

	<p style="text-align: center;">Performance & Finance Select Committee</p> <p style="text-align: center;">9 November 2006</p> <p style="text-align: center;">Report from the Director of Environment & Culture</p>
<p>For Information Wards Affected: ALL</p>	
<p>Report Title:</p>	<p style="text-align: center;">AUTHORITY TO AWARD THE COUNCIL'S WASTE SERVICES CONTRACT</p>

<p>The Report has an exempt part to it</p> <p>Appendices 4, 5 and 6 of the attached report are NOT FOR PUBLICATION</p> <p>Reason for non-publication</p> <p>These parts of this Report are not for publication as they contain the following categories of exempt information as specified in Schedule 12A of the Local Government Act 1972, namely:</p> <p>“Information relating to the financial or business affairs of any particular person (including the authority holding that information)”</p>
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1.0 Summary

- 1.1 The attached Executive report describes the process undertaken in tendering this contract and, following the completion of the evaluation of the tenders, recommends to whom the contract should be awarded.
- 1.2 Award of the contract will be made by Full Council at its meeting on 27 November 2006.

2.0 Recommendations

- 2.1 That the Performance & Finance Select Committee notes the information contained in the report.

Richard Saunders
Director of Environment and Culture

Keith Balmer
Director of StreetCare

	<p style="text-align: center;">Executive 13 November 2006</p> <p style="text-align: center;">Report from the Director of Environment & Culture</p>
<p>For Action Wards Affected: ALL</p>	
<p>Report Title:</p>	<p>AUTHORITY TO AWARD THE COUNCIL'S WASTE SERVICES CONTRACT</p>

Forward Plan Reference No: E&C-06/07-003

**Appendices 4, 5 and 6 of this report are
NOT FOR PUBLICATION**

Reason for non-publication

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“Information relating to the financial or business affairs of any particular person (including the authority holding that information)”

1.0 Summary

- 1.1 This report requests authority to award contracts as required by Contract Standing Order No 88. This report summarises the process undertaken in tendering this contract and, following the completion of the evaluation of the tenders, recommends to whom the contract should be awarded.

2.0 Recommendations

- 2.2 That the Executive note that officers recommend the award of the Waste Services Contract to the highest scoring tenderer, Veolia ES (UK) plc.
- 2.2 That the Executive note that officers recommend that the Waste Services Contract be awarded on the basis of Permutation Enhanced 12 (Package 4), as described in paragraphs 4.9, 4.16, 4.17 & 4.18 of this Report.
- 2.3 That the Executive indicate what they are minded to determine in relation to the award of the Waste Services Contract and give reasons for their preference.
- 2.4 That the Executive note that the actual decision to award the Waste Services Contract and the basis on which it should be awarded will be referred to Full Council.

3.0 Detail

Background

- 3.1 At its meeting on 13th February 2006 the Council's Executive approved a Municipal Waste Strategy for the Borough and thus approved the strategic and policy background to underpin a new Waste Services Contract. The new Waste Services Contract replaces two existing contracts that come to an end on 31st March 2007.
- 3.2 The new Waste Services Contract combines the existing services provided by Veolia ES (UK) plc and ECT Recycling CIC respectively. These services provide for:
- a weekly kerbside collection of dry recyclable
 - a weekly kerbside collection of organic waste
 - a weekly kerbside collection of residual waste
 - servicing the Borough's Bring Recycling Bank sites
 - the collection of bulky household waste
 - the collection of domestic clinical waste
 - street cleansing services
 - winter maintenance

- 3.3 At its meeting on 10th April 2006 the Council's Executive gave approval for Officers to commence the tendering process for a new Waste Services Contract for Brent.

The tender process

- 3.4 The tendering process for the new Waste Services Contract has been conducted using the new EU Procurement (Competitive Dialogue Procedure) for a contract that will have a 7 (seven) year term. It is understood that Brent is the first local authority in the country to tender a Waste Services Contract using this new EU procedure.
- 3.5 The Contract has been procured in accordance with the Competitive Dialogue procedure of the Public Contracts Regulations 2006 ("the Regulations"). These Regulations apply EU Directive 2004/18/EC on the Co-ordination of Procedures for Award of Public Works, Supply and Service Contracts which were brought into force in the United Kingdom from 31st January 2006.
- 3.6 The Regulations include details of the Open, Restricted and Negotiated procurement procedures that may be followed leading to the award of a contract, in line with the previous Contract Regulations. They also include a new procedure, the Competitive Dialogue Procedure, which allows for competitive dialogue with selected economic operators (being the defined term for a tenderer or contractor) prior to a final tender being invited to be submitted.
- 3.7 The Competitive Dialogue Procedure may only be used in relation to "particularly complex contracts" being ones where the contracting authority is unable to define the technical means for satisfying its needs or specify the legal and/or financial make-up of the project. On 10 April 2006 the Executive agreed the use of the Competitive Dialogue procedure for the procurement of the Waste Contract on the basis that it is not possible for the Council to fully specify which of several alternatives would best satisfy its needs in certain areas of the contract such as the best method of collecting recyclables.

Process

- 3.8 The Competitive Dialogue process principally involves:
- the selection of economic operators (tenderers);
 - dialogue with the economic operators to refine the tender documents including specification, conditions of contract and bill of quantities;
 - issue of a final tender;
 - final tender evaluation; and
 - award of contract.
- 3.9 At the start of the process a procurement team was formed with individuals with technical, legal, financial, performance, environmental

and procurement expertise. The procurement team appraised the options for tendering and concluded that the Waste Services Contract should be procured in accordance with the Competitive Dialogue procedure. The technical means for the Contract was uncertain and the financial make-up was unable to be specified. The procurement team then discussed and agreed the route for Competitive Dialogue; likely that no more than six economic operators would be selected to enter into Competitive Dialogue; there would be two stages to the dialogue; and then approximately three economic operators would be invited to submit a tender; provided sufficient companies were interested in tendering.

