

EAST HERTS COUNCIL

EXECUTIVE - 19 JULY 2016

REPORT BY THE EXECUTIVE MEMBER FOR THE ENVIRONMENT
AND PUBLIC SPACE

WASTE AND STREET CLEANSING CONTRACT – FUTURE SERVICE
DESIGN CONSIDERATIONS

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To report the results of the Environment Scrutiny Committee Task and Finish Group’s review of waste and street cleansing services and recommendations for the future design of services for incorporation into the next service contract.

RECOMMENDATION FOR THE EXECUTIVE

That:

(A)	the comments of the Environment Scrutiny Committee be received; and
(B)	the design considerations as detailed in the report (and summarised in paragraph 2.51) be approved for incorporation into the next Waste and Street Cleansing Contract.

1.0 Background

1.1 On 23 February the Environment Scrutiny Committee agreed to set up a Task and Finish Group to review the Council’s Waste and Street Cleansing service with the objective of informing the design of the next contract, due to commence in May 2018.

1.2 The Group, supported by officers, comprised the following:

Cllr Michael Freeman (chairman)
Cllr Jeff Jones
Cllr Mark Pope

Cllr Mari Stevenson
Cllr John Wyllie

- 1.3 The Task and Finish Group presented its findings, contained within this report, to the Environment Scrutiny Committee on 21 June 2016 and these were recommended for approval to the Executive.
- 1.4 The combined Refuse, Recycling and Street Cleansing contract was awarded to Veolia Environmental Services for a period of seven years, with a possible extension of up to seven years, in November 2010 and commenced on the 9th May 2011. The contract value is approximately £4m per annum.
- 1.5 The contract delivers the following functions:
 - Domestic refuse, recycling and organic waste kerbside collection, totalling 4.7 million collections and 54,000 tonnes of waste per annum.
 - Commercial waste collection services to over 700 customers generating over £600,000 gross income per annum.
 - Clinical (healthcare) waste collections (domestic and commercial)
 - Street cleansing of around 9,000 km roads and 5000 km channels per annum.
 - Public convenience cleaning (3 sites)
 - Minor services e.g. graffiti removal; smaller fly tips; market stall erection; pavement washing; management of recyclable materials; bulky waste collections.
- 1.6 It should be noted that there are a number of other waste related in-house and external functions and contracts performed outside the main waste services contract, including customer services; contract and environmental inspection; environmental crime enforcement; promotion and media; recyclable material re-processing; bring site banks collection; abandoned vehicles removal; specialist fly tips and graffiti removal. These are performed by in-house staff; through specialist or local contractors; or through Hertfordshire consortium contracts.
- 1.7 The initial seven year period of the contract comes to an end on 8th May 2018. It is usual for the Council to conduct a review of the service at the 5 year point in order to determine whether to extend

or tender the contract and if the current objectives for the service should be retained or modified.

- 1.8 Waste management is a highly regulated activity and an important public service. It costs local government more than £50m per annum in Hertfordshire as a whole. Statutory duties for household waste management are divided between the district councils, as 'collection authorities' and the County Council as the 'disposal authority'. The 11 authorities in Hertfordshire make up the 'Herts Waste Partnership', a formal body made up of Executive Councillors and senior managers. Partners work together to develop strategy, co-ordinate operations, share intelligence and let consortium contracts. The councils, including East Herts have signed up to the 'Herts Waste Partnership Agreement', a contract which governs how we work together in the best interests of council tax payers and to deliver environmental objectives. As noted at the February Environment Scrutiny meeting this review is complicated by the fact that the Council has been developing a business case for a Shared Service with North Herts District Council. A high level 'strategic' case was agreed last July and a full 'Outline Business Case' has now been completed and is presented for consideration as a separate item on the agenda.
- 1.9 Whether or not the two authorities agree to a shared service, there is still a requirement for East Herts Council to consider and set strategic objectives for the new contract which will inform the design of contract documentation and the procurement process.
- 1.10 North Herts District Council has also carried out a similar process of workshops with their Members and will be considering these at its 14 June Cabinet meeting. Both authorities have similar services at the moment. Should a shared service be agreed there will be further joint discussion on service design, however, there is no reason for services provided to each authority to be exactly the same and contractors can accommodate reasonable differences. This issue is discussed further in the report on the Shared Service Business Case.

