

**TONBRIDGE & MALLING BOROUGH COUNCIL**

**STREET SCENE and ENVIRONMENT SERVICES ADVISORY BOARD**

**06 November 2017**

**Report of the Directors of Street Scene, Leisure & Technical Services, Finance & Transformation and Central Services**

**Part 1- Public**

**Matters for Recommendation to Cabinet - Key Decision**

**1 WASTE SERVICES CONTRACT RETENDER**

**Summary**

**The current waste services contract for refuse, recycling & street cleansing is due to end in February 2019 and is being retendered on a partnership basis with Dartford & Tunbridge Wells Borough Council's and Kent County Council.**

**This report focusses on the proposed Inter Authority Agreement and financial disaggregation arrangements between the partners, and the evaluation criteria for the award of the contract.**

**1.1 Background**

- 1.1.1 Further to previous reports to this Board, Members will be aware that the Council's Waste Services Contract is due to expire in February 2019 and that Officers are currently working with West Kent colleagues, as well as Kent County Council, to work in partnership on the future delivery of these services. The value of this Council's existing contract for refuse, recycling and street cleansing services is around £3.8m per annum, and provides a refuse and recycling collection service to over 52,000 households and a street cleansing service across the whole Borough.
- 1.1.2 At the June 2017 meeting of this Board, Officers provided an overview of the tendering process and outlined the proposed recycling & refuse collection arrangements for an enhanced service, known as the "NOM" (Nominal Optimal Method), which include:
- Weekly Food Waste Collection;
  - Fortnightly Collection of Residual Waste;
  - Alternate Fortnightly Collection of Mixed Dry Recyclate (plastics, metals, cartons and glass) in a wheeled bin with a separate container for paper and card; and

- In addition, the separate fortnightly collection of garden waste (as an “opt in” charged service).

1.1.3 The retendering of the waste services contract together with West Kent partners presents a real opportunity to review current arrangements, with an overall aim of providing:

- service improvements and efficiencies;
- greater consistency across partner authorities;
- increased recycling performance; and
- financial savings.

1.1.4 At the last meeting of this Board Members considered and agreed key policy and service levels relating to the specification for the new contract. This included a range of issues including contract length, design and size of containers, bring sites, street cleansing, high speed roads, green waste collection charges and mobilisation/implementation. In addition to agreeing the service levels Members also agreed that the Inter Authority Agreement, financial arrangements and evaluation criteria for the award of the contract be considered at this meeting.

## **1.2 Inter Authority Agreement (IAA)**

1.2.1 The IAA is a legally binding agreement between this Council as the Waste Collection Authority and Kent County Council (KCC) as the Waste Disposal Authority. The aim of the IAA is to encourage increased levels of recycling by providing this Council with an incentive to maximise kerbside recycling, directly reducing the waste disposal costs for KCC. Where higher levels of recycling are achieved, KCC’s disposal costs are reduced. Accepting that a more comprehensive kerbside collection arrangement will be more expensive for this Council, it is essential that any IAA mutually benefits both authorities.

1.2.2 The IAA will replace all existing arrangements in relation to all payments made by KCC to this Council.

1.2.3 Following recent approval by KCC’s Cabinet Committee a summary of the core principles of the IAA are:-

- both KCC and TMBC will commit themselves to the most economically advantageous and closest coordination reasonably possible of waste services in Tonbridge and Malling.
- TMBC will introduce, provide and maintain the Nominal Optimal Method of collection across its administrative area, reaching the maximum number of households.

- TMBC will deliver waste streams in accordance with the NOM to transfer points and facilities specified by KCC.
- KCC will retain responsibility for the haulage and disposal of all materials.
- TMBC will purchase necessary containers to facilitate the new collection arrangements.
- the IAA shall commence on the commencement date of the new collection contract and will be in force until the expiry of the contract..

The IAA sets out in detail the financial obligations of each partner, which is outlined below in sub-section 1.3. In overview, the Council will receive a recycling support payment from KCC based on its recycling performance, and will retain all income achieved through the levy of a green waste charge. This performance based approach to the sharing of savings achieved is supported by Officers and will provide a real incentive to improve rates of recycling across the borough.

A final draft of the IAA will be produced in advance of the award of the contract and will be presented to this Board for formal approval.