- 3.10 A notice for the Official Journal of the European Union (OJEU) was prepared and published, in accordance with the Regulations, on 18 April 2006. An Information Memorandum together with a Pre-Qualification Questionnaire (PQQ) was prepared at the time of the OJEU Notice to send to economic operators interested in entering into the Competitive Dialogue procedure.
- 3.11 Evaluation criteria for the procurement process and award of contract were discussed and agreed at the start of the procurement process, prior to the OJEU Notice. The overall criteria were to award the Contract 50:50 on quality and cost. Detailed criteria were prepared for the selection of economic operators, which were further detailed for Competitive Dialogue and Final Tender evaluation. Economic operators have been informed of the evaluation criteria at every stage of the procurement.
- 3.12 The Council received 13 requests for PQQ documentation and the documents were sent to these companies. Subsequently 11 companies submitted PQQs. These were evaluated in accordance with the agreed evaluation criteria and six companies were selected for Competitive Dialogue. The six companies were:
- ECT Recycling CIC;
 - Accord;
 - Cleanaway;
 - Veolia ES (UK) plc (previously called Onyx);
 - Biffa; and
 - SITA
- 3.13 Descriptive Documents setting out the Competitive Dialogue procedure, contract Specification, Conditions of Contract, and Bills of Quantity were sent to the 6 selected economic operators on 26 June 2006 and they were invited to submit Response Packs with their comments on these documents, initial pricing, and Contract Performance Framework proposals. The Specification was enhanced significantly above the current quality of the services, particularly for street cleansing.
- 3.14 Response Packs were received from the two existing contractors of the recycling and refuse collection, and street cleansing contracts, ECT

and Veolia on 24 July 2006. After approval of the list of 6 economic operators it was announced that Cleanaway was being taken over by Veolia and Cleanaway subsequently withdrew from the process. (This takeover has now been approved by the Monopolies and Mergers Commission of the EU). Accord, Biffa and SITA also withdrew from the tender process primarily on the basis that they did not have facilities locally (in particular a depot) which would allow them to compete with Veolia and ECT.

- 3.15 The Response Packs from Veolia and ECT were well detailed for the delivery of enhanced services, including suggested Performance Frameworks, but were unaffordable with indicative costs up to £18M. The Response Packs were evaluated and detailed questions were sent to Veolia and ECT. Individual dialogue meetings were held with Veolia and ECT to discuss their response packs and the Council's questions.
- 3.16 Following those dialogue meetings further written responses were received from both tenderers. Further dialogue meetings took place with both tenderers in the week commencing 4th August 2006. During these dialogue meetings tenderers identified ways in which the Council could amend the specification for the contract to make bids more affordable. These suggestions were taken into account by officers when preparing the final specification for the Tender Stage of the process.
- 3.17 The Invitation to Submit a Tender was prepared with a revised enhanced Specification. Final Tenders were submitted by Veolia and ECT, these were evaluated and questions for both companies for clarification identified. Meetings for the clarification of issues in the Final Tenders were held. The procurement team evaluated the Final Tenders in accordance with the agreed procedure. Veolia scored higher than ECT Recycling on both cost and quality for the enhanced and existing Specification, and on this basis the procurement team recommends award of the Contract to Veolia ES (UK) plc.
- 3.18 The Waste Services Contract has been procured fully in accordance with the Public Contracts Regulations 2006 using the Competitive Dialogue procedures. Competitive bids were received for the Contract.
- 3.19 The tendering instructions stated that the contract would be awarded on the basis of the Most Economically Advantageous Offer to the Council and that in evaluating tenders, the Council would have regard to the following:
- Experience in providing comparable services
 - Proposals to manage environmental impacts
 - Proposed management structure, taking account of experience, skills and qualifications of senior managers
 - Proposed staff establishment
 - Proposed mobilisation and implementation arrangements

- Proposed Depot Facilities
- Proposed quality control system
- Proposed system and arrangements for dealing with enquiries, complaints, and the provision of management information
- Proposals for delivering continuous improvement, and “Gershon” savings
- Proposals for managing day to day health and safety issues and considerations
- Proposed arrangements in response to all other method statements required to be supplied with tender submissions and set out in the Invitation to Submit a Final Offer
- Price
- References from existing clients

These are the same criteria approved by the Council's Executive at its meeting on 10th April 2006.

The Contract Specification

- 3.20 The Contract Specification has evolved over a number of months and has been the subject of consultation with Officers, Members and other parties including Brent residents and statutory consultation with the Greater London Authority (GLA).
- 3.21 In order to allow Members to be given choices on contract award, a number of alternative Street Cleansing options were developed. These options fell broadly into two main categories – (1) Zoning and (2) Frequency of Cleansing. **Appendix 1** gives a comparison across the main service areas between the old (existing specification) and the new specification proposed by Officers for contract award.

Street Cleansing - Zoning & Frequencies

- 3.22 The contract documents provided for two alternative zoning structures.
- 3.23 The Standard Zoning Structure reflects the existing zoning of roads which is based on the (now largely obsolete) Code of Practice on Litter & Refuse issued in 1991.
- 3.24 The Enhanced Zoning Structure reflects changes brought about by the current “BV199” regime that is geared to Land Uses. Officers believe that the “BV199” regime is with us for the longer term and is based upon a significantly more relevant and appropriate cleansing regime than previously used.
- 3.25 In simple terms, ‘Zoning’ of roads is intended to show the speed with which roads are likely to deteriorate in terms of cleanliness, taking into account the nature of the area, pedestrian footfall, local amenities, etc., and the speed with which problems are resolved.

