

# Southend-on-Sea City Council

**Report of Executive Director Neighbourhoods &  
Environment  
To**

**Cabinet**

**On  
14<sup>th</sup> June 2022**

Report prepared by: John Burr – Interim Director of  
Highways, Parks & open spaces

**Agenda  
Item No.**

---

**Title of Report: Recycling, Waste & Cleansing Contract**

**Relevant Scrutiny Committee: Place Scrutiny Committee**

**Cabinet Member: Councillor Paul Collins – Cabinet Member for Asset Management  
and Inward Investment**

---

## **Part 1 (Public Agenda Item)**

---

### **1.0 Purpose of Report**

1.1 To update Cabinet on the outcome of the early market engagement exercise in accordance with the Council decision of 24<sup>th</sup> March 2022. The report highlights the key points of feedback and where the market was consistent in its approach. The report also recommends the approach that should be set so that the formal procurement exercise can commence.

1.2 This report therefore seeks to achieve the following objectives:

- To explain in clear terms what the market suggested with regards to the following specific topics:-
  - Collection Methodology – Options for collection frequency, vessels and waste separation
  - Sustainability and the Environment – Carbon reduction and environmental
  - Customer experience and Education – Use of technology and winning ‘hearts and minds’
  - Financial sustainability/Value for Money – attractiveness of opportunity to market, risk allocation, cost control
- To highlight the Officer's recommendations for the procurement parameters
- To gain formal approvals for the necessary actions to be undertaken to secure the future service delivery

## **2.0 Recommendations**

**That Cabinet;**

**2.1 Note the views of the market and to consider this when reviewing the subsequent recommendations;**

**2.2 Approve that the competitive dialogue process be used for instructing bidders to submit two priced (outline) proposals at the end of stage 1 of the process. One option being a mandated full weekly collection service, the second being an option proposed by the bidder that they might feel better achieves the Council's stated aims and objectives, specifically;**

- Recognise the declaration by the Council of a Climate Emergency in 2019 and the need to significantly reduce residual waste.**
- Comply with the Environment Act 2021 and its promulgated requirements for recycling (likely to be 65% by 2035) and other environmental matters and adaptability to further changes in legislation.**
- Satisfy the financial imperatives for the Council to ensure value for money principles are adhered to.**
- Follow the principles of the Waste Hierarchy.**
- Maximise the use of zero or low emission plant and fleet in the operation of the services.**
- Provide the best customer and digital experience for residents.**
- Consider the inclusion of a Commercial waste offering.**

**2.3 Approve that a further Cabinet report will come forward at the appropriate time to select the service parameters (based on the results of the stage 1 submissions) for the second and final stage of the procurement process, resulting in each bidder being required to submit only one detailed, priced bid for final evaluation/award.**

## **3.0 Background**

**3.1 The market engagement sessions were held over three days (31<sup>st</sup> March, 1<sup>st</sup> April and 5<sup>th</sup> April 2022) with six potential major suppliers participating (following responses to an open early market engagement via Contracts Finder). Each company was invited in for an individual face to face meeting with the Council's team lead team, including senior representatives from Waste, procurement and finance.**

Each session lasted between 1.5 and 2.5 hours with each following the same format of questioning and topics for discussion. In advance of the sessions each company was sent a document specifying the details of the Southend opportunity as well as a brief summary on what topics the Council officers wished to discuss (**Appendix A**). Each session was recorded to ensure that an accurate summary could be written post meeting, and sessions could be revisited if there was any disagreement as to what had been said or meant.

Each attendee agreed to this on the basis that the recordings be treated as commercially sensitive and confidential.

