

To the Mayor and Members of Cabinet

RECYCLING AND WASTE MANAGEMENT CONTRACT

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Cllr C McGuinness	All	Yes

EXECUTIVE SUMMARY

- 1 The purpose of this report is to provide an update on the procurement of the Recycling and Waste Management Contract.
- 2 To approve the delegation to appoint the service provider for the contract within the financial parameters outlined in the report.
- 3 To approve the virement of capital funds into the Regeneration and Environment Capital Programme for 2017/18. The capital budget will allow the opportunity to purchase vehicles and equipment for the new contract and improve the affordability position by reducing the contract price.

EXEMPT REPORT

- 4 There are a number of financial and commercial matters contained within Appendix 1 and 2 of this report which are commercially sensitive information. APPENDIX 1 and 2 are NOT for publication because they contain exempt information within Paragraph 3 of Part 1 of Schedule 12 (a) of the Local Government Act 1972 (as amended) information relating to the financial or business affairs of any particular person (including the authority holding that information).

RECOMMENDATIONS

- 5 It is recommended that the decision to appoint the service provider and conclude all contractual documents for the Recycling and Waste Management Contract, together with the Supply of Vehicles and Receptacles, shall be delegated to the Director of Regeneration and Environment, in consultation with the Portfolio Holder for Communities, Voluntary Sector and Environment and the Chief Finance Officer.
- 6 It is recommended that the decision as to how the purchase of vehicles will be funded and the necessary amendments to the capital programme are delegated to the Chief Finance Officer, in consultation with the Mayor, the Portfolio Holder for Communities, Voluntary Sector and Environment and the Director of Regeneration and Environment.

- 7 It is also recommended the following items are approved as part of the appointment of the service provider:
- add the vehicle and receptacle replacements to the Regeneration & Environment Capital Programme for 2017/18;
 - virement of budget to meet the capital costs, as referred to in Appendix 1, from the Finance & Corporate Services Capital Programme, which contains the Investment & Modernisation Fund allocation, into the Regeneration & Environment Capital Programme, where this scheme will be delivered and monitored.
- 8 It is recommended that the decision to agree to a minimal extension, if required, of the current waste collection contract with SITA/SUEZ to be delegated to the Director of Regeneration and Environment, in consultation with the Portfolio Holder for Communities, Voluntary Sector and Environment and the Chief Finance Officer.
- 9 Should the total cost (including the winning tender and borrowing costs) be higher than the £8.057m budget then the contract can only be awarded after sufficient additional budget has been identified. A further report will be presented to Cabinet if sufficient additional budget cannot be identified which will detail the budget pressures and resulting procurement options.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

- 10 The Recycling and Waste Management Contract is provided to all households in Doncaster, and many commercial properties, and is one of the central services which residents expect from the Council.
- 11 The new contract will provide a modern and efficient service embracing new technology to improve the service experience for residents, with an improved recycling service meeting the three key priorities as expressed by residents during a recent consultation exercise:
- Reducing litter created during the collection process (secure containers).
 - A service that is easy to understand (simple rules, fewer containers).
 - A service that is easier for the elderly/disabled to participate in (wheeled bins are far easier to move than kerbside boxes).

BACKGROUND

- 12 The current contract provided by 'SITA/SUEZ' terminates on 4 October 2017.
- 13 Services affected by the termination of this contract are as follows:

Kerbside collections of:

- Residual waste
- Mixed dry recyclables
- Green waste
- Bulky Waste
- Clinical waste
- Asbestos waste

Associated services including the management of the Doncaster Waste Transfer Station, commercial waste and recycling collections, the off-take [sale] of recyclable materials and bin delivery and replacement.