- 3.26 Officers believe that the Borough's existing (Standard) Zoning Structure is outdated and no longer relevant to the current and future demands faced in maintaining the Borough to a high and acceptable standard of cleanliness. Examples of roads that benefit from an improved cleansing regime under the Enhanced Zoning Structure compared with the Standard Zoning Structure include Empire Road, Forty Lane, Blackbird Hill, Neasden Lane and the southerly part of Ealing Road in the north of the Borough and Salusbury Road, Craven Park, Church Road and Harrow Road in the south of the Borough.
- 3.27 From this view, therefore, it follows that Officers believe that a tender recommendation based on the Enhanced Zoning Structure is necessary to achieve the targets and objectives of the Waste Services Contract, but more importantly the expectations and aspirations of Members, residents, traders and visitors to the Borough.
- 3.28 Notwithstanding this, tenders were also sought on the basis of the existing Standard Zoning Structure to ensure that Members had a range of choices to draw upon, both in terms of quality and affordability / price.
- 3.29 Within each of the two Zoning Structures (Standard and Enhanced), a number of further options were presented to tenderers, allowing tenderers to adjust their tender proposals and prices accordingly.

These further options were:

ZONE	Options offered
Brent Zone 1 (Primary Retail areas)	Whether to clean the first 50 metres OR first 25 metres of adjoining roads.
Brent Zone 2 (Secondary Retail Areas)	Whether to clean the first 50 metres OR first 25 metres of adjoining roads.
Brent Zone 3 (Industrial Areas)	Whether to clean 7 times per week, 3 times per week, or 2 times per week.
Brent Zone 5 (All other [including residential] Areas)	Whether to clean 3 times per week, or 2 times per week.
Intensive Cleaning	Whether to clean 4 times per annum, 3 times per annum, 2 times per annum, or once per annum – OR to only have a supplementary service * if a 3 times per week Zone 5 regime is adopted.

* a Supplementary Service can only be associated with a 3 times per week Zone 5 (Residential etc) cleansing option, and deals with problems that may remain after routine cleansing such as edging of grass verges, cropping overhanging vegetation, fly-poster and weed removal). The frequency with which the Supplementary Service would visit each area would be dependent on the extent of these problems in each area.

Waste Collection Services

- 3.30 The Specification allowed for tenderers to propose one or more options for a kerbside dry recycling service, rather than being prescriptive as to the type of system to be used. It also brought the servicing of Recycling Bank Sites under this single Waste Services Contract, rather than the existing system of having a range of suppliers and contractors responsible for the various materials through different collection arrangements.
- 3.31 Another development in the Specification was to prohibit the use of compaction vehicles for the bulky household waste collection service (Special Collections), thus enabling cage type vehicles to be used and for the collected material then to be taken in a reasonably “intact” condition rather than being crushed to the Reuse and Recycling Centre at Twyford. Material which has been crushed cannot be reused. Once delivered, the material is sorted for reuse or recycling as a further effort to improve the Borough’s recycling rate.
- 3.32 The delivery of the organic waste, clinical waste and residual waste collection services will continue very much as at present, although with more robust quality standards.

Performance Standards

- 3.33 For the first time, the new Waste Services Contract includes a detailed Performance Framework, embodying the principles of an ISO 14001 environmental management system.
- 3.34 This Framework was developed in discussion with bidders during the Competitive Dialogue stage and welcomed as a constructive approach to sustainable, longer-term problem solving rather than ad-hoc reactions to specific problems which then keep re-occurring. The Framework is capable of being further developed throughout the life of the Contract in a flexible way through a new Partnership Board that will meet quarterly to take a high level overview of how the services are performing. The Partnership Board will be made up of senior managers and directors from the Council and contractor.

Evaluation of Tenders

- 3.35 The tender evaluation was carried out by an Officer Contract Panel with representatives from:
- Environment & Culture Department;
 - Legal Services (in advisory capacity only);
 - Finance & Corporate Resources;
 - An External Waste Procurement Consultant.
- 3.36 All Tenders had to be submitted no later than 10am on 29 September 2006. Tenders were opened on 29 September 2006 and 2 (two) tenders were received. These were copied and relevant parts given to each member of the Contract Panel. Each member of the Panel reviewed and marked the tenders independently.
- 3.37 The Contract Panel met over 2 days on 5th and 6th October 2006 and each aspect of the two submissions was marked by the relevant members of the panel against the award criteria.
- 3.38 The tender evaluation model was balanced on the basis of 50% quality, 50% price, and the detailed model was agreed and confirmed with all Panel members prior to the opening of tenders.

Quality (Technical) Evaluation

- 3.39 The quality assessments of method statements submitted were based on the evaluation criteria approved by the Executive at its meeting on 10th April 2006 (see paragraph 3.19), and were scored out of 5 thus:

Score	Rating
0	Insufficient information provided
1	Wholly unsatisfactory
2	Achieves a basic minimum standard, some concerns
3	Satisfactory, acceptable, no major concerns
4	Very good, full and robust response, gives confidence
5	Outstanding, exceeds expectations, adds value, full confidence

The Panel agreed that half scores (e.g. “3.5”) were acceptable.

