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Report Number **C/**

To: Cabinet
Date: 22 July 2020
Status: Key Decision

**Responsible Officer: John Bunnett, Director of Development
Ewan Green, Director of Place**

**Cabinet Member: Councillor Stuart Peall, Cabinet Member for
Enforcement, Regulatory Services, Waste &
Building Control**

SUBJECT: WASTE PROJECT 2021 – CONTRACT AWARD

SUMMARY: The Waste, Recycling and Street Cleansing Contract ends in January 2021. The council, in partnership with Dover District Council, has been engaged in a tender process for the new contract. This report outlines the outcomes of this tender process and makes recommendations for award.

REASONS FOR RECOMMENDATIONS (*Cabinet only*):

- a) The council has engaged in a tender exercise for a new Waste, Recycling and Street Cleansing Contract. The tender exercise is completed.
- b) The bids have been evaluated on a combined price and quality basis. A winning bid has been identified.
- c) The new contract will need to be awarded to ensure a successful service transition ready for January 2021.

RECOMMENDATIONS:

- 1. To receive and note report C/**
- 2. To award the new contract to Veolia ES (UK) Limited to start on 16/01/21.**
- 3. To proceed with the service transition to the new contract.**

1. BACKGROUND

- 1.1 The current Waste, Recycling and Street Cleansing Contract with Veolia ES (UK) Ltd (VES) ends on 15/01/21. Since 2017, the council has been working jointly with DDC on the procurement of the next tender. The procurement exercise is now completed.
- 1.2 It is worth summarising the project stages so far. The project started with an options appraisal exercise, with the scope agreed by Cabinet, on 17/11/17.

This stage considered: -

- The performance of the refuse and recycling collection scheme and if it should be changed.
- Options to develop the waste management infrastructure in East Kent.
- Potential service delivery options including an in-house service, local authority owned company or outsourced service.

1.3 The options appraisal exercise reported back to Cabinet on 17/10/18, where the following recommendations were agreed: -

- Retain the refuse collection methodology/scheme as presently implemented. Food to be collected in a separate dedicated vehicle on the recycling round.
- Proceed with the procurement of the next Waste, Recycling and Refuse collection contract with an outsourced service provider.
- Continue to work in partnership with DDC for the provision of a joint contract with a joint client management team.
- Complete an additional options appraisal exercise to consider the costs, risks and benefits of insourcing the street cleansing service.
- Negotiate and conclude with KCC a new performance payment mechanism to operate from 2021.
- Continue to engage with KCC and other East Kent Authorities to improve the local waste infrastructure, in particular the transfer station arrangements.
- Establish a project budget of £100K to cover additional consultancy support.

1.4 A separate report was completed reviewing the costs and benefits of insourcing the street cleansing service. This recommended that the service continued to be included with the main outsourced waste contract; confirmed by a decision notice issued on 17/4/19.

2. PROCUREMENT PROCESS

2.1. We knew in advance that the procurement stage of the contract would be challenging. The current contractor had advised over several years that the contract was operating at a financial loss. This was independently assessed and confirmed by the consultant at the options appraisal stage. There was also considerable market uncertainty about the future regulatory framework for waste management and how this would impact operationally on collection

services. For these reasons, an additional provision of £1,150,000 was allocated within the Medium Term Financial Strategy.

- 2.2. Before formally entering the procurement process, the councils conducted an early market engagement exercise where we met with several national suppliers. These meetings confirmed the level of market uncertainty being experienced but also identified strengths that could be emphasised within the tender; firstly that we had a settled collection methodology, which we were looking to continue and secondly, that the contract was managed through a single contracts team on behalf of both authorities, which reduced administration overheads.
- 2.3. The early market engagement exercise also identified that the optimum contract length was eight years and that the Competitive Dialogue procurement procedure would be the best approach as it would allow for the bid to be developed through a series of dialogue meetings.
- 2.4. In developing the tender specification we focussed on achieving the following main objectives: -
- A resilient refuse and recycling collection service that was able to build on the progress made in improving local recycling rates.
 - An improved street cleansing service that was more responsive to changes in seasonal demands.
 - An improved environmentally sustainable service that took into account the council's climate emergency commitments.
 - An improved quality management system that supported performance management, utilised established IT platforms and integrated with the council's customer relationship management system.
- 2.5. It was planned that the tenders would be assessed on 40% price and 60% quality. The quality assessment was based on the following criteria.

