

# Title of report: Procurement of new waste collection service

**Meeting: Cabinet**

**Meeting date: Thursday 21 July 2022**

**Report by: Cabinet member commissioning, procurement and assets;**

## **Classification**

Open

This report is open but an appendix 1 is exempt by virtue of the paragraph(s) of the Access to Information Procedure Rules set out in the constitution pursuant to Schedule 12A of the Local Government Act 1972, as amended:

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

## **Decision type**

Key

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 concerned. A threshold of £500,000 is regarded as significant.

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.

## **Wards affected**

(All Wards);

## **Purpose**

This report seeks to agree the new service specification and approval to procure the new waste collection service. This follows the adoption of the council's new Waste Management Strategy in July 2021 and the subsequent Cabinet decision to adopt a new waste collection model in November 2021.

## **Recommendation(s)**

**That:**

- a) **Cabinet approve the commencement of a competitive procurement process as required and as outlined in this report to procure the future service;**
- b) **Cabinet approve the inclusion and procurement of a separate cargo bike food waste collection service in the central Hereford City area;**
- c) **Authority is delegated to the Director of Resources and Assurance in consultation with Corporate Director Economy and Environment to approve the finalised draft service specification, and to take all operational decisions to award and mobilise the new collection contract subject to a successful procurement process;**
- d) **Authority is delegated to the Director of Resources and Assurance and the Corporate Director Economy and Environment following consultation with the Cabinet Member for Assets to negotiate an extension to the existing waste collection contract with FCC Environment until 3 June 2024, subject to securing Value for Money, in order to mitigate the risk of vehicle procurement lead times and to ensure an effective mobilisation period for the new waste collection service; and**
- e) **To delegate to the Section 151 Officer, in consultation with the Corporate Director Economy and Environment authority to take all necessary steps to commence reprocurring the Waste Disposal Contract in the event that the due diligence process is incomplete or the due diligence process produces an unsatisfactory value for money outcome and to bring a further report to Cabinet in the event that is necessary.**

## **Alternative options**

1. Do nothing - This is not an option as the current waste collection arrangements are due to expire in November 2023 and waste collection and disposal services are statutory services that the council has to provide.

## **Key considerations**

2. The current waste collection arrangements are due to expire in November 2023

### **Waste Management Review**

3. In July 2019 Frith Resource Management (FRM) were commissioned to undertake a waste collection services review to assess the comparative costs and anticipated performance of different waste collection options
4. In 2020 General Scrutiny Committee formed a cross party Waste Task and Finish group to review the waste management collection service across Herefordshire. Through a process of evidence and information gathering, considering the FRM review, learning from the experience of other local authorities and considering the needs and aspirations of the council the group considered what the objectives for future improvements should be and different options for providing the service in future.
5. On 28 September 2020 General Scrutiny Committee considered the findings of the Waste Task & Finish group and recommended that a public consultation exercise was undertaken on the two collection models of:

a) Option 1 - Three weekly residual collection with twin stream recycling as detailed below

b) Option 2 – Kerbside sort collection

6. This recommendation was accepted in November 2020 and between December 2020 and February 2021 MEL Research undertook a public consultation exercise on the two proposed collection service options for both Public and Business Users. The consultation was promoted on the council website, social media pages, print media publications and emails were sent to a representative sample of residents with telephone surveys and postal surveys also available. Trade and non-trade waste customers were sent an email to take part in the business survey.
7. Option 1 was supported by a majority of consultee respondents, 53% as against 47% of respondents who favoured option 2. This represents 3498 residents and 181 businesses.
8. In July 2021 Cabinet approved an ambitious new Herefordshire Integrated Waste Management Strategy and allocated £1.5m from the council's waste reserve to progress and implement a number of pilot projects. The pilots include reuse, recycling, collection and disposal methods, composting, carbon reduction opportunities, partnership working across Herefordshire and further exploring potential opportunities for cross border working/project development.
9. In September 2021, SLR Consulting were appointed to review and validate the approach to both waste collection and waste disposal undertaken to date. SLR were also asked to examine how best to commission the waste collection service, either by bringing it in house, moving it into an Local Authority Arm's Length Trading Company or re-procuring the service from the market.