- 3.40 Each of the method statements was also weighted by the Panel, thus:

Method Statement	Weighting
1. Service management	8
2. Recycling services	12
3. Refuse collection services	12
4. Street cleansing service	12
5. Sites and facilities	8
6. Contract mobilisation	8
7. Employment and staffing	8
8. Plant and equipment	8

9. Ancillary services	8
10. Sub-contractors	4
11. Health and Safety	8
12. Customer engagement	4

- 3.41 The final quality scores were achieved by a simple mathematical calculation (score x weighting, divided by 10), to give an overall score out of 50.

Comparisons of proposals submitted

- 3.42 A headline summary of the proposals submitted in respect of the different Method Statements is included in Appendix 6 which is below the line.

- 3.43 The results of the quality (technical) evaluations (see **Appendix 2**) were as follows:

ECT Recycling CIC - 35.4 (out of 50)

Veolia ES (UK) plc - 38.6 (out of 50)

Price Evaluation

- 3.44 As stated earlier, a number of street cleansing options were developed. These options produced a total of 108 potential different permutations for service delivery per zoning structure, i.e. 216 in total.

- 3.45 As with the technical evaluation model, a model was also developed for evaluating the prices submitted by tenderers. **Appendix 4 (NOT FOR PUBLICATION – see front page of this Report)** shows the comparative prices submitted by ECT Recycling CIC and Veolia ES (UK) plc against each of the 216 potential permutations.

- 3.46 It is quickly noticeable that whichever permutation is selected, Veolia ES (UK) plc offers a lower priced tender (i.e. higher scored) than ECT Recycling CIC.

Assessment of Quality v. Price

- 3.47 Taking the assessments referred to at paragraphs 3.43 and 3.46 of this Report, the Contract Panel does not feel able to recommend award to ECT Recycling CIC, as to do so would be to recommend award on a proposal that is of a lower quality, whilst being more expensive. Additionally, principles of fairness and transparency in the procurement process dictate that the contract should be awarded to the highest scoring Tenderer unless there are exceptional circumstances.

- 3.48 The Contract Panel has, therefore, proceeded on the basis of considering only those options offered by Veolia ES (UK) plc and the recommendations are drawn from these.

4.0 Consideration of Options

- 4.1 Veolia ES (UK) plc has submitted proposals for the waste collection services that meet the Council's specifications and that have been fully explored throughout the tendering process. These are briefly described at paragraphs 3.42.2 and 3.42.3 of this Report **(NOT FOR PUBLICATION – see front page of this Report)**.
- 4.2 Veolia ES (UK) plc has also submitted proposals and prices for the various street cleansing options set out by the Council in the tender documentation.
- 4.3 As also noted earlier in this Report there were potentially 216 different permutations for consideration. However, Veolia ES (UK) plc offered the same price for cleaning of adjacent roads for the first 50 metres as for the first 25 metres in Zones 1 and 2. Therefore only the 50 metres permutations need to be considered and this reduces the number of permutations to 54. Further, E&C Officers have started from the premise that for these street cleansing permutations the starting point for consideration is the permutation that broadly resembles the current street cleansing service, and have examined six particular permutations for consideration, details of which are set out below.
- 4.4 All of the permutations and their respective additional costs (over and above £12,215,220m which is the 2007-08 budget of £11,898,290 plus waste performance and efficiency grant of £316,930 and detailed further in section 5) are shown at **Appendix 4** of this Report **(NOT FOR PUBLICATION – see front page of this Report)**.
- 4.5 The permutation that most closely mirrors the present cleansing regime is permutation Standard 17, (Package 1) - and its principal optional features are:

ZONE	CLEANSING REGIME
Overall Zoning Structure	Standard
Zone 1(Primary Retail)	Continuous presence, 7 days per week
Zone 2 (Secondary Retail)	3 cleanses a day, 7 days per week
Zone 3 (Industrial)	2 cleanses per week
Zone 4 (North Circular outer)	3 cleanses per week
Zone 4A (North Circular inner)	5 – 6 cleanses per annum
Zone 5 (Residential & other areas)	2 cleanses per week
Intensive Cleaning Regime	4 cleanses per annum

Total Cost - £14,074,263 (thus £1,859,043 “over available 07-08 budget”)

- 4.5.1 E&C Officers comment that this cleansing regime has produced BV199a outcomes (percentage of streets below an acceptable

standard) in the last two full years which have fallen some way short of our targets.

- 4.5.2 In 2004-05 the annual BV199a score was 34%, followed by 30% for 2005-06. These scores are derived from 3 independent surveys during the year.
- 4.5.3 Initial survey scores for 2006-07 are 28% and 33% respectively, the latter score being provisional, against an annual combined target of 25% for 2006-07, and a longer term Local Area Agreement Target of 19% by 2008-09.
- 4.5.4 E&C Officers believe that a new Waste Services Contract based upon the current cleansing regime will not see improved cleansing performance under BV199a, the principal reasons being that the Standard Zoning Structure is outdated and does not reflect the cleansing demands of Brent, together with a view that cleansing frequencies (particularly in Zones 3,4,and 5) are inadequate.
- 4.6 Notwithstanding the view given at paragraph 4.5.4 above that the Standard Zoning Structure is outdated, two further options using the Standard Zoning Structure have been examined and are summarised as follows:

4.6.1 Standard 12 (Package 2)

ZONE	CLEANSING REGIME
Overall Zoning Structure	Standard
Zone 1(Primary Retail)	Continuous presence, 7 days per week
Zone 2 (Secondary Retail)	3 cleanses a day, 7 days per week
Zone 3 (Industrial)	7 cleanses per week
Zone 4 (North Circular outer)	3 cleanses per week
Zone 4A (North Circular inner)	5 – 6 cleanses per annum
Zone 5 (Residential & other areas)	3 cleanses per week
Intensive Cleaning Regime	Supplementary Service *

Total Cost - £13,824,927 (thus £1,609,707 “over available 07-08 budget”)

* a Supplementary Service can only be associated with a 3 times per week Zone 5 (Residential etc) cleansing option, and deals with problems that may remain after routine cleansing such as edging of grass verges, cropping overhanging vegetation, fly-poster and weed removal). The frequency with which the Supplementary Service would visit each area would be dependent on the extent of these problems in each area.

