

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF ENVIRONMENT COMMITTEE ON 19th MAY 2022

SUBJECT: Combined Cleansing Services Contract

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DATE: 19th MAY 2022
EXTN: 01903 737955
AREA: NEIGHBOURHOODS GROUP, SERVICES DIRECTORATE

EXECUTIVE SUMMARY:

This report outlines recommendations in respect of the future delivery of the Council's Combined Cleansing Services Contract which is due to expire at the end of January 2023.

Recommendations are based on alignment with the Council's adopted Vision; including a stated recycling target of 55% by 2025 and to 'ensure climate change and sustainability is at the heart of all council services'. Furthermore, recommendations seek to build on the success of the Council's recent 1-2-3 food waste trial, and the anticipated direction of Government Resource & Waste Strategy.

The results of an options appraisal which inform the recommendation are outlined in the report, with recommendations provided in full consideration of both current opportunities and industry risks.

RECOMMENDATIONS:

That subject to Policy & Finance/Full Council confirmation of the finance available, the Environment Committee approve:

1. The award of a three-year contract extension with modifications from the 1st February 2023 at an annual cost of £6,391 million (an additional annual cost of £297k on the current £4.918 million, plus a provisional £1.176 million for food waste and subject to indexation); To consist of service configuration C which comprises and alternate weekly residual collection, using provision of a 240 litre residual waste bin and with option of phasing in a weekly food waste collection service (subject to confirmed government funding for implementation and ongoing service provision) for all street level properties within the first twelve months.
2. To authorise the Director of Services to sign off a Deed of Modification to incorporate the service changes agreed at 1 above.
3. That authority be delegated to the Director of Services to procure the 240 litre residual waste bins required to deliver services, for a one-off capital sum of

£1.32million and a further capital sum of £300k for indoor/outdoor food caddies (subject to government funding) utilising an existing framework(s) for such procurement and to be completed in consultation with the Council's procurement advisors. (NB - This procurement is linked to but distinct from the extension of the existing waste collection contract and would be a procurement exercise in its own right)

1. BACKGROUND:

1.1 Arun's Combined Cleansing Services Contract (CCSC) includes the delivery of residential waste collections comprising of weekly kerbside residual collection from sacks, a fortnightly dry mixed kerbside recycling collection and a fortnightly subscriber-based garden waste collection service. The contract also provides street cleansing services comprising litter collection, litter and dog bin collection, street sweeping and public convenience cleaning. The 3+3 year contract commenced in 2017 is currently operated by Biffa and is due to expire on 31 January 2023. The current cost of the contract is £4.918 million per annum.

1.2 Arun currently has a recycling rate of around 42% and this figure has remained relatively static for a number of years. This rate is comprised of approx. 26% dry mixed recycling and 16% garden waste.

1.3 Arun District Council's adopted 'Vision' 2022-2026 is to deliver a recycling target of 55% by 2025 and to 'ensure climate change and sustainability is at the heart of all council services' The recommendations contained within this report support the alignment of cleansing services with the Council's adopted vision.

1.4 In the last twelve months a ground-breaking 1-2-3 food waste trial has been delivered to approx. 1,350 properties in the district. This trial has demonstrated that change to waste collection services including the addition of food waste collections and reduction of residual collection frequency can be successfully introduced, whilst maintaining high resident satisfaction levels (85% food waste collection satisfaction, 73% residual collection satisfaction) alongside excellent participation (85%+).

1.5 The trial results presented to Environment Committee (20 January 2022) outlined the success to date, as well as the significant resources and planning required to deliver this success. Approval was given to continue the trial until February 2023.

1.6 There remains some uncertainty in respect of the national waste landscape. The Government commenced the first round of consultation on its 2019 Resource & Waste (RAWS) early in 2020 and has not, despite indications it would do so in 'early 2022' published its response to the second round in 2022. This is combined with market uncertainty, challenges with supply chains and rising wholesale and service costs due to the global situation.

1.7 The proposals in the RAWS strategy consultation will directly impact services provided by local authorities through 'consistency in collections' consultation, as well as consultation around key areas such as extended producer responsibility (EPR). The Environment Act 2021 published in November 2021 contains a duty for waste collections authorities to provide a separate weekly food waste collection to residents following the consultation.

1.8 It is also expected that all transitioning costs incurred by local authorities owing to service changes in aligning with the R&W Strategy will be funded through 'new burdens'

funding. The allocation of £295m capital to local authorities was indicated in the Government's Net Zero Strategy in October 2021 and in the Chancellor's Autumn Statement. Additionally, it is expected as part of other reforms in the RAWS that contributions will be made to local authorities for collection of packaging under proposals for Extended Producer Responsibility (EPR). These are intended to pass the costs of dealing with packaging through kerbside recycling collections and elements of litter collections to producers.

