Tendering of the Joint Waste Contract

Cllr Hayley Eachus, Cabinet Member for Regulatory Services and the Environment

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**Report to**: Community, Environment and Partnerships Policy Committee

**Ward(s):** All

**Key Decision:** Yes

**Appendix 1:** Outline specification for the joint waste service 2018 onwards.

**Appendix 2:** (confidential) Draft tender evaluation and award criteria.

**Appendix 3:** (confidential) Draft predetermined criteria for approving Alternate Weekly Collections.

**Appendix 4:** Draft waste contract performance indicators.

**Appendix 5:** Waste contract procurement plan.

Papers relied on:

- OPPORTUNITIES FOR INCREASING HART’S RECYCLING RATE – Cabinet Report – December 2014
- JOINT WORKING ON WASTE WITH BASINGSTOKE AND DEANE BOROUGH COUNCIL – CONTRACT AWARD REPORT – Cabinet Report - April 2011

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**Foreword** - Cllr Hayley Eachus, Cabinet Member for Regulatory Services and the Environment

Given the size of this contract and the substantial potential savings that may result from the tender process, the council is obliged to consider all options to ensure that we get the best value for residents.
Once awarded, this new contract will last eight years with an option to extend for another eight years. Changes to the contract once it is in place could be costly so we need to ensure that we examine all aspects fully at this stage.

At this point, no decision is required on service change; any such a decision may only be required once we are in possession of all the facts and there is evidence to support any alteration to current policy. However, we must ensure that all potential aspects are fully explored in the tender process so that proper comparisons can be made.

I am keen to hear the views of this committee, and better understand any issues residents may have about their bin collections through consumer research, so that any decision that is made is founded on a full appreciation of people’s needs and wishes, and the practical and financial implications of any course of action.

**Recommendation:**

The views of this committee are sought on the future contract specification, draft tender evaluation/award criteria, and performance management criteria, prior to these being considered by Cabinet.

**Background, corporate objectives and priorities**

This report accords with the council's Budget and Policy Framework and supports the following Council Plan priorities:

**Improving resident’s quality of life:**
Maintaining and enhancing our built and natural environment.

*The proposals outlined in this report could make a significant contribution towards reducing the council’s carbon emissions and increasing the boroughs recycling rate.*

**Creating an organisation capable of delivering change:**
We will remain a low tax council.

*The proposals outlined in this report will ensure that opportunities for reducing the cost of the council’s waste and recycling service are given consideration.*

We will continue to drive efficiency.

*The proposals outlined in this report will provide the council with the opportunity to provide a more efficient waste and recycling service.*

We will make the most of partnership working opportunities.

*The proposals outlined in this report will provide the council with the opportunity to develop closer partnerships with Hart District Council and Hampshire County Council.*
Glossary of terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>JGG</td>
<td>Joint Governance Group for the waste service. - Membership of the group comprises the relevant Portfolio Holder (or their nominated deputy) a Corporate Director (now Hart Joint ChiefExec) from each authority, the Head of Environment and Technical Services and the Waste &amp; Recycling Manager. The meetings are also regularly attended by the Procurement and Contracts Team Leader and a Senior Lawyer from Shared Legal Services.</td>
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<td>MAP</td>
<td>Member Advisory Panel</td>
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<td>OJEU</td>
<td>Official Journal of the European Union – Publication in which notices of forthcoming tender opportunities are published.</td>
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<td>AWC</td>
<td>Alternate Weekly Collections. - If implemented, residual waste bins would be emptied one week, whilst recycling and glass bins would be emptied the following week.</td>
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Main considerations

1. **Executive summary**

1.1 This report provides a summary of the procurement work undertaken to date, and seeks Member’s views on the waste contract specification, draft tender evaluation / award criteria and performance management criteria for the waste contract from 2018 onwards, ahead of these proposals being considered by Cabinet in March 2017.

1.2 The current contract was let in 2011 for a term of seven years, whilst the new contract will run for a further eight with the option of an eight year extension. In the period to date the financial landscape for local authorities has changed significantly as has the delivery models in the public sector. Each Council has a duty under the Local Government Act 1999 to ensure that they secure best value for the functions they exercise, Section 3(1)

> A best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness

1.3 In order to satisfy the legal duty placed on the Council, it must consider what options exist for delivery of the service taking into account the factors cited above. Without conducting such an exercise and obtaining information in relation to the economy, efficiency and effectiveness of service delivery i.e.
providing the service in the same traditional way bearing in mind the financial challenges ahead exposes the Council to an increased risk of legal challenge because it has failed to address its mind to achieving best value.

