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10 December 2019

To: All Councillors

As a Member of the **Council**, please treat this as your summons to attend a **Special Meeting** to discuss the Award of the Waste and Recycling Contract on **Wednesday 18 December 2019 at 6.00pm in the COUNCIL CHAMBER, TOWN HALL, MATLOCK DE4 3NN.**

Yours sincerely

A handwritten signature in black ink, appearing to be 'Sandra Lamb', written over a faint circular stamp or watermark.

Sandra Lamb
Head of Corporate Services

AGENDA

1. APOLOGIES

Please advise the Committee Team on 01629 761133 or e-mail committee@derbyshiredales.gov.uk of any apologies for absence.

2. PUBLIC PARTICIPATION

To enable members of the public to ask questions, express views or present petitions, **IF NOTICE HAS BEEN GIVEN**, (by telephone, in writing or by electronic mail) **BY NO LATER THAN 12 NOON OF THE DAY PRECEDING THE MEETING.**

3. INTERESTS

Members are required to declare the existence and nature of any interests they may have in subsequent agenda items in accordance with the District Council's Code of Conduct. Those interests are matters that relate to money or that which can be valued in money, affecting the Member her/his partner, extended family and close friends. Interests that become apparent at a later stage in the proceedings may be declared at that time.

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4. WASTE AND RECYCLING CONTRACT PROCUREMENT

03 - 19

To consider approval to award the contract for provision of the waste and recycling services in the Derbyshire Dales to Serco Limited, to commence on 2 August 2020 for an initial eight year term with the option to extend for up to a further eight years.

NOTE

For further information about this Agenda or on “Public Participation” call 01629 761133 or email: committee@derbyshiredales.gov.uk

SPECIAL COUNCIL
18 DECEMBER 2019

Report of the Head of Community & Environmental Services and the Head of Regeneration & Policy

WASTE AND RECYCLING CONTRACT PROCUREMENT

PURPOSE OF REPORT

This report represents a key decision point in the process for the procurement of the Waste Management Contract. It seeks approval to award the new waste and recycling contract to Serco Limited and recommends a fee for the collection of garden waste from April 2021. The contract is based on a service specification that has undergone substantial Member and public engagement, and which seeks to achieve affordability over the lifetime of the contract whilst meeting residents' needs and statutory recycling targets.

RECOMMENDATION

1. That the contract to provide waste and recycling services in the Derbyshire Dales be awarded to Serco Limited to commence on 2 August 2020 for an initial eight year term with the option to extend for up to a further eight years.
2. That the terms of the contract as summarised in the report are noted.
3. That a seven month mobilisation period following award of contract is noted, enabling Serco Limited to deliver the new contract from the commencement date.
4. That the garden waste subscription fee be set at £50 per bin per annum from 1 April 2021, with a reduction of £15 where subscriptions are taken out before 31 January 2021.
5. That the sum of £3,612,382 be added to the capital programme for the purchase of vehicles required to deliver for the new waste and recycling services contract, to be financed by the use of reserves and internal borrowing as a means of reducing the annual revenue costs.

WARDS AFFECTED

All Wards

STRATEGIC LINK

The new Waste Management contract will help meet the District Council's priority of a clean and safe district. It must also balance affordability with quality in reflecting the District Council's Medium Term Financial Strategy.

1. BACKGROUND

- 1.1 Derbyshire Dales District Council covers approximately 800 sq. km (about a third of Derbyshire) and provides services to approximately 71,000 people living in approximately 34,000 households. There are five small towns within the district (Matlock, Ashbourne, Wirksworth, Bakewell and Darley Dale), each serving large rural catchments. Almost half of the population lives in the 100-plus outlying villages.
- 1.2 Through its existing contractor, Serco, the District Council currently provides a weekly collection of food waste, and alternate weekly collections of (i) residual waste, and (ii) garden waste and recycling. Currently 60% of waste collected is recycled or composted. The current waste contract provided by Serco Limited commenced in 2012 and expires in August 2020.
- 1.3 In addition, the current service also offers:-
- Bulky household waste collections
 - Collection of electrical items
 - Annual delivery caddy liners
 - Assisted collections
 - Trade waste collections
 - Clinical waste collections
- 1.4 The waste and recycling service is one of the most fundamental statutory services performed by the District Council and is, perhaps, the most high profile service received by the public. It therefore needs to meet the demands of the public whilst recognising recent changes in the waste management industry.
- 1.5 The current cost of the contract is approximately £2.1m per year. However this was tendered at a time when the market was much more buoyant than it is currently. As Members are aware, there has been an increase not only in the cost of service provision but also in the level of liability contractors seek to share. Therefore, options for future models of delivery are limited by the cost of the contract.