- 14 Officers have worked with external technical advisors, AMEC, to bring the affected services within the scope of a new service contract. The Contract was placed out to tender on 19 October 2016 titled 'Recycling and Waste Management Contract Together with the Supply of Vehicles and Receptacles'. The advertised closing date for receipt of tenders was 9 January 2017, but recent industrial action by SITA/SUEZ staff has resulted in changes to terms and conditions and updated TUPE information now needs to be provided as part of the tender process, we have therefore extended the closing date until 6 February 2017. Contract award is expected to take place on or around 10 April 2017 with the Contract commencing on or around 24 April 2017, to allow the service provider sufficient time to purchase the vehicles and assets required to perform the contract. The service commencement date is anticipated to be 7 October 2017, however, in view of the timescales to procure bespoke vehicles it may be necessary to extend the current contract with SITA/SUEZ for a short period of time should this become necessary.
- 15 There is a requirement for transformation of the service under the existing contract to meet the requirements of the new contract within 6 months of Service Commencement. The main transformation will be to the method of collection for the kerbside [household] recycling service.
- 16 Doncaster Council's Waste and Recycling Team held a series of focus groups with residents and stakeholders between 12 and 23 October 2015. The focus groups helped to inform and shape the development work for the new waste and recycling collection contract. Service options were developed by asking residents about their priorities and preferences from a range of proven service delivery models.
- 17 Officers attended the Communities and Environment Overview and Scrutiny Panel on Thursday 29 October 2015 to provide feedback from the focus groups in terms of the options consulted upon and residents' preferences amongst those options including types of receptacle(s). An outline of the proposed Communication and Consultation Strategy for a borough wide residents' consultation programme was also given including the project time-line. Members expressed their approval for the consultation methodology as follows:
 - Online survey supported by advertising on social media;
 - Roadshows and local press adverts;
 - Paper copy surveys to complete at road shows, one-stop-shop and libraries.
- 18 Members of the Communities and Environment Overview and Scrutiny Panel were supportive of the following aims/options:
 - Increasing recycling capacity and reducing litter by introducing wheeled bins for the collection of dry recyclables.

- Comingling the collection of dry recyclables to reduce vehicles/labour costs.
 - Simplifying target recyclable materials to those specified in waste regulations (Paper, Cardboard, Glass, Metal Cans, Plastic bottles).
 - Ceasing kerbside Asbestos collections (residents can still take Asbestos to Household Waste and Recycling Centres).
 - Ceasing the separate collection of 'clinical waste' at the kerbside (residents can place offensive/hygiene waste in their residual waste bin).
- 19 Of particular relevance for the new kerbside dry recyclable service, were the range of materials suitable for the new (comingled) recycling collection service. This was analysed as part of the scoping work for the contract and considered during the focus group sessions and the consultation exercise undertaken. It was determined that pots, tubs and trays do not yield a financial return to cover the cost of collection; they tend to contribute to contamination (and loss of value) of the other recyclable materials (due to the prevalence of food in such containers) and they would negatively impact the value of the residual waste stream in terms of energy recovery energy through a reduction in the calorific value of the waste stream.
- 20 A borough wide consultation programme took place during December 2015 through January 2016. The consultation received 3009 responses: 2691 online and 318 hard copies. Service options were scrutinised by asking residents about their priorities and preferences.
- 21 To summarise the results of the focus groups and consultation it was clear that residents and members shared 3 key priorities (expectations) for a recycling collection system:
- Reducing litter created during the collection process.
 - A service that is easy to understand.
 - A service that makes it easier for the elderly/disabled to participate.
- 22 Officers attended Executive Board on 7 June 2016 to present an overview of the current service, drivers for change for the new service contract, the results of the consultation and a range of service options for the new contract. As a result members of the Executive expressed their preferences across a range of service options:
- Residual waste. Retain fortnightly collections.
 - Recycling. A range of options were discussed and members expressed their preference through the Portfolio holder for Communities, the Voluntary Sector and Environment after the meeting for two options to be tendered. 1. Fully comingled collection. 2. Partial comingled collection with glass in a separate container. Move to fortnightly collections
 - Garden waste. Cease collections over 3 months in winter. Retain fortnightly collections.
 - Recyclate management. Introduce a profit share arrangement for the sale of recyclate within the contract with income generation to be assessed every 2 years.
 - Bulky waste collections. Retain the service and include fridges (currently free) into the paid for service.