2. The proposal

2.2. In October 2011, a joint waste contract was let to Veolia to serve the districts of both Basingstoke and Deane and Hart. The joint contract delivered significant savings for both authorities and included the outsourcing of Hart’s 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.

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

2.4. In March 2016 both Basingstoke and Deane and Hart Cabinets agreed that:

- Work should commence on retendering the joint waste contract and that this would proceed, subject to the council not receiving (prior to July 2016) much improved terms for extension of the existing contract.
- 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.
- The contract is tendered on the basis of one contract covering both authorities and does not include an option for separate contracts.
- Hart District Council continues as the administering authority for the joint contract.

2.4. As much improved terms for extension of the existing contract were not received, work on retendering the joint waste contract has progressed. Cabinet approval is now being sought for the outline specification and terms on which tenders for the service should be invited and the criteria for the contract award.

Process for development of the service specification

2.5. Since March 2016 the following work has been undertaken to develop and inform the specification and terms for the new contract:

2.5.1. Extension of partnership - Officer meetings have been held with neighbouring authorities (including East Hampshire, Winchester, Rushmoor and Wokingham) to establish the likely interest and opportunity for extension of the current joint waste contract arrangements.

2.5.2. Soft Market Testing - Contractors who expressed an interest in operating the service were invited to attend meetings with officers to discuss contract
opportunities and identify examples of best practice that could be incorporated in a future contract.

2.5.3. Alternative methods for delivery of the service – Consultants were appointed to evaluate and make recommendations on alternative methods for delivering the service; this included delivering the service in-house or through a joint venture.

2.5.4. Extension of the contract to include other services – Consultants were appointed to evaluate and make recommendations on the potential for extending the joint contract to include Hart’s grounds maintenance and street care services.

2.5.5. Review of depot provision – Consultants were appointed to review and make recommendations on future depot provision.

2.5.6. Review of alternative contract models – Officers have investigated the potential for using different contract models to promote an improved partnership approach to service delivery.

2.5.7. Consultation with Members – a MAP was convened to consider and make recommendations on the proposed specification for the contract. Details of any proposed changes to the specification which were discussed by the MAP are identified in Appendix 1. In addition, the MAP gave further consideration to the option of bringing service delivery in-house. This option has been discounted for the following reasons:

- The estimated cost of providing an in-house service is more than an outsourced service.
- There would be one-off costs involved in bringing the service in-house.
- Waste collections are a high risk service. In the case of an outsourced service, this risk is shared with the contractor.
- An experienced contractor with a demonstrable competency in Health and Safety is better placed to manage Health and Safety effectively.
- An outsourced service provides greater service resilience as a contractor has the ability to draw on resources from other contracts within the company if required.
- Typically, in-house services experience higher levels of sickness and incur higher support service costs.
- A contractor is better placed to recruit and retain appropriately experienced and qualified staff as contractors are typically able to provide greater career opportunities.

2.6. Having completed the above work, the outline specification for the joint waste service, draft tender evaluation /award criteria and draft waste
contract performance indicators, (attached at Appendices 1, 2 and 4 respectively) have been approved by the JGG for recommendation to Cabinet.

Procurement programme

2.7. A copy of the procurement timetable is attached at Appendix 5. Subject to Cabinet approving retendering of the contract in March 2017, tender documents will be published in April 2017, with initial tenders being returned at the end of June 2017. After an initial evaluation has been undertaken, in September 2017, Cabinet will be asked to confirm the specification for the contract. Following this there will be a further evaluation of the tenders and negotiation with the preferred bidders before contract confirmation is given in February 2018 and the new contract commenced in October 2018.

2.8. The procurement budget previously approved has now been committed. Cabinet will therefore, be asked to approve the allocation of a further £20,000 to fund the remainder of the procurement process. This funding is to be matched by Hart District Council.

3. Key issues for consideration

Alternative service specifications

3.1. In common with many local authorities, Basingstoke and Deane Borough Council is facing some significant future financial challenges. The council has a legal requirement to ensure that the services it provides achieve best value and has a commitment to continue to drive efficiency through the delivery of its services and to remain a low tax council. It is therefore, important that all opportunities for service efficiencies such as the introduction of AWC are considered as part of the procurement process.

3.2. Basingstoke and Deane Borough Council Plan 2016 to 2020 outlines our priorities and confirms our commitment to support them by ensuring we ‘drive efficiency’ and ‘enter into partnerships and service delivery arrangements that improve service and reduce cost’. The waste and recycling tender process offers the council an opportunity to support the council plan and maximise value for money by considering the option of moving to an AWC service.

