

**CABINET MEETING – 17 JULY 2013**

**EXECUTIVE SUMMARY SHEET – PART I**

**Title of Report:**

Alternative Delivery for Beach Street Household Waste and Recycling Centre and Associated Waste Transport

**Author(s):**

Deputy Chief Executive

**Purpose of Report:**

This report seeks approval to procure a contract for the operation of the Council's Beach Street Household Waste and Recycling Centre and associated waste transport, as an alternative to the current in house service arrangements.

**Description of Decision:**

Cabinet to agree to undertake a procurement process for the operation of Beach Street Household Waste Recycling Centre (HWRC) and associated waste transport.

Cabinet to authorise the Deputy Chief Executive and Executive Director of Commercial and Corporate Services to award a contract to the successful bidder subject to the bidder demonstrating the anticipated efficiencies for the Council through the proposed contract.

**Is the decision consistent with the Budget/Policy Framework? \*Yes/No**

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

A decision to explore alternate service delivery for HWRC provision is recommended to ensure the Council is providing the service in the most cost effective and sustainable manner, and reducing the risks to regulatory compliance of retaining a bespoke Technically Competent Manager (TCM).

**Alternative options to be considered and recommended to be rejected:**

The alternative option is to not undertake a procurement process and to retain the management of the site in house. However, this will not deliver the proposed efficiencies in operational costs or the potential improvements in recycling levels. In addition, the direct risks surrounding regulatory compliance in respect of the TCM role would remain with the Council.

**Impacts analysed;**

**Equality**  Yes **Privacy**  Yes **Sustainability**  Yes **Crime and Disorder**  N/A

**Is this a "Key Decision" as defined in the Constitution? Yes/No**

**Is it included in the 28 day Notice of Decisions? Yes/No**

**Scrutiny Committee**



## **CABINET – 17 July 2013**

### **ALTERNATIVE DELIVERY FOR BEACH STREET HOUSEHOLD WASTE RECYCLING CENTRE AND ASSOCIATED WASTE TRANSPORT**

#### **Report of the Deputy Chief Executive**

#### **1. Purpose of the Report**

This report seeks approval to procure a contract for the operation of the Council's Beach Street Household Waste and Recycling Centre and associated waste transport, as an alternative to the current in house service arrangements.

#### **2. Recommendations**

Cabinet is recommended to:-

- Agree to undertake a procurement process for the operation of Beach Street Household Waste Recycling Centre (HWRC) and associated waste transport.
- Authorise the Deputy Chief Executive and Executive Director of Commercial and Corporate Services to award a contract to the successful bidder subject to the bidder demonstrating the anticipated efficiencies for the Council through the proposed contract.

#### **3. Background**

The Council has a statutory duty to provide facilities where residents can deposit household waste free of charge (commercial and industrial waste is excluded). A facility has been provided for this purpose at Beach Street, Deptford since the late 1970s.

The facility has undergone a number of improvements over the years to increase capacity, improve safety and convenience to users and expand the range of household waste accepted. It has kept in step with changes in waste regulations which have required the segregation of many waste types from general household waste.

The facility is open seven day per week, on every day except Christmas Day and New Years Day. The site operates under a permit granted by the Environment Agency.

The site was operated by a local scrap metal company under contract until late 2009. The Council provided the transport for moving waste from the site under this arrangement. The direct cost of the contract was inexpensive but was considered to provide poor value for money in terms of the low recycling performance and consequent high landfill costs for the remainder. There were also issues with customer service and regulatory compliance.

The Council therefore brought the service “in house” in order to improve the general management of the site, address customer satisfaction issues and improve recycling performance. Attendants employed at the site were recruited initially through an employment agency, and in October 2011 were appointed to the Council on fixed term contracts currently due to expire in October 2013. Transport of waste from the site has continued to be provided by the Council, using Council employees.

The site compliance and monitoring arrangements required by the Environment Agency are also carried out using Council employees. Service standards have improved significantly. A permit system for van and trailers to restrict abuse at the site by traders attempting to deposit commercial and industrial waste and minimise congestion was introduced in April 2013. This has worked well.

#### **4. Current Position**

Whilst customer service has improved through the in house arrangements, this has increased direct costs. Due to the need to retain a minimum number of vehicles to ensure service continuity, and the requirement for significant amounts of weekend attendance work by Council employed drivers, there is limited scope to introduce further efficiencies.

Following an initial improvement, recycling performance at the HWRC site has remained static in the last two years at around 60% which is around 15% below the better performing sites in the region. The Council needs to look at measures to increase recycling and thus reduce disposal costs. This will help contribute towards the Councils overall recycling and composting performance, currently at 34%.