2. PROJECT GROUP

- 2.1 In April 2018, a Waste Procurement Group was formed to conduct a review of the current service, consider the options available for the new contract and steer the project through to implementation in August 2020. The group includes Eunomia consultants, as previously resolved by Members, and the following officers:

Steve Capes - Head of Regeneration & Policy (Chair)
Ashley Watts - Head of Community & Environmental Services (Project Lead)
Sandra Lamb - Head of Corporate Services
Karen Henriksen - Head of Resources
Sally Rose - Environmental Services Manager
Chloe Lewis - Recycling Advisor (left 13 September 2019)
Claire Orford - Waste & Recycling Officer
Helen Dennis - Waste Supervisor
Mark Nash - Financial Services Manager
Carolyne Knott - Senior Procurement Officer (Derbyshire County Council)
Jim Fearn - Communications and Marketing Manager
Cara Marchant - Digital Communications Officer

- 2.2 In order to get the most out of the contract and the procurement process, a specialist legal advisor was procured, joining the Waste Procurement Group in January 2019.
- 2.3 Eunomia's role is to:-
- (a) produce a detailed project plan that identifies key stages of the project and key decision milestones, track and report progress against the project plan, and ensure the project is kept to specified timescales;
 - (b) use existing modelling information to review the cost and performance implications of additional service delivery models, provide an analysis and options appraisal of the waste and recycling services to be commissioned by the Council;
 - (c) facilitate consultation and communication, including information workshops and focus groups, with elected Members, Council Officers, members of the public and other stakeholders at key stages throughout the project;
 - (d) assist the Council to compile and maintain an effective risk register of the project;
 - (e) provide technical support to the Council throughout the procurement of the waste and recycling contract, including all of the Pre Qualification Questionnaire (PPQ), Invitation To Tender (ITT), evaluation, negotiation, and award and debrief stages.
- 2.4 Consultation with key stakeholders and Members was carried out during summer and autumn 2018, with further Member workshops and briefings taking place in 2019. The results were detailed in full in a report to Council on 29 November 2018. Including subsequent engagement, this has included:
- Food waste telephone and online survey - June/July 2018
 - Waste & Recycling Consultation Survey - August/September 2018
 - Area Community Forums - September 2018
 - Members Workshop - Thursday 27 September 2018
 - Members Workshop - Thursday 18 October 2018
 - Members Briefing - Thursday 29 November 2018
 - Members Workshop – Wednesday 2 February 2019
 - Members Workshop – Wednesday 24 July 2019
 - Members Briefing – Wednesday 4 December 2019
- 2.5 Internal newsletters informing staff of progress have been produced by members of the Waste Procurement Group, supported and distributed by the Communications & Marketing Manager.
- 2.6 Throughout the process to date, the difficulties associated with today's waste and recycling market have been made as clear as possible to Members and to residents. To procure a waste and recycling contract that continues to meet residents' needs and statutory recycling targets, whilst meeting unavoidable affordability criteria, has been a significant challenge.

3. MARKET CONTEXT

- 3.1 In line with Regulation 40 of the Public Contracts Regulations 2015, market consultation via soft market testing questionnaires and meetings took place during 2018 with seven of the larger contractors identified by Eunomia as potential bidders.
- 3.2 A soft market testing questionnaire was produced and sent out in advance to aid discussions during the meetings, which included relevant considerations regarding the design of the future waste collection service, such as:-

- the collection and processing of garden waste;
- the collection and processing of dry recyclable waste;
- processing and the potential impact of possible mandatory weekly collection of food waste;
- frequency of collection for residual waste;
- the impact and risk share arrangements for commodity value fluctuations;
- purchase and configuration of vehicles;
- depot location and leasing arrangements;
- better use of technology to improve the service.

3.3 The key features of these discussed are noted below:

3.4 All potential bidders were cautious around the inclusion of materials management for dry mixed recycling and none of the potential bidders are willing to accept the Council's present liability arrangements (100% is with the contractor). There were varying suggestions for how risk could be apportioned with risk shares between 50:50 and 10:90 in favour of the contractor being proposed. A sensible approach to risk share will be required, as the fluctuating value of dry recyclables is a key area of concern and an unreasonable balance of risk could reduce the likelihood of bidding.

3.5 There were no strong views either for or against reduced frequency of residual waste collections. Some potential bidders suggested cost savings and increased recycling rates may be possible from a reduced frequency.

3.6 In all but one of the discussions, potential bidders stated prudential borrowing for the purchase of the vehicles would be preferable, as bidders are unlikely to access the same level lending rates that are available to the Council.

3.7 The potential bidders also stated that they would want to be responsible for designing the specification of the vehicles, the configuration of the fleet and the actual ordering of the vehicles.