I. SLR recommended that the council re-procure the service from the market.

### **Future Waste Collection Service**

10. On 25 November 2021 Cabinet approved the adoption of the three weekly residual collections with twin stream recycling service, as detailed below, as the new waste collection model to support residents to increase recycling.

Container Type	Material Type	Collection Frequency
Green 240 Litre wheeled bin	Plastic (pots, tubs, trays & bottles) Glass (bottles and jars), Metals (tins & cans)	Once every three weeks
Black with blue lid 240 Litre wheeled bin	All paper & cardboard	Once every three weeks
Black 180 Litre wheeled bin	General non-recyclable waste	Once every three weeks
Brown 240 Litre wheeled bin	Garden waste	Fortnightly collection. Potential charge for opt in service
23 Litre caddy (including liners)	Food Waste	Weekly collection

11. This model was the preferred option from the public consultation, offered the best value for money, delivered the highest modelled recycling rates and was the lowest carbon option.

## **Service Improvement schemes**

12. Following consultation and a commitment to service improvement a number of initiatives have begun to inform the future service specification these have been scoped and have incorporated concerns that were raised by residents and includes;
  - I. The development of a flats pilot scheme to assist residents living in flats to recycle.
  - II. Launched a re-usable nappy pilot scheme to support residents with young families to reduce nappy waste.
  - III. There is during the summer of 2022 the launch of a “Repair Café” initiative to encourage the repair and reuse of household items.
  - IV. Alongside the strategy and its initiatives the council launched the new ‘Getting it Right!’ behavioural change campaign to help residents to put the right items into green bins and clear recycling sacks, to help reduce contamination of waste streams and to increase recycling rates.
  - V. Consideration of a cargo bike food waste collection service as an innovative opportunity to utilise cargo bikes as a zero carbon collection service for Hereford city centre. This would be a first of its kind nationally and is recommended for inclusion in the service specification.
  - VI. On 4 July 2022 the council launched a repair café pilot scheme to develop and support community repair cafes across the county to support residents to repair and re-use items in order to save money and reduce waste.

## **Procurement Strategy**

13. In December 2021 SLR Consulting were appointed to undertake a Soft Market testing review to support the development of the service specification and procurement strategy. The key findings from the soft market test include:
  - I. The more experienced contractors would prefer to award under a single contract.
  - II. There is generally a preference to include dialogue within the procurement, although concerns are raised with regard to the timeline for enabling this.
  - III. There is a general consensus amongst experienced contractors that the proposed procurement timeline is relatively tight and would therefore benefit from a streamlined procedure, assuming the timeline cannot be extended e.g. to accommodate more dialogue.
  - IV. There is a general preference for contracts of 7-10 years from the experienced contractors, whilst contracts shorter than this would deter them from bidding.
  - V. Some concerns were raised regarding the application of cargo bikes beyond limited urban areas, but there is a general openness to considering alternative technologies where this can be proven to be efficient.
  - VI. Due to the topography and rurality of Herefordshire, the experienced contractors generally consider electric vehicle rounds should be limited to urban rounds.

14. In February 2022 Woods Limited (Woods) were appointed to provide specialist technical and procurement advice for the development of the procurement strategy, service specification, associated procurement documentation and to support the mobilisation.
15. The recommended procurement strategy from Woods is:
  - I. To undertake a Competitive Procedure with Negotiation (CPN) for an 8yr contract duration with the potential to extend by up to another 12yrs (in single or multiple extensions) by mutual agreement.
  - II. To seek an extension to the current waste collection contract to align to the procurement and vehicle purchase time line, in order to mitigate the current market risks on long vehicle procurement lead times and to ensure an effective mobilisation period.
  - III. That the council finances the required capital investment such as vehicles and containers as this would generate the lowest financing costs and offers best value for money.
16. In May 2022 DWF LLP were appointed to provide specialist legal advice to support the development of the procurement documentation.

