

CABINET

9 AUGUST 2016

GATEWAY 5 REPORT (HIGH RISK): HOUSEHOLD WASTE RECYCLING CENTRES CONTRACT

Portfolio Holder: Councillor Phil Filmer, Front Line Services

Report from: Richard Hicks, Director of Regeneration, Culture, Environment and Transformation

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SUMMARY

The report informs Cabinet of the current delivery performance of the Household Waste Recycling Centre's (HWRC) contractors.

The contract is delivered by the incumbent FCC Environmental, previously known as Waste Recycling Group (WRG).

1. BACKGROUND INFORMATION

1.1 Budget & Policy Framework

1.1.1 This procurement post project appraisal and its subsequent review is within the Council's policy and budget framework and ties in with all the identified Core Values, Strategic Priorities, Strategic Council Obligations and Departmental/Directorate service plans as highlighted within the Procurement Gateway 1 Report.

1.2 Contract Background Information

1.2.1 The HWRC Management Contract broadly consists of the following elements:-

- The management of three HWRC; Capstone, Cuxton & Hoath Way
- The haulage of all materials arising at the sites with the exception of batteries which are covered by producer compliance schemes (PCS);
- The marketing and sale of materials arising at the sites with the exception of residual waste, wood waste and those detailed above;

- Achievement of a 50% recycling rate target (RRT) at each site in the first 12 months after commencement and 60% for each following 12 month period;
- The provision and maintenance of containers necessary to provide the service to supplement those provided by the council; and
- The provision of all plant and equipment necessary to provide the service including remote access to the CCTV system, an electronic data management system, and an automatic number plate reader (ANPR) system at each site

1.3 Funding/Engagement From External Sources

- 1.3.1 There has been no external funding/engagement associated with this contract.

2. STATUTORY/LEGAL OBLIGATIONS

2.1 Statutory/Legal Obligations

- 2.1.1 The provision and hence management of the household waste recycling centres is a statutory duty for the waste disposal authority of an area, of which Medway as a unitary authority holds this duty.

3. BUSINESS CASE

3.1 Procurement Project Outputs / Outcomes

3.1.1 The following procurement outcomes/outputs identified as important at Gateway 1 to the delivery of this procurement requirement and identified as justification for awarding the contract at Gateway 3, have been appraised in the table below to demonstrate how the procurement contract and corresponding supplier(s) has delivered said outcomes/outputs.

Outputs / Outcomes	How was success measured?	Who measured success of outputs/ outcomes	When was success measured?	How has contract award delivered outputs/outcomes?
1. Ensure compliance with statutory duties	Our Statutory duty is: Civic Amenities Act 1967 and the Environmental Protection Act 1990 has required local authorities to provide free-to-use household waste recycling centres for their residents to dispose of 'household' rubbish and recycling.	Head of Service Annual report to Overview & Scrutiny Committee Corporate monitoring via Covalent returns National Waste Dataflow returns	Monthly contract meetings Annual report to Overview & Scrutiny Committee Monthly corporate monitoring via Covalent returns National Waste Dataflow returns quarterly	During the contract year, Medway has maintained the three sites open to all residents of Medway to dispose/recycle/deposit for reuse 'household' waste free of charge.
2. Meet contract performance targets	Target of recycling a minim of 60% during this contract year.	Head of Service Annual report to Overview & Scrutiny Committee	Monthly contract meetings Annual report to Overview & Scrutiny Committee Monthly corporate	By increasing the recycling rate the sites have managed to lower the amount of residual waste collected and this has contributed to Medway diverting less waste to landfill. The tonnage of residual waste had

