

# REPORT TO CABINET

REPORT OF: CABINET PORTFOLIO HOLDER –  
HEALTHY ENVIRONMENT

REPORT NO.: SS006

DATE: 11 August 2008

<b>TITLE:</b>	Award of dry recyclables contract	
<b>FORWARD PLAN ITEM:</b>	Award of contract for the processing of dry recyclable materials	
<b>DATE WHEN FIRST APPEARED IN FORWARD PLAN:</b>	August 2007	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Key decision	
<b>COUNCIL AIMS/ PORTFOLIO HOLDER NAME AND DESIGNATION:</b>	John Smith – Portfolio Holder for Healthy Environment	
<b>CORPORATE PRIORITY:</b>	Recycling	
<b>CRIME AND DISORDER IMPLICATIONS:</b>	No identified crime and disorder implications	
<b>FREEDOM OF INFORMATION ACT IMPLICATIONS:</b>	<p>This report is publicly available via the Local Democracy link on the Council's website:  <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a></p> <p>Appendices A and B are exempt in accordance with paragraph 3 of schedule 12A of the local Government Act 1972 as amended due to containing commercially sensitive information about the tenderers involved.</p>	
<b>INITIAL EQUALITY IMPACT ASSESSMENT</b>	<p><b>Carried out and appended to report?</b></p> <p><b>Not Applicable</b></p>	<p><b>Full impact assessment required?</b></p> <p><b>No</b></p>

<b>BACKGROUND PAPERS:</b>	Extension of the arrangements for the processing of dry recyclables (Non-key report SS003) WCS25 WCS26
---------------------------	--

## **1. INTRODUCTION**

With the increasing volume of materials being collected through the kerbside recycling scheme, it is even more pressing that the arrangements we have in place for their reprocessing are suitable for the long term development of the service. It is also essential that the provider of this contract is able to work with the Council to ensure that the customer continues to receive the same level of service.

With the existing arrangements in place until the end of this month, we have undertaken a full OJEU<sup>1</sup> tender process. The contract is to provide facilities for the Council to transfer recyclable materials, collected from the kerbside collection activities, to a contractor. The contractor is then responsible for the sorting and reprocessing of these materials for recycling. The contract is initially for a period of three years, with the possible extension to five years subject to negotiation.

This report details the outcome of the tendering and evaluation process, recommending the award of the contract.

## **2. RECOMMENDATION**

It is recommended that Cabinet award the contract for the processing of dry recyclable materials collected by the Council's kerbside collection activities to Mid UK Recycling Limited for the initial term of three years from the date of commencement of the contract with potential to extend the term for a further two years.

## **3. DETAILS OF REPORT**

### 3.1 The current arrangements

At present, all materials are delivered to Mid UK Recycling Limited under an extended arrangement. This will end at the end of August 2008<sup>2</sup>.

Mid UK Recycling Limited operate two facilities for the receipt and transfer of materials – in Caythorpe (north of Grantham) and Market Deeping.

The Council pays Mid UK Recycling Limited a gate fee for the transfer of co-mingled materials to their sites. For this fee, they sort the materials and are responsible for making suitable arrangements for the reprocessing of all materials.

Currently a recycling credit is received from Lincolnshire County Council to cover the cost of the gate fee.

### 3.2 Need for new contract

To ensure that the Council continues to offer the best service possible for its customers, it is necessary to open the contract for competitive tender. The tender process ensures that the service is as advantageous to the customer in terms of the range of materials collected for recycling, and that it is at the lowest possible cost to them.

A competitive tender process ensures that the Council is legally compliant with current procurement regulations, and gets the best result for the Council.

### 3.3 Tender process

Taking into account the current cost of provision of this service (with provision for collecting 20,000 tonnes of recyclables per annum<sup>3</sup>) the Council is legally obliged to tender this contract following the Public Contract Regulations 2006.

Learning from previous tendering exercises, a project team of officers was formed involving legal, financial, procurement and service specific knowledge. This team met regularly to formulate the specification, terms and conditions and the evaluation criteria.

Following the initial pre-qualification stages, seven companies were shortlisted and invited to tender. Four of these companies submitted full tenders for evaluation. Exempt Appendix A lists the shortlisted companies, and highlights those that submitted responses.

### 3.4 Specification

The specification is integral to ensure that the contract delivers every aspect required by the Council. The project team spent time covering all key areas of the specification, considering different approaches to ensure that the service was adequate for our needs, was competitive, offered opportunity to external providers, and enabled shortlisted companies to show some flexibility and offer above the minimum requirements.

The project team, with the approval of Cabinet<sup>4</sup>, highlighted the following as key areas (in no particular order):

- Range of materials accepted as recyclable to meet current collection criteria
- Facilities for the transfer of materials to the contractor to be fit for purpose
- The contractor to have considered the carbon footprint of their own operations and also to those of the council in delivering materials to their facilities
- Contingency planning to ensure continued service delivery to Council customers
- Commitment to education and promotion
- Health and Safety
- Environmental management
- Compliance with legal requirements, such as waste management licenses etc

- Contract monitoring and supervision

The tender process required the potential contractors to provide a service delivery plan. In this document potential contractors detailed their plans and/or intentions in these areas.

Each tenderer submitted a wide range of supporting documents relating to each of the areas listed above in addition to the requirements of the service delivery plan.

### 3.5 Evaluation process

From the specification an evaluation matrix was created, based on the OGC<sup>5</sup> model, incorporating the agreed weighting of 60:40, price to non-price factors.

The scoring members of the project team received copies of all tender submissions, and each independently scored the non-price factors. The average and weighted score was then calculated. The project team reviewed the tender submissions for non-compliance with specification requirements requested as part of the tender process.

