

TELFORD & WREKIN COUNCIL

CABINET – 31 MAY 2012

WASTE MANAGEMENT SERVICES PROCUREMENT

REPORT OF THE ASSISTANT DIRECTOR FOR ENVIRONMENT AND LEISURE SERVICES

LEAD CABINET MEMBER – CLLR S DAVIES

1. SUMMARY OF MAIN PROPOSAL

- 1.1 Waste management contracts begin to expire from April 2014 up until 2019 (**Appendix 1**). In order to commence formal procurement to replace these contracts the Council is required to issue an OJEU Contract Notice. Following this, the Council will then evaluate qualifying bidders prior to entering into a streamlined competitive dialogue process.
- 1.2 The Contract Notice will commit the Council to the scope of the service to be procured, including the length and maximum value of the contract. The Council has completed work in conjunction with the waste industry to assess the best procurement approach to provide a future waste management service which is focussed on minimising costs and flexible.
- 1.3 The scope of the contract is set out in the Services Framework (**Appendix 2**).
- 1.4 Contracts to be procured through a single process (i.e. all contracts that expire between 2014 and 2019 are procured together now) to maximise synergies and minimise procurement costs. An overview of the procurement process is attached as (**Appendix 3**). An Evaluation Stakeholder Panel will be established as part of the procurement process.
- 1.5 The current residual/municipal waste disposal to landfill contract should be extended by 1 year, under the terms of the contract. This contract will then expire in April 2014 to allow the single procurement of all existing contracts and for new arrangements to be in place to enable more flexible treatment and disposal solutions.
- 1.6 Bids for services are to be evaluated in 3 lots to attract market interest and maximise competition. This will involve the contract being awarded as either:
 - 1 lot to deliver all services
 - 2 lots; 1 lot to deliver treatment/disposal of residual and organic waste and 1 lot to manage collection, plus all other services
- 1.7 A 20 year contract is recommended (commencing 2014) to realise best value from investment into a waste transfer station and a suitable vehicle replacement programme. Services will be phased in as current contracts end

so this will mean a 15 year period (commencing 2019) for the collection of residual and green waste and management of CRCs.

- 1.8 To ensure the contract remains flexible and efficient, a benchmarking review will be undertaken up to every five years.
- 1.9 A recommended option for the Council to extend the contract by up to 5 years will be stated within the Contract Notice. This is to provide additional flexibility and will not commit the Council to offer an extension to the appointed contractor.
- 1.10 The provision of a waste transfer station is likely to be the most effective method to give flexibility, affordability and opportunities to manage the onward transport to treatment and disposal of residual waste and recyclable materials.
- 1.11 The Council should during the procurement process assess the options for a waste transfer station site and monitor the proposals put forward by the bidders. The intention is for the contractor to make their own arrangements for a transfer station site. However, the Council should continue to assess its own land options as a 'back up' provision to ensure best value.

2. Recommendations

That Cabinet:

- 2.1. Agree to the commencement of the formal procurement process as detailed in this report and outlined in Appendix 2 and Appendix 3.**
- 2.2. Delegate authority to the Assistant Director: Environment & Leisure to progress the procurement process, in consultation with the Cabinet Member for Neighbourhood Services & Co-operative Council, and the Cabinet Member for Resources & Service Delivery, until the Council is in a position to award the contract.**
- 2.3. Note that a further report will be brought back detailing the outcome of the procurement process and to seek approval to award the contract at the appropriate time.**
- 2.4. For the reasons detailed in 1.5 and 4.4.2 of this report, agree the Council extends the current residual/municipal waste disposal to landfill contract to expire April 2014 (1 year extension).**
- 2.5. Delegate authority to the Assistant Director; Law, Democracy and Public Protection to execute any documents necessary to give effect to the above recommendations.**
- 2.6. To allocate £0.27m available from Environment Services underspends in 2011/12 to fund project costs.**

