



<b>Contains Confidential or Exempt Information</b>	NO
<b>Title</b>	REG372 - Waste and Recycling: Decision on recycling collection method and in-house/LAC for delivery of service
<b>Member Reporting</b>	Cllr Amrit Mann, Deputy Leader and Lead Member for the Environment
<b>Contact Details</b>	Andrew Baker Interim Head of Commissioning – Waste and Recycling, Highways PFI and Parking Services 020 8583 5065 andrew.baker@hounslow.gov.uk
<b>For Consideration By</b>	Cabinet
<b>Date to be Considered</b>	15 December 2015
<b>Implementation Date if Not Called In</b>	6 January 2016
<b>Affected Wards</b>	All wards
<b>Keywords/Index</b>	Recycling, waste, rubbish, in-house, Local Authority Company, Lampton 360

# **1. Details of Recommendations**

The Cabinet is asked to: -

1. Agree the proposed arrangements for the dry recycling service
  - The retention of a weekly kerbside sorted service based as currently provided
  - The development of the East Site (adjacent to Western International Market) (East Site) to provide a materials handling facility.
  - The options for the sale/processing of collected recyclable
2. Invite the Council's wholly owned and controlled trading company Lampton 360 to prepare a detailed business case for the delivery of the waste and recycling service from October 2016 when the contract with SITA ends.
3. Note:
  - the financial implications set out in this report
  - that the final costs of the service (and level of saving on the current arrangements) will be known once Lampton 360 has established a detailed cost model.
  - that that waste and recycling fleet will be located at the East Site
4. Approve the diversion of the remainder of the £1.4m allocated to the works at Bridge Road depot to the works at the East Site
5. Delegate authority to the Executive Director REDe: -
  - To explore the potential for a joint venture with London Business Waste and Recycling in respect of a commercial waste service and, if appropriate, to enter into an agreement with LBWR.

- Invite tenders and award contracts relating to the construction works to the bidder submitting the most economically advantageous tender in terms of technical and commercial ability and value for money for works, services and goods necessary to deliver the project.
- In consultation with the Director for Finance and Corporate Resources to vary the estimated capital budget as may be necessary should construction or other costs increase.

<b>If the recommendations are adopted, how will residents benefit?</b>	
<b>Benefits to residents and reasons why they will benefit, link to Values</b>	<b>Dates by which they can expect to notice a difference</b>
Innovating – learning from experience	<p>We have looked at the best performance levels in London and in neighbouring authorities.</p> <p>Kerbside-sort collections replicate what we currently provide and so is familiar to residents. Any changes would be largely transparent to residents and so there is less risk in terms of potential disruption. The system ensures high quality materials which can be sold at a higher value than co-mingled materials.</p> <p>Five of the seven best-performing boroughs in London use the kerbside sort system.</p>
Spending wisely – every penny counts	<p>Landfill is the most expensive (and least desirable environmentally) method of waste management. To date the introduction of wheeled bins has demonstrated both increased recycling and a reduction in the amount of waste going to landfill.</p> <p>The changes envisaged are expected to increase recycling by 15% by 2018/19 – leading to a reduction of 15,000 tonnes of waste going to landfill each year. This will save £1.35m in landfill costs.</p> <p>Kerbside-sort offers larger net savings than co-mingled collections and will therefore contribute more to the council's overall spending reduction targets.</p>

## **2. Report Summary**

The report proposes the following arrangements for the dry recycling service. i.e.

- The retention of a weekly kerbside sorted service based as currently provided
- The development of the East Site (adjacent to Western International Market) (East Site) to provide a materials handling facility.
- The sale/processing of collected recyclable;

AND

- To note that that waste and recycling fleet will be located at the East Site
- To approve the diversion of the remainder of the £1.4m capital allocated to the works at Bridge Road depot to the works at the East Site
- Agree that the waste and recycling service be provided via Lampton 360.

The estimated financial implications are also set out in the report. Note that the final costs of the service (and level of saving on the current arrangements) will be known once Lampton 360 has established a detailed cost model.

Authority to delegate to the Executive Director REDE to negotiate with London Business Waste and Recycling to determine the best arrangement going forward for the development of the trade waste service and, if appropriate, to enter into an agreement with LBWR – is also sought.

### **3. Reason for Decision and Options Considered**

#### **3.1 Background**

The reliance on expensive landfill as a disposal route for un-recycled waste means that the Council is paying significant costs for its waste management services. Currently the council collects approx. 100,000 tonnes of waste a year of which 65,000 is sent to landfill. If we could achieve 50% recycling, these costs would reduce by £1.35m a year

The Council has to reduce its expenditure to meet the reduced financial support from central government. All services are being asked to reduce costs by 35% (except for Children's Services where the reduction is 25%). For the waste and recycling service this means that we need to reduce overall costs by £2.1m

A Single Member Decision was made on 5 August 2015 to approve the extension of wheeled bins for the collection of residual waste to the remaining areas of low-rise homes in the borough, to be implemented in October/November this year  
The Council's recycling performance has stagnated in recent years with a typical recycling rate in the 34 to 36% range. This is the worst recycling rate in West London and compares to performance levels of around 50% in good performing London Boroughs.

