

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	19 <sup>th</sup> October 2021
<b>Lead Member / Officer</b>	Cllr Brian Jones: Lead Member for Waste, Transport and the Environment / Tony Ward: Head of Highways, Facilities & Environmental Services
<b>Report author</b>	Tony Ward / Tara Dumas, Waste & Recycling Manager
<b>Title</b>	Contract Award and policy changes for a new contract to manage our Household Waste Recycling Centres

## 1. What is the report about?

- 1.1. This report details the outcomes of the joint procurement process with Conwy County Borough Council (CCBC) to manage Household Waste Recycling Centres (HRCs) in both counties.

## 2. What is the reason for making this report?

- 2.1. In order to realise the maximum savings generated from the procurement, it is necessary for the council to agree to award the contract to the Preferred Bidder. The outcome of the procurement (**Appendix 1, Tender Evaluation Report**) is classified as a Part II item at this stage of the process. Some of the projected savings generated are due to policy changes proposed in the running of the HRC sites, including introducing charges for some waste streams. Approval is therefore also sought for the adoption of the Joint HRC Policy with Conwy (**Appendix 2**) and the 2022/23 charging schedule (**Appendix 3**).

## 3. What are the Recommendations?

- 3.1. That Cabinet authorise the awarding of the contract to the Preferred Bidder identified in the joint procurement Tender Evaluation Report (**Appendix 1**), having demonstrated that they have submitted the most economically advantageous tender and noting that the contract will be awarded by Conwy Council as Lead Authority.

- 3.2. That Members confirm that they have read, understood and taken account of the updated Well-being Impact Assessment (**Appendix 4**) as part of its consideration and note that this will be updated upon contract award.
- 3.3. That the Joint HRC policy with Conwy (**Appendix 2**) be adopted from the contract Commencement Date.
- 3.4. That the DIY Construction waste charges (**Appendix 3**) be formally adopted from the contract Commencement Date.
- 3.5. That the joint HRC booking system, under in-house development at Conwy Council be adopted permanently.
- 3.6. That a report is taken back to Partnerships Scrutiny to review the first year of the new contracts' operation.
- 3.7. That Cabinet note that an IAA between Conwy CBC and DCC needs to be agreed and request that the service is supported by Legal Services to prepare this.

## **4. Report details**

- 4.1. The Council has undertaken a joint procurement exercise with Conwy County Borough Council (CCBC) to secure a single operator for all five Household Waste Recycling Centres (HRCs) in both counties. The contract will be let as a “concessions” contract due to the level of income that the operations generate through the sale of recyclable materials, charges for DIY and Construction waste and income from the Re-Use shop initiatives. This type of contract is an increasingly common method the Public Sector use to partner with an economic operator who provides services from which they can generate income. The income offsets some or all of the cost of the contract to the public body. Concession contracts are recognised for facilitating new investment and promote innovation. The contract has a 7-year term with the option to extend for up to three years. A £100,000 annual revenue saving for DCC was already agreed/taken as part of the 2021/22 budget as a result of the introduction of charges for DIY and construction waste brought to Denbighshire sites. The existing contractual arrangement will terminate on 31<sup>st</sup> March 2022, and the new contract will have a commencement date of 1<sup>st</sup> April 2022.

4.1.1 CCBC Cabinet will consider the officer recommendation to award the joint contract to the preferred bidder on 26<sup>th</sup> October 2021. It is necessary for both councils to agree to the contract award, and all details of the Preferred Bidder must be kept confidential at this time.

4.1.2 The joint procurement exercise has been supported by Wood Group UK Ltd, who were appointed by WRAP and funded through the Welsh Government Collaboration Fund. A thorough outline of the procurement process, outcomes and next steps is provided in **Appendix 1** which must remain confidential at this time as the procurement process is not complete.

4.1.3 The outcome of the Evaluation is detailed below. Further details are available in Appendix 1. Both bidders submitted good quality bids with no major concerns, and both bidders are experienced in running HRC sites and re-use initiatives.

<b>Supplier</b>	<b>Quality Score</b>	<b>Price Score</b>	<b>Total Combined Score</b>	<b>Rank</b>
Bidder 1	27.1%	65.0%	92.1%	1
Bidder 2	27.0%	58.6%	85.1%	2

## **4.2. Benefits**

High level benefits identified through the joint procurement exercise are as follows:

- Financial benefits arising from economies of scale, efficiencies and the introduction of a charging system for certain wastes;
- Consistency of approach with a neighbouring authority;
- Commitment to cross-border use, to enable residents to use their nearest HWRC, regardless of which county it is in; and
- Optimisation of waste diversion and further income share through adoption of re-use shop operating model already demonstrated successfully at one Conwy HWRC site.

## **4.3 DIY and construction waste charging scheme**

We have a statutory responsibility to provide HRCs to enable residents to dispose of household waste free of charge. However, a number of waste types are classed as non-

household, and the council has no obligation to accept these types of waste free of charge, and we are permitted to charge residents for their disposal.

The proposed pricing schedules of the bidders have been based around a charging schedule specified by the Authorities for the reception of DIY and Construction waste brought to the sites by residents (**Appendix 3**). Building rubble, bricks, tiles and soil are not classed as domestic waste (even if they come from a household) and we have no obligation to accept these at our sites. We currently do accept small amounts, but no more than 3 bags per visit, and residents are currently advised to hire a skip from a licensed company if they need to dispose of more of this type of waste. This policy charge will allow Denbighshire residents to bring any quantity of such waste to our HRCs in future, albeit for a reasonable charge. It therefore provides residents with a suitable alternative to hiring a skip to dispose of DIY and Construction waste in future.

