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| Meeting | Cabinet Resources Committee |
| Date | 18 April 2013 |
| Subject | Waste Collections for the Future |
| Report of | Cabinet Member for Environment |
| Summary | <p>The report seeks approval for:</p> <ul style="list-style-type: none">• Additional funding to enable the successful implementation of Waste Collections for the Future• Authorisation of procurement of all items needed to implement Waste Collections for the Future• Authorisation of additional spend with May Gurney in order to successfully transition the recycling service to the Council's management• Increase of the Capital Programme to purchase new fleet to implement Waste Collections for the Future |

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| Officer Contributors | Lynn Bishop - StreetScene Director Andrew Cox - Senior Project Manager |
| Status (public or exempt) | Public |
| Wards Affected | All |
| Key Decision | Yes |
| Reason for urgency / exemption from call-in | N/A |
| Function of | Executive |
| Enclosures | None |
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1. RECOMMENDATIONS

That the Committee:

- 1.1 Authorise the carrying out of tender processes for the following items:**
 - **New waste containers (kitchen waste both internal and external and dry recycling) including distribution**
 - **Recycling reward scheme**
 - **Communications activity**
 - **Disposal outlets for Recyclates**
 - **Purchase of Household Waste and Recycling Centre (HWRC) equipment**
 - **Waste and recycling fleet**
- 1.2 Delegate acceptance of tenders to the Cabinet Member for Environment, in accordance with the council's Contract Procedure Rules, for the items in 1.1 above.**
- 1.3 Authorise further spend of up to £400,000 with May Gurney associated with the end of the contract to ensure any May Gurney assets required by the Council transfer to the Council's ownership.**
- 1.4 Allocate £1,551,000 from the Transformation Reserve for the delivery of the project.**
- 1.5 Approve the addition to the Capital Programme of up to £8,500,000 funded by Revenue Contribution from the StreetScene Budget over five years.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet, 4 April 2012, Decision Item 11, approved Waste Collection Options for the Future**
- 2.2 Cabinet Resources Committee, 7 November 2012, Decision Item 5, approved the Outline Business Case and Options Appraisal for Waste and Street Scene Services**
- 2.3 Cabinet Resources Committee, 25 March 2008, Decision Item 20 and 31 resolved that:**
 - **the Fleet Procurement with Maintenance Services Contract be awarded for a period of 10 years with the option at the Council's discretion to extend it for a further 5 years as indicated within the body of the report.**
 - **That the Fleet Procurement with Maintenance Services Contract be awarded to Go Plant Limited (GPL), on terms to be agreed based on their bid made on 4 February 2008 and subject to the completion of legal documentation.**
 - **That any minor variations required in concluding contract terms be agreed by the Director of Environment and Transport in consultation with the Cabinet Member for Environment and Transport**

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The strands of the Corporate Plan (2012 – 2013) that relate to this work are 'Better Services, Less Money' and 'Sharing Opportunities, Sharing Responsibilities'.
- 3.2 Under the strand 'Better Services, Less Money' there are the strategic objectives to 'manage resources and assets effectively and sustainably across the public sector in Barnet'. The options proposed for future waste collections are designed to deliver better services and cost savings when compared with a 'do nothing' scenario.
- 3.3 Under the strand 'Sharing Opportunities, Sharing Responsibilities' there is a strategic objective to 'decrease overall levels of household waste whilst increasing the proportion of waste being recycled'. The options proposed for future waste collections are designed to decrease overall levels of household waste and increase the proportion of waste being recycled.

4. RISK MANAGEMENT ISSUES

- 4.1 Risks associated with the delivery of this project are managed and reported in accordance with corporate risk and project management processes and will also be reported through existing democratic processes. A formal Programme Board is in place chaired by the Chief Operating Officer.
- 4.2 The implementation of these new initiatives mitigates significant financial risks for the council as they are designed to increase recycling rates and therefore are anticipated to reduce the amount of residual waste that the council has to send for disposal.

The costs for treating residual waste are increasing, and forecasts show that these are likely to increase substantially, as beyond 2016 the Council will no longer have use of a cheap waste disposal outlet in the form of the Edmonton incinerator as it is projected to be coming to the end of its life.

The North London Waste Authority (NLWA) procurement, the National Waste Strategy 2007 and European legislation (the Waste Framework Directive) seek to achieve a 50% recycling rate by 2020. There are currently no financial penalties for non-achievement of this target. However the more that is recycled and composted, the less Barnet Council has to pay for waste disposal.