3.8 All potential bidders indicated that the use of Longcliffe Depot would be preferable and advised that it would be financially prudent of the Council to lease the land directly and sub-let it to a contractor on a peppercorn rent basis. If the contractor leased the land directly, it would be recharged to the Council as part of the management fee with a profit percentage increase included.

3.9 Four of the potential providers preferred an 8-year contract length, however, some suggested a longer contract could be beneficial.

3.10 Where a preference was stated regarding the evaluation criteria for quality vs price, this was either 50:50 split or 40:60 split in favour of quality. Some potential providers clarified that the organisation would not consider bidding for opportunities where the quality weighting is below 40%.

3.11 Other areas of potential contractual risk included:-

- Pensions
- Change in law
- Liabilities
- Termination

- Extension
- Change control
- A proportionate performance management framework
- Provision of good quality data relevant to the services

4. CURRENT FINANCIAL POSITION

- 4.1 The Council's current Medium Term Financial Plan (MTFP) indicates that savings of around £0.4m a year are required by 2020/21 if the Council is to meet its statutory duty to set a balanced budget.
- 4.2 The current annual revenue budget includes approximately £2.1m for the waste & recycling contract. The current contract was procured at a time when the market was much more buoyant than it is currently, especially with regard to the disposal of recyclable materials. Modelling by Eunomia suggested that if a contract for the current service configuration was awarded at the current time, the annual contract cost would increase by at least £0.6m a year. The MTFP includes a further £0.3m for the additional cost pressures of this procurement exercise, with an assumption that **any budgetary shortfall arising from a higher contract price would be offset by the introduction of charges for the garden waste collection service** (included in the specification approved unanimously by Council in March 2019)..
- 4.3 As indicated above, discussions with potential bidders showed that contractors were no longer willing to take on all of the financial risks associated with commodity prices for recyclable materials. Forecasting by Eunomia suggested that fluctuations in commodity prices could add or reduce the contract cost by up to £0.3m p.a. This adds another financial pressure. To address this pressure, the Council has established a Waste Fluctuations Reserve, which currently has a balance of £712,000.

5. PUBLIC CONSULTATION RESULTS - RECAP

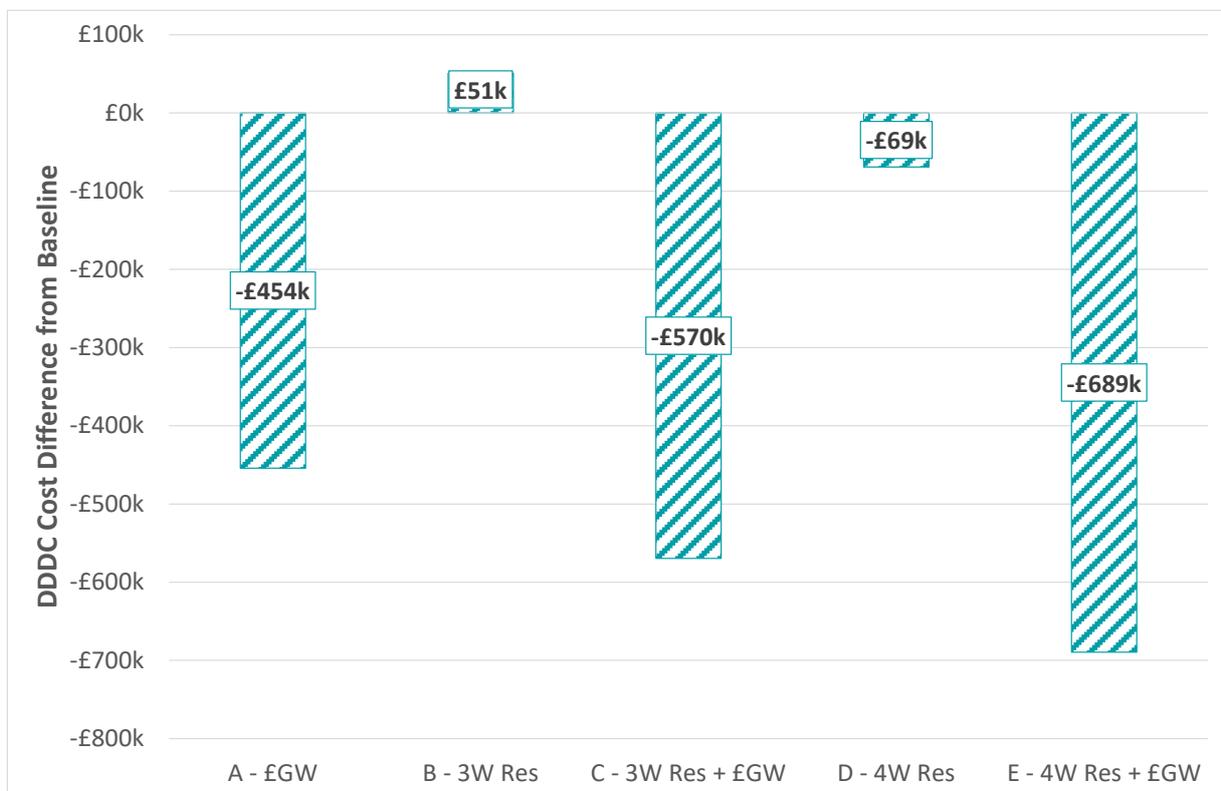
- 5.1 During 2018 the Authority consulted with residents on two occasions. The first public consultation took place during June 2018. The aim of this consultation was to gather residents' views about the current weekly food waste collection service. This information will be used to understand how participation in the scheme and further diversion can be promoted within the new contract.
- 5.2 The second public consultation took place during August and September 2018. This consultation focused on:
- current participation and satisfaction levels with the waste collection service;
 - potential introduction of a charge for the garden waste collection service;
 - changes to the frequency of the residual waste collection service.
- 5.3 This consultation was reported in detail to Council on 29 November 2018, and key features are recapped below.
- 5.4 97% of residents think recycling is important and have indicated that their blue bins are 'nearly full' on collection day, whereas the paper/card inserts are 'always full'.
- 5.5 Although two thirds of people use the weekly food waste collection service, a third do not, resulting in an average of 35% of the residual stream consisting of food waste.

