

Title of report: Procurement of new waste collection service - update

Meeting:	Cabinet
Meeting date:	Thursday 5 October 2023
Cabinet member:	Harry Bramer for Community Services & Assets
Report by:	Corporate Director, Economy and Environment
Report author:	Head of Environment Climate Emergency and Waste Services, Economy and Environment

Classification

Part exempt

This report is open but 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.

- 1 [Information relating to any individual
- 2 Information which is likely to reveal the identity of an individual]
- 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and in each circumstance the public interest in maintaining the exemption outweighs the public interest in disclosing the 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.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

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 update on the procurement of 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 approves the delivery of the Waste Management Strategy objectives and environmental improvements, by continuing the procurement process for the provision of a waste collection service under the existing collection model, within the proposed 2024/25 annual revenue budget, for an initial term of 8years, including options to extend by up to a further 12 years (following budget approval);**
- b) **Cabinet approves a phased implementation of the new collection model and that the procurement process should include a mechanism within the contract to enable the services to transition to:**
 - i. **a three weekly, twin stream recycling service,**
 - ii. **introduce a weekly food waste collection service and:**
 - iii. **introduce a non-mandatory, seasonable, two weekly, chargeable garden waste service;**
- c) **Cabinet confirms that the remaining aspects of the future collection service, as set out in b), are introduced at the appropriate time, subject to funding, legal responsibilities and approved business case(s);**
- d) **Approval to spend up to £12.29m to purchase the new waste collection fleet, in consultation with the Director of Resources and Assurance;**
- e) **Delegate all operational decisions in order to implement the above recommendations to the Corporate Director for Economy and Environment, in consultation with the Director of Resources and Assurance;**
- f) **Delegates, to the Corporate Director for Economy and Environment, in consultation with the Director of Resources and Assurance the authority to negotiate and enter into a deed of variation to the Waste Disposal contract to accommodate the above recommendations as required; and**
- g) **The decision to award the contract to the successful bidder will be subject to a final decision of Cabinet**

Alternative options

1. Do nothing - This is not an option as the current waste collection contract is due to expire on 31 August 2024 and waste collection and disposal services are statutory services that the council has to provide.

2. Award a new waste collection contract as previously planned. This is not an option due to unprecedented cost escalations and the delayed new burdens contributions from central government that were expected.
3. Terminating the current procurement process and seeking a further long-term extension to the current collection arrangements. This is contrary to the Public Contract Regulations 2015 and the Council's contract procedure rules.
4. Terminating the procurement process and bringing the waste collection service in house; this option has been rejected based on specialist external technical consultancy advice.

Key considerations

5. The current waste collection contract is due to expire on 31 August 2024.
6. On 25 November 2021, Cabinet approved the adoption of the three weekly residual collections with twin stream recycling service in line with the outcome of a public consultation.
7. The Council is currently conducting Competitive Dialogue as part of the procurement process for a new contract. The new contract duration is for an initial 8years term with an option to extend by up to a further 12years.
8. Initial submissions have highlighted significant cost escalation due to a number of compounding market factors and Government delays to implementing and resourcing the new obligations within the Environment Act 2021.
9. Cabinet remain committed to the Integrated Waste Management Strategy 2021 and a cabinet subgroup was established to review options.

Proposed solution – Phased introduction of the new collection model

10. In order to mitigate the significant cost escalation from the numerous market pressures and the significantly delayed introduction of new national government funding contributions through new burdens, the proposed solution is to phase the introduction of the new service.
11. A phased approach is deliverable through the current procurement process, which will include the flexibility to bring forward the subsequent phases at the appropriate times and would be subject to funding, legal responsibilities and an approved business case.
12. A comprehensive communications campaign is in development prior to the new service and further campaigns will be undertaken to support the commencement of each subsequent phase.
13. The proposed phases are summarised below:

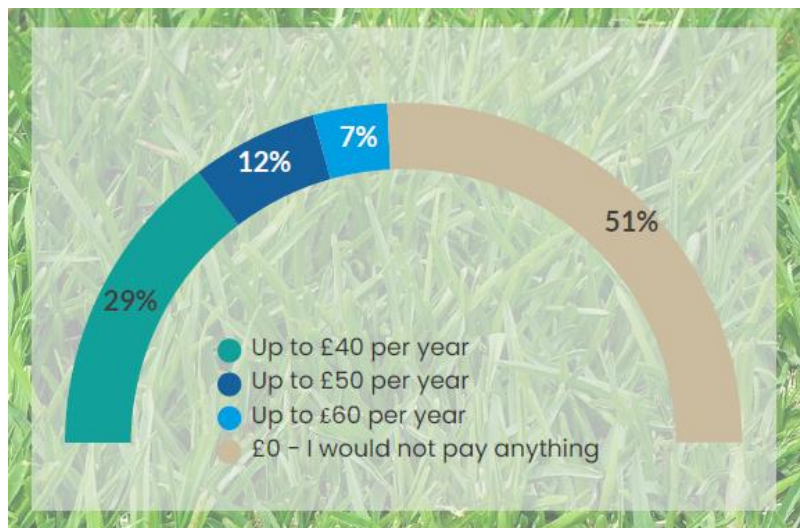
Phase	Service	Summary	Timescales
1	Business As Usual (Standard Service)	Continuation of the alternate weekly collections of residual waste and recycling	Sept 2024
2	New Garden Waste collection service	Introduction of a new chargeable garden waste collections service	TBC Subject to an approved business case demonstrating

