

TO: EXECUTIVE
25 September 2018

REFUSE CONTRACT RENEWAL - SUEZ
Interim Executive Director: Delivery

1 PURPOSE OF REPORT

- 1.1 The Council has a Contract with SUEZ that ends on 31 March 2019. The Contract includes provision for an extension for a further 8 years.
- 1.2 This paper sets out the outcome of detailed negotiations for the extension of that Contract relative to the foreseeable needs over the next Contract Term. This paper contains fiscal information and projections as at a point of time. It informs the likely budget need based on reasoned estimates.

2 RECOMMENDATIONS

- 2.1 **That the Council extends its Refuse Collection Contract with SUEZ for a further 8 years from 1 April 2019 based on the option appraisal as set out in A(2) of restricted Annex 1 subject to current terms and conditions as need to be amended to reflect legislative change and those required in respect of operational need such as those highlighted in paras 5.15, 5.16, 5.19, 5.21, 5.25 and 5.28, and**
- 2.2 **That, once the Government Strategy for Waste is produced in the Autumn, officers report back to the Executive with a review of options to introduce further changes to the collection offer.**

REASONS FOR RECOMMENDATIONS

- 3.1 The Council has to renew its Waste Collection Contract from April 2019. The decision needs to be taken now because there is a long lead in for the build of a new fleet of vehicles.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The option not to extend the current contract was considered. The Council had the option of bringing the service back in house should it wish to do so. Doing so would incur a significant set up cost and whilst the Council could subsequently re-tender the Contract the TUPE'd staff would have gained and secured benefits that could impact on future cost. The existing Contract was awarded following a competitive tendering process and SUEZ has evidenced the ability to deliver the required service to the required standards over the term. The Terms of the Contract have also been tested over that period of time and proven to meet the Council's needs. SUEZ has provided an excellent service since 2011 and risk of change and the cost of re-tendering would be high and almost certainly would outweigh the likely gain on a like for like basis. Such options were therefore discounted.

5 SUPPORTING INFORMATION

Overview

- 5.1 The current Contract includes for the collection of the Borough's household waste; waste from some BFC schools, some Council-owned premises and a small number of external organisations such as Parish and Town Councils. The Contract commenced on 1 August

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2011 and runs until 31 March 2019. The Terms of the Contract allow for an extension for a further 8 years.

- 5.2 As part of the review of the arrangements the new Contract will focus on domestic collections. As a result many of the non domestic premises such as schools, Town and Parish offices are being advised that they need to make alternative arrangements. The Contract provides the means for BFC premises to access SUEZ commercial services and assistance is being offered where required. The changes will result in better control of the waste stream and less contamination. Where necessary arrangements will be made to assist in the transition particularly in schools.
- 5.3 The number of households including flats has grown over the current Term from 46,750 in March 2011 to 49,270 in 31 March 2018. The projected demographic growth over the next Term is for a further 7,500 properties. The projections do not break down to house type and as we have seen the trend has been towards building more flats and large estates. This seems unlikely to change and both bring their own challenges that have to be considered in relation to the nature and make-up of the fleet.
- 5.4 In considering whether or not to extend the Contract the Council needs to be satisfied, in the absence of competition, that the proposal still represents value for money (VFM). In that regard the Contract was awarded as part of a competitive EU procurement process. The Contract costs have been limited since its Award to inflationary rises and the impact of demographic growth. The basis for that arrangement is sound and the main contract need is just to update a number of clauses. The main changes needed relate mainly to legislative changes that have come into effect since. No changes will affect the balance of risk to either party.
- 5.5 In addition, with a contract like this the investment required is significant and it is essential to have regard to the potential for change over the next Term. Due to recent media exposure we are currently experiencing an upturn in the levels of environmental awareness across society as a whole. However, as yet little has been evidenced to any significant degree when it comes to wholesale shift in social attitudes relative to the waste going in the bins at a local level. The general expectation, often not helped by the media, still seems to be that councils should deal with everything coming out of a household without restriction. The Government has responded recently to the need for the nation to do better and published a 25 year Environment Plan. Whilst this Plan contains little by way of clear direction of intent in relation to household waste, it does indicate a move towards giving the waste agenda greater attention over the coming years. Accordingly, the form of contract and contractor relationship will be critical to a council's continued ability to serve the best interests of its community relative to the legislative demands, environmental responsibilities and resource constraints over the coming years.
- 5.6 Against this background it is not yet clear as to how the Government might respond to those councils like Bracknell Forest, who will find themselves unable to meet the current national 50% recycling target. This Council for example, is currently disadvantaged in the way that our performance has to be calculated. For example each year approximately 9% of the residue of the waste sent to the Lakeside energy from waste facility is recycled. That figure cannot be counted against the 50% target. In looking to renew our Contract we have had to assume that recycling rates will continue to be calculated as they are now for at least the next few years. Whilst there is talk at national level of change in how we might better evaluate performance, as yet there is no indication of exactly how or in what timeframe that might come about. Accordingly, the extended Contract continues to focus on the need to continue to try to help reduce contamination and reduce the overall level of general bin misuse e.g. for garden waste.