- 5.6 Of the options presented to residents, charging for garden waste collections and keeping everything else as it is now was most favoured, closely followed by three weekly residual.
- 5.7 41% of people's grey bins are three-quarters full or less when they put them out for collection. Should collection of grey bin/black sacks become less frequent then separate weekly nappy collections could help some residents.
- 5.8 Some criticism was aimed at the District Council for not including the current arrangement as an option. However, the aim of the questionnaire was to support the process of defining a suitable specification for the new contract by understanding what the key issues are for our residents (i.e.: increased levels of recycling, frequency of collection, etc.).

6. FINANCIAL MODELLING OF OPTIONS FOR SERVICE CONFIGURATION

6.1 The table below shows the financial impact of the different service delivery options considered prior to Council agreeing the service specification on 14 March 2019:-

- A - Chargeable garden waste (fortnightly residual collections)
- B - Three-weekly residual collections
- C - Three-weekly residual collections and chargeable garden waste
- D - Four-weekly residual collections
- E - Four-weekly residual collections and chargeable garden waste



6.2 Eunomia modelled the potential financial impact of the options consulted on. It was made clear to Members that the figures were modelled estimates, and the actual costs tendered during a procurement would be different. The modelling took into account the current waste volumes and predicted household behaviours, but did not take into

account the future contractor's views on risk (as it was not known). Furthermore, it did not take account of price fluctuations that materials markets are known to cause.

- 6.3 In summary, the charged garden waste options all offer more savings than the respective free garden waste options. In addition, the results indicate that the lower the frequency of residual waste collections, the lower the cost.
- 6.4 Whilst the reduced residual frequency options show savings in residual disposal cost, due to more waste being recycled, the majority of this saving accrues to the County Council (as Waste Disposal Authority) rather than to the District Council. However, when combined with charged garden waste options a reduction in organic treatment cost benefits the District Council. These savings are offset against an increase in cost from AHP collections in the reduced residual waste frequency options.
- 6.5 The financial modelling indicated that meaningful cost savings are generated in increasing order from Option A (charged garden waste). Option C (charged garden waste and three-weekly residual collections) and Option E (charged garden waste and four-weekly residual collections).
- 6.6 Option A was approved unanimously by Members at Council on the 14 March 2019.

7. PROCUREMENT STRATEGY

- 7.1 The Procurement Strategy approved by Members at Council on 29 November 2018 established that the procurement project being considered is desirable, viable and achievable. It set out the key principles that were followed throughout the procurement process and acted as the reference document that the Project Team used to ensure that the project had clear definition and direction.
- 7.2 The Procurement Strategy is part of the report required by Regulation 84(1) of the Public Contracts Regulations 2015, it has been and will be used as a reference:-
- when a major decision is taken during the procurement stage of the project;
 - at the end of key gateways during the project life cycle; and
 - at the conclusion of the procurement process to measure whether it delivered the anticipated benefits and outcomes.
- 7.3 The following points were considered the most significant issues needed to be included as part of the development of the procurement and contract documentation:-
- commodity price changes, and how price changes will impact on the income achieved through the marketing of recyclable materials;
 - the potential move to three-weekly collections;
 - future proofing for potential changes, including legislative changes such as mandatory weekly food collections and increased recycling rates.
- 7.4 In addition, the procurement process was designed to support sustainable procurement policies. Social value considerations were also included in both the requirements set out in the service specification and in respect of the method statement questions.
- 7.5 Bidders were required to demonstrate a commitment to apprenticeship schemes, working with local organisations, maximising opportunities to develop the local supply

chain, considering local employment opportunities and to take into account the environmental impacts of the operations when designing the solution for the new contract.