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to Council priorities?	
	Yes	<p>Delivery of “Clean and Well Maintained Neighbourhood and Streets through a Co-operative Council”, working in partnership with local business and the community and targeted recruitment and training for the supplier and associated supply chain.</p> <p>The key themes of the Council’s Municipal Waste Management Strategy are to deliver a value for money waste management solution that gives priority to increasing performance to reduce, re-use, and recycle. This in line with the Government’s waste management hierarchy.</p>
	Will the proposals impact on specific groups of people?	
	Yes	<p>The delivery of the waste management service will have a borough wide impact. As the detail of the future service begins to emerge an appropriate equality impact assessment will be undertaken to assess the impact proposals will have on specific groups with regard to the delivery of waste management services. Impact assessments in relation to the operation of a transfer station will be undertaken as referred to in 5.1 and 5.2.</p>
TARGET COMPLETION/DELIVERY DATE	<p>Indicative 2012 dates are: Contract Notice published June, pre-qualification questionnaire returned from bidders July, Council evaluation of pre-qualification questionnaire August, and invitation to selected bidders to participate in competitive dialogue October.</p> <p>Contract award approval September 2013.</p>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	<p>The Council’s aim will be to maximise best value through the procurement of new contracts listed in Appendix 1. As part of the procurement process a contract notice has to be published with an indication of the contract value. It is important that the notice shows a maximum potential contract value well in excess of the actual anticipated value because should the tenders that are received have a total cost in excess of that published we would potentially have to restart the tender process with consequent delays and additional costs. Using a 2014/15 price base, the proposed contract value is between £60m and £300m excluding VAT, over the contract life.</p> <p>The project is clearly a significant piece of work</p>

		and needs to be adequately resourced. Total estimated project costs are estimated at £0.47m which can be funded from £0.2m already built in to the Council's budget and £0.27m estimated to be available from underspends against 2011/12 environmental services budgets.
LEGAL ISSUES	Yes	The Council must comply with the Public Procurement Regulations 2006 (as amended), together with the Council's own Constitution. Full and detailed legal advice is being provided throughout this process as there are complex legal issues involved.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	A risk analysis of procurement options has been undertaken by the Council which has been tested with the market (refer to Section 4). Procurement processes can bring a risk of challenge from bidders and the Council and its legal advisers will need to ensure the procurement is carried out in accordance with the legal requirements. There is also a risk of challenge if the procurement process is abandoned partway through or if the Council decides to vary its requirements (which is likely to lead to having to re-start the procurement process).
IMPACT ON SPECIFIC WARDS	Yes	The future waste management service will have a borough wide impact. There will be further impact if the future transfer station is located within the borough. However to obtain planning permission and an environment permit, impact assessments will have to be undertaken and mitigating controls designed and implemented.

4. INFORMATION

4.1 Market Testing

4.1.1 A Prior Information Notice (PIN) in the Official Journal of the European Union to trigger interest and a better understanding of the market from potential bidders was issued in February 2012.

4.1.2 The purpose of the PIN was to set out the Council's purchasing intentions and to invite industry to participate in a market sounding event prior to beginning a formal procurement process.

4.1.3 A Market Sounding Event was held on 22 and 23 March 2012 and 15 companies engaged with the Council. Each company completed a questionnaire to provide views on the future waste management service and forthcoming procurement process to deliver best value.

4.1.4 The questions asked of industry were based upon the considerations and future Outline Service Framework agreed by Cabinet on 23 February 2012.

4.2 Waste Transfer Station

4.2.1 80% of companies engaged in the Market Sounding Event agreed that the future costs of the Council's ongoing waste management services can only be minimised by the provision of a waste transfer station.

4.2.2 Therefore, the intention is for the contractor to make their own arrangements for a waste transfer station site. However, the Council should continue to assess its own land options as a 'back up' provision to ensure best value.

4.2.3 The minimum requirements for a waste transfer station are:

- The need for the land to be 2.5 hectares/5.5 acres in size which,
 - accommodates a structure of 3115 square metres/33,529 square feet (a minimum of 8 metres and maximum of 15 metres in height to the eaves).
 - has suitable highway access to manage vehicle movements.
 - has the potential to co-locate a possible future vehicle storage depot.

4.2.4 In addition to engaging with industry, two Council assessments have been undertaken on the options and risks associated with;

- the need for a waste transfer station within the borough to effectively access treatment and disposal facilities and,
- the best approach for bringing a facility into operation.

4.2.5 The first assessment demonstrated the need for a waste transfer station as the landfill tax cost pressures associated with continuing to send waste to landfill continue to rise. Costs will have increased from £48 per tonne in 2010/11 to £80 per tonne in 2014/15. Therefore, an alternative and flexible method of managing treatment and disposal to minimise costs is essential.

