



Agenda Item 9

Report to Economic and Environmental Wellbeing Scrutiny & Policy Development Committee 20 September 2012

Report of: Mick Crofts, Director Business Strategy and Regulation

Subject: Review of Household Waste Recycling Centres

Author of Report: Alastair Black, Waste Strategy Officer, Tel 0114 2037621

Type of item: The report author should tick the appropriate box

Reviewing of existing policy	
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	x
Community Assembly request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	
Other	

Category of Report: OPEN/

Introduction

Earlier this year, petitions were presented to Full Council by the Socialist Party and the GMB, opposing the reduction in opening hours to the City's Household Waste Recycling Centres.

The petitions (attached at appendix 1) were referred to this Committee by Full Council for further consideration.

This report provides the Committee with background information to help inform the discussion. It answers questions raised by the petitioners around:

- Why the service is not provided directly by the Council
- Why and how reduced opening hours were introduced
- The re-tendering process of the Household Waste Recycling Centre Service
- Value for money of the contract.

Recommendations

That the Committee considers this information and hears from representatives of the trades union before deciding whether any further scrutiny activity is required.

1.0 Background

- 1.1 Sheffield City Council is required by law to provide a Household Waste Recycling Centre (HWRC) service. There are currently five HWRC's across Sheffield. Through these sites the Council discharges its duty under the Environmental Protection Act (EPA) 1990 to make available to its residents places where they can dispose of their household waste free at point of use. There is no statutory minimum level of provision, therefore it is a matter for local judgement and decision making as to how many sites there should be as well as the days and times of opening.
- 1.2 Sheffield's five sites are provided through the Council's 35 year fully integrated contract with Veolia Environmental Services (VES). At the start of their contract, VES took the decision to continue to sub-contract the operation of the five HWRC's. VES are responsible for the management function of this sub-contract, including maintaining the infrastructure and ensuring that any relevant legislation is complied with.
- 1.3 Sub-contracts are routinely market tested every five years to ensure that they are still delivering value for money.
- 1.4 At the start of the planning process for the 2010/11 budget local residents, businesses, members of staff and our delivery partners were asked to give us their ideas for how the council could save money or do things differently.
- 1.5 This was the start of "The Big Debate" consultation and offered residents in Sheffield the opportunity to give their views on Sheffield City Council's approach to the financial challenges it was facing. The evidence it provided informed the budget setting process for 2011/12.
- 1.6 Following 'The Big Debate' the following changes were accepted by Full Council on the 4th March to reduce the Waste Management budget for 2011/12. The changes to services included :
 - Ending the subsidy for bulky collections;
 - Ending the free collection of household fridge/freezers;
 - Reduction in funding to the Veolia waste awareness budget from the City Council to support waste awareness publications and programmes;
 - Extending the working day and working week for waste collection;
 - Waste service reductions of: reduced opening by two days a week (from 7 days to 5 days a week) at all HWRC sites;
 - Ending funding for Community Skip service and Bring Out Your Rubbish Days;
 - Waste Management Information Officer Post Reduction;
 - Refinancing of certain assets currently financed by Veolia.

- 1.7 The estimated savings from the two day closure at the five HWRCs was £408k, based on fixed contractual costs. However the number of days the centres would be closed was increased by an additional day by an amendment made by the Leader of the Council in May 2011, saving a further £204k, giving a total estimated budget saving of £612k.
- 1.8 While a decision to reduce the number of opening hours had been agreed, it could not be fully implemented by the company that was running the sites at that time. In an attempt to make the required budget savings the hours of operation changed to 9am to 6pm, 7 days a week, throughout the year. Prior to this they operated from 8am to 7.30pm in the summer (1st April to 31st September) and 8am to 5.30pm in the winter (1st October to 31st March).
- 1.9 As the Council was unable to implement the reduction in opening hours to achieve the required budget saving it was decided to implement the full budget saving when the sub-contract for the operation of the five sites was due for market testing, which was in the spring 2011 as the existing contract expired on the 31st December 2011.
- 1.10 In June 2011 the retendering process started, with the tender based on the principle that at least one site of the five sites would operate in the week, Tuesday to Thursday and all sites would be open Friday to Monday. See Table 1 below. The operating hours being 9am to 6pm.

Table 1.

Site	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Beighton Rd	Open	Open	Closed	Closed	Open	Open	Open
Blackstock Rd	Open	Closed	Closed	Closed	Open	Open	Open
Deepcar	Open	Closed	Closed	Closed	Open	Open	Open
High green	Open	Closed	Closed	Closed	Open	Open	Open
Douglas Rd	Open	Closed	Open	Open	Open	Open	Open

- 1.11 Following the complete tendering exercise, SOVA Recycling Ltd was nominated as the preferred bidder.
- 1.12 From 1st January 2012 SOVA Recycling Ltd has been running the Household Waste Recycling Centres in Sheffield. However following meeting on the 22nd December 2012 between the workforces's Union representatives, SOVA recycling Ltd, the Council, VES and ACAS the proposed operating days as detailed in the tender document were not implemented.
- 1.13 Following further consultation between the workforce through their trade Union representatives, SOVA Recycling Ltd, Sheffield City Council and VES, the opening hours were revised, as shown in Table 2, and were implemented on the 3rd June 2012.