7.6 The project plan was designed in a way that would have enabled the Council to reconsider its position should there have been a lack of interest from the market, providing sufficient time between spring 2019 and August 2020 to divert attention to an in-house solution, should there have been insufficient market interest in the out-sourcing option. As per the Procurement Strategy, outsourcing offers the best option at this time. Factors in favour of outsourcing include:

- Staff resources (operational and back office)
- Pension costs
- Sharing materials risk
- Operational risk
- Value for money
- Resilience

8 RISK REGISTER

8.1 In order to help identify, manage, and where possible, mitigate risk, the Project Team developed a Risk Register.

8.2 The purpose of the Risk Register was to identify current, future and potential risk. These risks were reviewed and scored on the 'likelihood' of the risk happening and the 'impact' the risk would have, should it happen.

8.3 The Risk Register categorised risk into low, medium and high and includes risks ranging from 'non-availability of Officers for key decisions' to 'no bids received'.

9 TIMELINE

- Scope, timescales and allocation of resources for the project approved – Council meeting (12 April 2018)
- Appointment of consultant approved – Committee meeting (12 July 2018)
- Procurement Strategy approved – Council meeting (29 November 2018)
- Tender development (December 2018 – February 2019)
- Specification of tender approved - Council meeting (14 March 2019)
- Tender published (March 2019)
- Procurement of new contract (April - December 2019)
- Seek contract award approval – Council meeting (18 December 2019)
- Mobilisation (January 2020 – August 2020) (minimum seven month period)
- Contract start date (2 August 2020)

10. COMMUNICATIONS

10.1 Keeping residents fully informed about impending changes to their waste and recycling service is a high priority. Following approval of contract award, a time-lined communications plan will be drawn up - and reviewed regularly – targeting key milestones such as the introduction of paid-for garden waste collections. Regular communications will be issued using the multi-channel approach as set out in the District Council's Communications & Marketing Strategy, namely:

- Dales Matters (distributed to every household in the district twice a year).
- Website (which currently attracts 107,000 visits per month).
- Social media including Facebook, Twitter and Instagram.
- YouTube videos and live broadcasts of council meetings, improving accessibility to Council decisions.
- Press releases to local broadcasters, newspapers and community blogs.
- E-newsletters (more than 4,000 local people are currently signed up).
- Dales Community Forum.
- Town and Parish Councils will also receive all campaign material, including posters for parish notice boards.

10.2 In addition to all of the above, our ongoing waste and recycling campaign - featuring important educational messages around recycling - could also include special publications distributed digitally and physically across the district.

10.3 Updated frequently asked questions continue to be provided at key stages of the project, including information about the approved option and the garden waste service.

10.4 New ideas to spread the recycling educational message will include video coverage of bin spot checks that highlight recyclables that some residents are currently throwing away as household waste.

10.5 The www.derbyshiredales.gov.uk website waste & recycling section will be updated and better signposted to make important information easier to find.

10.6 Before the contract commencement date we will work closely with the new service provider to ensure a smooth transition where service changes are due to take place. Campaign material, in addition to information distributed using the channels listed above, could include information bin stickers and tags.

11. **CONTRACT AWARD**

11.1 In accordance with the Public Contracts Regulations 2015, it is recommended, based on the outcome of the procurement process, that Serco Limited are awarded the contract for the new waste and recycling collection service, commencing 2 August 2020.

11.2 Key features of the new contract include:

- Separate weekly collection of food waste
- Fortnightly collection of dry recyclables (paper, card, glass and plastics)
- The introduction of an opt-in 12 monthly chargeable fortnightly garden waste collection service from April 2021
- No increase in the number of bins or containers
- Expanded trade waste collection service, including recycling collection
- The introduction of hybrid fleet vehicles
- The introduction of electric bins lifts
- Improved recycling education offer
- The introduction of in-cab technology to improve customer service standards and performance management data
- The introduction of Management Information System (MIS) to improve the speed and quality of information between the customer, the District Council and the contractor – providing the option for residents and customers to pay online for waste collection services

