

<b>DECISION-MAKER:</b>	CABINET COUNCIL		
<b>SUBJECT:</b>	Procurement of Commercial Waste Disposal Contract		
<b>DATE OF DECISION:</b>	20 AUGUST 2019 (CABINET) 17 JULY 2019 (COUNCIL)		
<b>REPORT OF:</b>	CABINET MEMBER FOR PLACE AND TRANSPORT		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
Not applicable
<b>BRIEF SUMMARY</b>
<p>Southampton City Council has a contract in place for the disposal of household waste, as part of the tripartite Project Integra with Hampshire County Council and Portsmouth City Council. This contract is with Veolia, and will continue until 2030. In the early 2000s, the council established a commercial waste collection and disposal service in and around the Southampton area, which comprises of trade waste (collection of waste from businesses), and housing void clearances for SCC owned and Private Landlord properties. This service was developed in addition to the household waste service, as a commercial venture; it enables the council to provide a high quality service to local businesses, and to generate £2.2million per annum in gross revenue.</p> <p>At the time this service was established, a Memorandum of Understanding (MOU) was put in place with Veolia as an amendment to the Project Integra disposal contract, so that commercial waste could be disposed of at Veolia sites. This MOU was put in place as a pragmatic solution; however, it became clear in 2019 that it was not fit for purpose. A procurement exemption was therefore granted to enable an alternative arrangement to be put in place with multiple local disposal sites. Currently, under this exemption, the council disposes of commercial waste with a range of organisations including Veolia and TJ Waste. The forecast cost for 2019/20 under the current arrangement is £1.14M per annum.</p> <p>There is a need to procure a compliant contract for a single supplier for commercial waste disposal, to deliver a competitive commercial waste service with an ethical disposal route. This contract will be for 5 years with an option for 1+1 year extensions. The current budget available over the 7 year period is £7.04M, which requires approval by Full Council. There is a risk that costs could exceed this financial envelope, depending on the outcome of government consultation on Waste Strategy and the potential impact of a no-deal Brexit. This report therefore seeks approval to commence a formal procurement process and, following a tender process, to award a contract to provide commercial waste disposal services.</p>
<b>RECOMMENDATIONS:</b>

<b>CABINET</b>		
	(i)	Subject to approval of Council recommendations (i) to (iii) below, that approval is given for the procurement of a single supplier waste disposal contract for commercial waste.
	(ii)	That authority is delegated to the Service Director Transactions and Universal Services to carry out a procurement process for the delivery of a waste disposal contract for commercial waste, as set out in this report, and to enter into contracts for the delivery of the service in accordance with the Contract Procedure Rules.
	(iii)	To authorise the Service Director Transactions and Universal Services to take all necessary actions to implement the proposals contained in this report.
<b>COUNCIL</b>		
	(i)	Subject to approval of Cabinet recommendations (i)- (iii) above, to approve a financial envelope of £7.04M, based on the current budget and tonnage collected, for a maximum period of 7 years (5 + 1+1 years extension when applied to contracts) and maintaining the current level of annual investment.
	(ii)	To allow the financial envelope to increase in line with increased business for Trade Waste, on the basis that the additional cost can be met from additional revenue.
	(iii)	To note the potential risks that could cause the level of cost to exceed the current budget as a result of government strategy and the likely impact on contract costs.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>		
1.	The Environmental Protection Act 1990 requires Southampton City Council to collect Commercial Waste from businesses within the City boundary as a statutory requirement and a charge may be levied for this service. The commercial waste service is successful, generating £2.2M per annum gross revenue, which contributes £0.25M to the overheads of the Waste and Recycling Service. It has a good local reputation, and there is potential to further develop and expand this service.	
2.	Commercial waste must be properly disposed of, and therefore the council must have a contract in place with a supplier to provide this service. The current arrangement comes at the end of the Financial Year and a formal and compliant procurement process must take place in advance of this date to ensure continuity of service. Undertaking a formal procurement process will ensure the council achieves best value for money, as well as factoring in other considerations such as ethical disposal routes. It will put the council in a position to grow the commercial waste business, and provide a high quality, cost effective service to more businesses in the city. It will also ensure that compliance with council Financial and Procurement rules.	
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>		