- 4.3 Over the last four years, Barnet has made only incremental improvements in recycling performance and waste reduction. Barnet is currently 15th out of 33 London Boroughs in relation to the percentage of its household waste that is recycled, reused or composted. Barnet is currently 27th out of 33 in relation to the amount of household waste per household that is sent for disposal. Other authorities are overtaking Barnet in performance terms and projections show that without significant changes to our services there will be no step change in our performance. This is therefore a reputational risk to the Council. In order to mitigate this risk it is essential that the planned communications activity is delivered successfully and achieves its expected outcomes.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Pursuant to section 149 of the Equality Act, 2010, the council has a public sector duty to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between those with a protected characteristic and those without; promoting good relations between those with a protected characteristic and those without. The, relevant, 'protected characteristics' are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to elimination discrimination.
- 5.2 The Corporate Plan (2012-2013) sets out a commitment that major policies, functions and activities should be assessed for their equalities and diversity risks.
- 5.3 Any Equalities and Diversity Issues associated with these changes were addressed in the 4 April 2012 Cabinet Paper. It was not, and still is not envisaged that any option will result in a detrimental effect on any resident(s) with 'protected characteristics', over and above the effect on those without 'protected characteristics', due to the universal nature of the service being provided. The challenge to the Council is to ensure that the accompanying communications plan includes both targeted and general messaging mechanisms to ensure that people with 'protected characteristics' understand the proposed options as well as those from non-protected groups. The Council understands its obligation to pay due regard to the Equality Act 2010 and will do everything necessary to ensure this duty is met throughout the process. The Council remains committed to providing an efficient, user friendly and cost-effective service for the benefit of all residents.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 Finance

A total budget of £7,683,000 is required to implement the changes identified within this report.

- 6.1.1. £6,132,000 funding is already allocated to the programme of work:
- £2,720,000 – Capital Funding within the council's Capital programme
 - £391,000 – Transformation Reserve
 - £3,021,000 – Weekly Collection Support Scheme (Grant from the Department for Communities and Local Government)
- 6.1.2. In working up the detailed project plan, as was anticipated in the Cabinet report of April 2012, additional funding requirements have been identified. These requirements, totalling £1,551,000, will be funded from the council's Transformation Reserve.
- 6.1.3. The provision of new fleet will be covered by existing Street Scene budgets.
- 6.1.3.1 If Capital purchase is the preferred model for provision of new fleet this will be added to the Capital Programme and funded by borrowing with the loan repayments and interest payments funded by the existing Revenue budget.

6.1.3.2 The table below indicates an indicative position regarding this Capital spend and repayments. This shows that based on current estimates for the purchase cost of vehicles the maximum total Capital spend will be £7,642,985, which will cost £458,579 in loan repayments over the five year term. This, including estimated maintenance costs, gives a total cost for the provision of fleet over the five years of £10,719,374. This compares to an indicative contract hire cost of the entire fleet over the five year period of £12,989,375. With these figures the capital purchase model suggests a saving over the five year term of approximately £2,200,000.

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Loan repayment / £ | 1,528,597 | 1,528,597 | 1,528,597 | 1,528,597 | 1,528,597 |
| Interest payment / £ | 91,716 | 91,716 | 91,716 | 91,716 | 91,716 |
| Maintenance costs / £ | 495,547 | 509,175 | 523,177 | 537,564 | 552,347 |
| Total Spend / £ | 2,115,860 | 2,129,488 | 2,143,490 | 2,157,877 | 2,172,660 |

6.1.3.3 Extrapolating these figures indicates that contract hire only becomes the best value for money option when the cost of purchase is £9,500,000 or over. This has resulted in the figure of £8,500,000 being included as the requested addition to the Capital Programme, which would still represent a considerable saving over the five year term.