			full cost recovery or suitable funding identified.
3	New weekly food waste collection service (Enhanced service)	Introduction of the new weekly food waste service	TBC Subject to an approved business case and suitable funding identified
4	New waste and recycling collection model (Enhanced service)	Introduction of the new three weekly residual collection with twin stream recycling service	

Proposed solution – Charged Garden Waste service

- 14. The Council’s current policy is to charge for all optional services on a full cost recovery basis.
- 15. Specialist technical consultants have undertaken benchmarking and have confirmed that the established approach for garden waste collection services is for these to be optional and chargeable.
- 16. As part of the public consultation held in 2021, 49% of residents who replied to the survey indicated the willingness to use an optional, chargeable garden waste service. This is illustrated in Table 1 below and is a higher percentage than the average take up of 44% nationally.

Table 1 – Public consultation response on Garden Waste Collection Charges



Proposed solution – Phased introduction to the new waste disposal arrangements

- 17. The impacts to the proposed phased introduction to the new waste collection services is currently being discussed with our waste disposal contractor.
- 18. These changes will be considered as part of the subsequent business cases to ensure that waste collection and disposal impacts are considered together.

Community impact

19. Whenever changes are made to a universal waste collection service residents will need clear information and time to prepare and adapt to the change. A comprehensive communications strategy is being developed to continue to support residents in making good reduce, reuse and recycle choices to drive recycling to even higher levels, and to support the mobilisation of the new service.
20. 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 complementary to The County Plan 2020 – 2024 objectives to:
 - a. Minimise waste and increase reuse, repair and recycling
 - b. Invest in low carbon projects
 - c. Identify climate change action in all aspects of council operation
 - d. Seek strong stewardship of the county's natural resources

Environmental Impact

21. 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.
22. 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 contract management.
23. The modelling undertaken by Frith Resource Management (FRM) indicates that the new service will
 - a. significantly increase recycling levels
 - b. significantly increase recycling quality
 - c. 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
24. The procurement process includes requirements for bidders to set out their approach to deliver the Waste Strategy objectives and environmental improvements which will be evaluated as part of the procurement process.

Equality duty

25. 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.
26. 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.
27. 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.
28. The learning from the pilot schemes has informed the development of the service specification.
29. No new impacts have been identified beyond those identified in the 25 November 2021 Cabinet report and Equalities Impact Assessment.
- a. <https://councillors.herefordshire.gov.uk/ielIssueDetails.aspx?IId=50039497&PlanId=0&Oprt=3#AI59562>

Resource implications

30. The proposed revenue budget for the new waste collection service in 2024/25 is £8m, which will be reduced by the budget required to repay borrowing costs as per the purchases detailed below. This is subject to formal approval of the 2024/25 budget by Full Council in February 2024. Value for money will be demonstrated through the procurement process in line with the contract procedure rules. The new collection contract is for an initial term of 8years, including options to extend by up to a further 12 years (following budget approval).
31. The Council in its Q1 finance report has shown that the council is currently overspending against its agreed budgets. Bearing this in mind the team will be seeking to work with any new provider to deliver cashable savings as part of any new contract awarded.
32. The financial implications of the phased introduction of the new waste disposal arrangements to accommodate phased collected changes will be met within the budget allocation.
33. On 10th February 2023 Full Council approved the inclusion of £12.29m within the Council's capital programme for the provision of new vehicles as detailed below:

Funding streams	Total
	£000
<i>Funded prudential borrowing – ROI – for purchase of vehicles</i>	12,290
TOTAL	12,290

34. As the procurement process is still underway the detailed split of spend across new waste collection vehicles, depot and service improvement and new bins and caddies will be confirmed after Final Submissions. All costs will be met as per the allocation within the approved capital programme. The capital expenditure for the transition to the enhanced services will be subject to an approved business case and future decision

35. In line with the Council's standard capital management, all assets will be depreciated over the expected asset life, which will be detailed as part of the Final Submissions. The Revenue Contributions to Capital Outlay for the purchase of the vehicles will be funded within the £8m annual revenue budget.
36. Due to the phased approach to the new services the capital expenditure will also be phased to enable the introduction of each and the future capital expenditure for each phase will be considered within the business case prior to approval. Whilst the capital programme has a notional allocation of £12.29m for the purchase of new vehicles, only the amount required to purchase the necessary vehicles for each phase will be drawn down. This will be in accordance with the capital business case which was approved at Full Council in February 2023.