2.0 Report

- 2.1 The Task and Finish Group has had five meetings and has now completed its review. The terms of reference and approach taken are summarised at **Essential Reference Paper B**. The objective was to understand the current services, consider the legislative and policy requirements on waste services and then consider the

options available to the Council to provide services in a different way.

2.2 Reference was made to the experiences of other local authorities in the UK and Hertfordshire and how their service design impacted upon performance and cost.

2.3 These services support all three of the Council's Corporate Priorities, but particularly to '*Enhance the quality of people's lives – Attractive Places*'. The specific strategic objectives of the service are to:

- Encourage the minimisation of waste and improve recycling
- Work in partnership with other local authorities and the Herts Waste Partnership to deliver high quality and cost effective services for our communities.
- Maintain a clean and attractive environment through effective street cleansing services that meet statutory requirements.
- Design and operate services and contracts efficiently and contribute to corporate financial targets and objectives.

In evaluating the options available to the Council the Group considered the following criteria:

- Impact upon residents / public satisfaction
- Cost of change and operating costs
- Impact on recycling rates (and therefore waste reduction)

2.4 The Task and Finish Group was at all times conscious that the Council is facing significant financial pressures and a potential ongoing budget shortfalls over the next four years. This has to be balanced against the desire to improve the quality and environmental benefits.

2.5 It was noted that the Council is current achieving a recycling rate of around 49% which is not unreasonable. Some authorities are achieving higher recycling rates by providing extra or more frequent collections of recycling but at a higher cost.

2.6 It is difficult to directly compare costs between local authorities for these services as geography, demography and the location of depots and disposal sites are the primary drivers of the resources required. More compact urban areas need significantly less

waste collection resources to achieve the same result, whilst rural areas generate less waste but require involve more travel. In Hertfordshire there is a good understanding of the performance, services provided and resources employed as this data is shared through the Herts Waste Partnership.

Domestic Waste Collection Services

2.7 The core collection service provided to residents is as follows:

Fortnightly collection of:

- Refuse (also known as residual waste) in 240 litre bins
- Organic (mixed garden and food waste) in 240 litre bins
- Dry recycling (consisting of mixed cans, plastics, glass and card) in a 240 litre wheeled bin and separate paper in a 55 litre box. When the service was implemented residents had the choice to retain a separate paper box or opt for an 'inner paper box' which slots into the top of the wheeled bin.

2.8 In the interests of waste minimisation and keeping costs down each household is limited to one wheeled bin although there are special arrangements for larger families and people with special needs.

2.9 Most of the flats in the district have a different collection system using communal bins for refuse and recycling. The Council does not currently provide organic waste collection for flats.

2.10 The Task and Finish Group considered the following options for future domestic waste collection services.

- No change
- Three weekly refuse collection
- Return to separate collection of recyclables in kerbside boxes
- Reduce refuse bin size to 180 litres
- Weekly recycling collection
- Increase organic (garden and food) collection to weekly
- Separate food waste collection
- Separate weekly food waste collection (new container)
- chargeable fortnightly garden waste collection (existing brown bin).
- Additional (chargeable) Brown Bin provided upon request

- Fully co-mingled collection (all recyclables in a single bin)
- Textiles collection at the kerbside
- Batteries/small electrical items collection at the kerbside
- Contractor 4 day working
- Food collection from flats

The Task and Finish Group considered each of these at an initial stage and agreed to recommend ruling out the following options:

No Change

- 2.11 The Council currently delivers good services and the Group found that there were no fundamental or failing areas that needed to be addressed. Residents are generally happy with the services they receive and this is reflected in public satisfaction survey results and falling complaints. It would be reasonable to procure a new contract along current lines. However, it was felt that there were potential opportunities to generate financial efficiencies, increase recycling rates or provide additional services subject to cost. These are explored below and summarised in section 2.52.

