

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

14 JUNE 2022

REPORT OF THE CORPORATE DIRECTOR COMMUNITIES

RECYCLING AND WASTE SERVICE POST 2024

1. Purpose of report

1.1 The purpose of this report is to provide an update on the future direction of the recycling and waste service and to seek Cabinet approval: -

- To proceed to tender, for an interim contract for the recycling and waste collection / community recycling centre management contract, for upto a two-year duration
- To delegate authority to the Corporate Director of Communities to negotiate and finalise acquisition fees for the existing vehicles, plant and equipment utilised in the provision of the current service with Kier Services Limited.
- To delegate authority to the Corporate Director of Communities to negotiate terms with Kier to change fuel supply for the existing fleet of recycling and waste vehicles and plant to a hydrogenated vegetable oil (HVO) derived fuel, in the period upto the end of the contract in 2024
- To commence work on the future service provision post 2026, including looking at decarbonisation of the waste fleet and additional material streams for recycling with the aim of being the best performing waste & recycling Local Authority in Wales.

2. Connection to corporate well-being objectives/other corporate priorities

2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:

- **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help deliver the Council's well-being objectives.

3. Background

3.1 The Council has outsourced its recycling and waste contract to a commercial contractor since 2003. The contract has been renewed every 7 years and the Council has had three contractors fulfil that service. The current outsourced waste contract was awarded to Kier Services Limited in April 2017. This contract will end on 31st March 2024.

3.2 There is no doubt that overall this current contractual arrangement has been successful in terms of relative cost and also meeting and exceeding recycling targets, the Council continues to be consistently in the top performing Local Authorities in Wales, with 70% of our waste being recycled. The Council now has

APPENDIX C

the ambition of providing the best recycling and waste collection service in Wales. A key part of this ambition is to look to increase the number of waste streams that can be recycled, including from the kerbside collections and within the Community Recycling Centres (CRC's) across the Borough. To ensure community re-use shops provide extended life to unwanted items that are still in good and working condition. Also, of significant importance, if the Council is to meet its Net Zero Carbon target by 2030, it must decarbonise the Refuse Vehicle Fleet by switching to Ultra Low Emission Vehicles (ULEV). The Council is considering both Electric and Hydrogen fuel applications for this currently. However, for large goods vehicles, high costs and a developing marketplace, which contains both purely electric powered and hydrogen powered vehicles, means commitment to a fleet type is difficult to determine currently.

- 3.3 It is also clear that a great deal of uncertainty exists with regards to the methodology and targets for the future recycling and waste service model. This is because the Welsh Government (WG) targets for recycling post April 2024 are not yet known. There is also increased uncertainty with regards to the future effect that planned changes in legislation in relation to Deposit Return Schemes and Extended Producer Responsibility, will have on recycling tonnages presented at the kerbside for collection. Therefore, it is these factors combined with the market issues surrounding the current availability and cost of a new and innovative decarbonised refuse fleet, that make deciding exactly what a new model of contract/service would need to look like from 2026 and onwards currently difficult.
- 3.4 It is for these reasons that the Cabinet is strongly recommended to make a decision to put a short-term interim contract into place, of no more than two years, to cover the period from 2024 to 2026. This contract would use the existing fleet of vehicles, with minimum service changes. This would also allow for achievement of the next Welsh Government recycling target in 2024. This short contract period would also allow time for the development of the ULEV marketplace, such that a clear best way forward with vehicle types would become apparent and financially sustainable. Welsh Government recycling targets and relevant forthcoming legislation would also be published, and future service configurations would be able to be tailored to achieve the set targets.
- 3.5 In summary, the short interim contract period would allow time for the development of the complex future waste collection model post 2026, including the key decisions around how the service is provided, to be made at a time when there would be less uncertainty. This would ensure that the most cost-effective service and innovative technology is deployed, which is critical if the Council is to achieve its ambition of being the best recycling and waste service in Wales. The Council will work on the interim contract and in parallel use this time to look at all service delivery options available, including a new contractual arrangement or bringing the service back in-house, possibly via an arm's length arrangement.