4.6.2 Standard 27 (Package 3)

ZONE	CLEANSING REGIME
Overall Zoning Structure	Standard
Zone 1(Primary Retail)	Continuous presence, 7 days per week
Zone 2 (Secondary Retail)	3 cleanses a day, 7 days per week
Zone 3 (Industrial)	7 cleanses per week
Zone 4 (North Circular outer)	3 cleanses per week
Zone 4A (North Circular inner)	5 – 6 cleanses per annum
Zone 5 (Residential & other areas)	3 cleanses per week
Intensive Cleaning Regime	4 cleanses per annum

Total Cost - £14,595,374 (thus £2,380,154 “over available 07-08 budget”)

4.6.3 E&C Officers comment that the two options above (see paragraphs 4.6.1 and 4.6.2) are based on the Standard Zoning Structure that has already been determined as being outdated and not reflecting the cleansing demands of Brent. However, they provide alternative options for consideration.

4.7 There are three Enhanced Zoning Structure options that E&C Officers have considered in some detail.

4.8 These are shown on **Appendix 5 (NOT FOR PUBLICATION – see front page of this Report)** as Enhanced 12, Enhanced 17 and Enhanced 27 respectively and are discussed here.

4.9 Enhanced 12 (Package 4)

ZONE	CLEANSING REGIME
Overall Zoning Structure	Enhanced
Zone 1(Primary Retail)	Continuous presence, 7 days per week
Zone 2 (Secondary Retail)	3 cleanses a day, 7 days per week
Zone 3 (Industrial)	7 cleanses per week
Zone 4 (North Circular outer)	3 cleanses per week
Zone 4A (North Circular inner)	5 – 6 cleanses per annum
Zone 5 (Residential & other areas)	3 cleanses per week
Intensive Cleaning Regime	Supplementary Service

* a Supplementary Service can only be associated with a 3 times per week Zone 5 (Residential etc) cleansing option, and deals with problems that may remain after routine cleansing such as edging of grass verges, cropping overhanging vegetation, fly-poster and weed removal). The frequency with which the Supplementary Service would visit each area would be

dependent on the extent of these problems in each area.

Total Cost - £14,374,819 (thus £2,159,599 “over available 07-08 budget”)

4.10 Enhanced 17 (Package 5)

ZONE	CLEANSING REGIME
Overall Zoning Structure	Enhanced
Zone 1(Primary Retail)	Continuous presence, 7 days per week
Zone 2 (Secondary Retail)	3 cleanses a day, 7 days per week
Zone 3 (Industrial)	2 cleanses per week
Zone 4 (North Circular outer)	3 cleanses per week
Zone 4A (North Circular inner)	5 – 6 cleanses per annum
Zone 5 (Residential & other areas)	2 cleanses per week
Intensive Cleaning Regime	4 cleanses per annum

Total Cost - £14,624,156 (thus £2,408,936 “over available 07-08 budget”)

4.11 Enhanced 27 (Package 6)

ZONE	CLEANSING REGIME
Overall Zoning Structure	Enhanced
Zone 1(Primary Retail)	Continuous presence, 7 days per week
Zone 2 (Secondary Retail)	3 cleanses a day, 7 days per week
Zone 3 (Industrial)	7 cleanses per week
Zone 4 (North Circular outer)	3 cleanses per week
Zone 4A (North Circular inner)	5 – 6 cleanses per annum
Zone 5 (Residential & other areas)	3 cleanses per week
Intensive Cleaning Regime	4 cleanses per annum

Total Cost - £15,145,266 (thus £2,930,046 “over available 07-08 budget”)

Comparison of Enhanced Zoning Structure officer options

4.12 One of the enhancements in recent years has been the provision of an Intensive Cleaning Service that visits every road in each Ward 4 times per annum to carry out a “deep clean”.

- 4.13 A “deep clean” involves the following work:
- a. Carrying out a full cleanse of all adopted areas.
 - b. removal of all dumped or fly tipped waste;

- c. removal of all fly-posters, ties and tags;
 - d. removal of weeds;
 - e. on instruction of Brent officers and only after issue of section 154 Notices, carefully 'cropping' excessive overhanging vegetation to a height of 1.8 metres, ensuring that the finished job is neat and presentable;
 - f. edging of grass verges and soft landscaped areas that are adjacent to the public highway, leaving a straight edge with all loose matter removed;
 - g. reporting other environmental problems such as graffiti, damaged street furniture (including street lights, bollards, street nameplates & road signs), and abandoned vehicles.
- 4.14 During Competitive Dialogue, Bidders suggested that the 4 times per annum Intensive Cleaning Programme could be replaced with a less-labour intensive Supplementary Service IE a 3 times per week cleansing frequency was adopted for Zone 5 (Residential) areas.
- 4.15 The thinking behind this suggestion is simply that **if** a basic 3 times per week frequency of cleansing is carried out properly, why should a quarterly Intensive Clean be necessary? E&C Officers believe that whilst an Intensive Clean should not be necessary in its present form, some form of supplementary service should be available to deal with the non-traditional street cleansing issues such as edging grass verges and cutting back overhanging vegetation.
- 4.16 With this in mind, E&C Officers believe that permutation Enhanced 12 (Package 4) provides a proposal that delivers an acceptable frequency of cleansing based on an appropriate Zoning Structure for Brent and should be capable of meeting the Council's cleansing targets and aspirations generally.
- 4.17 This permutation utilises the Supplementary Service instead of a quarterly Intensive Clean, saving just under £800k per annum compared with permutation Enhanced 27 which includes the quarterly Intensive Clean, as well as including important features such as a daily cleanse of the North Circular outer areas and a three times per week frequency in residential areas.
- 4.18 The E&C Officer recommendation is, therefore, to award the contract on the basis of permutation Enhanced 12 (Package 4) at an Estimated Annual Cost of £14,374,819.