Three weekly collections of the refuse bin

- 2.12 A few local authorities in the UK are considering implementing this. It has the advantage of reducing the number of vehicles and crews used for refuse collection, resulting in a cost saving and increasing the amount that residents would recycle (due to shortage of bin capacity). While some residents are not currently filling the black bin on a fortnightly basis and would be able to cope with this change, the Task and Finish Group felt that it would cause a serious capacity problem for many residents and would be highly unpopular. In addition, leaving food waste in the black bin for three weeks would be likely to cause concern.

Return to collecting recyclables separately at the kerbside

- 2.13 The Council operated a 'source separated' service, using different vehicles prior to 2013, but was compelled to change to allow cardboard to be collected as this could no longer be put in the Brown Bin due to changes in composting regulations. It was noted that changing to 'co-mingled' collections using a wheeled bin and box had resulting in a significant increase in recycling and residents preferred the new service. It had also delivered service efficiencies and savings to the Council. East Herts is producing

good quality mixed recyclables. Accordingly, there were no benefits in returning to this option.

Kerbside collection of batteries/small electrical items

- 2.14 The Group considered whether to provide a kerbside collection service for batteries and small waste electrical appliances. Legislation prevents these items from being put in the black bin and they cannot be successfully processed if added to the recycling bin. It is possible to provide separate collections for these items but this would require an extra compartment on vehicles or separate collection round at additional costs.
- 2.15 Members felt that there would be some confusion over what met the criteria for collection and that something designed for hairdryers, radios, irons etc would lead to TVs, fridges and washing machines being left outside. They also saw problems in the presentation of items with no separate designated container to keep them in – and this applied particularly to small batteries.
- 2.16 Members felt that there were enough shops offering readily available battery recycling containers and the difficulty of implementing and offering this at the kerbside could easily lead to contamination of the co-mingled collection as people just threw batteries into the (blue lidded) bin or left large electrical items on the pavement. Accordingly this option is not recommended.

Options considered in more detail

- 2.17 The Task and Finish Group carried out a more detailed appraisal of the following options to consider potential costs, income and impact on recycling rates. **Details can be found at Essential Reference Paper C:**

Change black refuse bin to a smaller 180 litre size

- 2.18 The Group noted that a number of councils including North Herts had replaced 240 litre refuse bins with smaller 180 litre bins, collecting them fortnightly. This option results in an increase in recycling by residents due to a lower black bin capacity. It would be acceptable to many residents, who are not currently filling their bins in the 2 weekly collection cycle. However, some residents would find it more difficult and would be compelled to recycle more. After initial implementation ongoing costs would be neutral or slightly positive due to the additional recycling credits received

from the County Council. However, the change requires a one off Capital investment of c.£925,000 and the 'payback' in terms of the additional income from extra recyclables would be minimal. It would, however, be a step in the right direction in terms of increasing recycling and would bring East Herts into line with neighbouring North Herts.

2.19 The Group considered whether the investment could be avoided by providing the smaller bins upon request or supplying only 180 's in future as broken bins were replaced and to new build properties. The former would result in additional costs of delivery as some residents would simply make the change to get a smaller bin and not recycle any more. There will be some chopping and changing of bins as residents moved home. The latter option would result in additional complaints as some residents would be issued with a smaller bin while neighbours retained their older, larger bin, which could be seen as unfair. It could also result in disputes between residents as bins were 'swapped' with their neighbours.

2.20 On balance the Group felt that, if the Council wished to move to 180 litre refuse bins, the 'big bang' approach was best and a strong and extensive media campaign would be required to explain the environmental benefits of the change to residents. However, the benefits were outweighed by the initial capital cost and therefore this option is not recommended.

Increase recycling collections to 'weekly'

2.21 A number of the higher performing local authorities have achieved better recycling rates by introducing a weekly recycling collection. The convenience of such a service tends to deliver higher recycling rates, particularly for authorities still using kerbside boxes. While there are environmental benefits from recycling more, in a rural area like East Herts the additional collection rounds required would result in a high additional operating cost estimated at c. £289,000 per annum. Also, the extra trucks generate more emissions, partially offsetting the environmental gain. The Task and Finish Group felt that this was unaffordable.