### **Service Improvements**

17. To ensure that the service is in line with current best practice, modernises and enhances the existing service there has been a review to look at potential service improvements.
18. The outcomes of this review are the proposed inclusion of:
  - I. Upgrading Refuse Collection Vehicles (RCV's) to incorporate weighting and geotagging infrastructure in tandem with bin chips to:
    - i. Modernise the commercial waste and recycling service to a pay by weight model
    - ii. Enhance service monitoring, performance and enable targeted continual improvement and behavioural change projects
  - II. Enhanced requirements for zero carbon collection methods:
    - i. Further electrification of RCV's and the associated charging infrastructure
    - ii. The requirement for a cargo bike collection model in the historic city centre.

### **Cargo bike Food Waste Collections**

19. Following a review of best practice, the soft market test and development of a high level business case which tested financial and numerous other benefits including carbon reduction, noise and air quality the recommendation is the inclusion of a cargo bike food waste collection service in Hereford City Centre.
20. The exact geographic area will be developed as part of a separate procurement process in order to maximise benefits, value for money and to utilise expertise and innovation from the UK and international market.
21. This highly innovative, zero carbon proposal will be a national first for municipal food waste.

### **Communication, resident engagement and ‘Hypercare’**

22. Following the outcome of the public consultation where residents requested more support to increase recycling and be able to understand the new collection service additional and targeted communication, engagement and information is being and will continue to be provided to residents through the new ‘Getting it Right’ campaign.
23. This will build on the existing engagement campaigns with flats and housing associations through additional engagement with rural communities with specific collection needs, countywide communications on the service changes and extended period of Hypercare to support residents for the initial months of the contract and beyond as needed.

### **Proposed extension to existing collection service**

24. Following the outcome of the soft market test and the procurement strategy advice from Woods the proposal is to extend the existing waste collection service to align to the procurement. This will help to mitigate the current market uncertainties and supplier lead times for new waste collection vehicles and will ensure a successful mobilisation for new service at the service commencement date.
25. In May 2022 the council commenced negotiations to extend the existing waste collection service with our current providers FCC Environment.

### **Next steps**

26. Procurement timescales

Cabinet Approval	July 2022
Extension of existing contract	August 2022
Finalisation of service specification	August 2022
Commencement of procurement process	August 2022
Contract award dependent on negotiation with potential contractors	January 2023 – April 2023
Mobilisation subject to vehicle procurement / delivery times at that time	Up to 12 months from award
Commencement of new service	Up to 12 months from award
Hypercare – a period of intensive support to help residents get used to the new service	6 months from contract commencement

### **Community impact**

27. Whenever changes are made to a universal waste collection service residents will need clear information and time to prepare and adapt to the change. The ‘Getting it Right’ campaign will continue to support residents in making good reduce, reuse and recycle choices to drive recycling

to even higher levels and following the procurement process will support residents with the mobilisation of the new service.

28. The proposed procurement and mobilisation of the new waste collection service will have a positive impact on contributing towards local and regional strategy priorities, targets and legislation. These all are complimentary to The County Plan 2020 – 2024.

## **Environmental Impact**

29. The council seeks to treat waste as a resource, supporting a more circular economy for Herefordshire reducing, reusing and recycling materials so that they stay in use for longer, offsetting use of raw materials and reducing carbon emissions.
30. The environmental impact of this proposal has been integral to the service specification and includes appropriate requirements on the contractor/delivery partner to minimise waste, reduce energy and carbon emissions and to consider opportunities to enhance biodiversity. This will be managed and reported through the ongoing contract management.
31. The modelling undertaken by FRM indicates that the new service will
  - I. significantly increase recycling levels – from ~40% to 63%
  - II. significantly increase recycling quality
  - III. have a strong focus on re-use to ensure items are in use for longer, reducing waste and offsetting the use of raw materials and reducing carbon emissions
32. Through the specific requirements for bidders to include zero carbon collection vehicles, including both electric RCV's and cargo bikes in the city centre this will further reduce carbon emissions, reduce noise pollution, reduce congestion and improve air quality in the Hereford Air Quality Management Area.