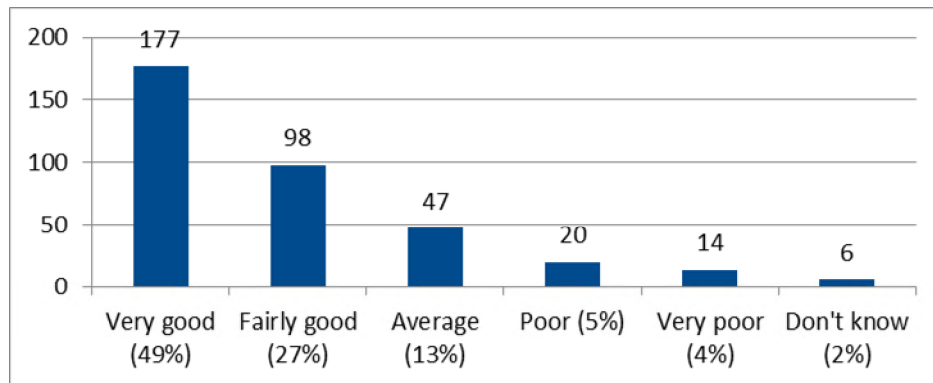
PERFORMANCE OF THE CURRENT CONTRACT

- 3.6 It is now recognised that the lead in time to secure robust service continuation arrangements for the provision of a large-scale recycling and waste services contract are both complex and substantial. The current recycling & waste service overall performs very well, and it will be important to improve on this position if the Council is to achieve its ambition of being the best in Wales. In July 2021, officers presented a report to the Overview and Scrutiny Committee 3 (OVSC 3) on the

APPENDIX C

good performance of the current waste services contract and also considered the issues outlined above, that is, the option and risks of progressing with a new contract post 2024 with so much uncertainty. In addition, a Citizen's Panel Survey from 2021, also demonstrated a high level of satisfaction with the existing waste service contract. The graph below shows that 76% of respondents rated the kerbside collection as good or fairly good, with only 9% rating it as poor.

Overall, how would you rate the kerbside collection service 2021?



- 3.8 Another key indicator of good performance is the rate of Missed Collections. These are used as a standard industry measurement of service performance for recycling and waste collections. Put simply, it is the number of collections reported as missed during service. Service standards of 80 misses or less per 100,000 collections undertaken for fortnightly collections and 50 misses per 100,000 or less for weekly collections are considered to represent excellent standards of service. The latest recorded monthly figures for missed collections across all collection services available are for April 2022 in Bridgend and stand at 39 misses per 100,000 collections undertaken. Expressed in percentage terms reported missed service collections occur on 0.039 % of the collection service occasions. This shows that overall, an excellent service is provided. It is recognised that there remain isolated cases of concern, as there are with all waste contracts, however they are managed and delivered, including some issues with communal waste collections which will be reviewed where possible.
- 3.9 There have been significant increases in recycling performance levels in recent years. WG has developed a future strategy and implemented national targets for annual waste reuse/recycling/composting. At the last formal reporting of recycling performance given at the Scrutiny meeting on the 19 July 2021 a recycling level of 67.58% for Bridgend was recorded for the 2019/20 year, exceeding the current 64% Welsh Government statutory target. Whilst still provisional, the expected 2021/22 recycling performance is anticipated to be 72.97%, a potential all-time best for the authority and a result exceeding the next 70% statutory target that will come into place for the 2024/25 year, three years ahead of target. This will mean that Bridgend will be amongst the top Local Authorities for recycling in Wales, and therefore by default one of the best in the world as Wales is a world leading country in this regard.
- 3.10 Also of importance to note here is that our current waste contractor, Kier, have implemented the Real Living Wage with the workforce and also applied a number of improvements to payment terms for LGV drivers. The latter improvements were made in response to a national LGV driver shortage and an increasingly competitive

marketplace to ensure continuity of collections service for the authority. These costs have been absorbed by Kier as the contractual arrangement has protected the authority from these cost pressures and will continue to do so until 31 March 2024.