Separate weekly food collections / chargeable garden waste options

2.22 A key challenge for local authorities in reducing the amount of waste going to landfill is the amount of food waste in the refuse

bin. The European Union and members states have all enacted laws to minimise organic waste in landfill due to the significant contribution this makes to greenhouse gas emissions and other negative environmental impacts. A number of local authorities in the UK have introduced separate *weekly* food waste collections, seeking to reduce environmental impacts and the high cost of landfilling waste. The Group considered how this could be done in a rural district like East Herts.

- 2.23 Such a service requires either separate collection vehicles and rounds or new vehicles that incorporate a separate compartment (food pod) on the vehicles. Either option would result in a significant increase in operating costs of c.£375,000 per annum. The Group felt that implementing this option in isolation would be unaffordable for the Council.
- 2.24 Legislation requires that local authorities cannot make a separate charge for collection of domestic waste that it has a statutory duty to collect. This includes food waste. Accordingly many local authorities have, or are considering, collecting food separately on a weekly basis and charging for separate fortnightly garden waste collection.
- 2.25 While this results in an increase in collection costs for food waste; garden waste collection attracts an income and reduced costs which can pay for or more than offset the additional food collection service.
- 2.26 The charges for garden waste collections in the UK, where applied, range from £25 to £96 per annum, with an average of £41. While this income may initially seem attractive, the administrative costs of operating a chargeable scheme including processing payments, monitoring and enforcement are likely to eat up most of the income at the average charge.
- 2.27 The real saving from such a scheme comes from the fact that many residents would give up their Brown Bin if a charge were introduced. Based on national trends, we could expect to see a take up of between a quarter and a third of residents in East Herts. The separate garden waste service could also be suspended in the peak winter months. This would result in a reduction in the number of vehicles and crews needed to operate the service. It has been estimated that this could generate a net saving to the Council of c. £107,000 per annum.

- 2.28 In theory, separate processing arrangement could also result in a saving to the County Council. However, both parties are tied into a contract with the reprocessing facility until 2025. This contract includes a 'guaranteed minimum tonnage' to protect the re-processor from a fall in income which is necessary to sustain their capital investment. A chargeable garden waste service would result in less material being delivered but at a higher cost and this would be passed on to the Council, effectively wiping out or exceeding savings in the collection service.
- 2.29 Having considered the issues, the Task and Finish Group recommend that this option is not incorporated into the next contract but is reviewed in 2023 in preparation for the following contract and the County Council be advised accordingly.

Increasing Organic (Brown Bin) collections to weekly

- 2.30 There are many residents in East Herts that have larger gardens and would like to be able to dispose of more garden waste at the kerbside. Currently these residents have to home compost their additional garden waste or take it to a Household Waste Recycling Centre. While this option would be popular and increase recycling rates, it would result in additional collection rounds and crews and a significantly greater cost and much higher processing costs. The Group felt that this was unaffordable.

Additional (chargeable) Brown Bin provided upon request

- 2.31 Some local authorities chose to offer residents an additional brown bin but at a charge. This is not uncommon and Neighbouring Dacorum Borough Council is about to introduce an additional brown bin that accepts green waste only and will charge £25 delivery with an annual cost of £50 for 20 alternate week collections.
- 2.32 However, in order for such a service to cover its costs it is necessary to factor in both the additional collection costs and the treatment cost for the extra organic waste. The outline calculations shown in ESS REF C indicate a small saving to the Council if a change of £70 per annum, were introduced for a second bin, assuming the service were taken up by 5,000 residents. The 'break even' point would be an annual charge of £63 per annum with an up front charge to cover delivery costs.

- 2.33 This option is potentially attractive from a public satisfaction perspective but has some negative environmental implications as some waste that would otherwise be home composted would be transported. There are also potentially significant admin costs, if a second bin is optional, from frequent changes as people move in/out of homes or residents change their mind.
- 2.34 A fundamental principle of the Herts Waste Partnership Agreement is that local authorities do not take unilateral actions that increase the amount of waste collected or result in additional costs to partners and if the Council were to take up this option it would be against that principle. There is as yet no indication of the attractiveness of such a proposal to residents at a charge that would fully cover costs. It was noted that this additional service could be implemented at any time (and did not need to tie in with the start of the next contract). The Task and Finish Group therefore felt that the Council should wait and see the results of Dacorum Council's imminent scheme before deciding whether to implement this at East Herts.