5.0 Financial Implications

- 5.1 The Council's Contract Standing Orders state that contracts for supplies and services exceeding £500k or works contracts exceeding £1million shall be referred to the Executive for approval of the award of the contract.
- 5.2 The Recommendation for Award involves approving a Contract with a

significantly higher value than the existing budget and will therefore also be considered by Full Council at its meeting on 27 November 2006. A more detailed explanation of this is set out in paragraphs 6.3 and 6.4 of the Legal Implications.

- 5.3 The Contract will commence on 1st April 2007 subject to the Council's observation of the requirements of the mandatory standstill period noted in paragraph 6.3 below.

Current cost of services

- 5.4 The 2006/07 budgets for the services included in the Waste Services Contract are as follows:

<u>Service</u>	<u>2006-7 Budget £</u>
Weekly Collection of Dry Recyclables	1,567,400
Weekly Collection of Organic Waste	1,344,100
Weekly Collection of Residual Waste	3,048,600
Collection of bulky household waste	454,900
Collection of clinical waste	46,600
Street Cleansing Services	4,776,200
Intensive Cleansing	706,700
Fly Tipping	43,500
Winter Maintenance	146,400
Contract discount for existing 10 year contract	(151,400)
GROSS EXPENDITURE	11,983,000
Waste Performance & Efficiency Grant	(293,500)
NET EXPENDITURE	11,689,500

Budget currently available for 2007/08

- 5.5 The cash limits for the 2007/08 budget allow for an increase of 2% on the net budget of £11,689,500 an addition of £233,790. It is also estimated that £50,000 will be received from Wembley Stadium to cover the additional costs of cleaning for events. If these events do not take place expenditure will reduce by a similar sum.

The new contract places the cost of replacement bins on the Council rather than the contractor and therefore £75,000 needs to be set aside for this purpose.

The current available budget for 2007/8 is therefore £11,898,290 as follows:

	<u>2007-08 Budget £</u>
Net Budget 2006/7	11,689,500
Inflation allowance 2007/8 @ 2%	233,790
Estimated income from Wembley Stadium for events	50,000
Replacement bins to be provided by the Council	(75,000)
Total budget available 2007/8	11,898,290

Estimated annual costs of the preferred permutation (enhanced 12) and the resulting budget gap for 2007/8

- 5.6 The estimated annual costs of the preferred permutation (Enhanced 12) are as follows:

<u>Service</u>	<u>Estimated Annual Cost 2007/8 £</u>
Weekly Collection of Dry Recyclables	851,122
Weekly Collection of Organic Waste	807,106
Weekly Collection of Residual Waste	3,056,633
Collection of bulky household waste	703,382
Bring Banks	72,367
Collection of clinical waste	90,440
Container Maintenance	54,211
Street Cleansing Services	8,171,507
Intensive Cleansing – Supplementary Option	123,240
Fly Tipping	54,000
Winter Maintenance	222,472
Special Events	161,368
Standard Bond	6,971
NET EXPENDITURE	14,374,819

This table shows that the primary reason for the £2.476m excess over budget for this option can be attributed to Street Cleansing Services (including intensive cleaning) which account for some £2.702m of this excess. Overall, refuse collection is under budget and winter maintenance shows a projected excess of £73k.

- 5.7 The budget gap of £2.476m for 2007/8 can be reduced by applying the revenue element of the waste performance and efficiency grant to the contract. This has already been notified at £316,930 and would reduce the gap to £2.159m. This would be a one-off reduction as from 2008/9 the grant will be paid directly to waste disposal authorities, and the Environment & Culture budget will be amended accordingly for future years.

Budget pressures

- 5.8 Members need to be aware of the current pressures on the 2007/8 and future years budgets. These were set out in the 2006/07 budget report, and in subsequent updates on the revenue and capital budgets. These pressures include increases in demands for services, government grant increases at or below inflation and Council Tax capping at 5%. The latest forecast presented to the Executive in July 2006 which will be updated in the papers presented to Full Council on 27th November 2006 for the First Reading Debate showed that in addition to the 2% savings assumed in the cash limits additional savings of £5.645m would be required to achieve a 2.5% increase in Council Tax and £3.410m to achieve a 5% increase. This is just to cover inflation and unavoidable growth. Since that date there has been a worsening of the budget position for the current year and the latest position reported to the Executive in September 2006 forecast a net overspend of £4.782m. These pressures in the current year are likely to continue into 2007/8 and therefore the latest forecast of savings required to achieve a 2.5% and 5% increase in Council Tax are £10.427m and £8.192m respectively. These forecasts make no allowance for priority growth of the administration or the additional costs of this contract above budget. Every pound agreed will require a corresponding increase in the savings targets or rise in Council Tax to the capping limit.