6.2 Procurement

All procurement activity in the project will proceed in accordance with the requirements of the council's Contract Procedure Rules, EU Procurement Rules and the principles of the Treaty on the Functioning of the European Union. The items to be procured include:

- 6.2.1 New waste containers. These are kitchen waste containers, dry recycling containers, waste bags and sacks, kitchen caddy liners and distribution of these. The anticipated cost of these items is £4,300,000.
- 6.2.2 Recycling reward scheme. This is required in order to incentivise and encourage increased recycling rates and reduce volumes of residual waste. The anticipated cost of this is £1,400,000.
- 6.2.3 Communications activity. It is essential that the Council communicates to all Barnet residents about the changes in waste collection, in order to support and enable increased recycling rates. The anticipated cost of the elements of the communication activity that will require procurement (i.e. will not be delivered by existing council resources or contracts) is up to £600,000.
- 6.2.4 Recyclates outlet. The Council will need to source an outlet for the dry co-mingled recyclate that is collected from households. The actual details of the contract will obviously not be known until the completion of the procurement exercise; however following benchmarking with other local authorities there is the possibility that this could cost (over the contract term to 31 March 2016) £900,000 or provide the authority with an income of £2,500,000. Recent contracts let by other local authorities have fallen somewhere in between these two extremes; therefore it is anticipated that this contract will yield an income of approximately £800,000 (the median of the two extremes).

6.2.5 Household Waste and Recycling centre equipment. For the Council to run the HWRC it is essential that all the necessary equipment needed within the facility is available. There will therefore be the requirement to purchase and/or put in place contracts for a number of items of equipment. The maximum anticipated cost of this is £400,000.

6.2.6 Waste and recycling fleet. In order to implement Waste Collections for the Future it is necessary to provide a new fleet of vehicles, as the current vehicles do not have the capability to deliver the new model of Waste Collection. The council currently has contract with Go Plant Limited, which it can use for this fleet; however in order to ensure Value for Money a competitive procurement exercise will also be initiated. This will confirm the best value for money option between contract hire from the existing contract, contract hire from a new contractor or capital purchase. The anticipated cost of this contract over five years is a maximum of £8,500,000.

6.3 Performance and Value for Money

6.3.1 Implementation of Waste Collections for the Future is intended to increase participation in the recycling and organic waste services.

6.3.2 Over the last four years Barnet has made only incremental improvements in recycling performance and waste reduction. In 2011/12 Barnet was 18th out of 33 London Boroughs in relation to the percentage of its household waste that is recycled, reused or composted and 29th out of 33 in relation to the amount of household waste per household that is sent for disposal.

6.3.3 The costs for treating residual waste are increasing, and forecasts show that these are likely to increase substantially, as beyond 2016 the Council will no longer have use of a cheap waste disposal outlet in the form of the Edmonton incinerator as it is projected to be coming to the end of its life.

6.3.4 In order to keep future costs to a minimum it is therefore financially beneficial to recycle, compost or reduce waste as much as possible. Greater resident participation in the recycling and organic waste services is essential.

6.4 Staffing

6.4.1 All internal staffing changes will be managed in accordance with the council's Managing Organisational Change Policy and individual staff contracts of employment.

6.4.2 The transfer of staff from May Gurney to the Council will be conducted in accordance with the council's obligations under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE)

6.4.3 Permission to implement the TUPE transfer of staff from May Gurney to the Council will be sought from the General Functions Committee.

6.4.4 The pensions implications will be put to the Pension Fund Committee.

6.5 IT

There are no IT issues.

6.6 Property
There are no Property Issues

6.7 Sustainability
The changes to the waste service provided to Barnet residents seek to increase recycling rates in line with the national target to achieve a 50% recycling rate by 2020.

3.1

7. LEGAL ISSUES

7.1 The procurements must be carried out in compliance with the Public Contracts Regulations 2006 (as amended); with the Treaty principles of equal treatment, non-discrimination and transparency; and in accordance with the Council's, own, Contract Procedure Rules.

7.2 The Council's public sector equality duty, imposed by the Equality Act 2010, is set out under section 5 of this report.

7.3 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246), broadly:

7.3.1 transfer all the employees working in the undertaking, together with their contracts of employment (subject to their individual right to object and excluding rights in relation to occupational pension schemes);

7.3.2 transfer liability in respect of employees dismissed by the transferor in advance of the transfer if the reason was connected with the transfer;

7.3.3 render any dismissal for a reason connected with the transfer automatically unfair (subject to one exception) in relation to those with more than one year's service;

7.3.4 transfer any trade union recognition in respect of the transferred employees;

7.3.5 transfer any collective agreements applicable to the transferred employees;

7.3.6 require the provision of information to and consultation with employee representatives;

7.3.7 require the supply of employee liability information by the transferor to the transferee in respect of the transferring employees;

7.3.8 permit variations to employees' contracts where a relevant transfer occurs in the context of insolvency.