3.	As noted above, the Environmental Protection Act 1990 requires the council to collect Commercial Waste from businesses within the City boundary as a statutory requirement; there is therefore no option to withdraw this service.
4.	Extending the current procurement exemption, or seeking a further MOU under the Project Integra household waste contract are not viable alternative options. Neither of these options would be legally compliant, they would also not ensure maximum value for money.
5.	An option to outsource the commercial waste service, or to partner with a private company, was explored as part of the LATCO business planning process. This was rejected as it was felt that with the right support SCC could grow the Commercial offer in house and continue to provide jobs with fair t's and c's, continue to invest in the Southampton Pound.
<b>DETAIL (Including consultation carried out)</b>	
6.	The council's commercial waste and disposal service provides: <ul style="list-style-type: none"> <li>• Trade waste services: collection and disposal of General Waste, Dry Mixed Recyclables, Glass recyclables and bulky items</li> <li>• Shine services: Services to SCC Housing for bulk waste collections, Void property clearances and regular and ad-hoc chargeable work to private landlords and tenants.</li> </ul>
7.	The service has been in operation for several year. It currently has 1,750 customers in and around the Southampton area, and employs 12 staff. It generates £2.2M in gross revenue per annum. The service has a good local reputation as being reliable and trustworthy, delivering effective and high quality services to local businesses. The service currently has approximately 26% of the local market; there is therefore potential to continue to grow and expand this business. In a big push in 2015 the service grew outside of the City Boundary and with clear focus took on an additional 200 customer.
8.	There is a requirement under the Environmental Protection Act 1990 for waste collected by local authorities to be disposed of properly. In practice, this means using one of a range of suppliers which are permitted by the Environment Agency to dispose of waste. There are a range of local disposal sites operated by suppliers including Veolia, TJ Waste, Raymond Brown L&S which provide disposal services, each company having a select number of waste streams and some have limited infrastructure.
9.	In the early 2000s when the commercial waste service was established, an MOU was put in place with Veolia under which the council could dispose of its commercial waste at Veolia's sites. This MOU was an amendment to the Project Integra disposal contract, a tripartite contract with Hampshire County Council and Portsmouth City Council, under which all these authorities dispose of their household waste.
10.	However, the MOU did not specify set prices per tonne for disposal of commercial waste. It also did not specify prioritisation of the council's commercial waste; in practice, this meant that if the Energy Recovery Facility was at capacity, the council had to use an alternative and more expensive disposal route via a nearby Waste Transfer Station. In 2018, Veolia sought to increase the price of disposal of commercial waste, with an increase of 59% per tonne. This was not felt to offer value for money for the council.

11.	At that time, discussions were held with Procurement to determine alternative options. As a temporary measure, it was agreed to put in place a procurement exemption, enabling a contract to be established with Veolia and TJ Waste. This enables the council to dispose of its commercial waste at any of these company's local sites, at a more sustainable price.
12.	This exemption expires at the end of the Financial Year. There is therefore a need to undertake formal procurement for a new single supplier for the disposal of commercial waste. A properly tendered and contracted supplier will give the council a more robust position in relation to pricing and continuity of disposal routes. This will enable continued delivery of a competitive and high quality service with an ethical disposal route. It will also enable the council to continue to develop and grow its commercial waste service, and income generated from that service. In turn, this will support the council's priority outcomes of Strong and Sustainable Economic Growth, Attractive and Modern City and Modern Sustainable Council.
13.	It is proposed to seek a 5 year contract with an option for 1+1 year's extension. This is in line with industry standards, EU procurement rules and Council Policies, and will enable consistency of service during that period.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

14.	<p>Commercial Waste disposal costs in 2019/20 are forecast to exceed budget, and the Council faces the risk of above-inflation increases in disposal rates. This risk would continue if a procurement exercise is not undertaken.</p> <p>The Council currently has £0.977m budgeted for commercial waste disposal costs in 2019/20. Allowing for contract inflation at 3%, the budget available over the proposed seven year period is £7.044m.</p> <p>An increase in the number of trade waste customers would increase disposal costs beyond the current budget, and this can be covered through the additional revenue raised from new customers, and ensuring fees are regularly reviewed.</p> <p>There are a number of unknowns which could significantly impact on commercial waste disposal costs. At this stage the impact of Brexit and the outcome of recent government consultations on Waste Strategy are not yet known, but are likely to increase disposal costs for waste. Officers continue to monitor these risks and will report on the impact through financial monitoring or other appropriate channels.</p>
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### **Property/Other**

15.	There are no known property or other implications
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## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

16.	<ul style="list-style-type: none"> <li>The Environmental Protection Act 1990 provides a statutory requirement for SCC to collect waste from businesses on request.</li> </ul>
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<b><u>Other Legal Implications:</u></b>	
17.	Procurement will be subject to compliance with UK procurement legislation and SCC policy
<b>RISK MANAGEMENT IMPLICATIONS</b>	
18.	Stakeholder interest in the service is moderate to high and stakeholders will benefit from the council having a value for money and well managed disposal contract.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
19.	Procurement of a new commercial waste disposal contract will have no direct impact on the council's Policy Framework. However, it will support delivery of the council's priority outcomes in the Council Strategy 2016-2020: <ul style="list-style-type: none"> <li>• Strong and Sustainable Economic Growth</li> <li>• Attractive and Modern City where people are proud to live and work</li> <li>• Modern and Sustainable Council.</li> </ul>

<b>KEY DECISION?</b>	<b>Yes</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	All Wards
<u>SUPPORTING DOCUMENTATION</u>	
<b>Appendices</b>	
1.	None

**Documents In Members' Rooms**

1.	None
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**Equality Impact Assessment**

<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
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**Data Protection Impact Assessment**

<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>No</b>
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**Other Background Documents**

**Other Background documents available for inspection at:**

<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	
2.	