

REPORT TO: Cabinet Member – Environmental Cabinet

DATE: 6 April 2011
14 April 2011

SUBJECT: Recycling Collection Services - Award of Contract

WARDS AFFECTED: All Wards

REPORT OF: J G Black
Director of Street Scene

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EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To determine the scope of Recycling Collection Services and to establish appropriate contractual arrangements for the provision of the services during the period 1st August 2011 to 31st July 2016.

REASON WHY DECISION REQUIRED:

To recommend and agree the scope for recycling collection services and award a contract for the provision of recycling collection services for the period 1st August 2011 to 31st July 2016.

RECOMMENDATION(S):

That the Cabinet Member – Environmental considers the information presented and recommends;

- i the scope of recycling collection service to be provided in future.
- ii that a contract be awarded to Tenderer D to reflect the agreed scope of service.
- iii that Cabinet agrees the level of savings arising from this decision, and if necessary, consider any growth required in future years as Local Authorities will be required by statute to separately collect plastic and cardboard from 2015 onwards.

That Cabinet:

- i approve the scope of recycling collection services that will form the basis for a contract, as recommended by the Cabinet Member – Environmental.
- ii agree to award a contract to Tenderer D for the provision of the recycling collection services for the period 1st August 2011 to 31st July 2016, with the option to extend the contract period up to a maximum of 2 years, subject to satisfactory performance.
- iii agree the level of savings arising from this decision, and if necessary, consider any growth required in future years.

KEY DECISION:	Yes
FORWARD PLAN:	Yes
IMPLEMENTATION DATE:	Following the expiry of the 'call-in' period for the Minutes of this meeting

ALTERNATIVE OPTIONS:

None, due to the value of the recycling collection services contract a formal arrangement must be established in accordance with European and UK procurement legislation.

IMPLICATIONS:

Budget/Policy Framework:

Financial:

The tendering process will achieve a significant saving against the future estimated budget allowed for the provision of recycling collection services. The amount saved will ultimately be governed by the scope of the new contract, the lowest (full year) saving could be £600k should an enhanced service be chosen, or as much as £1.6m (full year) if members opt to maintain the current service levels. Members should be mindful that if a decision to defer moving to an enhanced service is made and the maximum saving taken budget growth will be required in future, from the point at which an enhanced service is agreed. Local Authorities will be required by statute to separately collect plastic and cardboard from 2015 onwards.

	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £	2014/ 2015 £
<u>CAPITAL EXPENDITURE</u>				
Gross Increase in Capital Expenditure				
Funded by:				
Prudential Borrowing				
Sefton Capital Resources				
Specific Capital Resources				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure	(pro-rata) See	See above		

	above			
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: N/A

Risk Assessment: None

Asset Management: N/A

CONSULTATION UNDERTAKEN/VIEWS

Legal LD80/11 – The Acting Head of Corporate Legal Services has been consulted and his comments have been incorporated in the report.

Finance FD709 – The Head of Corporate Finance & ICT has been consulted and her comments have been incorporated into this report.

Overview & Scrutiny – Regeneration & Environmental Services

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Creating Safe Communities		√	
3	Jobs and Prosperity		√	
4	Improving Health and Well-Being		√	
5	Environmental Sustainability	√		
6	Creating Inclusive Communities		√	
7	Improving the Quality of Council Services and Strengthening local Democracy	√		
8	Children and Young People		√	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Previous reports on this subject to Cabinet Member – Environmental, Cabinet and Overview & Scrutiny Committee (Regeneration & Environmental Services)

Background

1. The current arrangement for the provision of the dry recycling collection service (including food waste) and bring sites was established in February 2010, when the previous contractor entered into administration. This interim arrangement has enabled recycling collection services to continue to be provided whilst the Council conducts a formal procurement process to establish a new contractual arrangement. The interim arrangement is in place until 31st July 2011 to provide a reasonable mobilisation period following a formal award of contract.
2. A significant number of vehicles were purchased, via external capital funding provided by the Department of Food and Rural Affairs (Defra), and were made available to the previous Contractor for use on the initial dry recycling collection contract when it commenced in 2004. A new fleet of vehicles will be required for the new contract. It was reasonable to assume that the cost of the new contract would be significantly more than the current arrangement and therefore £1.9m was initially incorporated into the forecast budget via the medium term financial plan (MTFP), this was later reduced via the efficiency savings exercise to £1m.
3. Due to the nature and the scale of the procurement exercise to explore the scope of the service(s) to be procured, produce complex tender documents, determine timescales, manage the project and establish a robust method for evaluating tenders, it was established and agreed that a consultancy experienced in all aspects of the procurement process and more importantly the provision of recycling services would be required to assist with this project.