Criteria Heading	Weighting
Price	40%
Technical - Collection	17.5%
Technical – Streets and Other Services	17.5%
Quality Management Systems	17.5%
Environmental Impact	5%
Social Value	2.5%
Total	100%

- 2.6. Three bidders responded with expressions of interest in the tender process. Immediately before the first competitive dialogue stage, one of these bidders withdrew as they did not believe they would be competitive. This left two remaining bidders, Biffa and the incumbent supplier VES. It would have been preferable to have had more bidders at the first dialogue stage but this probably reflected the market conditions. We were pleased that both

companies were established national suppliers and both had operations within Kent.

- 2.7. Both bidders submitted proposals that were developed through discussion in two dialogue stages which took place at the start of this year. The procurement process completed with a Call for Final Tenders, which were received in May. Fortunately, the final dialogue stage was completed before the Covid-19 lockdown although this did delay the preparation of the final tenders.

3. TENDER EVALUATIONS

- 3.1. Below is a summary table showing the contract costs submitted by both bidders split between each service category. The costs shown are the combined contract costs for both authorities.

Table Redacted for reason of Commercial Confidentiality

- 3.2. Below is a summary of the full 8-year cost of each bid. Figures are unindexed and the combined contract cost for both authorities. Biffa in their bid offered cost variables based on risk factors related to vehicle availability and transfer station turnaround. For this reason, two assessments of their price score needed to be completed.

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|-------------|--------------|-------------|----------|
| • VES | £ 83,861,923 | Price Score | Redacted |
| • Biffa | £ Redacted | Price Score | Redacted |
| • Biffa (2) | £ Redacted | Price Score | Redacted |

- 3.3. The quality evaluation of each bid was completed and assessed as follows.
- 3.4. The evaluation process looked in detail at both bids. The standout points are as follows: -
- Both bids exceeded the minimum quality criteria and were comprehensive and viable options.
 - Both bids offered improvements in the environmental management of the contract (detailed below).
 - Both bids included within the contract cost the rollout of an IT supported QMS.
 - Both bids presented technical solutions that in terms of street cleansing understood and responded to the seasonal demands on this service.
 - Both bidders highlighted that their refuse and recycling cost models were predicated on 25-minute turnaround being achieved at the Ashford Transfer Station. This timeframe was confirmed by KCC during the tender process but is a financial risk if not achieved.

- Both bids included the provision of new capital funded fleet vehicles and other equipment. It has been anticipated that Covid-19 will impact on vehicle production. VES highlighted that they could extend current fleet usage and BIFFA identified temporary fleet vehicles and other equipment that may be required from contract start.
 - The main factor behind the differences in bid prices is that VES as the incumbent supplier probably had an advantage in understanding the level of resourcing needed particularly in terms of refuse/recycling collections.
- 3.5. The final overall evaluation of the tenders is summarised below. The recommendation is that the Waste Recycling and Street Cleansing contract is awarded to the Veolia Environmental Services.

Summary evaluation matrix redacted for reasons of commercial sensitivity

- 3.6. The new contract will start from 16/1/21 and run for 8 years. There is no extension period. The annual combined contract cost is £10,482,740, which is estimated at £ 4,976,510 for FHDC. The current contract budget is £4,170,182 and with an additional estimate of £1,150,000 allowed within the MTFS for the new contract. Contract indexation in respect of housing growth will apply from 16/1/21 and annual inflationary adjustment from 1/4/21. The new contract is expected to be within the total budget.