Cabinet received a report in September on the future arrangements for the waste and recycling service and agreed to the following:

- A target to recycle 50% of municipal waste by 2019
- The introduction of a chargeable garden waste service in April 2016
- To change the frequency of the residual waste (wheeled bin) service to once every two weeks.
- Require all directly and contracted staff be paid the London Living Wage as a minimum
- Not to procure an external provider for the delivery of the waste and recycling service

Cabinet also agreed to receive a further report in December (this report) when it would make two further decisions on the future of the waste and recycling service: -

- Whether to change from a weekly, kerbside sort service (using boxes) to a fortnightly, co-mingled service (using wheeled bins) – for the collection of dry recyclables
- Whether to provide the service internally using directly employed staff, or to deliver the service via an arms-length Local Authority Company

A review of the council's waste and recycling service has been undertaken by Officers and a Members Working Panel which started meeting in March 2015. The options set out below summarise the conclusions of the Working Panel.

### 3.2 Kerbside-sort or Co-mingled?

Two options have been investigated for the recycling service.

<b>Retain a kerbside sort recycling service using boxes/bags</b>	<b>Introduce a co-mingled recycling service using wheeled bins</b>
<p>Using boxes/bags, collected each week as at present.</p> <p>Source separated is the current service so there is less risk as the amount of change for residents is minimised</p> <ul style="list-style-type: none"> <li>• Residents will be asked to pre-sort materials and collectors would complete the process</li> <li>• Collectors would still have some manual handling risks but there would be a significant improvement in other H&amp;S risks.</li> <li>• The speed of collections would be slower as the vehicles would collect all recyclable materials – including plastic bottles and kitchen waste.</li> <li>• The overall number of vehicles collecting recyclables and kitchen waste would reduce compared to current service</li> </ul> <p>Kerbside –sort appears to be being phased out in West London, but retaining it could future-proof the service if EU legislation reinforces the circular economy philosophy (as expected).</p>	<p>The service would be based on a 240 litre wheeled bin which would accept all recyclable materials - replacing the current assortment of boxes and bags.</p> <p>The bin would be collected on alternate weeks (to the residual waste bin) - minimising collection costs</p> <p>The move to co-mingled collections will simplify the collection process for residents and collectors: -</p> <ul style="list-style-type: none"> <li>• Residents will be able to put all recyclable materials into the same bin and these will be subsequently sorted at a Materials Recycling Facility (MRF)</li> <li>• Collectors will no longer need to sort materials by hand, which will reduce manual handling risks and increase the speed of collection.</li> <li>• The speed of collections along roads would be quicker resulting in reduced emissions and less local traffic congestion.</li> <li>• The number of collection vehicles will be substantially reduced compared to the current system</li> </ul> <p>Co-mingled would bring the council's collection methodology into line with the majority of boroughs in and around West London.</p>

<p>The council has commissioned reports from consultants on the environmental impact of this change. The reports looked at the TEEP (Technically Environmentally and Economically Practicable) implications, as required under the EU Waste Directive, and the carbon impacts of the proposed changes - using the Mayor for London's Carbon Calculator. These show that co-mingled collections have marginally less benefit compared to kerbside sorted. However the major improvement in performance comes from the move away from landfill.</p> <p>Kerbside-sort is definitely TEEP compliant. There is no risk of any legal challenge</p>	<p>The council has commissioned reports from consultants on the environmental impact of this change. The reports looked at the TEEP (Technically Environmentally and Economically Practicable) implications, as required under the EU Waste Directive, and the carbon impacts of the proposed changes - using the Mayor for London's Carbon Calculator. These show that co-mingled collections have marginally less benefit compared to kerbside sorted. However the major improvement in performance comes from the move away from landfill.</p> <p>Co-mingled is marginally less TEEP compliant and there is a (small) risk that the Council could be challenged</p>
<p><b>Recycling from flats</b> would need to be reviewed to determine whether the existing service is satisfactory or whether it should change to co-mingled.</p> <p>This will remain a weekly service for the time being.</p>	<p><b>Recycling from flats</b> would need to be reviewed to determine whether the existing service is satisfactory or whether it should change to co-mingled.</p> <p>This will remain a weekly service for the time being.</p>
<p><b>Material Sales</b></p> <p>If kerbside-sort were adopted, materials would be of a higher quality and attract higher value from sales.</p> <p>The council would need a Materials Handling Facility equipped to sort, and bale the materials for collection by secondary materials companies.</p> <p>We would need to establish contracts for the sale of the following material streams:</p> <ul style="list-style-type: none"> <li>• Mixed glass</li> <li>• Paper</li> <li>• Mixed card</li> <li>• Aluminium cans</li> <li>• Steel cans</li> <li>• Mixed plastics</li> </ul> <p>We would be unlikely to be able to procure jointly.</p>	<p><b>Materials Recycling Facility (MRF)</b></p> <p>A change to co-mingled collections would mean that the council would need to enter into a contract for the processing of the collected recyclables into separate waste streams, which can then be sold as secondary materials.</p> <p>Hounslow would have the same requirement as Ealing, which is introducing the same service changes next spring and Harrow, which already operates a co-mingled service. We would be able to procure via a Framework Agreement rather than procure the same service individually.</p> <p>To comply with TEEP regulations we would need to ensure that the output from the MRF could be used as high quality recyclate. This is particularly relevant for the glass fraction where we will look to obtain high percentage of glass being used as re-melt (into new bottles) rather than into aggregate/sand.</p>