### **Collection methodology**

- 3.2 It was clear from very early on in the sessions that the market's approach to local authority waste opportunities, such as Southend's has significantly changed in recent years, and is certainly very different to when the Council last tendered its waste contract. The main drivers for this change in approach appeared to be:-
- Volatility of the recycles market
  - Rapidly increasing inflation and employment costs (minimum wage/living wage)
  - Costs of bidding these types of opportunities
  - Lead in times and availability for major plant/fleet
  - The low carbon/environmental agenda
  - Losses made from other contracts where 'risks' were taken/accepted
  - A reasonable number of opportunities currently available in the market
- 3.3 All potential bidders were clear that they could provide any service model that the council wished to specify, including full weekly.
- 3.4 All potential bidders were also clear that they would not be prepared to be held accountable (contractually or financially) for the levels of recycling achieved and the amount of residual waste if SCC was to specify a full weekly service. This was due to the key change driver (see 3.6 - collection frequency) being discounted. All six companies stated they would not bid the Southend opportunity if SCC mandated full weekly collections whilst requiring them to increase recycling significantly above its current level.
- 3.5 All potential bidders stated that the hierarchy of price for the various collection models was as follows:-
- 1) Alternate (weekly with a bi-weekly element) weekly collection service – cheapest with medium levels of recycling
  - 2) Full weekly collection service – middle price with low levels of recycling
  - 3) Kerbside sort service – most expensive but with high levels of recycling
- Each of the 3 operating models could subsequently be split into 2 separate lines each depending if the quantity of waste allowed to be presented by the customer was restricted (i.e. wheelie bin or restricted number of sacks). Restricting levels of waste to be presented is the cheaper of the 2 sub options.
- 3.6 All bidders were asked 'what were the key drivers in their experience/existing contracts to reduce residual waste (cost and environmental savings) and maximise recycling'. There was consensus in their views, and these are listed below in priority order: -

- 1) Reducing the frequency of collections for recyclates and residual waste - makes the customer think more about their waste generation and separating out the element capable of being recycled.
- 2) Restricting the amount of waste that can be presented for collection - drives behaviour change as 1).
- 3) Education and engagement – helps the customer to understand the service and its environmental and cost benefits. It also gains buy in to facilitate behavioural change.
- 4) Enforcement – not everyone will choose to follow the rules, and action (as a last resort) needs to be taken to resolve this and to be fair to those who do comply. Enforcement action should always be taken where fly tipping has occurred and the offender can be identified.

- 3.7 Each company said that their ‘view’ as to what model/solution would best meet the stated objectives of the Council would be a weekly service with alternate weekly collection of recyclates and residual waste (utilising mainly wheelie bins). They believed this would help drive a reduction in residual waste (cost and environmental benefit), an increase in recycling (a revenue and environmental benefit) and be the most cost-effective solution (value for money) for the Council.

It was mentioned however that the use of wheelie bins did not solve all issues and does have some downsides, most notably;

- The ability of space constrained residents to store them
- The appearance of the street scene on collection day (multiple bins for each property)
- The collection takes significantly longer, due to the bin needing to be returned after it has been emptied, and the effects this can have on traffic delays on narrow roads.
- The bins cause obstructions to narrow footpaths
- The initial capital cost to purchase them.

The final solution therefore will need to be tailored to suit the conditions of the individual areas, with some being unable to accept any form of wheeled bin. The dialogue process will explore the use of a selection/combination of vessels with the bidders (wheelie bins, plastic sacks, material sacks, plastic crates, etc.)

- 3.8 Each company stated that they were currently interested in the Southend opportunity and were currently expecting to bid for it, as long as :-
- they are not held accountable for the levels of recycling/residual waste achieved if the solution was specified in detail by SCC.
  - they are not responsible for the value of the recyclates income.
  - sufficient time was given for the contract and new model mobilisation
  - the Inflation clauses allowed for full recovery of increasing costs of delivery
  - the procurement process is not overly protracted.

It was clear however that as other opportunities will exist in the market at the same time as Southend’s, there is a real risk that several potential bidders could withdraw if they feel other authority opportunities become more attractive to them.

- 3.9 The potential bidders all stated how expensive tendering for these types of opportunities was, and that the approach/requirements that the council stipulated would have a direct impact in their interest or otherwise on the Southend opportunity. Each company said that it would prefer to be given reasonably clear parameters around the collection methodology (i.e. frequency of collections) as this would reduce the amount of work they were required to put into the bid, but all stated they would be prepared to put in two bids at the end of the first stage of the process, and for that then to be narrowed down to one methodology by the council for the second and final stage of bidding. Most said they would not be prepared to have to submit two bids all the way through the process.
- 3.10 Five of the six companies stated that they would wish to provide the same service delivery model (full weekly) for the first 6-12 months of the new contract before then implementing the new operating model (assuming it is different from existing). The timing of the implementation of any new model would be driven by the lead time and delivery of new vehicles required for the service. This would be discussed as part of the dialogue process and then detailed in the final contract.