The £100K already agreed by the service was based on the assumption that charges would be applied from the contract commencement date and that this would be in place for the life of the contract. The public will be made aware of all charges during the booking process, whether this be online or via the Contact Centre.

#### **4.4 Re-Use shop income**

The contract price and anticipated savings do not include any guaranteed income from the running of the new DCC Re-Use shop. The Preferred Bidder has proposed to work with the same charitable partner, St David's Hospice, who operate the Re-Use shop on the Conwy Mochdre site. There is a profit share mechanism within the specification. Twenty-five percent of the net profits (after running costs) for the Rhyl re-use shop will be returned to the council, and 50% of net profits will be distributed to the charity provider. It is not possible to make an accurate projection of this value as the Rhyl Re-use shop is not yet fully established. Welsh Government funding through the Circular Economy Fund was used to purchase, install and furnish a re-use facility ready for the new contract. The Authority is protected from any net loss arising from re-use shop activities.

#### **4.5 Booking system**

Since the re-opening of HRC sites after the first Covid lockdown, both DCC and CBCC have operated their own booking systems. The Preferred Bidder has costed their submission based on the continuation of a booking system. A booking system enables the site operator to profile staffing resources and activities on site efficiently and also reduces

the risk of site congestion. The removal of the booking system would therefore be considered a material change to the contract and could result in additional costs, for which the Authorities could be liable for. CBCC are in the final stages of developing an in-house booking system that matches and in some cases exceeds the capabilities of the current packages in use in both counties. We will introduce this system across all 5 HRC sites to provide consistency of approach and the ability to analyse cross border use by residents. There will be a small annual licence fee saving for both Authorities.

#### **4.5 IAA and Contract Management**

As the lead authority, Conwy CBCC will manage the bulk of administration, including being the controller of contract meetings and payment mechanism. An IAA (Inter Authority Agreement) must now be developed between the two Authorities in which an annual management fee will be payable to CBCC by DCC. This fee has been deducted from the savings achieved through the procurement (estimated at this time). DCC are the contract lead for the food waste contract including CBCC and Flintshire Council and a similar arrangement is in place. Management of day to day issues at Denbighshire's three sites, site and asset inspections, performance management, customer interface and local initiatives will still be managed by Denbighshire's Waste and Recycling team.

### **5. How does the decision contribute to the Corporate Priorities?**

5.1. The proposals support the Corporate Priority "Environment" through providing resilience in the provision of recycling services to Denbighshire Residents (by optimising their efficiency and availability) and opportunities to pursue greater re-use (waste diversion) of unwanted items, supporting circular economy principals.

### **6. What will it cost and how will it affect other services?**

6.1. There is no significant impact on other services. The savings for DCC from the new contract are projected to be in excess of the £100K saving already agreed as part of the 2021/22 budget process, and the cost of a proposed additional environment crime officer (equivalent to 0.6 FTE Grade 6) for the ongoing prevention and investigation of waste related crimes. Whilst there is no evidence to suggest that either a booking system or the introduction of charges increase waste crime, there is an opportunity to carry out more proactive enforcement work to ensure residents and

are recycling and business are depositing of their waste legitimately across the county.

## **7. What are the main conclusions of the Well-being Impact Assessment (WBIA)?**

7.1 Overall, the collaborative procurement and alignment of services has a positive impact across the Well Being Goals, providing opportunities to enhance the customer experience through access to more facilities, improve the waste re-use infrastructure, optimise community benefits and deliver efficiencies arising from economies of scale and a more data led / evidenced based approach to our service provision through the use of a booking system. Due to the bespoke nature of the commitments, an updated WBIA will be published once the Contract has been awarded and will only seek to enhance the current positive score. The existing WBIA is detailed in **Appendix 4.**

## **8. What consultations have been carried out with Scrutiny and others?**

8.1. Partnerships Scrutiny Committee endorsed the joint procurement proposal and introduction of DIY and Construction waste charges on 10<sup>th</sup> September 2020, after discussion at an informal cabinet meeting 28<sup>th</sup> July 2020.

## **9. Chief Finance Officer Statement**

9.1 The proposed contract award ensures that value for money will be achieved from this procurement exercise. As stated in the report savings will be forthcoming from the package of measures highlighted in this report and include the adoption of the Joint HRC Policy with Conwy. The full package of recommendations are fully supported.

## **10. What risks are there and is there anything we can do to reduce them?**

10.1. Risks around the procurement are highlighted in Section 1.2.1.8 of Appendix 1. In addition, it is recognised that both local authorities must agree to awarding to the

Preferred Bidder and CCBC Cabinet will not be asked to make that decision until 26<sup>th</sup> October. Financial savings will be realised by both Local Authorities through the officer recommendations, so this risk is considered low. Risks specific to Denbighshire Council are highlighted in Appendix 5.

10.2. A full joint risk register will be developed once the Contract has been awarded and monitored regular through contract meetings.

## **11. Power to make the decision**

11.1. County Councils have a statutory duty (Environmental Protection Act 1990, section 51) to provide sites at which residents can deposit items of *household waste* without charge. However, some wastes arising from household DIY activity are defined as *industrial waste* (Controlled Waste Regulations 2021, Schedule 1 [3]). Councils have the discretion as to whether they accept these wastes or not, and the power make a reasonable charge if they do accept them.

11.2. Section 5.5.4 Denbighshire County Council Contract Procedure Rules.