Managing Growth

- 5.7 In seeking new contract rates/costs we have had make a number of assumptions relative to growth and likely demand changes based on the current service offer. The Contract provides the means to be able adjust and respond to growth demands. Applying the assumptions, based on current forecast of house building and population growth, we know that there will be an unavoidable need for at least two other trucks during the next Term based on the current service offer. That detail is shown in the option analysis set out Annex 1 relative to two scenarios. The Contract Terms have been reviewed to ensure we can manage the need for additional vehicles as and when the situation arises. The alternative approach is to 'pay in advance' and in so doing have the required number of trucks for the next Contract Term. Doing so would however, create needless surplus capacity at the start of the Contract. It is better to buy as and when need is evidenced. Therefore this option was not explored.

Expansion of current collection service offered

- 5.8 There is no proposal to expand the current service offer at this point in time. There is discussion at both local and national level about the need for change to our approach to waste generation, collection and recycling. Accordingly, a recommendation is made that looks forward to the need to consider further options once we are better informed by the Government's proposals in its Strategy for Waste due in the Autumn. Food waste is an obvious area to consider and the recommendation reflects this but the challenge for collection authorities is how to make food collection affordable. There could also be others and therefore the key consideration for the Council at this stage is to ensure that in the new contract period there is flexibility in the choice of the new fleet so not to limit options for the future. As best as one can do so at this point of time the recommendation reflects this as explained below.

Fleet requirements

- 5.9 The number and type of truck required is influenced by a number of factors. This includes the nature of the collection offer (with or without food for example), the number of properties to be served (flats/non flats) bin sizes, travel distances etc. The fleet also needs to include provision to deal with narrow streets and parked cars particularly in the newer estates. Smaller trucks have less capacity and this affects the number of trucks needed.
- 5.10 Having looked at cost and practicalities the proposals reflect the fact that if we were ever to introduce a food collection service, we would use specialist single use vehicles. These are not only cheaper to buy and run but are better able to get around busy estates. Options such as the use of pod vehicles have been considered and dismissed on grounds of cost, efficiency and practicalities.

Bins and bin sizes

- 5.11 The Council has a duty to arrange the collection of waste from all households. It also has the power to specify the type and size of container; materials to be collected; the frequency of collections and where bins are to be presented for collection. This effectively means that the Council has the means to control to some degree the amount of waste that it considers 'reasonable' to collect kerbside. It can also mandate the form of presentation so as to minimise cost and maximise recycling opportunities. Bin size is a significant factor to take account of when considering fleet numbers as this helps determine capacity and the number of collection rounds needed.
- 5.12 With introduction of the collection of additional recyclable items in February the standard

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residual bin for all new properties was changed to 180l capacity. This is proving adequate for most property needs provided the resident properly utilises all bins offered. The Council supports this approach with a permitted policy variation by allowing for additional bins for large families as per evidenced need.

- 5.13 The issue of bin size will need to be part of any consideration in relation to any further expansion of the collection offer.

Garden waste

- 5.14 The Contract continues to include for the collection of garden waste. In order to build in better resilience and to maximise operational efficiency the option recommended would result in the use of dedicated trucks rather than the continued use of split vehicles.
- 5.15 There are no proposals to change the basic service however, in order to maximise the benefits for those residents using just sacks they will need to register for a collection in advance. The garden waste trucks will then look out for them and collect them as part of the round. This arrangement can be managed through the use the SUEZ 'CORE' IT system the purchase of which is also part of the recommended option. The system enables customer requests to automatically update the trucks in cab routing systems. The collection crew would not be able to sign off a round as complete unless all tasks have been completed. This arrangement enables the collection service to be made more efficient without risk of service failure due to missed bins, sacks etc.
- 5.16 In addition, in order to maximise efficiencies the recommended option includes for garden waste being suspended for one cycle over the Christmas. This enables the redeployment of the trucks to collect the excess recycling produced over that period. Few residents need to use the garden waste service over Christmas.
- 5.17 The fee for 2019 has already been set with no increase and this minor adjustment to service will be made clear as part of the service renewal process.