### **Sustainability and the environment**

- 3.11 There were some detailed discussions around a variety of ideas and options in this vitally important area. The majority of the discussions were understandably around the biggest carbon generating part of the service which is the operational vehicle fleet. The general consensus was:-
- it is currently not economically viable or realistic to utilise a fully electric fleet on this contract.
  - Electric vehicles were appropriate for the smaller vehicle fleet (i.e. cars and vans) and possibly some of the special medium sized fleet (street sweeper, gully emptier)
  - Hybrid vehicles could be used on the medium sized fleet
  - The fleet of refuse collection vehicles could be run on bio-fuel, achieving a circa 90% reduction in carbon emissions
  - By the time of the contract extension (8 years) the market will have developed and matured and full electric or even hydrogen would be a realistic option.
- 3.12 Other environmental ideas include carbon off setting, tree planting, solar panels on depots, travel to work schemes and waste 'reuse' shops

### **Customer experience and education**

- 3.13 This area was something that all attendees felt was extremely important, as if they get it right it's a better service for the customer and actually means they can operate more efficiently and effectively. All attendees promoted the use of

some form of self-service app for online queries and bookings, but all also said maintaining public contact via more traditional means was equally important.

- 3.14 The use of 'in cab' technology was discussed including GPS and video feedback from the collection vehicles. These types of technologies help with better route planning as well as dealing with queries and complaints from the customer. This will be an area for greater discussion as part of the dialogue process.

### **Financial sustainability/Value for Money**

- 3.15 The issue of contract duration received consistent advice from all who attended. To achieve the best Value for money for the Council the duration should be linked to the capital depreciation lifecycle of the most high-cost assets (i.e. the refuse collection vehicles). This meant that a contract duration of 8 years plus an additional 8 years' extension was a sensible benchmark, but that this should be finalised as part of the competitive dialogue process as this could be 'fine-tuned' dependent on the specification of the plant involved and also the way the vehicles had been financed.
- 3.16 One of the biggest costs of the service (after labour) is the provision of the vehicle fleet. There was general consensus that the Council could obtain finance more cheaply than the private sector and therefore it would be more cost effective for the Council to finance the purchase/lease of the vehicles, with the operator then being responsible for running and maintaining them. This will be explored further during dialogue and with SCC's finance team.
- 3.17 There was limited interest in the idea of including a commercial waste offering in the contract. Some felt it would be hard to compete with those who are already established in the area, and those who were interested said they believed it would be for the Council to sell this offering and gain the clients and they would act simply as the contractor.
- 3.18 It was clear that the market is now extremely risk averse, and whilst in the past they would take most risks (and often price for them) many have now become 'showstoppers' meaning that they simply would not entertain bidding. The key points were:-
- Inflation/Indexation risk – inflation clauses must accurately reflect the uncontrollable cost rises during the life of the contract. This is especially relevant to employment and fuel costs.
  - Value and volume of recyclates – the revenue from the sales of recyclates should go to SCC and not be 'underwritten' by the service provider.
  - Any form of significant penalty for not increasing recycling levels/reducing residual waste. This is due to their limited ability to affect it. (SCC would however wish to have some form of incentive/penalty to drive performance in this important area)
  - Payment mechanism – would need to incentivise performance and allow flexibility as the contract and legislation evolve over time.

The risk they are prepared to take on would be their own performance risk against the final agreed contract.

- 3.19 The diverse scope of the current contract was discussed to see if it was felt that this would deliver best value to the Council. Most liked the diverse nature, but several companies accepted that certain elements would be fully subcontracted by them, and the council might therefore wish to further consider certain elements (most notably; weed spraying, gully emptying, winter maintenance and textile collection) of the scope during the dialogue phase of the procurement.

#### **4.0 The Current Position**

- 4.1 The existing contract with Veolia expires on the 4<sup>th</sup> October 2023. Due to the significant lead in time for major plant and procurement timelines the new contract is most likely to commence in early/spring 2024. Informal discussions have been held with Veolia who have indicated that they would be prepared to extend the existing contract for a short period until the new contract is ready to commence. This short extension would need to be on a revised financial basis.
- 4.2 The market all said that it would be extremely challenging to hit a go live date 5<sup>th</sup> October 2023 and as such the best course of action would be to start it at the end of the winter maintenance season. The table below (table 1) shows the proposed timeline for the procurement and the three key stages of member involvement/decision making.

