

CABINET – 22 NOVEMBER 2016

HWRC STRATEGY IMPLEMENTATION- PROCUREMENT OF HWRC MANAGEMENT CONTRACT AND REVISED WASTE ACCEPTANCE POLICY

Report by Acting Director for Environment and Economy

Introduction

1. As a Waste Disposal Authority (WDA), OCC has a statutory duty under the Environmental Protection Act (EPA) 1990 to provide facilities for its residents to deposit their household waste and currently provides seven household waste recycling centres (HWRCs). The sites accept approximately 49,000 tonnes of household residual waste and recyclables each year with an average recycling rate of around 60%. Residents make over 1.2 million visits to the sites every year and recent surveys have shown 92% of users are satisfied or very satisfied with the service provided.
2. HWRCs are also required to help OCC deliver its commitment to policies contained within the Oxfordshire Joint Municipal Waste Management Strategy (OJMWMS). Specifically:
 - Policy 4: Achieving a recycling and composting rate of at least 65% by 31 March 2020;
 - Policy 5: Ensuring that recycling and waste services are available to all residents;
 - Policy 8: Providing waste management services for specialised and potentially polluting material streams such as hazardous waste and Waste Electrical and Electronic Equipment.
3. The HWRCs are managed by contractors who operate and maintain the sites. The management contract for five of the seven sites expires on 30 September 2017 and requires re-procurement ready to start the new service on 1 October 2017.
4. In line with the HWRC Strategy agreed by Cabinet on 15 December 2015 ([Agenda for Cabinet on Tuesday, 15 December 2015, 2.00 pm](#)) and in order to meet current financial pressures, procurement of the new contract will seek HWRC service changes to avoid site closures. These changes require the HWRC Waste Acceptance Policy to be revised.
5. In addition, in line with the Corporate Plan, a more commercial approach will be taken to generate income, where this can be done in a way that makes a net saving, and using the HWRC sites in more efficient and innovative ways.

6. The potential service changes include reduced opening hours, charging for non-household waste and allowing commercial operations on site with the aim of income generation, reducing costs or both. The proposed changes take into account operational feasibility, legislative requirements and the consultation responses.

Background

7. On 15 December 2015 Cabinet approved the HWRC Strategy. This followed public consultation in the autumn 2015 which found that if necessary residents would prefer reduced opening hours rather than a reduction in the number of sites.
8. In summary the approved HWRC strategy sets the following approach:
 - That the existing site capacity is secured in the short-medium term.
 - That a site rationalisation approach is adopted to minimise revenue pressures taken as a whole based on the following principles:
 - Fewer, larger sites, located close to centres of population with the aim of reducing average drive time as far as possible (recognising that this may mean longer times than the current arrangements for some residents).
 - Reduced opening hours in preference to fewer sites.
 - Site design is to maximise re-use and recycling and reduce/offset disposal costs.
 - Partnership working with District Councils and local communities to investigate alternative approaches where a HWRC operating on the current model is not financially sustainable in the long term.
 - New approaches to reduce public requirement to visit HWRCs are undertaken.
 - That an options appraisal is completed for replacing or redeveloping Redbridge.
 - That an options appraisal is completed for the rationalisation of Ardley and Alkerton incorporating potential partnership approaches in Cherwell.
 - That an options appraisal is completed for providing capacity in the south of the county.
 - That a final decision on the futures of Dix Pit, Stanford in the Vale and Oakley Wood are taken alongside an options appraisal for a potential retained or replacement site after the Redbridge and south decisions are made.
 - That these options are developed to minimise whole life costs with the aim of providing an affordable solution overall and maximising the security of s106 funding.
9. A programme is in place to implement the strategy and the following projects are in progress.
 - Project 1 HWRC management contract procurement and mobilisation.

