

**REPORT TO:** CABINET

**DATE:** 7 DECEMBER 2017

**TITLE:** AWARD OF CONTRACT FOR DOMESTIC WASTE AND RECYCLING COLLECTION SERVICES

**PORTFOLIO HOLDER:** COUNCILLOR DANNY PURTON, PORTFOLIO HOLDER FOR ENVIRONMENT

**LEAD OFFICER:** GRAEME BLOOMER, HEAD OF PLACE (01279) 446270

**CONTRIBUTING OFFICER:** MICHAEL PITT, ENVIRONMENT AND LICENSING MANAGER (01279) 446114

**This is a Key Decision**

**It is on the Forward Plan as Decision number I007694**

**Call-in Procedures may apply**

**This decision will affect no ward specifically.**

**RECOMMENDED that:**

- A** The most economically advantageous tender for the contract for the Provision of Domestic Waste and Recycling Collection and Allied Services submitted by Bidder A is accepted, subject to formal contract and satisfactory conclusion of the statutory standstill period.
- B** The Head of Place is authorised to issue notification of intention to award contracts to the bidder that submitted the most economically advantageous tender, and subject to process make arrangements for mobilisation of the contract.
- C** The provisional item regarding separate collection of food waste from properties with communal bins not be included in the contract to be awarded.
- D** The provisional item regarding administration of new garden waste service by the preferred bidder be included in the contract to be awarded.
- E** The Council's Charges for collection of Bulky Household Waste be revised with effect from 1 April 2018 to more closely reflect those made by comparable authorities, as set out at Appendix A.

## **REASON FOR DECISION**

- A** Domestic waste collection is a statutory function currently carried out by an external service provider under contract to the Council. The contract expires at the end of June 2018 and cannot be further extended. A contract must be awarded now to allow for mobilisation including implementation of ICT systems and procurement of a vehicle fleet so that the Council is able to continue to provide the service beyond that date.

## **BACKGROUND**

1. On 23 March 2017, Cabinet considered options for the provision of service beyond expiry of the current contract and approved procurement of future services in accord with proposals made in the report.
2. The procurement process commenced using the competition with negotiation procurement model. This complied with the Council's policy and relevant statutory requirements, as well as a service specification and assessment methodology in accord with Cabinet's approval.
3. The competition with negotiation procurement model provides for negotiation meetings with bidders following assessment for cost and quality of initial submissions. By allowing bidders to understand where their bids lie in rank against competitors for cost and quality without knowing in detail their scores, the process allows strengthening of areas where improvements in proposals can be identified. It also allows for financial aspects of the bid to be made more competitive. The process gives the Council the opportunity to optimise its requirements in the light of discussions with bidders. Final bids are then submitted and assessed according to the published criteria, with scores here being weighted to reflect a 70 to 30 cost to quality ratio.
4. The Council required the submission of 10 comprehensive method statements as set out in Appendix B to detail proposals for service delivery.
5. Five expressions of interest from competent contractors were received: all were shortlisted. Two withdrew from the process before the initial bid stage. Final submissions were made by three bidders.

## **ISSUES/PROPOSALS**

6. All the bids assessed are to provide services that retain the essential core elements of the current service provision: alternate weekly collection of residual and mixed dry recycling streams, using similar containers and methodology, with provision for charged for bookable bulky household item collection and free of charge hygiene waste collection in qualifying cases.

7. All bids provide for separate weekly collection of food waste from individual street level properties. Separate collection of food waste from properties with communal bins, was introduced with the support of Government grant aid which will not be available during the replacement contract period. It diverts relatively low quantities of food waste from the residual stream, probably because of the practical issues for residents, and is subject to frequent contamination and operational issues. Residual waste is collected from communal properties on a weekly or shorter cycle and so ceasing separate food waste collections will not lead to lengthy retention of putrescible waste and will simplify the service offer for residents using communal bins, which is expected to reduce the risk of contamination. Because relatively little food waste is collected from this stream the impact on residual waste treatment will be minimal. The Mechanical Biological Treatment plant now in commissioning to treat the residual waste stream in Essex is capable of treating waste aerobically minimising the adverse environmental impact of food waste components. Collection of food waste from properties with communal bins has been dealt with during procurement as a provisional item within the procurement process.
8. Bidders' proposals to work with organisations from the third sector in service delivery were assessed as part of the quality assessment. All bidders made proposals which would see suitable materials from the bulky household waste stream diverted to a third sector organisation and would simplify transaction when residents book at Contact Harlow.
9. Bids identified the value to the Council of its offering finance for capital requirements, essentially vehicles, through prudential borrowing. However bids were assessed on the premise that bidders would finance their own capital requirements. Whether in fact to offer the successful bidder finance would be a post-award decision. Bidders understand that it would be their responsibility to provide capital if no finance from the Council is offered.
10. All bids offered modern ICT solutions that would allow collection of comprehensive service performance data, with communication in near real time between front line service provision in the field and customer interface, and interaction between Council systems and the contractor's management system. This would mean Officers would be able to see progress on collection rounds; vehicle crews could report a problem with a planned collection electronically as it happened, and upload photographs if required; supervisors could update crews with new instructions as issues arose.
11. This would allow the Council to deal far more quickly and easily with customer enquiries, and further development by the Council of a range of electronic self-service options such as booking bulky waste collections, reporting missed bins, and getting localised information about service issues, such as delays caused by icy weather.

