

Date	-	10 November 2017
Report of the	-	Lead Director, Dr Anthony Leonard
Subject	-	Specification Matters

Recommendation: It be **RESOLVED:** That the following key decisions be incorporated into the Specification and Conditions of Contract documents, as appropriate:

- 1) tenders are invited on the basis that the administration of customer subscriptions for Garden Waste Services be retained in-house (as is);
 - 2) tenders are invited on the basis of the revised Street Cleansing Specification (the revised draft specification is available upon request);
 - 3) the contract includes a 10% error/tolerance mechanism that mitigates the risk of any inaccurate measurements or item quantities
 - 4) cleansing of public footpaths, rights of way and similar locations are split into “core” and “ad-hoc” requirements and dealt with through the payment mechanisms being developed for the contract;
 - 5) subject to the East Sussex County Council presentation tenders be invited on the basis that the kerbside collection option is co-mingled recycling (including glass);
 - 6) tenders be invited on the basis of charged Garden Waste Services for Hastings and Rother, and pending agreement by Wealden District Council this same approach be taken for the Wealden area;
 - 7) tenders be invited to enable a priced option for food waste collections using a separate vehicle; and
 - 8) tenders be invited without the Contractor being responsible for bulking, transfer and processing of co-mingled recycling (including glass) and officers work with East Sussex County Council to explore the most cost effective ways for disposing of this waste.
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Report Author: Madeleine Gorman, Partnership Manager

Introduction

1. Work is progressing to procure a new Joint Waste Recycling, Beach and Street Cleansing Contract which must commence on 29 June 2019. Hastings Borough Council (HBC), Rother District Council (RDC) and Wealden District Council (WDC) have signed the Inter-Authority Agreement (IAA) and have committed to a joint procurement.

2. Minute JWC17/09 noted a number of key decisions that were required to move forward. As work has progressed, a number of other issues have also arisen. This report deals with those decisions that predominantly involve the Specification document and they are outlined with recommendations below.

Administration of Garden Waste Services

3. The Garden Waste Service is currently administered in-house by each of the three Councils, who look after their own databases of 'subscribers'. HBC and RDC currently charge for the service, with the subscription charge individually set by each Council. WDC offers a free Garden Waste Service. Consideration has been given on whether to maintain the current arrangement for the new contract, or to look at other options, including whether to pass administrative responsibility for the service to the Contractor.
4. Three options have been considered:
 - a) individual partners retain administration of their own Garden Waste Service;
 - b) a central Partnership function administers the service on behalf of all Partners; or
 - c) the Contractor is required to provide administration for Garden Waste Services.
5. Waste Officers have determined that there are large unquantified potential benefits and risks associated with each approach. A key consideration is the desire to simplify the specification for collections and ensure the requirements are attractive to potential bidders. In line with the 2015 Procurement Rules, the administration of Garden Waste Services would not be considered a material component of the contract because this function equates to far less than the 10% of the total contract value. This being the case, the Councils could seek to vary after contract award, if required.
6. Recommendation:
 - 1) Tenders are invited on the basis that the administration of customer subscriptions for Garden Waste Services be retained in-house by individual partners (as is).

Street Cleansing

7. The current contract has had a number of issues with Street Cleansing Performance. Minute JWC17/10 noted the requirement to revisit the current Street Cleansing Specification as specific locations had suffered from regular incidences of detritus, litter and/or dog fouling within three of the authorities across the existing Partnership. Officers attended a workshop delivered by Ricardo AEA (Waste Consultants) to explore this element of the Contract and ensure it is 'fit for purpose' going forward.
8. HBC has resolved to develop comprehensive fully costed arrangements for a potential Hastings street cleansing direct services organisation (DSO), which subject to meeting best value criteria, could provide street and beach cleansing, fly tip removal and bulky waste collection services in Hastings from 29 June 2019. HBC has therefore developed a service specification for which a tender price will be obtained during this procurement.