### **1.3 Financial Arrangements**

#### *Waste Disposal Costs*

- 1.3.1 Currently, the total waste collected from households in Tonbridge and Malling is around 48,000 tonnes and the associated waste disposal cost to KCC is in the order of £4.2m.
- 1.3.2 With the Nominal Optimal Method of collection the waste disposal cost will reduce. Dependent on take up of the opt-in garden waste collection service and based on anticipated tonnages, our consultants (WCL) estimate that waste disposal costs could reduce by circa £984,000. This figure is indicative and will be dependent on a range of factors including the final contract sum.
- 1.3.3 Under the proposed IAA, this Council will receive a Recycling Support Payment (RSP) equal to 50% of the saving achieved compared to the baseline waste disposal cost (where a saving is not achieved in any one year the RSP is zero and any increase in cost is recovered first from future year's savings).
- 1.3.4 Based on the above this would result in a RSP to this Council of £492,000. The RSP will replace recycling credits and other payments currently paid by KCC (excluding the contribution to the Saturday bulky household collection service) in the sum of £435,000. In addition, under the proposed arrangements this Council will not receive the income from recycled materials currently totalling around £109,000.

### *Green Waste Charges*

- 1.3.5 It is proposed that a chargeable opt-in garden waste collection service be introduced. For illustration the table below gives projected income levels based on a take up rate of 30% and 40% and a charge of £35, £40 and £45. The projected take up rates are based on the performance of other local authorities, with the national average for a charge being iro. £42 p.a. All income achieved from a green waste charge will accrue to this Council.

		Price (£)		
		35	40	45
Take up (%)	30	500,360	571,840	643,320
	40	667,135	762,440	857,745

- 1.3.6 The table above shows the projected income levels range between £500,000 and £858,000 for the various take up rates and level of charge levied. Clearly, there is a balance between the charge set and the subsequent level of take up.

### *Recycling Bring Sites*

- 1.3.7 With the Nominal Optimal Method of collection a wider array of materials will be collected at kerbside. This provides the opportunity to review the number and location of bring sites across the borough. At the last meeting of this Board it was agreed that a number of strategically located bring sites would be retained. If the number of sites were reduced to strategic sites a saving of £73,000 is estimated.

### *Capital Investment*

- 1.3.8 The Nominal Optimal Method of collection will require capital investment on the part of this Council by way of an internal and external food caddy at a cost of circa £300,000. In addition, the purchase of garden waste bins at a cost of circa £400,000 based on a take up rate of 30%.
- 1.3.9 The current annual capital budget provision for new and replacement bins will need to increase on introduction of the arrangements. The required increase in budget provision is estimated to be £25,000. This increase will in part be offset by no longer having to make capital renewals provision for the replacement of the two recycling vehicles owned jointly by this Council and Tunbridge Wells Borough Council.

## **1.4 Contract Evaluation**

- 1.4.1 It is proposed that the evaluation of the tenders will be based upon the most economically advantageous tender known as “MEAT”. This will be assessed on

the basis of the best price-quality ratio with the following weighting: 50% Cost/ 40% Quality with the final 10% awarded for the Interview with the contractor taking into account Added Value which may include environmental and/or social aspects over and above the base specification which are linked to the subject- matter of the service contract. The components which make up the quality score are still being considered by our partners and advice will be sought from Dartford Borough Council procurement team on their inclusion.

- 1.4.2 Members have previously approved the use of the Open Procurement Process. This allows all who wish to do so to submit a tender. In order to manage the evaluation of the tenders more efficiently the process will include a series of threshold criteria which are pass/fail questions so that if these are not met by the tenderers their tender will not be assessed further. These will comprise the mandatory and discretionary exclusions grounds in the government's standard selection questionnaire, a suitable threshold for financial standing, technical and professional ability (based on references and details of previous contracts), compliance with the Modern Slavery Act, a requirement to have or obtain adequate insurances, and such other criteria as are agreed with our partners.
- 1.4.3 The specific areas to be examined in assessing the qualitative aspects of the tenders are still being discussed with our partners but are likely to include the contractor's organisational detail, key personnel and contract execution. The contract execution will include the analysis of a range of method statements produced by the tenderers, including standards of service, customer care, health & safety, compliance with legislation, staff training, communications and continuous improvements.

## **1.5 Contract Lots and Variant Bids**

- 1.5.1 The Public Contract Regulations 2015 require that the Contracting Authorities should consider whether it is possible to split the Contract into Lots with the aim of encouraging smaller contracts for the Small and Medium Enterprises to be able to bid for. The West Kent Partners are of the view that the best service delivery and savings will be achieved by having a single contract with no lots due to our preference for the Nominal Optimal Method.
- 1.5.2 A variant bid allows a contractor to submit their own different solution based on minimum specification being achieved. While variant bids can be useful in "testing" alternative options provided by contractors, they can also make the evaluation process more complicated (with increased risk of challenge). On balance, following feedback during the pre-tender Contractor Engagement sessions, the West Kent Partners concluded that variant bids would not be allowed.

## **1.6 Legal Implications**

- 1.6.1 The Council has a legal duty to provide waste and street cleansing services. Due to the contractual and partnership aspects of this project regular and timely legal

services guidance is essential in taking this forward. The Procurement will be carried out in accordance with all current legislation, including the Public Contract Regulations 2015.

