

EAST HERTS COUNCIL

EXECUTIVE – 16 OCTOBER 2017

REPORT BY EXECUTIVE MEMBER FOR ENVIRONMENT AND  
PUBLIC SPACE

WASTE, RECYCLING AND STREET CLEANSING CONTRACT  
AWARD

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- In June this year, North Herts District Council commenced an OJEU procurement in order to procure a new waste and street cleansing contract (Lot 1) and recycling contract (Lot 2) on behalf of both Authorities to start in May 2018 for 7 years with the option to extend for a further 7 years. The new contract will provide combined services for North Herts and East Herts as both Councils look to achieve economies of scale and efficiencies through joint working.
- This report asks the Executive to agree the acceptance of the most economically advantageous tender (MEAT) for the Lot 1 contract Waste collection and street cleansing.
- This report also seeks decisions and recommendations on the 'options' for the contract.
- The tender period for Lot 2 has been extended and Executive is asked to delegate authority for the award of this contract, on the basis that this will be awarded to the most economically advantageous tender (MEAT).

**RECOMMENDATIONS FOR EXECUTIVE: That:**

<b>(A)</b>	<b>approval be provided to award the Waste collection and Street Cleansing (Lot 1) Contract based on the Most Economically Advantageous Tender;</b>
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(B)	subject to recommendation (A), it is agreed that North Herts District Council are authorised to issue notification of intention to award and subsequently award the Lot 1 contract to the bidder upon conclusion of the standstill period on behalf of East Herts Council;
(C)	the Executive consider options for the contract and recommendations as described in paragraphs 4.1 and 4.2;
(D)	the Executive note that the request to fund vehicles previously agreed in principle by Council through capital funding is no longer required;
(E)	the Executive consider the option to introduce a chargeable green waste service alongside a weekly food collection service; and refer the recommendation to Council for a decision;
(F)	the Executive provide delegated authority to the Chief Executive in consultation with the Executive Member for Environment and Public Space to accept the MEAT for Lot 2;
(G)	subject to recommendation (F), it is agreed that North Herts District Council are authorised to issue notification of intention to award and subsequently award the Lot 2 contract to the bidder upon conclusion of the standstill period on behalf of East Herts Council; and
(H)	the Executive agree in principle to a change in the way that materials are collected, from separated paper to separated glass if this provides material financial savings.

## 1.0 Background

### 1.1 Minute 156 of Executive on 26/7/16 RESOLVED that

- (A) a Shared Waste and Street Cleansing Service with North Herts District Council (NHDC) be implemented and a joint contract for these services be procured

(B) a report be brought forward in the Autumn 2016 advising of progress and recommending award criteria for the joint contract; and

(C) the Ambassador and Executive Member for Shared Services be given delegated authority to make minor changes to the scope of the shared service in consultation with North Herts District Council

- 1.2 The contract documentation has been produced and agreed by the Waste Partnership Project Board and meetings with councillors and the chairmen of the waste task and finish group have been arranged to ensure there has been awareness of the process.
- 1.3 Procurement documents were jointly produced and bidders were invited to tender on date 30<sup>th</sup> May 2017. Closing date for receipt of all bids was Wednesday 9th Aug 2017, followed by an evaluation process.
- 1.4 There is an Intermediate Inter Authority Agreement (IIAA) in place between East Hertfordshire District Council (EHC) and North Hertfordshire District Council (NHDC) and a more detailed Inter Authority Agreement (IAA) which will legally set out the formal arrangements including management finance and resources is currently under development and will be in place prior to the contract commencing.
- 1.5 The main depot for the contractors for both lots 1 and 2 is Buntingford and this will also be the location for the new joint Client team that will be fully operational prior to the contract commencing. There will be satellite depot(s) due the large geographical size of both authorities. For North Herts these facilities will be used for the street cleansing contract and storage for many of the vehicles used within the District.
- 1.6 The contracts consist of
  - Lot 1 – Main contract for collection of all waste and recycling and street cleansing
  - Lot 2 – Contract managing the recycled materials collected from Households, which will include transportation of all recycled materials stores at Buntingford depot or other facilities to a processing plant that will separate the materials (MRF Material Recovery Facility)

