### Executive Summary

1.1 This report seeks approval to retender the joint Basingstoke and Deane/Hart Waste Contract in October 2018, and allocate initial funding for the retendering work.

### Recommendation

2.1 That work is commenced on retendering the joint waste contract, and that this proceeds in accordance with the outline programme attached at appendix B, subject to the council not receiving (prior to July 2016) much improved terms for extension of the existing contract.
2.2 That additional funding of up to £50,000 is provided in 2016/17 to provide initial match funding for the procurement process with Hart District Council. This funding can be met from existing revenue budgets.

2.3 That the contract is tendered on the basis of one contract covering both authorities, and does not include options of separate contracts.

2.4 That Hart District Council continues as the administering authority for the joint contract.

PRIORITIES, IMPACTS AND RISKS

Contribution to Council Priorities

This report accords with the Council’s Budget and Policy Framework and supports the Council Plan priority of protecting our environment.

GLOSSARY OF TERMS

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<thead>
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<th>Term</th>
<th>Definition</th>
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<td>JGG</td>
<td>Joint Governance Group</td>
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MAIN CONSIDERATIONS

3 The Proposal

3.1 In October 2011, following an EU procurement process, a joint waste contract was let to Veolia to serve both Basingstoke and Deane and Hart. The joint contract delivered significant savings for both authorities and included the outsourcing of Harts waste service. As part of the joint service it was agreed that Hart would be the administering authority for the contract and a joint client team was set up to manage the contract.

3.2 The contract term was 7 years with the option (subject to the agreement of all parties) of extending for a further 7 years. The initial 7 year term expires on 2nd October 2018.

3.3 Strategic performance of the joint waste service is monitored by the Joint Governance Group (JGG). Membership comprises the relevant Portfolio Holder (or their nominated deputy) and a Corporate Director (now Hart Chief Exec) from each authority, the Head of Technical Services & Environmental Maintenance and the Waste & Recycling Manager (as required). The meetings are also regularly attended by the Procurement and Contracts Team Leader and Senior Lawyer from Shared Legal Services. The JGG meets at least quarterly.

3.4 With the exception of approximately 12 months of poor performance in Hart during 2013/14, service performance in both areas has been good. When contract options at the end of the current 7 year term were initially considered by the JGG group it was agreed, (subject to Veolia’s agreement) that extension for a further 7 years would be preferred to retendering.
3.5 In April 2015, the JGG agreed that officers should commence negotiations with Veolia to seek agreement on the terms for a contract extension.

3.6 However, Veolia had previously stated that they were losing money on the contract, and would only agree to an extension if it could be made financially viable. This comprised a significant ‘top up payment’ for the remaining years of the existing contract and then a revised contract sum for the extension.

3.7 It was therefore agreed that the first stage of the negotiations would be for the Council to seek to understand Veolia’s accounts. Whilst Veolia provided details of the contract costs, despite numerous requests for additional information and a high level meeting between the councils and Veolia executives, it has not been possible for the joint management team to fully verify that the alleged cost of the contract are accurate.

3.8 As the distribution of costs across the contract could not be verified, waste consultants, White, Young, Green, were commissioned to prepare a shadow bid. This bid was then used to compare Veolia’s operational costs with the estimated market value of the contract.

3.9 The table attached at confidential appendix A illustrates the amount both authorities pay for the joint waste contract, the costings provided by Veolia, and the estimated market value of the contract.

3.10 As can be seen from the table at confidential appendix A, the estimated market value of the contract is broadly in line with the sum currently being paid, whilst the amount that the contract is costing Veolia to operate is significantly higher. A brief summary of possible reasons for this is provided in appendix A.

3.11 Veolia were offered the opportunity to provide additional costing information and invited to provide an initial price for the extension but declined to do so without confirmation that the top-up payment would be made. It was made clear to Veolia executives that this was not an option that either council would consider.

3.12 As it has not been possible to verify Veolia’s contract costs, and as the consultants are confident that the market value of the contract is broadly in line with the amount currently being paid, it is recommended that work is commenced on retendering the joint waste contract. A draft programme of the proposed procurement process is attached at Appendix B.

3.13 The only caveat to this approach is if Veolia reconsider their position and come back to the table with a much improved financial offer. In order to avoid abortive work on the tender documents this would have to be received by July 2016. Should such an approach be made and the cost be equivalent or less of the shadow bid, a Portfolio Holder report will be prepared to consider whether to progress with the extension or continue with the tender process.

