



NORWICH City Council

Committee Name: Cabinet
Committee Date: 06/07/2022
Report Title: Future of Waste Collection Services

Portfolio: Councillor Oliver, Cabinet member for environmental services

Report from: Executive director of development and city services

Wards: All Wards

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To consider approval for the extension of the existing contract with Biffa PLC for the collection of residual waste and a range of recycling materials on behalf of the Council until 2031 as outlined in this report.

Recommendation:

To approve the extension of the existing contract for the collection of residual waste and a range of recycling materials on behalf of the council until 2031 as detailed in Option 5 in the attached exempt appendix.

Policy Framework

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich is a sustainable and healthy city, and Norwich City Council is in good shape to serve the city corporate priorities

This report addresses the review of the waste strategy to meet local and national requirements and ambitions for resource management strategic action in the Corporate Plan

Norwich City Council Waste Strategy and National Initiatives

1. Norwich City Council is committed to reducing its impact on the environment, and has committed to an ambitious programme of carbon reduction through:
 - (a) The City Vision agreed in 2018, when it was agreed that today's actions meet the needs of the present without compromising the future;
 - (b) The declaration of a Climate Emergency in 2018;
 - (c) The adoption of the Environmental Strategy in 2020, which set targets for Carbon emissions, (zero operational emissions by 2030, Carbon Neutral City by 2050), and improving participation in recycling services, particularly the weekly Food Waste collection service.
2. The Environment Act 2021 received Royal Assent in autumn 2021, and includes proposals for:
 - (a) A Deposit Return Scheme for Drinks Containers;
 - (b) Extended Producer Responsibility for Packaging, whereby producers and retailers will pay for efficient and effective collection and processing of most forms of packaging, and;
 - (c) Consistency in Collection Services, i.e. Councils will be required to provide household collection services for a wider range of materials including glass, paper, cardboard, cans, plastics, food waste and garden waste.
3. The proposal in this report will significantly influence the Council's waste, recycling, and street cleaning services over the next 10 years. Services and contracts need to be redesigned to deliver current and future environmental targets and ensure financial sustainability.
4. This process has already started, and in November 2021 the Council agreed to renew its contract for Comingled Recyclate processing with NEWS. This was aimed at addressing
 - a. volatility in global fuel and commodity markets, and
 - b. the imposition of higher material quality standards by reproprocessors
5. the current waste and collection contract was awarded to Connaught in 2010, and had an initial term of 7 years, with an option to extend for a further 7 years. The contract is therefore scheduled to end in 2024.
6. As a result of Connaught going into administration in 2010, the contract was novated to Fountains in September 2012. It was subsequently novated to Biffa in 2014, and has operated successfully since then. The contract provides a class leading range of recycling services including food waste, garden waste, textiles, waste electrical and electronic equipment (WEEE), and comingled paper, cardboard, plastic and metal cans. The contract was last subject to formal review at its initial break point in 2017, when food waste collections were introduced.
7. As part of our over-arching contract review process, the Council has been working with Biffa PLC to identify opportunities for delivering the Council's environmental ambitions, whilst meeting the financial commitments set out in our Medium Term Financial Strategy agreed in February 2022.

8. We have also conducted a commercial appraisal of the contract to identify the extent to which it currently delivers value for money and allows us to respond to the requirements of the Environment Act in the future. This appraisal has identified that
 - a. The current contract represents good value for money for the Council, and is at the upper end of productivity
 - b. It is unlikely that we will receive a better offer if we were to go to the market to reprocore, and it is more likely that we could be worse off due to
 - i. reduced market interest
 - ii. increased fuel, staff and material costs, and
 - iii. the risk of how bidders may react to the proposal at the present time given current volatile market conditions
 - c. The offer gives us cost certainty for the next 9 years, but also still gives us flexibility to change services when the requirements of the new Environment Act become clearer
 - d. Biffa have committed to providing the Council with a full year's saving if the Council confirms the extension by June 2022
9. As a result of this work, a number of options have been identified to extend the existing contract, and these are provided in the exempt Part 2 of this report
10. It is therefore proposed that the Council amends the existing terms of the contract with Biffa PLC to extend it from now until 2031, 9 further years in total.
11. The advice that we have received is that this does not represent a significant change to the contract in terms of the Public Contracts Regulations (as further explored in the legal section below).
12. The details and explanation of this approach are set out in part 2 of this report which is exempt from publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Consultation

13. Not applicable

Implications

Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan and Budget.