Members of the project team conducted an audit of the scores. It was essential to have this critical friend approach to the process to ensure that the decision was robust.

The price factor was analysed in depth with full support by the accountancy team. This analysis not only considered the gate fee, but also included the following aspects of the cost of awarding the contract:

- Vehicles requirements, including maintenance of vehicles
- Staff required
- Need for round reorganisation
- Cost of load rejection

Details of individual assessments are detailed in Exempt Appendix B.

It is vital that the assessment of the real cost of the service to the Council went beyond the tendered gate fee. The cost of the whole service was considered in as much detail as possible to ensure that any decision made was sustainable throughout the term of the contract.

### 3.6 Assumptions made for the determining of price factor

In order to provide a like-for-like price comparison of tender bids, the following assumptions were made:

- Vehicles would continue to collect the same number of bins per day
- Vehicles would achieve the same miles per gallon rate as they currently achieve
- The materials collected would not change in the first 12 months (changes to subsequent years would depend on the contract award and the results of rejection in the first 12 months of the new contract)

- 420kg of dry recyclable material would be collected per household per annum

### 3.6 Results of evaluation

Once all aspects of the tender evaluation had been completed, Mid UK Recycling Limited scored highest and therefore warranted the recommendation that they should be awarded the contract for the next three years.

## **4. OTHER OPTIONS CONSIDERED AND ASSESSED**

### 4.1 Tender one

This tender was dismissed in the initial stages as it was not compliant with the specification. They proposed using unlicensed sites, which were unable to accept materials from the Council. Though they could apply for the required licenses, the time scale for this and the commencement of the contract were not compatible.

### 4.2 Tender two – Mid UK Recycling Limited

Each element of the specification was covered and the project team was able to determine each score from the information supplied.

In order to cost analyse the tender, the assumptions detailed in section 3.6 were made regarding the tender bid. In both the price and non-price factors, Mid UK Recycling Limited scored highest.

### 4.3 Tender three

This tender was dismissed in the first stages, as it did not provide any Health and Safety records for the proposed facility.

The proposal involved subcontracting the operation of the facility to a third party, and they provided no Health and Safety information for them. The Council takes its responsibilities very seriously in this regard, and had no assurance that the proposed facility would be compliant legislative requirements. As such it failed to comply with the specification.

### 4.4 Tender four

This tender was dismissed in the final stage.

Though their tenderer gate fee price was very low, the overall cost of the service was considerably higher than tender 2 based on the same assumptions specified in section 3.6 of this report. The main areas of cost were:

*The location of the proposed site and the additional operational costs incurred*

Their proposal directed all our vehicles to one site outside and south of the district. As such, there would be a considerable increase in the mileage between the kerbside collections and the facility.

An analysis of the location and the additional transport time involved was carried out and an additional five vehicles would be required to operate this contract, though only four would be required on a day-to-day basis, (the fifth would cover maintenance and other downtime). Therefore only staff to cover four of the vehicles was included in the overall cost analysis.

In order to make the most efficient use of the vehicles and staff, a reorganisation of the rounds would also be required. A one-off cost was added.

It is obvious that this tender would increase the fuel used by the fleet for this service, and this too was included in the calculations.

As the tender was evaluated in more detail, the project team raised concerns about their compliance with the specification regarding the range of materials collected as part of the co- mingled collection. This tender set strict limits on the composition of the materials accepted. As such calculations were made regarding the potential additional costs incurred in loads being rejected from the facility. These calculations were based on the tenderers own probability ratios submitted as part of their tender.

#### *Additional considerations*

Though a calculation regarding the additional fuel used was included as part of the financial assessment, it is not possible to accurately state the additional CO<sub>2</sub> emissions released by the council if using this contractor. With the substantial increase in mileage, it is clear that this would reflect a substantial increase in our CO<sub>2</sub> emissions.

### **5. COMMENTS OF SECTION 151 OFFICER**

I can confirm a full financial evaluation has been undertaken in respect of the tenders received to fully evaluate the impact of the dry recyclables service. This evaluation has covered all aspects of providing the service including additional costs the Council would incur in respect of tender four. These additional costs are directly related to the requirement for the recycling materials to be transferred to a single site south of the district. There is sufficient budget within the financial year to support the recommendation contained in the report.

### **6. COMMENTS OF MONITORING OFFICER**

This report confirms the contract will be let in accordance with the Public Contract Regulations 2006 and the Council's Contact Procedure Rules. It also shows the tenders received have been evaluated in accordance with the criteria set down in the tender documentation sent to all potential tenderers.

## **7. COMMENTS OF ACTING ASSET AND FACILITIES MANAGER**

I can confirm that Asset and Facilities have considered the evaluation process and are satisfied with compliance with the tender documentation and Contract Procedure Rules.

I am assured that there is sufficient linkage between the weightings in the tender assessment and the information requested in the tender documentation.

I am satisfied that the correct procurement process has been adhered to.

## **8. CONCLUSION/SUMMARY**

That a comprehensive evaluation of all tender bids has been undertaken by the project team in accordance with the specification and that tender 2 offers the most economically advantageous option for the Council.

## **9. CONTACT OFFICER**

**Dawn Temple**  
**Policy and business support Officer**  
**Street Scene**  
**Tel: 01476 406557**

---

<sup>1</sup> Official Journal of European Union

<sup>2</sup> Refer to NKD report SS003 and Cabinet report WCS 26

<sup>3</sup> Based on the anticipated collection rate for 2008/9

<sup>4</sup> Cabinet report WCS 25

<sup>5</sup> Office of Government Commerce