## **Equality duty**

33. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to-

  - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
34. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

35. The previous cabinet decision on the future collection model was considered in line with the council's Equality Act 2010 duties and an extensive public consultation exercise was undertaken.
36. The learning from the pilot schemes has informed the development of the service specification.
37. No new impacts have been identified beyond those identified in the 25 November 2021 Cabinet report.

## Resource implications

38. The new waste collection model will create a recurrent budget pressure of approximately £2.1m
39. The council currently spends £4m per annum on the current waste collection arrangements however this does not include the provision of a weekly food waste collection and fortnightly garden waste collection service which local authorities are required to introduce as part of the Environment Act 2021.
40. Financial modelling of the recommended twin stream recycling collection option indicates that it will raise collection costs by circa £4m per annum, against this there will be substantial savings in disposal costs and likely payments to the council under the emergent Producer Pays regime and Additional Burdens.

Revenue budget implications	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
<i>Current Waste Collection contract cost</i>				
<i>Future Waste Collection contract(s) cost</i>	7.3*	8.0	8.0	8.0
<i>Current revenue budget allocation</i>	(4.0)	(4.0)	(4.0)	(4.0)
<i>Waste disposal savings</i>	(1.9)	(1.9)	(1.9)	(1.9)
<i>Extended Producer Responsibility</i>	Tbc	Tbc	Tbc	Tbc
<i>Additional Burdens</i>	Tbc	Tbc	Tbc	Tbc
<i>Contract Inflation</i>		Tbc	Tbc	Tbc
<b>TOTAL</b>	<b>1.6</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>

\*Part year cost increase due to June commencement

41. The proposal is that the new provider will finance the capital investment required for the new waste collection vehicle fleet. The current estimated cost for this £13.3m however this will be further refined with the method statements and capital requirements from the successful bidder and as part of the detailed business cases assessment.
42. The proposed funding route for the new bins, containers, bin chips and electric vehicle charging infrastructure is to utilise the Waste Revenue Reserve. As the new collection service has been designed to re-use all the existing containers from the current contract and encourage further recycling the need for new containers has been minimised. Residents will retain their existing bins and will be issued with an additional recycling bin, a food waste caddy and a garden waste bin if requested. New bins have an expected life of at least 20 years.
43. The cost per household will be circa £50 but it is proposed that the total cost of £4.3m is met from an earmarked waste reserve already built up over the past 10 years. The current waste reserve balance together with the impact of funding the new bins from this reserve is set out in the table below. There is likely to be an additional draw down on this reserve during 2022/23 to fund an existing service pressure which is anticipated to be in the region of £300k. This will be confirmed as part of the Quarter 1 budget monitoring process.

44. An extension to the existing waste disposal contract is also proposed and the anticipated savings from the proposed contract extension will generate £1.9m of savings over 2022/23 and 2023/24 as per the commercial agreement reached in 2021. However, until financial due diligence is complete on the contract extension terms & conditions, it is not clear whether there will be an overall net saving or cost to the council for both the waste collection and waste disposal contract over the MTFs period.

<b>Use of Waste Revenue Reserve</b>	<b>2023/24</b>
	£m
<i>Electric vehicle charging infrastructure</i>	0.4
<i>Provision of new bins</i>	4.3
Waste Reserve	(7.2)
<b>TOTAL</b>	<b>(2.5)</b>

45. The proposed procurement documents have been developed with support from Commercial Services and in line with the council's contract procedure rules.