<p>Income from the sale of materials is expected to be approx. £1.2m in 2017/18</p>	<p>The council would need to pay a gate fee for the processing of materials at a MRF. This is estimated to cost £440k in 2017/18</p>
<p><b>Materials Handling Facility</b></p> <p>If kerbside-sort, we would need a Materials Handling Facility for the initial processing /baling of the separate material streams. Space Way would not be large enough to accommodate this. Part of the East site could be developed to provide this facility and this could be completed by the end of October 2016.</p> <p>Estimated design and construction costs are approx. £3.5m. However detailed design has not yet been completed.</p> <p>Proposed start of construction - June 2016. Completion by 28 October 2016 at the latest</p> <p>If the East site were redeveloped it would be sensible to eventually re-locate Space Way at this site so that all materials handling functions were located at one site. This would ensure that there was no duplication of equipment such as mobile plant and weighbridges. This would be carried out as a separate project in</p>	<p><b>Materials Handling Facility</b></p> <p>The move to co-mingled collections means that the council needs a waste <b>transfer</b> facility where the collected co-mingled recycling can be deposited and then transferred to large haulage vehicles that will take the waste to a Materials Recycling Facility (MRF).</p> <p>To accommodate this, the Space Way civic amenity site will be redeveloped to provide the transfer bay.</p> <p>The existing civic amenity site provision would also be revamped as part of this process to provide a separate high level area for use by the public. This will improve the Health and Safety at the site and improve public accessibility as users will no longer need to climb stairs to deposit their waste</p> <p>The site will be redeveloped over the summer of 2016. This will require the existing site to be closed for a period of time – with a potential loss of £500k income. Alternative arrangements for civic amenity site (household) waste would be provided over this period.</p> <p>Estimated design and construction costs are approx. £3m. However detailed design has not yet been completed.</p> <p>Proposed start of construction - June 2016. Completion by 28 October 2016 at the latest</p>

<p>2017/18 (Phase 3 of a separate East site project)</p> <p>Estimated design and construction costs for moving the civic amenity site to East site are approx. £4.5m. However detailed design has not yet been started.</p> <p>Proposed start of construction - June 2018. Completion by end of March 2019.</p>	
<p><b>Depot Provision</b></p> <p>At present the waste fleet is based at Bridge Road depot and the recycling fleet is based at a SITA site in Hanworth.</p> <p>Maintenance of the fleet is carried out by Hounslow Fleet (currently based at Bridge Road depot).</p> <p>Kerbside-sort collections require a significantly larger fleet than co-mingled and this is potentially a major obstacle in a decision to retain kerbside as the council lacks the depot space for a very large waste and recycling fleet.</p> <p>The council also needs to accommodate additional space for the parking of schools transport vehicles displaced from School Road Car Park</p> <p>To adopt this option the council would need to provide an alternative depot for the waste and recycling fleet at the East Site.</p> <p>This would be provided by the end of September 2016.</p>	<p><b>Depot Provision</b></p> <p>At present the waste fleet is based at Bridge Road depot and the recycling fleet is based at a SITA site in Hanworth.</p> <p>Maintenance of the fleet is carried out by Hounslow Fleet (currently based at Bridge Road depot).</p> <p>Co-mingled collections require a smaller fleet, which could be accommodated at Bridge Road.</p> <p>However, the council also needs to accommodate additional space for the parking of schools transport vehicles displaced from School Road Car Park</p> <p>It is therefore proposed to relocate the fleet to the East Site even for the co-mingled option.</p> <p>This would be provided by the end of September 2016.</p>
<p><b>Collection Vehicles</b></p> <p>Bringing the service in-house means that the council will have to procure a new waste and recycling fleet.</p> <p>The estimated capital investment (including kerbside vehicles) would be £5.8m</p> <p>All costs associated with the vehicles – capital repayments, maintenance, insurance, fuel etc. - would be paid by L360/ in-house provider with costs being recovered via the new contract price.</p>	<p><b>Collection Vehicles</b></p> <p>Bringing the service in-house means that the council will have to procure a new waste and recycling fleet.</p> <p>The estimated capital investment (including co-mingled vehicles) would be £4.67m</p> <p>All costs associated with the vehicles – capital repayments, maintenance, insurance, fuel etc. - would be paid by L360/ in-house provider with costs being recovered via the new contract price.</p>

The change to the recycling service would need to be introduced after the start of the new contract	The change to the recycling service would need to be introduced after the start of the new contract
---	---

Under both proposals we would need to measure the total carbon footprint of our waste management system.

The Members Working Panel on waste and recycling has considered the options very carefully and have recommended to Cabinet that the council retain the kerbside-sort system.

The decision between the two options was finely balanced. Appendix A provides a comparison of the considerations that were instrumental in deciding to retain the current kerbside-sort system.

### **3.2.2 Local Authority Company or In-house provision**

The council decided in September that all of the workforce would be paid the London Living Wage as a minimum no matter who delivered the service after November 2016. This represents a significant increase in wages for loaders employed under SITA terms and conditions

If the service were to be provided in-house, SITA staff would transfer under the TUPE regulations to the Council on their current terms and conditions but would then be offered a transfer onto Hounslow's terms and conditions so that all employees are harmonised and so as to ensure there would be no risk of any equal pay claims.