4. Current situation/proposal

- 4.1 The recommended way forward in this report is to procure a new short term interim waste contract for a period of upto 2 years, between 2024 and 2026. This will use the existing collection methodology and waste vehicle fleet and allow the Council the time required to look at a new model of service provision post 2026, with a decarbonised fleet, additional material streams recycled, against the backdrop of certainty of WG targets and new environmental legislation. All with the ambition of the Council being the best performing waste and recycling Local Authority in Wales.
- 4.2 Following confirmation from Kier that they were exiting the waste market and that a contract extension would not be available, officers comprising Communities' operational management staff, legal officers and procurement officers have considered the future options for the service post 2024. In addition, further strategic discussions took place at Corporate Management Board to consider what might be achievable and deliverable in the timescale and in the circumstances.
- 4.3 These internal discussions explored service continuation models and determined that as a preferred option officers pursue preparations for procurement of a short-term contract for a period of upto 2 years. This would engage a contractor to utilise the existing fleet (requiring acquisition of the existing fleet and equipment) and provide a service aligned to the current provision. In effect, procuring a short duration new contract that would provide the same service and advantages to the decision-making timeline that would have been provided had a short contract extension be entered into with Kier. In the intervening months officers have progressed with the preparations putting together tender documentation regarding a two-year continuation contract which is obviously considerably easier and quicker to develop and procure than an entirely new contract, with new collection methodologies, which would also require public consultation.
- 4.4 Officers are now nearing readiness to go out to tender and are seeking the formal approval of Cabinet to progress to tender stage. As the contract will provide virtually the same service as present to the public, no public consultation is required to proceed and the process of switching from one provider to another should be relatively seamless and without some of the issues that sometimes occur when a new contract with entirely new collection methodologies and routes are implemented. There may be an opportunity however, to review and improve the position with some minor areas such as communal bin collection, albeit the team are currently working on this issue currently to improve recycling rates and general cleanliness.
- 4.5 In order to proceed with the approach outlined above the Council will need to purchase the current vehicles, plant and equipment utilised by Kier in the provision of the service at the end of the contract, in order for the new contractor to continue to use these items. The current contract provides Bridgend Council with the exclusive right to acquire the plant and equipment at set individual unit values. It is envisaged negotiation will be required, as the exact list of vehicles and equipment now in use in the performance of the contact is somewhat varied from the original

APPENDIX C

prediction. Delegated authority for the Corporate Director of Communities will be required to negotiate and finalise a value for the acquisition of the Kier assets and Council approval will be required to acquire these assets through the Capital Programme or an EMR

- 4.6 When the value of the plant to be acquired is finalised, approval will be sought in a future Council Capital Programme report prior to the required purchase in March 2024.

IMMEDIATE CARBON REDUCTION OPPORTUNITY

- 4.7 It is recognised that in the medium to long term the highest environmental benefit in terms of fleet provision will be a change to ULEV Electric/Hydrogen powered vehicles that produce zero emissions in use. If these are fuelled by a renewable energy supply, they will represent the cleanest possible method of recycling and waste collection. An interim step has been being explored and discussed between Kier and Council officers, namely the introduction of Hydrogenised Vegetable Oil (HVO) derived fuel vehicles. Kier have undertaken investigations and confirmed that the existing fleet is able to be run using this fuel type.
- 4.8 A switch to Hydrogenated Vegetable Oil fuel can bring a reduction of circa 975 tonnes of CO₂ emissions per annum to the current carbon footprint of the waste and recycling operations - this represents a 93.54% carbon reduction. The change to HVO fuel would however cost more than standard diesel. The additional cost of fuel purchase is anticipated to be in the region of £75,000 per annum. This would benefit both Bridgend Council in its carbon agenda and Kier who also wish to lower their carbon footprint. Officers recommend that, as this would represent a very positive carbon reduction change for a relatively low cost, we proceed with the proposal and authority be delegated to the Corporate Director of Communities to negotiate and agree a shared cost with the existing contractor to implement this change as an interim measure on our journey to a carbon zero 2030. The Council's share of the cost would be funded from within existing Communities Directorate budgets.
- 4.9 In addition to proceeding to tender with a short-term waste contract, it is also imperative that work is now commenced on determining the direction of waste services post April 2026. This will be both complex and lengthy and will need to be resourced appropriately to build on the already high performing service. There will be a number of key decision areas for the Council to consider in its post 2026 future waste service. It is proposed these will form part of future Cabinet Reports.
- 4.10 Key decision-making areas will include:
- The future waste fleet configuration in regard to decarbonisation, that is the ULEV needs whether electric or hydrogen vehicles.
 - The changes to the service provided and collection methodology to ensure future recycling targets continue to be met and exceeded.
 - The impact that new legislation or material waste streams will have on collections and recycling rates.
 - The Model of service provision to be utilised in future. This could be continued outsourcing to an external contractor ,a shared service with a neighbouring local authority with the same collection methodology, a

Bridgend Council provided service, or a service provided via an arm's length Bridgend Council owned company.