- Project 2 Securing current sites – Ardley HWRC. Planning consent expires in December 2018 and the current site owner intends to close the site in April 2017. Discussions are ongoing with the site owner to explore the options for extending the life of the site.
 - Project 3 Securing current sites – Alkerton and Stanford HWRCs. Planning consent for these sites was due to expire in 2019. Planning applications were approved in October 2016 to extend consents until 2026 to provide certainty for the procurement.
 - Project 4 New sites – replacement Redbridge HWRC, new sites for north and south. Work is ongoing with the property team to identify a replacement site for Redbridge HWRC as the first step in longer term site rationalisation.
 - Project 5 Strategy development and advice to support implementation.
10. Project 1 is the subject of this report which seeks authority to procure a new HWRC management contract and approval of service changes. Previously changes to the Waste Acceptance Policy have been agreed through a delegated decision by the Cabinet Member for the Environment. However, approval of the full Cabinet is sought on this occasion to demonstrate overall support for the approach to future HWRC operation and the specific service changes in the proposed Waste Acceptance Policy that will be implemented through the new management contract.

HWRC management contract procurement and mobilisation

11. A key priority for implementing the HWRC Strategy is to secure the current network of sites to allow a managed transition to the new 'rationalised' delivery model. The current HWRC management contract ends on 30 September 2017. A new management contract needs to be delivered and mobilised for the new service to start on 1 October 2017.
12. Also in line with the agreed strategy and in order to meet current financial pressures, procurement of the new contract will seek HWRC service changes to avoid site closures, such as reduced opening hours, while providing an affordable service through cost savings or income generation. This could have an impact on the level of service provided to the public, both positive and negative. It is intended that some changes will be specified and bidders will be asked to price other changes to demonstrate potential cost savings or the creation of additional income for Council.
13. To enable this, the HWRC Waste Acceptance Policy (WAP) requires amendment to reflect the potential service changes. This will inform bidders and enable them to price for the contract.

Public Consultation

14. To inform the decision making process, public consultation was undertaken from the 14 July 2016 to 11 August 2016. The consultation was available on-line and parish and town councils and key stakeholders were informed of the consultation in writing. A total of 1082 responses were received with 532

residents adding specific comments. A full summary of results can be found at Annex 1.

15. Residents were asked for their views on service changes the Council could implement to make savings or create income at HWRC sites. They were not given the option of retaining the current service levels although 6% said they would rather pay more in their council tax to keep current service levels, than experience any change.
16. Overall residents were supportive of the service changes proposed.

Question	Response
1. How should the Council save money on Non Household Waste? Accept and Charge for Non- household Waste	91%
2. Should Council allow commercial waste activities on site? Yes	87%
3. Should Council allow reusable items to be sold from site? Yes	93%
4. If there was a reduction in the number of hours HWRC's were open, what would be your preference? Shorter hours each day Whole day closures	43% 44%
5. Would you use your local HWRC if it no longer accepted refuse? Yes	68%

17. Residents voiced several concerns including site closures which were not included in this consultation. In addition, residents were concerned about the potential or perceived consequences of service changes as opposed to the change itself. For example, 91% of residents are willing to pay for non-household waste to save Council money or create income; however 33% of residents expressed concern at the service changes due to a perceived increase in flytipping.
18. There were 983 comments from 532 residents or organisations. Their comments were grouped to capture concerns, ideas and objections and are summarised as follows. A detailed list of comments is in Annex 1.

Comment	% of Residents
Concern-Service Change	39% concerned about impact of service changes.
Concern-Site Closure	33% concerned about impact of site closures.
Ideas	38% suggested ideas

Objections	38% made objections
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Proposed Changes to the Waste Acceptance Policy

19. Taking into account operational feasibility, legislative requirements and in light of the consultation responses, the proposed changes to the Waste Acceptance Policy and implications to service levels are listed in the table below. It is proposed that any agreed changes are implemented as part of the new contract and take effect from 1 October 2017.

