

Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

7 SEPTEMBER 2011

REPORT OF ENVIRONMENT PORTFOLIO HOLDER AND FINANCE AND ASSET MANAGEMENT PORTFOLIO HOLDER

A.2 STREET CLEANSING AND HOUSEHOLD WASTE AND RECYCLING COLLECTION SERVICE TENDERS

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To advise Cabinet of the outcome following the officer evaluation of tenders in accordance with the Invitation to Tender (a) for the Street Cleansing service and (b) for the Household Waste and Recycling Collection service and to enable the Cabinet to decide which tender to accept for each of these procurements.

A further report in part B of this agenda informs Cabinet of (a) the tendered options (b) the tenders received and (c) of the outcome of their evaluation by officers in respect of the Street Cleansing Service and the Household Waste and Recycling Collection Service.

This report also seeks authority to let TDC's Fowler Road depot to the successful tenderer.

EXECUTIVE SUMMARY

The Council's current contracts for street cleansing and household waste and recycling collection expire on 31 December 2011 and 31 January 2012 respectively.

Following a full Council decision on the 2 July 2009 (Minute 44 refers) the Council formally entered into the Inter Authority Agreement (IAA) on waste with Essex County Council (ECC) on 28 January 2010. This committed TDC amongst other things to seek to introduce a food waste collection service in urban areas.

This report details the results of the evaluation process and sets out the Environment Portfolio Holder's recommendation that the contracts for both the above procurements be awarded to Veolia ES (UK) Ltd (Veolia).

The report recommends the acceptance of a tender from Veolia for the provision of the existing level of street cleansing. The report also recommends entering into a contract with Veolia for the provision of household waste and recycling collection.

The result of entering into these contracts will provide residents with:

- ✓ Continuation of the same standard of street cleansing.
- ✓ Continuation of weekly residual waste collection in black sacks.
- ✓ Alternating weekly collection for various recyclables (paper/card one week then

tins/plastics the next week).

- ✓ A new district-wide weekly food waste collection service.

This proposal, which includes a financial contribution to this authority from Essex County Council in accordance with the provisions of the IAA, provides the residents of Tendring with a waste management system capable of delivering an improved recycling rate and a collection service for food waste that will reduce waste going to landfill.

For the sake of clarity the recommended option(s) are shown in red text.

RECOMMENDATION(S)

(a) That the Head of Public Experience is authorised to accept the tenders and that contracts be awarded as follows:

- for street cleansing the Option 1 tender (including the contractor's discount) from Veolia ES (UK) Limited.
- for household waste and recycling collection, Contractor's Option V2 (including the contractor's discount) from Veolia ES (UK) Limited

(b) That each contract will be for an initial term of 7 years with the option for the Council to extend the term for up to a further 7 years.

(c) That the Head of Resource Management in consultation with the Environment Portfolio Holder is authorised to effect legally binding contracts for the above awards on such detailed terms and conditions as she considers appropriate and in accordance with (d) below.

(d) That the Head of Public Experience is authorised to negotiate and agree further improvements and/or cost savings for incorporation in the above contracts in accordance with the relevant tendered incentive scheme.

(e) That the Head of Resource Management is authorised to grant 7 year Lease(s) of the Council's Fowler Road depot to the successful tenderer in accordance with the heads of terms set out in Part B of this and on such other terms and conditions as she considers appropriate.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Increased recycling levels and a clean district are key objectives of Tendring District Council. The continuation of the current level of street cleansing will ensure that current standards are maintained

This proposal provides a weekly collection of food waste, recyclables and residual waste.

This will increase recycling thereby reducing waste to landfill.

FINANCE, OTHER RESOURCES AND RISK

The current budget for contract payments for street cleansing is £1,341,130 and the current budget for waste and recycling collection is £2,874,650, giving a combined budget for both contracts of £4,215,780.

In addition to the quoted tender price these budgets also cover the cost of the Faeces Intake Disposal Operation (“FIDO”) service and the provision of black sacks.

ECC has agreed in accordance with the IAA to provide funding in relation to the introduction of food waste collection. This includes a one-off capital sum for the purchase of food waste receptacles which allows for a deduction from contractor prices shown in the Part B report.

