

DECISION MAKER:	CABINET MEMBER: Contracts and Assets
DECISION DATE:	20 March 2014
SCRUTINY COMMITTEE FINAL CALL-IN DATE:	25 March 2014
DATE DECISION MAY BE IMPLEMENTED:	26 March 2014

TITLE OF REPORT:	WASTE COLLECTION REVIEW
REPORT BY:	Head of Environment and Waste Services

1. Classification

Open

Appendices to the Report are exempt by virtue of paragraph 3:

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

of the Access to Information Procedure Rules set out in the Constitution pursuant to Schedule 12A Local Government Act 1972, as amended.

Notice has been served in accordance with Part 2, Section 5 (Procedures prior to private meetings) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (Regulations) 2012.

2. Key Decision

This is a Key Decision because it is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; and

because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the County.

NOTICE has been served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

3. Wards Affected

County-wide

4. Purpose

To seek authorisation to agree a seven year contract extension for FCC Environment Ltd to continue waste collection services on behalf of the Council, subject to achieving significant savings by moving to alternate weekly collections of recycling and refuse.

5. Recommendation(s)

THAT:

- (a) The Director for Economy, Communities and Corporate be authorised to come to agreement with waste collection contractors, FCC Environment Ltd (FCC), for an extension of seven years to the existing arrangements to achieve significant savings by moving to alternate weekly collections of recycling and refuse; and**
- (b) The Chief Finance Officer is authorised to arrange for the purchase of refuse bins for residents utilising prudential borrowing as detailed in this report.**

6. Alternative Options

6.1 By maintaining the existing service of collecting black sack refuse every week and recycling fortnightly current costs would increase in line with the Consumer Price Index every year and no significant saving would be made.

6.2 Change collection frequencies to more than alternate weekly eg collect refuse and recycling every four weeks. Whilst this may reduce costs further it is questionable if this is acceptable on public health grounds or would pass a challenge on the basis of this service being reasonable. Councils currently considering refuse collections every four weeks have weekly food waste collections, garden waste collections and recycling collections. The overall costs of such a service would be much higher than our current recycling and refuse collection services.

7. Reasons for Recommendations

7.1 The council's budget position requires a review of all expenditure to better reflect available funding. Under the terms of the current waste collection contract, which commenced on 1 November 2009, an extension of seven years is possible. Negotiations have taken place with FCC to investigate potential savings to the Council if the service was modified and extended. Alternate weekly collections

(AWC) are carried out by 216 councils out of a total of 324 in England and in all but one of the Districts in Worcestershire. The yearly savings currently proposed by FCC are sufficient to meet the requirements identified in the Council's Medium Term Financial Strategy. FCC have given two savings scenarios. One where they purchase refuse bins on our behalf and another higher saving if the Council were to arrange purchase of bins using prudential borrowing.

7.2

It is recommended that the Council prudentially borrow the finance to purchase the bins rather than FCC doing the same as this will provide additional savings.

8. Key Considerations

8.1 The current refuse and recycling collection contract was awarded to FCC in November 2009 following a competitive tendering exercise. At that time recycling bins were introduced which resulted in a rise in recycling rates from just under 30% to over 40% and realised collection contract savings of approximately £0.75million per annum. The contract was awarded on a seven year basis with the opportunity to extend for another seven years if both parties were in agreement. Currently, black sack refuse is collected weekly and recycling is collected every fortnight.

8.2 The Waste Management Team has been involved in lengthy negotiations with FCC following an initial presentation to the project board on 21 June 2013. Various options have been discussed with FCC and their proposal to move to Alternate Weekly Collection (AWC) by introducing a 180 litre refuse bin produced their latest offer on 10 December 2013. The majority of the savings would come from the reduction in vehicle and staffing costs. By moving to AWC we would join the majority of waste collection authorities in England with 67% currently collecting refuse and recycling in this way.

8.3 By constraining the amount of refuse put out by residents and encouraging increased recycling through the extra capacity of the recycling bin, disposal savings of between £100,000 and £200,000 per annum have been projected. This has been based on data received from Worcestershire District Councils who have AWC and research undertaken by AMEC. At this stage an estimated waste disposal saving of £150k per annum is seen as achievable which would give additional savings from a change to AWC.

8.4 In addition to the savings detailed above, FCC have accepted the risk relating to the costs of redundancy, mobilisation costs, marketing and publicity costs for service transition, Leominster depot capital costs and the write down costs relating to the Net Book Value of the redundant vehicles. It has also been confirmed that FCC will distribute the bins at their own cost.

8.5 DCLG have recently produced a guidance document aiming to influence local authorities to maintain weekly collections of refuse. Legal advice has been taken which shows the guidance does not have the force of law but we should take it into account when finalising decision making.

- 8.6 By moving to AWC, household waste recycling rates are estimated to increase further from the current 40-41% to 43-45%.
- 8.7 AWC proposals are based on FCC operating from land owned by the council in Leominster which is part of the waste transfer station operated by Mercia Waste Management Ltd. This is in addition to the current Grafton depot in Hereford. By operating from two bases, collection vehicle mileage will be minimised resulting in reduced costs and carbon emissions.

9. Community Impact

- 9.1 A budget consultation exercise was carried out to gain the view of local residents, businesses and organisations on the savings proposed by the Council. The consultation included press coverage, emails to parish clerks and third sector organisations, an on-line survey on HC's website and a postal survey of 1300 residents on the Herefordshire Voice (citizen's panel) and social media. 2,817 responses were received.
- 9.2 Savings were proposed in the consultation exercise by, "Changing the refuse and recycling collection to alternate weekly collections." The outcome was that 42% agreed, 14% neither agreed nor disagreed, with 44% disagreeing.

10. Equality and Human Rights

- 10.1 This proposal does pay due regard to our public sector equality duty. Current contractual arrangements allow residents to have assisted collections if they are unable to put out their refuse or recycling containers at the edge of their property on the day of collection. The proposed change to AWC does not change this contractual requirement.

11. Financial Implications

- 11.1 The Council's Medium Term Financial Strategy has identified savings of £500k, £100k for 2014-15 and £400k for 2015-16, in relation to the Waste Collection contract review and are expected to be made in Waste Management budgets in line with the recommendations of this report.

12. Legal Implications

- 12.1 The Council has a duty as a waste collection authority to collect household waste under section 45(1) of the Environmental Protection Act 1990. However, it is a decision for each waste collection authority to decide the frequency and manner in which the household waste is collected.
- 12.2 Section 13 below discusses the issues around procurement law and the risk of any associated challenge.

13. Risk Management

- 13.1 The major risk for a negotiated contract extension with accompanying AWC would come from external challenge on the basis that there was a material change to the

contract. However legal advice has been sought throughout the negotiating period and the view remains that the proposed new arrangements of AWC do not constitute a material change as the services remain within the originally envisaged scope of the contract, it's unlikely a different contractor would have been chosen if AWC had been specified from the outset and the FCC proposals don't change the financial balance in favour of the contractor.

14. Consultees

- 14.1 Changing to AWC was part of the public consultation process to guide the budget setting process and is referred to above. Throughout the negotiating period officers from Legal, Finance and Procurement have been consulted as they are part of the project board.

15. Appendices

- 15.1 Formal submission from FCC-exempt due to commercial confidentiality
- 15.2 Review of FCC proposals by consultant's AMEC-exempt due to commercial confidentiality
- 15.3 Financial review-exempt due to commercial confidentiality

16. Background Papers

- 16.1 None identified