Clinical and bulky waste

- 5.18 The Council has to make provision for the collection of clinical waste and bulky household items. There are no proposals to change these arrangements relative to the needs of the customer.
- 5.19 However, over recent years we have seen the impact of the NHS decision to stop patients taking back sharps at GP surgeries. With demographic changes we have also seen an increased service demand for clinical waste collections. These changes drive a need to review of the way the service is delivered if costs are to be minimised. The arrangements for clinical waste will (subject to SUEZ being able to terminate a sub contract) result in SUEZ pricing to provide an 'in-house' service as part of this extension. This allows greater flexibility in being able to respond to changing demands due to demographic change.

Contract variations

- 5.20 Against such uncertainties, careful consideration has been given to the robustness of the existing Contract Variation Clause. Both parties have to be able to have open and fair negotiations in the event of an agreed demand led variation demand. The Clause has been used to good effect during the current term. It has been reviewed again and is still considered to be robust and able to meet the future adjustment needs such as those outlined above.

Customer interface

- 5.21 Central to the overall service offer is the customer/back office/contractor interface. Waste companies are now able to offer customer interface options whereby the need for a council's direct intervention is minimised leaving them with a clearer client monitoring role. SUEZ has a product called CORE that is available and which if acquired could address a number of specific needs in addition to those as indicated above. Our current waste collection service is very paper based, with a large number of manual processes still in place to ensure the service runs smoothly day to day. CORE automates much of this, so hugely improving efficiency and allowing reporting on all aspects of the service, for example recycling contamination and the number of recycling bins not out which will make identification of areas of poor recycling much simpler. The system is already in use elsewhere and has been seen in use in a live situation.
- 5.22 Operationally and from a customer perspective the case for CORE is proven. The Council is committed to the digital age and the development of its self-help offer. The proposal includes for the acquisition of this product as part of the overall capital investment. How soon it can be set up will be dependent upon several factors not least IT support. Whilst there is a need for corporate IT support, the majority of the work will fall to SUEZ, customer services and the waste officers, they will need to agree the design and set up requirements. The plan would be to commence the commissioning work in the current year if possible so that it can be set up, tested and made operational once the new fleet is delivered. There may well need to be some transitional arrangements.

Capital investment option

- 5.23 The cost appraisal has considered the benefits to the Council should it once again fund the capital investment for the fleet. The option of leasing the trucks was considered and rejected on cost grounds. The prices and delivery dates of vehicles will be tested against those that the Council could get through a Framework Agreement prior to confirming any order. But on past performance it is highly likely that the SUEZ offer to buy on our behalf is in the best financial interests of the Council. The Contract provides the means for this to be done and for SUEZ to the fleet for the purposes of our contract whilst protecting the Council's interests. SUEZ recovers the cost of maintenance as part of the overall contract price.
- 5.24 The specification of the trucks will reflect that used nationally by SUEZ as doing so aids maintenance and the ability to 'trade' vehicles in and out of the wider SUEZ fleet should the need arise. The new trucks have to meet current legislative and also the SUEZ standards relating to their operational use. The specification of the truck includes for cameras, tracking and driver management related software as now. As we have found these help support the Council's interests relative to minimising fuel consumption and the customer interface.

Accommodation and recharges

- 5.25 The Council provides the necessary accommodation without charge save for the workshop. There is no proposal to change this although the workshop will become part of the main agreement and the recharge cost managed. The current arrangements allow for the potential redeveloped/refurbishment of the depot and protect both parties' reasonable interests.

Fuel costs/use

- 5.26 Fuel cost is a significant factor. The current arrangements will continue whereby the Council pays for fuel at SUEZ contracted rates but the cap on overall use will continue.

