

**CABINET
30 JUNE 2015**

CORPORATE DIRECTORS REPORT NO. CD1507

**FUTURE SERVICE PROVISION FOR REFUSE, RECYCLING, STREET CLEANSING,
GROUNDS MAINTENANCE AND TOILET CLEANING**

1.0 PURPOSE

1.1 The purpose of this report is to advise Cabinet of the next stages of the procurement process and in particular seeks approval of:

- the documentation for the procurement including contract conditions
- the specifications for the principal service areas and
- the evaluation models in respect of the above services.

2.0 BACKGROUND

2.1 The Council's current contract for environmental services with Veolia is ending in March 2017 with no further opportunities for extension. Last year, the Cabinet established a working group to make a recommendation on how to deliver services after this date.

2.2 The group has met on 8 occasions so far and has explored a number of areas relating to the delivery of services, including:

- Recycling performance
- Innovation in contract letting
- Other models of service delivery including Joint Venture
- The views of Rushmoor residents
- Social Value
- Service specifications

These will be explored in further detail throughout the report.

3.0 WORKING GROUP MEMBERSHIP AND PROCUREMENT PROCESS OBJECTIVES

3.1 The group is a cross party working group and membership is as follows:

- Cllr Roland Dibbs (Chair)
- Cllr Adam Jackman
- Cllr John Marsh
- Cllr David Clifford

- Cllr Clive Grattan
- Cllr Mark Staplehurst

3.2 This group agreed the objectives of the procurement process as follows:

- Reduce costs in line with the 8-point plan
- Maintain or improve service quality
- Improve recycling performance

And it is against these criteria that any proposals should be judged.

4.0 THE PROCUREMENT TIMETABLE AND STRUCTURE

4.1 Due to the complexity of the services involved and the opportunity to negotiate and develop proposals throughout the procurement, the Council is procuring the new contract via Competitive Dialogue. The process will involve three stages of dialogue with contractors, each followed by a round of evaluation. The final contract award must take place by September 2016 and to meet this deadline, the procurement must progress in line with the outline timetable included at Appendix 1.

4.2 At its meeting in March 2015, Cabinet agreed to the procurement approach of one single integrated contract to cover all services (as per the current contract with Veolia). However, it was agreed that if during the procurement process it became apparent that the grounds maintenance elements of the contract would be better let independently then this should be enabled. Cabinet therefore approved use of the restricted procedure to allow this.

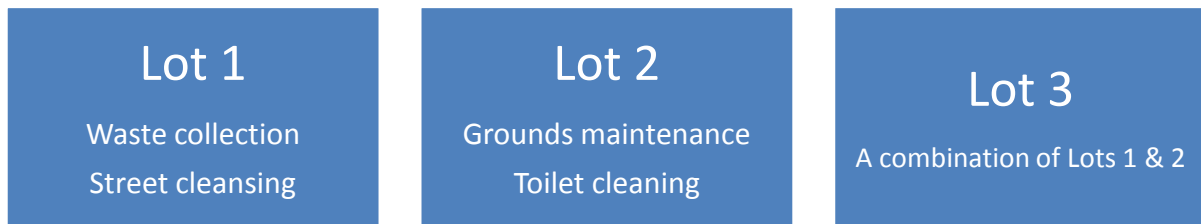
4.3 This approach was tested by officers during a soft market testing exercise held in March 2015. Soft market testing is an exercise whereby interviews are held with a range of potential contractors to determine their views on the best way to run the procurement, how to shape contract specifications and to enable officers to identify areas of commonality and difference between contractors. When seeking a fully integrated contract or an alternative it was clear that:

4.3.1 The grounds maintenance (GM) market is fiercely competitive and many contracts have been let to specialist GM contractors under-priced recently. Such an arrangement is very likely to result in poor service quality, higher levels of complaint and therefore increased cost in the long-run.

4.3.2 The use of the Competitive Dialogue procedure can help to safeguard the Council against this outcome giving more opportunity to focus on quality.

4.3.3 Grounds maintenance operators advocated a total place approach within parks and were very keen to take on related services such as litter picking, toilet cleaning and pitch bookings. This approach is commonplace elsewhere.