Proposed Changes	Implication to HWRC users
1. Reviewing non household waste charges.	<p>Charges will be made for the following items:</p> <ul style="list-style-type: none"> - Inert waste e.g. rubble, bricks, concrete. - Tyres. - Plasterboard. - Construction and demolition wood. - DIY waste e.g. doors, windows, baths, toilets, cisterns, basins/sinks, kitchen units, work tops, fixed radiators, water tanks, guttering, roofing felt and tiles. <p>No charges will be made for following chargeable items.¹</p> <ul style="list-style-type: none"> - Cement bonded asbestos - Gas bottles <p>Consultation: 91% support</p>
2. Allowing re-use items to be collected and sold from site	<p>The ability to drop off or separate items for re-use. To potentially buy re-use items from sites.</p> <p>Consultation: 93% support.</p>
3. Allowing commercial waste service to operate on site	<p>Residents operating small businesses have access to accessible commercial waste services.</p> <p>Consultation: 87% support.</p>
4. Reduced opening hours	<p>Sites may be open later or closed earlier during the day or closed for whole days.</p> <p>Consultation: 43% support shorter hours per day 44% support whole day closure</p>

¹ There are limited and expensive commercial options for residents to dispose of asbestos. Accepting asbestos without charge could mitigate potential flytipping. Gas bottles in the residual waste can cause extensive damage to the Energy Recovery Facility. Accepting gas bottles without charge would mitigate gas bottles being disposed of in kerbside residual waste bins.

20. All of the above proposals are changes to current service levels except for the following:
- a) Residents are currently able to dispose of asbestos and gas bottles for free. This will not change due to the reasons in footnote 1.
 - b) Tyres are currently charged for and this will continue.
 - c) Residents are currently charged for DIY items; however the first three items are free. The proposed change to DIY waste is to remove the 'three for free' provision and charge for all DIY waste items.
21. The draft Waste Acceptance Policy is set out in full in Annex 2.

Concerns raised during the consultation

22. Residents had two main concerns about service changes – fly tipping and congestion. The service changes proposed could have the potential to increase flytipping as residents would have to change the way they currently use HWRCs, for example, modifying the time they use a site, or paying for a waste item they previously deposited for free. Experience in Oxfordshire and nationally has shown residents do not resort to illegal behaviour if required to change how they manage their waste. For example, experience from the closure of Dean Pit HWRC in 2011 demonstrated that no measurable additional fly tipping occurred.
23. The importance of good traffic management will be set out in the tender documents and tenderers proposals to ensure congestion is minimised will be evaluated as part of the tender process. Congestion and waiting times could be mitigated by ensuring the acceptance of commercial waste is either undertaken on days when the HWRC is closed to the public (if this option is implemented) or at known quieter times. Any financial transactions, either for non-household or commercial waste, would need to be quick and easy and not hinder turnaround times. Ways to enable residents to deposit or purchase items for re-use speedily to prevent lengthy visits would need to be sought through the procurement. It is not proposed to accept commercial waste at weekends when the sites are at their busiest.
24. Communications will be essential to assist residents in adapting to the new changes and manage concerns. This will include:
- Widespread communication of changes.
 - Widespread communication on waste prevention, reduction and recycling messages.
 - Communication of alternative disposal outlets.
 - Clear signage at sites.

HWRC service changes nationally

25. Other Councils have implemented many of the changes proposed at their HWRC sites in order to save money or create income. For example:

Proposal	Council	Example
1. Charging for non-household waste	Suffolk	Soil & Rubble- £2/bag, Plasterboard £2.50/sheet
	Dorset	Soil & Rubble- £1.50/bag Plaster board £2.50/bag
	Somerset	Soil & Rubble- £3.60/bag, Gas canisters £6.15/bottle
	Cornwall	Plasterboard-£4.40/bag, rubble £1.75/bag, Tyres- £3.20 each
	Poole	Soil & Rubble- £1.50/bag Plaster board £2.50/bag
	North Yorkshire	Rubble-£3.12/bag, Plasterboard-£6/bag/sheet, Tyres-£1.70
2. Re-use Items	Warwickshire	Dedicated re-use shops on site operated by third sector
	Buckinghamshire	Re-use shop partnership between waste management company and third sector
3. Commercial Waste Service	Warwickshire	General Waste- £166/T, Green waste £43/T
	Northamptonshire	General Waste- £140/T, Green waste £46/T
	Hampshire	From 1 st Oct 2016
	Suffolk	£32/small car for general waste.
4. Reduced Opening Hours	Hampshire	All sites have reduced opening hours and closed every Thursday.
	Devon	Reduced 2 hrs per day and whole days in rural areas.
	Hull City Council	Reduced 2 hrs per day
5. Recycling sites only- e.g. no residual waste skip at some sites	South	Farthinghoe site does not accept general household waste.
	Northamptonshire	Does not accept excess 'non-recyclable' waste.
	Devon County Council	Tir John site does not accept general household waste.
	Swansea Council	Kings Rd site does not accept general household waste.
	Waltham Forest	

26. As noted above OCC already charges for Do-It-Yourself (DIY) waste with residents being able to dispose of three items for free before being charged for subsequent items. However, changes to the Waste Acceptance Policy will mean that all DIY items and other non-household waste will be charged for.

27. Oxfordshire residents have not had to pay for inert waste (rubble, soil etc.) disposed of at HWRC sites, although there is a six bag restriction. Experiences from councils elsewhere that have introduced charging for inert waste have shown either few complaints or an initial increase in complaints followed by a settling down period. The predominant concerns raised were about the potential for encouraging fly-tipping as opposed to the charges themselves. Effective communication campaigns highlighting the changes were essential to inform residents.

Procurement of the HWRC management contract

28. The procurement is designed to be in accordance with the HWRC strategy agreed by Cabinet on 15 December 2015. It is a fundamental step in implementing the strategy and will enable the longer term aspirations to be developed while maintaining the service in the short term. The procurement will aim to secure a service that is affordable while maintaining or improving recycling rates and minimising service level changes.
29. To inform the procurement and gauge market interest soft market testing was undertaken with all the incumbent HWRC contractors and other potential service providers within the industry and third sector organisations. This has been done through face to face meetings with individual suppliers and a supplier engagement event.
30. A Prior Information Notice (PIN) was issued and published in Tenders Electronic Daily (TED) on 16 June 2016 to raise awareness of the procurement and to advertise an information day on 13 July 2016. This was attended by ten waste management companies including existing contractors and five third sector organisations to help facilitate potential partnerships on re-use and repair. The event demonstrated significant market interest in the contract from the industry and third sector and enabled contact details to be exchanged.
31. The contract will be procured using an open procedure with a contract term of seven years plus an extension of up to three years. The term is consistent with feedback from soft market testing and will enable the longer term site rationalisation strategy to be developed. The contract will also provide flexibility for implementation of the longer term principles of the HWRC Strategy should this be feasible within the contract term.
32. The contract will be based on the existing HWRC contract which is considered to be generally fit for purpose. It has been reviewed and updated to reflect up to date operational practice, legislative and regulatory changes and proposed service changes. Specifications and other contract documents from some other authorities have been used to improve and enhance the contract. The procurement strategy for the contract is attached in Annex 3 (EXEMPT) and the draft proposed service specification for the new contract is set out in Annex 4 (EXEMPT).

33. Work on the procurement of the contract is being undertaken by a project team including waste management, procurement, financial, legal and project management expertise. Corporate project and risk management guidance is being utilised to ensure effective planning and delivery of the project to the required timescales and identify and manage risks. The project is also being delivered in accordance with corporate procurement policy and the new commercial operating model. The team meet on a regular basis and report to appropriate levels in the organisation.