12. WASTE & RECYCLING COLLECTIONS

- 12.1 The new collection service will be configured as follows:
- The weekly separate food waste service will remain in place (as now), in preparation for the possible mandatory separate collection requirement in 2023
 - The fortnightly two-stream dry recycling service will remain in place, typically in 240 litre bins (as now)
 - Fortnightly collection of residual waste, typically in 140 litre bins (as now)
 - The offer of a 12 month fortnightly changeable garden waste collection service, typically in 240 litre bins, from April 2021 (with the current free service continuing until then)
- 12.2 There will be the continuation of the assisted collection service and the collection of incontinence waste for residents in need of extra support.
- 12.3 Families will continue to be supported with the option of larger bins (typically 240 litre), although this service is only provided where necessary. The scheme and allocation of larger bins is to be reviewed regularly to ensure households are maximising their recycling opportunities, whilst preventing unnecessary waste going to landfill.
- 12.4 As part of the specification of the contract, the contractor will work with the District Council to reduce the number of properties on a sack collection service – introducing a wheeled bin collection service, where possible.
- 12.5 Textiles collections will be required by 1st January 2025 to comply with the Revised Waste Framework Directive.
- 12.6 The trade waste collection service will be expanded to include recyclable material and additional properties and businesses have been identified with the aim of growing the service.
- 12.7 Eunomia advised that the option to introduce a three weekly collection service from the midway point of the contract should be included, as this provides the Council with an opportunity to review the contract cost against its financial pressures at that time and also in order to respond to any market changes. This was approved by Members on 14 March 2019. Any decision to implement a three weekly collection service would rest entirely with the District Council and will require a separate decision of Council at the appropriate time.
- 12.8 The standard hours of operation for the service will be 07:00 – 15:00 Monday to Friday. Any adjustments relating to Bank and Public Holidays will be addressed via the monthly contract meeting, as per the current contract.
- 12.9 The length of the contract will be an 8 year contract, with the option to extend for up to a further 8 years, if both parties agree.

13. GARDEN WASTE

- 13.1 As resolved by Members on 14 March 2019, the free garden waste service will be discontinued and a chargeable garden waste service will be introduced from April 2021.

- 13.2 In order to help determine an appropriate fee, a cost modelling exercise was carried out by Eunomia, who were asked “to conduct a benchmarking and modelling exercise to understand the level of subscription fee that would be effective and appropriate”. The key results of the modelling exercise are shown in Appendix 1.
- 13.3 Eunomia indicated that, for benchmarking purposes, they used charges and participation rates of authorities with charged garden waste collections that are socio-demographically similar to the District Council. The charges that were benchmarked ranged from £35.00 to £60.00 per bin per year.
- 13.4 Of the District Council's 50 most similar benchmarking authorities, 39 currently operate fortnightly charged garden waste services. Of these 39, 18 previously operated a free garden waste service, with the remainder either having no service previously or not offering the service to all households. In general, authorities who have not had a garden waste service before introducing a charge see lower participation rates than those who previously had a free service before introducing a charge.
- 13.5 The benchmarking exercise indicates that this is true for the most similar authorities to the District Council.
- 13.6 The results of the benchmarking show that of those Authorities who previously had a free service, as is the case in the District Council, the median participation rate is 39% of properties who were offered the service. The median annual charge is £40.00 for those authorities that collect garden waste all year-round (and previously offered a free service).
- 13.7 Waste flow benchmarking was carried out to inform the estimated decrease in garden waste collected tonnages when a charge is introduced. Two case studies of similar authorities were examined. In one case, comparing the four quarters before the change to the four quarters after the change, there was a reduction in kerbside garden waste of 29%. In the other case there was a drop of 24%.
- 13.8 When applied to the District Council, all scenarios modelled show significant income (savings against service costs). Based on the assumptions modelled, the greatest savings would be achieved by charging the higher rate of £60.00 for garden waste collections.
- 13.9 After considering the feedback from Members and residents, it is proposed that an ‘early bird’ offer of the lowest fee benchmarked be offered, in order to maximise participation. In balancing the affordability of the contract and the financial challenges the District Council is facing against the fee and subsequent participation rate, it is recommended that this is introductory offer only and a higher ‘standard’ fee is introduced prior to service commencement.
- 13.10 The new service will commence in April 2021 and it is recommended that the standard subscription charge per bin be set at £50.00 per annum. The service will be a 12 monthly service, including the collection of Christmas Trees over the festive period.
- 13.11 A one-off ‘early bird’ offer of £35.00 will be available up to 31 January 2021. After this time, the standard annual charge of £50.00 per bin will be applied. This is an annual flat fee single payment and will not be subject to concessionary discounts.