9. For the RDC and WDC areas various issues with the current Street Cleansing specification have been addressed. In brief, the main changes are:
- a) redrafting the remedies and financial deductions in a separate Performance Management Framework to that used for collection services;
 - b) strengthening the areas of the contract which have been found to be ambiguous, e.g. trunk road cleansing and health and safety requirements;
 - c) improving the method for calculating adjustments to payments;
 - d) making some items non-core activities e.g. deep cleaning;
 - e) introduction of new Key Performance Indicators;
 - f) changing the requirements around NI195 (street cleansing inspections) so that they are undertaken on a per authority basis, procured by the Partnership and jointly paid for by the contractor;
 - g) adding in weed spraying and weed removal requirements;
 - h) improvements to reporting requirements;
 - i) changes to the cleansing of heritage areas;
 - j) additional requirements around autumnal season to deal with leaf-fall;
 - k) review of litter bin emptying;
 - l) review of dog fouling response times;
 - m) a change in the way events are approached; and
 - n) requirements for liaison with grounds maintenance and highways contractors for work scheduling.
10. Waste officers have reviewed the amendments to the specification and consider this will meet the needs of the Councils.
11. Recommendation:
- 2) Tenders are invited on the basis of the revised Street Cleansing Specification (the revised draft specification is available from the Deputy Project Manager upon request).

Quantities and Measurements

12. A key issue raised within the Pre-Market Engagement was the need for accurate and robust baseline data, with a particular focus on Street Cleansing. Quantities and measurements have a direct impact on the baseline price, so the Councils face a level of risk if those quantities and measurements are found to be incorrect.
13. Waste Officers are not absolutely confident that their measurements and quantities are correct and they do not have the resources needed to fundamentally re-measure all the items. A mechanism is therefore proposed to allow for a 10% margin of error. Ricardo AEA advise that this approach is common practice for these types of contracts, so should not lead to massively inflated Contractor pricing. Using this mechanism, if the Contractor believes the quantities are more than 10% out, they will pay for re-measurement. If the bill quantities/measurements are found to be more than 10% out then the Councils will fund the cost of the re-measurement exercise and pay for any extra quantity.
14. Waste officers have considered the time and resource required to achieve a greater level of confidence in the quantities and measurements for this contract but do not consider this feasible at this time.

15. Recommendation:

- 3) The contract includes a 10% error/tolerance mechanism that mitigates the risk of inaccurate measurements or item quantities.

Controlling Activities (& costs) for Footpaths and Public Rights of Way

16. Waste officers have considered the requirements for litter picking and/or sweeping footpaths across fields, twittens, underpasses and similar pedestrian paths and public rights of way. These requirements are not adequately supported in the current contract.
17. A distinction is to be made between metalled surfaces (e.g. tarmac) which will be cleansed as a “core” requirement and un-metalled surfaces (e.g. dirt track) which will be cleansed as an “ad-hoc” activity. Core services will form part of the scheduled work plan and will be priced for in the contract. An ad-hoc activity will only be undertaken if requested and incurs additional payment.
18. Recommendation:
 - 4) Cleansing of public footpaths, rights of way and similar locations are split into “core” and “ad-hoc” requirements and dealt with through the payment mechanisms being developed for the contract.

Kerbside Collection System

19. Ricardo AEA (via the Waste Resources Action Programme (WRAP)) delivered a piece of work to model 10 collection options (Minute JWC17/10 refers). This report considers a number of factors when assessing the different collection options including costs, ease of use and manual handling requirements for the crew.
20. This work concludes that “Option 7” (co-mingled Recycling (including glass) and Chargeable Garden Waste) is the favoured option for the Partnership. The modeling also indicates that although this is not the cheapest disposal option, this is the most cost effective option when disposal and collection costs are considered together. The disposal implications will be considered in the East Sussex County Council (ESCC) presentation.
21. The WRAP report also considers the implications of collecting food waste. The primary advantage to the Councils of collecting food waste is on the disposal cost for residual waste and the recycling rate being achieved by each Council. The waste composition analysis conducted in 2015 and repeated in 2017 to verify the results, has quantified the proportion of food being wasted as c30% of residual waste. In principle, this means that disposal of residual waste could potentially reduce by up to 30% if all food waste could be extracted from residual waste and collected separately. The Joint Waste Committee has previously considered the matter of food waste (Minute JWC15/17 refers) and concluded that further analysis would be required in due course. However, experience elsewhere shows that food waste percentage collected drops off over time, community education may be better and more cost effective.
22. The WRAP analysis has considered two options for collecting food waste:

- As a separate material collected weekly by vehicles operating “food only” rounds that can be planned and organised to service only those households receiving the food collection service.
- As a separate material collected weekly at the same time as residual waste and dry recycling. The collection vehicles have two compartments that require tipping at different locations. It is noted that round planning and organisation is difficult because the volumes of food waste that will be presented by residents is unknown and will vary across the Partnership area.