Additionally, ECC have agreed an ongoing annual revenue sum to fund an IAA compliant food waste collection service. This figure is based on tendered prices with the annual revenue sum being indexed linked from 2013/14 onwards and excludes any pro rata adjustments that may be necessary subject to the timing of a food waste collection service. The ECC agreement also includes a one off revenue sum for the publicity and implementation of a new food waste service.

The overall position of all costs and the ECC contribution are set out in the Part B report. However, the anticipated saving if the contracts for both the street cleansing and household waste and recycling collection are awarded as recommended is in excess of £500,000 per year.

LEGAL

Tendring District Council, as principal litter authority under the Environmental Protection Act 1990, has a statutory duty to keep the district clean and, as waste collection authority, to collect household waste. The legislation does not prescribe the frequency of household waste collection.

The Council has entered into the IAA with both Essex County Council and other waste collection councils in Essex. Under the terms of the IAA, the Council has agreed to provide a food waste collection service.

Breach of these provisions of the IAA could result in financial penalties on the Council.

Officers have evaluated tenders in accordance with the process and scoring matrix in the Invitation To Tender (ITT). The Council’s Tender Evaluation Panel (TEP) is satisfied with the officer evaluation of the tenders and with the contents of both this report and the related Part B report.

The report additionally proposes the re-letting of the Fowler Road depot to the winning contractor(s) and proposed leases in accordance with the ‘Heads of Terms’ in the Part B report.

OTHER IMPLICATIONS

Equality and Diversity

The new services will benefit and be available to all residents in the district. An assisted lift service will continue to be available to any household where no residents can place the household waste out for collection.

Wards Affected

All wards are affected.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The current street cleansing and waste collection contracts are both held by Veolia. These contracts expire on 31 December 2011 and 31 January 2012 respectively.

In accordance with the Council's Procurement Procedure Rules and European Union Procurement requirements, companies expressing an interest were invited to complete a Pre-Qualification Questionnaire (PQQ). The completed PQQs were duly evaluated and scored in order to arrive at a select tender list of 8 companies, which were invited to tender for each of the procurements.

To maintain the integrity of the procurement, all tenders were opened on 24 June 2011 in the presence of the Environment Portfolio Holder. Tenders for the street cleansing were received from:

ISS UK Ltd
Kier Support Services Ltd
May Gurney Ltd
Mitie Cleaning & Environmental Services Ltd
Norse Commercial Services Ltd
Veolia ES (UK) Ltd

Tenders for the household waste and recycling collection service were received from:

Kier Support Services Ltd
May Gurney Ltd
Norse Commercial Services Ltd
Veolia ES (UK) Ltd

As can be seen, 4 companies tendered for both services.

There are a number of important factors to take into account when deciding first which option and second which tender to choose. These include:

- Compliance with the Waste IAA (including ECC funding)
- Affordability/cost
- Quality and value for money
- Public acceptability of the level of service
- Recycling and reduction of landfill
- Potential savings through appointment of one contractor for both services

Evaluation Criteria

All tenders within each option have been evaluated against a possible maximum score of 100 points, made up as follows:

Marking Criteria	Max Points Score For Street Cleansing	Max Points Score For Household Waste Collection
Tender Price	70	70
Performance Standards	15	5
Customer Care Policies	15	10
Delivery date for IAA compliant food waste collection	N/A	15
Total Maximum Points Score	100	100

Having determined the most economically advantageous tender within each option, consideration has then been given to the other factors set out above to determine the option and contractor proposed for acceptance.

STREET CLEANSING

The procurement is for the cleansing of all roads and streets, seafronts, public car parks, council housing land with communal or shared use (such as car parks and open spaces) and the emptying of all litter and dog waste bins. It also includes the provision of a full time mobile crew or 'Hit Team' to clear fly tipping and urgent non-routine work. Tenders were sought for the following options:

Option 1

For street cleansing, tenders were sought for exactly the same service as now with some anomalies corrected.

Option 2

Option 2 is the same as Option 1, but with the reduced frequency of cleansing a number of the rural roads.

Contractor's Option

Contractors were also invited to submit their own option(s) if this would result in an acceptable level of service but with a saving for the Council.