5. Effect upon policy framework and procedure rules

5.1 This report has no effect on the policy framework and procedure rules.

6. Equality Act 2010 implications

6.1 An initial Equality Impact Assessment (EIA) screening has identified that there would be no negative impact on those with one or more of the protected characteristics, on socio-economic disadvantage or the use of the Welsh Language. It is therefore not necessary to carry out a full EIA on this policy or proposal.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The Well-being of Future Generations (Wales) Act 2015 Assessment based on the 5 ways of working and any requisite mitigating measures have been set out in.

The proposed short duration recycling and waste contract together with the proposed more immediate change to HVO fuel. Demonstrate the sustainable development principle by ensuring that by meeting the needs of the present they do not compromise the ability of future generations to meet their own needs. This is evidenced through the 5 ways of working as follows:

- Long-term: The proposed contract allows for consideration of not only the current targets and issues in the service area, but also those that are considered to be issues in the future. The proposal allows for appropriate time to be given to seek to put in place a more fit for purpose recycling and waste solution in the long term with decisions being able to be made in this regard, at a time when more information is available.
- Prevention: The proposed change to HVO fuel will generate immediate carbon footprint reductions, preventing further harm to the environment and protecting the environment for future generations.
- Integration: The proposed recycling and waste contract will be undertaken to ensure that future services and their implementation integrates with current and future recycling and environmental objectives.
- Collaboration: The process for providing the continuing service will be undertaken through a partnership approach between BCBC and service providers.
- Involvement: The long-term future direction of the recycling and waste contract beyond the short-term contract proposed will require changes to the service provided to the public. This will be subject to a future full public consultation.

8. Financial implications

8.1 A competitive tender process with an emphasis on value for money will ensure all bidders competing to win the contract keep costs as low as possible, however,

APPENDIX C

significantly increasing national and global fuel costs, increasing wage costs particularly for implementing the real living wage, enhanced LGV driver payments to compete in the jobs market for drivers during a time of national shortage combined with the current inflationary pressures and housing growth will impact on the future cost of the provision of waste and recycling services. The outcome of the tender exercise will have to be considered by Cabinet as part of the future Medium Term Financial Strategy.

- 8.2 Changing to HVO fuel will bring an additional cost in the region of £75,000 per annum, anticipated to be shared between the existing contractor and Bridgend County Borough Council during the current contact term. The Council's share of the cost would be funded from existing Communities Directorate budgets.
- 8.3 Subject to negotiations with Kier, it is proposed that the Council acquire all Vehicles, Plant and Equipment associated with the running of the contract. This is anticipated to vary dependant on the exact configuration of vehicles and plant currently deployed in the delivery of services, and any subsequent funding required for this will be through approval from Council.

9.0 Recommendations

Cabinet is recommended to: -

- 9.1 Authorise officers proceeding to seek invitation of tenders for the provisions of the short duration waste contract from 2024 to 2026.
- 9.2 Delegate authority to the Corporate Director of Communities in conjunction with the Section 151 Officer and Chief Officer Legal and Regulatory Services, Human Resources and Corporate Policy to negotiate with Kier and agree the final cost for the acquisition of the vehicles and plant and equipment from Kier required to perform the recycling and waste service.
- 9.3 Delegate authority to the Corporate Director of Communities in conjunction with the Section 151 Officer and Chief Officer Legal and Regulatory Services, Human Resources and Corporate Policy to negotiate terms with Kier to change fuel supply for the existing fleet of recycling and waste vehicles and plant to a HVO - hydrogenated vegetable oil derived fuel.
- 9.4 Note that future financial implications will be reported back to Cabinet and Council in due course.
- 9.5 Authorise officers to commence work on the future waste service model, commission specialist advice if required and report back to Cabinet on the new service model as developed.

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Background Documents:

Overview and Scrutiny Committee 3 Report on Waste Provision post 2024 dated 19th July 2021