

REPORT TO: CABINET

DATE: 26 MARCH 2015

TITLE: DOMESTIC WASTE AND RECYCLING
COLLECTION CONTRACT

PORTFOLIO HOLDER: COUNCILLOR MARK WILKINSON

LEAD OFFICER: GRAHAM BRANCHETT, CHIEF OPERATING
OFFICER (01279) 446200

CONTRIBUTING OFFICERS: GRAEME BLOOMER, HEAD OF PLACE
(01279) 446270

MICHAEL PITT, ENVIRONMENT AND
LICENSING MANAGER (01279) 446114

This is a Key Decision

This decision is on the Forward Plan as Decision Number 1003699

Call-in Procedures may apply

This decision will affect no Ward specifically.

RECOMMENDED that:

- A** The current domestic waste and recycling collection service contract is extended by two years to June 2018 on the basis outlined in the report.
- B** Authority be delegated to the Chief Operating Officer in consultation with the Portfolio Holder for Environment to conclude formal arrangements to effect the extension of the contract.

REASON FOR DECISION

- A.** To determine whether the Council should exercise its option to extend the current domestic waste and recycling collection services contract by two years to June 2018 or alternatively commence a new procurement process.

BACKGROUND

1. The Council's current seven-year contract with Veolia Environment Services [VES] for domestic waste and recycling collection services commenced in June 2009. The Council may at its discretion offer to extend the contract by a further two years from June 2016 to June 2018.

2. The Council must consider now whether to exercise that option, or to procure an alternative service provider.
3. The performance of the current contract and market conditions have been analysed with the support of experienced consultants to inform the Council's decision. The outcome is presented in this report.

OPTIONS APPRAISAL

4. The principal considerations relevant to the two available options are set out in the table below.

	Position should the current contract be extended	Position should the contract be retendered
Service quality	Overall services perform better in comparison with other areas than might be expected given the nature of the town. Service quality standards are high and the current contractor is judged to be responsive and maintain an excellent relationship with the Council.	The performance of a potential alternative contractor remains unknown
Cost of service	The consultant has analysed market information and advises that the current service is provided at market rates.	It is unlikely that retendering for the services would result in a proposal with a lower overall contract cost
Transfer of Risk	VES offer to fix the cost of handling and disposing of mixed dry recyclate collected for the remainder of the contract and extension at a rate per ton well below the current market rate. This both results in low cost for this service, and protects the Council from financial risk in a very volatile market for recyclate costs.	No alternative contractor is judged likely to offer to fix costs in a comparable way. Disposal of recyclate at current market rates would add cost estimated at up to an additional £190,000 per year.
Social responsibility	VES have a very respectable corporate social responsibility and safety record and have invested in ongoing staff development. Rates of pay for the Harlow Contract exceed living wage rates and VES has committed to explore Living Wage Accreditation for the Harlow Contract with the Living Wage	The performance of a potential alternative contractor remains unknown. Any specific requirement or restriction with regard to rates of pay is likely to be reflected in contract costs.

	Commission working towards accreditation over coming months at no cost to the Council	
Contract cost reduction	<p>VES have proposed extending the working life of existing capital assets beyond their pay-down period. VES would absorb any resulting extra vehicle maintenance costs. The Council would benefit by reduced contract costs by approximately</p> <ul style="list-style-type: none"> • £75,000 in 2016/17 • £300,000 in 2017/18 and • £77,000 in 2018/19 <p>This equates to over £450,000 in cashable savings</p>	The pay-down period for containers expires six months after the contract. This entails an exit payment of £75,000 should the contract not be extended. The current service cost being at market rates, the savings proposed by VES could not be counted upon if the service were retendered
Service disruption	Service is currently effective and reliable. Extension would provide continuity.	Transition to an alternative service provider may lead to a disruption in service
Cost of re-tendering	There is no direct cost should the contract be extended.	The estimated direct cost of an OJEU compliant procurement exercise for the services is £50,000
Promotion of recycling	VES has proposed a total investment of £60,000 in promotion and customer communications to be used at the Council's discretion with a view to improving recycling performance and quality of material recovered at £20,000 per year from 2015/16-2017/18	The current service cost being judged to be at market rate, requiring bidders to match the benefit proposed by VES would be expected to increase the contract cost should the service be retendered.
Change in EU law	It is widely predicted that European Union legislation affecting expectations of domestic waste collection will be implemented over forthcoming years. It appears more likely that the Council will be able to plan for any new legislative landscape if the changes are already made by the time that retendering is required at the end of the contract as extended.	Procuring a new contract for services before the impact on new legislation in house may result in a contract that is difficult to adapt to new requirements.

CONCLUSIONS

5. The current contract is provided at market rates; retendering now is unlikely to offer reduced costs.
6. The current contract has the additional advantage of protecting the Council from risk in a volatile market for dry mixed recyclate: protection is almost certain to be lost if the contract were retendered.
7. Service quality is good and overall performance is significantly better than would be expected given the nature of the locality. Extension of the contract would ensure continuity and avoid risk of disruption.
8. Extending the contract offers additional cashable and non-cashable benefits set out above that could not be expected if the contract were retendered at the market rate.

IMPLICATIONS

Place (includes Sustainability)

Contained within the body of the report.

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

Finance (Includes ICT)

The financial implications are detailed within the report. The recommendations if approved will deliver additional savings of £450,000 during the contract extension period in addition to a £60,000 investment by VES.

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

Housing

As contained in the body of the report.

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

Community Wellbeing (includes Equalities and Social Inclusion)

The current contractor's commitment to Living Wage Accreditation is welcome.

Author: **Jane Greer, Acting Head of Community Wellbeing**

Governance (includes HR)

The initial contract was compliant with the European Procurement Rules and allowed for an extension of up to two years. At this time the extension is compliant with European and National laws and there is little scope for challenge.

Author: **Brian Keane, Interim Head of Governance**

Background Papers

None

Glossary of terms/abbreviations used

None.