Permutations available and the implications for Council Tax

- 5.9 As already reported there are 54 permutations available for Veolia ES (UK) plc and these are presented in order of cost in **Appendix 5** and range from £13,420,457 per annum to £15,145,266 per annum. Assuming that Members agree the use of waste performance and efficiency grant in 2007/8 this equates to a budget gap of between £1,205k - £2,930k in 2007/8 requiring a £12.68 to £30.82 increase in Council Tax at Band D or to put it in percentage terms a 1.33% to 3.22% increase in Council Tax. E&C officers have made their recommendations on these permutations in section 4 of this Report but Members will need to give consideration to the overall budget pressures identified above in reaching a decision and may wish to consider the other permutations.

Budget gap over the life of the contract

- 5.10 Members should also be aware that the contract price in later years (2008/9 onwards) will be indexed in line with a basket of items as follows:

<u>Item</u>	<u>Index to be used</u>	<u>Weighting</u>
EMPLOYEE COSTS	Local Authority NJC pay award for manual workers	70%
FUEL COSTS	National Statistics DERV index	7%
ALL OTHER COSTS	Retail Price Index (RPIX)	23%

- 5.11 This is likely to result in an increase in excess of the inflation allowance allowed in the cash limits and will require additional growth.
- 5.12 In addition the contract does not allow for any growth in household numbers and while the contractor will be expected to contain reasonable increases in numbers there may come a point when an additional crew is required and these requests will be considered by the Partnership Board (see paragraph 3.34). If it is agreed that an additional crew is required this could increase the contract costs in later years.
- 5.13 **Appendix 3** shows that based on the preferred permutation Enhanced 12, the budget gap is estimated to grow over the life of the contract from £2.159m in 2007/8 to £3.761m in the final year 2013/14. Over the life of the contract the estimated budget gap is £21.360m and this is without any allowance for increases in household numbers or changes in service e.g. a change to co-mingled collection of dry recyclables.

Other considerations

- 5.14 Veolia ES (UK) plc has made an offer that if the Council wishes to take ownership of the refuse vehicles there will be a £50k saving on the annual contract price as they will not need to charge a margin on the leasing costs. This option will be explored further with the Tenderer but it is likely that the administrative costs and risks associated with this option will outweigh the savings and therefore this potential saving has not been taken into account in the evaluation of prices.
- 5.15 A representative of Finance & Corporate Resources attended the Contract (Evaluation) Panel.

6.0 Legal Implications

- 6.1 The value of this contract over its lifetime is higher than the EU threshold for Services and the award of the contract therefore is governed by the Public Procurement Regulations 2006. The award is also subject to the Council's own Standing Orders in respect of High Value contracts and Financial Regulations.
- 6.2 The Council has followed the Competitive Dialogue Procedure under the Public Procurement Regulations 2006 for the procurement of the Waste Services Contract. This procedure does not allow the Council to negotiate with tenderers over their tender prices once final tenders have been received for the contract. However, tenderers were asked to tender on the basis of many different options set out in this report to give the Council some flexibility regarding the final contract price. It is open to the Council to award the contract on the basis of any one of these options.

- 6.3 The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 provide that where the Executive purports to take or is minded to take a decision which is or would be contrary or not wholly in accordance with the Council's approved budget then such a decision shall be referred to Full Council for a decision. This provision is reflected in the Council's Standing Orders.
- 6.4 As outlined in the financial implications all of the tendered prices for the Waste Services Contract represent a significant increase in the existing budget for the services. The increase goes well beyond what might have been expected as an uplift from one year to the next and it is therefore considered that a decision to award the contract based on any of the options in this report would not be "wholly in accordance with" the current budget. To award the contract as a significantly increased cost would compel Full Council to agree significant growth for the service in next year's budget. If the Executive was minded to agree the award of the contract then the decision will need to be referred to Full Council.
- 6.5 The Council would need to ensure that any proposal to take ownership of the vehicles as discussed in paragraph 5.14 was compliant with the Public Procurement Regulations. This may present a difficulty in pursuing this option further.
- 6.6 As advised in the Executive Report requesting authority to tender this contract dated 10 April 2006, the Council must observe the EU Regulations relating to the observation of a mandatory minimum 10 calendar day standstill period, before the contract can be awarded.
- 6.7 Therefore once Full Council has determined which tenderer should be awarded the contract, all tenderers will be issued with written notification of the contract award decision. A minimum 10 calendar day standstill period will then be observed before the contract is concluded – this period will begin the day after all Tenderers are sent notification of the award decision – and additional debrief information will be provided to unsuccessful tenderers in accordance with the regulations.
- 6.8 As soon as possible after the standstill period ends, the successful Tenderer will be issued with a letter of acceptance and the contract can commence.

7.0 Diversity Implications

- 7.1 The package recommended by officers will address the following equalities issues:
- assisted collections for residents with mobility difficulties
 - higher standard of cleansing in residential parts of the Borough, to ensure they are kept to the consistently high standards and resources put into town centres (Brent Zone 1 areas), thus

reducing perceived inequalities in delivery of cleansing standards

- focused deployment of recycling facilities to high rise dwellings and flats above shops, traditionally hard to reach areas for this service
- use of narrow-bodied refuse trucks to allow easier access to narrow roads or streets with a high degree of on-street parking; this will reduce service inequalities in these areas.

7.2 The preferred tenderer had an impressive training manual based on pictorial instruction, to account for the different language skills of its diverse workforce.

7.3 The contract's Performance Framework includes incentives for the contractor that are tied into high customer satisfaction ratings. To achieve high ratings, complaints and the feeling that there is cause to complain must be low. This means there must be high performance against the equalities solutions identified in paragraph 7.1 of this Report.