### Legal implications

46. The council has statutory duties in relation to collection of waste as set out in section 45 of the Environmental Protection Act 1990 these duties include as amended by the Environment Act 2021 which amongst other matters has imposed a new duty in relation to separate receptacles or compartments of receptacles to be used for the purposes to ensure that the council can comply with its duties to collect separated waste.
47. The council has engaged specialist legal support in drafting the revised waste collection contract and to advice on the procurement of the new waste collection service.

### Risk management

48. Key risks and mitigation are kept under regular review by the project board and are summarised below

<b>Risk / opportunity</b>	<b>Mitigation</b>
No market interest	The soft market test indicated that numerous experienced contractors are interested in tendering for the service
Time scales for mobilisation timescales and vehicle lead in times	Following the soft market testing and procurement strategy from Woods the recommendation is to extend the existing service contract with FCC Environment to incorporate an effective mobilisation period
Public engagement and successful roll out of the new service	Public consultation exercise identified that: <ul style="list-style-type: none"> <li>• 86% of residents agreed that more needs to be done to reduce waste and to increase recycling</li> <li>• 60% of residents accept the need for the council to change the current service</li> <li>• The new collection model was the public's preferred option from the consultation exercise.</li> </ul>

	<p>Successful launch of pilot schemes</p> <p>Getting it Right campaign launched to support residents</p>
Not Achieving Value for Money	The procurement process and contract management process has been developed with support for specialist technical and legal consultants who will support the procurement to ensure value for money.
Reduced market interest due to requirement for contractor to provide capital financing	Whilst the soft market test indicated that the market preference is for the Council to provide the capital financing it also indicated that numerous experienced contractors are interested in tendering for the service. The rationale as to whether to ask the contractor to purchase vehicles or the council are finely balanced. Officers having considered all of the other relevant factors including capacity within the capital programme and the ability of contractors to raise capital are of the view that the risk is best placed with the contractor
Contract resilience	Due to the innovative nature of the cargo bike food waste collection service an option has been included within the main contract to support the food waste collection if required.

## Consultees

49. The following consultation has taken place:

Consultation	Date	Feedback
Waste Management Services Review Project Board	Monthly meetings in 2019- 2022	Lead the development of the recommendations through the process.
Soft Market Test	Dec 2021	Incorporated into service design
Corporate Leadership Team	5 July 2022	Support for the proposal
Political Briefing with the cabinet member for Commissioning, Procurement and Assets	Regular briefings	Support for the proposal
Cabinet Feeder	7 July 2022	Support for the proposal
Political groups consultation on a key decision	07 July 2022	<p>A member briefing session was held on 7th July 2022 with good attendance from all parties.</p> <p>No political positions were provided, however members in attendance demonstrated particular support for cargo bike food collections, service innovations including collection of information and an acknowledgement for an increased level of communications and engagement with residents on how the new service will be delivered.</p>

## Appendices

- Appendix 1 – Authority’s Requirements (Exempt)

## Background papers

- Waste Management Review – Waste Collection (Cabinet Report – 25th November 2021)
  - <https://councillors.herefordshire.gov.uk/ielIssueDetails.aspx?IId=50039497&PlanId=0&Oprt=3#AI59562>
- Waste Management Review – Waste Disposal (Cabinet Report – 25th November 2021)
  - <https://councillors.herefordshire.gov.uk/ielIssueDetails.aspx?IId=50039499&PlanId=0&Oprt=3#AI59564>

## Report Reviewers Used for appraising this report:

Governance	John Coleman	Date 08/07/2022
Finance	Jo Moore	Date 13/07/2022
Legal	Alice McAlpine Simon Aley	Date 25/06/2022 Date 22/06/2022
Communications	Luenne Featherstone	Date 29/06/2022
Equality Duty	Carol Trachonitis	Date 20/06/2022
Procurement	Mark Cage	Date 22/06/2022
Risk	Kevin Lloyd	Date 20/06/2022
Approved by	Jo Moore	Date 13/07/2022