- 1.6.2 A number of legal considerations have been highlighted, are captured on the project timetable and are being led by Tunbridge Wells Borough Council. This includes specific involvement with the Inter Authority Agreement, the Conditions of Contract and the procurement process. Our own Legal Services Officers are represented at TMBC's Officer Project Group and are also included in the WKWPG legal services sub group.
- 1.6.3 The IAA will be entered into with KCC under the powers contained in Part II of the Environment Protection Act 1990, S111 of the Local Government Act 1972, S2 of the Local Government Act 2000 and S1 of the Localism Act 2011.

## 1.7 Financial and Value for Money Considerations

- 1.7.1 Some of the financial considerations to be taken into account in the retender of the waste services contract are set out at paragraph 1.3. A critical component of course is the contract sum. To all intents and purposes this should be more than the current contract payment and the extent of the increase will only be known when the tenders are opened and evaluated.
- 1.7.2 Members will recall that a number of provisional price options will also be included within the contract tender. These items (including the provision of high speed road cleansing and Saturday bulky waste services) will be reported to Members for consideration following tender submissions.
- 1.7.3 A statement summarising the potential range of revenue implications detailed at paragraph 1.3. is shown at **Annex 1**. **It is important, however, to recognise that the indicative figures provided are based on numerous assumptions not least in respect of the change in pattern of waste disposal, take up of the garden waste collection service and associated charge. Of equal importance is the fact that the potential revenue implications do not reflect any expected increase in the contract sum.** Therefore, any increase in the contract sum as outlined above would need to be deducted from the estimated savings.
- 1.7.4 Without the formal tender prices and experience 'on the ground' following implementation of the new arrangements, at this point it is not possible to predict the overall net savings that might be achieved, and it is therefore very important to stress that figures set out are indicative only. Nevertheless, it is apparent that the financial analysis supports the expectation that the retender of the waste services contract will make a significant contribution to the contract savings target reflected in the Savings and Transformation Strategy.

## **1.8 Risk Assessment**

- 1.8.1 The Council has a duty to provide waste and street cleansing services within the borough. The value, the type of work and the high profile nature of the service give rise to a number of potential risks (financial, health & safety and reputational risks). In addition, there are further potential risks associated with delivering a joint contract in partnership with other authorities.
- 1.8.2 The WKWPG has recognised the need to assess risks and has already drafted a risk management register for the overall delivery of the project. It is envisaged that the key elements will be regularly monitored and reviewed to ensure that the project stays on track.
- 1.8.3 In addition, our Internal Audit Team (also represented in the TMBC Officer Project Group) has highlighted the Waste Services Contract Retender as a key area for focus.
- 1.8.4 There is a potential risk that at the end of the contract period the IAA is not renewed and the Recycling Support Payment (RSP) no longer received. However, this is thought to be unlikely, as the Waste Disposal Authority has a vested interest in achieving the level of performance anticipated by the NOM collection method. If the RSP was withdrawn making the collection method no longer affordable to the Waste Collection Authority, this would jeopardise the joint savings being generated by working in partnership.
- 1.8.5 There is a potential risk that one or more of our Partners may withdraw from the process which will reduce the potential savings which can be achieved by the remaining Partners. This risk is reduced by the Waste Disposal Authority having separate IAAs with each of the Waste Collection Authorities so that any one or more authorities still has the potential to achieve savings through an RSP payment.
- 1.8.6 As set out in paragraph 1.8 above, the financial data included in this report is indicative only.

## **1.9 Equality Impact Assessment**

- 1.9.1 Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010; (ii) advance equality of opportunity between people from different groups; and (iii) foster good relations between people from different groups.
- 1.9.2 There are a number of individual specification and service elements associated with a contract of this size which will deal with protected characteristics under the Equality Act to ensure that the Service adequately affects those person who are affected e.g. a pull out service for those who require assistance such as disabled

residents or those who are frail and elderly etc. Although it is not envisaged that any particular group will be disadvantaged by this contract, the need to carry out a detailed Equality Impact Assessment has been noted by the WKWPG and will be included within the formal contract documents.

## **1.10 Policy Considerations**

### 1.10.1 Communications

### 1.10.2 Community

### 1.10.3 Customer Contact

### 1.10.4 Procurement

## **1.11 Recommendations**

### 1.11.1 It is **RECOMMENDED** to Cabinet that:

- i) the core principles for the Inter Authority Agreement between this Council and KCC as outlined in the report be agreed;
- ii) a final draft Inter Authority Agreement be reported to a future meeting of this Board for approval;
- iii) the financial arrangements relating to the new contract as outlined in the report and associated financial implications be noted;
- iv) the approach to the evaluation of the contract tenders as outlined in the report be agreed and incorporated within the tender documentation.

Background papers:

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Nil

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