

Report to the Council

Committee: Cabinet

Date: 1 December 2016

Subject: Revised Funding for the Waste Management Service

Portfolio Holder: Councillor W Breare-Hall (Environment)

Recommending:

(1) That, in order to respond to cost pressures on the Council's Waste Management service, the following District Development Fund supplementary estimates for 2016/17 be approved:

(a) a sum of £90,640 from the District Development Fund to meet the costs of additional dry recycling sacks for the period July 2015 to March 2016;

(b) a sum of £202,654 from the District Development Fund to meet the costs of a change in the composition of the dry recyclable materials collected for the period November 2015 to March 2016;

(c) a sum of £64,000 from the District Development Fund to meet the costs of the increased number of properties within the District for the period November 2014 to March 2016.

1. A number of cost pressures on the waste management service have been building since the new contract was awarded in November 2014, which have only been fully highlighted over the last few months due to the initial focus being on improving the quality of the service. These have now resulted in a variation request by Biffa to the Council, which, under the terms of the contract, needs to be formally considered.

Dry Recycling Sacks

2. During the competitive dialogue phase of the procurement process, it was suggested by Biffa that the best way to safeguard and potentially improve dry recycling performance was to introduce a direct delivery of sacks to each household. This was accepted by the Council as part of the Tender Award. However, in addition, the ability to collect additional sacks from the designated outlets was retained, although the expectation was that the volume collected would decline.

3. An evaluation of the number of sacks required was undertaken, which concluded that a figure of 5,550,000 should be specified within the contract, comprising of 4,750,000 to cover the annual delivery to 47,500 dwellings (which equates to 4 sacks per household, per fortnightly collection, offering similar capacity as a 180 litre bin) and a further 800,000 to be made available to the outlets.

4. In the period 1 July 2015 to 30 June 2016, Biffa directly delivered the 4,750,000 sacks. However, demand from outlets has continued to be high, with the estimate of 800,000 greatly exceeded. In total, some 3,107,000 sacks were distributed above the 5,550,000 contract allowance i.e. 8,657,000 sacks.

5. Once the issue was highlighted, Officers undertook a thorough audit of the sacks supplied to confirm that the figures were accurate. In order to help control costs going forward, the annual delivery will cease and revert to the previous outlet only collection regime. However, it should be noted that the level of outlet-only bags issued previously did approach 8,000,000 at its peak.

6. The total cost of additional recycling sacks from 1 July 2015 to 31 March 2016 is £90,640, which was a cost already incurred by Biffa, and the Council is requested to approve a supplementary estimate from the District Development Fund to cover this overspend.

Dry Recyclable Materials

7. In September 2013, during the procurement process, the Council provided all tenderers, as a result of a clarification request, with a sample composition analysis of the dry recycling material at the time. This enabled the tenderers to price the value per tonne of the materials to be offered as rebate to the Council.

8. In January 2016, Biffa submitted a contract variation request seeking a re-basing of the dry recyclate composition, arguing that the quality of the material was significantly inferior to what they had been led to expect through the procurement process. The Waste Management Partnership Board, whilst acknowledging the request, asked for officers and representatives of Biffa to enter into discussions to ensure that the sampling methodology adopted was truly representative of the recyclate collected across the whole District and that the results of the sampling from Biffa's recycling facility were accurate and fully verifiable.

9. The result of this work confirmed that the composition was different to that detailed at the time of the procurement process. There may be a number of reasons for this, including the reduction of paper as people change to electronic news media, increased cardboard through on-line purchasing and the overall reduction in packaging weight by retailers.

10. The variance in the composition of recycling material has meant that the per tonne income that Biffa can achieve is significantly less than what they offered to rebate the Council in their tender. The difference in the income per tonne due to the worsening of the recycling composition is £12.45, which over a year equates to a loss of £143,050. Biffa have incurred the additional costs since the commencement of the contract in November 2014, and the Council is requested to approve a District Development Fund supplementary estimate of £202,654 to reimburse Biffa to cover the additional costs from November 2015 to March 2016.

Increased Number of Properties

11. A decision was made before the commencement of the contract with Biffa to link the number of properties served to the Local Land and Property Gazetteer (LLPG). At the time of award of contract in November 2014, the Gazetteer was not finalised and the registered number of properties in the District was estimated at 55,000. The actual number of properties, once the Gazetteer was finalised, was 55,648.

12. From November 2014 to November 2016 an additional 434 properties have been added to the Gazetteer. This means that since the start of the contract Biffa should be paid for an additional 1082 properties (648 due to the lower estimate at tender stage and 434 new properties constructed since November 2014). The additional costs associated with the increased number of properties from the commencement of the contract have been paid to Biffa, as required under the contract, however the budget provision has not been increased. This means the expenditure for the waste management service will be over budget unless adequate uplift is applied.

13. All payment dues to Biffa for the 1082 properties have been made, and it is now necessary to make a one off allocation in the budget of £64,000 to cover the additional properties added to the waste management contract from November 2015 to March 2016. Consequently, the Council is requested to approve a District Development Fund supplementary estimate of £64,000 for 2016/17 to cover this payment to Biffa.

14. We recommend as set out at the commencement of this report.