4. STREET CLEANSING IMPROVEMENTS

- 4.1. Since the last tender in 2010 visitor numbers to the district have increased creating additional demands for cleansing, particularly along the coast. The current contract already brings in additional resources for the summer and this has been supplemented with additional cleansing vehicles and bulk bins. It was a clear objective of the tender to secure further service improvements, notably in making the service more responsive to seasonal changes.
- 4.2. There were detailed discussions with bidders in the dialogue stages about street cleansing and public expectations that resulted in lengthy submissions from both bidders in their final tenders. In terms of the VES tender the highlighted improvements include: –
- The introduction for all frontline street cleansing staff, other than seasonal and Town Centre Cleaners, a five-in-seven days shift pattern. Staff will work five days in seven and these could be any day of the week. The only requirement is that the two rest days are consecutive. The benefit of this is that it will make the service more flexible and result in more staff available for weekend work during the summer season. The additional summer resources will also continue (e.g. beach cleaners and additional service vehicles).
 - Town Centre Cleaners to move to a four-on-four-off-shift pattern which will allow VES to deploy a continuous cleaning presence in our highest

graded cleansing areas (Zone Z) from 08:00 – 20:00 seven days per week.

- VES will ensure that a supervisory presence is on site every Saturday, Sunday and Bank Holiday. If required, they will be supported by an Operations Manager during busy weekends (e.g. Bank Holidays or Special Events). This change is important as there will be greater number of resources deployed on the seasonal weekends and it will help make the service more reactive to service calls and incidents over a weekend.
- The overall benefit of the shift pattern changes will mean that the core street cleansing service will be able to change from Mon-Fri orientated service during the winter months (Oct-March) to a Thurs-Mon orientated service during the summer months with the bulk of staff able to be deployed over these days. VES have also made provision within the tender for a cohort of Drivers and Operatives to be paid a retainer to be on call-out from Friday to Monday, on a week-on week-off basis. Therefore, in a 26-week season, each team of staff would be on call 13 times. This will mean that a pool of additional staff will be available should it be anticipated that it will be an exceptionally busy weekend.
- VES will also adopt cleansing methodologies, successfully trialed in other areas, including the use integrated cleansing teams with the greater use of mechanical sweepers and other mechanical equipment (e.g. Bradshaw Pedestrian Carts), evening and night-time economy routes and improved weed removal.
- The introduction of the Echo IT service management system will assist contract monitoring, allow for data-driven route optimisation and ‘hot spots’ identification. The greater use of handhelds and ‘V Watches’ will improve work tracking, task completion and productivity. Crucially, when integrated with the council’s customer relationship system, this will allow for a more responsive online reporting process.
- In terms of environmental sustainability, VES will deploy as part of their Integrated Cleansing Team, an electric 3.5T cage tipper and electric mechanical sweeper. This will save approximately 26 tonnes of CO2 per annum against equivalent diesel vehicles. To reduce the impact of single use plastics on the environment, the Street Cleansing service will use sacks under the new contract that contain 90% recycled polyethylene content. Cleansing teams will separate recyclable arisings from non-recyclable, using colour-coded sacks to distinguish between recycling and the residual waste streams. Town Centre Cleaners will be equipped with compartmental Duo Barrows to separate waste and recycling streams. 3.5t and 7.5t Caged Tippers will also be configured to facilitate segregation of waste streams.

4.3 Street Cleansing under the new contract will be more responsive, able to deploy more resources when needed, be easier to monitor and performance manage and have improved environmental outcomes.