Principal benefits for staff would be:

- Local authority grades
- 36 hour basic working week
- Four to six weeks holiday
- Time and a half paid for normal overtime. (If payable)
- Double time for bank holiday plus day off in lieu
- Local Government Pension Scheme (LGPS)

Such terms and conditions would have significant cost implications for this service particularly the shorter working week, overtime rates and pension provision

SITA staff would transfer to L360 on their current terms – with the exception that the London Living Wage would be payable. (At present, SITA collectors are paid the minimum wage). Other terms and conditions are:

- Non-local authority grades
- 40 hour basic working week
- Four weeks holiday
- Time and a third paid for normal overtime.
- Double time for bank holiday plus day off in lieu
- Commercial sector Pension Scheme

It is estimated that L360 offers a minimum saving of £600k a year over in-house provision. At this stage, without a detailed knowledge of existing T&Cs, it is difficult to be precise but the cost difference is likely to increase once detailed costing are made. We would need detailed TUPE information before this is possible.



It is recommended that the Council opts for the L360 option as this would contribute a minimum annual saving of £600k compared to an in-house provision. L360 would need to prepare a detailed business case for the delivery of the waste and recycling service before any final decision can be made. This report recommends that L360 is now invited to do so. As the business case is developed, L360 will be able to develop a detailed cost model and establish the price it would charge the council for the provision of the agreed services. Only at this point would the actual level of savings be established for the provision of the revised services.

### **3.2.3 Commercial Waste**

This new contract is an opportunity for the council to expand its current business waste services. Currently SITA provide a business waste service in the borough and they are expected to continue this service after the end of the contract. The income from business waste is quite low but there appear to be significant opportunities to grow this service.

The report in September 2014 indicated that we were looking to work with LWARB (London Waste and Recycling Board) to establish a joint operation which would undertake the marketing, invoicing and administration for business waste customers. LWARB have now funded and established the London Business Waste and Recycling (LBWR) service to develop this idea further. LBWR has indicated that they may wish to develop a business plan in partnership with Hounslow/L360.

It is recommended that authority to conclude these negotiations and if appropriate to sign an agreement be delegated to Executive Director REDE to enable this process to continue.

### **3.3 Policies**

The decision to retain kerbside –sort means that there will be relatively minor changes to the council's recycling policy. We will develop a revised policy statement for residents in liaison with the Lead Member.

### **3.4 Consultation**

Whilst the Council does not have a general duty to consult service users on all service proposals, it does have a duty to consult in three circumstances: -

- Where it has a statutory duty to do so.
- Where service users have a legitimate expectation that they will be consulted
- Where exceptional circumstances exist so as to make consultation fair and appropriate – such as past practice, a policy, or a promise

Where consultation occurs it must be at the formative stage, the consultation must give adequate information to allow for an intelligent response, and sufficient time must be given for a response.

Although there is no requirement to consult under the Environmental Protection Act 1980 there may be a requirement to consult under section 3 of the Local Government Act 1999 as amended where service provision is being revised and as part of the best value duty. In the event consultation is required this will take place once the business case has been developed.

#### 4. Key Implications

4.1 Bringing the service back under local authority control and introducing these service changes mean that 2016 will be a year of major change. There are several major projects contained within this programme.

- Development of Materials Handling Facility at the East Site
- Procurement of new and temporary vehicles to operate the service
- Provision of depot operations at the East Site to replace Bridge Road depot facilities
- Provision and distribution of new boxes for the kerbside-sort service. These could be phased in by Christmas 2016. i.e. No change in collection frequency required.

The project also includes: -

- Procurement of new ICT to manage the service
- Transfer of staff from SITA
- Establishment of a Local Authority Company
- Introduction of a fortnightly collection frequency for residual waste (at the start of the contract).

#### 5. Financial Details (in relation to service provision by L360).

##### a) Financial Impact On The Budget Kerbside-Sort

CAPITAL	Year1 (2015/16)	Year2 (2016/17)	Year3 (2017/18)	Year 4 (2018/19)
	£000	£000	£000	£000
Total Required	2125	11542	910	4350
*WB roll out	600	0	0	0
*Bridge Road	600	800	0	0
Additional Capital required	925	10742	910	4350
L360 Capital	0	5955	200	200
LBH Capital (i.e. less L360)	325	4787	710	4150

\*Already approved

REVENUE	Year1 (2015/16)	Year2 (2016/17)	Year3 (2017/18)	Year 4 (2018/19)
	£000	£000	£000	£000
Year on year adjustments	578	657	-1975	-546

Over a ten year period, kerbside sort would show a total saving of £9.25m compared to present. However note that the charge from L360 has not yet been finalised and is indicative subject to the business case and agreement being reached for L360 to deliver the waste and recycling service.

The above revenue costs in both cases include: -

- £250k previously agreed for the implementation of the wheeled bin extension
- £500k previously agreed savings for reduction in landfill costs
- £550k income from chargeable garden waste scheme

as these are all now effectively merged into the wider programme changes

The identified L360 capital costs would primarily be for the purchase of the respective vehicle fleets. The revenue requirements take into account the anticipated capital repayments by L360. These would be recovered as part of the cost of providing the service to Hounslow.

#### **b) Financial Background (optional)**

This report will commit the council to significant capital investment in vehicles, bins/boxes, Material Handling Facility and the civic amenity site. This has been included within the latest Medium Term Financial Strategy, so long as the total expenditure does not exceed previous estimates will not place any additional pressure on the council budget.

The waste and recycling fleet would be located at the East Site with associated offices and welfare facilities. The £1.4m previously allocated the development of Bridge Road depot (agreed by Cabinet in September) will be spent at the East Site instead.

