

Item 4

KEY DECISION

REPORT TO CABINET

6th December 2007

REPORT OF DEPUTY CHIEF EXECUTIVE/ DIRECTOR OF NEIGHBOURHOOD SERVICES

Environment Portfolio

KERBSIDE RECYCLING SERVICE 2008 / 2010

1. SUMMARY

1.1 Sedgefield Borough Council currently has an 'Agreement' with Durham County Council for the provision of a kerbside recycling service – the 'Kerb-it' scheme, delivered under contract by Premier Waste Management Ltd. (PWM). The existing 'Kerb-it' recycling contract with the County Council terminates on the 31st March 2008 as does the Borough Councils 'Agreement'.

1.2 The terms and conditions of the existing Contract do not contain an extension clause and therefore the current service cannot be extended beyond the 31st March 2008.

1.3 This report considers the results of a joint procurement process undertaken by this Council in partnership with Easington, Chester-le-Street and Durham City Councils to provide a replacement kerbside recycling service from the 1st April 2008.

2. RECOMMENDATIONS

It is recommended that:

- 1 The 'variant' Tender submitted by Greencycle Plc., in the sum of £54.57 per tonne of recyclate collected, be accepted and approval be given to award a 2-year Contract to Greencycle Plc. for the provision of the kerbside recycling service as described in their 'variant' bid.
- 2 That the Council purchases re-usable plastic bags for the collection of mixed plastics and cardboard as outlined within the report..

3. BACKGROUND

3.1 Sedgefield Borough Council currently has an 'Agreement' with Durham County Council for the provision of a kerbside recycling service – the 'Kerb-it' scheme, delivered under contract by Premier Waste Management Ltd. (PWM). The contract with PWM and the consequent 'Agreement' with the County Council come to an end on the 31st March 2008.

3.2 In order to meet its statutory obligations in respect of recycling targets, and also to satisfy residents' expectations, it is imperative that provision is made for an alternative service, and/or service provider, to be in place with effect from 1st April 2008.

3.3 The identification of future options in respect of recycling services was the subject of a comprehensive review carried out by the Recycling Services Review Group of Overview & Scrutiny Committee 3, from June 2006 to April 2007. The Review Group recommendations were subsequently formally presented to Cabinet in June 2007. Cabinet's response to the Review Group recommendations was delivered at its meeting on the 13th September 2007.

3.4 Cabinet endorsed the Review Group's 'Recommendation 3' that *'Consideration be given to various options for the continuation of a kerbside collection service after 31 March 2008, including working in partnership with current partners of the existing kerb-it scheme.'*

4. THE PROCUREMENT PROCESS

4.1 Officers representing the Borough Council have subsequently been in discussion with Service Managers from Chester-le-Street DC, Durham City Council and Easington DC regarding the joint procurement of a new kerbside recycling service. Potential Contractors have been identified and Tenders have been sought for the provision of a service identical to the existing 'kerb-it' service i.e. the fortnightly collection of glass, paper and cans using 55 litre boxes from the curtilage of the property and segregated into compartmentalised vehicles at the kerbside for onward transport to re-processors.

4.2 The term of the contract was stipulated as 2 years with a possible 2-year extension.

4.3 Expressions of interest in providing the service were received from several companies and all were sent a copy of the Tender documents. However completed documents were only returned by the following companies (in alphabetical order):

- a) Abitibi Consolidated Recycling Europe
- b) Greencycle Plc.
- c) Greenstar Environmental Ltd.
- d) PD Logistics
- e) Premier Waste Management Ltd.

Tenderers were required to provide a rate for delivering the specified service to each of the households in the Contract Area (i.e. the cumulative area covering the above-mentioned Borough and District Councils) based upon the price per tonne of recyclable material collected.

The following tenders were received for the provision of a service which complied with the contract specification (in numerical order):

	<u>£/tonne</u>
i)	£ 67.91
ii)	£ 78.52
iii)	£ 99.25
iv)	£ 123.15
v)	£ 155.00

4.4 Within the terms of the Tender documents, Tenderers were also allowed to provide a price for alternative methods of collection, which in their opinion provided added value to the current service.

Four of the Tenderers took the opportunity to submit such 'variant' bids. The variances from the specified level of service, in all cases, included either the collection of additional materials or the use of different types of collection vehicles.