Scope of the Contract

4. Due to concerns about the overall cost of providing recycling collection services in future it was established that the new contract would include the following elements, as priced options;
 - Option 1 - 'Core Service'; the weekly collection of recyclable materials, as per current service (including food), directly from households.
 - Option 2 - provision of a 'Bring Site Service' e.g. collection, emptying of containers and cleanliness of the sites
 - Option 3 - the addition of 'Plastic' to the core service
 - Option 4 - the addition of 'Cardboard' to the core service
 - Option 5 - Core with plastic & cardboard added plus Bring Site Service

Breaking the service into the above elements provides the Council with the opportunity to determine the level of service that can be funded and therefore the scope of the contract that will be awarded.

5. Following informal market consultation with prospective bidders, it was determined that a contract period of five years would be the most viable option upon which tenderers could bid, as this represents a reasonable period for depreciating vehicle costs. A shorter contract period would over-inflate tendered prices. The contract upon which tenders have been invited is for five years,

commencing on the 1st August 2011 through to 31st July 2016, with an option to extend for up to 2 years to 31st July 2018, subject to satisfactory performance and at the Council's discretion.

Procurement Process

6. Due to the anticipated cost of the contract for recycling collection services Sefton is obliged to conduct a formal tendering exercise, in accordance with European and UK procurement legislation. Operational Services staff has liaised closely with colleagues in the Finance Department's Central Purchasing Unit and Legal Services throughout the formal procurement process.
7. It was established that an accelerated restricted process would be used. This is a 2-stage process that is carried out via reduced timescales as the process is administered electronically. The first stage invites interested companies to submit a pre-qualification questionnaire (PQQ). These are then evaluated to determine a shortlist of companies to be invited to tender (ITT) at the second stage of the process.
8. Delegated Authority was granted to the Operational Services Director to invite tenders following evaluation of PQQ's. Twelve PQQ's were received and following evaluation the following 5 companies were invited to tender;
 - Acumen
 - Brysons
 - Enterprise
 - HW Martin
 - Palm Recycling

Tender Evaluation

9. Tenders were received from all of the above however Legal advised that one of the tenders received was invalid and therefore should not be evaluated. The tenderer concerned will be notified immediately following approval to award the recycling collection services contract.
10. The remaining tenders were evaluated in accordance with the details stated in the contract documents. The evaluation was assessed on a price/quality basis with a 60/40 weighting.
11. The four valid tenders were first analysed in respect of price. A formula developed by the consultancy, who co-ordinated and facilitated the production of the contract documents and the evaluation exercise, was applied to transform the prices into scores, see Appendix A.
12. All four tenders were also scored in respect of quality, based on assessment of the following criteria:
 - Service Delivery 12%
 - Technical Solution 20%

- Innovation 5%
- Compliance with Council Policy 3%

13. Evaluation was conducted, over a period of two weeks, by officers in the Operational Services Department and also by the consultancy. The following specific aspects of tenders were considered for compliance and/or quality by colleagues in other sections/departments, as follows;

- Health and Safety (Health Unit/Personnel)
- Legal and Contractual issues (Corporate Legal Services)
- Tendered Sums (Finance)

14. Following the above, a moderation exercise was conducted to determine the overall evaluation of tenders received. Staff from Operational Services, Finance (Central Purchasing) and representatives from the consultancy formed the moderation panel. The panel received feedback on the first day of moderation from Legal in relation to contractual compliance and other legal matters and from Finance in relation to their initial evaluation of tendered prices. The Health Unit conducted a joint evaluation of this specific aspect of tenders with the Cleansing Manager. The findings were considered along with individual assessments of Health and Safety submissions, by the panel.