- 1.7 These contracts are for seven years, commencing May 2018 with an option to extend for a further seven years.
- 1.8 Normally any significant changes will occur at contract renewal (2025 or 2032) as this is usually the best opportunity to maximise any potential savings &/or improvements. Up to a year before contract renewal, officers will benchmark and research opportunities for service improvement and further efficiencies.
- 1.9 The process agreed for procurement of these contracts was:-
1. Agree to the appointment of the contractors on the basis of the core contract which is the subject of this report.
  2. Consider and agree any dependent options for the preferred bidders for Lots 1 & 2 and independent options. Decisions in respect of such options are the subject of a separate report.
- 1.10 The main driver for both authorities is to make financial savings whilst not adversely impacting on performance and to consider overall “whole system cost”. Therefore, there has been consultation with the disposal authority (Hertfordshire County Council) in particular with regard to the dependent and independent options.
- 1.11 All bidders were guided to consider how they could realise efficiency savings and were directed to look at maximising the utilisation of all of their resources and reducing vehicle movement by optimising routes. Therefore, there will be some impact on residents and this may include different day &/or time of collection. However, there will be a communication campaign to ensure all our residents are informed of any such changes.

## **Report**

- 2.0 A quality and price evaluation was undertaken for Lot 1 which is the main contract for shared waste and street cleansing with 40% awarded for quality and 60% for price.
- 2.1 Three bids were evaluated for Lot 1 and the following table shows the results.

Lot/Service 1 Bidder	Score %		
	Quality X% (out of 40%)	Price Y% (out of 60%)	Total max 100%
A	32.7%	48.9%	81.6%
B	30.3%	60.0%	90.3%
C	33.1%	54.2%	87.2%

- 2.3 For lot 1 the bidder that provides the highest overall score is bidder B and accordingly bidder B offers the MEAT for lot 1.
- 2.4 The procurement timetable for Lot 2 was extended by a further 3 weeks and award of contract is scheduled for early November Further information regarding Lot 2 can be found in **Essential Reference paper B**.
- 2.5 Whilst Lot 1 will be awarded completely independently of Lot 2 because they are separate contracts, there are options within Lot 2 that will impact on the ability of the Lot 1 contractor to fully mobilise for the new contract. The successful bidder is unlikely to meaningfully mobilise the contract for Lot 1 until there is certainty on the outcome for Lot 2 primarily because the collection arrangement for recyclable materials must correspond with the successful Lot 2 bid.
- 2.6 Therefore, the Executive are asked to approve delegated authority to the Chief Executive in consultation with the Executive member for Environment and Public Space for the award of lot 2. The Executive are also asked to approve that North Herts District Council are authorised to issue notification of intention to award and subsequently award the Lot 2 contract to the bidder upon conclusion of the standstill period on behalf of East Herts Council.
- 2.7 The financial implications on the base bid for both authorities for the bidder that offers the MEAT is shown in **Essential Reference Paper C**.
- 2.6 East Herts Council have identified savings of £213k as part of the medium term financial planning and North Herts District Council have identified savings of £494k. These are not incorporated in the current budget totals above. We are all aware of the increasing financial pressures on both authorities and there is a one off opportunity to make further savings with the options and

optional items that will be considered in the following sections of the report.

### **3.0 Optional Items**

- 3.1 The options to be included within the procurement were agreed by both Councils, with some options only relevant to one of the Councils. The Executive can choose to not take up the options, with some decisions being dependant on agreement from North Herts Council.
- 3.2 A public consultation was undertaken where 8016 (2314 from EH residents) responses were received key findings are described within this report.
- 3.3 A questionnaire was circulated to local authorities across the Country who currently charge for garden waste collection to inform officers on the impacts of the service.
- 3.4 The options that needs a joint decision between the two authorities relates to the collection of recycling materials. This is a choice between:
- Separated paper (AS IS- current practice)
  - Separated glass
  - Fully comingled (all dry materials in one bin with no separation)
- 3.5 The preferred option is dependent on the costs of collection, the costs of haulage and processing materials and the income received from materials. The difference in the costs of collection are minimal, broadly speaking separate glass costs the same as separate paper, and fully co-mingled is cheaper with the preferred bidder (cost reflected in **Essential Reference Paper D**). Based on market information it is expected that the increased processing costs and potential for lower quality material (separately collected material will have a higher value in the market place, due to reduced cross contamination) will more than off-set the reduced collection costs for fully co-mingled. Officers therefore recommend the exclusion of fully commingled for consideration and propose a choice between separate paper (current service for both districts) and a service change to separate glass. A final decision cannot be made until the final lot 2 bids are received.