Table 1

<b>Timetable for recycling, Waste Collection and Street Cleansing tender</b>	
<b>Stage/Action</b>	<b>Timescale</b>
Procure Advisor Team	May - June 22
<b>Member Decision point</b> – Agreement to request 2 bids at stage 1 (full weekly + an alternative)	June – July 22
Issue Tender	August 22
Supplier Questionnaire stage	August-October 22
Initial Solutions (stage 1) - includes one dialogue session to consider weekly solution and an alternative	October-December 22
Outline proposal submitted and evaluated (stage 1)	Late December 22
<b>Member decision point</b> – preferred model (full weekly or alternative)	January- February 23
Final Submissions stage (stage 2) - includes dialogue sessions	March – July 23
Final tender evaluation	August 23
<b>Member decision point</b> – contract award <ul style="list-style-type: none"> <li>Standstill period</li> </ul>	September – October 23
Contract Finalisation & Signing	November 23
Mobilisation (based upon market engagement)	December 23 – May 24
New Contract commences	6 <sup>th</sup> May 24

## 5.0 Reasons for Recommendations

5.1 As the market has stated it would be prepared to submit two priced outline proposals at the end of stage 1, it is felt that this should be the recommendation to members, rather than trying to agree the final model now without the associated costings. This is because:-

- There is little doubt that a full weekly service will cost more than a weekly collection with an alternate weekly element (recycling/residual).



- This cost difference is not currently known
- A full weekly service will not achieve the same levels of residual waste reduction and recycling compared to other solutions.
- A full weekly service (as is) is likely to be most popular with a reasonable proportion of residents as it imposes no restrictions or changes (hence why performance levels are likely to remain largely static), whereas the other options do
- By proceeding with requesting two priced options at the end of stage 1 additional factual information will be available to enable the decision making process to narrow the parameters down for the final option (stage 2 of the procurement).

## **6.0 Corporate Implications and Contribution to the Southend 2050 Ambition and Road Map**

- 6.1 **Pride and Joy:** With an ambition to become England's leading coastal tourist destination, we need to continue to invest in our services. People value our street-scene and we know the overall cleanliness is a good indicator of our City's state of health. Providing services which support residents in managing their waste effectively contribute towards this.
- 6.2 **Safe and Well:** The Council wants to act as a Green City, delivering efficient waste collection services and higher recycling will contribute to lower carbon growth, providing a more sustainable future for residents and businesses. This is in line with the Council's declared Climate Change Emergency motion of 2019
- 6.3 **Active and Involved:** We will use our commissioning and procurement power to ensure we secure the best possible outcomes whilst delivering wider social, economic and environmental benefits to the community and ensuring value for money.
- 6.4 **Opportunity and Prosperity:** Recycling waste and street cleansing services will be flexible to support building stronger communities in areas targeted for ambitious transformation
- 6.5 **Connected and Smart:** All opportunities to explore use of electric and ultra-low emission vehicles will be explored to contribute to sustainable transport

## **7.0 Financial Implications**

- 7.1 The decision to commence a formal market procurement exercise for this major contract has already been made. This paper recommends the approach that will enable indicative costings to be obtained for the authority's preferred option (full weekly service) as well as alternative options. This will enable a value for money comparison to be undertaken before committing to the final collection model.

- 7.2 The Council has recognised that whatever solution is ultimately selected its cost will be substantially higher than the cost of the existing service provision. Previous Cabinet papers have detailed this and the funding approach to cover it as well as the additional costs of extending the existing contract with Veolia beyond the current expiry date.
- 7.3 Further financial information and its potential funding will become clearer as part of the next stage of the process and its impact on the Council's Medium Term Financial Plan and this will be reported as part of future Cabinet reports
- 7.4 The costs associated with the procurement process have been previously highlighted and approved by Council but it is worth reminding Members that any costs incurred are one off costs and are to be funded by the Council's Waste Management Reserve

## **8.0 Legal Implications**

- 8.1 The procurement process will be via a competitive dialogue process and will follow SCC's procurement processes. SCC's Legal team and specialist external legal support will be utilised throughout the process.
- 8.2 The existing contract will require alterations so that agreement (between SCC and Veolia) can be reached to extend it to the commencement date of the replacement contract. These amendments will be to cover certain elements of risk transfer and revised payment terms.