12. Better access to management data allows contractors to regularly review operations to ensure that optimum use is made of vehicles and human resources, which helps to minimise carbon impact and costs, resulting in more competitive tenders.
13. Bidders identified, within the specified acceptable range of 8 to 10 years, the proposed contract duration. This is because a critical factor is the service life of collection vehicles, and it is a requirement of the contractor that vehicles always be available in operable condition. Bidders are therefore in the best position to calculate the optimum duration to make a competitive bid, bearing in mind their own vehicle choice, procurement and servicing arrangements. In practice all bidders proposed a 10 year duration for the contract.
14. Bidders were required to propose arrangements for a new opt-in subscription garden waste service to operate from 1 April 2019, to be based on fortnightly collections from wheelie bins, or sacks where wheelie bins could not be used. This would eliminate the currently available ad-hoc sack based collection which is very inefficient and so costly to operate. It is anticipated that this efficiency will enable the Council to reduce the charge for a wheelie-bin based service so that it is more accessible and so will attract significantly more customers. Bidders may be able to offer efficiencies in administering customer relations for such services and thus were invited to offer a price for service provision as a provisional item.
15. The markets for the materials separated by materials recycling facilities from municipal mixed dry recyclate have been volatile in recent years. Sale values or disposal costs are strongly affected by fluctuations in the cost of virgin raw materials as well as the international regulatory environment. The procurement process required the handling costs for mixed dry recyclate to be included in the annual contract costs. However indexes of the sale prices or disposal costs of recyclate streams are used to determine the appropriate cost/value of the recyclate stream. Indices and the composition of the mixed dry recyclate are to be assessed at six monthly intervals, and so this element of the contract price will be subject to fluctuation.
16. The increase or decrease in the value/disposal cost is to be shared fifty-fifty with the contractor. This ensures that the Council is not exposed alone to the entire risk of any market fluctuations, and that bidders do not include large sums as a hedge against risks. However, it will be necessary for the Council to take account of this issue in its financial planning.
17. The Council's Client team has reviewed the range of charges made for the discretionary collection of bulky household waste and determined that they are substantially below cost of service provision, and are significantly lower than those made by comparator councils.

18. The outcome of evaluation of the final bids received is shown below. Further information on bids is contained in confidential Appendix C.

Bidder	Score		
	Cost	Quality	Total
A	7000.00	2510.20	9510.20
B	6070.60	2632.65	8703.25
C	6071.12	3000.00	9071.12

19. It is proposed that the tender submitted by Bidder A is accepted as the most economically advantageous tender for the contract for the Provision of Domestic Waste and Recycling Collection and Allied Services.
20. In view of the relatively poor collection rate of the separate collection of food waste from properties with communal bins, the substantial cost of service provision as identified in Appendix C, and the lack of further external funding, it is proposed that the provisional item regarding separate collection of food waste from properties with communal bins not be included in the contract to be awarded.
21. It is proposed that the Council take up the offer by the bidder offering the most economically advantageous tender to administer the new garden waste collection service.
22. It is proposed that charges for bulky waste be adjusted with effect from 1 April 2018 to reflect those made by comparator authorities as set out in Appendix A.

## **IMPLICATIONS**

### **Place (includes Sustainability)**

Contained in the report.

Author: **Graeme Bloomer, Head of Place**

### **Finance (Includes ICT)**

The contract award will be within the existing budget provision and is being considered within the normal budget setting process.

Author: **Simon Freeman, Head of Finance**

### **Housing**

In general services are tenure-neutral however the proposed deletion of communal containers for separate collection of food waste may relieve space pressure on bin stores in some cases and tenants and leaseholders may find the service more convenient.

Author: **Andrew Murray, Head of Housing**

### **Community Wellbeing (includes Equalities and Social Inclusion)**

The impact of proposals on groups with protected characteristics has been considered, however no adverse impact has been identified. Provision for assisted collections and hygiene product collection continues as now, and other proposals should simplify the service offer improving ease of use. Information technology proposals promise enhanced choice, efficiency, and effectiveness in customer interaction. However it is important that sufficient resources are set aside during contract mobilisation both to configure Council systems to maximise the service benefits; and to effectively communicate with residents to maximise the benefits of proposed changes.

Author: **Simon Pipe, Customer and Media Services Manager for Jane Greer, Head of Community Wellbeing**

### **Governance (includes HR)**

The Council has completed a lawful competitive tender process thus mitigating the risk of successful contractor challenge. Bidders will be required to enter into a form of contract to manage the delivery of services together with appropriate data sharing agreement(s) and protocols. The potential contract price fluctuation referred to in paragraph 15 can be managed and mitigated by correct use of the contract terms agreed.

Author: **Julie Galvin, Assistant Solicitor, on behalf of Brian Keane, Head of Governance**

### **Background Papers**

Procurement of Domestic Waste and Recycling Services: Report to Cabinet 23 March 2017.

### **Glossary of terms/abbreviations used**

None.

### **Appendices**

Appendix A – Analysis of Fees and Charges

Appendix B – Method Statements

Appendix C (Confidential) – Additional Information Regarding Bids