Sustainability Implications

34. The nature of the services being procured will assist in achieving sustainable outcomes across Oxfordshire. The HWRCs focus is on recycling and composting and diversion of residual waste for energy recovery. They already achieve very good recycling and composting rates. This is in line with managing waste according to the waste hierarchy and the Council's commitment to policies in the Oxfordshire Joint Municipal Waste Management Strategy, for example, Policy 4 Achieving a recycling and composting rate of at least 65% by 31 March 2020.
35. The procurement process will help facilitate more re-use activities on site, potentially using third sector and social enterprise involvement. This will divert more waste from landfill and enable goods to recirculate in the economy longer. It can also support the aims of the third sector organisations such as: providing meaningful work, volunteering, training opportunities and skills development, or raising money for charitable work.
36. In addition approximately 95% of all Oxfordshire's municipal residual waste is now diverted from landfill to energy recovery at the Ardley Energy Recovery Facility, creating enough electricity to power 38,000 homes and reducing emissions of methane. Methane is a greenhouse gas emitted by landfill sites and is twenty times more powerful than carbon dioxide.

Key Issues

37. Any delay in the decision making process creates significant risk to the timetable listed in paragraph 50 below. This could result in a contract not being awarded in time for the new start date of 1 October 2017. This in turn could lead to service interruptions until a new contractor is able to start operations as the existing contract has already been extended and cannot be further extended. This would risk significant negative publicity and reputational damage, including influencing potential bidders.
38. Any changes to the level of service experienced by residents at HWRC sites are likely to cause a high level of publicity. Any changes agreed would be implemented as part of the new contract and take effect from 1 October 2017. The proposed changes are designed to realise cost savings and/or create additional income and not cause significant knock on concerns, such as fly tipping. Implementation of service changes will be supported by a

communications plan developed in liaison with contractors and with support from the Communications Team.

Exempt Information

39. Annex 3 Procurement Strategy and Annex 4 Draft Service Specification are exempt. The public should therefore be excluded during consideration of Annexes 3 and 4 because their discussion in public would be likely to lead to the disclosure to members of the public present of information in the following category prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended):

- 3. Information relating to the financial or business affairs of any particular person (including the authority holding that information);

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure would distort the proper process of open competition and would prejudice the position of the authority in the process of the transaction and the Council’s standing generally in relation to such transactions in future, to the detriment of the Council’s ability properly to discharge its fiduciary and other duties as a public authority.

Financial and Staff Implications

- 40. A budget has been identified in the medium term financial plan for the revenue costs of managing the HWRC service. It is anticipated that contract costs may increase above existing levels through the procurement due to changes in the recycling market and low current commodity prices. This is an issue faced by all waste authorities procuring new contracts. Factors to mitigate any increases in costs through service changes are discussed above.
- 41. The cost of the current management contract is about £1.4m per year plus transport and disposal costs taking the total cost of the service to about £4.9m per year. A pressure of £445,000 pa has been included in the MTFP for potentially increased operational costs from 2017/18.
- 42. The procurement will seek to manage potential cost increases and secure an affordable service. Savings or income is expected to be realised through the procurement process from the proposed service changes as follows.

Proposal	Methodology	Savings	Income
1. Charging for non-household waste	Contractor accepts, manages and pays for transport and disposal of waste. Charge agreed by Council.	Council no longer pays for transport and disposal of waste. Income to the Contractor will offset the site management fee.	No direct income to Council

2. Re-use Items	Contractor diverts re-use items from residual waste and manages sale of items.	Avoided disposal costs on re-use items. Income to the Contractor will offset the site management fee.	No direct income to Council
3. Commercial Waste Service	Contractor operates commercial waste services.	Avoided disposal costs on commercial waste previously deposited as household waste. Income to the Contractor will offset the site management fee.	Some direct income to the Council through contract
4. Reduced Opening Hours	Contractor operates less hours.	Savings on staff costs passed on in reduced site management fee.	No income to the Council