14. Detailed costings to support the proposed extension have been developed using the commercial appraisal undertaken earlier this year, along with the Council's existing budgetary information for this contract. Due to the uncertainty within this market, developing a financial model for the new Contract has been challenging. However, what can be modelled is the Council's reasonable maximum financial exposure to risk over the next 9 years,

and the potential growth and savings that could be realised during this period based on the offer being proposed by Biffa.

15. This additional budget risk will need to be considered annually and incorporated into the decisions about the level of the budget risk reserve and / or prudent minimum reserve balance.
16. In the absence of a full market test process the ability to demonstrate that value for money is being achieved comes from the commercial appraisal work undertaken by external consultants PeopleToo; who concluded that the current contract is performing at the upper end of productivity and that, for a number of reasons including their analysis of the market being seen elsewhere, a market testing exercise is likely to result in increased bid submissions and therefore costs.
17. Full financial analysis of the options is included in the exempt appendix. Notwithstanding this, the recommended option will achieve the budgeted level of savings over the next 5 years, but will cost an additional £0.067m over the last 4 years. However, this option provides the flexibility to prepare further options for procurement of a zero carbon fleet and gives the Council much greater control over the process. Further work will be needed to look for other efficiencies in the contract to address the savings shortfall from year 4 of the extension.

Legal

18. The Service has consulted with the Council's Monitoring Officer and legal advisors on the legitimacy of the proposed approach.
19. The Council is required to comply with the Public Contract Regulations 2015 in the letting of its contracts. Regulation 72 allows for authorities to vary contracts if specific criteria are met. As set out in the exempt appendix, it is considered that the current proposals fall within the scope of regulation 72.

Statutory Considerations

| Consideration | Details of any implications and proposed measures to address: |
|------------------------------------|---|
| Equality and Diversity | None, as this will not impact on the nature of the service provided |
| Health, Social and Economic Impact | None |
| Crime and Disorder | None |
| Children and Adults Safeguarding | None |

| Consideration | Details of any implications and proposed measures to address: |
|----------------------|--|
| Environmental Impact | <p>Whilst it is proposed that the contract is extended on a like for like basis at this time, there will be the opportunity to incorporate the measures in the UK Government's Environment Bill in relation to</p> <ul style="list-style-type: none"> • The Deposit Return Scheme • Extended Producer Responsibility for Packaging, and • Consistency of collections services <p>in the longer term through normal contract management arrangements. These will be aimed at increasing recycling, reducing waste to landfill and reducing Council's impact on the environment.</p> <p>The proposals within the attached exempt report outline how the Council could introduce a Zero Carbon Fleet prior in 2027</p> |

Risk Management

| Risk | Consequence | Controls Required |
|---|--|--|
| <p>Financial</p> <p>Cost of contract increases in 2024 on expiry of existing contract</p> <p>Cost inflation on new fleet between now and 2027</p> | <p>Additional budget pressures arising over the life of the medium-term financial strategy</p> | <p>Conduct robust modelling and options appraisal to identify most advantageous reprovisioning option for the Council.</p> <p>Ensure that service is optimised to minimise fleet requirement</p> |
| <p>Legal</p> <p>Risk of challenge by other service providers</p> | <p>Extension award is either delayed or void</p> | <p>Ensure that extension award is not a significant variation in terms of Regulation 72 of the Public Contracts Regulations</p> <p>Conduct robust commercial appraisal to ensure that the proposed approach fulfils the Council's duty to deliver Best Value</p> |

Other Options Considered

20. Through the review of current arrangements, a number of options were developed as follows

- a. Option 0: See out current contract and re-tender from 2024/25
- b. Option 1: 3-year extension from 2024. No investment in new fleet. Refurbished fleet for extension period. Assume new tender includes new fleet from 2027/28.
- c. Option 2: 7-year extension from 2024, new fleet from 2024 purchased by Biffa
- d. Option 3: 7-year extension from 2024. Refurbish existing fleet for years 1 - 3. New fleet from 2027 purchased by Biffa with remaining net book value purchased by council at end of contract with funding via a sinking fund.
- e. Option 4: 7-year extension from 2024, new fleet from 2024 purchased by the council using borrowing.
- f. Option 5: 7-year extension from 2024. Refurbish existing fleet for years 1 - 3. New fleet from 2027 purchased by the Council via prudential borrowing and operated by Biffa

21. These options have been further explored in the exempt appendix.

Reasons for the decision/recommendation

22. Modification of the current contract / arrangements will result in savings being realised in the short and medium term, minimise the impact of existing and future economic and legislative challenges, and provide flexibility to respond to changing environmental legislation and introduce a zero carbon fleet

23. Recent soft market testing has demonstrated that, if the Council were to procure this service from the market now, there would be a significant increase in costs.

Background papers: None

Appendices: Exempt appendix

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