

Report of	Meeting	Date
Director of Customer and Digital	Overview and Scrutiny Committee	24 <sup>th</sup> October 2017

## OPTIONS FOR THE NEW WASTE COLLECTION CONTRACT

### PURPOSE OF REPORT

1. To provide a number of options for Members to consider for the new waste contract.

### RECOMMENDATION(S)

2. That the outcome of the modelling work undertaken by our consultants is included in the report to Executive Cabinet on 14<sup>th</sup> December 2017 along with any suggestions from Overview and Scrutiny committee.

### EXECUTIVE SUMMARY OF REPORT

3. The current waste collection contract with Veolia ends on 31<sup>st</sup> March 2019; the total contract cost over ten years is £33m. It is the largest contract the council procures. The MTFS has a saving target of £250,000 for this contract.
4. Ricardo AEA have been appointed to provide consultancy support for this high risk procurement and model a number of options for the new waste contract which are outlined below.

Confidential report	Yes	No
Please bold as appropriate		

### CORPORATE PRIORITIES

5. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities	√	An ambitious council that does more to meet the needs of residents and the local area	√

### BACKGROUND

6. The existing waste management contract with Veolia expires on 31 March 2019. This is a ten year contract and the total contract cost is £33m. This is the largest contract the Council procures and will be high risk procurement in terms of value and reputational risk. It is also a high profile service and provided to all residents of the Borough.
7. Work has begun on identifying the potential options, risks and priorities for the new contract. There are a number of unknowns such as what disposal facilities will be available, changes to legislation as a result of Brexit and what the likely cost of the new contract will

be. The council has significant savings targets to achieve for the 2019/20 budget. The MTFs has a saving target of £250,000 for this contract.

8. The Council has successfully initiated recent changes to waste collections: co-mingling of paper and cardboard in a 240l wheeled bin and new chargeable garden waste collections from May 2017, with the income from subscriptions around £700,000. It is assumed this chargeable service will continue; with a forecast higher level of income in future years. These changes will help to offset the loss of income from LCC's withdrawal of £900,000 per year from the waste cost share agreement which ends on 31 March 2018.

## **Risks**

9. The Council does not own a depot of a suitable size to house the vehicles and staff associated with a waste contract. The current service provider rent their depot; this gives the incumbent contractor, Veolia an advantage.
10. The number of suitably experienced contractors providing waste collection services is small and the tender needs to be attractively packaged to attract sufficient interest. There are a number of larger and more profitable contracts going out to the market at the same time as us. The number of contract variations should be kept to a minimum.
11. Reduction in the frequency of recycling collections and the introduction of chargeable garden waste collections will have a negative impact on our recycling rate, 48% in 2016/17. The rate is likely to drop to between 28 to 38% further if some of the options outlined below are implemented. The current EU target is for 50% of household waste to be recycled by 2020.
12. Lancashire County Council as the waste disposal authority (WDA) direct us to sites where our waste can be disposed of or processed, this currently includes our recycling. There is uncertainty on where we will be directed to dispose of waste in future due to the changes in LCC's waste treatment network. This is unlikely to be resolved in the short term.

## **Service Delivery Models**

13. There are a number of ways the household waste collection service could be delivered and some brief details are provided in the following paragraphs.
14. Continue as is with an externally provided service – waste collection has been outsourced for over 25 years at Chorley. The contractor is responsible for providing the whole service including staff management and performance.
15. Deliver the service in house - the council may wish to consider operating waste collection services in-house. This could allow more operational flexibility, but would mean a significant increase in workforce with corresponding resource implications and demands in terms of staff management and HR. The council does not own a depot of a suitable size to house waste collection vehicles and staff, the Bengal St depot could not accommodate both waste and streetscene services.
16. Joint or partnership working with other councils - we will seek to align contract end dates with other Lancashire authorities if possible. Other opportunities may exist to co-ordinate or share service elements such as sharing a waste depot, fleet maintenance etc. Issues may exist if collection services are different between authorities.