- Clinical waste collections. Place non-infectious waste [currently collected in yellow tiger striped bags] such as wound dressings and incontinence pads into residual waste bin.
 - Sharps. Let a separate contract where necessary.
 - Asbestos collection. Cease collection
 - service and sign post to Household Waste Recycling Centres and/or private contractors.
 - Trade waste and recycling. Retain as is and grow the service. Mirror the trade service operations in line with the amendments to the household recycling service.
 - Customer contact centre. Retain in-house and do not develop an option for an outsourced waste contact centre as part of the contract.
 - Capital purchase of vehicles and containers. Insert an option within the contract for Doncaster to offer capital funds to purchase vehicles / assets if rates are favourable.
 - Contract length. 8 year with an option for a 2 year extension.
- 23 Officers have developed the contract and specification in line with the preferences noted above.
- 24 Prior to publication of the tender documents discussions were held with Portfolio holder for Communities the Voluntary Sector and Environment and officers from waste management and legal services to clarify the position on the recycling options and the evaluation of those options. This resulted in the drafting of an Officer Decision Record, signed by Portfolio Holder for Communities, Voluntary Sector and Environment and the Assistant Director Environment on 9th December 2016.

CAPITAL BORROWING AND AFFORDABILITY

- 25 As part of the evaluation process the Council reserves the right to decide how the vehicles are funded. Bidders have been asked to provide a price for providing the service against the specification which will also include the bidder funding the procurement of the vehicles. As the Council can currently borrow money far cheaper than the private sector, the Council has reserved the right within the tender documents to allow the Council to fund the vehicles themselves where this reduces the overall cost of the contract to the Council.
- 26 The tender documents gave three options around the possible procurement and funding of the vehicles as follows:
- 1 – Contractor Procuring and Financing
 - 2 – Contractor Procures and DMBC Finances the Capital cost
 - 3 – Council Procuring and Financing the Capital Cost
- 27 The tender evaluation will include an assessment of whether the Council's access to lower interest rates means it makes financial sense for it to buy the vehicles and lease them to the contractor.
- 28 In addition to the purchase of the vehicles DMBC also need to buy new 240 litre bins for the new co-mingled recycling service. The total cost of this is shown in Appendix 2.

OPTIONS CONSIDERED

29 The options considered were as follows:

Option 1 – Approve the delegation of the decision to appoint the service provider

This report sets out an annual contract price as a financial parameter for the decisions going forward. The Director of Regeneration and Environment, in consultation with the Portfolio Holder for Communities, Voluntary Sector and Environment and the Chief Finance Officer will only be able to approve the appointment if the annual contract price falls within £8.057m or if sufficient budget has been identified should the total cost be higher than £8.057m.

Option 2 – Do not approve the delegation of the decision to appoint the service provider

If the delegation is not approved this will result in delays to the timetable with the potential for financial implications should a prolonged extension to the existing contract be required, which would require negotiations with the existing supplier.

Option 3 – Approve the addition of the vehicle and receptacle replacement costs to the Regeneration and Environment Capital programme for 2017/18.

The addition to the capital programme will allow the opportunity to purchase vehicles and receptacles for the new contract and improve the affordability position by reducing the contract price according to the saving made in funding the vehicles.

Option 4 – Do not approve the addition of the vehicle and receptacle replacements to the Regeneration and Environment Capital programme for 2017/18

If the addition into the capital programme is not approved, Council may lose the opportunity to reduce the contract price by funding capital costs for vehicles. In addition it would not be possible to fund the receptacles required to transform the recycling service as per the contract specification.

Option 5 – Approve the virement of budget from the Finance and Corporate Services Capital Programme, which contains the Investment and Modernisation Fund allocation, into the Regeneration and Environment capital Programme

The virement will allow the opportunity to purchase vehicles and receptacles for the new contract and improve the affordability position by reducing the contract price.

