

Report Title:	<b>Contract Award - Waste and Recycling Collection and Associated Services</b>
Contains confidential or exempt information?	YES- Part II – Appendix A only. Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.
Member reporting:	Councillor M Airey, Cabinet Member for Environmental Services (including parking, flooding, housing and performance management)
Meeting and Date:	Cabinet - 28 February 2019
Responsible Officer(s):	Hilary Hall, Deputy Director Strategy and Commissioning
Wards affected:	All

www.rbwm.gov.uk



## REPORT SUMMARY

1. The Royal Borough is committed to delivering a high quality, weekly waste collection service. This paper seeks approval to award a new contract for this service. The 2018 residents' survey results reported that 88% of residents were satisfied with refuse collections and the new contract will maintain the same services that drive this high level of satisfaction.
2. This report requests approval to award an eight year contract to the preferred bidder for the provision of the Royal Borough's waste and recycling collection and associated services, with a possible 8 year extension subject to satisfactory performance, so that residents will continue to receive a weekly waste and recycling collection.
3. At the same time the council has separately undertaken a procurement exercise for recycling of dry mixed recycling (DMR). This report requests that Cabinet delegates authority to directly award a contract for the processing of DMR to the Deputy Director Strategy and Commissioning in consultation with the Lead Member for environmental services (including parking, flooding, housing and performance management) to provide an outlet for the recycling collected in the Royal Borough.

## 1 DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That Cabinet notes the report and:

- i) Awards an eight year contract to the preferred bidder for the provision of waste and recycling collection and associated services, to commence on 1 October 2019, with a possible 8 year extension, subject to satisfactory performance.**
- ii) Delegates authority to directly award a contract for the processing of dry mixed recycling to the Deputy Director Strategy and Commissioning in consultation with the Lead Member for Environmental Services including parking, flooding, housing and performance management.**
- iii) Approves a one-off additional budget of £150,000 for the mobilisation of the waste contract.**
- iv) Notes full Council's approval of a capital budget of £4,500,000 in 2019/20 to fund new waste vehicles, subject to agreement on 26 February 2019.**

## 2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

### **Award of contract for waste and recycling collection and associated services**

- 2.1 The current waste and recycling collection services contract, held by Veolia, is due to end in September 2019. The contract was originally due to expire in April 2019, but a short-term extension was approved by Cabinet in April 2018. The extension was granted to reduce the risks of an uncertain market and to allow time for a fuller mobilisation period which reduces the risk of disruption to residents.
- 2.2 A key element of the tender specification document was to ensure the council retained a weekly household waste collection service. 76% of councils do not provide a weekly waste collection service and local resident satisfaction with the Royal Borough's collection services currently stands at 88%.
- 2.3 The tender specification document did not request suppliers to include the processing of dry mixed recycling (DMR) within their bids. It was decided with the Lead Member for Environmental Services in August 2018 to split out the DMR processing element (currently within the existing contract with Veolia) from that of collections and to procure the two services with separate contracts. This decision was informed by market intelligence, including awareness of the ongoing changes to the global recycling markets following restrictions imposed by China on imports of certain classes of recyclable materials. Further details regarding the processing of dry mixed recycling are provided from paragraph 2.11.
- 2.4 The collections procurement tender specification invited tenders from suitably qualified suppliers to provide the following services, while maintaining or increasing the level of service:
- Kerbside residual waste collections (weekly);
  - Dry mixed recycling collections (weekly);
  - Food waste collections (weekly);
  - Garden waste collections (fortnightly);
  - Bulky waste collections (chargeable);
  - Management of the Waste Transfer Station at Vicus Way, Maidenhead.
  - Management of the Household Waste and Recycling Centre (HWRC) and Civic Amenity Site (CA) at Vicus Way, Maidenhead.
- 2.5 The contract will be let for an initial term of eight years (to October 2027) subject to the satisfactory provision of the service. The contract may then be extended for a further period of eight years.
- 2.6 An OJEU (Official Journal of the European Union) Notice was placed on 28 September 2018 inviting tenders. A compliant procurement process was then conducted between October and December 2018. Three bids for the contract were received; each of these met the minimum requirements and were progressed through to full evaluation. Each bid was evaluated on factors including their operational plans, assets and resources and deliverability of their proposals. Technical scores were combined with price submissions to create a supplier tender ranking, see Appendix A for confidential background information to the procurement process.
- 2.7 Following technical and pricing evaluation, a preferred provider for the service was selected. The preferred bidder fully met the requirements of the specification, including

provision of a weekly waste and recycling service and the additional collection of small electrical items and batteries at the kerbside.