Both of these options incur higher collection costs than “Option 7” which does not collect food waste. The financial benefit in terms of reducing the disposal cost for residual waste could be used to offset the cost to collect food waste but even when this is taken into account the total cost of collection remains higher than Option 7. It is not being recommended that Food Waste collections be introduced as a service requirement in the next joint contract.

23. However, UK waste policies post-Brexit remains unknown but the principles of the Circular Economy Package seem to be generally supported. The opportunity exists to ‘future-proof’ the Contract by requesting a priced option for Food Waste Collections using separate vehicles. Inviting tenders for a priced option would mean that in the event of a future legislative change, whereby food waste must be collected as a separate material, the Councils would not need to seek tenders in competition with many other UK local authorities. A further advantage would be obtained in terms of managing all kerbside collection services under a single contract rather than separate contracts (potentially with different contractors).
24. Recommendations:
 - 5) Subject to the ESCC presentation tenders be invited on the basis that the kerbside collection option is co-mingled recycling (including glass).
 - 6) Tenders be invited on the basis of charged Garden Waste Services for Hastings and Rother, and pending agreement by Wealden District Council this same approach be taken for the Wealden area.
 - 7) Tenders be invited to enable a priced option for food waste collections using a separate vehicle.

Ownership of Recycling and Disposal

25. A final decision is required on whether the collection contractor will be required to also make arrangements for the bulking, haulage and disposal of the recycling material (as with the current contract). In 2012, when the previous contract was awarded, there were financial benefits to Kier keeping this material and taking full responsibility for its transfer, disposal and value.
26. The market has changed significantly and contractors are no longer willing to accept the financial risk of significant losses when the value of material does not exceed the handling costs. The volatile values of recycling materials therefore present financial risks which need to be managed. If the disposal of dry recycling (including glass) is to be included in the Contract then new financial mechanisms are needed to deal with the financial risks to each party.

27. Several complex and inter-related factors need to be considered, but this matter is fundamental to the scope of services required under the contract and financial value of the contract. Decisions need to be taken urgently, in order not to delay the procurement. In summary, three possible approaches are available:
- The collection contractor arranges for the disposal of recyclate as a requirement of the joint collections and street cleansing contract on agreed financial terms.
 - Disposal arranged by the Waste Disposal Authority (through the IWMSC).
 - Disposal arranged by the Waste Collection Authorities (requires procurement to establish a new disposal contract)
28. ESCC will make a presentation to the Committee concerning the options and costs for co-mingled recyclate to be disposed of through the IWMSC. Members are asked to consider the implications when determining the kerbside collection system.
29. The appointed waste technical consultants, Ricardo AEA and Waste Officers from all Waste Collection Authorities and ESCC as the Waste Disposal Authority have considered the implications of different disposal options for dry recycling. Regardless of which organisation takes responsibility for delivering the disposal solution, the tax-payer incurs least cost by Option 7 but there are contractual implications arising from the responsibility for disposal which introduces complexities. For these reasons it is recommended that further work be undertaken on disposal of dry recycling and the new collection Contract deals with collection only.
30. Recommendation:
- 8) Tenders be invited without the Contractor being responsible for bulking, transfer and processing of co-mingled recycling (including glass) and officers work with East Sussex County Council to explore the most cost effective ways for disposing of this waste.

Dr Anthony Leonard
Lead Director

Risk Assessment Statement

Due to the mobilisation requirements, the OJEU Notice must be placed by the end of December 2017 with a comprehensive suite of documents. Decisions therefore need to be taken and approval for the amendments to the Specification and Conditions of Contract needs to be given at this meeting.

Any delay in these decisions and, in particular, the delay in the decision on the ownership and disposal of recycling, will prevent the development of the documentation and significantly increases the risk of service disruption in 2019.