- 3.6 From Lets Recycle indicator values there is sufficient confidence that there could be reasonable savings in material income from a service change to separate glass. The increased income from glass separated at source is significantly higher than the glass that has to be mechanically separated (£6.50 income versus £20 cost per tonne based on August 2017 indicator values). The difference in the price that can be achieved between separated paper and co-mingled paper is much lower (less than £5 per tonne), albeit that the current paper contract procured as part of the Hertfordshire Waste Partnership Consortium consistently achieves above the indicator prices. Residents also currently put some paper in the co-mingled bin rather than use the box and this generates an even lower level of income per tonne. Looking at material prices over the last 20 months (since January 2016) shows that in all months the separated glass would have provided the Council with the most financial return. Although market prices are driven by global economic factors and cannot be fully predicted. Advice from consultants is that they cannot foresee any significant change in these cost/ income differences in the future.
- 3.7 Actual the processing costs can only be determined once the winning Lot 2 bidder is known, as it will depend on how each bidder will deal with the material and the technology within their plant that they have available.
- 3.8 The feedback from the public consultation of 8016 responses (both Authorities), in relation to this service option was that 91% of residents agreed that they would be willing to continue to separate one material from their main recycling if it helps reduce the cost of the service and 69% agreed they would be prepared to separate one material even if it didn't save additional money.
- 3.9 Tonnages associated with the collection of paper have shown a steady decline over recent years due to an increase in digital technology use leading to reduced income for the Council despite securing favourable prices from recently let contracts. Although it is expected that separating paper will still provide the Council with an improved financial position over a fully commingled collection. The decline in paper use is likely to continue reducing the financial advantage in later years of the contract.
- 3.10 Collection of glass as part of our commingled collection has not been in decline and currently makes up approximately a fair portion of the commingled material. The removal of the glass from the commingled bin should adequately compensate for paper in the bin

in terms of bin capacity as it is estimated that 35-40% of the commingled material would be paper.

3.11 The award of Lot 2 and the decision in relation to the collection option (i.e. separate paper or glass) should be made as soon as possible. This then enables the Lot 1 contractor to start their mobilisation (e.g. procurement of vehicles which currently have minimum lead times of 6 months). This is the only dependent option i.e. East Herts and North Herts have to make the same decision.

3.12 The Executive are therefore asked to:

- Agree in principle to a change in the way that materials are collected, from separated paper to separated glass if this provides material financial savings.
- That authority is delegated to the Chief Executive (in consultation with the Executive Member for Environment and Public Space) to determine the collection option once the financial impact is known, and following consultation with North Hertfordshire District Council

#### 4.0 Options Specific to East Herts

##### *Markets*

4.1 For East Herts Council an option was included for the Markets Cleansing service. The collection costs for this per year are reflected in **Essential Reference Paper D**. On the basis that the Council is exploring devolving this service to Town Councils (subject to further discussions and confirmation from Town Councils) it is recommended that this option is not taken up for the life of the contract. The Council may consider negotiating a shorter term for this option or explore another provider/s to carry out this function.

##### *Public Conveniences*

4.2 Another option for East Herts is for the Public Conveniences opening, closing and cleansing service, the cost of this is reflected in **Essential Reference Paper D**. Similar to the markets the Council is exploring alternative methods of delivery, it is therefore recommended that this option is not taken up for the life of the contract. The Council may consider negotiating a shorter term for this option or explore another provider/s to carry out this function

### *Vehicle Purchase*

- 4.3 Both Councils have set aside funding in their capital programme for the potential purchase of the vehicles that would be required for the contract (NHDC £3.6 million, EHC £3.5 to 4m). It was expected that by funding the purchase of the vehicles, the Councils would gain from the financing costs that the contractor would have incurred. The purchase of the vehicles also converts the cost from revenue to capital, although under accounting rules it is possible that this would be required anyway. As the lot 1 bidder is planning on hiring the vehicles to give them greater flexibility, they are not offering any benefits to the Council for purchasing the vehicles.
- 4.4 The Executive are asked to note that there is not a realistic option for the Council to purchase the vehicles.

### *Chargeable Greenwaste alongside weekly food collection*

- 4.5 There is an independent option for both Councils to implement charging for green garden waste. This would be accompanied by a change to separate weekly food collection, this and would therefore result in an increase to the annual price for collection. The Council would keep the income that was generated from charging residents for the garden waste collection service. For East Herts, the income would be collected by the customer service team.
- 4.6 There would also be up-front costs to acquire the food waste containers, which are estimated to be £2.50 per unit. This would equate to around £125k. This would require approval by Full Council for inclusion within the capital programme. There would also be costs associated with container delivery (for the food waste containers) and the likely need for the collection of for the mixed organic bins (brown bins) from those not taking up the garden waste service costs.
- 4.7 The feedback from the public consultation in relation to this was that 83% of East Herts residents disagreed or strongly disagreed with introducing a chargeable garden waste service alongside weekly food waste collections. Overall 25% of all residents said they would be likely to use a paid for green waste service, which is the same percentage as those that responded to a similar survey in a 'nearest neighbour' authority who have implemented a similar service. The actual proportion of the residents in that authority that

are now signed up is 74% of eligible properties.

