

EAST HERTS COUNCIL

THE EXECUTIVE – 1 DECEMBER 2010

REPORT BY EXECUTIVE MEMBER  
FOR ENVIRONMENT AND CONSERVATION

REFUSE, RECYCLING AND STREET CLEANSING CONTRACT

WARD(S) AFFECTED: All

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**Purpose/Summary of Report**

- To provide details of the results of the tender evaluation process and agree whether the options within the contract should be taken up.

<b><u>RECOMMENDATIONS FOR EXECUTIVE: that</u></b>	
<b>(A)</b>	<b>the award of the contract to Veolia Environmental Services be noted;</b>
<b>(B)</b>	<b>The Executive consider the options available within the contract and make recommendations to Council whether these should be taken up.</b>
<b><u>RECOMMENDATION FOR COUNCIL:</u></b>	
<b>(C)</b>	<b>The Council consider the options available within the contract and agree which should be taken up.</b>

1.0 Background

1.1 The Council's refuse / recycling and street cleansing contracts come to an end on 30 April 2011. In February 2007 the Council agreed that these should be combined into a single contract as this was likely to give better value for money. Officers have now completed procurement of a new contract for a period of 7 years with a possible extension period of up to 7 years. The design of the contract and possible options was informed by a Member Task and Finish Group,

which made recommendation to the Executive via the Environment Scrutiny Committee in May 2010.

- 1.2 It was agreed to require contractors to tender for a similar service configuration to that currently provided, but also to allow bidders to submit an additional 'Alternative' proposal for recycling collection services, if they wished to do so, within certain constraints. This provided an opportunity for the market to come forward with potentially more economically advantageous alternatives based upon their experience elsewhere. Bidders were also permitted to submit an alternative price if they wished to own the recyclable materials collected. Again, this was an opportunity to see whether the market might obtain better prices for materials than the Council is able to achieve through its Hertfordshire wide consortium contracts.
- 1.3 In line with the recommendations of the Task and Finish Group, the contract also required bidders to provide prices for a number of 'optional' services. The objective was to obtain comparative prices for works that are currently outside the main contract or to price possible options for the future. The Council would then be in a position to consider pros and cons of these options in the knowledge of what they would cost. The report contains details of these options and officer recommendations where appropriate.
- 2.0 Report
- 2.1 Procurement was conducted using a 'restricted' tendering procedure and in line with EU procurement legislation. This resulted in 11 companies requesting the tender documentation. Eight of these, having met pre-qualification criteria, were selected to submit tenders. Tenders were received from three companies (in alphabetical order):
  - Enterprise Managed Service Ltd.
  - Serco Ltd
  - Veolia Environmental Services Ltd
- 2.2 All tenders received were complete and compliant with the requirements of the tender documents.
- 2.3 Tender submissions were assessed against the agreed criteria with 60% (600 points) allocated to Price and 40% (400 points) to Quality.
- 2.4 Quality of submissions was assessed against 33 separate method

statements covering each of the functions to be performed under the contract as well as general criteria (e.g. Health and Safety; environmental and economic development; contract management and monitoring; Information Technology proposals).

2.5 In line with best practice, the company's tendered prices were compared by awarding the maximum score of 600 to the lowest price, then calculating the other scores as a proportion of the cheapest price. While the highest scoring bid for quality received 400 points and the others proportioned according to the points received.

2.6 Tendered prices received (in ascending order) for core services were as follows:

<b>COMPANY</b>	<b>Tendered Price</b>
A	£3,919,718.93
B	£4,614,087.94
C	£4,632,401.96

2.7 Scores awarded were as follows:

<b>COMPANY</b>	<b>Price Score ( 600 maximum)</b>	<b>Quality Score (400 maximum)</b>	<b>Total Score</b>
A	600.00	344.07	944.07
B	509.71	318.19	827.90
C	507.69	400.00	907.69

2.8 On the basis of this evaluation the Director of Customer and Community Services has awarded the contract to 'Company A' – Veolia Environmental Services Ltd, having submitted the most economically advantageous tender overall.

2.9 None of the bidders submitted prices under the 'Alternative' recycling service provision option. One bidder indicated that they had not done so as the main alternative configuration (collecting recyclable material 'co-mingled' in a wheeled bin for later sorting) would be more expensive than existing arrangements (separating materials at the kerbside using recycling boxes).

2.10 Only one contractor submitted a price for owning the recyclables

materials, but this was substantially lower than the income currently received by the Council through its consortium contracts and therefore was not evaluated.

