



**Executive
23 May 2011**

**Report from the
Director of Environment and
Neighbourhood Services**

Wards Affected:
ALL

Waste Strategy

1.0 Summary

1.1 This Report provides an update on procurement matters in relation to the Council's proposals to implement the new Household Waste Collection Strategy (2010), thus:

- The provision of new waste collection vehicles.
- The supply and distribution of various household waste containers, namely:
 - Kitchen caddies and food waste kerbside containers
 - Wheeled bins
- The use of the Chief Executive's Delegated Powers to complete this process.

2.0 Recommendations

2.1 That the Executive notes the revised means of acquiring 12 waste collection vehicles, by way of hire instead of purchase, to be implemented by way of a variation to the main waste contract with Veolia.

2.2 That the Executive notes the outcome of the procurement process for the supply and distribution of various household waste containers.

2.3 That the Executive notes the use (on the basis of 'urgency') of the Chief Executive's delegated powers to authorise the variation and award of contract described in paragraph 2.1 and 2.2. .

3.0 Detail

3.1 The Executive formally adopted the new Household Waste Collection Strategy at its meeting in November 2010. This was subsequently endorsed at the December 2010 meeting following call-in. The intended benefit of the Strategy is twofold, an increase in the recycling rate to 60% and annual waste disposal savings in excess of £1m.

Officers are now working to implement the policies of the Strategy by introducing a new waste collection service. This process requires the procurement and distribution of various waste containers and the deployment of new waste collection vehicles. The new service will start in October 2011.

3.2 This report provides an update on the procurement process that has now been completed with respect to waste containers, and also updates on the method for procuring vehicles.

3.3 Importantly, this report also describes why Officers were compelled, by matters of financial urgency, to call on the delegated powers of the Chief Executive to complete this process, i.e. without recourse to the Executive as would normally be required.

4.0 **Vehicles**

4.1 The November 2010 report proposed the variation of the waste contract with Veolia for them to procure 12 new waste collection vehicles, with a cost to the Council, including interest costs, spread over 7 years of £1.7m. This gives an annual cost of approximately £243,000.

4.2 However, subsequent research has shown that vehicle hire rather than purchase offers a better deal over the life of the existing contract, and will put the council in a stronger position at the point of tendering of the next contract in that the council will not be requiring tenderers to take on vehicles with a limited life, or retaining vehicles for which there would be no use.

4.3 For Veolia to hire vehicles over the remaining two and a half years of the contract, to be paid for by an increase in the contract price, the cost to the council is £1.1m. This gives an annual cost of approximately £440,000, £197,000 per annum more than buying and £493,000 more over the two and a half years of the remainder of the contract. However, it amounts to a reduction of around £600,000 in the total costs to which the council is committed in the long term, because the basis of the original contract variation with Veolia for purchase of vehicle was that the Council would take ownership of the vehicles at the end of the contract term.

4.4 An additional benefit will be greater flexibility with respect to vehicle ownership. Hiring will relieve the council of the burden of ownership at the end of the current contract in 2014, which will improve our ability to go to the market for the replacement contract and secure competitive prices.

4.5 The only disadvantage is the annual cost to the council over the remaining two and a half years which will be greater than had been set out in the November report as discussed above.

4.6 The additional annual cost is fully taken into account in the current negotiations with Veolia seeking to secure a reduction in the annual contract price of £2.071 million. Procurement officers have been leading a negotiation with Veolia to secure this saving and proposals are close to agreement but some further time is needed to conclude the negotiation and bring the proposals to a subsequent Executive for agreement.

4.7 Veolia will lease these vehicles but indicated that ordering deadlines from the manufacturers required an order needed to be placed by Friday 15 April to ensure the

vehicles are ready for the intended October start date. There was therefore a need to separate the decision on vehicle ordering from the decisions on the remaining negotiations. These negotiations all focus on the street cleaning regime rather than waste collection so separating the decisions in this way will not compromise the main negotiations.