Table 2.

Site	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Beighton Rd	Open	Closed	Open	Open	Open	Open	Open
Blackstock Rd	Open	Closed	Closed	Closed	Open	Open	Open
Deepcar	Open	Open	Closed	Open	Open	Open	Open
High green	Open	Open	Open	Closed	Open	Open	Open
Douglas Rd	Open	Open	Open	Open	Open	Open	Open

- 1.14 The opening times also changed to 10am to 6pm between 1st April and 31st September and 10am and 5pm between 1st October and 31st March. This allowed for the same budget saving to be achieved but meant the sites were open more when there was the greatest demand, particularly in the peak green growing season. The estimated number of compulsory redundancies was also reduced from 9 to 6.
- 1.15 SOVA Recycling Ltd was asked, as were all those organisations who submitted a bid, how they proposed to allow trade waste to be accepted at the sites.
- 1.16 This requirement came from the City's Waste Strategy 2009-2020 which said the Council would explore accepting trade waste from SME (Small and Medium Enterprises) to help stimulate and support businesses in diverting their waste from landfill and promote increased recycling.
- 1.17 Due to the licences under which the five sites operate, household waste and trade waste must be kept separate. This meant that a site had to be chosen which would need to be closed to the public during the periods it would be accepting trade waste.
- 1.18 SOVA Recycling Ltd specifically chose the Blackstock Road site for this purpose, with the decision being based on its more central location, with Douglas Road being deemed unsuitable due to its layout and the fact the buildings on the site were needed to process recycling materials 7 days a week.
- 1.19 The changes made to operating hours made on the 3rd June 2011 were not accepted by the workforce.

2.0 Contract requirements

- 2.1 In 2001 Sheffield Council City entered in to a 30 year fully integrated contract with Veolia Environmental Services (VES) which was extended to a 35 year term in 2003. The Contract is to provide a cradle to grave service for household waste in Sheffield. Therefore VES are responsible for ensuring that the Council meets its legal obligations in relation to provide waste services to Sheffield residents. As well as being responsible for the collection and disposal of household waste, VES services are responsible for managing Sheffield's five household waste recycling centres.
- 2.2 The contract gives VES exclusivity in providing all services, transferred in 2001, for the duration of the contract. The Council has the option to bring the operation of the sites back in house, however the Council would be required to terminate this element of the contract with VES. At the moment the Council has no reasonable grounds to do this.
- 2.3 The five HWRC's in Sheffield are located around the City based on former landfill sites. The sites are leased to VES, for the length of the Council's contract with them. In turn VES are responsible for providing and maintaining the infrastructure at the sites, including machinery and

- waste containers. VES receive a payment for doing this and is included the Councils budget for the sites.
- 2.4 The contract does not prevent VES from providing any additional sites.
 - 2.5 The operation of the five sites has been sub contracted out since the early 1990s, with the Council at that time being directly responsible for the managing of the sub contract on a day to day basis. The responsibility for managing this sub contract on a day to day basis was transferred to VES in 2001.
 - 2.6 None of the site workers who were transferred by TUPE to SOVA Recycling Ltd had ever been employed in the same role by Sheffield City Council or VES.

3.0 Retender process

- 3.1 In June 2011, as the existing contract was due to end on December 31st 2011, VES advertised for expressions of interest to be submitted to operate and maintain the Cities five HWRC's. This was advertised in the trade magazine MRW (Materials Recycling Weekly) and on both the Council's and VES websites. Those wishing to express an interest were asked to do so by 24th June 2011.
- 3.2 VES received 14 expressions of interest; all 14 were supplied with the tender document and were asked to submit their tender by 19th August 2011.
- 3.3 The tender document stipulated that the 5 sites would operate on the principle that at least one site would operate in the week, Tuesday to Thursday and all sites would be open Friday to Monday. Therefore the bids received were modelled on this basis. Attached as appendix 2 is instructions and specification taken from the tender document that was sent out.
- 3.4 The tender specifically excluded providing any haulage or disposal for the majority of materials accepted at HWRC's as these elements are carried out by VES.
- 3.5 The closing date for bids was the 19th August, but after a request from several potential bidders the closing date was extended for a further two weeks.
- 3.6 Following the extension VES had received three bids.
- 3.7 The bids and submitted documentation were evaluated using the criteria that had been published in the tender document. Competitive interviews were undertaken with all three bidders on the 11th October 2011 and following negotiations bidders were asked to submit best and final offers by 5pm on the 14th October 2011.
- 3.8 The panel evaluating the tender's were made up of one officer from VES, one officer from the Councils Waste Management service and one officer from the Council's Commercial Services directorate.