Legal implications

37. The council has statutory duties in relation to collection of waste as set out in section 45 of the Environmental Protection Act 1990 and 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. There is an exclusion where recyclable waste types (other than garden and food) can be collected in the same receptacles where it is not economically or technically practical to collect separately or there is no environmental benefit of separate collections. The act doesn't provide a frequency of collection other than for food waste which must be collected weekly. These provisions are not yet in force.
38. The council has engaged specialist legal support in drafting the revised waste collection contract and to advise on the procurement of the new waste collection service. The contract will be procured in accordance with the Council's Procurement Rules

Risk management

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

Risk / opportunity	Mitigation
Public participation of the charged garden waste service	<ul style="list-style-type: none"> • 49% of residents who participated in the public consultation indicated the willingness to use an optional, chargeable garden waste service. • This is higher than the average take up of 44% nationally. • A detailed business case outlining the financial implications will be developed for approval prior to commencing this enhanced aspect of the service.
Procurement Challenge	Specialist legal consultants have confirmed that the proposed inclusion of a phased introduction to the new collection service is in line with the Public Contract Regulations.
Public engagement and successful roll out of the new service	Public consultation exercise from a survey identified that: <ul style="list-style-type: none"> • 86% of residents agreed that more needs to be done to reduce waste and to increase recycling

	<ul style="list-style-type: none"> • 60% of residents accept the need for the council to change the current service • The new collection model was the public's preferred option from the consultation exercise. • Successful launch of pilot schemes • Communication and Engagement campaigns are in place and will continue to run to support residents with ongoing information and changes.
Not Achieving Value for Money	<p>The procurement process and contract management process has been developed with support from specialist technical and legal consultants who will support the procurement to ensure value for money is achieved.</p> <p>A further report will be brought back to cabinet seeking permission to award the contract subject to demonstrating value for money.</p>
Compliance with the requirements of the Environment Act 2021.	The recommended approach is consistent with the requirements within the Environment Act 2021.

Consultees

40. The following consultation has taken place:

Consultation	Date	Feedback
Waste Management Services Review Project Board	Monthly	Lead the development of the recommendations through the process.
Cabinet Subgroup	Fortnightly	Lead the development of the recommendations through the process.
Directorate Leadership Team	23/08/23	Support for the proposal
Corporate Leadership Team	05/09/23	Support for the proposal
Cabinet Feeder	21/09/23	Support for the proposal
Political groups consultation on a key decision	02/10/23	A member briefing session is scheduled for 02/10/23 and feedback will be included in a supplementary paper.

Appendices

- Appendix 1 – Authority's Requirements v3 (Exempt)
- Appendix 2 – Waste Strategy Timeline

Background papers

- Waste Management Review – Waste Collection (Cabinet Report – 25th November 2021)

- <https://councillors.herefordshire.gov.uk/ielssueDetails.aspx?IId=50039497&PlanId=0&O pt=3#AI59562>
- Waste Management Review – Waste Disposal (Cabinet Report – 25th November 2021)
 - <https://councillors.herefordshire.gov.uk/ielssueDetails.aspx?IId=50039499&PlanId=0&O pt=3#AI59564>
- Procurement of new waste collection service (Cabinet Report – 21st July 2022)
 - <https://councillors.herefordshire.gov.uk/ielssueDetails.aspx?IId=50041294&PlanId=0&O pt=3#AI60738>

Report Reviewers Used for appraising this report:

Please note this section must be completed before the report can be published		
Governance	John Coleman	Date 27/09/2023
Finance	Karen Morris	Date 26/09/2023
	Rachael Hart	Date 29/09/2023
	Wendy Pickering	Date 26/09/2023
	Andrew Lovegrove	Date 28/09/2023
Legal	Sean O'Connor	Date 30/08/2023
	Sarah Halliwell	Date 28/09/2023
	Emma-Jane Brewerton	Date 13/09/2023
Communications	Mark Batchelor	Date 30/08/2023
Equality Duty	Harriet Yellin	Date 31/08/2023
Procurement	Carrie Deeley	Date 01/09/2023
Risk	Kevin Lloyd	Date 07/09/2023
Approved by	Ross Cook	Date 29/09/2023

Please include a glossary of terms, abbreviations and acronyms used in this report.