- 4.4 Choosing to either let an integrated contract or to let the grounds maintenance contract independently gives no opportunity to test either approach against the other. This situation was explored with the Future Contracts Working Group and the group were in agreement that a better procurement approach using Lots as follows would provide the opportunity to test both approaches:



- 4.5 Cabinet are recommended to approve the procurement approach using Lots for different elements of the contract. As this is most likely to result in the best outcome for the Council both in service quality and financial terms.

5.0 CONDITIONS OF CONTRACT

- 5.1 Conditions of contract have been drafted to govern the way the Council and future contractor will work together to achieve the outcomes of the specifications. These will be scrutinised by contractors during the procurement and their comments for improvements fed back.
- 5.2 It is proposed that changes to these will be agreed with the Portfolio Holder during the course of the procurement process.

6.0 TENDER EVALUATION MODEL

- 6.1 The tender evaluation model forms a significant part of the procurement process as contractors will bid based on the weightings that the Council prescribes for each element of the service. The Council usually evaluates tenders using a standard weighting of 60% to price and 40% to quality. The Competitive Dialogue process, composed of three stages, enables the Council to vary these weightings as the procurement progresses to enable the best result for the Council. The tender evaluation model proposes to evaluate stage 1 tenders with a weighting 60% to quality and 40% to cost. This will enable the Council to quickly remove low quality or very high cost bids from the process. The weightings will then be adjusted in the two subsequent stages with increasing emphasis on cost.

7.0 SERVICE SPECIFICATIONS

- 7.1 Draft service specifications have been drawn up taking account of current service levels, officer experience, views of elected members and industry best practice. Specifications will likely evolve following each stage of the Dialogue process and the working group will be briefed.
- 7.2 Full copies of the draft specifications are available from the Directors PA, but are summarised below by service area:

The key elements of the service specifications for each part of the contract(s) are described below

7.3 Grounds Maintenance

- 7.3.1 The grounds maintenance service has historically performed well with the Borough former winners of the Britain in Bloom national competition. These standards have been largely maintained and the views of contractors during soft market testing confirmed this.
- 7.3.2 No significant changes are therefore planned to the grounds maintenance specifications. However soft market testing did suggest there would be benefits from:
- a 'total-place' approach to maintenance within parks including horticultural maintenance, litter clearance, toilet cleaning and sports pitch bookings. These proposals will be explored in more detail during dialogue
 - the use of modern technology involving mulching decks to improve grass cutting performance and reduce arisings
- 7.3.3 The working group have discussed this approach and are in agreement.
- 7.3.4 Cabinet is recommended to approve the approach to the grounds maintenance specification for stage 1 of the procurement as described above.

7.4 Street Cleansing

- 7.4.1 Standards of street cleansing have also been traditionally good within the borough, although with room for improvement in certain locations. A new specification has been drafted with this in mind, designed to give the Contractor flexibility to utilise resources wherever they are needed rather than being tied to a rigid schedule.
- 7.4.2 Key features of the new specification are as follows:

- More outcome focussed in residential areas (as per our current town centre specification) rather than being frequency based
- Ability for the contractor to deploy resources as required to maintain standards
- Inclusion of stretching overall standards of cleanliness with robust performance management methodology
- Inclusion of shorter rectification times for areas that fall below standard

7.4.3 The working group deliberated the above approach to the street cleansing specification and were supportive of the change in approach.

7.4.4 Cabinet is recommended to approve the approach to the street cleansing specification for stage 1 of the procurement as described above.

7.5 Refuse and recycling

7.5.1 The waste and recycling contract with Veolia has performed very well since the outset in 2002. Missed collections are extremely low in number at around 20/100,000 collections. Additionally, the contractor has performed very well during severe weather to ensure continuity of service for residents. Public satisfaction with the waste and recycling service reflects this performance and is consistently high. However, the service is costly and recycling performance is poor. These two issues will be explored in further detail below.

Context for the service

7.5.2 Waste collected from households in Hampshire must be delivered to Hampshire County Council (HCC) as the waste disposal contractor. HCC have the power to direct which materials district authorities collect and how they are collected. This prevents the Council from altering the range of materials collected in the blue bins. This topic has been discussed a number of times across Hampshire through the Project Integra Partnership and is currently under review again.

7.5.3 The waste collection element of the contract costs the Council in the region of £2.1m per year and is one of the Council's largest contracts. Following a benchmarking exercise conducted last year, Rushmoor was found to have the most expensive waste collection contract in Hampshire. Additionally, as the waste disposal authority, Hampshire County Council spends approximately £4m in addition to Rushmoor's collection costs on the processing and disposal of the Council's waste.

