

Body: Cabinet

Date: 23 May 2018

Subject: Waste and recycling services post June 2019 – Fleet procurement and related issues

Report of: Tim Whelan, Interim Director of Service Delivery

Cabinet member: Councillor Jonathan Dow

Ward(s): All

Purpose of the report:

To approve the procurement of waste collection vehicles, including sourcing from the Council’s outgoing waste service provider, Kier, and to approve procurement of associated hardware and IT systems.

To approve £50k for setting up and initial running of the Local Authority Controlled Company (LACC).

To propose Directors of the LACC.

To approve likely cost implications of taking the lease for Courtlands Road.

To note that ESCC will handle disposal of dry mixed recycling materials post Kier.

To note take-up of the new charged-for garden waste service.

Decision type: Key

Recommendation: Cabinet is recommended to:

1. Delegate authority to the Interim Director of Service Delivery in consultation with the Portfolio Holder, Place Services, for the procurement of fleet resources and associated hardware and IT systems to provide in-house collection and cleansing services from June 2019 at a funding level identified in the confidential paper.
2. Approve a waiver of Contract Procurement Rules in accordance with paragraph 4.2.1a of the Council’s Procurement Rules for the reasons set out in paragraphs 6.1-6.3 of the report, namely that the Council intends to purchase assets from Kier rather than tendering for purchase on the open market subject to this providing best value.

3. Delegate to the Chief Finance Officer the method of purchase to ensure best value for the Council.
4. Approve funding of up to £50k for setting up and initial running the Local Authority Controlled Company (LACC).
5. Approve the proposed Directors of the LACC being the following post holders: Director of Planning and Regeneration; Interim Director of Service Delivery; Portfolio Holder, Place Services; the Leader of the Council; and the Leader of Opposition.
6. Approve financial implications (as identified in the confidential paper) of taking on the lease at Courtlands Road.
7. Note that ESCC will be handling fully co-mingled dry mixed recycling material post June 2019.
8. Note the take-up of the new charged-for garden waste service.

Reasons for recommendations:

To maintain current waste services and provide value for money prior to completing a wider Council Waste Service Review once the service is in a LACC.

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1.0 Introduction

1.1 Cabinet, on 12th July 2017, made the decision to bring waste and recycling services in-house from June 2019, following a mutual exit agreed with Kier Services Limited to terminate the current contract early.

On 21st March 2018, Cabinet decided the service will be delivered through a LACC.

1.2 The Council is currently in the process of putting in place the organisational structures, resources and facilities necessary for the service to operate within a LACC. After the Council has taken control, a key part of the programme will be to review how Eastbourne's waste collection and recycling service is operated and delivered to ensure effectiveness and efficiency. It is noted that when Kier took on the service, a round review was implemented after an initial period. A

Council Waste Service Review is planned to be undertaken in 2019/20 with a view to determining any changes in service structure by September 2020 to optimise rounds and other efficiencies, for example, arising from working with Lewes district. With vehicle procurement taking circa 12 months any change in service requiring a different fleet configuration would be implemented in circa October 2021.

- 1.3 The Council has therefore an interim requirement to maintain its existing service provision from June 2019 to c. Oct/Dec 2021, a period of around 2.5 years. This report considers the options for securing the fleet resources necessary for the Council to deliver an 'as is' operation, through a Local Authority Controlled Company.
- 1.4 Set up costs for the LACC are estimated at £50,000, to include a payroll system and tax and legal advice.
- 1.5 The Council has already agreed in principle to collecting fully co-mingled dry recycling (Cabinet Dec 2017). On 6 April the Joint Waste and Recycling Committee (Hastings Rother and Wealden) approved ESCC handling the disposal of recycling material and Lewes and Eastbourne Councils were asked to adopt the same disposal arrangements, to ensure viability for the County Council's scheme. Lewes and Eastbourne Councils have since approved the disposal of dry recycling through ESCC.
- 1.6 Confidential item.
- 1.7 The Council introduced a charged-for garden waste service in April 2018. By 8th May, the total number of bins stood at 9,800 equating to an income of over £500,000.
- 2.0 Proposal**
- 2.1 To delegate authority to the Interim Director of Service Delivery for the procurement of a short term solution for fleet resources and associated IT to provide waste collection and a long term cleansing service from June 2019.
- 2.2 To provide funding to the Interim Director of Service Delivery to undertake the procurement of fleet and associated IT in relation to paragraph 2.1.
- 2.3 To approve a waiver of Contract Procurement Rules in accordance with paragraph 4.2.1a of the Council's Procurement Rules for the reasons set out in paragraphs 6.1-6.3 of the report, namely that the Council intends to purchase assets from Kier, should that represent best value.
- 2.4 To delegate to the Chief Finance Officer the method of purchase to ensure best value for the Council.
- 2.5 To approve funding of £50,000 for set up costs for the LACC for waste services.
- 2.6 Confidential item.

- 2.7 To note that ESCC will handle Eastbourne's fully co-mingled dry mixed recycling following the report to the Joint Waste and Recycling Committee on 6 April 2018.
- 2.8 To note take-up of the new charged-for garden waste service.

