Legal Advice Note
Exempt Appendix 3	Advice from WYG
Appendix 4	Project Timetable and Milestones
Exempt Appendix 5	Trade Waste Matter