Option 6 – Do not approve the virement of budget from the Finance and Corporate Services Capital Programme, which contains the Investment and Modernisation Fund allocation, into the Regeneration and Environment capital Programme

If the virement is not approved, Council may lose the opportunity to reduce the contract price by funding the capital costs of Vehicles.

Option 7 – Approve the delegation of the decision to a minimal extension, if required, of the existing contract.

Option 8 – Do not approve the delegation of the decision to a minimal extension, if required, of the existing contract.

If the delegation is not approved and an extension is required this will result in further delays to the timetable requiring negotiations with the existing supplier and potential financial implications.

REASONS FOR RECOMMENDED OPTION

- 30 Option 1 is recommended because it allows the Director of Regeneration and Environment, in consultation with the Portfolio Holder for Communities, Voluntary Sector and Environment and the Chief Finance Officer to make the appointment within the financial parameters stated.
- 31 Option 3 is recommended to allow the Council to maintain the opportunity to make savings on the contract price.
- 32 Option 5 is recommended to allow the Council to maintain the opportunity to make savings on the contract price.
- 33 Option 7 is recommended to allow the Council to maintain service and limit any delays and resulting potential financial impacts

IMPACT ON THE COUNCIL’S KEY OUTCOMES

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	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster’s vital services</i> 	<p>The waste and recycling service is used by all households and many commercial operations within the Borough and therefore helps to maintain a thriving economy which residents benefit from.</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	

	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	<p>The continued procurement of waste and recycling services will ensure that waste management targets can be achieved and value for money is ensured.</p> <p>Dealing with waste appropriately safeguards the environment from fly tipping and environment nuisance.</p>
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	<p>The procurement of the contract will ensure that the service is delivered at market cost and is value for money.</p>
	<p>Working with our partners we will provide strong leadership and governance.</p>	<p>The new contract will be in partnership with the private and third sectors organisations.</p>

RISKS AND ASSUMPTIONS

- 35 Without the new contract (and resources) to deliver our statutory obligations these services will either cease (we do not have the internal resources to deliver these services), or the Council will need to continue the service with SITA/SUEZ but this could only be for one more year.

LEGAL IMPLICATIONS

- 36 Section 45 of the Environmental Protection Act 1990 places a duty on this Council as a waste collection authority to arrange for the collection of household waste in its area.
- 37 Section 1 of the Localism Act 2011 allows the Council to do anything that a person may generally do.
- 38 This contract is being procured in accordance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules. Legal services will continue to provide support and advice throughout the process.
- 39 Each tenderer will submit two bid submissions to allow the Council to test the market to ensure that financial efficiencies can be made. The first bid is for a fully co-mingled recyclable waste collection service using a wheeled bin and the second bid is for a co-mingled recyclable waste collection using wheeled bins with a separate glass collection in a separate receptacle. Both bids will be evaluated against the same set of criteria and the tender which is the most economically advantageous bid will be selected.

- 40 As part of the evaluation process the Council has reserved its right to choose how the vehicles are funded. Bidders will submit a price for the service which will include the cost for the purchase of the vehicles and bids will be evaluated on that basis. If the Council identifies that it can fund the purchase of the vehicles itself at a lower cost the Council may exercise this option at award stage.
- 41 The current contract with SITA/SUEZ commenced on the 5 October 2009 and expired on the 4th October 2015. The contract provides that the contract term can be extended by mutual agreement by up to a further 3 years. The Council have mutually agreed with SITA/SUEZ to extend the contract term by 2 years, therefore the contract will come to an end on 4 October 2017.
- 42 The contract can be extended by up to a 12 month period by mutual agreement. If the extension is to be exercised, 12 month notice must be given to SITA/SUEZ and their agreement obtained. Any period of extension should be captured in a deed of variation.
- 43 If the successful bidder is a different organisation to the incumbent it may be that the Transfer of Undertaking (Protection of Employment) Regulations 2006 (as amended) (TUPE) will apply. The relevance of this is that any staff, whose principal or main role is with the transferring service, are likely to transfer to the new provider. Employees are entitled to transfer on their current terms and conditions. Liability in respect of the employment of the transferring staff transfers to the new employer. The legislation imposes obligations on both in old and new employer in relation to consulting with staff.