1.9 Despite some uncertainty the Council is required to take a decision now in respect of delivery of waste services, to ensure service continuity on expiry of the current CCSC.

1.10 It must be noted that investment is required to ensure the contract is sustainable, deliverable and efficient moving forward. The refuse collection vehicles currently used are beyond the end of their life expectancy (7 years) at almost 10 years old. This is leading to inefficiencies and major challenges concerning continuity of the service.

1.11 The recommendations in this report aim to balance all the national and local considerations and find a short term, yet progressive position which aligns with the Council's vision. This will be a position from which Arun can review a longer-term strategy in another 24 months. Data would then be available to assess and compare the respective performance of an alternate weekly residual and recycling service with weekly food waste (1-2-2) versus a 1-2-3 service.

1.12 A number of options and service configurations have been scrutinised by waste consultants Ricardo consulting (see table 1 and appendix reports) and procurement advisors (summary provided in 2 & 10 below) and the recommendations are presented following in depth discussions and analysis of viable options with both parties.

2. PROCUREMENT SUMMARY

2.1 Early discussion with Arun's procurement advisors was focussed on the challenges and opportunities identified in the 'background' section above. Procurement support the recommendations being presented as the most appropriate procurement option in consideration of the all the factors outlined within this report. Full details are included within the implications section 10.

2.2 It is important to note that it will be necessary to conduct a separate procurement exercise to purchase appropriate bins. While this procurement is linked to the extension of the existing contract and necessary to support it, it is nevertheless a separate exercise, and its value has no bearing on the 50% value limit under Regulation 72(1)(b). It is anticipated that this procurement will be undertaken via an established framework, allowing the Council to take advantage of established pricing and quality verification.

2.3 In respect of the recommendation of a contract extension through the route of modification, a number of councils are extending existing contracts in similar ways as a holding position until clarity is provided through the R&W Strategy.

2.4 Ricardo have summarised the procurement options at a broad level (See appendix 1). It should be noted that whilst the move to a Direct Services Organisation (DSO) or 'Teckal' option is not feasible from a logistical and timing perspective at this stage; information is provided for context and comparison only.

3. FUNDING STREAMS - NEW BURDENS & EXTENDED PRODUCER RESPONSIBILITY (EPR)

3.1 A full appraisal of potential funding streams is provided by Ricardo in the appendices **(see appendix 2)**

3.2 EPR is likely to cover the costs of recycling collections and elements of costs associated with dealing with street scene related litter. The consultation confirms that *“Payments to local authorities for the cost of managing packaging waste generated by households (both packaging waste that is collected for recycling and packaging waste disposed of in residual waste) will be made under the packaging Extended Producer Responsibility scheme”*.

Collections from “Street Bins” i.e. litter bins are included within collection schemes (described as on-the-go packaging). However, any costs of litter collection are not included.

3.3 New Burdens funding is likely to cover the transitioning and ongoing operational costs to new services as required under the RAWs, i.e. the cost of waste containers/vehicles. The consultation states; *“Given the additional costs involved in separate food waste collection, Government will ensure that local authorities are resourced to meet any new burdens arising from this policy, including up front transition costs and ongoing operational costs.”*

The proposed approach to roll out of food waste collections recommended in this report allows for further clarity to be provided and the roll out to be made in full consideration of the subsidy/costs involved. The Council must ensure the risk of government funding not meeting the additional cost is mitigated.

4. SERVICE CONFIGURATION

4.1 Six service configurations have been considered, all consist of a fortnightly recycling collection as per current service;

- a) Weekly residual service from sacks (as per current service)
- b) Alternate weekly residual collection (AWC) with 240 litre bin provision for residents
- c) AWC with 240 litre bin provision for residents + weekly food waste for all street level properties
- d) 1-2-3 (Weekly food waste, fortnightly recycling, 3 weekly residual collection)
- e) Weekly residual + weekly food
- f) Weekly residual from a 240 litre bin

4.2 These configurations have been further assessed on the basis of 4 relevant criteria for illustrative purposes:

- Cost increase from baseline
- Recycling rate performance
- R&W Strategy alignment
- Operational deliverability/constraints for February 2023

4.3 **Table 1.** outlines the results of this exercise.