- 3.9 Approaches were made by the workforce's Union representatives to be part of the re-tendering process, however as the contract was with VES and not the Council the request was turned down on the grounds of commercial confidentiality.
- 3.10 Following the complete tendering exercise, SOVA Recycling Ltd was nominated as the preferred bidder based on the outcome of the competitive tendering exercise.
- 3.11 The contract that VES has with SOVA allows them to retain the income from the sale of bric-a-brac, textiles, batteries and non-ferrous metals up to £150k, after this there is a profit sharing mechanism with the Council and VES.
- 3.12 Through a press release on the 30th May 2012 SOVA Recycling Ltd confirmed that over the last five months the average income per month from the resale of these items had been :-
- Textiles £6.25k
 - Non-ferrous metals £1.6k
 - Bric-a-brac £3.75k
 - Batteries £0.8k
- 3.13 The Council shares the income (50/50) with VES, for all ferrous metals and paper/card. This income in 2011 was £213,288 for ferrous Metal and £12,494 for Paper / Card.
- 3.14 Neither the Council nor VES receive any income from the sale of the following items:-
- Green Waste
 - Soil and Brick Rubble
 - Wood & Chipboard
 - Textiles
 - Oil
 - WEEE – Waste Electrical and Electronic Equipment
- 3.15 For WEEE, VES are signed up to a national compliance take-back scheme which means all electrical items taken to the sites are disposed of free of charge, including fridges and freezers.
- 3.16 VES are audited by the Council on a regular basis to ensure that they are complying with the contractual requirements of the profit share.

4.0 Handover

- 4.1 In November 2011, following the conclusion of the competitive tender exercise the process of transferring the existing workforce under TUPE began.
- 4.2 Due to the reduction in the number of days the sites were to be open, it meant that the workforce would need to be reduced. On 29th November 2011 the Council, SOVA Recycling Ltd, the existing contractor and VES met with the workers and their trade union representatives to discuss the transfer of the sub-contract from the previous contractor to SOVA Recycling Ltd.
- 4.3 On the 22nd December 2011, following a meeting between the Council, VES, SOVA Recycling Ltd and ACAS the workforce, through their trade union agreed to suspend their industrial action for one month, to allow for an extended consultation period of three months.
- 4.4 The additional three months were to allow for the workers, supported by their trade union, to carry out a number of initiatives that would create enough income at the sites to offset the necessary budget savings needed. These initiatives were :-
- **HWRC Gate Restrictions** – Restricting access to Sheffield residents only and introducing an entry charge of £1;
 - **COTC (Certificate of Technical Competence) cover at sites** – Change who was responsible for carrying out the checks;
 - **Trade Waste** – Examining the provision of a chargeable disposal service for trade waste at a HWRC site;
 - **Landfill Diversion** – Examining how more non-recyclable waste could be sent to the Energy Recovery Facility (ERF) to lower the disposal costs, based on landfill tax.
- 4.5 Unfortunately none of the initiatives that were put forward were successful in generating any income as they either could not be implemented due legal reason's or were already requirements of the contract VES had signed with SOVA Recycling Ltd.
- 4.6 SOVA Recycling Ltd was already expected to be diverting waste from the sites away from landfill as well exploring the acceptance of trade waste at the sites.
- 4.7 In March 2012 following a meeting between SOVA, Council Officers, Members and the workforce's Union representatives it was agreed to delay the introduction of reduction in operating days until June 2012 to allow for further options to be considered.
- 4.8 Following further consultation between the workforce, through their trade Union representatives, SOVA Recycling Ltd, Sheffield City Council and VES the opening hours were revised. The revised hours (Table 2.) meant that the estimated number of compulsory job loses were reduced from 9 to 6.

4.9 This new proposal was put to the workforce's union representatives on the 22nd May 2012, but was rejected.

4.10 On the 3rd June 2012 the new opening times were implemented. This resulted in three members of staff being made redundant however they were later reemployed meaning no compulsory redundancies were made by SOVA Recycling Ltd.

4.11 Since SOVA Recycling Ltd have taken over the running of the sites the workforce terms and conditions have improved, with the following additions :-

- i. A contract with guaranteed hours
- ii. Time and half for working bank holidays, plus a day of in lieu
- iii. An additional bonus scheme for the diversion of waste from landfill to the ERF

5.0 What does this mean for the people of Sheffield?

5.1 An Equalities Impact assessment was carried out to assess the potential impact of the reduction in opening days at the HWRC's on protected groups within Sheffield. The assessment found that while there would be a reduction in the times when the sites were available to be used, no negative impact was found as the service was still available seven days a week.

6.0 Recommendations

6.1 That the Committee considers this information and hears from representatives of the trades union before deciding whether any further scrutiny activity is required.