The vehicles will be operated by L360 and some form of hire agreement will be required as part of the contract for waste collection. A similar situation will arise with the depot site and again a hire agreement will be needed as part of the contract for waste collection.

Kerbside-sort. Development of the East Site would comprise a number of stages. Phase 1 would provide a Materials Handling Facility - estimated cost in the region of £3.5m. Phase 3 would provide a new civic amenity site to replace Space Way and cost a further £4.5m. Overall the development of the East Site would be more expensive but there would be a capital receipt in the future if the existing site at Space Way were to be sold for redevelopment.

Development of the East Site also offers the prospect of a major development in a new depot and vehicle workshop at the site which would enable the replacement of the current out-dated vehicle workshop (at Bridge Road) and further depot rationalisation with the consolidation of the Hounslow Housing fleet at the East Site (i.e. Phase 2).

The costs for new bins and boxes will be allocated to the council and not recharged to L360. The exception to this would be trade waste bins.

The council and L360 are in the process of negotiating a trade waste marketing and administration service with London Business waste and Recycling to grow the borough's trade waste portfolio. Details of the financing implications would need to be agreed before the signing of any agreement.

#### **c) Comments of the Director, Finance and Corporate Services**

Currently the estimates being used for the future of the waste collection service in the borough are set out below. It should be noted that these numbers are based on an

assumption that Lampton 360 Ltd will be able to deliver the service for the same cost as the current contract price. The potential savings outlined below are therefore subject to the outcome of the detailed business planning to be undertaken by Lampton 360 Ltd.

The kerbside-sort financial model summarised in Table C below shows a requirement of £0.578m in the current year and a further £1.235m next year, bringing the total investment over the next two years to £1.813m. From 2017/18 onward the service will generate savings and by year end 2018/19 the total investment less savings will produce a net benefit of £1.499m and after 10 years the total benefit is anticipated to be £9.215m.

**Table C: Service provision investment excluding fleet financing costs.**

	2015/16	2016/17	2017/18	2018/19	2019/20	5 year total	10 year total
	£m	£m	£m	£m	£m	£m	£m
Kerbside-sort cumulative total	0.578	1.235	-0.740	-1.286	-1.286	-1.499	-9.215

These figures are based on the assumption that the service will be managed by Lampton 360. The final costs will not be known until Lampton 360 provides its financial model.

The capital cost of fleet vehicles and bins for Kerbside sort amounts to £6.3m and the 10 year revenue cost of servicing the capital finance will be £6.8m. These revenue costs are excluded from the figures shown above in Table C.

## **6. Legal Details/Comments of the Head of Governance**

- 6.1 The Council has a legal duty to collect and dispose of any municipal and household waste. From January 2015, recyclables such as paper, metals, plastic and glass have to be collected separately. However where it is technically, environmentally and economically not practicable to separate out such items a co-mingled recycling collection can be operated.
- 6.2 The Council as a waste collection authority under the Environmental Protection Act 1990 is able to specify the receptacles in which householders should present their waste. This includes the nature, number and size of receptacles.
- 6.3 The Council is able to move services into Lampton 360 Ltd as it is a "Teckal" company over which it exercises a similar level control as an internal department, more than 80% of its activities are carried out in the performance of tasks allocated to it by the Council and there is no private capital participation. However in doing so the Council would still be required to demonstrate that this represents the best value that can be achieved should the decision be to transfer the waste and recycling service into Lampton 360 Ltd.

- 6.4 Lampton 360 Ltd would need to be able to fully demonstrate to the Council that it has all the requisite systems, policies and procedures in place to be in a position to manage the service and its employees and a developed business case should reassure the Council on this before a decision is made.
- 6.5 The Council as a best value authority is under a general duty (section 3 of the Local Government Act 1999) to "make arrangements to secure the continuous improvement in the way in which its functions are exercised, having regard to a combination of economy efficiency and effectiveness" and in doing so to take into account the 2015 Revised Best Value Statutory Guidance. The Best Value duty requires that "authorities should consider overall value, including economic, environmental and social value, when reviewing service provision. As a concept, social value is about seeking to maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves". Consideration will need to be given as to the extent to which the best value duty is engaged by the proposals set out and if so how it will be fulfilled. The Council may be required to consult any representatives who appear to the Council to have an interest in the service, who are likely to use the service and who are council tax payers. In the interests of economy it would not however be necessary to undertake lifestyle or diversity questionnaires of suppliers or residents. Consultation if applicable would take place after the business case is developed but before Cabinet makes its final decision as to where the waste and recycling service should sit, the Council or Lampton 360 Ltd.
- 6.6 Any transfer of SITA staff into the Council or Lampton 360 Ltd is likely to come within the Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended which means staff would transfer on their current terms and conditions of employment. Consideration would also be needed as to the Council's or Lampton 360 Ltd.'s obligations with regard to ensuring a comparable pension is provided.
- 6.7 Any tendering process will need to be carried out in accordance with EU legal requirements and subject to value will be governed by the Public Contract Regulations 2015 which requires a minimum standstill period between the point when the contract award decisions are notified to bidders and the signing of contracts. In addition the Council may depending on value be required to consider social value as set out in the Public Services (Social Value) Act 2002 to ensure goods, services, works and utilities are commissioned in a way that achieves value for money on a whole life basis in terms of generating benefits to society and the economy, whilst minimizing damage to the environment.
- 6.8 The Council should conduct any procurement in an open, fair and transparent manner, with full advertising of the requirements and compliance with the Contract Procedure Rules and Financial Regulations. Those responsible for conducting this process will need to ensure that the Council obtains the services it requires from the bidders who submit the most economically advantageous tenders and which balance technical and quality requirements against commercial elements to deliver a service that offers best value for money.
- 6.9 The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 (the Regulations) require twenty eight days advance notice of key decisions to be given. As the intention to

consider this report and make a decision has not been advertised for the requisite 28 days a general exception notice has been published in accordance with the Regulations. This means that Cabinet is able to consider the report and make its decision at its meeting on 15 December 2015.