- 13.12 The potential revenue generated by this recommended charging structure is approximately £458,000 in year 1 (allowing for the early bird discount) and £549,000 per annum thereafter, with participation rates predicted to be 38.75% initially.
- 13.13 In order to maximise the uptake in garden waste subscriptions, a clear and effective communication and marketing strategy needs to be developed and implemented. The financing of the contract includes funds to support this work and also to finance a Waste Education Officer, who will work with schools, residents and local businesses to improve recycling rates and reduce the amount of waste to landfill.

14. SOCIAL VALUE

- 14.1 The promotion and incorporation of social value was requirement for each bidder. As part of their submission, Serco Limited has given a commitment to reducing carbon emissions and supporting the local economy.
- 14.2 The reduction in carbon emissions will be achieved through the use of bio-fuel, hybrid ancillary vehicles (bin deliveries and bulky waste collections), route optimisation, on board technology which monitors driver behaviour and fuel efficiency and the introduction of electric bin lifts.
- 14.3 Serco Limited has also committed to use local business for fuel, haulage, depot works, workwear and equipment. Serco estimates that approximately 25% of the annual contract value will be spent in the local Derbyshire Dales economy and through local business.
- 14.4 In addition, the contractor will introduce a 'Learning and Skills' pledge, with a focus on enhancing 'learning and earning' potential for staff. This will consist of several commitments to invest in the skills of the workforce and to provide a range of new technical Apprenticeships (target of x3 Apprentices per year).
- 14.5 Serco will also apply a targeted recruitment approach, focussing on employment from local schools and colleges. As part of this, the contractor will provide a full funded pathway for school leavers and those just starting out in their careers. This training has an estimated value of approximately £4,000 per individual.

15. BETTER USE OF TECHNOLOGY

- 15.1 A key feature of the specification was the introduction and/or better use of technology. Serco Limited has committed to providing a fully functioning Management Information System (MIS) that will integrate with the District Council's Customer Relationship Management system (CRM).
- 15.2 The CRM will also enable to residents and businesses to sign up and pay online for garden and trade waste services.
- 15.3 The systems will link with the refuse collection vehicles' in-cab technology, providing updates and information in real time. A key benefit of this is that Council officers and staff will be able to provide more accurate and timely information to residents and customers. This information will include missed bins, non-presentation of bins and identification of properties with contaminated waste.

- 15.4 The system will also help collection crews to be more aware of properties requiring assisted collections and, in future, those who subscribe to the chargeable garden waste service.
- 15.5 Refuse collection vehicles (excluding temporary hire) will have 360 degree cameras installed on the front, sides and rear of the vehicle. This information helps with improved health and safety standards, provision of evidence when responding to complaints and identification of bins.
- 15.6 The system will also record driver behaviour and vehicle information, such as when the vehicle is braking, if the indicator was used, the speed, GPS location and whether the warning beacons are turned on.

16. COSTS

- 16.1 As previously reported, the Council is aware (through soft market testing and through other market intelligence from Eunomia) that the market is saturated with similar projects, and that potential bidders have only limited resources to bid for these projects. It has therefore been important that the Council makes the project attractive to the market through sensible risk allocations.
- 16.2 On 14 March 2019, in approving the specification for this service, Members approved a 60/40 split in favour of quality over cost for the tender evaluation and 70/30 split in terms risk share, with the Council accepting 70% of the liabilities. These liabilities include fuel costs, staff costs, Consumer Price Indexing (CPI) and fluctuation in commodity values relating to recyclable material.
- 16.3 The Council is progressing negotiations with the land owner regarding lease arrangements for Longcliffe Depot. The depot will be made available to the contractor on a peppercorn rent basis, as this is the most cost effective approach to the Council.
- 16.4 Also, in order to help reduce the cost of the contract, the Council will purchase the vehicles. The contractor has specified the vehicles and the configuration of the vehicles, and will manage the ordering and delivery of the fleet.
- 16.5 The overall capital cost of the vehicles from the successful bidder is £3,612,382, with £2,500,000 being funded from strategic reserves and the rest via internal borrowing. This approach to financing will reduce the annual vehicle financing costs that are chargeable to the revenue account.
- 16.6 As mentioned above, evaluation of tenders was based on a 60:40 ratio, placing more emphasis on service quality than on cost. The overall contract cost, chargeable to the revenue account, resulting from this procurement exercise is considerably more than the amounts in the current budget and MTFP. The table below sets out the position for the next three financial years (net costs are not expected to change significantly after year 2022/23):