3.3. To ensure that Members are provided with the facts that enable them to make an informed decision it is proposed that the tender specification should be divided into two lots. Lot 1 being for the provision of a service, which is broadly in-line with the current specification, whilst Lot 2 will be for the provision of a service based on AWC in both Basingstoke and Deane and Hart. Contractors will initially be required to submit tenders for both lots.

3.4. Details of the proposed changes to the current specification for Lot 1 and 2 can be found in Appendix 1.

3.5. With regard to Lot 1, changes to the proposed specification include:
To help ensure that a good image for the service is maintained and to avoid older vehicles being used it is proposed that the contractor will be required to provide new vehicle’s from the start of the contract.

To allow opportunities for service efficiencies to be fully evaluated it is proposed that an option should be included in the tender to replace existing fortnightly glass collections with four weekly collections.

In recognition of the fact that the vehicle fleet is not required to access landfill sites and that modern vehicles have a longer life expectancy than their predecessors. It is proposed that the contract term should be extended from seven to eight years, with the option (subject to the agreement of both parties) of a further eight year extension.

With the aim of maximising the opportunity for service efficiencies, it is proposed that the contractor will be given the freedom to choose whether the service is operated on the basis of either a 4 or 5 day working week.

Providing the contractor with the freedom to choose whether they wish to utilise the existing depot facilities rent free, or make their own alternative provision will avoid unnecessary administration and on-costs being added to rental charges.

To help ensure that a high quality kerbside service is maintained to existing residents, the contractor will be required to continue collections from existing collection points, unless this causes significant Health and Safety concerns.

With the aim of providing an enhanced garden waste service and to address manual handling concerns, it is proposed that the specification for the garden waste service will include the collection of wheeled bins as well as sacks.

With the aim of maximising opportunities for residents to recycle, it is proposed that the new contract should provide the option for textiles to be collected at kerbside,

3.6. The above proposed changes are designed to improve customer service.

3.7. With the exception of AWC the only difference between Lot 1 and 2 specifications is that the option of four weekly glass collections is not included in Lot 2.

3.8. In April / May 2017, a research and communication exercise will be carried out to confirm resident’s attitude towards waste collection and the possibility of introducing AWC.

3.9. To ensure the procurement delivers a good value, quality service and that there is consistency and transparency in the tender process, the tender submissions will be evaluated in accordance with the evaluation and award
criteria attached at Appendix 2. The following headline weightings have been proposed:

- **PRICE 50%** - The lowest fee quoted will be awarded maximum points, with all other tenders being awarded points in proportion.

- **QUALITY 50%** - The quality score is subdivided as follows:

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<thead>
<tr>
<th>Category</th>
<th>Weighting (%)</th>
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<tbody>
<tr>
<td>Contract management</td>
<td>20</td>
</tr>
<tr>
<td>Customer focus</td>
<td>10</td>
</tr>
<tr>
<td>Health and safety</td>
<td>15</td>
</tr>
<tr>
<td>Innovation</td>
<td>3</td>
</tr>
<tr>
<td>Optional services</td>
<td>2</td>
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3.9. In September 2017, informed by the tender responses and results of the public consultation, Cabinet will be asked to decide whether the tenders should be evaluated on the basis of Lot 1 or Lot 2. To ensure transparency in this process it is proposed that the predetermined procurement principles attached at Appendix 3 should be used to guide this decision.

3.10. If Lot 2 is approved for evaluation then Cabinet will also be requested to approve a one-off budget (currently estimated at £460k) to fund the implementation of AWC with a view to any new service arrangements commencing in October 2019.

3.11. Hart and six other Hampshire local authorities have successfully operated an AWC service for some time, demonstrating that there are clear benefits to service delivery and achieving service efficiencies. Southampton City Council have confirmed that they will be considering the introduction of AWC as part of their 17/18 budget process.

3.12. For Basingstoke and Deane the benefits of AWC include an estimated reduction in annual service costs of between £500,000 - £1 million, as well as the potential for further savings across the partnership. These could be realised as a result of service alignment, depot rationalisation and route optimisation. In addition, Hampshire County Council estimate that their annual waste disposal costs would be reduced by a minimum of £200k.

3.13. A saving ranging between £500,000 and £1,000,000 per annum for Basingstoke and Deane is the equivalent to increasing Band D council tax by between £7.97 and £15.94 (=7.5% to 15% increase). This represents between 33% and 66% of the additional savings target that the council has to achieve over the MTFS period i.e. the next 4 years.