8.0 Environmental Implications

8.1 Awarding this Waste Services Contract, with its emphasis on improving the diversion of waste for reuse, recycling and composting ensure that as much as the Borough's waste as possible is delivered through a sustainable disposal route, and also helps the Council deliver its wider environmental objectives.

8.2 Sustainable management of waste reduces the Borough's Climate Change contribution, and helps close the materials loop. Landfill waste releases CO₂ and methane, both powerful "greenhouse gases". Adopting sustainable waste treatment processes other than landfill, such as composting and anaerobic digestion, reduces gas emissions and saves raw materials thus avoiding all accompanying environmental impacts.

8.3 Specific elements of the Waste Services Contract that contribute to the Council's Environmental Policy Objectives include the recycling of some street litter and the use of vehicles that operate with the lowest emission levels possible and kerbside collection of plastics.

8.4 The contract specifies that the contractor will implement an environmental management system to ISO 14001 standards within 18 months of contract award. This will allow the contractor to systematically identify its most significant environmental impacts, and put in improvement programmes to improve upon them.

8.5 The successful contractor will work with StreetCare's Environmental Education Team to deliver more reach-out work to schools and residents, to increase recycling participation.

9.0 Staffing/Accommodation Implications (if appropriate)

- 9.1 These services are currently provided by external contractors and there are no implications for Council staff arising from retendering the contract.
- 9.2 Whilst TUPE may apply, this will only apply between the two existing contractors and not affect the Council.

10.0 Background Papers

- 10.1 Report to Executive 13th February, 2006 – Brent Municipal Waste Strategy
- 10.2 Report to Executive 10th April 2006 - Authority to tender Contract for Waste Services

Contact Officers

Any person wishing to inspect the above papers should contact:

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APPENDIX 1

MAIN COMPARISONS BETWEEN THE EXISTING SERVICES AND THE NEW WASTE SERVICES CONTRACT

ASPECT OF CONTRACT	OLD CONTRACT	NEW CONTRACT
Dry Recycling Collections	<p>Plastics collected at 6 bring bank sites only.</p> <p>No service to North Circular Road properties</p>	<p>Includes plastics as part of the kerbside collection service, and at some bring bank sites</p> <p>Includes collections from ALL Estates-based properties</p> <p>Includes service to North Circular Road properties</p>
Residual waste collection service	<p>Weekly (Sunday) collections to North Circular Road properties</p> <p>Little or no alignment of the various waste collection services</p>	<p>Daily collections to North Circular Road properties, associated with street cleansing work</p> <p>Alignment of various waste collection services to give "same day collections" as far as possible</p>
Bulky Household Waste Collection Service (Special Collections)	<p>Little or no diversion of waste collected for reuse, recycling or composting</p>	<p>Bulky waste MUST be collected "intact" and not crushed by a compaction vehicle, thus being able to maximise reuse and recycling when delivered to the Reuse and Recycling Centre (Twyford)</p>
Bring Bank Recycling Sites	<p>Various agreements with a range of recycling contractors on a material by material basis</p>	<p>Collection of all material will be the responsibility of one main contractor, improving collection frequencies and the general look of these sites</p>
Winter Maintenance Service	<p>Mechanised gritting on carriageways, with manual gritting only on footways</p>	<p>Proposed use of small mechanised and manual gritting equipment on footways</p> <p>Intend to 'own' the gritting vehicle fleet, thus ensuring adequate vehicle availability</p>

APPENDIX 1 (continued)

ASPECT OF CONTRACT	OLD CONTRACT	NEW CONTRACT
Cleansing of Primary Retail Areas (Brent Zone 1)	Continuous presence, 7 days per week; Remedial work to be completed between 1 & 6 hours depending on the problem	Continuous presence, 7 days per week; Remedial work to be completed within 1 hour
Cleansing of Secondary Retail Areas (Brent Zone 2)	2 cleansing visits per day, 7 days per week; Remedial work to be completed between 1 & 6 hours depending on the problem	3 cleansing visits per day, 7 days per week; Remedial work to be completed within 1 hour
Cleansing of Industrial Areas (Brent Zone 3)	2 cleansing visits per day, does not have to include a weekend day; Remedial work to be completed between 3 & 12 hours depending on the problem	Options of 2, 3 or 7 cleansing visits per week, one of which must be a weekend day (7 visits is the officer recommendation); Remedial work to be completed within 2 hours
Cleansing of North Circular Road outer areas (Brent Zone 4)	2 cleansing visits per week; Remedial work to be completed between 2 & 6 hours depending on the problem	3 cleansing visits per week; Remedial work to be completed within 2 hours
Cleansing of Residential Areas (Brent Zone 5)	2 cleansing visits per week; Remedial work to be completed between 2 & 12 hours depending on the problem	Option of 2 or 3 cleansing visits per week (3 visits is the officer recommendation); Remedial work to be completed within 3 hours
Intensive Cleaning	4 times per annum	Options of 4,3,2 or 1 visit per annum, or a Supplementary Service if a 3 times per week cleansing frequency is adopted for Residential Areas (Brent Zone 5)
Cleansing Methods	Not prescribed	Sweeping required. Litter picking not acceptable, except on soft landscaped areas

ASPECT OF CONTRACT	OLD CONTRACT	NEW CONTRACT
Vehicle life	No fleet replacement provisions	Fleet replacement required at specified periods, based on maximum useful life. Agreed with all Bidders during Competitive Dialogue
Service Management	Independent management and monitoring systems Ad-hoc high level meetings	Joint training, joint monitoring, shared information systems, establishment of Performance Framework and Partnership Board