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Under the current arrangement SUEZ have had to make a shortfall in the overall cost. This shortfall has been taken into account in the revised costings. The thresholds will also be adjusted to take account of forecast growth and the legislative requirement to use Euro 6 compliant vehicles. The total fuel use is influenced by the type of trucks needed to deliver the agreed level of service and the proposal reflects all currently known factors of influence.

- 5.27 One major influencer to fuel cost is the design and size of each collection round. Trucks need to operate to their maximum potential and for this to be effected it will require some round changes. This will mean that some residents will see changes in their day of collection. This need will be addressed as and when new trucks are brought into use and will be managed in such a way as to minimise potential confusion. The Contract allows for this but before any such change is made comprehensive delivery plan will be developed and agreed.
- 5.28 The arrangement for the fuel thresholds and cap to be reviewed is to be changed to make it an annual consideration. This enables the council to better adjust to actual change rather than forecasted and thereby better manage cost.

Demographic growth

- 5.29 The Contract provides for an additional payment based on property growth. The rate payment arrangements will continue to be index linked and paid as now. This ensures that the council only pays as the need arises.

Key to successful delivery

- 5.30 Whilst there will be a comprehensive communications plan developed in preparation of the change. It has been assumed that the resources of the Council and SUEZ will be used to best effect to manage any change arising from the contract extension e.g. round changes.

Timeframe for delivery

- 5.31 If agreed the need is to conclude the extension negotiations in October in order to be able to place an order for trucks mindful of a typical lead in time of 6 months from time of placing the order. It is not however, essential that the entire fleet arrive on day one. Indeed it can be an advantage to stagger delivery. Such detail will inform final cost and thereby final budget demand

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 This Contract was advertised and tendered as a 7.8 / 8 and 8 year extension Contract. The Contract was set in that format. The legal requirements for an extension of the second 8 year cycle of the Contract have been complied with and the report deals with why an extension is best value for the Council. Such changes as are required in the new Contract relate to the life cycle of the vehicles and changing demand of the service set by changing demographics and organic changes to the way we live and accumulate and collect waste currently and going forward.

Borough Treasurer

- 6.2 The calculations throughout are based on best estimates, in particular the cost of the vehicles and PWLB rates used may alter up to the point any order for new vehicles is placed.

Leasing by the Contractor was explored, the current contractor was not keen on this option and the current contractor was not keen on this option and the Council's discussions with our Re3 partners have confirmed that this option was not considered favourably by all due to the lower rates at which the Council could borrow rather than the higher rates applicable to the contractor who would then pass on these costs. The Council itself will have the option of changing the funding from borrowing to leasing, depending on what is the most favourable at the time.

The additional vehicles in 2022 are based on demographic projections and would be required regardless with whom the contract was placed, the approach of purchasing the vehicles as required rather than all at the start of the contract is considered the most financially beneficial.

Whilst options 1 and 2 are both above the current contract price and annual budget of £1.9m, consideration should be given to the fact that Suez made an error in the fuel prices in the current contract of £0.050m pa which was beneficial to the Council. Whilst they honoured their current contract price and did not seek to recover the fuel costs the fuel figures in the extension options correct that error

Equalities Impact Assessment

- 6.3 The extension of the Contract builds on the learning gained to date and provides for better quality assurance where required. The CORE system provides for better customer interface and the management of need.

Strategic Risk Management Issues

- 6.4 The Council has no option but to re-let its collection contract at a time of change relative to Government and public attitudes to waste.

The market place for recyclate is very fragile with China, India and the Far East introducing stringent restrictions on what they will allow to be imported and to what quality standard. The markets are likely to continue to change over the coming years. This could result in the need for operational changes over the Term which also include for fleet changes. The Variation Clause in the Contract provide for the flexibility needed to be able to adapt according to changing demands.

Until the Government publish its proposed Waste strategy in the Autumn there is risk and the proposals seek to minimise this by leaving the councils with as many options as possible for future change.

Other Officers

- 6.5 Customer services team have seen a demonstration of the contractor's 'CORE' system. They will need to be more fully involved if the product is to be purchased. The proposal above for a working group to develop a full business case would need to include them and IT.
- 6.5 This report has been produced as a product of a working group that includes the Head of Procurement. All comments have been taken into account.

7 CONSULTATION

Principal Groups Consulted

7.1 None

Method of Consultation

7.2 Not applicable

Representations Received

7.3 Not applicable

Background Papers

Tender submission details – SUEZ

Contacts for further information

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