The following tenders were received for the provision of a service, which varied from the defined contract specification (in numerical order):

	<u>£/tonne</u>	<u>Proposed Variances from Specification</u>
i)	£ 54.57	(2 additional materials)
ii)	£ 59.74	(1 additional material, stillage type vehicles)
iii)	£ 64.86	(1 additional material. 'Eurocyclers' vehicles)
iv)	£ 69.97	(2 additional materials, stillage type vehicles)
v)	£ 89.99	(2 additional materials, 'Eurocyclers' vehicles)

(Note: One tenderer submitted 2 variant bids)

4.5 All of the submitted Tenders, both 'compliant' and 'variant' have been evaluated using a pre-defined evaluation matrix (Appendix A) developed to balance the price of the submitted tenders against the quality of the service offered. The matrix assessed each Tenderer and their respective submissions in respect of both financial and operational matters, taking into consideration such issues as tender price, ability to deliver the service on the due date, Health and Safety, Equality and Diversity, environmental performance and experience.

Tenderers were made aware of the evaluation model prior to submission of their bids.

4.6 A summary of the cumulative evaluation scores for each of the submitted bids is shown at Appendix B.

5. PREFERRED TENDER

5.1 Following full evaluation of the submitted bids the officer group overseeing the procurement process have jointly selected a preferred bid i.e the variant tender submitted by Greencycle Plc.

The benefits of this option are;

- The kerbside collection and recycling of mixed plastics and cardboard will be introduced which will greatly increase customer satisfaction.
- Recycling rates will increase giving better performance with respect to key BVPIs and LAA targets.
- The tender price offers excellent value for money.
- The tender has scored highly for quality.
- The company's aim is to maximise its income from the contract by maximising the amount of material it collects and recycles. Staff are to be paid a bonus linked to tonnages recycled and £2 per tonne will be donated to charity.
- The company have passed an assessment of financial viability having a turnover of £6 Million pounds in the last six months.
- Whilst this is a new company the management team are experienced in the industry.
- The company have satisfied the steering group that they have robust plans in place to commence the service from 1/4/2008 provided the contract is awarded in December.

The risks of this option are;

- This company was formed in 2005 and as its first contract to deliver kerbside collection services starts in early December the joint officer group cannot assess their track record.
- The contract is to run for 2 years with an option to extend for a further two. If the contract proved not to be financially viable the company could seek to terminate early.
- The company has stated that it needs to recycle 25,000 tonnes a year across the whole of the contract area to make a profit and current recycling rates are 17,200 tonnes. To improve recycling tonnage they propose to add cardboard and plastics to the service and employ 4 full time dedicated 'recycling education staff' (1 for each Council area) to drive up participation in the scheme.
- The more material that is recycled the more the contract costs the council.
- The company proposes that residents put out the additional material, plastic and cardboard, in waste plastic bags. The steering group consider this to be a potential problem in causing litter and reducing customer satisfaction and it would therefore be proposed to provide a reusable bag. The Council will be required to purchase bags for plastic and cardboard at a cost of around £1.20 per household.

5.2 As the Councils of Chester-le-Street, the City of Durham, Sedgefield Borough and the District of Easington have entered into this tender process jointly it is imperative that each authority agrees to award the contract to the same company with respect to the same tender. In order to minimise the chance of the contractor not being able to deliver the service from 1/4/2008 the aim is to award the contract in mid December so that vehicles can be ordered, depots acquired and staff engaged involving TUPE transfer if appropriate. If there are delays in awarding the contract there may be slippage which means the service cannot be provided from 1/4/2008. If each Council does not agree to select the same option the process will not be completed and may have to be started again or the Council may have to negotiate an individual contract that may lose the economies of scale.

6. CORPORATE POLICY IMPLICATIONS

The procurement and provision of a new kerbside recycling service as outlined in this report support the following ambitions and aims contained within the Council's Corporate Plan 2006/07 – 2008/09.

Corporate Ambition	Community Outcome	2006 Aim
Attractive Borough	Ensuring a cleaner greener environment	<i>Aim A1</i> – Monitor and improve local environmental conditions
	Reducing waste and managing natural resources	<i>Aim A5</i> – Increase recycling rates to ensure that local and national targets are met.
Corporate Values	Be responsible with and accountable for public finances	<i>Aim C7</i> – Identify year-on-year efficiency gains from the conception, procurement, and delivery of goods, services and works

7. RESOURCE IMPLICATIONS

7.1 The Borough Council anticipate recycling approximately 5000 tonnes of material through the 'kerb-it' scheme this year. The 'Agreement' with the County Council for the provision of the service costs the Borough Council £40,000 per annum.