- 4.8 The 15 April deadline gave Officers no time to seek formal approval from the Executive. In order to comply with Financial Standing Orders, Officers sought approval from the Chief Executive to vary the Veolia contract to allow the placing of this order without recourse to the Executive using his delegated powers in the case of extreme urgency. This was granted and Veolia have now arranged for the hire of these vehicles.

5.0 **Waste Containers**

- 5.1 The table below shows the types and quantities of containers that are needed.

Container	Capacity	Use	Colour	Quantity
Wheeled Bin	240L	Dry recycling	Body – Black Lid – Blue	87500
Wheeled Bin	140L	Dry recycling	Body – Black Lid – Blue	2500
Kerbside container	20-25L	Food waste	Green	30000
Solid kitchen caddy	5L	Food waste	Green	30000

Caddies / Kerbside Containers

- 5.2 Officers had considered the best means of procuring these to be via a 'mini competition' through a Framework Agreement established by the Yorkshire Purchasing Organisation (YPO). This Framework provides a procurement service for public sector organisations and is the largest formally constituted local authority purchasing consortium in the UK.
- 5.3 Other means of procuring the contract were considered by officers but it was determined that the use of the Framework Agreement rather than procuring a contract by formal tender in accordance with Contract Standing Orders was best in terms of the reduction in timescales, costs and resources involved. The required authorisations were obtained from the Director of Environment and Neighbourhood Services, the Borough Solicitor and the Director of Finance.
- 5.4 The YPO had a general framework which covered the containers needed by the Council. A mini competition within the framework was conducted by the YPO on behalf of the Council. This sought quotes from successful suppliers nominated in the framework. Eight contractors operated within the Framework.
- 5.5 Of the 8 companies on the Framework, 3 submitted bids for the supply of caddies and kerbside containers. Officers completed an evaluation of the respective Bidders' proposals and verified that the prices submitted and other tender proposals complied with the specifications supplied by the Council.

- 5.6 The completed evaluation showed that Contenur's proposals offered best value and a contract for the supply of caddies and kerbside containers has now been awarded to them for their tendered sum of £96,300.
- 5.7 This is deemed a low value contract under Contract Standing Orders and Executive approval is not required.

5.8 Wheeled Bins

Of the 8 companies on the YPO Framework described above, 5 submitted bids for the supply of wheeled bins –

- A – Otto
- B – SSSI Schaeffer
- C – Craemer
- D – Straight
- E – MGB

- 5.9 A similar evaluation was undertaken. However, it became clear that the prices quoted were considerably more expensive than had been anticipated. Only 1 price fell within the budget allowed for in the November report, and only marginally so. This bid was discounted on the basis it did not comply with the council's requirements with respect to bin distribution.,
- 5.10 On investigation, it was discovered that the other prices received were less favourable than had been anticipated due to high polymer prices as a result of increases in the price of oil.
- 5.11 In combination, these factors prompted an urgent re-assessment of the purchasing options.
- 5.12 Through subsequent research, Officers were eventually able to access a more favourable price through spot purchase (i.e. without mini-competition) via an alternative framework – the Eastern Shires Purchasing Organisation (ESPO). One supplier felt compelled to honour their advertised ESPO price. This was SSSI Schaeffer whose price of £1,693,250 represented a significant reduction of £182,000 on their YPO offer. The other suppliers could not honour their advertised prices, again citing the increasing cost of raw materials.
- 5.13 Officers therefore considered the comparative cost reduction now available through SSSI Schaeffer's ESPO offer to represent best value, particularly at a time of increasing prices.
- 5.14 Their total offer price, however, remained £58,000 over budget. Through application of the council's existing container revenue budget of £97,000 the deal will remain affordable and within budget.
- 5.15 In addition, SSSI Schaeffer were able to offer a 10 year guarantee with respect to the quality of their product and were best able to satisfy the council's requirements with respect to the logistics of supply and distribution.
- 5.16 Officers were therefore minded to recommend the award of contract to SSSI Schaeffer at this Executive. However, because of the continuing rise in oil prices, SSSI Schaeffer

indicated the council would need to commit more quickly in order to take advantage of the price. Also, Officers did not consider it prudent to commit to vehicle leasing, as described in Section 4, without a proper commitment in place for the supply of bins. Crucially, the two elements are interdependent and committing to one without proper arrangements in place for the other, particularly at a time of rising prices, was considered too much of a financial risk.