4.2.6 The second assessment highlighted that to have an operational facility to deliver the service during the early stages of the contract, the only feasible options for bringing a facility into operation are:

- The appointed contractor already has an available facility or can secure access to one.
- The Council makes a site available and the appointed contractor builds the facility.

4.2.7 If the appointed contractor decides to use this land they will be responsible for the design, build and operation of the future facility.

4.3 Service Framework

- 4.3.1 The scope of services to be procured are summarised in the attached Services Framework (**Appendix 2**). This sets out the Council's minimum service procurement requirements and the combination of lots as described in section 1.5. The combination of lots have been packaged to ensure the contract offer is attractive to the market and bids will be evaluated to ensure the most economically advantageous offer is secured.
- 4.3.2 The first contract to end is the residual/municipal waste disposal to landfill contract which expires in April 2013. However, the Council has absolute discretion to extend this of up to two years (1 year, plus 1 year). To bring all contracts together into one procurement exercise, and to enable the waste transfer station to facilitate more cost effective and flexible waste treatment and disposal solutions, the Council will require a one year extension. This contract would then expire in April 2014.
- 4.3.3 This procurement does not include the operation of the CRC at Granville as this is not a Council owned site and is operated under a separate contract.

4.4 Procurement Process

- 4.4.1 The majority of companies engaged in the market sounding event said that the principle of bringing the replacement of all current contracts into one procurement process is sensible as it will considerably reduce procurement costs and create service delivery and contract management synergies. Current contracts are detailed in **Appendix 1**.
- 4.4.2 There were different industry views on how the procurement should be packaged into lots which were largely relevant to the company's areas of expertise and access to existing resources. The Council's aim is to maximise market interest and competition therefore bids for services will be evaluated in 3 lots.
- 4.4.3 In summary, 1 lot will include all services which will be assessed against a combination of 2 lots; 1 for the treatment/disposal of residual and organic waste and 1 for collection, plus all other services. Lots have been packaged in this way to consider the effective delivery of future services and to drive out best value from bids and future service efficiencies.
- 4.4.4 The attached Services Framework (**Appendix 2**) details the grouping of lots and services to be procured. Effectively, companies can bid for lot 1 or 2 lot and/or lot 3 (all services combined).
- 4.4.5 The Council has been advised that procuring the future service through using a streamlined competitive dialogue process is the most appropriate way to secure the most effective and affordable service solution. 93 % of companies

engaged in the Market Sounding Event either 'strongly agreed' or 'agreed' with this approach.

(Competitive Dialogue is an EU process introduced in 2006, which permits discussion of different options before choosing a particular solution. It can be used in complex contracts where technical solutions are difficult to define or where development of the best solution is wanted)

- 4.4.6 The Council will need to confirm in advance which topics it intends to dialogue on. These topics will therefore need to be established by September 2012. For example, a potential area for dialogue is how the Council can maximise benefit from the value of recyclables.
- 4.4.7 Following analysis, a 20 year contract to maximise financial benefit will provide best value for the Council. This will allow for the investment into the waste transfer station to be realised and also fits with a vehicle replacement programme every 7/8 years. Residual, green and CRC waste management services do not expire until 2019. Therefore, these services will only be managed for a period of 15 years with the dry recyclable services being delivered for 20 years, commencing 2014.
- 4.4.8 To ensure the contract remains relevant and cost effective, appropriate review mechanisms will be built into the contract. This will be by a focussed benchmarking review every five years.
- 4.4.9 At contract notice stage the Council must state whether there will be an option for an extension to the contract. This option will not commit the Council to an extension after the 20 year period. However, it will allow for additional flexibility, at no risk to the Council, towards the end of the contract period. Up to a 5 year extension period is advised which is supported by industry.

4.5 Project Management

- 4.5.1 The Assistant Director for Environment & Leisure Services, as Project Sponsor, has lead responsibility for the Waste Management Service Procurement Project. The procurement process is resource intensive and to minimise the cost of external advisors a core team of Council officers will be required full-time to manage the procurement process and oversee the implementation of the new contract.
- 4.5.2 There will be stakeholder engagement at appropriate times throughout the procurement process.

5. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

- 5.1 To legally operate a waste transfer station an environment permit will need to be obtained from the Environment Agency and be maintained by the operator. However, the application process and the impact assessments that will be required can be undertaken in parallel with the planning process. Where necessary, mitigating controls must be designed and implemented. If controls

can not be designed to adequately mitigate any of the impacts then a permit will not be issued.

- 5.2 If issued, an environment permit will have conditions relating to emissions and management standards. Meeting these will involve regular monitoring and auditing by the Environment Agency.

6. **FINANCE COMMENT**

- 6.1 The waste management project is a major long-term contract with very significant financial implications. As part of the procurement process a contract notice has to be published with an indication of the contract value. It is important that the notice shows a maximum potential contract value well in excess of the actual anticipated value because, should the tenders that are received have a total cost in excess of that published, we would potentially have to restart the tender process with consequent delays and additional costs.
- 6.2 Given the long term nature of the contract, and uncertainties over future rates of inflation over such a long period, it is also important that we are clear what price base has been used in order to set the potential contract value and as the contract will commence in 2014, a 2014/15 price base is used to give a maximum projected contact value of up to £300m, excluding VAT, over the contract life excluding impacts arising from demographic growth.
- 6.3 However, the Council is seeking to gain the most cost effective solution to its future waste collection and disposal requirements to maximise value for money for local taxpayers. A minimum contract value of £60m at a 2014/15 price base is therefore being set.
- 6.4 The waste project is a major piece of work which will culminate in letting a very large, long-term contract affecting services provided to every household in the borough. It is therefore essential that the project is properly resourced. Project management and support costs, including essential and limited external specialist support, have been estimated at £470,000 over the next two years. Project costs will be strictly controlled and kept under regular review. Additional funding totalling £0.2m was built in to the service and financial planning strategy and it is anticipated that underspends against 2011/12 Environmental Services budgets of £0.27m will be available to fund the remainder of the project costs.

7. **PREVIOUS MINUTES**

- 7.1 December 2008.
- 7.2 22 June, 2010 Cabinet.
- 7.3 21 June 2011 Cabinet and 23 June 2011 Council.
- 7.4 10 November 2011 Cabinet and 24 November 2011 Council.

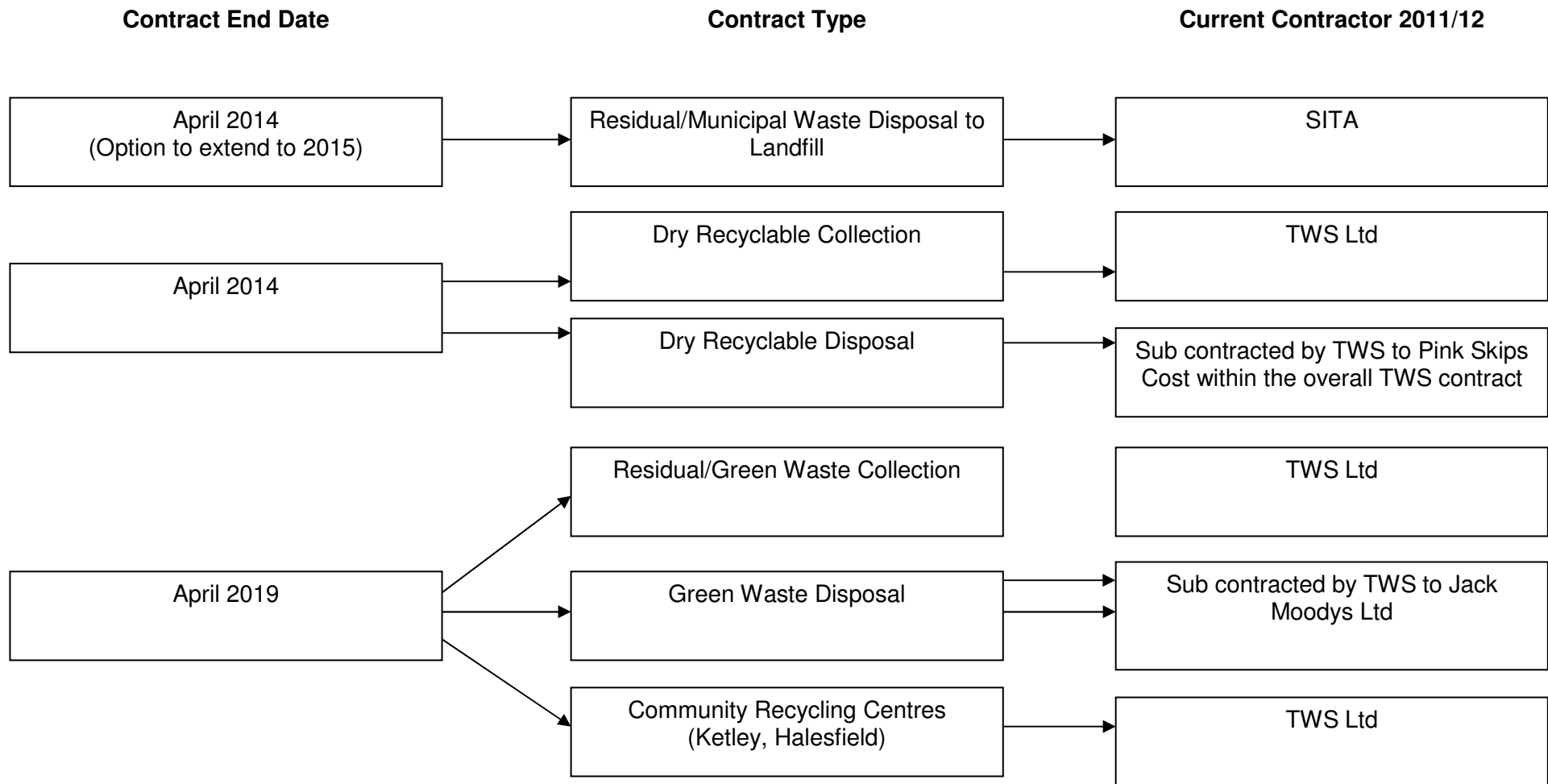
7.5 23 February 2012 Cabinet.