- 6.10 It is confirmed that the delegations set out in the recommendations may be effected under the provisions within section 9E of the Local Government Act 2000 as amended.

## **7. Value For Money**

As set out above.

## **8. Sustainability Impact Appraisal**

Replacement of the collection fleet will improve the emissions performance of the fleet as it will replace vehicles which are at least ten years old. The new fleet will be capable of operating with B20 biodiesel fuel (i.e. 20% biodiesel). We will also specify electric bin lifts for the fleet which will further reduce emissions and improve fuel efficiency.

This project will improve the council's environmental performance by increasing recycling and reducing the amount of waste being sent to landfill. This will produce a substantial financial saving.

The changes to the waste management service (including the move away from landfill by the West London Waste Authority) will mean that the carbon impact of the service will improve substantially over the next two to three years

## **9. Risk Management**

See Appendix B for Risk Register of the whole Waste and Recycling Project

## **10. Links to Council Priorities**

A clean green borough

## **11. Equalities, Human Rights and Community Cohesion**

Equalities have been considered under s149 of the Equality Act 2010. Should the scheme result in someone with a protected characteristic being disadvantaged alternative arrangements can be requested such as the assisted collection or a special assisted collection (e.g. collection of a black sack from an agreed collection point). Larger wheeled bins will be provided for households with additional needs.

## **12. Staffing/Workforce and Accommodation implications:**

As set out in paragraph 6.

## **13. Property and Assets**

In September the Cabinet gave its approval for £1.4m of works to be undertaken at Bridge Road Depot to facilitate the waste fleet for the comingled service. This then

required additional land at James Street to enable the parking of the special needs transport vehicles that would be displaced from the depot and for those returning from School Road Car Park that is required for a new school development.

If Cabinet approves the recommendations set out in this report, the Cabinet decision made in September will no longer need to be implemented as there will be enough capacity at Bridge Road depot to retain the existing special needs transport vehicles and those returning from School Road Car Park. This in turn will allow James Street site to be put to alternative uses that would deliver capital receipts or revenue income and will be subject of a separate cabinet report.

The East Site is allocated for waste management uses in the West London Waste Plan and Local Plan. The proposals to locate the material handling facility and fleet parking for the waste service is considered suitable for this site and will be the subject of a planning application. The Civic Amenity Site use would also be considered suitable for relocating onto this site.

Space Waye Site requires a significant amount of capital investment to make it suitable for a civic amenity site in addition to the development of a materials handling facility. The East Site can accommodate both uses albeit developed in two different phases of the development which would allow continuity of service provision and provide a bespoke fit for purpose development. Space Waye site is within the Green Belt and will be subject to further assessment under the Green Belt review.

If the waste service is to be operated by Lampton 360, it will be necessary for occupation of the East Site to be under a formal lease arrangement with a market rental and to ensure the rules as to state aid are not breached. Recent lettings of the other half of the East Site have achieved market rents of over £350k pa.

This is in accordance with the Corporate Property Strategy.

#### **14. Any Other Implications**

n/a

#### **15. Consultation**

Consultation will be carried out with SITA staff under the TUPE arrangements

#### **16. Timetable for Implementation**

The current contract with SITA expires at the end of October 2016. The new services will operate from Monday 31 October 2016

#### **17. Appendices**

Appendix A - Comparison (Co-mingled v. kerbside sort)

Appendix B - Risk register for the waste and recycling project

#### **18. Background Information**

To note:

Cabinet report. – 22 September 2015: -

REG 307: Waste and Recycling Service: proposed Future Arrangements

<http://memberservices.hounslow.gov.uk/documents/g9230/Public%20reports%20package%20Tuesday%2022-Sep-2015%2019.00%20Cabinet.pdf?T=10>

Background Papers to Cabinet report – including Eunomia Report: -

Carbon Calculator and TEEP Assessment for Kerbside Collection Options

<http://memberservices.hounslow.gov.uk/documents/b21015/REG%20307%20-%20Waste%20and%20Recycling%20Service%20-%20Background%20documents%20Tuesday%2022-Sep-2015%2019.00%20Cabinet.pdf?T=9>