3.14. Councils who have introduced AWC have experienced upwards of 10% increases in their recycling rates. These increases provide for additional
income for recycled materials as well as reductions in the cost of waste disposal. This service change would also significantly reduce the carbon emissions of the refuse collection service.

3.15. To ensure that the potential for innovation and best practice is maximised, tenderers will be asked to provide evidence of their past performance against contracts of similar size, scope and scale, and to suggest how they will use this experience and knowledge to assist with the implementation of AWC. Such evidence will be presented in the form of case studies with proposed method statements to demonstrate their response and substantiate their recommendations for the service.

3.16. When developing the specification for AWC the option of including separate food waste collections was considered. This was, however, discounted for the following reasons:

- Estimated cost of implementing the service = £1.15m.
- Estimated annual cost of operating a food waste service is between £600k - £1m.
- Food waste collections would generate increased vehicle movements and associated CO2 emissions.
- Existing residual waste from Basingstoke and Deane is incinerated at the Energy Recovery Facility in Chineham. As a consequence, the environmental benefits of separate food waste collections are questionable.
- The county council’s waste disposal infrastructure does not provide facilities for disposing of food waste. Alternative arrangements for disposing of food waste would, therefore, need to be made with private providers.

Corporate implications

4. Legal implications

4.1.1. The proposals outlined in this report for retendering the joint waste contract will be carried out in compliance with the requirements of the Public Contracts Regulations 2015 and the council’s contract standing orders.

4.1.2. The Council has a legal obligation to obtain best value (see para’s 1.2 and 1.3 above). The procurement process will therefore include considerations of how the contract can capture any benefits around economic, environmental and social value in addition to the factors cited under the duty to secure best value.

4.1.3. Assuming the successful bidder will require use of the existing Wade Road depot as an operating base for provision of the services, a lease of the premises will need to be granted for the duration of the contract term. The
Director of Finance and Resources will approve the grant of the lease pursuant to the Scheme of Delegation to Officers.

5. Financial implications

5.1.1. The estimated cost of the joint waste contract to Basingstoke & Deane in 2017/18 is approx. £3.5 million. Consultants have advised that a re-tender based on the same contract structure, i.e. Lot 1, should result in a similar contract cost. This being the case the new contract could be funded from within existing revenue budgets, subject to the usual financial risks around tendering.

5.1.2. Should re-tendering result in a higher than expected cost then additional ongoing budget would be required before a new contract could be agreed

5.1.3. The draft 2017/18 revenue estimates include a budget provision of £20,000. This is a 50% contribution towards additional one-off procurement costs as recommended in section 1.9 of this report.

6. Guarantees

6.1. The council’s contract standing orders require a bond to be provided for 10% of the contract value, unless authority to waive or amend this requirement is given by the relevant Portfolio Holder. The purpose of the bond is to provide a financial surety, against which, the council may claim for financial loss incurred by the council because of default action or non-action by the contractor. The bond would be given by a bank (with a high credit rating) or a regulated insurance company. However, the cost of arranging the bond will be passed back to the council and in the event of a contractor default, the process for bringing a successful claim under the bond can be notoriously difficult.

6.2. As an alternative to a bond and where applicable, the successful bidder could be required to provide a parent company guarantee. The purpose of a parent company guarantee is to secure continuity of the contract and/or indemnify the council against any losses in the event of any default by the contracting company.

7. Risk management

7.1. A risk assessment has been completed in accordance with the council’s risk management process and has identified the following significant (red or amber) residual risks that cannot be fully minimised by existing or planned controls or additional procedures. The main risks at this stage are as follows:

7.1.1. There is a risk that the consultants estimate of the current market value is incorrect and that any tenders received could 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. The forecasts prepared do not, however, take into account any changes to the economic environment as a consequence of Brexit, or subsequent changes in legislative requirements.

8. **Equalities implications**

8.1. An equality impact assessment has been completed for both Lot 1 and Lot 2 of the waste contract and the outcome of which is as follows:-

a. **LOT 1 and 2**

i. An Equality Impact Assessment has been undertaken to consider the impact of the changes proposed in this report for Lot 1 and 2 on the protected characteristics and other potentially vulnerable groups, and the implications for the Public Sector Equality Duty, under the Equality Act 2010.

ii. This assessment concluded that:

- Maintaining the current frequency of collections for residual waste and recycling would have no differential impact on any group.

- The proposed changes to the frequency of glass collections from fortnightly to four weekly would generally have a neutral impact on most groups. Some residents may have issues with storing the additional containers, however, additional stackable boxes can be requested (as with the current service). There is also still the possibility of purchasing a 140 litre red bin for glass.