3.0 Background

Fleet

- 3.1 The existing collection and cleansing service is delivered by Kier using the following fleet resources:

Waste Service Vehicle Summary			
Service	Number	Type	GVW
Recycling RCV Collection	6	Pod/RCV	26 Tonne
Recycling Narrow access	1	RCV	12 Tonne
Refuse RCV Collection	7	RCV	26 Tonne
Refuse Narrow access	1	RCV	12 Tonne
Garden RCV Collection	2	RCV	26 Tonne
Bulky	1	MAN Cage Tipper	7.5 Tonne
Bin Deliveries	1	Luton	3.5 Tonne
Collection Sub Total	19		
Streets Cage	7	V W Cage Tipper + t/bar	3.5 Tonne
Mini Mechanical Sweeper	1	Sweeper	2.4 Tonne
Mechanical Sweeper	1	Sweeper	3.5 Tonne
7.5t Mechanical Sweeper	2	Sweeper	7.5 Tonne
Streets Dog Bins	1	Ford Transit Flatbed	3.5 Tonne
Streets Sub Total	12		
Supervisor Vans	4		
Total	35		

With no substantive changes in service delivery these resources need to be provided from June 2019 onwards in order for existing service provision to be delivered.

Recycling

- 3.2 Currently recycling materials are handled through the Kier contract and alternative disposal arrangements are required as a matter of priority for the new service. It has been agreed that dry recycling material will be handled by East Sussex County Council in future, post Kier.

3.3 Confidential item.

4.0 Consultation

4.1 Initial discussions have been undertaken by the LDC Fleet Manager with Kier and the East Sussex Joint Waste Contract Team with regards fleet costs and availability. Technical assessments of the fleet have also been undertaken by the LDC Fleet Manager with EBC operational staff with regards the suitability and reliability of existing Kier fleet resources to meet this short term solution ahead of a waste review in around 2020/21.

5.0 Corporate plan and council policies

5.1 Waste, recycling and street and sea front cleansing services play a vital role in maintaining a quality environment within the town.

5.2 Key objectives are to reduce waste, increase recycling and maintain street and sea front cleanliness while delivering an efficient and cost effective service.

6.0 Business case and alternative option(s) considered

Fleet

6.1 In order to secure fleet and associated IT resources from 2019 for the waste operation the Council has the option to:

- a) Tender for the procurement of a new fleet and IT;
- b) Contract Hire;
- c) Purchase a second-hand fleet; or
- d) Acquire the existing fleet and associated IT from Kier.

As part of the Kier termination agreement with the Joint Waste Partnership, the Councils can notify Kier *'which, if any, assets the Councils require to be transferred to them for the purpose of continuing services'*.

6.2 The majority of the existing fleet was purchased by Kier for the East Sussex Joint Waste Contract in 2013 and will consequently be c. 6 years old by June 2019. Some 7 of the 35 vehicles, however, are contract-hired by Kier and may not be suitable for Council purposes.

6.3 - In confidential paper.

6.5

Recycling disposal

6.6 ESCC's offer is to dispose of fully co-mingled dry mixed recycling (as the Waste Disposal Authority, WDA) from June 2019, so that East Sussex districts and boroughs are no longer exposed to the risks of the commodities market. ESCC will not charge for disposal although this arrangement will mean an end to current recycling credit rates to the Waste Collection Authorities for dry material.

An alternative to sending material to ESCC is for the five districts and boroughs in East Sussex to jointly procure a recycling processing provider. However, the

costs of recycling disposal through a commercial contract are unlikely to be covered by credits received from the County Council. In addition, the Council would be exposed to volatility in the markets which affect the cost of processing.

6.7 Confidential item.

7.0 Outcome expected and performance management

7.1 Prompt purchase of fleet and associated IT, setting up the LACC and securing the depot will ensure continuity of service from June 2019 and provide a sound basis for the review planned in 2019/20 to optimise the service.

8.0 Financial appraisal

8.1 Financial implications are identified in the confidential paper.

9.0 Legal implications

9.1 Provisions in Kier Contract relevant to fleet vehicles: If not provided by the Councils then all Assets must be owned or leased by Kier on terms which permit, where reasonable and practicable, Kier to assign the benefit of such lease to the relevant Council.

During the Contract Period Kier has to:

- operate, keep in good repair and maintain;
- insure;
- replace;
- annually provide details to allow the Councils to account for lease arrangements in relation to vehicles e.g. type, cost, residual value;

Not Less than 6 months prior to the expiry of the Contract Period the Councils must notify Kier in writing to indicate which if any Assets the Councils require to be transferred to them or a New Contractor to continue the same or similar Services.

Within 30 days of receiving the notice Kier shall notify the Councils in writing of the current market value (ex VAT) fixed by a valuer approved by both Parties and acting as an expert not arbitrator (the "Value").

Following the determination of the Value the Councils must confirm in writing which Assets they wish transferred and the date of the transfer. Provided the Council pay the Value Kier must transfer the Assets to them or the New Contractor.

Waste services report to Cabinet 23 May - 007311-EBC-CJEC

9.2 Co-mingled dry mixed recycling material: The Council is currently a party to a Waste Recycling Cost Sharing Agreement that was entered into in 2010 and amended in 2014 between ESCC and the district councils. This will be revisited as part of current negotiations with the County Council.

Waste services report to Cabinet 23 May - 007311-EBC-CJEC

10.0 Equality analysis

10.1 The recommendations in this report have no implications for equality and fairness.

11.0 Conclusion

11.1 The proposals put forward in this report provide a cost effective solution for the interim period prior to the completion of the waste review and beyond where applicable.

11.2 It should be borne in mind that while the proposals offer best value ahead of a Waste Review, were the Council to decide to make appreciable changes before the end of 2021, additional cost might be incurred.

Appendices

- **Confidential papers**

Background papers

The background papers used in compiling this report were as follows:

- N/A

To inspect or obtain copies of background papers please refer to the contact officer listed above.