- 2.8 The preferred bidder will offer an enhanced service, using route optimisation to improve the efficiency of collections. They also offer measures to improve the environmental efficiency of the service, with sustainable service design leading to reduced carbon emissions. An improved management information system will also provide real time information, making it easier to manage missed collections.
- 2.9 The contract will include regular strategic partnership boards, to provide a long term direction for the contract.
- 2.10 To ensure the smooth mobilisation of the contract, a one off mobilisation budget of £150,000, £100,000 in 2019-2020 and £50,000 in 2020-2021, is requested, see Appendix B for more details. This will support clear communication with residents about the new services, additional temporary staff in the customer service centre to deal with resident queries, and additional staffing on the ground at the start of the contract to provide support and advice to residents during the transition period.

#### **Processing of dry mixed recycling.**

- 2.11 This a new contract. It will provide processing, sorting and marketing services for the estimated 18,000 tonnes of dry mixed recyclable (DMR) material collected from Royal Borough households and schools every year. DMR materials include everyday items such as mixed paper, cardboard, plastic bottles and metal cans.
- 2.12 The processing of DMR materials is a service currently included within the Borough's existing waste and recycling collection contract, held by Veolia. This contract is due to expire on 31 March 2019. Following Cabinet's approval to procure a new waste and recycling collection service in April 2018, it was decided with the Lead Member in August 2018 to separate out the DMR processing element from that of the collections.
- 2.13 The reasoning behind separating the procurement into two contracts - one for collections and another for DMR processing - was informed by market intelligence. The global recycling market is currently experiencing a high level of volatility. There has been a period of protracted uncertainty following the new restrictions imposed by China and other Southeast Asian nations on the imports of certain classes of recyclable materials.
- 2.14 The tender specification proposed an initial contract term of two and a half years (30 months) followed by an extension option of up to two years. The intention was to then procure another DMR processing contract to align with the timeline of the collections contract, ensuring that both were coterminous. This would allow the council an option to once again procure a combined contract if the recycling market is more stable.
- 2.15 The DMR contract would act in a similar way to others already held by the council for the disposal of residual waste and the reprocessing of garden and food waste. A gate fee would likely be required for materials to be taken into a Materials Recycling Facility (MRF) for sorting and reprocessing. It was therefore proposed the contract be procured with a shared risk and reward mechanism; one where any reductions or increases in gate fees - due to external market factors - are shared between the Royal Borough and the contractor.
- 2.16 An OJEU Notice was placed on 28 September 2018 inviting tenders from suitably qualified suppliers. A compliant procurement process was then conducted between October and

November 2018, however, no bids were received. Post-tender feedback from suppliers suggested concerns with the contract length and the proposed payment mechanism.

- 2.17 To ensure there is no loss or interruption to services from 1 April 2019, it is recommended the Royal Borough delegates authority to Deputy Director Strategy and Commissioning in consultation with the Lead Member for Environmental Services to agree a direct award of a contract for this service.
- 2.18 A short-term, rolling contract allows the Royal Borough an opportunity to commence a second procurement exercise at an appropriate time. This will be informed by the first, unsuccessful, exercise and amendments will be made to the tender specification document.

## Options

**Table 1: Options for waste and recycling collection and associated services contract and processing of dry mixed recycling contract.**

Option	Comments
Award a contract to preferred bidder for the collection of waste and recycling and associated services. <b>Recommended option.</b>	This ensures no loss of service to residents from 1 October 2019 and
Delegate authority for the award of a short term, rolling contract for the processing of dry mixed recycling to Deputy Director Strategy and Commissioning in consultation with the Lead Member for Environmental Services to commence on 1 <sup>st</sup> April 2019. <b>Recommended option.</b>	This ensures no loss of service from 1 April 2019 and allows for another procurement exercise to be completed at an appropriate time.
Do not award either or both contracts.	<p>Not awarding the waste and recycling collection contract would leave no contractor in place to provide waste and recycling collection services. This would lead to severe disruption and the possible dereliction of the council's statutory duty if ad hoc arrangements were unable to be put in place. If the contract is not awarded a new procurement process would need to begin without delay, which would take at least another year.</p> <p>Not awarding a contract for the processing of dry mixed recycling will leave the Royal Borough with no outlet for the processing of dry mixed recycling and will lead to service disruption and the failure to recycle materials collected within the area.</p>

### 3 KEY IMPLICATIONS

- 3.1 The contract for waste and recycling collection and associated services will maintain the current weekly waste and recycling collections, while adding additional collections of small electrical items and batteries at the kerbside.
- 3.2 The direct award of a contract for processing of dry mixed recycling will provide an outlet for the materials collected by the recycling services.