2.11 At the Council's request the Contract also included options for the following activities:

- Collection of other plastics, types 1 to 6, to include yoghurt pots, butter/margarine tubs, plastic food trays, flower pots, shrink wrap and carrier bags.
- Collection of Organic Waste from communal properties
- Collection of Organic Waste from Schools
- Weed spraying of hard surfaces on public highways
- Collection of fly tips of more than one cubic metre
- Emptying on-street recycling bins
- Waste collection and cleansing of markets
- Cleansing of car parks
- Leaf clearance
- Public conveniences
- Street washing
- Graffiti removal

2.12 These options are detailed in **Essential Reference Paper 'B'** together with a recommendation for how they should be treated at the start of the new contract:

2.13 The Executive is requested to consider these options and make recommendation to Council.

### Background Papers

Refuse, Recycling And Street Cleansing Contract Design - Report By Chair Of The Refuse Contract Task And Finish Group (Environment Scrutiny Committee – 16 March 2010; Executive 11 May 2010)

Contact Member: Malcolm Alexander – Executive Member for Community Safety and Protection

Contact Officer: George Robertson – Director of Customer and Community Services, ext 1410

Report Author: Cliff Cardoza – Head of Environmental Services

## ESSENTIAL REFERENCE PAPER 'A'

<p>Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i></p>	<p><b>Pride in East Herts</b> <i>Improve standards of the neighbourhood and environmental management in our towns and villages.</i></p> <p><b>Caring about what's built and where</b> <i>Care for and improve our natural and built environment.</i></p>
<p>Consultation:</p>	<p>Consultation with the Hertfordshire Waste Partnership and Hertfordshire County Council was undertaken to consider any partnership issues prior to tendering. Key internal stakeholders, who receive these services, were consulted as part of the design of the contract. See also consultation linked to Risk Management below.</p>
<p>Legal:</p>	<p>The Group considered the statutory requirements placed upon the Council for these services as part of its work.</p>
<p>Financial:</p>	<p>Veolia's tendered sum of £3,919,719 relates to the items that were included in the contract evaluation model as the 'core' tasks to be performed. The actual saving arising from the contract depends upon the final contract quantities and the options taken up at the commencement of the contract.</p> <p>Adjusting this sum for changes in demand for services since the issue of contract documents and allowing for depot rental income results in a revised annual cost of £3,788,297.</p> <p>The current budget available for these services allowing for works undertaken outside the contract and the cost of transition is 5,257,757.</p> <p>This results in a financial saving to the Council of £1,469,460.</p> <p>This does not include the savings arising from ceasing the leaf clearance programme (£39,099).</p> <p>This saving on the contract would be reduced by £231,140, should the Council choose to take up the option to add mixed plastics to kerbside recycling services. The overall saving would be reduced by £260,000 per annum taking into account the loss in</p>

	<p>income from material sales and their would be a capital cost of £40,000 to implement the scheme (See Essential Reference Paper 'B').</p> <p>There are currently sufficient funds in service budget to permit the extension of organic waste services to communal properties (as this was not implemented as part of the ARC scheme). Should the Council decide not to take up this option, an additional saving of approximately £90,000 per annum is achievable.</p>
<p>Human Resource:</p>	<p>The Code of Practice on Workforce Matters and Transfer of Undertakings - Public Employees (TUPE) legislation has been fully incorporated within the requirements of the contract. There will be no transfer of existing East Herts staff.</p>
<p>Risk Management:</p>	<p>These services are a significant proportion of the Council's annual budget and therefore the procurement, implementation and management of contracts represent a significant risk.</p> <p>The procurement process was undertaken by a Steering Group which included senior managers, key technical officers and the Council's Legal Services Manager.</p> <p>The contract evaluation results were moderated by external waste management specialist WYG Environmental Ltd, which was satisfied with the approach taken and confirmed the Council's results.</p>

**Contract Options and Officer Recommendations**

Option	Tendered Cost	Costs and benefits	Recommendation
Collection of other plastics, types 1 to 6 to include yoghurt pots, butter/margarine tubs, plastic food trays, flower pots, shrink wrap and carrier bags as well as plastic bottles	£231,140	<p>This option will allow residents to recycle more of their plastic waste at the kerbside. Plastics are light and add little to overall recycling performance. However, increasing the range of materials collected usually results in behavioural changes and more material overall being diverted from landfill.</p> <p>The addition of mixed plastics in themselves will deliver an increase in recycling performance of less than 1%</p> <p>Although adding these</p>	Consideration be given to whether this option should be taken up in the context of the wider Medium Term Financial Plan objectives.