Faeces Intake Disposal Operation ("FIDO")

Members should note that it is proposed to include provision for FIDO, the vacuum machine to clear dog faeces. This accords with the Council's commitment to retain its key front-line services, despite the need for significant budget reductions. However, this service is included on the basis that the Council can cease the service during the term of the contract, if the Council decides to do so. Details of the relevant cancellation provisions have yet to be negotiated.

Town Centre Pressure Washing

The contract does not include the pressure washing of town centres. Officers will continue to negotiate any such additional work with a specialist cleaning contractor in accordance with current practice.

STREET CLEANSING TENDER APPRAISAL

Set out below are 3 tables, showing the evaluation scores for Option 1, Option 2 and the Contractor's Options respectively. The tables show the scores within each Option. The Option 1 scores are not directly comparable with the scores in Option 2 in as much as Option 2 is a lower level of service than Option 1 (see above). Likewise, the different Contractor's Options vary significantly and none of them is the same as another. Consequently, the scores in that table are not directly comparable with the other scores.

Street cleansing option 1 evaluation matrix:

Contractor	Rank	Price Score (max 70)	Performance Score (max 15)	Customer Care Score (max 15)	Total (max 100)
Veolia	1	70	13	15	98
Kier	2	61	15	15	91
Mitie	3	65	12	10	87
Norse	4	63	12	10	85
ISS	5	56	12	10	78
May Gurney	6	42	12	10	64

Street cleansing option 2 evaluation matrix:

Contractor	Rank	Price Score (max 70)	Performance Score (max 15)	Customer Care Score (max 15)	Total (max 100)
Veolia	1	70	13	15	98
Kier	2	64	15	15	94
Mitie	3	66	12	10	88
Norse	4	64	12	10	86
ISS	5	64	12	10	86
May Gurney	6	43	12	10	65

Street cleansing contractor's option(s) evaluation matrix:

Contractor	Rank	Price Score (max 70)	Performance Score (max 15)	Customer Care Score (max 15)	Total (max 100)
Kier	1	65	15	15	95
Veolia Option1 + joint contract discount	2	65	13	15	93
Mitie	3	70	0	10	80
Norse	4	61	1	10	72
May Gurney	5	41	12	10	63
ISS	6	-	-	-	-

From the information shown in the above tables, Veolia is the highest ranked for both Option 1 and Option 2. Kier's Contractor's Option and Veolia's Contractor's option provide exactly the same level of Service as Option 1 but with a discounted price, which in each case is conditional on their being awarded the contract for both procurements (i.e. both street cleansing and household waste and recycling). Although Mitie's Contractor's Option is the cheapest, it is based on a 50% reduction in sweeping frequencies, which officers consider to be well below an acceptable standard.

The detailed financial information is set out in Part B but, based on the price differential between the most economically advantageous tender for option 1 and option 2, officers do not consider option 2 to be cost effective for the reduction in service that would ensue. **It is therefore proposed that service level option 1 be selected, and that the lowest tender for that option from Veolia be accepted.**

The “discount” offered by Kier and Veolia if they are awarded the contract for both procurements should be borne in mind in the context of the household waste and recycling collection procurement.

HOUSEHOLD WASTE AND RECYCLING COLLECTION

To satisfy the Council’s legal obligations as waste collection authority under the Environmental Protection Act 1990 the Council has a statutory duty to collect household waste. The Act does not prescribe the frequency of household waste collection.

Tendring has approximately 67,466 households and between 1 April 2010 – 31 March 2011 collected an estimated 42,400 tonnes of household kerb-side waste, including 9,000 tonnes of recycling. The current recycling rate in the district is 29%.

The Inter Authority Agreement (IAA)

The Council is committed by the IAA to introduce an urban food waste collection service during the first year of the new waste collection contract. A revised Service Delivery Plan and a contractual ad hoc review statement to reflect the new proposed district-wide food waste collection service have been submitted to, and approved, by the Head of Waste and Recycling at Essex County Council.