		<p>Corporate monitoring via Covalent returns</p> <p>National Waste Dataflow returns</p>	<p>monitoring via Covalent returns</p> <p>National Waste Dataflow returns quarterly</p>	<p>decreased year on year. This year has seen a slight increase on last, which is a trend shared nationally:</p> <ul style="list-style-type: none"> • 10,041 tonnes in the first contract year (Oct 2010 to Sept 2011) • To 7,438 tonnes in the second contract year (Oct 2011 – Sept 2012) • To 7,429 tonnes in year three (Oct 2012 – Sept 2013) • To 7,060 tonnes in year four (Oct 2013 – Sept 2014) • 7,368 tonnes in year five (Oct 14 – Sept 15) <p>The recycling rate at the three sites is: Capstone: 67% Cuxton: 60% Hoath Way: 61% Giving an overall rate of 63% for this contract year.</p>
<p>3. Ensure continuity of a front line service</p>	<p>Days service running</p> <p>Public satisfaction with service delivery</p>	<p>Head of Service</p> <p>Annual report to Overview & Scrutiny Committee</p>	<p>Monthly contract meetings</p> <p>Annual report to Overview & Scrutiny Committee</p>	<p>Service continuity has been maintained, as there were no major changes in contractors or contractor during 2014/2015, there were no major breaks in service due to extreme weather</p> <p>Measures of public satisfaction were also taken via surveys at the three sites in April and August, showing 99% of residents using the site were very or fairly satisfied with the facilities and</p>

				services offered. This is an increase on the previous years results (Year three 97% of residents using the site were very or fairly satisfied)
4. Provide service within agreed budgets	Regular monitoring of service costs against budget	Head of Service and Corporate Finance Officer	<p>Monitored monthly at a local level by the Assistant Director and quarterly at Department Management Team, Corporate Management Team & Cabinet.</p> <p>The contracts are subject to RPI/Baxter indices uplifts each year</p> <p>An income is derived from KCC for allowing access by their residents to our sites. This has generated an income and offset the running costs of the sites.</p>	This contract is operating within the agreed budget and is subject to RPI/Baxter indices uplifts each year. An income is derived from KCC for allowing access by their residents to our sites. This has offset the running costs for these sites.
5. Meet requirement to achieve efficiency gains	Prudent contract procurement practices, including negotiations for efficiencies during discussions on service improvements and possible contract	<p>Head of Service</p> <p>Annual report to Overview & Scrutiny Committee</p> <p>Corporate monitoring via Covalent returns</p>	<p>Monthly contract meetings</p> <p>Annual report to Overview & Scrutiny Committee</p> <p>Monthly corporate monitoring via Covalent returns</p>	<p>The tendering of this contract realised savings in excess of £600,000 per year.</p> <p>Discussions are underway with FCC regarding the possibility of taking up the 2-year contract extension (from 2017 to 2019) and hence achieving efficiency.</p>

	extension.			
6. Provide environmentally sustainable services	<p>Undertaking recycling is a key feature of sustainable waste practices.</p> <p>A reduction to landfill waste will be realised through an increase in recycling and reuse of bulky items that would have been landfill previously.</p>	<p>Head of Service</p> <p>Annual report to Overview & Scrutiny Committee</p>	<p>Monthly contract meetings</p> <p>Annual report to Overview & Scrutiny Committee</p> <p>Monthly corporate monitoring via Covalent returns</p>	<p>Percentage of recycled materials remains above contracted target</p> <p>Separation of residual wastes into categories suitable for energy recovery or landfill has helped Medway reduce the percentage of landfilled waste</p>

4. RISK MANAGEMENT

4.1 **Risk Categorisation** – The following risk categories have been identified as having a linkage to the procurement contract at this Gateway 5 stage. There are no risks associated with this procurement contract at this Gateway 5 stage.