Fully co-mingled collection (all recyclables in a single bin)

- 2.35 When the new co-mingled collection service was introduced in 2013, the market price of paper for recycling into newsprint was very high and it made sense to collect this material separately to maximise income from material sales. This type of collection system is known as 'part co-mingled'. Since that time the value of both the co-mingled material (cans, plastics, glass, card) has fallen substantially to the extent that many authorities are having to pay for its removal rather than receive an income. Paper prices remain high due to a Hertfordshire consortium fixed price contract, but these are expected fall when this ends later this year.
- 2.36 Research evidence shows that having all material in the same bin (i.e. fully co-mingled) increases recycling as residents find this more convenient. In introducing such a system it is necessary to calculate the potentially lower collection cost with the likely increase in recycling against a lower paper price from mixing it with other materials. A fully co-mingled system can also result in a higher level of contamination, which must be managed carefully to ensure legislative standards are met.
- 2.37 As collection costs are not known until tender bids are received and market prices for materials vary considerably, it is proposed that this be included as an option at contract procurement so that

a decision on its financial viability can be taken at contract award in Spring 2017.

- 2.38 UK legislation requires local authorities that choose to operate a co-mingled recycling collection to demonstrate that the results are no worse than separate material collection from a 'technical, environmental, economic and practicability' perspective. This is usually referred to as the 'TEEP' principle. A risk of fully co-mingled collection is that materials, especially paper, can become more contaminated and if this resulted in an increase in waste sent to landfill could be non-compliant with legislation. However, many local authorities are operating a fully co-mingled system without issue. In order to mitigate this risk, bidders would need to demonstrate that their proposed collection arrangements would be compliant.

Textiles collection at the kerbside

- 2.39 The Task and Finish Group noted that North Herts Council currently operate a separate kerbside collection service for textiles (clothing) and have dispensed with bring banks. Investigation of this option showed that this material is collected in cages under the vehicles and quality can be affected by bad weather. There is also a risk of residents placing textiles in the recycling bin where they are not wanted and this can cause increased contamination and a lower material price.
- 2.40 However, the cost of this extra service is not currently available and it was felt that this should be included as an option at contract procurement so that a decision on its viability can be taken at award.

Contractor 4 day working

- 2.41 It was noted that some local authorities had achieved efficiencies through 4 day shift systems for collection staff. This improves vehicle utilisation through extending the length of the operating day. However, it is dependent to some extent on the licenced opening hours of disposal sites.
- 2.42 It is recommended that tenderers be asked to evaluate whether this option will deliver operational and financial efficiencies as part of the procurement process.

Food waste collection from flats

- 2.43 In East Herts there is no organic waste collection from communal properties and generally they do not have separate gardens. Communal gardens are usually the responsibility of the managing agent and the waste arising is classified as commercial, to be removed by their grounds contractors.
- 2.44 The Group noted that North Herts Council currently operates a food waste collection from 6,000 flats with a grant received from the Department of Communities and Local Government. This is currently being reviewed, but it is likely that NHDC will wish to include this as an option in tender documents. EHC can also obtain a price for a food waste service to its flats and then determine whether it wishes to take this option up at contract award. Evidence from North Herts suggests that this service is valued by some residents but take up is relatively low and the cost per collection is likely to be high.

Commercial Waste Collection

- 2.45 This service competes directly with the private sector, is discretionary, but must meet the statutory requirement to be the 'provider of last resort'. The service currently operates a refuse collection service only and does not provide organic or recycling services to businesses. Unlike domestic collections which are solely the responsibility of the local authority commercial waste collection is also provided by the private sector and therefore business can procure a recycling service from whoever they wish. The Council must take care not to enter into services that will operate at a loss as this would effectively result in businesses being subsidised by Council Tax payers, which is not appropriate. The Task and Finish Group noted that a recent feasibility study had been conducted that proposed further investigation into commercial waste recycling and this will be considered over the next few months. If it is financially viable, prices for collection would be asked for as part of the tender process.