3.14 Whilst developing the shadow bid consultants reviewed the benefits that a joint waste contract provides, these include:
• A greater opportunity for cross boundary working, and potential savings in management costs for the contractor plus a saving in the number of spare vehicles which the contractor holds.

• The opportunity for the contract to be managed with a smaller client team resource.

• Having consulted with potential suppliers they are clear that a joint contract is far more attractive for bidders, resulting in increased competition and hence lower prices than would otherwise be the case.

It is therefore proposed that the joint management arrangements continue. This report therefore includes recommendations that the joint management arrangements continue with Hart District Council as the administering authority, and that the tender does not include the option of contracts for each authority.

3.15 Re-tendering of the joint waste contract will require additional resources to support/backfill officers and to provide specialist technical support. Consultants have advised that the total cost could be up to £120,000, depending on the procurement route taken. It is recommended that each Council provides one-off funding of up to £50,000 in 2016/17 with expenditure only being committed with the approval of the JGG.

3.16 Further funding of up to £20,000 would be required in 2017/18 if the initial £100,000 is insufficient to meet the re-tendering costs. Again any expenditure would only be committed with the approval of the JGG.

3.17 Although there are resource implications in retendering the contract, this also provides an opportunity to review and identify opportunities for service improvement and consider possible changes to service delivery over the next contract term.

4 Corporate Implications

4.1 Financial Implications

4.1.1 The current cost of the joint waste contract to Basingstoke & Deane is £3.18 million. Consultants have advised that a re-tender of the current service delivery should result in a similar contract cost. This means that the new contract can be funded from within existing revenue budgets, subject to the usual financial risks around tendering.

4.1.2 As outlined in 3.1.12, undertaking a re-tendering of the contract could cost up to £120,000 between the two councils. It is recommended that each council provides initial funding of up to £50,000 in 2016/17 and a further amount of up to £10,000 in 2017/18. Expenditure would be subject to the approval of the JGG before being committed.

4.1.3 In accordance with the council’s financial policy, any additional expenditure should be funded from savings. It is expected that this cost can be funded from waste contract inflation savings and lower than projected property growth.
4.2 **Risk Issues**

4.2.1 There is a risk that the consultants estimate of the current market value is incorrect and that any tenders received may be more in line with Veolia’s current operational costs. Whilst this is a risk, the consultants have significant experience of tendering local authority waste contracts and are confident that their estimate is an accurate reflection of the current market value.

4.3 **HR Issues**

4.3.1 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply to any Veolia staff employed on the current waste collection contract.

4.4 **Equalities**

4.4.1 No equality issues associated with the recommendations of this report have been identified.

4.5 **Legal Implications**

4.5.1 The proposals outlined in this report comply with the terms of the Basingstoke and Deane and Hart joint waste contract, and the proposed procurement process will comply with the requirements of the Public Contracts Regulations 2015, and the Official Journal of the European Commission.

4.6 **Any Other Implications**

4.6.1 The impact of the procurement process on staff resources of the joint waste client team have yet to be assessed. This will be considered at the next meeting of the JGG.

5 **Comment from Portfolio Holder**

5.1 The current waste contract with Veolia has been effective in providing both value for money to our residents, whilst at the same time delivering significant savings for both Basingstoke & Deane Borough Council and Hart District Council. 96% of residents are currently happy with the waste collection we provide and, going forward, it is of paramount importance that we continue to provide an excellent service. By looking at alternative providers, it gives both Basingstoke & Deane Borough Council and Hart District Council the opportunity to improve our waste service further by reviewing and identifying the range of opportunities for improvement and considering possible changes to how we deliver the service over the next contract term. I look forward to working with colleagues in Hart District Council and potential providers to maximise the potential enhancements to this vital service.

6 **Communication and Consultation**

6.1 The contents of this report do not require any wider consultation or communication.

6.2 This report was considered by the Community, Environment and Partnerships Policy Committee at its January 2016 meeting. The committee resolved to support the reports recommendations to Cabinet.
6.3 Councillors also asked questions of the report to determine whether an ‘in-house’ option would be considered and to make the portfolio holder aware that the committee would support either a member advisory panel or a task and finish group to consider food waste and other elements of the retendering process.

6.4 The committee welcomed the commitment from the portfolio holder that a report would be brought back to the committee before tenders are let and noted that it may be appropriate to return to committee earlier if any important issues arose.

7 Conclusion

7.1 Subject to the approval of this report’s recommendations Veolia will be notified of the Council’s decision to retender the waste service and a detailed programme of the procurement process will be agreed with the JGG. After July 2016 (provided an improved offer is not received from Veolia) work will commence on procurement of a new waste contract.