- 5.17 Officers saw value in concluding the arrangements for bins and vehicles simultaneously and therefore obtained Chief Officer authorisation to award the contract to Schaeffer using the ESPO Framework. Delegated authorisation from the Chief Executive to take advantage of SSSI Schaeffer's offer was sought via the same 'urgency' request on the 15 April.

6.0 Financial Implications

- 6.1 Successful implementation of the council's new waste strategy will bring important financial benefits, most crucially annual waste disposal savings in excess of £1m.
- 6.2 The main costs, as described, relate to the deployment of new vehicles and the purchase of more than 100,000 new waste collection containers.
- 6.3 With respect to vehicles, a revised cost model has been developed to take account of the council's preference for leasing vehicles over outright purchase. The details are set out fully in Section 4 of this report. In essence, hiring vehicles over the remaining two and a half years of the contract will cost the council £1.1m. This gives an annual cost of approximately £440,000, £197,000 per annum more than buying and £493,000 more over the two and a half years of the remainder of the contract. However, it amounts to a reduction of around £600,000 in the total costs to which the council is committed in the long term.
- 6.4 With respect to waste containers, the cost model approved by the December Executive provided £1,635,100 for the purchase of wheeled bins. The accepted offer of £1,693,250 exceeds that by £58,150. The budget for caddies/kerbside containers was £107,400. The accepted offer was £96,300 - £11,100 within budget. The total cost for all containers, therefore, represents a net increase of £47,050 against the original cost model. Officers will utilise the existing container revenue budget to bring the overall cost within budget.

7.0 Legal Implications

7.1 Vehicles –

An increase in the cost, albeit in the short term only, of procuring vehicles, would ordinarily require Officers to seek approval from the Executive in order that Financial Standing Orders are complied with. However, for matters of urgency, i.e. the need to order vehicles in time to ensure their availability by October, Officers are permitted to seek delegated approval from the Chief Executive through urgency powers provided for under part iv, paragraph 2.3 of the Brent constitution. Veolia will lease these vehicles for the remainder of their contract term with reimbursement of Veolia through the contract price and this arrangement must be formalised as a variation to the existing waste services contract.

7.2 Waste Containers - Caddies / Kerbside Containers

This contract is deemed low value and approval of the Executive is not required.

Wheeled bins

On the basis that such supply via a Framework Agreement is a High Value Contract for the purposes of the Council's Contract Standing Orders, officers would ordinarily seek Executive approval to award the contract now an award decision has been made. However, due to urgency, i.e. the need to secure a favourable price at a time of price volatility, and to synchronise the procurement with that of new vehicles, Officers were permitted to seek approval from the Chief Executive as provided for under his delegated powers to make decisions of extreme urgency set out in part iv, paragraph 2.3 of the Council constitution.

The supply of caddies/kerbside containers and wheeled bins will be formalised through the award of separate supply contracts.

8.0 Diversity Implications

8.1 The proposals in this Report have been subject to screening by officers, who consider that there are no specific diversity implications.

9.0 Staffing/Accommodation Implications

9.1 There are no staffing or accommodation issues arising from the recommendations in this Report.

10.0 Environmental Implications

10.1 These proposals will directly support the Council's Household Waste Collection Strategy.

11.0 Background Papers

11.1 Details of documents:

- (i) Report to Executive 13th December 2010 titled "Waste Collection Strategy."
- (ii) Chief Executive's Emergency Approval Request – waste strategy 15/04/2011

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