**REPORT ENDS**



Issue	Co-mingled	Kerbside Sort
Financial benefits net of all costs	Net Savings of approx. £971k per annum by 2018/19  Main differences: Total collection costs                   £6804k Material processing costs               £524k	Net Savings of approx. £1,286k a year by 2018/19  Main differences: Total collection costs                   £7668k Material sales (income)               -£1440k
Employment implications	Employs 33 people direct on rounds	Employs 54 people direct on rounds, plus 6 direct employees at depot processing/baling/dispatching recycled material
Degree of change for residents	Fortnightly collection using a second wheeled bin (this one, 240 litre) for most low-rise households.  On top of rollout of 140 litre bins and introduction of garden waste charge and will coincide with change to fortnightly collection of non-recyclable waste.  Easier for residents to use (one bin takes everything); people who do not currently recycle might find a co-mingled system easier; Clear information to residents will be needed to avoid contamination of recyclable material  9% of households may not have room for a second bin but would still be collected fortnightly  Households which take up garden waste service could have three wheeled bins. (But garden waste is an opt-in service. Plus choice of sacks instead of bins)  Food still collected weekly	Weekly collections (including plastics); very similar box-based system to now  Change to recycling, in November, will be largely transparent to residents. Will still coincide with change to fortnightly collection of residual waste.  Residents who currently recycle want to keep the current system; Current non-recyclers may find system more difficult. Education for all residents will still be required.  Easier system to accommodate for people with restricted storage space  Food still collected weekly
Street cleanliness, congestion and air quality	Street cleanliness should improve to some extent  Reduced collection frequency so fewer vehicles; quicker collection process; better local air quality and reduced local congestion on collection days	Street cleanliness unlikely to be improved (unless there were also changes to street cleaning contract)  Weekly collections so higher number of vehicles; slower collection process; worse local air quality and significantly more local congestion relative to co-mingled, but the fleet (for both options) would be EURO VI compliant unlike current fleet

Issue	Co-mingled	Kerbside Sort
<b>Materials markets</b>	<p>One contract required with a Materials Recycling Facility.</p> <p>Hounslow will pay approx. £20 a tonne gate fee charge for materials;</p> <ul style="list-style-type: none"> <li>- in 18/19 this is estimated to be a cost of £524k</li> </ul> <p>Should be possible to share the materials price risk with MRF but most risk would be with the council.</p> <p>Both options assume that, over time, the prices payable for materials will improve.</p>	<p>Several contracts for separate materials with separate companies.</p> <p>Higher quality materials will mean that Hounslow will receive an average income of £55/tonne for materials;</p> <ul style="list-style-type: none"> <li>- in 18/19 this estimated to be an income of £1.44m;</li> </ul> <p>May be also be possible to share materials price risk with companies but most risk would still be with the council.</p>
<b>Materials handling and depot</b>	<p>Materials Handling Facility for drop off and transfer to a MRF will need to be built Space Waye.</p> <p>Site would close during construction</p>	<p>Needs a larger land-take for further sorting, baling and storage ready for onward transportation; could not be accommodated at Space Waye, but would need to be at Western International Market (East Site).</p> <p>Freighters would be located at new depot at WIM under either option.</p>
<b>TEEP (Technically, Environmentally and Economically Practicable) regulations</b>	<p>Marginally worse environmentally.</p> <p>Marginally more expensive.</p> <p>A marginal risk of a Judicial Review by pressure groups</p>	<p>Better environmental performance</p> <p>Less expensive</p> <p>Fully TEEP compliant – No risk of challenge</p>
<b>Timing</b>	<p>Change will have to be made in October/November 2016 to coincide with end of SITA contract and use of new freighters – phasing not possible</p> <p>Every effort will be made to ensure that a change to a co-mingled system is as smooth as possible, but there remains a risk that there will be problems at the point of switch-over.</p>	<p>Any refresh of boxes could be done in a phased manner rather than the co-mingled 'big bang'</p> <p>Procurement and delivery of kerbside sort fleet may take longer because of the larger number of vehicles; still (just) possible that all vehicles would be available by the end of October 2016.</p>