- The proposed introduction of wheeled bins (charged) for garden waste, in addition to current bags, is generally positive for all groups. It is differentially beneficial for some disabled residents, some older people and some pregnant women as they would be easier to use. The charge for the bin could be an issue for some people on a low income, however, concessions are being considered for this group.

- Proposed move from full coloured bins to having different colour lids only was identified as having a neutral impact on all groups. For residents who are visually impaired, there is an option to include a raised surface to allow for the different bins to be identified.

- The consideration of concessions, i.e. a reduced price, for the garden waste bins for people on a low income is positive for this group.
Consideration of the introduction of a textiles collection at the kerb side would be positive for all groups and reduce contamination of waste and recycling bins.

iii. If approved, the changes being proposed would need to be communicated in a wide variety of ways to ensure that customers are aware of how the service will be changing. The impact of any changes that are implemented would also need to be monitored to allow any unforeseen issues to be identified and, where possible, addressed.

b. LOT 2 only

i. An Equality Impact Assessment has been undertaken to consider the impact of the proposed change to the weekly refuse service to a fortnightly service and associated increase in bin size, on the protected characteristics groups and its implications for the Public Sector Equality Duty. This assessment concluded that the proposed change would have a differentially adverse impact on some disabled residents, some older people and some pregnant women, some households with babies in nappies and some larger families. However, there are existing policies, which could be modified accordingly, to mitigate potential issues. These include the assisted collection service, and additional capacity policy. The move from issuing 140 litre bins as standard to the larger (240 litre) bin would be positive for all groups.

ii. If approved, the proposed changes would need to be communicated through an extensive communications strategy and information would need to be cascaded to those they affect via a range of communication channels to ensure that customers are aware of how the service will be changing. The impact of any changes that are implemented would also need to be monitored to allow any unforeseen issues to be identified and, where possible, addressed.

9. Social Value

9.1. In accordance with the requirements of the Public Services (Social Value) Act 2012, the council will consider how the procurement of this contract might improve the economic, social and environmental well-being of the area and bidders will be invited to offer innovation in this regard.

10. Consultation and communication

10.1. Given the strength of views on both sides of the debate from residents and interest groups, it is important to get a snapshot of overall views in a representative way through sample research.

10.2. As the council’s universal service, residents are likely to have strong views about their waste and recycling service. It is important that we communicate
the opportunity to give their views and also the relevant information needed so that they can make an informed input into the debate.

11. **HR implications**

11.1. This report has no HR implications on staff employed by Basingstoke and Deane Borough Council or the Joint Waste Client Team. The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply to any staff employed by the current waste collection contractor.

11.2. If any of the staff currently working for the contractor had previously TUPE transferred from Basingstoke and Deane Borough Council with a local government pension, then the council will need to meet their ongoing pension costs if they transfer to a new contractor.

12. **Conclusion**

12.1. The existing joint waste contract expires in October 2018 and the council has been unable to agree favourable terms for its extension. It is therefore necessary for the contract to be retendered.

12.2. Significant work has been undertaken to ensure that the specification for the new contract provides an efficient, effective and reliable future service for the two councils and their respective residents.

12.3. The retendering of the joint waste collection service presents an opportunity to consider significant measurable efficiencies and cost savings through alternative service provision and therefore two lots are being put out to tender, which at this stage allows the council to gather all the facts and consider all the options.

12.4. This report provides a summary of the work undertaken to date and seeks Member’s views on the future contract specification, draft tender evaluation/award criteria, and performance management criteria, prior to these being considered by Cabinet.

13. **Summary and reasons for the decision**

Cabinet approval is required for the specification, tender evaluation and performance management criteria of the future joint waste contract.

14. **The options considered and rejected**

- Extension of the existing contract.
- Extension of the existing partnership to include neighbouring authorities.
- Delivery of the service either in-house of through a joint venture.
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<tr>
<th><strong>Lead officer</strong></th>
<th>John Elson - Head of Environment and Technical Services, Hart District Council.</th>
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<td></td>
<td>Phone: 01252 774491, email: <a href="mailto:john.elson@hart.gov.uk">john.elson@hart.gov.uk</a></td>
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<td><strong>Version</strong></td>
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<td><strong>Dated</strong></td>
<td>3rd January 2017</td>
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<td><strong>Status</strong></td>
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<td><strong>Confidentiality</strong></td>
<td>It is considered that information contained within Appendix 2 &amp; 3 of this report contain exempt information under the meaning of Schedule 12A of the Local Government Act 1972, as amended, and therefore cannot be made public.</td>
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