The permit for the HWRC site granted by the Environment Agency requires a high degree of supervision by a “Technically Competent Manager” (TCM) who needs to maintain specialist qualifications in waste management and operate detailed management systems. This specialist qualification is time consuming and costly to attain, and there are risks associated with the failure to retain a dedicated TCM, which would prevent the Council from being able to operate the HWRC site.

The Council's partners in the STWWMP, Gateshead and South Tyneside both currently have external contractors operating their HWRCs.

## **5. A Strategic Approach**

Underpinned by the success of the procurement of the long term waste disposal solution, the STWWMP has been actively exploring further opportunities for joint working and shared services to improve service provision and reduce costs. The management and operation of the HRWC is one of these areas.

Gateshead Council is approaching the time to re-procure their HWRC contracts. There is an opportunity to explore if externally procured arrangements would improve HWRC provision for Sunderland at the same time and if successful align subsequent contracts for potential future joint procurements in 2017. The proposed procurement process will be divided into lots and will provide separate tenders for a contract with Gateshead together and a separate contract for Sunderland. A benchmark to compare the “in house” cost of service provision will be identified and used for the purposes of the tender evaluation, so that the Council is able to determine that the value of the most advantageous tender is less than the in-house benchmark cost and with demonstrable improvements in service delivery.

It is proposed that the new contract may include an incentive scheme to encourage the segregation of more materials for recycling. The incentive will be self sustaining through reduced disposal costs. The contract would also pass the responsibility for the TCM from the Council to contractor.

The procurement process will be carried out in accordance with the EU procurement rules and is intended to be completed in time for contract commencement in April 2014, The duration of the proposed contract will be three years with options to extend for three further years.

## **6. Reasons for the Decision**

The decision to explore alternate service delivery for HWRC provision is recommended to ensure the Council is providing the service in the most cost effective and sustainable manner, and reducing the risks to regulatory compliance of retaining a bespoke TCM.

## **7. Alternative Options**

The alternative option is to not undertake a procurement process and to retain the management of the site in house. However, this will not deliver the proposed efficiencies in operational costs or the potential improvements in recycling levels. In addition, the direct risks surrounding regulatory compliance in respect of the TCM role would remain with the Council.

## 8. Impact Analysis

### 7(a) Equalities -

An Impact Needs/Requirements Assessment has been undertaken. This has shown that the proposal will not introduce any new equalities issues, as the service will operate in exactly the same way as currently provided under a contract let by the Council.

### 7(b) Privacy Impact Assessment (PIA) –

The proposal will not introduce any new PIA issues as systems of site management will be retained and followed by any contractor to ensure safe and legal disposal of property.

### 7(c) Sustainability –

The recommendations will result in positive environmental impacts by ensuring contractors operating the HWRC comply with and enhance environmental standards of operation, minimise vehicle transport by efficient use of bulk waste transport and improve recycling performance.

## 9. Other Relevant Considerations / Consultations

### (a) Financial Implications / Sunderland Way of Working –

The Head of Financial Resources, on behalf of the Executive Director of Commercial and Corporate Services, has been consulted on this proposal and confirms it should demonstrate the efficiencies identified. There is financial provision for the current HWRC service. A contract will not be awarded if returned tenders are more than the in-house benchmark cost.

### (b) Risk Analysis –

A risk analysis has been carried out which identifies the reduced risk of the Council failing to comply with the Environment Agency site HWRC permit by working with an organisation possessing the retained resources and skills required. Furthermore, the Council will set a benchmark cost of service so that excessively high bids above this figure will be excluded.

### (c) Employee Implications –

There are currently five HWRC attendants in post, one grade D and the other four on grade C employed on a fixed term basis until October 2013. Any attendants employed by the council who are in post at the time of transfer of the service to an external provider would be subject to a TUPE transfer to the successful contractor. In this case the cost of the TUPE transfer will be reflected in the tender prices. Two grade F permanent Large Goods Vehicle drivers are employed substantially moving waste from the HWRC. It is anticipated that the current workforce planning exercise would offer the opportunity to absorb the two driver posts into other areas, avoiding the need to TUPE transfer Council drivers.

- (d) **Legal Implications** – The Head of Law and Governance has been consulted and her comments have been included in the report.
- (e) **Health & Safety Considerations** – The tenders will be evaluated to ensure compliance with the Council's statutory health and safety obligations, as a client, procuring and managing a waste contract. Contract monitoring arrangements will be put in place to ensure the successful contractor operates the HWRC safely in compliance with the Health and Safety at Work etc. Act 1974 and Council policies. The Director of Human Resources and Organisational Development has been consulted and has no adverse comments.
- (f) **Procurement** – The Head of Corporate Procurement will provide advice and guidance on the proposed procurement process for the contract

**10. Appendices**

- 1. Equalities Impact Needs Requirements Assessment (INRA)

**11. Background Papers**

None