- 4.8 When asked what they would be likely to pay for the green waste service, 35% of residents indicated they would be very or quite likely to pay up to £40 a year, with 13% saying they would be very or quite likely to pay £41-55, and 6% saying they would be very or quite likely to pay between £56-£70. Given the high drop off between £40 (35%) and £41-£55 (13%), a charge of £40 has been assumed in assessing the financial impact. A lot of Authorities that have introduced green waste charging have chosen to charge £35 in the current financial year (2017/18), although this will be subject to review as to what they charge next year. Some authorities charge £40 or more.
- 4.9 The table in **Essential Reference Paper D** demonstrates potential income and is based on 40% take-up of the garden waste service as this was the used for the tender. The amounts are based on both Councils taking up the option. This was based on consultant advice that this was a prudent conservative level of take-up based on experience in other Authorities (monetary amounts are in £000).
- 4.10 The option of a weekly food collection service alongside a chargeable green waste service in the tender documents is an 'independent' item meaning that each Authority does not require the other to select the same position on the introduction of the service. The driver for the joint waste and street cleansing service is savings and therefore optimal efficiency is achieved if both Authorities have the same position. However, efficiencies can be achieved with differing positions. Should one Authority agree to adopt the weekly food collection and chargeable green waste service and other did not it would be difficult and costly to introduce such a service during the 7 year contract period, should the other Authority later wish to make a decision post contract award. Contract negotiations to vary the contract would almost inevitably result in a cost to the service and the vehicles procured for the service at the beginning of the contract may not be fit for purpose for future changes and therefore will result in further additional capital and/or revenue costs for new vehicles. Efficiencies anticipated from a joint client team would need to be reviewed to ensure sufficient capacity is available to manage two essentially different services. Any income/savings will solely benefit the Authority which achieves income levels from such a service over the 7year contract life.

- 4.11 Recycling credits are only received for dry recycling, so this change has no impact. It is currently anticipated that a proportion of the increased food waste collected would off-set some of the reduction in garden waste, and therefore there would be no little detrimental impact on the Alternative Finance Model (AFM). However this is dependent on higher take up more closely resembling the experience of neighbouring authorities, than the baseline 40% with take up needing to be in the region of 60-70%.
- 4.12 The table below details the expected ongoing revenue implications at various levels of take-up (with a £40 annual charge). The capital costs will be the same as at 40%. Up-front revenue costs will also reduce with increasing levels of take-up as the number of mixed organic bins to be collected will reduce.

	<b>East Herts</b>
26% take-up	(210)
30% take-up	(260)
40% take-up	(386)
50% take-up	(512)
60% take-up	(638)
70% take-up	(764)

- 4.13 During the public consultation 21% of residents indicated that they would be interested in having more than one chargeable garden waste bin.
- 4.14 Compostable waste tonnages are difficult to predict accurately due to fluctuations in the growing season. Data from the 'nearest neighbour' previously referenced, is that tonnages for compostable waste during the first year of service change did not show a significant drop in the amount collected once a chargeable garden waste came into effect. Although this would be affected by levels of take-up and this is now 74% of eligible authorities in that Authority.
- 4.15 There is a perception of the risk of increased fly tipping as a result of the change however, data from the same 'nearest neighbour' in relation to fly tipping shows no noticeable increase following the introduction of a chargeable green waste service. Reports of fly tipping across the county from Oct 2016 – May 2017 have generally reduced every month (apart from March 2017). In at least two of the Authorities that have introduced a chargeable green waste service the recorded number of fly tips in those Authorities has reduced; although there is insufficient evidence to

draw a correlation or conclusion between the introduction of a chargeable green waste service and its impact on fly tipping.