7.4 Whilst occupational pension schemes do not transfer under TUPE, any rights which are covered by occupational pension schemes but which are not related to old age or infirmity will transfer with contracts of employment.

7.5 Following their transfer to the Council and, as employees of the Council, the transferred staff will be entitled to participate in the Pension Fund administered

by the Council in accordance with the Local Government Pension Scheme Regulations.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1 Constitution, Part 3, Paragraph 3.6, Cabinet Resources Committee has responsibility for:
- (i) Capital and revenue finance, forecasting, monitoring, borrowing and taxation
 - (ii) Approval of schemes not in performance management plans but not outside the Council's budget or policy framework.
- 8.2 Constitution – Contract Procedure Rules – Section 5.5 requires Cabinet Resources Committee to authorise the requests for quotations or tenders for supplies above £500,000 (and may authorise such processes up to £500,000)
- 8.3 Constitution – Contract Procedure Rules – Section 5.6 require Cabinet Resources Committee to authorise contract variations above £156,422 when:
- the contract variation is notified to and agreed in contracting with the contractor
 - any additional expenditure necessarily incurred does not exceed 10% of the initial contract

9. BACKGROUND INFORMATION

- 9.1 In approving Waste Collections for the Future in April 2012 Cabinet agreed to the following model for household waste collection in Barnet:
- Residual waste collection to remain as weekly collections
 - Dry recycling to move to co-mingled and to be collected weekly
 - Kitchen waste to be collected in an external caddy on a weekly basis (this is currently co-mingled with Garden Waste)
 - Garden waste to be collected fortnightly (currently this is collected weekly)
- 9.2 In approving Waste Collections for the Future in April 2012 Cabinet noted the existing funding available for the delivery of the changes. The report also stated that “any additional capital costs will need to be profiled by financial year and included as a new bid in the 2013/14 finance and business planning process along with any additional one off and on-going revenue costs”. This paper is that bid for additional funding.
- 9.3 The council has been awarded £4,492,000 by DCLG from the Weekly Collections Support Scheme to enable:
- The separate collection of kitchen waste from houses and flats on a weekly basis
 - The retention of weekly refuse collections (i.e. to cover the savings that could have been made by moving to alternative weekly collections)
 - A reward scheme for dry recycling.
- 9.4 The One Barnet Wave 2 Waste and Street Scene project, the Outline Business Case for which was approved in November 2012, approved that

Street Scene services should be retained and developed in-house and that in doing this the baseline cost of services would be reduced by approximately £2.5million.

9.5 The Streetscene service's current vehicle provision is via contract hire arrangements with Go Plant Ltd. An options analysis has been completed that indicates, based on indicative costs, that the best value for money option is expected to be a mixed model of capital purchase and contract hire, rather than the current model of contract hire only. As such, once definitive costs are known, the best value for money option over the five year term will be taken forward. This/these new arrangements will replace the current contract hire arrangements and are anticipated to enable savings within the Streetscene budget as indicated in section 6.1.3.

9.6 The key Programme milestones are as follows:

| Task | Milestone date |
|---|-----------------------|
| Communications programme start | 1/4/13 |
| Serve formal notice on May Gurney of contract termination | 5/4/13 |
| HR meetings (Trade Unions, May Gurney, NSCSO) start | 1/5/13 |
| New recycling containers procurement complete | 8/5/13 |
| Disposal of recyclates procurement complete | 31/5/13 |
| Final Measures Letter sent to May Gurney | 1/9/13 |
| New recycling containers roll-out start | 2/9/13 |
| New staffing model for Waste Services implemented | 30/9/13 |
| New Incentive system implemented | 1/10/13 |
| New recycling containers roll-out complete | 4/10/13 |
| Kerbside contract with May Gurney ends | 5/10/13 |
| Kerbside staff first day as LBB employees | 7/10/13 |
| HWRC contract with May Gurney ends | 8/10/13 |
| HWRC staff first day as LBB employees | 9/10/13 |
| HWRC delivered by Barnet reopens | 11/10/13 |
| Barnet kerbside collection restarts | 14/10/13 |
| New household waste collection model go live | 14/10/13 |

10. LIST OF BACKGROUND PAPERS

10.1 None

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|--|--------------|
| Cleared by Finance (Officer's initials) | JH/MC |
| Cleared by Legal (Officer's initials) | SCS |