**Table 2: Key implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Waste and recycling collection service commenced, maintaining a weekly collection service	Contract does not start on 1 October 2019	Contract starts 1 October 2019			1 October 2019
Resident satisfaction	Reduced level of resident satisfaction to below 85%.	Maintain high level of resident satisfaction at 88%	Exceed current high level of resident satisfaction to 90%	Exceed current high level of resident satisfaction to 92%	End of 2020/21 financial year
Contract for processing of dry mixed recycling is in place via direct award.	No contract in place to commence on 1 April 2019	Contract in place and commences on 1 April 2019			1 April 2019
Plan is developed to procure a contract for the processing of dry mixed recycling, including the timing of this procurement.	No plan is in place	Plan is developed and in place by 1 October 2019	Plan is developed and in place by 1 August 2019	Plan is developed and in place by 1 June 2019	1 October 2019

### 4 FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 The cost of waste and recycling collection services and processing of dry mixed recycling are within the allocated waste and recycling budget for 2019/20, as per the council's

approved budget, which made provision for an additional £800,000 to continue to support weekly waste and recycling collections in 2019/20.

- 4.2 As part of the procurement process all bidders were asked to supply comparative costs for the provision of collection vehicles based on (i) the Royal Borough providing capital for purchase of these assets and (ii) the successful bidder providing the vehicles (in line with the current contact).
- 4.3 Contract evaluation criteria set out that the decision on the preferred bidder would be made on the basis of cost and quality and which bid was financially preferable. For all bidders the provision of capital funding from the Royal Borough was the lower cost option over the eight year life of the contract.
- 4.4 This capital investment offers an annual revenue saving, see Appendix A (Part II). Therefore, full Council will be considering approval of a capital budget of £4,500,000 in 2019/20 for fund new waste vehicles on 26 February 2019.
- 4.5 This is a flag-ship service with high levels of satisfaction. To ensure that residents experience a seamless transition and high service levels are retained, a one-off mobilisation budget of £150,000 (£100,000 – 2019/20 and £50,000 – 2020/21) is requested.

**Table 3: Financial Impact of report’s recommendations**

<b>REVENUE COSTS</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
One off mobilisation cost		£100,000	£50,000

<b>CAPITAL COSTS</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Purchase of waste and recycling collection vehicles		£4,500,000	

## **5 LEGAL IMPLICATIONS**

- 5.1 There is a statutory duty to provide waste collections and to separately collect recycling. The award of this contract for waste and recycling collection and the processing of dry mixed recycling will ensure that this statutory duty is met.
- 5.2 A full OJEU procurement process has been followed for this procurement and all legal obligations have been met. External legal support was provided by Trowers and Hamlin for the procurement and the preparation of the contract.
- 5.3 Contractual arrangements will be developed with Shared Legal Services pertaining to the Royal Borough funding the vehicles which minimises risk and future potential exposure.

## **6 RISK MANAGEMENT**

**Table 4: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
Risk of disruption at the commencement	High	These risks will be managed during the mobilisation period through	Medium

Risks	Uncontrolled risk	Controls	Controlled risk
<p>of any new waste and recycling contract and when changes are made to collection rounds and days. It is essential that sufficient resources are in place during this period to ensure that residents are aware of changes that are taking place and are supported during the changes.</p>		<p>Careful planning. They are mitigated by the additional revenue funding for the mobilisation, which will provide communications to residents and additional resource both in the commissioning team and the customer service centre to support residents during this period of change.</p>	
<p>Cost of processing of dry mixed recycling will vary depending on market value of the materials collected. The market is currently in a particularly volatile place and costs are therefore subject to change.</p>	<p>High</p>	<p>This risk will be managed by close monitoring of the contract and any changes to the market costs will be flagged as soon as they are known.</p>	<p>Medium</p>
<p>Financial risk of new contract due to unforeseen costs</p>	<p>Medium</p>	<p>Contract specification has been written to cover all services required and additional mobilisation funding will allow for financial leeway to cover unforeseen circumstances during the mobilisation of the new contract.</p>	<p>Low</p>

## 7 POTENTIAL IMPACTS

- 7.1 There will be additional opportunities for residents to recycle, both from home and at the Household Waste and Recycling Centre (HWRC). Residents will be able to recycle small electrical items and batteries from home and additional facilities will be available at the HWRC. This will allow residents to recycle more.