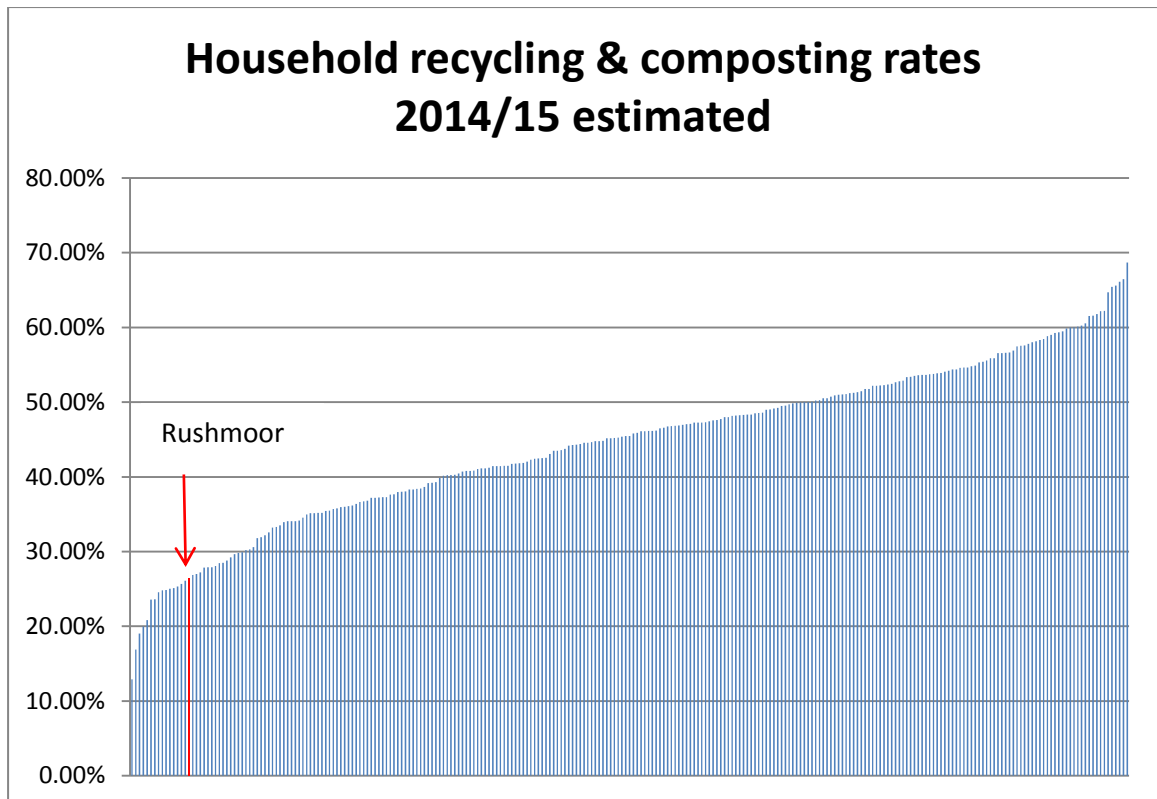
7.5.4 Waste management operations are governed by a comprehensive legislative framework that dictates the method by which waste is collected, the minimum range of materials to be collected, charges that are permitted and minimum quality standards that must apply to recyclables. This framework is largely driven centrally from the European Union and member states are set stretching targets for recycling and also for recovery operations. The current targets are summarised in the table below:

Year	Recycling & composting target
2020	50%
2030	70% (under consideration)
2030	80% of packaging waste (under consideration)

7.5.5 The implications of the UK missing any of these targets is unclear, but there is a risk that the EU could levy significant fines for any breach. These fines could be devolved at a local level to Local Authorities.

Recycling performance

7.5.6 The Council's current recycling performance currently stands at around 26%, which falls well short of the UK target to recycle or compost 50% by 2020. The graph below shows Rushmoor in a national context. On investigation, most of the authorities with recycling rates lower than Rushmoor have challenging circumstances such as large areas of extremely high density housing which make waste and recycling collections more difficult.