ID	Description	Type (R,A,I, D)	Category (e.g. legal, finance)	Date Raised	Raised by	Date of last review	Date for next review	Owner	Likelihood 1 = Almost Impossible 2 = Very Low 3 = Low 4 = Significant 5 = High 6 = Very High	Impact 1 = Negligible 2 = Minimal 3 = Critical 4 = Catastrophic	RAG (automatic)	Proximity	Mitigation	Resource	Status	Date closed
1	Local authority company/ in house operation is not established in time to carry out service	R	LAC/in house	31/08/15	ET	24/11/15	14/12/15	LAC/in house	2	4	4	11 months	Mobilisation resource planning has been undertaken by ET and presented to AB and AR on 15/09. In house/LAC mobilisation tasks have been separated from wider service change task and a separate project plan developed.	TBC	Live	
2	Residents do not receive waste and recycling collections as service could not successfully transfer to LAC/in house - dependent on LAC/in house	D	LAC/in house	31/08/15	ET	24/11/15	14/12/15	LAC/in house	2	4	4	11 months	As Risk 1, HR resource has been identified as part of the mobilisation resource plan. This will be picked up with HR upon agreement of the resource plan.	TBC	Live	
3	LAC/in house do not have the appropriate policies and procedures in place to operate a safe operational service causing injury to staff or members of the public	R	LAC/in house	31/08/15	ET	24/11/15	14/12/15	LAC/in house	3	4	4	11 months	As Risk 1	TBC	Live	
4	LAC/in house does not have the appropriate business processes in place to ensure the effective delivery of the service causing a decrease in service standards and impacting on LBH reputation	R	LAC/in house	31/08/15	ET	24/11/15	14/12/15	LAC/in house	2	4	4	11 months	The development of business processes will form part of the ICT service specification which will take place in Autumn 2015. These will be documented and passed to operational team.	ICT	Live	
5	Staff are not paid on first payroll and therefore service is not delivered	R	LAC/in house	31/08/15	ET	24/11/15	14/12/15	LAC/in house	2	4	4	11 months	Programme plan to develop business to take on waste collection services. This will include a process to collate staff information and run a dummy payroll. This is scheduled for October 2016.	TBC	Live	
6	Key members of the SITA operational team did not TUPE transfer leaving a knowledge gap amongst staff	R	LAC/in house	31/08/15	ET	24/11/15	14/12/15	LAC/in house	3	3	3	11 months	Commissioning team and mobilisation team to discuss options with SITA managers maintain contact. Contingency plans are put in place through the use of the mobilisation team to bed in service.	TBC	Live	
7	Transferring staff have not received suitable induction and therefore cannot carry out the service	R	LAC/in house	31/08/15	ET	24/11/15	14/12/15	LAC/in house	2	4	4	11 months	A training and induction plan has been built into the programme plan to be delivered in September and October 2016 and will be developed by the mobilisation team.	TBC	Live	
8	Staff choose not to TUPE transfer and the service cannot operate fully on day one	R	LAC/in house	31/08/15	ET	24/11/15	14/12/15	LAC/in house	2	4	4	11 months	An agency contingency plan has been built into the programme plan and this will be addressed by the mobilisation team.	TBC	Live	
9	Depots are not re-developed in time to operate the new service	R	Commissioning	31/08/15	ET	24/11/15	14/12/15	Commissioning	3	3	3	11 months	This is being addressed by AB, who is meeting BS at the end of w/c 14/09/ to discuss options and timelines for ks sort and co-mingled options.	TBC	Live	
10	The new service routes are not developed in time increasing the likelihood of operational issues	R	Commissioning	31/08/15	ET	24/11/15	14/12/15	Commissioning	2	4	4	11 months	Data cleansing work is underway and LBH will be updating their data in house	NT	Live	
11	New routes are not developed in enough time to allow for the communication of day changes to residents	R	Commissioning	31/08/15	ET	24/11/15	14/12/15	Commissioning	2	4	4	11 months	As Risk 9, Communications PM is integrated as part of programme board and kept up to date regarding programme timelines.	NT	Live	
12	ICT systems are not developed in time for new service causing significant issues in dealing with customer requests	R	ICT	31/08/15	ET	24/11/15	14/12/15	ICT	3	3	3	9 months	ICT PID has been developed and ICT have appointed 40c to develop the tender docs and also business requirements. PM elements of the work will be required to go to tender	TBC	Live	
13	ICT systems are not fully integrated at service change causing significant issues in dealing with customer requests	R	ICT	31/08/15	ET	24/11/15	14/12/15	ICT	2	3	3	13 months	ICT PID has been developed and ICT are currently in the process of appointing a PM. When the PM has been appointed and a detailed plan developed this will become amber.	TBC	Live	
14	SITA relationship breakdown making mobilisation problematic and incurring a significant contract variation cost to LBH	R	Commissioning	15/09/15	ET	24/11/15	14/12/15	Commissioning	3	3	3	3 months	Liaison meetings to continue at officer and director level and variation to be agreed as soon as possible.	TBC	Live	
15	There is not sufficient space within the current LBH depots to park all ks sort vehicles and build a bulking facility	R	Procurement	15/09/15	ET	24/11/15	14/12/15	Commissioning	3	3	3	3 months	AB to carry on working with BS on options. Progress to be discussed at programme board on 28th September 2015.	TBC	Live	
16	Provision of sorting facility at WIM is not completed on time	R	Commissioning	28/09/15	AB	24/11/15	14/12/15	Commissioning	4	4	4	9 months	ACCOM to be asked to develop budget and programme by mid-November to feed into Cabinet decision in December			

ID	Description	Type (R,A,I, D)	Category (e.g. legal, finance)	Date Raised	Raised by	Date of last review	Date for next review	Owner	Likelihood 1 = Almost Impossible 2 = Very Low 3 = Low 4 = Significant 5 = High 6 = Very High	Impact 1 = Negligible 2 = Marginal 3 = Critical 4 = Catastrophic	RAG (automatic)	Proximity	Mitigation	Resource	Status	Date closed
17	Sorting and Baling equipment not delivered + installed and operational by end of October 2016	R	Commissioning	29/09/15	AB	24/11/15	14/12/15	Commissioning	4	3	R	9 months	Identify requirement and lead-in time. Consider using Nominated Supplier in conjunction with development of site.			
18	The number of vehicles required and ordered is not correct. Too few would mean that rounds could not be completed. Too many would mean unnecessary costs	R	Commissioning	29/09/15	AB	24/11/15	14/12/15	Commissioning	3	4	R	9 months	Identify contingency provision in mobilisation plan. Ensure vehicle contract allows for top up when final figures are decided.			
19	Productivity levels for crews are incorrect. Too high would mean that crews are unable to complete rounds - leading to additional costs going forward. Too low would mean unnecessary costs.	R	Commissioning	29/09/15	AB	24/11/15	14/12/15	Commissioning	3	3	A	9 months	Benchmark productivity levels. Use ICT/Route Optimisation to help design rounds. Consider moving some property's day of collection to equalise work loads. Early discussions with Trade Unions			
20	The new operation will require a strong and experienced depot manager with experience of operating these services. The depot is a potential pinchpoint in effective operations	R	LAC/in house	14/10/15	ET	24/11/15	14/12/15	Commissioning	3	3	A	9 months	Build into the mobilisation plan and if possible recruit interim resource to cover.			