Service configuration	Recycling rate %	Annual core increase in revenue cost £'000	Annual Food Waste revenue costs* £'000	Capital Cost for 240l bins/food caddies (inc. bin delivery) *** £'000	Roll out constraints	Anticipated R&W Strategy alignment	Total 3 year additional revenue cost
a)As is	42	655	N/A	N/A	None	No	£1.97 million
b)AWC	44	297	N/A	1,320 (240l only)	None	Partly	£891k
c)AWC + weekly food	53	297	1,176**	1,320 + 300*	AWC none, Food waste within 12 months	Yes	£4.42 million*
d)1-2-3	61	200	1,176**	1,320 + 300*	Yes – not viable to mobilise in 6 months	Yes	£4.13 million*
e)Weekly residual sacks + weekly food	50	655	1,176**	300*	Yes – vehicle numbers and depot capacity	Partly	£5.50 million*
f)Weekly residual from 240l bin	<42	1,015	N/A	1,320	None	No	£3.045 million

* before new burdens funding/EPR offset funding is considered

** a maximum of 7 food rounds at £168k required to roll out to all street level properties

*** capital spending will incur revenue costs which will be assessed when Environment Committee's recommendation is considered by Policy and Finance Committee. NB Food waste caddy costs offset via new burdens/EPR

4.4 Summary of service configurations.

- a) **As is.** Recycling rate remains stagnant, costs increase associated with requirement for replacement fleet and increase in staffing costs
- b) **AWC** – two weekly frequency supports small increase in recycling rate due to natural diversion of material from residual stream due to less frequent collections and therefore total capacity. Costs are less than a weekly residual service due to

reduced vehicles/staffing costs

- c) **AWC + Weekly food** – recommended option on basis of recycling rate uplift to achieve stated targets of 50% currently and close to 55% by 2025. Reduced collection costs in comparison with weekly residual and operationally roll out of a food waste collection service within the first twelve months is achievable, assuming government funding is available.
- d) **1-2-3** – Provides the optimum recycling rate and cost option, however the 1-2-3 trial has highlighted the significant resource required for planning, communicating and rolling out this service to 1,350 properties which would be significantly increased for the whole of the district. Food waste would have to be ready to be rolled out fully on 01 February 2023 and regardless of the government position on funding, for all properties due to 3 weekly residual collection cycle, as opposed to phasing in over 12 months. There is also uncertainty as to whether the government will advocate a move to three weekly collections. Nevertheless, this option is not considered currently viable from a delivery perspective in the available timeframe due to the planning and communications resource required to implement. This option can be fully considered when the Council seeks to procure a long-term waste contract.
- e) **Weekly residual from sacks + weekly food.** This option is not viable due to the total number of vehicles required exceeding existing permitting allowances for the current depot site. Would require the ability to operate out of a new yard facility which would also add additional costs to services which are unknown but modelled to be in the region of £1 million, alongside increased revenue costs of a weekly residual collection. Unnecessary configuration, whereby the provision of weekly food negates the need for weekly residual collections.
- f) **Weekly residual with provision of 240 litre bin.** Costs increase by the equivalent of 2 additional rounds which are required as pass rates are reduced compared with a collection from sacks. Recycling rate may actually reduce as user inclination to use all available capacity.

4.3 COST MODELLING

Ricardo's modelling suggests that the current Biffa contract represents good value to the Council, in that the contract costs are less than the modelled rate. This is likely due to the indexation over time falling short of the additional costs Biffa have incurred during the contract period. Biffa's proposal for an extension represents an increase on their current price; however, in light of the current market issues due to the uncertainty created by the Environment Act and the Resource & Waste Strategy, staffing constraints and international supply line issues, the Council may consider the option of extending the current contract until the government clarifies their intentions as an approach which would minimise the risk of procuring in an evolving and uncertain marketplace.

The full options summary as provided by Ricardo can be seen in appendix 3 of the report

4.3 CONTRACTUAL PROVISIONS FURTHER INFORMATION

a. Food Waste Collections

Composition analysis has demonstrated that approx. 42% of residual waste by weight is currently food waste. Whilst capture/participation is expected to be less on 2 weekly residual service cycle than a three-weekly (as residual capacity is greater), the provision of a food waste collection service will provide an excellent opportunity for residents to divert

significant material from their residual stream and therefore support an increase in the Council's recycling rate.

Food waste collections comprise an indoor 5 litre caddie and outdoor 23 litre caddie.

The proposal is to phase in food waste collection for the majority of district properties (street level) over the first 12 months of the contract and then consider operationally how it could be extended for the remainder of properties within the 3 years. This is subject to New Burdens Funding being received. The roll out to street level properties will require a maximum of 7 rounds. This could be reviewed over time depending on participation/capture rates.

