

This Report will be made public on 5 December 2023

Report Number **C/23/68**

To: Cabinet
Date: 13 December 2023
Status: Non-Key Decision
Responsible Officer: Ewan Green, Director of Strategy & Resources
Cabinet Member: Cllr Jeremy Speakman, Cabinet Member for Assets & Operations

SUBJECT: WASTE & STREET CLEANSING CONTRACT BUDGET PROPOSALS

SUMMARY: The following report outlines proposed budget savings, incomes, and growth options for the financial year 23/24 for the Waste & Street Cleansing Contract. The report proposes the council seeks to negotiate a contract saving of £200K, looks to rationalise the overall number of street litter bins, increases to the bulky waste and garden waste fees and a budget growth item to restructure the Waste Team.

REASONS FOR RECOMMENDATIONS:

The proposals in the report are to support the council budget setting process for financial year 24/25 and its overall savings targets.

RECOMMENDATIONS:

1. To receive and note report C/23/68.
2. Agree the recommendation in 2.6 that the Director of Strategy & Resources is given delegated authority to enter formal negotiations with Veolia with the purpose of reducing the annual cost of the Waste Collection & Street Cleansing contract by £200K. The expectation is the savings will be from the street cleansing service and will result in changes in the contract service standards and performance criteria.
3. Agree the recommendation in 2.7 that an update is provided to Cabinet to confirm the contract savings achieved, noting that any contract variation would need final approval by the Monitoring Officer and S151 Officer as per the council's Contract Standing Orders.
4. Agree the recommendation in 3.7 that the council undertakes a project to rationalise the overall number of street litter bins (to approximately 775 bins).

- 5. Agree the recommendation in 3.7 that the council continues to freeze the installation of new additional street litter bins until the reduction in the overall stock is achieved.**
- 6. Agree the recommendation in 4.5 that the bulky waste collection fee is increased to £53 for 24/25 for the collection of up to three eligible items. The additional item fee to remain at £9 per item for collections of more than three items.**
- 7. Agree the recommendation in 5.3 that the garden waste annual subscription fee is increased to £60.**
- 8. Agree the recommendation in 6.3 to include a budget growth item of £43K for financial year 24/25 to restructure the Waste Team with the growth funded from contract savings achieved.**

1. BACKGROUND

- 1.1 The Waste & Street Cleansing Contract has an annual spend of £5.6m, which makes it the council's leading contract in terms of cost. The service also generates income, notably from recycling material sales and the garden waste subscriptions.
- 1.2 As part of the budget preparation for 24/25, the service was asked to consider options to deliver savings on the contract as well as potential income. Several options were presented for consideration at the Star Chamber exercise in October. Saving proposals that were not progressed included ending the deployment of seasonal bulk bins, re-introducing charging for residual waste bin replacements, and exploring options to move to a three-weekly bin collection.
- 1.3 The proposals recommended to progress are: -
- Negotiate Contract Savings - £200K
 - Reduce Street Litter Bins - £30K
 - Increase Bulky Waste Collection Fee - £5K
 - Increase Garden Waste Fee - £90K
 - Waste Team Restructure (Budget Growth) - £43k
- 1.4 The report gives a summary of each proposal, how they would be progressed, the risks and other implications. The purpose of this report is to gain approval for these proposals to be included in the budget and where necessary to give delegated authority to enter formal negotiation with the contractor Veolia.

2. NEGOTIATE CONTRACT SAVINGS

- 2.1 The proposal is to open a negotiation with Veolia to reduce the overall cost of the contract by a target of £200K. It is expected that any savings negotiated would come from the street cleansing operation where there is more scope for varying service levels.
- 2.2 A potential saving could be made in reducing the Zone Z high intensity cleansing area and this will be proposed to Veolia. National standards for street cleansing are set by the DEFRA Litter Code of Practice. Each street in the district is zoned depending on the anticipated level of intervention needed to meet the Code of Practice standard. Zone Z streets are graded above the national standard (i.e. cleaned to a higher standard daily) and cover limited areas of Folkestone and Hythe town centres measuring around 3100 metres in total.
- 2.3 Veolia will be asked for their proposals, which are anticipated to also focus on changing the cleansing regimes for the town centres, linked with reductions in the size of the street cleansing team, to be gradually achieved as and when vacancies arise.
- 2.4 The following risks and implications are noted for consideration.

- Veolia have advised that any staffing reductions to achieve savings would be achieved as and when vacancies arise (i.e. not through a redundancy programme). Savings passed onto the council would therefore be incremental and could not be guaranteed to be achieved by financial year 24/25.
- A smaller street cleansing operation would be less resilient. To reflect this, Veolia have advised that any savings agreed would need to be linked to changes in the contract standards and a relaxing of the performance criteria/service rectification periods (e.g. emptying full litter bins changing from an hour turnaround to four hours).

1.5 Contractually, due to the type of change being proposed a formal notification would need to be made to Veolia to begin negotiations.

1.6 The recommendation is that the Director of Strategy & Resources is given delegated authority to enter formal negotiations with Veolia with the purpose of reducing the annual cost of the Waste Collection & Street Cleansing contract by £200K. The expectation is that savings will be mainly if not wholly from the street cleansing service and will result in changes in the contract service standards and performance criteria.