## **9.0 People Implications**

- 9.1 This paper's recommended approach has no specific people implications.

## **10.0 Property Implications**

- 10.1 This paper's recommendation has no requirement for any additional property but does require the retention of the waste Depot (Eastern Avenue) and the two household waste sites.

## **11.0 Consultation**

- 11.1 External legal advisors (Sharpe Pritchard) have confirmed that there is no statutory or other duty to consult, as a result of the proposed service changes. They do however strongly advise that the public are kept informed of the agreed changes and the planned roll out, as well as where they can gain additional help/information from.
- 11.2 The use of an external engagement team has already been approved. Once appointed, they will develop an engagement programme for all stakeholders.

## **12.0 Equalities and Diversity Implications**

- 12.1 This paper's recommendation has no specific impact. An equalities and diversity impact assessment has been undertaken for the procurement project.

## **13.0 Risk Assessment**

- 13.1 As the recommendation is to seek 2 indicative costed bids (at stage 1) from each tenderer there are no specific risks of this proposed approach.

## **14.0 Value for Money**

- 14.1 The paper's recommended approach will allow an informed decision to be made at the end of stage 1 on the value for money offered by the range of possible solutions.

## **15.0 Community Safety Implications**

- 15.1 There are no Community Safety Implications.

## **16.0 Environmental Impact**

- 16.1 The paper's recommended approach will allow the environmental impact of each possible solution to be directly compared and acted on accordingly.

## **17.0 Appendices**

Appendix A. Brief issued to market engagement attendees

## **Appendix A**

### **Agenda – Market engagement**

Southend City Council attendees

- John Burr - Interim Director of Highways & parks
- Jo Gay - Interim Head of Waste and Climate change
- Lee White - Head of procurement
- Anton Bull – Waste procurement advisor
- Imran Kazalbash - Head of waste
- Paul Terry - Waste management & contracts officer
- Miranda Valenzuela – Waste management & contracts officer
- Gary Perry Ambrose - Senior finance business partner

#### **1. Introductions**

#### **2. Southend's existing service and future objectives**

#### **3. Collection Methodology: Discussion time: 45mins**

The Council has a preference for a weekly collection of all waste streams from Households. With this in mind we wish to explore the opportunities and risks to enable the Council to:

- Significantly reduce residual waste
- Meet a recycling rate of 65% by 2035 (currently c 45% across Southend)
- Comply with the Environment Act 2021 (EA Act 21)
- Follow the Principles of the Waste Hierarchy
- Deliver value for money for its residents

If attendees feel a weekly service will not contribute to achieving the above outcomes, then the council would wish to understand this. The council would be interested in hearing about potential alternative collection methodologies based on your experience, and the current models of service delivery you operate and their performance against the headings above.

We would like suppliers to provide a view on the EA Act 21 requirements for consistency of collections, particularly around comingled and separate collection of materials.

#### **4. Sustainability: Discussion time: 15 mins**

The Council signed a Climate Change Emergency in 2019 and has a target of being Net Zero by 2030.

With this in mind we wish to discuss the opportunities and risks to enable the Council to

- Utilise a zero or low carbon emission fleet in the operations of its services
- Reduce the carbon impact of its services year on year

## **5. Customer Experience and Education: Discussion time: 15 mins**

The Council recognises the need to maximise ICT, Communication and Education to provide the best experience for its customers and reduce unnecessary avoidable contact, with this in mind we would like to explore:

- Opportunities for innovation
- Opportunities for reducing avoidable contact
- Opportunities for enhancing service levels and performance on services, including service resolution
- Opportunities to successfully embed change

## **6. Financial Sustainability: Discussion time 30mins**

The Council must satisfy its value for money principles and contribute to reducing the financial impact across the Council as a whole.

We would like to discuss the opportunities and risks to enable the Council to:

- Mitigate financial pressure on a contract of this nature
- Assess any income opportunities e.g., commercial waste and successes you've had elsewhere
- Package the contract in a way that ensures it is attractive to the market and to a range of suppliers – Specification, reimbursement method, risk allocation, scope/range of services, materials income
- Assess the impact of any supply chain issues and timeline of procurement (including an ideal mobilisation period)

NB. Each session will be treated as commercially confidential and will be recorded to enable summary notes to be compiled later. If you would prefer not to be recorded, then please inform the session chairperson on the day.