15. The panel considered the individual scores awarded in relation to 'quality' and a moderated score for each element of the above criteria (stated in 12 above) was agreed. The moderated scores were incorporated into an overall scoring template and the outcome of this can be seen in Appendix A.

16. A full financial assessment has been undertaken to determine the viability of the lowest tendered price for all options.

17. The option to enhance the current service by adding plastic and cardboard can be contained within the forecast budget. However the cost of adding these materials is still significant at around £1.1m per year. Whilst the inclusion of plastic and cardboard will increase recycling tonnages and divert this waste from landfill it will not produce a major increase in the recycling percentage rate, nor is such an increase necessary at this time.

18. There is currently no statutory requirement to collect plastic and cardboard although it is required from 2015 onwards. Therefore the Council has time to consider what would be the most viable and affordable way of collecting these materials in the future to comply with any legislative requirement.

19. Should the Council opt to continue with the present level of service for kerbside collection, without enhancement (option 1) the level of savings available would be £1.6m per full year. However should the Council opt to enhance the service (option 5) by adding the collection of plastic and cardboard at the start of the contract then the level of saving available would reduce to £600k per full year. However in making this decision and taking the maximum saving now it should be noted that budget growth would be needed in later years to allow for the future collection of plastic and cardboard.

20. Should the choice be made to defer a move towards enhancing the service an alternative method for collecting plastic and cardboard could be explored in the future. An example is 'co-collection' this may involve providing a third wheelie bin into which plastic and cardboard and other recyclates could be placed (mixed together) and then taken to a Merseyside Waste Disposal Authority site for sorting.
21. Work was carried out during the evaluation process to assess the lowest tenderer's ability to provide the same level of service that is currently provided, i.e. Core Service plus Bring Sites (Options 1 & 2 only) at a much lower price than other tenders. A financial exercise was carried out to project expenditure likely to be incurred by the contractor based on tender information submitted. The exercise also projected the level of income likely to be achieved from contractual payments and the sale of recyclable materials. Whilst the price tendered is significantly low the financial exercise would suggest that this tender is viable and should produce a profit for the contractor. The Council can therefore have confidence that in choosing Tenderer D the saving for continuation of the current service (option 1 & 2) would realize the full year saving of £1.6m identified in this report.
22. A confidential briefing session was conducted on the 8th March 2011 with members of the Overview and Scrutiny Committee – Regeneration and Environmental Services, Cabinet Member – Environmental (and spokespersons) and Leaders or their representatives to obtain their views about the scope of service to be provided in future.
23. The highest evaluated total score(s) for the provision of recycling collection services is shown in appendix A. It is important to note that the highest total score(s) is the combined weighted percentage for price (60%) and quality (40%).
24. The desktop evaluation scored aspects of the tender submitted by tenderer D lower than other tenders. However, as their tendered price(s) is the lowest across the range of options they do achieve the highest overall score due to percentage weighting.
25. Based on the information provided in this report the Cabinet Member – Environmental is required to recommend the scope of recycling collection services that will be provided in future, via a new contractual arrangement, and to recommend that the contract for recycling collection services be awarded to Tenderer D.
26. Cabinet is requested to agree the scope of the recycling collection services contract and to award the contract at the meeting on 14th April 2011. Immediately following this meeting all tenderers will be notified of the outcome of tender evaluation and how their tender scored in comparison to the successful tender. A 10-day standstill (Alcatel) period will then provide an opportunity for any challenge to be raised, following which the contract will be formally awarded. The target date for formal contract award is the 26th April 2011.

Appendix A – Evaluation Summary

Tender →	TOTAL (100%)				FINANCIAL (60%)				QUALITATIVE (40%)			
	A	B	C	D	A	B	C	D	A	B	C	D
Core & Bring Sites (Options 1 and 2)	50.93	53.67	49.07	77.56	33.15	34.03	32.76	60.00	17.78	19.64	16.32	17.56
Core + Plastics + Card & Bring Sites (Option 5)	62.63	75.94	N/A	77.40	45.92	57.70	N/A	60.00	16.71	18.24	N/A	17.40

Notes;

- The percentage scores quoted above reflect the outcome of a financial and qualitative evaluation.
- Tenderer C did not tender for providing a collection of plastics and/or card.
- Due to the confidential nature of tenders detailed financial information is not included in this table.