1. Risk Category: Contractual Delivery	1. Risk Category: Contractual Delivery	1. Risk Category: Contractual Delivery
Outline Description: Default by Contractor needing emergency action		
Plans to Mitigate: Contractor to provide and/or pay for alternative action		
2. Risk Category: Contractual Delivery	2. Risk Category: Contractual Delivery	2. Risk Category: Contractual Delivery

Outline Description: Termination of contract due to default by contractor		
Plans to Mitigate: Adequate contract provision to enable the Council to take effective action when necessary. Clause in contract to enable Medway to reclaim losses		
3. Risk Category: Contractual Delivery	3. Risk Category: Contractual Delivery	3. Risk Category: Contractual Delivery
Outline Description: Volume of waste less than or greater than anticipated		
Plans to Mitigate: Allowance made for this in Contract		
4. Risk Category: Service Delivery	4. Risk Category: Service Delivery	4. Risk Category: Service Delivery
Outline Description: Closure of plant or inability to provide Service due to Force Majeure or relief events		
Plans to Mitigate: Shared responsibility under contract conditions		
5. Risk Category: Service Delivery	5. Risk Category: Service Delivery	5. Risk Category: Service Delivery
Outline Description: Failure of waste management services contractor to meet contract standards to service delivery to the Council		
Plans to Mitigate: KPI & default system in place for financial compensation. Adequate contract monitoring and enforcement in relation to operations. In appropriate cases by including provision in the contract for deductions where these standards are not met		
6. Risk Category: Service Delivery	6. Risk Category: Service Delivery	6. Risk Category: Service Delivery
Outline Description: Interruption of availability of some facilities		

Plans to Mitigate: Adequate contract monitoring and enforcement in relation to maintenance security, health and safety, staff training. Contractual provision of back-up equipment and facilities. Fire insurance. In appropriate cases by including provisions in the contract for deductions where such interruptions occur		
7. Risk Category: Service Delivery	7. Risk Category: Service Delivery	7. Risk Category: Service Delivery
Outline Description: Non-household waste entering MSW waste stream or waste incorrectly dealt with according to its category		
Plans to Mitigate: Robust monitoring arrangements should be undertaken as part of contract management for checking/validating wastes and issuing appropriate defaults. Failure will have significant financial implications		
8. Risk Category: Health & Safety	8. Risk Category: Health & Safety	8. Risk Category: Health & Safety
Outline Description: Serious injury/death of staff or public whilst services are in operation		
Plans to Mitigate: Robust health & safety monitoring procedures in place; the HWRC's in Medway are regularly audited by the HSE as part of their routine inspections.		
1. Risk Category: Contractual Delivery	1. Risk Category: Contractual Delivery	1. Risk Category: Contractual Delivery
Outline Description: Default by Contractor needing emergency action		
Plans to Mitigate: Contractor to provide and/or pay for alternative action		
2. Risk Category: Contractual Delivery	2. Risk Category: Contractual Delivery	2. Risk Category: Contractual Delivery
Outline Description: Termination of contract due to default by contractor		
Plans to Mitigate: Adequate contract provision to enable the Council to take effective action when necessary. Clause in contract to enable Medway to reclaim losses		
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Outline Description: Volume of waste less than or greater than anticipated		
Plants to Mitigate: Allowance made for this in Contract		
4. Risk Category: Service Delivery	4. Risk Category: Service Delivery	4. Risk Category: Service Delivery
Outline Description: Closure of plant or inability to provide Service due to Force Majeure or relief events		
Plans to Mitigate: Shared responsibility under contract conditions		

5. CONTRACT APPRAISAL/PERMISSIONS REQUIRED

5.1 Contract Appraisal

5.1.1 To continue with the current contracts for the remainder of the contract terms and subjecting the contracts to further Gateway 5 requirements:-

- Ongoing reporting to Procurement Board/Cabinet to enable a clear auditable trail of contract monitoring
- Opportunity for the contracts to be examined and reviewed on an annual basis

5.2 Permissions Required

5.2.1 This report provides Cabinet with a post project appraisal. The permission sought is for the Council to continue this termed contract for the remainder of the contract duration of 7 years (from October 2010-September 2017) with the inclusion of further Gateway 5 reports. The potential 2 year extension of this contract will be reported in the coming months.

6. CONTRACT MANAGEMENT

6.1 Contract Management

6.1.1 The contract management of this contract will continue to be resourced for the remainder of the term through the following contract management strategy:

- Client management: These contracts are managed by the Waste Service team within Front Line Services (FLS). Additionally support is provided by the Community Officers under Safer Communities within FLS who act as the eyes and ears with local residents and, in particular weekends, health and safety and contract monitoring inspections of the three sites.
- Contract management: The structure of FCC Environment contract management has not changed since last year's reporting.