	2020/21	2021/22	2022/23
	£000	£000	£000
Outcome of procurement exercise <i>(contractor payments & vehicle financing, net of Council's share of recycling income plus additional costs such as depot lease, additional recycling education officer etc.)</i>	3,080	3,182	3,117
Budgetary Provision <i>(including amount in MTFP)</i>	2,433	2,433	2,433
Budgetary shortfall <i>to be met from charging for garden waste / corporate savings / other additional income</i>	647	749	684
Net income from charging for garden waste collections <i>based on £50 p.a., £35 early bird discount in year 1 only</i>	166	-475	-566
Potential better Local Government Finance Settlement for 2020/21	-500		
Balance to be met by corporate savings / additional income / general reserve	313	274	118

A:

1. Contract commences in August 2020
2. Garden waste charges are introduced from 1 April 2021.

16.7 The table below summarises the overall medium term financial position subsequent to the award of this contract:

	£m
Current Savings Requirement (as MTFP) includes up to £0.3m for increased contract costs	0.4
Additional cost pressures from this procurement (as above for 2022/23 onwards)	0.1
Total savings requirement	0.5
Add: Risk of commodity prices falling further	0.3
Required savings or use of reserves (if available)	0.8

The tables above illustrate that the new contract is only affordable if offset by income from a chargeable garden waste service. Risks from commodity price fluctuations can be partly managed through the Waste Fluctuations Reserve, which currently has a balance of £712,000, but there is a risk that the balance on this reserve may not be sufficient in any one year. Savings would need to be identified from:-

- Changes to other services
- Additional income.

17. EQUALITY IMPACT ASSESSMENT

17.1 An Equality Impact Assessment (EIA) was carried out prior to recommending to Council on 14 March 2019 that the service be specified as now procured. Members were provided with the full EIA and it was summarised in the report alongside the recommendations as approved. There are no substantive equality issues associated

with charging for garden waste collections, as ability to pay cannot itself be conflated with statutory equality duties.

18. RISK ASSESSMENT

18.1 Legal

The Council has a statutory requirement under the Environmental Protection Act 1990 to collect household waste. The awarding of this contract ensures the Council meets its statutory requirements for the next 8 years.

The Waste (England and Wales) Regulations 2011 places objectives on the Council to protect the environment and human health by preventing or reducing the impacts of the generation and management of waste, which include the use of recycling. The implementation of the contract and the collection of garden waste, while offsetting the costs of this service, reduces the impact of waste on the local community.

The tender of the waste contract is subject to compliance with the applicable EU legislation together with the Public Contract Regulations 2015, the Council's Contract Standing Orders and Financial Regulations. The procurement route has followed the Council's Contract Standing Orders and prevailing legislation. Whilst all legal risk cannot be mitigated, the procedures adopted have been robust. The overall legal risk of awarding this contract is low to medium.

18.2 Financial

It is very clear that whilst the current contract cost is around £2.1m per year, the future contract will cost considerably more. The corporate savings target could increase to £0.8m or more, depending on fluctuations in the recycling materials markets. The high financial risk can to an extent be mitigated by adopting chargeable garden waste collections AND allowing for the future introduction of three weekly residual waste collections. In addition to these measures, the Council has established a waste contract price fluctuation reserve, with the risk remaining that in a given year the reserve might not in itself be adequate to meet contract costs. To mitigate financial pressures that might arise if the contractor ceases trading, the contract has a requirement for a parent company guarantee to be put in place. Should all these measures be agreed, the financial risk will be high but acceptably managed. Should any of these measures not be agreed, the financial risk would be unacceptably high without prospect of adequate mitigation.

19 OTHER CONSIDERATIONS

- 19.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, environmental, climate change, health, human rights, personnel and property.

20. CONTACT INFORMATION

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21. BACKGROUND PAPERS

- Council 29 November 2018: Waste & recycling contract procurement: specification
- Council 14 March 2019: Waste & recycling contract procurement

22. ATTACHMENTS

Appendix 1: Results of Modelling Exercise for Garden Waste Collection Charges

RESULTS OF MODELLING EXERCISE FOR GARDEN WASTE COLLECTION CHARGES

Proposed annual charge per bin	Expected income £'000s	Reduction in processing costs and recycling credits (to reflect reduction in tonnage) £'000s	Net income £'000s	Participation	Reduction in garden waste tonnage
1: £35	421	22	443	42.50%	24%
2: £40	453	20	473	40.00%	25%
3: £45	478	19	497	37.50%	26%
4: £50	496	17	513	35.00%	27%
5: £55	506	16	522	32.50%	28%
6: £60	510	13	523	30.00%	29%
4a: Year 1: £50, with £15 Early Bird Discount (i.e. £35 charge)*	458	17	475	38.75%	27%
4b: Year 2 onwards: £50 assumes subscribers retained following early bird discount in year 1	549	17	566	38.75%	27%

*Assumes that 50% of subscribers will sign up with Early Bird Discount

BACK TO AGENDA