43. The option of changing some sites to recycling only sites has been considered. This would mean that some sites would have no residual waste container and savings would be provided through the avoided costs of transport and disposal of residual waste. However, this proposal is not being proposed at the current time as the possible impacts are uncertain although it could be investigated further in the future.
44. The transition to a new contractor is likely to include the transfer of HWRC staff. Advice on TUPE has been sought from legal services and procurement colleagues and staffing information will be provided to bidders on request on a confidential basis in accordance with normal OCC practice to enable bidders to take TUPE implications into account in the tender process.
45. The procurement will be carried out using existing resources and no costs are anticipated for external advice or support.

Equalities Implications

46. Selling reusable items from sites and/or other locations makes goods available for sale at affordable prices. This helps those in the lower socioeconomic groups. Commercial waste management on sites helps small businesses and sole traders manage their waste locally and cost effectively.
47. Under the new contract the prices for non-household waste will be set by the contractor. However, the Council will ensure that the charges are reasonable and affordable to ensure waste services are accessible to members of the public and small businesses whilst ensuring that enough income is made to pay for the management of these wastes.

48. A Service and Community Impact Assessment was undertaken during the 2015 HWRC strategy consultation. This strategy recommended opening hours were reduced, which is reflected in an option proposed in the new contract. The changing of opening hours has the potential to have a differential impact on those of working age with shift patterns that do not match opening hours. However, sites will still be open for 'reasonable' hours including weekend opening. During the 2016 HWRC consultation the concerns expressed regarding shorter opening hours were with regard to congestion as opposed to access.
49. A frequent comment in both consultations was the impact or additional costs and time to journeys should HWRC services be withdrawn or reduced.

Next steps

50. The key milestones for the procurement and mobilisation are as follows.

Milestone	Date
Advertise contract	December 2016
Tender submission	March 2017
Tender evaluation	April 2017
Approval to award contract	May 2017
Mobilisation	June – September 2017
Current contract expires	30 September 2017
New service starts	1 October 2017

51. A plan for mobilisation and implementation of service changes will be developed with the existing and new contractor to ensure a smooth transition and continuous service delivery. This will include a communications plan that will be developed in liaison with the media and communications team.

Conclusion

52. The procurement of the HWRC management contract and proposed changes to the Waste Acceptance Policy are key to implementing the agreed HWRC strategy. It is essential to ensure continued service delivery after the expiry of the current HWRC management contract in September 2017. The procurement aims to manage cost pressures by providing opportunities for savings and income generation.
53. The procurement strategy and proposed changes to the waste acceptance policy are in line with HWRC strategy and the consultation responses support the proposals.
54. To enable the documents to be finalised before the contract is advertised, delegated authority is being sought for the minor editing of documents prior to advertising the contract and during the clarification stage of the procurement process. Delegated authority is also sought to finalise the Waste Acceptance Policy following procurement and the award of contract provided any changes

to the final policy and service are in accordance with the principles in the report.

RECOMMENDATION

55. **The Cabinet is RECOMMENDED to**

- (a) Agree the proposed changes to the HWRC Waste Acceptance Policy described in the report and the draft policy in Annex 2;**
- (b) Approve the procurement of the HWRC management contract on the basis of the service described in the report and the draft specification in Annex 3;**
- (c) Delegate authority to the Director for Environment and Economy in consultation with the Cabinet Member for Environment for;**
 - i) final editing of the service specification and Waste Acceptance Policy prior to and during procurement,**
 - ii) finalisation of the Waste Acceptance Policy following the procurement provided any changes are in accordance with the principles set out in the report, and**
 - iii) approval of the award of the HWRC management contract following completion of the procurement process.**

BEV HINDLE

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Background papers: Nil

Annexes: Annex 1: Consultation Summary

Annex 2: Waste Acceptance Policy

Annex 3: Procurement Strategy

Annex 4: DRAFT Service Specification

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