## Waste Collection Service Options

17. Consultant, Ricardo Energy and Environment have been appointed to provide support on the procurement of the waste collection contract. The consultant will model and cost up to three options based on our data along with the current baseline (existing service). The collection service options could be delivered by all of the service delivery options outlined above.
18. The options they are modelling are;
- Option A - Four weekly blue bin collections (plastic bottles, cans and glass), other streams as now.
  - Option B - Three weekly collections of refuse, blue bins (plastic bottles, cans and glass) and brown bins (paper and card), garden waste to remain fortnightly.
  - Options C - Three weekly collection of refuse other streams to remain as current.

**Table One – Possible Collection Patterns**

	<b>Week 1</b>	<b>Week 2</b>	<b>Week 3</b>	<b>Week 4</b>
<b>Current service</b>	Refuse (green bin)	Dry recycling (blue bin), opt in garden waste (grey bin)	Refuse (green bin)	Dry recycling (blue bin), opt in garden waste (grey bin), paper & card (brown bin)
<b>Option A, 4 weekly recycling</b>	Refuse (green bin)	Dry recycling (blue bin), opt in garden waste (grey bin)	Refuse (green bin)	Paper & card (brown bin), opt in garden waste (grey bin)
<b>Option B, three weekly refuse &amp; recycling</b>	Refuse (green bin)	Dry recycling (blue bin), opt in garden waste (grey bin)	Paper & card (brown bin)	Refuse (green bin), opt in garden waste (grey bin)
<b>Option C, three weekly refuse, fortnightly blue bin, 4 weekly paper &amp; card</b>	Refuse (green bin)	Dry recycling (blue bin), opt in garden waste (grey bin)	No collections	Refuse (green bin), dry recycling (blue bin), opt in garden waste (grey bin), paper & card (brown bin)

19. The three models chosen could to be cheaper than our current service and fit with the delivery requirements of the waste disposal authority, LCC on the combination of waste and recycling for processing. Modelling these options does not commit us to making these changes but will give senior officers and Members indicative costs, what the service profile of vehicles, crews and recycling rate would be if implemented and the merits and risks of introducing these service changes. The results of the modelling are expected at the end of October 2017.

20. This modelling exercise will provide costs but until procurement is completed and tenders returned these costs are only indicative based on the consultant's knowledge of the market. Specific factors such as depot costs, pension liabilities, labour costs, overheads and profits will all impact on the overall cost of providing the service.

## PROCUREMENT TIMETABLE

**Table Two – Key Dates**

21.

<b>Action</b>	<b>Date</b>
Overview and Scrutiny committee to consider options	24th October 2017
Phase One report on baseline and three options completed	Mid November 2017
Report to Executive Cabinet to agree contract options, contract award procedure and methodology	14 <sup>th</sup> December 2017
Publish contract OJEU notice, selection questionnaire and all documentation	February 2018
Bidders open day	2 weeks after publication of OJEU notice
Tenders returned	April 2018
Tender evaluation	May 2018
Report to Executive Cabinet recommending contract award	July/August 2018
Contract mobilisation	September 2018
Commence new contract	April 2019

## IMPLICATIONS OF REPORT

22. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	√	Customer Services	
Human Resources		Equality and Diversity	
Legal	√	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

## COMMENTS OF THE STATUTORY FINANCE OFFICER

23. The MTFs has a saving target of £250,000 for this contract. The pricing exercise undertaken by Consultant, Ricardo Energy and Environment will give an indication of the cost of the four options detailed in the report but it is only when members chosen option has been through the procurement exercise will the cost of the contract and the potential budget saving be known.

## COMMENTS OF THE MONITORING OFFICER

21. The monitoring officer does not have any comments to add.

Asim Khan  
Director of Customer and Digital

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
----------------------	------------	-------------	---------------

Jo Oliver	5737	14 <sup>th</sup> October 2017	***
-----------	------	-------------------------------	-----