## 8 CONSULTATION

- 8.1 The report will be circulated electronically and considered by Highways, Transport & Environment Overview & Scrutiny Panel and comments will be reported to Cabinet.

## 9 TIMETABLE FOR IMPLEMENTATION

**Table 5: Implementation timetable**

<b>Date</b>	<b>Details</b>
1 April 2019	Mobilisation of waste and recycling collection contract begins. New contract for processing of dry mixed recycling commences.
1 October 2019	Waste and recycling collection and associated services contract commences.

## 10 APPENDICES

- Appendix A: (PART 2) Background information related to the procurement of waste contracts and the financial implications for 2019/20
- Appendix B: Breakdown of mobilisation costs

## 11 BACKGROUND DOCUMENTS

Cabinet Paper, Weekly Waste Collection Contract, Authority to Commence Procurement, was presented to April 2018 Cabinet.

## 12 CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Michael Airey	Cabinet Member for Environmental Services (including parking, flooding, housing and performance management)	24/1/19	31/1/19
Duncan Sharkey	Managing Director	11/2/19	12/2/19
Russell O'Keefe	Executive Director	18/1/19	
Andy Jeffs	Executive Director	18/1/19	21/01/19
Rob Stubbs	Section 151 Officer	18/1/19	21/1/19
Elaine Browne	Interim Head of Law and Governance	18/1/19	21/1/19
Nikki Craig	Head of HR and Corporate Projects	18/1/19	18/1/19
Louisa Dean	Communications	18/1/19	

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Kevin McDaniel	Director of Children's Services	18/1/19	21/01/19
Angela Morris	Director of Adult Social Services	18/1/19	
Hilary Hall	Deputy Director of Commissioning and Strategy	17/1/19	17/1/19

### 13 REPORT HISTORY

<b>Decision type:</b> Key decision.	<b>Urgency item?</b> No	<b>To Follow item?</b> No
<b>Report Author:</b> Naomi Markham, Waste Strategy Manager, 01628 682972		

## APPENDIX B: BREAKDOWN OF MOBILISATION COSTS FOR THE NEW WASTE CONTRACT

- 1.1 The Cabinet report requests a one-off additional budget of £150,000 for the mobilisation of the waste contract. A detailed breakdown of the mobilisation costs is set out in table 1.

**Table 1: Breakdown of mobilisation costs**

<b>Description</b>	<b>Value</b>
<b>Commencement of new contract (from 1<sup>st</sup> October 2019)</b>	
1. Additional temporary CSC Staff to deal with high volume enquiries (likely to be four FTE for three months)	£23,000
2. Temporary inspection officers to deal with additional enquiries and property visits (likely to be two FTE for three months)	£15,000
3. Keep Britain Tidy or similar agency to carry out pop up stands/roadshows/door knocking	£25,000
4. Bin hanging (production & distribution) – messages that go on bin handles	£15,000
5. Leaflets (production only) communicating kerbside collections of small electrical items/batteries & change messages	£5,000
6. New advertising panels on trucks	£10,000
7. ICT costs: system integration (Jadu / Whitespace/ Streetsmart)	£7,000
<b>Sub-total</b>	<b>£100,000</b>
<b>Changes to collection rounds (March 2020)</b>	
8. Additional communications similar to those set above in 3, 4 and 5.	£25,000
9. Additional temporary CSC Staff to deal with high volume enquiries (potentially four FTE for two months)	£15,000
10. Temporary inspection officers to deal with additional enquiries and property visits (potentially two FTE for two months)	£10,000
<b>Sub-total</b>	<b>£50,000</b>
<b>Total</b>	<b>£150,000</b>

- 1.2 Funding has been phased over two financial years: Year One (2019/20) to manage the transition to the new contract and Year Two (202/21) to manage the operational changes which will be introduced.