- 7.5.7 For a number of years elected members have expressed the desire to improve recycling performance. As a result the Council operated a trial of Alternate Weekly Collections across around 1/5 of the borough (6,500 properties) in 2007. The trial operated over a six month period starting at the end of January and finishing in July accounting for both summer and winter months. The trial was successful in generating a step change in recycling performance from 23% to 36% in the trial area. Complaints were also low in number and there was no increase in instances of flytipping or evidence of vermin.
- 7.5.8 The Council was able to learn a great deal about the service during the trial, including the impact of a reduced collection frequency on larger families (particularly those with children in nappies). Officers worked with such families to ensure that they were able to cope with the capacity of their bins and to ensure they were recycling all that they could. If residents found that whilst recycling correctly, they still had too much refuse, the Council committed to taking them away what was left. This commitment was called the Rushmoor Pledge. Additionally, there are some blocks of flats that cannot accommodate sufficient bins to cope with a reduced collection frequency, during the trial some blocks of flats in the trial area retained a weekly service. Additionally, the Council delivered a comprehensive communications campaign to support residents in the trial area. This included a number of letter and leaflet drops, press releases and dedicated recycling advisors to help advise residents on waste management issues.
- 7.5.9 At the time, the Council chose not to proceed with an extension of AWC across the borough.

Resident feedback 2015

- 7.5.10 To enable the Council to get a better understanding of the public's attitude towards waste and recycling, the working group commissioned a series of focus groups that were held in October last year. Eight focus groups were held in total, with eight respondents in each taken from across the borough and representative of the demographic. In each group, residents explored a range of topics relating to the waste service including motivations and barriers to recycling, recycling performance and residents views of system change.
- 7.5.11 Most respondents were actually surprised by the Council's low recycling performance as residents believed that performance was much higher. Residents were also aware that performance in neighbouring areas is significantly better and articulated a desire to catch up. Most respondents felt that reducing the waste collection frequency would drive better recycling outcomes through increased awareness and necessity to recycle. Some, particularly those with children in nappies, were concerned about how to cope with a reduced frequency citing concerns about bin capacity, flies and vermin.
- 7.5.12 Overall, some residents were supportive of retaining a weekly collection service, but others felt that they would be content with a reduced collection frequency if they were to understand the benefits. Particularly, respondents felt there should be some form of benefit returned to the community in return for an improved recycling performance.
- 7.5.13 Given the requirement to generate savings and improve recycling performance through the contract procurement, the Working Group were presented with three options for the waste collection specification. These are listed below with likely impact on costs and recycling performance attributed to each:
1. Retain weekly collections with current policy of rolling replacements of 140L bins
 - Very gradual improvement in recycling performance
 - No savings generated
 2. Retain weekly collections with borough-wide 140L bins
 - Some improvement in recycling performance
 - No revenue savings
 - Approximately £700k capital expenditure for new bins
 3. Move to Alternate Weekly Collections
 - Step-change in recycling performance (expected performance in the region of 33-35%)
 - Likely £400k per annum revenue saving
- 7.5.14 The working group discussed the above options and were divided in their opinion. Some members felt that savings should be explored through other areas such as changes to working patterns and times, better use of technology and any other

innovative ideas that contractors can suggest. Other members of the group felt that the only way to achieve the procurement objectives was a move to Alternate Weekly Collections.

7.5.15 The working group's conclusion on the waste collection specification is set out below:

“Three members of the group preferred the following option, whereas two members wished to see fortnightly collection of residual waste introduced:

- Dry mixed recycling (blue bins) – fortnightly
- Glass (blue box) – fortnightly
- Residual waste (green bin) – weekly
- Garden waste (chargeable service) – fortnightly.

It was recognised that this option would not realise the £400K per year projected potential estimated saving from introducing Alternate Weekly Collections, nor would it meet the Council's requirement to improve the recycling rate. There was consensus that alternate weekly collections would need to be introduced if it were deemed to be a financial imperative by the Cabinet.

Additionally, members were keen to explore other areas of saving that did not include reducing weekly household waste collection, such as reducing collection days and using technology to improve routes etc, although, as stated, this would not come close to the £400K savings. However, these issues would be picked up as part of the dialogue phase of the procurement process.”

7.5.16 The Cabinet are invited to consider the feedback from the Working Group and make recommendations on the future specifications for the refuse and recycling contract elements.

8.0 FINANCIAL IMPLICATIONS

8.1 The overall cost of this work is currently £4.5M per year including routine and additional work, representing around one third of the Council's net spend.

