

| | |
|--------------------------|---|
| DECISION-MAKER: | CABINET |
| SUBJECT: | Commercial Waste Disposal |
| DATE OF DECISION: | 17 January 2023 |
| REPORT OF: | COUNCILLOR LEGGETT CABINET MEMBER FOR FINANCE AND CHANGE |

| CONTACT DETAILS | | | |
|------------------------|----------------|---------------------------------|--------------------|
| Director | Title | Director - Environment | |
| | Name: | Ian Collins | Tel: 023 80 832089 |
| | E-mail: | ian.collins@southampton.gov.uk | |
| Author: | Title | Head of Supplier Management | |
| | Name: | Paul Paskins | Tel: 023 80 834353 |
| | E-mail: | paul.paskins@southampton.gov.uk | |

| |
|-------------------------------------|
| STATEMENT OF CONFIDENTIALITY |
|-------------------------------------|

N/A.

| |
|----------------------|
| BRIEF SUMMARY |
|----------------------|

It is recommended that Cabinet approves the extension of the Agreement in relation to Commercial Waste Transfer and Disposal Services (“the Agreement”) with TJ Waste and Recycling Ltd (“the Provider”), for two years to 31st March 2025.

In July 2019, Council:

- approved a financial envelope of £7.04M, for a maximum period of seven years;
- approved the financial envelope to increase in line with increased business for Trade Waste, on the basis that the additional cost can be met from additional revenue and
- noted the potential risks that could cause the level of cost to exceed the current budget as a result of government strategy and the likely impact on contract costs.

In August 2019, a decision to procure a single supplier waste disposal contract for commercial waste (for a maximum of seven years) was approved by Cabinet.

In April 2020 the Council entered into the Agreement with the Provider to dispose of its commercial waste. The initial term of the Agreement was three years with an optional two-year extension period, taking the maximum duration of the Agreement to five years.

| |
|-------------------------|
| RECOMMENDATIONS: |
|-------------------------|

| | | |
|--|------|---|
| | (i) | To approve an extension to the existing Agreement with the Provider for two years from April 2023 to March 2025. |
| | (ii) | To delegate authority to the Head of Supplier Management to take the necessary actions to give effect to this decision. |

| |
|---|
| REASONS FOR REPORT RECOMMENDATIONS |
|---|

| | |
|----|---|
| 1. | A two-year extension to the Agreement will offer best value, provide sufficient time for the Council to further develop the strategy relating to its commercial |
|----|---|

| | |
|--|--|
| | waste service and help to alleviate the strategic procurement resource and capacity pressures facing the organisation. |
| 2. | There is a requirement under the Environmental Protection Act 1990 for waste collected by local authorities to be disposed of and therefore the Council must have a contract in place with a supplier to provide a commercial waste disposal service. If the extension period to the Agreement is not agreed, the Council will need to procure a replacement contract which will require reprioritising resources from existing projects. This approach would result in additional procurement and mobilisation costs and there is no evidence that a replacement contract would offer better value. |
| 3. | The Agreement is delivering against its objectives and performance standards. The Provider is positively contributing to delivery of social value through its operations which (subject to formal agreement with the Provider) would be enhanced as part of agreeing the recommended extension period. |
| 4. | The Agreement does not contractually commit the Council to use solely the Provider for commercial waste disposal and there are no committed tonnage requirements and, therefore, the Council could elect to use alternative disposals sources and/or reduce (or increase) its disposal levels without financial penalties if the Council's circumstances or requirements change during the extension period, subject to compliance with public procurement law and the Council's Constitution. |
| 5. | The waste disposal sites are within the city making this an efficient arrangement in respect of operations and the environmental impact of these operations. |
| 6. | Remaining with the Provider until March 2025 will allow a degree of certainty in terms of the cost of commercial waste disposal because the Agreement contains fixed tonnage rates charges (subject to indexation) to which the Provider and the Council will be bound during the extension period. |
| 7. | To date, the Agreement features as a project within the Council's Strategic Procurement Programme (SPP). As part of planning resources and activity relating to the overall SPP, the use of contractually permissible extension options for relevant contracts have been considered and where it is determined that the contract continues to provide best value, recommendations to extend contracts are being made. This, in particular, is in the light of the significant strategic procurement activity and pressure on the organisation in the years up to 2026, the very limited resource available, the cost of undertaking successful procurement projects, prevailing market pressures and costs and the Council's ability to withstand the rising contract costs which are very likely to result from many of the re-procurements in the SPP. |
| ALTERNATIVE OPTIONS CONSIDERED AND REJECTED | |
| 8. | Extending the Agreement by one year only Whilst this option would allow continuity of operation and cost stability for an additional year, this is rejected as it would require further consideration and a subsequent decision in respect of the of the final year extension, which - when considering the contractual position set out in point 4 - is not deemed to be appropriate use of the Council resource as there would be no discernible additional benefits in doing so. |