Clinical Waste Collection

- 2.46 This service is provided to both businesses (e.g. dentists, doctors' surgeries) and domestic residents with specific infectious healthcare needs, usually funded by the health service. It is highly regulated and there are very few opportunities to vary the service.

Street Cleansing

- 2.47 Street cleansing mainly involves litter picking, channel (gutter) sweeping and litter bin emptying. The Task and Finish Group considered how the service is provided to ensure the legislative standards within the Environmental Protection Act (1990) are met. These involve continuous cleansing in town centres 7 days a week and scheduled cleansing in all other areas. East Herts has a particularly detailed schedule that specifies the frequency of cleansing down to the individual street level. This can be varied to meet changing needs and has a direct correlation with cost. The Group considered alternative options including 'output based' approaches, where the contractor is required to keep the streets cleaned to the required standard at all times. There are pros and cons with both options and the conclusion was that both approaches can deliver good standards. North Hertfordshire District Council currently has a more output based specification. Work will continue to determine the most cost effective service design whilst maintaining service standards.
- 2.48 A key challenge is keeping high speed A roads and dual carriage ways clean. However, this relates less to contract design and more to the ability to work in partnership with the Highways Authority (HCC) to share and obtain authorisation to use traffic management allowing works to be completed in a safe and timely manner.
- 2.49 It was noted that East Herts has a high standard of measured street cleansing and complaints have been steadily falling for some years. Accordingly the Task and Finish Group are not recommending any major design changes to the contract specification but recognised the need to ensure that contract management is effective in ensuring contractors deliver the specified results.

Contract Length

- 2.50 The Group considered the factors influencing contract length and noted that for waste contracts this was driven by the operating life of vehicles which is nominally 7 years. Shorter contracts result in vehicles being depreciated over a shorter period resulting in a higher annual cost and vehicles having a residual life but low value at the end of the contract. Longer contracts result in the risk of vehicles being unreliable if operated beyond their working life resulting in an increased risk of breakdowns or service disruption.

Accordingly it is recommended that the next contract length be for 7 years with an extension period of 7 years. This also ties in with the timescales to review organic waste processing contracts with the County Council.

Summary

2.51 The options considered by the Task and Finish Group and associated recommendations are summarised as follows:

	<u>Option under consideration</u>	<u>Recommendation by T&F group</u>
1	Change black refuse bin to a smaller 180 litre size	Not recommended due to Capital cost
2	Increase recycling collection to weekly	Not recommended due to cost
3	Separate weekly food collections / chargeable fortnightly garden waste	Separate weekly food collection alone not recommended due to cost. Weekly food + chargeable garden to be reviewed in 2023 in line with new contract for organic waste treatment.
4	Increasing brown bin collection to weekly	Not recommended due to cost.
5	Additional chargeable brown bin provided on request	Hold to observe results and take up of other councils (review Autumn 2016)
6	Fully co-mingled collection (all recycling mixed in a single bin)	Obtain prices at procurement and evaluate alongside market prices for materials

7	Textiles collected at the kerbside	Obtain prices at procurement
8	Contractor 4 day working	Option for contractor to demonstrate added value at procurement
9	Food waste collection from flats	Obtain prices at procurement
10	Commercial waste recycling	Progress feasibility study to the next stage to assess the market for these services and obtain prices at procurement to confirm financial viability of offering this service.
11	Clinical waste collection	No changes to current approach proposed.
12	Street cleansing approach	No changes to current approach proposed
13	Contract Length	Proposed for 7 years with an extension of up to 7 years.

Next Steps

- 2.52 The Executive is asked to consider and approve the proposals for contract design. Should the Council also approve proceeding with a Shared Service with North Herts, Officers of both authorities will use these proposals, together with those of NHDC Members to develop a specification for a joint contract.
- 2.53 In accordance with the Council's rules and procedures, a report will be brought to the Executive in the Autumn advising of progress and recommending the award criteria for the procurement. A further report advising of the successful bidder

for the contract and the tender prices for the options detailed in the table at 2.51 will come forward in Spring 2017.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None

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