Food Waste Caddy Provision

The proposed food waste collection involves the issue of 2 caddies to most households. The kitchen caddy is approximately 7 litres and the kerbside caddy from which food waste is collected is about 21 litres. The tendered prices included the contractor purchase and supply of these caddies. However, during the tender process every contractor was asked to provide a reduction if the Council purchased the food caddies itself with delivery remaining the contractors’ responsibility. This purchase is directly funded through the one off capital sum agreed with ECC.

Contract Timing And Term

Tenders were required to price the first year cost for each option. The annual contract costs are then subject to annual review in line with the Retail Prices Index (RPI). The contract term is 7 years and may be extended for up to a further 7 years.

Depots

The successful contractor for the waste collection contract may use the Council’s depot at Fowler Road, Clacton rent free. In their capacity as existing service provider, Veolia have been served notice to quit the Northbourne Depot, which will not be made available under the new contract.

Tender Options

Tenders were invited for the following options.

Option 1 (Existing Service)

District-wide weekly ordinary waste collection in black sacks and weekly recycling in green

boxes. Members should note that this option is not IAA compliant because it excludes food waste collection and would not improve waste collection performance.

Option 2 (Differentiated Urban and Rural Service)

Fortnightly ordinary waste collection from wheeled bins, weekly recycling in green boxes and weekly food waste collection from a kerbside caddy in urban areas only.

In rural areas, weekly ordinary waste collection in black sacks and weekly recycling collection in green boxes. Same as the existing service. No food waste collection.

Option 3 (Differentiated Urban and Rural Service)

Ordinary waste collection from a wheeled bin one week and recycling collection from a second wheeled bin the next week with weekly food waste collection from a kerbside caddy in urban areas only.

In rural areas, weekly ordinary waste collection in black sacks and weekly recycling collection in green boxes. Same as the existing service. No food waste collection.

Contractor's Option(s)

Tenderers were advised that all contractor's options must provide an acceptable level of service, comply with all legal obligations and include food waste collection for IAA compliance. They were also advised that their tender price for the Contractor's Option should compare favourably with their tender prices for Options 1, 2 and 3.

Validity Of Tenders

All tenders have been checked for compliance with the specification and arithmetical accuracy. Any clarification questions have been answered in writing. Consequently all tenders were considered valid.

Black Sack Provision

Members should note that it is proposed to include provision for the yearly supply of 52 black sacks to each household. Again, this accords with the Council's commitment to retain its key front-line services. However, this provision is also included on the basis that the Council can end it during the term of the contract, if it decides to do so.

HOUSEHOLD WASTE COLLECTION TENDER APPRAISAL

Set out below are 4 tables, showing the evaluation scores for Option 1, Option 2, Option 3 and the Contractor's Options respectively. The tables show the scores within each Option. Options 1, 2 and 3 have different levels of service and the scores for these different Options are therefore not comparable. Likewise, the different Contractor's Options vary significantly. Consequently, the scores in that table are not directly comparable with the other scores.

Household Waste option 1 evaluation matrix:

Contractor	Rank	Price Score (max 70)	Delivery Date for food waste Score (max 15)	Performance Score (max 5)	Customer Care Score (max 10)	Total (max 100)
Kier	1	70	N/A	5	10	85
Veolia	2	62	N/A	5	10	77
May Gurney	3	51	N/A	5	10	66
Norse	4	50	N/A	5	10	65

Household Waste option 2 evaluation matrix:

Contractor	Rank	Price Score (max 70)	Delivery Date for food waste Score (max 15)	Performance Score (max 5)	Customer Care Score (max 10)	Total (max 100)
Veolia	1	70	15	4	10	99
Kier	2	68	15	5	10	98
May Gurney	3	69	15	4	10	98
Norse	4	54	15	4	10	83

Household Waste option 3 evaluation matrix:

Contractor	Rank	Price Score (max 70)	Delivery Date for food waste Score (max 15)	Performance Score (max 5)	Customer Care Score (max 10)	Total (max 100)
Kier	1	70	15	5	10	100
Veolia	2	62	15	4	10	91
May Gurney	3	53	15	4	10	87
Norse	4	44	15	4	10	73

Household Waste contractor's option(s) evaluation matrix:

Contractor	Rank	Price Score (max 70)	Delivery Date for food waste Score (max 15)	Performance Score (max 5)	Customer Care Score (max 10)	Total (max 100)
Veolia (V2)	1	61	15	4	10	90
Veolia (V4)	2	58	15	4	10	87
Veolia (V1 + Food)	3	57	15	4	10	86
Veolia (V1)	4	70	0 No Food	4	10	84
Veolia (V3)	5	55	15	4	10	84
Kier	6	51	15	5	10	81
May Gurney	7	51	15	4	10	80
Veolia Existing + food	8	50	15	4	10	79
Norse	9	31	15	4	10	60

Summary of Contractors Options:

Contractor	Description
Veolia V1	District-wide weekly waste in black sacks and weekly recycling in green box with 2 nd recycling box to all households for paper recycling. Option V1+ includes: Optional food waste in <u>urban</u> areas at an additional cost..
Veolia V2	District-wide weekly waste in black sacks and alternate weekly recycling in green box with 2 nd recycling box to all households for paper recycling. Food waste collected weekly <u>district-wide</u> .
Veolia V3	Fortnightly waste from a wheeled bin with weekly food waste in <u>urban</u> areas only. Weekly waste in black sacks in rural areas. Weekly recycling in green box with 2 nd box for paper recycling <u>district-wide</u> .
Veolia V4	Fortnightly waste from a wheeled bin with weekly food waste collected in <u>urban</u> areas only. Weekly waste in black sacks with weekly food waste in rural areas. Alternate weekly recycling in green box with 2 nd box for paper recycling <u>district-wide</u> .
Kier	As Option 3 if awarded the contract for both procurements (street cleansing and household waste).
May Gurney	Contractors option includes (to all district) fortnightly waste in wheeled bins, weekly recycling in boxes and weekly food waste.
Norse	As Option 3 if awarded the contract for both procurements (street cleansing and household waste).

The supply and delivery of black sacks (where applicable) is an additional tendered sum. Veolia contractors option V1 excludes a food waste collection service, all other contractor's options are IAA compliant and will therefore improve performance.

The most economically advantageous tender for each option is as follows:-

Option	Contractor
Option 1	Kier
Option 2	Veolia
Option 3	Kier
Contractors Option	Veolia (V2)

Consideration of each of these tenders against the factors set out in the background to the report is as follows:-

	Option1 - Kier	Option 2 - Veolia	Option 3 - Kier	Contractor's Option - Veolia (V2)
IAA Compliance	Not IAA compliant – Option1 excluded food waste collection.	IAA Compliant – would introduce a weekly food waste collection in urban areas only.	IAA compliant – would introduce a weekly food waste collection in urban areas only.	IAA compliant – would introduce a weekly food waste collection <u>district-wide</u> .
Affordability / Cost	<i>See Part B report</i>	<i>See Part B report</i>	<i>See part B report</i>	<i>See part B report</i>
Quality and Value for Money	Scores a maximum 15 points for performance and customer care.	Scores 14 out of 15 points for performance and customer care.	Scores a maximum 15 points for performance and customer care.	Scores 14 out of 15 points for performance and customer care.
Public Acceptability	Existing <u>District-wide</u> service.	This service differs in urban and rural areas. In urban areas it would introduce fortnightly collections for residual waste in a new wheeled bin with weekly recycling collection from green boxes. Additional new receptacles (kitchen & kerbside caddy) for weekly food waste collection. Rural areas would retain black sack and green box recycling service with no food waste collection.	This service differs in urban and rural areas. In urban areas it would introduce fortnightly collections for residual waste and recycling from two new different coloured wheeled bins (household waste and recyclables). Additional new receptacles (kitchen & kerbside caddy) for weekly food waste collection. Rural areas would retain black sack and green box recycling service with no food waste collection.	Basically the same black sack <u>District-wide</u> service as now, but with the introduction of additional recycling receptacles to all households - new kitchen & kerbside caddies for weekly food waste plus a new different coloured recycling box for paper/cardboard. Also introduces alternate weekly collection of different recyclables e.g. paper & cardboard week 1 then other recyclables week 2.
Recycling / Landfill	Does not have any impact in increasing recycling	The introduction of fortnightly wheeled bin collections would provide the greatest push factor for	The introduction of fortnightly wheeled bin collections would provide the greatest push factor for	This option would see some increase in recycling through the introduction of the collection of food