| | |
|--|--|
| 9. | <p>Undertaking a procurement for a new commercial waste disposal contract to be in place by the end of the initial three-year period</p> <p>It is unlikely that the Council could secure a more favourable commercial position by going out to market as providers are seeking to pass significant risks onto clients because of the prevailing market conditions. This approach would result in additional procurement and mobilisation costs and there is no evidence that a replacement contract would offer better value.</p> |
| DETAIL (Including consultation carried out) | |
| 10. | <p>The Council operates a commercial waste collection and disposal service in and around the Southampton area, which comprises of trade waste (collection of waste from businesses), and housing void clearances for the Council owned and Private Landlord properties. This service was developed in addition to the household waste service, as a commercial venture.</p> |
| 11. | <p>The Council's commercial waste and disposal service provides the following services which are disposed of through the Agreement:</p> <ul style="list-style-type: none"> • Trade waste services: Collection and disposal of General Waste and bulky items and • "Shine" services: Services to the Council Housing stock as the landlord for bulk waste collections, Void (empty property) property clearances and regular and ad-hoc chargeable work to private landlords and tenants. |
| 12. | <p>Under the Agreement, the Council disposes of commercial residual waste and items removed from property clearances, fly-tips and bulky collections to waste transfer stations operated by the Provider.</p> |
| 13. | <p>There is a requirement under the Environmental Protection Act 1990 for waste collected by local authorities to be disposed of properly. In practice, this means using one of a range of suppliers which are permitted by the Environment Agency to dispose of waste.</p> |
| 14. | <p>The charges paid by the Council to the Provider under the Agreement are based on the level of tonnage disposed which means that the more (or less) commercial waste the Council disposes of, the more (or less) the service costs the Council.</p> |
| 15. | <p>The Agreement is operating well and Provider performance against contractual indicators is strong. The Provider has demonstrated itself to be a strategic partner who is working closely with Officers to strengthen the social value contribution delivered through the Agreement.</p> |
| RESOURCE IMPLICATIONS | |
| <u>Revenue</u> | |
| 16. | <p>In July 2019, Council approved a financial envelope of £7.04M in respect of commercial waste disposal costs for a maximum period of 7 years. This amount included an estimated 3% inflationary uplift over the period.</p> <p>Under the Agreement, the Council pays the Provider a set charge per tonne or unit, depending on what is being disposed so it is challenging to estimate future year's costs with accuracy. Charges are invoiced monthly and adjusted annually by the Consumer Price Index (CPI). For Financial Year 2021/22 the charges for disposal of commercial waste under the Agreement were £1.65M.</p> |

| | |
|--|--|
| | In 2022/23, commercial waste disposal costs under the Agreement are forecast to be £1.69M. As part of current budget planning, inflation as per the Agreement terms has been estimated as £0.18M in 2023/24. This additional cost will be off-set by a proposed corresponding price increase to commercial waste customers from April 2023 which will be considered as part of budget setting in February 2023. For 2024/25, disposal costs will again vary by CPI and prices charged to commercial waste customers will be further reviewed to ensure that any increased charges to the Council under the Agreement can be funded by the Trade Waste service. |
|--|--|

Property/Other

| | |
|-----|--|
| 17. | There are no known property or other implications. |
|-----|--|

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

| | |
|-----|---|
| 18. | The Environmental Protection Act 1990 provides local authorities with a power to collect commercial waste and a requirement to do so if the service is requested by businesses in their boundary. |
|-----|---|

Other Legal Implications:

| | |
|-----|---|
| 19. | The Agreement permits the recommended extension period therefore there are no procurement related risk or implications to taking this decision. |
|-----|---|

RISK MANAGEMENT IMPLICATIONS

| | |
|-----|--|
| 20. | Inflation may continue to increase during the extension term but the Council is unlikely to achieve greater protection with a new arrangement. The non-exclusive nature of the Agreement permits the Council to utilise alternative disposal sites if these are subsequently found to offer better value over the contract period. |
|-----|--|

POLICY FRAMEWORK IMPLICATIONS

| | |
|-----|---|
| 21. | Extension of the Agreement is consistent with, and not contrary to, the Council's Policy Framework. It will support delivery of the priorities and outcomes set out in the Southampton City Strategy 2015 – 25 and the Southampton City Corporate Plan 2022 – 30. |
|-----|---|

| | |
|----------------------|------------|
| KEY DECISION? | Yes |
|----------------------|------------|

| | |
|------------------------------------|-----------|
| WARDS/COMMUNITIES AFFECTED: | All Wards |
|------------------------------------|-----------|

SUPPORTING DOCUMENTATION

Appendices

| | |
|----|-----|
| 1. | N/A |
|----|-----|

Documents In Members' Rooms

| | |
|----|-----|
| 1. | N/A |
|----|-----|

Equality Impact Assessment

| | | |
|---|---|-----------|
| Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out. | | No |
| Data Protection Impact Assessment | | |
| Do the implications/subject of the report require a Data Protection Im Assessment (DPIA) to be carried out. | | No |
| Other Background Documents | | |
| Other Background documents available for inspection at: N/A | | |
| Title of Background Paper(s) | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) | |
| 1. | N/A | |