Flatted properties/HMOs often require a bespoke solution (as demonstrated by the 1-2-3 trial, depending on bin store layout, number of properties, number of residents etc) This is a piece of work that needs to be undertaken in due course with a view to implementation at a later stage.

b) Residual bin provision

240 litre bin provision provides adequate capacity for either a fortnightly service or a three weekly service should this be a consideration in the future and as demonstrated by the success of the 1-2-3 trial which used 240 litre residual bins.

Provision of a 240 litre residual bin will resolve issues around the placing of sacks on the kerbside and resultant animal interference and negative impacts to the street scene within Arun

c) Collections vehicles

Comprises a new hire fleet. Total costs for the service include the provision of required fleet. A hire approach is the most appropriate short-term solution due to the potential for further service reconfiguration upon government strategy finalisation and decisions relating to a longer-term strategy

d) Electric vehicles

At this stage all supervisor vehicles on the contract and one refuse collection vehicle (RCV) on the refuse round will be committed as electric vehicles.

Rolling out electric vehicles to the full fleet is not practical from an infrastructure or efficiency perspective at this stage but could be considered fully as part of a longer-term strategy. It is also cost prohibitive at this stage with an estimated increased cost of £1.4million per annum due to the costs of such vehicles.

e) Pay & conditions

All costed service options include a commitment to the real living wage for operatives on basic levels of pay and aligning all wages including drivers with market rates for the region which are negotiated on a national level. This is recommended on the basis that almost every one of the 120+ staff working on the contract are residents of Arun, as well as being necessary to sustain the contract and its future delivery.

g) Absorbent Hygiene Products (AHP)

Successfully rolled out as an opt in service as part of the 1-2-3 trial there is an additional per property cost to this service. Although the trial has proven it to be a valuable option on a three weekly residual service, at this stage it would not be considered viable or necessary from a cost/benefit perspective for an alternative weekly service.

h) Street scene services

This includes litter/bin collections, dog waste bin collections, street sweeping, public convenience cleansing. There are no proposed changes to these services with the exception of additional summer beachfront resources.

i) Annual indexation

Proposed change to a basket of indices based on the actual costs accrued in delivering the contract. 60% Labour, 10% Fuel, 30% Consumer Price Index based mechanism to better reflect shifts in market costs and uplifts. This is a more commonly seen indexation mechanism within the industry and local authority contracts. All costs quoted are subject to indexation at the point of a new contract. The first index will occur at the start of the extension period in February 2023 and will look back over the previous 24 months from February 2021 – February 2023. This is required to ensure that the starting position is correct on the extension commencement date.

j) Garden waste

Forms an integrated part of the contract. There is some potential implication from the R&W Strategy consistency in collections consultation and the potential for cost capping of subscriber fees at some point in future. This will be reviewed and reported to Members when appropriate. See appendix 2.

l) Properties remaining on a weekly residual collection

6,000 properties would be retained on a weekly residual collection round for the time being. This proposal seeks to recognise the challenges and bin capacity constraints of particular areas of the district and the importance of maintaining the street scene in these areas. Significant scoping work is required to develop sustainable solutions in areas such as South Terrace, Littlehampton, Arundel Old Town and Bognor and Littlehampton Town Centres.

5. CONSULTATION

5.1 Resident engagement and results of the 1-2-3 trial provide an insight into customer satisfaction with food waste and reduced frequency residual collections. The trial areas were chosen specifically for their demographic and representative nature of the district as a whole. Resident satisfaction results were very positive which can be considered a reliable barometer for extrapolating based on the sample size and percentage. See background papers 1-2-3 report for full details of the trial including summary of the resident satisfaction survey.

6. PROPOSAL(S):

To agree the proposed recommendations as set out in the report on the basis that they support the most appropriate short-term solution for the Council and delivery of the adopted vision.

7. OPTIONS:

1. To agree an alternative service delivery option of:

- a. The retention of a weekly residual collection from sacks, no food waste, no residual bin provision (service configuration a)

<p>or</p> <p>b. An alternate weekly collection service only (service configuration b)</p> <p>or</p> <p>c. The retention of a weekly residual service, no food waste, but with provision of a 240 litre bin (service configuration f)</p>		
8. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify) 1-2-3 trial residents. See section 5 above	✓	
9. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 10below)	YES	NO
Financial	✓	
Legal & Procurement	✓	
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability	✓	
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		
10. IMPLICATIONS:		
FINANCIAL SUMMARY:		
<ol style="list-style-type: none"> Current contractual cost of £4.918 million per annum plus indexation Contractual indexation mechanism as outlined in the report to be applied 		
BASED ON RECOMMENDATIONS (SERVICE CONFIGURATION C)		
<ol style="list-style-type: none"> Revenue budget implication of an additional £297k per annum plus indexation for an alternate weekly collection service and 1/6th of this figure for Feb/March 2022 £49.5k plus indexation One off capital expenditure of £1.020million (current cost) for 240 litre residual waste bins and bins for flats based on the move to an alternate weekly collection service. Delivery costs of 300k Additional £1.176 million (subject to indexation) for provisional food waste collections for all street level properties (7 x rounds at £168k) to be phased in over the first 12 months and subject to offsetting costs through government new 		

burdens/EPR funding

6. *One off estimated capital expenditure of £300k for indoor/outdoor food caddies (current cost and subject to offsetting costs through government new burdens/EPR)