FINANCIAL IMPLICATIONS

- 44 The cost will not be known until tenders are evaluated in March/April 2017. Prospective bidders have been told that the Council's current maximum operating budget for the contract is £8.057m. It is the Council's expectation that efficient processes and innovative service delivery methods will result in savings as part of the procurement exercise.
- 45 The Mayor's draft budget proposals for 2017/18 contain an efficiency saving of £200k for these services. Savings from the new collection contract will contribute to this target.
- 46 The total estimated capital cost and detailed financial implications are shown in Appendix 1.
- 47 The changes included in the new contract are outlined above and these should result in cost reductions, therefore, it is assumed the costs of borrowing will be affordable within existing waste budgets. Should the total cost (including the winning tender and borrowing costs) be higher than the £8.057m budget then the contract can only be awarded after sufficient additional budget has been identified. This may involve an adjustment to the Mayor's draft budget proposals (such as a reduction to the saving target). The final budget proposals will be approved by Council on 2 March 2017.

- 48 Financial procedure rule B.11 requires that where a project involves a capital commitment of £1,000,000 or more, a further ODR must be completed for the approval of the relevant Director and CFO in consultation with the Portfolio Holder (Finance & Corporate Services) before a formal commitment is entered into or a contract signed.
- 49 The extension of the existing contract would need to be negotiated with SITA/SUEZ and the result of this negotiation will determine any additional costs to the Council. Any such additional costs will need to be met from existing Waste & Recycling budgets.

HUMAN RESOURCES IMPLICATIONS

- 50 There are no HR implications specific to this report.
- 51 It must be noted that if there is a change of service provider there may be a Transfer of staff to the new provider under TUPE. This transfer will be between the incumbent provider and the new provider and will not involve Doncaster Council.

TECHNOLOGY IMPLICATIONS

- 52 There are no ICT implications specific to this report.
- 53 However, under the new contract it is intended that it will feature in-cab technology to enable the council and contractor to provide a more efficient and effective service to residents through access to real time data and service information. A business case in relation to this was agreed and approved by the ICT Governance Board (IGB) at their meeting in August 2016.
- 54 Digital & ICT teams have fed into the specification in relation to the above and will assess potential solutions for compliance with all ICT Standards and Architecture requirements and ensure that the introduction of the proposed technology has no adverse impact on the existing integrations with the Lagan Customer Relationship Management (CRM) System.
- 55 Any subsequent work needed by Digital & ICT in relation to the proposed integration cannot be quantified until the details of the solution being provided by the successful contractor is confirmed.

EQUALITY IMPLICATIONS

- 56 With the exception of the cessation of the clinical waste service and asbestos service there are no Equality implications for the award of this contract – other residents' services remain unaffected despite a different approach to service delivery for mixed dry recyclables. In order to mitigate the impact on residents requiring a clinical waste service (non-infectious) the new contract will permit disposal of this waste stream within the residual waste stream. In order to mitigate the impact on residents requiring an asbestos disposal service residents will have the option to take this waste to Armthorpe HWRC or sign posting to private contractors.

CONSULTATION

- 57 Consultation for the new contract has been undertaken as described earlier in this report with regard to the Focus groups, Communities and Environment Overview and Scrutiny Panel, borough wide consultation and Executive Board.
- 58 This report has been consulted on with Portfolio Holder for Communities, Voluntary Sector and Environment.

BACKGROUND PAPERS

- 59 Officer Decision Record RE 16 0102, Waste Collection Contract Procurement.

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Appendix 1 - **not for publication**
Full financial implications

Appendix 2 - **not for publication**
Finance Spreadsheet - vehicles and bins