7.2 The preferred bid aims to drive recycling tonnages up by approximately 45% over the 2-year life of the scheme. Potentially this could result in the tonnage collected within the Borough increasing to an estimated 6000 tonnes in 2008/9 and 7250 tonnes in 2009/10. The cost per tonne for delivering the service tendered is £54.57.

7.3 The County Council have agreed to pay the recycling credit equivalent sum per tonne of recyclate collected through this contract, to the participating Borough and District Councils. The likely recycling credit rate for 2008/09 will be in the region of £46.07 per tonne.

7.4 Therefore the anticipated net revenue cost for the provision of the service for 2008/09 is:

$$6000 \text{ tonnes} * (£54.57 - £46.07) = \text{£51,000}$$

7.5 In addition to the annual revenue expenditure for the provision of the service there will be a need for a one off purchase of re-usable plastic bags at a cost of approximately £50,000.

8. CONSULTATIONS

8.1 This report has been prepared in consultation with the Borough Councils Portfolio Holder for the Environment and Service Managers from the other participating Authorities.

8.2 Waste Management Officers from Durham County Council sat on the Joint Officer Steering Group from the outset of discussions on this initiative. They were fully involved in all initial discussions and decisions on the proposals. These officers voluntarily

withdrew from the Group at the procurement/tender preparation stage due to the County Councils association with one of the prospective tenderers, Premier Waste Management.

8.3 The Chairman of Prosperous and Attractive Borough Overview & Scrutiny Committee has been consulted in relation to the procurement process in general and in particular in relation to the time constraints surrounding the award of the Contract as detailed in Clause 5.2 above. The Chairman recognised the importance of making an early decision regarding the award of the Contract and that any delay could have a serious impact on the achievement of the desired commencement date of the initiative. He therefore agreed that under Part 4B – Access to Information Procedure Rules (para. 16, ‘special urgency’ decisions) and Part 4E – Overview & Scrutiny Procedure Rules (para. 15(i), ‘Call-in and Urgency’) of the Councils Rules of Procedure, the matter is considered to be one of ‘special urgency’ and may properly be put to the Cabinet on the basis that no call-in shall take place.

9. OTHER MATERIAL CONSIDERATIONS

9.1 **Sustainability:** Environmental and financial sustainability underpin the whole ethos of this proposal. All tenders were tested in relation to both of these factors within the evaluation process.

9.2 **Risk Management:** The risks associated with the award of this Contract to the preferred bidder are outlined in Section 5 above.

9.3 **Health and Safety:** All tenderers and proposed operational activities were tested in relation to health and safety issues within the evaluation process.

9.4 **Equality and Diversity:** All tenderers were tested in relation to equality and diversity issues within the evaluation process.

9.5 **Legal and Constitutional:** Easington District Council, as the ‘lead’ Authority for the initiative, included legal representation on the Steering Group to consider any legal implications arising from the process including contractual and TUPE issues.

9.6 **Procurement:** The whole of the procurement process has been carried out in accordance with the OJEU open tendering procedure.

No other material considerations have been identified.

10. OVERVIEW & SCRUTINY IMPLICATIONS

Progress in relation to Cabinets response to the Recycling Review Groups recommendations in respect of future recycling services is the subject of regular updates to Overview and Scrutiny Committee 3.

11. LIST OF APPENDICES

Appendix A - Tender Evaluation Model

Appendix B - Cumulative Summary Score Sheet

Contact Officer: Gordon Lennon
Technical Services Manager
Telephone Number: 01388 816166 ext 4266
E-mail address: glennon@sedgefield.gov.uk

Ward(s) All Wards

Key Decision Validation:

Decision will incur expenditure in excess of £100,000

Background Papers

- o Cabinet Minutes 13th Sept 2007 – Response and Action Plan in relation to Recommendations made by Overview and Scrutiny Recycling Services Review Group
- o Tenders received on the 26th October 2007 for the provision of a service for the ‘Kerbside Collection of Segregated Recyclates’ to the Councils of Chester-le-Street District, Easington District, City of Durham and Sedgefield Borough.

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Councils Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Councils S.151 Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council’s Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team	<input checked="" type="checkbox"/>	<input type="checkbox"/>

This page is intentionally left blank