5. ENVIRONMENTAL IMPROVEMENTS

- 5.1. The waste service makes an important contribution to the environment by delivering the recycling collection service. It was also an objective of the tender to reduce the direct environmental impact of the service.
- 5.2. We discussed with companies both at the early market engagement stage and again during the main dialogue stages, the option of moving towards a fully electric fleet. The advice received including from companies with direct operational experience, was that a fully electric fleet was not yet practical in terms of cost, reliability and ease of maintenance. The need to tip for most routes twice a day at Ashford Transfer Station also increased the operational range of the refuse vehicles, which was an issue for battery life and recharging. We were however pleased that both bids contained strong proposals to reduce the environmental impact of the service.
- 5.3. In terms of the VES tender the following proposals were included in order to reduce the carbon impact of the service. These are costed within the tender price.
 - The new refuse fleet will be the latest Euro VI model vehicles. These have improved fuel efficiency and reduced emissions with 56% less NOx compared to Euro V models.
 - The new refuse vehicles will also be fitted with electric bin lifts. This will further improve fuel efficiencies by 16% and reduce carbon emissions. Electric bin lifts are also quieter than standard equipment.
 - Fuel used will have 10% HVO biofuel blend, which will further reduce CO, CO₂, NOx and particulate matter emissions.
 - All supervisor vans under the contracts will be electric. VES will operate an electric caged tipper vehicle for short ranged work in the proximity of the depot. Other electrical powered plant will be used e.g. two small sweepers, electric Bradshaw Pull Trolleys and leaf blowers.
 - The Echo IT system and data tracking from the vehicles will improve route optimisation and allow for improved environmental monitoring and reporting.
- 5.4. VES also propose the following general environmental initiatives:
 - For bulky waste collections they will partner with two local Reuse partners, Reborn and Emmaus. This will support the reuse of bulky waste items, which is a preferred approach within the waste hierarchy.
 - A 1000 litre minimum storage tank for harvesting rainwater to be installed at Ross Depot.
 - All home delivered purple sacks under the new contract to contain 90% recycled polyethylene content.

5.5 The new contract will begin the shift away from a diesel fleet. The improved Echo IT system and vehicle tracking data will help with route efficiencies and improved environmental monitoring. For the purposes of improving recycling participation, the Echo IT System will also mean resident participation in the food waste and recycling services will be more easily captured. Data will be in real-time linked to in-cab devices. This will allow the council to target communications and develop other projects to improve recycling rates and participation.

6. NEXT STAGES

6.1. If the recommendation to award the contract is approved, the next stage will be to notify bidders of the outcome followed by a contract standstill period of 10-days. When completed the legal work on the final contracts will begin.

6.2. The Waste Project will then proceed into the Service Transition stage that will start at the contract award and end when the various service changes and work streams agreed in the tender will begin to be implemented; notably the new vehicle and equipment purchases, implementation of the ECHO IT system and consultation on the work shift pattern changes.

6.3. Cabinet reports will also be separately prepared to cover the Inter Authority Agreement with KCC and the new performance mechanism for recycling and the Joint Working Agreement with DDC for the management of the new contract. These agreements both end in January 2021 and negotiation is ongoing.

7. RISK MANAGEMENT ISSUES

7.1 The following are noted as the major risks at this stage: –

Perceived risk	Seriousness	Likelihood	Preventative action
Failure to appoint contactor in time to enable a smooth transition to the new contract.	High	Low	<ul style="list-style-type: none"> A procurement exercise has been completed and tenders evaluated. The winning bidder is the incumbent supplier which will make service transition easier.

8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

8.1 Legal Officer’s Comments (NE)

There is a statutory duty to provide waste collections and to separately collect recycling. The award of this contract for waste and recycling collection will ensure the statutory duty is met.

The procurement has been undertaken jointly with Dover District Council as a single contract covering the two Councils.

A full OJEU procurement process has been followed for this procurement and all legal obligations have been met.

8.2 **Finance Officer's Comments (RH)**

I confirm the current 20/21 contract budget is £4,174,180 and an additional £1,150,000 is included in the MTF5 for the new contract. The estimated 21/22 base budget will be sufficient to cover the new contract costs stated in the report. Contract inflation are calculated within the budget setting process historically based on June CPI figures, however it is recommended to agree a standalone percentage increase for 21/22 for the waste budget, due to the anticipated lower CPI figure this year.

8.3 **Diversities and Equalities Implications (AR)**

None

9. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting -

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The following background documents have been relied upon in the preparation of this report:

Waste & Street Cleansing Final Tenders

Appendices:

None