Option	Tendered Cost	Costs and benefits	Recommendation
		<p>plastics will increase the amount of material collected by perhaps 600 tonnes per annum, mixed plastic command a lower price than plastic bottles. It is estimated that this would result in an overall reduction in income to the Council of up to £30,000 per annum. The actual cost is therefore more likely to be £260,000 per annum.</p> <p>Adding additional materials is likely to increase the demand for additional recycling boxes. Assuming 20% of households require an additional blue box, the capital cost would be c.£40,000.</p> <p>Revenue costs of implementation can be achieved within existing 2011/12 budgets.</p>	



Option	Tendered Cost	Costs and benefits	Recommendation
Fortnightly collection of Organic Waste in wheeled bins from communal properties	£83,078	<p>This involves the design and implementation of a scheme to collect kitchen waste from flats.</p> <p>(Note: this price does not include the extra capital and revenue costs to the Council of implementing such a scheme).</p>	<p>Do not take up this option at the start of the contract. This option was included to obtain a price for possible future consideration and requires a detailed study to assess the overall costs and benefits to the Council. These schemes are notoriously difficult to implement. Officers wish to work with the incoming contractor to utilise their experience in delivering this function elsewhere. A further business case would be brought forward during the latter part of 2011/12, once the new contract has bedded in.</p>
Collection of Organic Waste from Schools	£4,973	<p>The Council currently collects recyclable materials from schools, free of charge upon request. This option would allow the Council to offer an organic waste collection.</p>	<p>Do not take up this option at the start of the contract. This is subject to Government review of current legislation which may impact upon how 'Schedule II' properties' waste</p>

Option	Tendered Cost	Costs and benefits	Recommendation
		Under current legislation the County Council provides disposal of schools waste free of charge.	is categorised in the future. i.e. it may cease to be 'household waste'
Weed spraying of hard surfaces on public highways	£27,776		Exclude from the contract as is more expensive than current arrangement through a local contractor.
Collection of larger fly tips (more than one cubic metre)	£30,031	<p>This service is currently provided outside this contract.</p> <p>Small fly tips (under one cubic metre) are part of the street cleaning element of the contract.</p>	<p>Prices appear slightly cheaper than current approach of using small local contractors. Key issue is speed of response. Propose not to fully take up option at start of contract but commission on a job by job basis and monitor performance. If this proves successful, may include at a later date.</p>
Emptying on-street recycling bins	£564	<p>This relates to the emptying of on-street recycling bins. There is currently a trial in Ware and Bishop's Stortford</p>	Include in contract as is a minor item with no current alternative means of provision

Option	Tendered Cost	Costs and benefits	Recommendation
Market and Car Park Waste Collection/ Cleansing*	£20,236 £72,144	These functions are best performed as part of street cleansing operations within the contract, but were treated as 'options' to allow separate market testing if required by Parking and Markets Client Teams.	Include in contract. Markets and Parking Client Teams have confirmed that they represent good value for money.
Leaf Clearance*	£44,099	The Council, at its meeting on 29 September 2010, has required that this service cease, with the exception of roads at a high risk of flooding. Provisional cost for these roads is £5,000 and therefore the overall saving to the Council of removing this service is £39,099.	Exclude from contract due to Council decision to cease this function. But allow for the cost of ad-hoc leaf clearance in areas of high flood risk.
Public convenience cleaning and opening*	£42,712	Cost relates to the four remaining stand alone public conveniences at Hertford (2), Buntingford and Sawbridgeworth	Include in the contract on the basis that this function will cease should the Council decide to close the remaining 4 toilets.

Option	Tendered Cost	Costs and benefits	Recommendation
Street Washing*	£22,396	This is not a statutory function but contributes to the overall cleanliness of town centres and neighbourhood shopping areas.	Include in the contract as is performed alongside other street cleansing operations.
Graffiti removal incl. painting out *	£8,333	This relates to removal of graffiti on public buildings, structures and highway street furniture. It represents good value for money and contributes to the overall visual amenity of the district and impacts upon crime; the fear of crime; and overall public satisfaction with the district as a place to live.	Include in the contract as is performed as part of other street cleansing operations.

\* Included in tendered core tendered sum of £3,919,719. Other items are at additional cost to the Council.