6.1.2 Waste Services has daily contact with FCC Environment and holds regular monthly meeting to discuss service delivery, health and safety, financial issues and recycling/customer services statistics.

6.1.3 The relationship between the client department and the service is strong, and is described as 'excellent'.

7. CONSULTATION

7.1 Internal (Medway) Stakeholder Consultation

7.1.1 As part of this ongoing procurement contract management, the following mandatory internal stakeholder consultation is required:

- Department Management Team.

7.2 External Stakeholder Consultation

- 7.2.1 In preparing the waste strategy there was extensive consultation with the public, industry and special groups; these are detailed in the waste strategy. A questionnaire to 5,000 members of the public was organised and evaluated by an external agency and members of the citizens' panel were involved in reviewing and commenting on waste disposal options.
- 7.2.2 As part of this on-going procurement contract management, no external stakeholder consultation is required unless changes to services are needed at some later date.
- 7.3 Procurement Board considered this report on 6 July and supported the recommendation set out below.

8. SERVICE COMMENTS

8.1 Finance Comments

- 8.1.1 The procurement requirement and its associated delivery (as per the recommendations at Section 10) will be funded from existing revenue budgets.
- 8.1.2 Further detail is contained within the Financial Analysis of the Exempt Appendix.

8.2 Legal Comments

- 8.2.1 There are no legal implications arising directly from the contents of this report.

8.3 TUPE Comments

- 8.3.1 TUPE did apply to this procurement process for 9 site staff and 4 drivers transferred from the old contractor to FCC. There are no further TUPE issues or requirements.

8.4 Procurement Comments

- 8.4.1 The contract has delivered against the objectives set out as part of the original tender specification and as part of the Gateway 3 contract award process. The supplier, through a robust internal contract management process, continues to provide the service in line with the contract terms and conditions and continues to deliver to the appropriate key performance indicators. This demonstrates that the Gateway 3 contract award decision was both correct and based upon a robust procurement process that has enabled the contract to be delivered effectively.

- 8.4.2 Category Management team advises Procurement Board to appraise this contract through a minimum of one Gateway 5 per annum to ensure that the contract, which is considered of strategic importance to the Council, continues to deliver effectively throughout the contract term.

8.5 ICT Comments

- 8.5.1 There are no ICT implications

9. OTHER INFORMATION

9.1 Other Information

- 9.1.1 The procurement project management will need to be reviewed to commence processes for the next HWRC contract to start in 2017 (or 2019) depending if the 2 year extension period is undertaken. The waste team is currently preparing an option paper to this effect which is currently scheduled to come to the meeting of the Procurement Board on 31 August and to the meeting of Cabinet on 27 September.

10. RECOMMENDATION

- 10.1 The Cabinet is asked to note the delivery performance of the HWRC contract.

11. SUGGESTED REASONS FOR DECISION

- 11.1 This contract is providing value for money and, that FCC have exceeded their year's target of 60% recycling rate while delivering high quality services for the residents of Medway with high satisfaction levels recorded.

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APPENDICES

Exempt Appendix

BACKGROUND PAPERS

The following documents have been relied upon in the preparation of this report:

Description of Document	Location	Date
Full Council Gateway 3 report and decision	http://democracy.medway.gov.uk/ielIssueDetails.aspx?Ild=3654&PlanId=0&Opt=3#AI2387	15 Apr 2010
Cabinet Gateway 4 report and decision	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Ild=7895	17 Jan 2012
Cabinet Gateway 5 report and decision	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Ild=10019	15 Jan 2013
Cabinet Gateway 5 report and decision	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Ild=11861	17 Dec 2013
Cabinet Gateway 5 report and decision	http://democracy.medway.gov.uk/ielIssueDetails.aspx?Ild=14570&PlanId=0&Opt=3#AI11482	14 Apr 2015