- 4.16 A number of residents responding to the public consultation indicated that they would utilise the Household Waste Recycling Centres for the disposal of garden waste and Hertfordshire County Council has been consulted on the introduction of green garden waste charging. As part of this they provided some information on the likely impact on Household Waste Recycling Centres (HWRC) from introducing green garden waste charging. This showed confirmed that they would expect an initial increase in HWRC visits following the introduction of green garden waste charging. However, anecdotal data suggests the general behaviour has been that residents have soon opted into the paid service over a weekly visit to the local recycling centre. As with fly tipping it is difficult to ascertain whether there is an evidence based relationship between the two. Both of these concerns raised will be monitored by the Council in partnership with the Herts Waste Partnership.
- 4.17 If introduced, the charge for green garden waste collection should be treated in the same way as other fees and charges. This means that it will increase each year in line with the agreed Medium Term Financial Strategy (MTFS).
- 4.18 Work undertaken in 2016 by a neighbouring District to determine the proportion of Councils currently charging for garden waste revealed the following:-

<b>Charging for Green Waste in England 201 District Councils, 36 Metropolitan Districts, 32 London Borough and 55 Unitary Authorities</b>	<b>Number of Council's</b>	<b>% of Council's</b>
No	109	38%
Unknown	23	8%
Yes	156	54%
<b>Grand Total</b>	<b>288</b>	<b>100%</b>

- 4.19 Questionnaires were sent to Councils who currently charge for garden waste. 19 responses were received all of which indicated that that would still have made the decision to charge given the information they know now about the implementation of the service, all Councils indicated that the service was either cost neutral or producing a surplus.
- 4.20 The charge levied by the Councils which responded ranged from

£24 to £96 for a 240L bin, with the average price from response being £47.42. If the two extremes of the range are excluded (range £30-£65) the average charge becomes £45.94.

4.21 Other concerns raised during the consultation period include:

- Affordability for all members of the community
- Charging for an existing service
- An additional bin to manage
- Weekly food collections

Each of these concerns is considered in detail below.

#### *Affordability for all members of the community*

4.22 There have been some concerns over the affordability of the service for East Herts residents. As with other chargeable services a concession could be provided for those members of the community who wish to take up the service who are unable pay £40 a year for the service, in addition payment in instalments could be provided. Residents who do not wish to take up a chargeable green waste service will not be required to pay towards the weekly food collection service. An equalities impact assessment has been carried out for this option, which can be found in **Essential Reference Paper E**.

#### *Charging for an existing service*

4.23 As mentioned previously, just over 50% of councils across England either already charge for green waste, or are committed to doing so in the next 12 months. Three of these are in Hertfordshire. A number of Authorities report that introducing the charge has taken place to raise funds after central government budgets cuts to support operational costs of the waste collection service. In East Herts the waste collection and street cleansing service is the single biggest revenue cost to the Council. Introducing a chargeable green waste collection service could support some of the funding pressure for this area. There is naturally some concern over the public perception of such a decision. Communicating the reasons for a potential change in service may mitigate some of these concerns, including the environmental benefits of a weekly food collection service and supporting the sustainability of a discretionary garden waste collection service.

#### *An additional bin to manage*

4.24 The introduction of a weekly food collection service would result in residents receiving an additional 23litre food waste caddy (bin) to

ensure food waste is not placed into the black bins (and therefore taken to landfill.) To provide some context in terms of size, the inner paper boxes as part of the blue lidded bins are 45 litres. A table is provided in **Essential Reference Paper F** to simplify the advantages and disadvantages of a weekly food collection service. The table also provides images of the different scenarios.

- 4.25 Given that the additional food waste caddy will be a secure bin to leave outside (preventing pests), in theory residents will be able to manage their food waste in the same manner as they currently do, i.e. using the kitchen caddy to then dispose of its contents in an outside bin. Alternatively the food caddy could be placed in the kitchen and taken out weekly.
- 4.26 The Overview and Scrutiny Committee recommended more detail was provided to the Executive to help inform the recommendation to Council and that weekly food collection was considered separately and the option simplified. In addition, a table has been provided to simplify the current and future option in **Essential Reference Paper F**.
- 4.27 Food waste would not be acceptable in chargeable garden waste collection as this could be perceived as charging for food waste collection – UK law does not permit allow Councils to charge for the collection of food waste.
- 4.28 It is more expensive to divert waste (including food waste) to landfill. This option is highly likely to create more waste for landfill and therefore incur costs to the County and tax payer. A weekly food collection service alongside a chargeable green waste service is recommended over not providing a weekly food collection service.
- 4.29 Based on the information provided, the Executive are asked to make a recommendation to Council regarding the introduction of chargeable green waste service alongside a weekly food collection service. The Executive are also asked to note that the recommended option will require a capital investment of £125k.

## 5.0 Implications/Consultations

- 5.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None

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