		residents to separate out recycling and food waste. This therefore provides the opportunity to increase recycling and reduce the amount of waste going to landfill.	residents to separate out recycling and food waste. This therefore provides the opportunity to increase recycling and reduce the amount of waste going to landfill.	waste but this may not be maximised with residual waste still collected weekly.
Savings from Joint Contract	Yes - but Kier not recommended contractor for street cleansing	Yes – Veolia are the recommended contractor for street cleansing	Yes - but Kier not recommended contractor for street cleansing	Yes – Veolia are the recommended contractor for street cleansing

Members must decide whether they wish to comply with the IAA by introducing a food waste collection. If so, Option 1 is eliminated because it fails to comply with this requirement.

Additionally, members should consider whether it would be acceptable to residents if the waste collection service for rural areas is different from the service for urban areas. If the answer is “no”, then Option 2 and Option 3 are also eliminated, leaving Veolia V2 as the choice.

If Veolia V2 is chosen for the household waste and recycling contract, then members should consider the additional discount offered if Veolia are awarded both contracts.

Alternatively, if Members are mindful to consider a differing urban / rural waste collection service; Options 2 and 3 are both IAA compliant with Veolia cheaper for option 2 and Kier cheaper for option 3. Kier’s Contractor’s Option (the same as Option 3 with discount for both contracts) introduces 2 wheeled bins for households, one for ordinary waste one week and the other for recycling the next week. This Option could be combined with an award of the street cleansing contract to Kier but at a higher combined price than Veolia.

All the Options rehearsed as set out above are within budget, although clearly awarding both contracts to Veolia would deliver the greatest financial saving.

For a uniform district-wide household waste service, it is recommended that Members choose Veolia’s V2 Contractor’s Option tender together with Veolia’s Option 1 street cleansing tender.

By awarding Veolia both contracts the contractor’s joint contract discount pricing is then applicable.

OTHER CONSIDERATIONS
<p><u>Recycling Containers</u></p> <p>When the new contract begins, the Council’s existing unused stocks of green recycling boxes will be handed over to the new contractor. The new contractor is required to supply and deliver recycling boxes (up to 4,000 per year as at present) throughout the contract period.</p> <p>Veolia’s V2 Contractor’s Option also includes the provision of an additional recycling box for the separate collection of paper to all households in the district.</p>

Kitchen and Kerbside Food Caddies

Tenders also include the provision of a kitchen caddy and a larger kerbside caddy for food waste to all households. Householders requiring replacement caddies will be required to purchase them from the contractor.

New Properties

The contract requires the contractor to provide a full collection service to any new properties during the contract period, including provision of leaflets and containers.

Changes to Service

If, during the contract period, the Council wants to vary the terms of the contract by, say, altering the frequency of collection, this would need to be negotiated and agreed with the contractor and through the requirements of the IAA. There is a Variation Procedure in the contract. If the parties fail to agree, ultimately the dispute is settled (depending on the nature of the dispute) by qualified professional expert in waste, accountancy or law.

Fowler Road Letting Arrangements

Veolia at present occupy the Council's depot at Fowler Road for the purposes of operating both the current contracts. It is proposed that the successful tenderer occupies the depot. Accordingly, it is important to ensure that this arrangement is properly documented by granting lease(s) before the new contracts become legally binding. The Heads of Terms recommended by TDC's Corporate Property Manager are set out at the end of Part B of this report.

The Council's Corporate Property Manager has advised that, for the purpose of the leases, the depot should be divided into 2 parts, one for each contract. Section 123 of the Local Government Act 1972 requires all land disposals to be for the best financial consideration reasonably obtainable, subject to certain exceptions. One exception is disposals by way of leases not exceeding 7 years.

The Invitation To Tender (ITT) advised tenderers that, in accordance with normal practice for procurements of this kind, any lease of the depot would effectively be at a nil rental. The alternative would be to charge the contractor a full open market rent and see a subsequent recharge as part of the tender price.