The recommended option from Environment Committee will require appropriate supplementary estimates. These will be reported to Policy and Finance Committee/Full Council as appropriate.

LEGAL

This report recommends that the current combined cleansing contract is extended and modified. The original contract was a three year contract with provision to extend for three years (3+3). The contract commenced in 2017 and has been extended once and is therefore due to expire on the 31 January 2023. The report recommends that the contract is modified in two ways. Firstly by the move to alternate weekly collections and secondly by the option to add food waste collections on a phased basis. Legal Services has reviewed the advice given by the Council's procurement advisers that this contract can be awarded without prior publication of a contract notice because the modification is not considered to be substantial. Legal Services is in agreement with this advice. Accordingly, consideration will be given to publishing a VEAT notice (Voluntary Ex Ante Transparency Notice). A VEAT notice is used as a means of ascertaining and mitigating the risk of a procurement challenge

PROCUREMENT

1. It is recommended that the current contract is modified in two ways. Firstly, by the move to alternate weekly collections and addition of food waste collections, and secondly to extend the current services for an additional three years.
2. Food waste collections were included in the original procurement for this contract with bidders invited to provide pricing and other information. Although this option was not taken up initially its inclusion does permit the contract to now be modified to include these collections under Regulation 72(1)(a).
3. The extension of the contract for delivery of the existing services is permissible under Regulation 72(1)(e) in that it is not considered a substantial modification within the meaning of the Regulations.
4. A modification is not substantial within the meaning of the Regulations where:
 - a) It does not render the contract materially different in character. In this instance although there is potential for a small revision to the way in which the services are delivered (i.e. collection frequency), the services remain essentially the same and therefore the contract is not materially different.
 - b) It does not introduce conditions which would have allowed for the admission or acceptance of other candidates or tender, or, would have attracted additional participants. While it is impossible to say for certain that no other party would have been interested had they been aware of the potential for a longer contract length this is a relatively specialised and small market so one can posit that this would be highly unlikely. As the services remain essentially unchanged the extension alone would not have allowed for the acceptance or admission of other candidates.
 - c) It does not change the economic balance of the contract in favour of the contractor in a way not provided for in the contract. In this instance while changes to collection

frequency may result in a small increase in the price paid to the contract this is relatively minimal in the context of the overall contract value and is attributable to additional costs incurred by the contractor for making those changes.

d) It does not considerably extend the scope of the contract. As stated above, in this instance the services remain essentially the same so there is no alteration to the contract scope.

5. Therefore, the modification to extend the current contract for an additional three years is permissible under Regulation 72(1)(e).

SUSTAINABILITY/ENVIRONMENT

The Council has resolved a vision which prioritises a commitment to tackling climate change and sets a recycling target of 55%

The recommendations seek to reduce as far as reasonably possible (in consideration of finance/risk/deliverability) a solution which will reduce the amount of material in the residual waste stream, including material that can be collected as part of the DMR collection and a volume of food waste.

Separation at source allows the most effective and efficient recycling of such materials and will support deliverability of the Councils stated recycling targets.

Food waste collections can also serve to reduce food waste through residents becoming aware of the volume of food they throw away. Food production and distribution has one of the largest environmental impacts worldwide and therefore the introduction of a food waste collection provides an opportunity to reduce carbon emissions.

From a technological, logistical and deliverability perspective it should be recognised that the move to an electric collection fleet is not viable at this stage, but should be considered as part of a longer-term strategy over vehicle provision for this contract. Where practicable electric vehicles are utilised as part of street scene services.

11. REASON FOR THE DECISION:

To determine the best short-term decision in respect of the Councils CCSC based on consideration of all factors outlined in the report

12. BACKGROUND PAPERS:

1. [Vision – Full Council March 2022](#)
2. [1-2-3 Report to Environment Committee January 2022](#)

Appendices

1. Ricardo delivery options summary report
2. Ricardo EPR/new burdens summary report
3. Ricardo overall summary report