8.2 The Council continues to face significant financial risk over the medium-term through the continuing deficit reduction programme of central government, uncertainty over future funding streams, general economic pressures and increasing demand for services. The Medium-Term Financial Forecast, presented to Cabinet in January 2015, indicated a requirement to save approximately £2.5m over the next three years. The Council plans to address this shortfall and move to a sustainable financial position by implementing its 8-point plan. The plan consists of 8 work-streams with key projects sitting within each stream, all of which contribute to reducing our net cost of services. The re-provision of this major contract is a key project under the 'Better Procurement' work-stream and has the ability to secure significant financial savings through:

- The procurement process and
- Changes to the specification

9.0 CONCLUSIONS

9.1 The provision of these services is of key importance to local residents, business and the environment in which they live and operate. The new contract will offer the opportunity to:

- maintain or improve service quality
- reduce costs in line with the 8-point plan
- improve the rate of recycling

9.2 This is in reality, a once in 10-year opportunity to review the services, as any significant changes during the contract period will be costly to make. As the contract is relatively long term the Council needs to have regard to the future especially in terms of its finances over the medium term.

9.3 A key issue in meeting the current objectives is the approach to waste collection and recycling. Reducing the frequency of the residual waste collection presents an opportunity to meet the objectives of cost reduction (£400k) and improved recycling performance through the introduction of alternate weekly collection. The scheme has been shown to work across the country and indeed for Rushmoor during the 2007 trial, not only in terms of improving recycling performance but also in terms of public satisfaction.

9.4 During the trial in 2007, the Rushmoor Pledge was successfully used to help people who continued to struggle with refuse capacity despite recycling correctly and if Alternate Weekly Collections were to be introduced, this could continue.

9.5 During the recent focus groups, residents expressed surprise at the Council's low recycling performance and were keen to see improvements. Alternate weekly collections were considered by the groups and whilst some residents expressed a desire to retain weekly collections of residual waste, most felt that they could cope. The concept of returning a benefit to the community for residents recycling efforts was popular.

9.6 It is recognised that there will be some opposition to any change to the residual waste collection frequency, but experience elsewhere has shown that this soon dies down and can be mitigated by intensive education and support for residents.

10.0 RECOMMENDATIONS

10.1 Cabinet are recommended to:

- 10.1.1 Approve the contract procurement structure as described in 5.4 (above) for the procurement to be carried out in three Lots.
- 10.1.2 Approve the Contract Conditions for stage 1 of the procurement process
- 10.1.3 Approve the approach to the Specifications for grounds maintenance and street cleansing for stage 1 of the procurement process and delegate authority for the Corporate Director to finalise the documents in consultation with the Portfolio Holder for use in the process
- 10.1.4 Consider the options for the future Specifications for refuse and recycling and specifically to decide whether to:
 - Retain the existing frequency of collection for residual waste or
 - Recommend to the full Council to change to alternate weekly collections for residual waste.
 - Reduce the size of the residual waste bin and maintain existing collection frequencies
- 10.1.5 Delegate authority to the Corporate Director, in consultation with the Portfolio Holder, to agree documentation describing the requirements and make such amendments as are necessary to ensure the Council's needs and requirements are clearly described at the commencement of the procurement
- 10.1.6 Delegate authority to the Corporate Director in consultation with the Portfolio Holder, to advertise the opportunity, select bidders to be invited to participate in the dialogue process in accordance with the selection evaluation model, and generally to do every thing necessary, through the multi stage dialogue and submission of solutions process (including making amendments to the draft specifications and draft conditions of contract as may be required to better reflect the Council's requirements and / or may be commercially appropriate), to identify solutions that best meet the requirements of the Council, such that contract(s) could be awarded to the successful bidder(s)

DAVID QUIRK

Corporate Director

Background papers:

Draft Conditions of Contract - Service agreement for the provision of [waste and recycling collection services and the Cleansing of streets, car parks and open spaces], [grounds maintenance and toilet cleaning]

Tender Evaluation Model for the provision of [waste and recycling collection services and the Cleansing of streets, car parks and open spaces], [grounds maintenance and toilet cleaning]

Contact:

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Appendix 1 – Outline procurement timetable

Activity	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	
CABINET																											
Publish OJEU notice																											
FULL COUNCIL																											
Bidder's day																											
Stage 1 process																											
Stage 2 process																											
Final stage process																											
Contract award																											
Mobilisation period																											
Contract starts																											