1.7 It is further recommended that as any negotiated saving is expected to be accompanied with changes in the contract performance criteria and street cleansing service delivery, an update is provided to Cabinet, either as part of the 24/25 Budget Report, or as a standalone report to approve any service changes proposed. Any contract variation would also need approval by the Monitoring Officer and S151 Officer as per the council's Contract Standing Orders.

3. STREET LITTER BINS

3.1. The proposal is to reduce the overall number of street litter bins to 775 litter bins. The target annual contract saving is £30K, although the main purpose is to control future costs and rationalise the number of litter bins and their locations.

3.2. There are currently 912 litter bins listed on the contract with an annual servicing cost of £104K. There is no single service charge, instead litter bins are charged by zones depending on their frequency of use. Veolia have also identified 148 additional bins not originally listed in the council tender but still being serviced. The annual cost with the extra bins (1060 in total) for 24/25 is estimated at £129K.

3.3. The proposal is to reduce to 775 litter bins with an estimated annual cost of £93K for 24/25. This would be achieved by reviewing current locations, removing bins that are in poor condition or underused and possibly relocating others.

3.4. Due to budget pressures, in recent years the council has placed a freeze on requests for new additional street litter bins and simply funded the replacement of the existing litter bin stock. To also control costs, for several

years the council has as far as possible replaced with a standard design black bin with gold trim.

- 3.5. The advantages of rationalising the overall number of litter bins are that the current stock is ageing and there is limited budget for replacement. It would be an opportunity to review how and where litter bins are located and reset the number deployed rather than simply adding new bins to the existing schedule. There may be future opportunities to install large capacity bins or Solar Compactors if capital funding was available.
- 3.6. The following risks and implications are noted for consideration.
 - There is very limited data on bin use. Any selection for removal would be arbitrary and based on assumed use. Even if backed by data, there will still be public perceptions of the 'value' of a bin at a location. Clear criteria would need to be developed to justify removal.
 - Litter bin selection and removal would take several months to action and would depend on the workload of the Waste Team and handyman service. Savings would not be achieved until the end of the financial year contract adjustment.
 - Veolia may consider a large scale planned reduction in the street litter bin stock to be a major contract change and requiring a formal variation.
- 3.7. The recommendation is that the council undertakes a project to rationalise the overall number of street litter bins to around 775 bins. The council continues to freeze the installation of any new additional litter bins until the reduction in the overall stock is achieved.

4. BULKY WASTE COLLECTION FEE

- 4.1. The proposal is to increase bulky waste fee for 24/25 from £35 (one item) to £53 (three items) to guarantee cost recovery.
- 4.2. The contract cost charged for a bulky waste collection is £47.52, which is higher than the fee charged to residents requesting the service (£35). Cost recovery is only achieved if additional items are requested (£9 per item) but runs an increasing risk of a discretionary service running at a loss. Higher contract indexation due to inflation has increased the gap between the contract cost and fees in recent years.
- 4.3. On paper, increasing the fee could result in an additional income estimated at £5K but for the reasons explained the main purpose is to ensure cost recovery. DDC have already adopted a similar approach for charging for their bulky waste collections.
- 4.4. The risk and implications are that this is a large single year increase, although in part mitigated by the increase from one to three eligible items for collection. Arguably, it could increase the risk of fly tipping, but the additional cost alone is unlikely to be a determining factor.

- 4.5. The recommendation is the bulky waste collection fee is increased to £53 for 24/25 for up to three eligible items. The additional items collection fee to remain at £9 per item.

5. GARDEN WASTE ANNUAL SUBSCRIPTION

- 5.1. The garden waste annual subscription fee is currently £53. The number of subscribers this year is 15,638. It is proposed that the annual subscription is increased for 24/25 to £60. The potential increase in revenue would be £90K. This additional revenue would help offset some of general increases in the main contract costs due to recent high inflation.
- 5.2. The risks and implications of this proposed increase in the subscription fee are that the number of subscribers could fall with a resulting impact on recycling tonnages.
- 5.3. The recommendation is that the garden waste annual subscription fee is increased to £60.

6. WASTE TEAM RESTRUCTURE (BUDGET GROWTH)

- 6.1. The Waste & Street Cleansing Contract is a joint contract with Dover District Council and managed by the Waste Team on behalf of both authorities. The Waste Team comprises staff from both councils seconded to DDC.
- 6.2. The team structure has not been reviewed for many years. The recent Internal Audit report into the management of the contract included a recommendation to review the resourcing, structure and working patterns (e.g. weekend working) of the team. In anticipation of the outcome of this review, it is proposed to add a growth item of £43K to the budget for 24/25. This would need to be funded from the contract savings achieved and would be used to pay additional resourcing for team within the district.
- 6.3. The recommendation is to include a budget growth item of £43K for financial year 24/25 to restructure the Waste Team. Budget growth to be funded from any contract savings achieved.

7. RISK MANAGEMENT ISSUES

- 7.1. A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
The risks are reported in the main body of the report under each option.			

8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 8.1. **Legal Officer's Comments (NM)**
There are no legal implications arising directly from this report.
- 8.2. **Finance Officer's Comments (JS)**
The finance implications are reported with each option.
- 8.3. **Diversities and Equalities Implications (AR)**
No equalities implications.
- 8.4. **Climate Change Implications (AR)**
No climate change implications.

9. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

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