8. BACKGROUND PAPERS

8.1 Government Review of Waste Policy in England 2011.

**Report prepared by Debbie Germany, Project Manager. Telephone: 01952
384065**

Appendix 1 – Waste Management/Treatment Contract End Dates and Arrangements

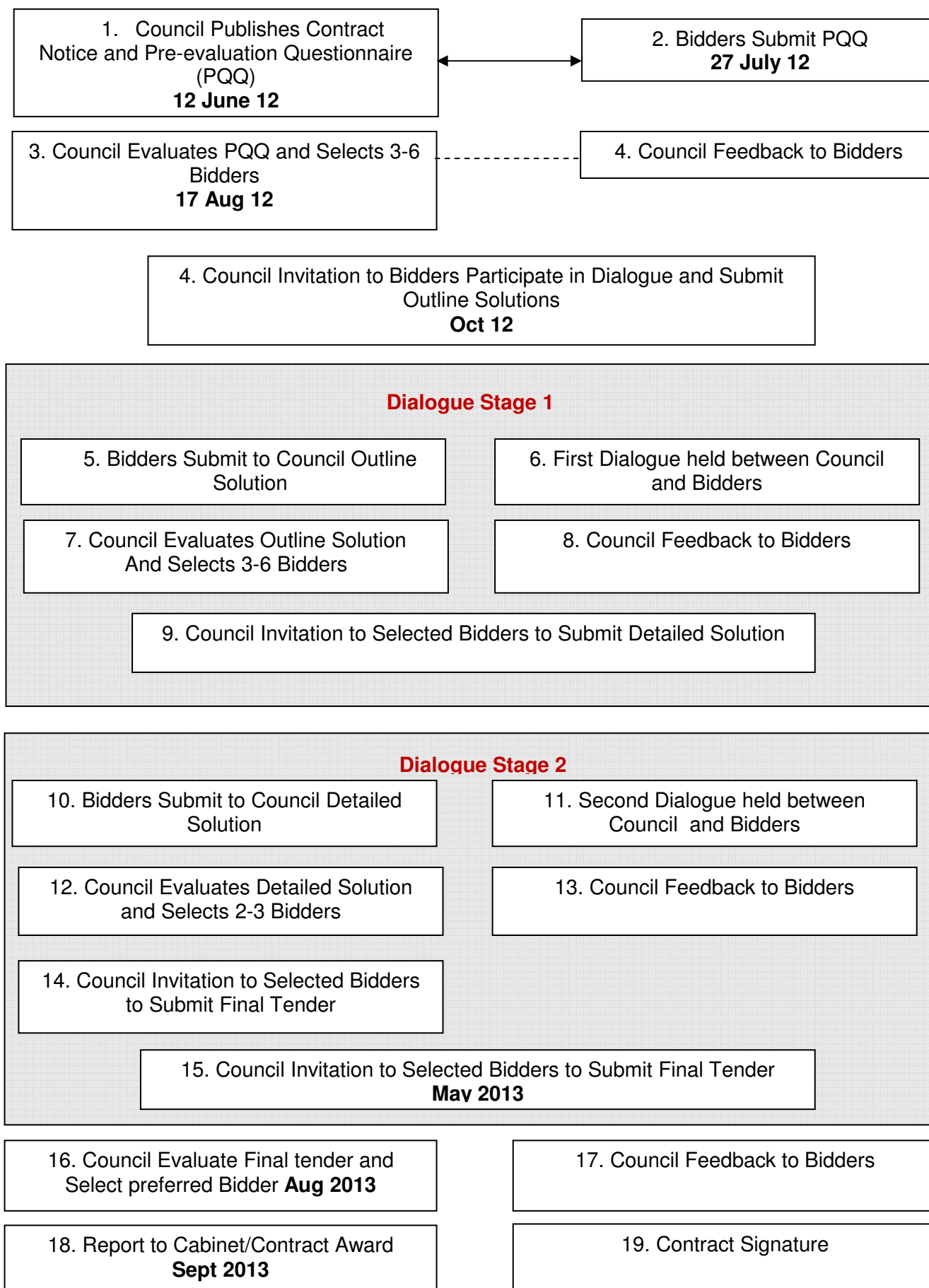


Appendix 2 - Service Framework

Lot	Service	Single Procurement 2014 – 2034 (20 years with an option of up to a 5 year extension)			
		New Contract From	Existing Contract Expires	Minimum Service Requirement	Options to be Explored
1.	Collection and Treatment/Disposal of Dry Recyclables	2014	2014	<ul style="list-style-type: none"> Maintain materials collected (paper, glass, cardboard, cans, plastics, plus batteries, light bulbs and textiles) Maintain alternate weekly collection. Provision and distribution of replacement containers. Provide service to households within the borough. Respond to legislative changes. 	<ul style="list-style-type: none"> Other collection options, including a more frequent collection. Provision of new containers if required by service change. Income share from recyclables. Collection of additional materials. Education, promotion and publicity. Flexibility to respond to technological advances. Collection from schools and council buildings.
	Collection of Residual Waste	2019	2019	<ul style="list-style-type: none"> Maintain alternate residual weekly collection. Provision and distribution of replacement containers. Provide service to households within the borough. Respond to legislative changes. 	<ul style="list-style-type: none"> Other collection options. Provision of new containers if required by service change. Collection and recycling of existing containers. Collection from schools and council buildings.
	Collection of Organic Waste	2019	2019	<ul style="list-style-type: none"> Maintain alternate weekly collection of green waste. Provision and distribution of replacement containers. Provide service to households within the borough as required. 	<ul style="list-style-type: none"> Other collection options which may be brought into the service sooner than 2019. Weekly collection of food and appropriate container provision. Collection from schools and council buildings.
	Collection of Commercial Waste	2019	2019	<ul style="list-style-type: none"> Meet statutory requirements – duty to arrange collection when requested. 	<ul style="list-style-type: none"> Provision of recycling of the wastes collected.
	Design, Build, Operation of a Transfer Station	2014	n/a	<ul style="list-style-type: none"> Contractor provides land, designs and builds or; Contractor has access to a facility. 	<ul style="list-style-type: none"> Council assesses land options for the future contractor to design and

Lot	Service	Single Procurement 2014 – 2034 (20 years with an option of up to a 5 year extension)			
		New Contract From	Existing Contract Expires	Minimum Service Requirement	Options to be Explored
				<ul style="list-style-type: none"> • Use of facility by contractor for commercial activity. • Provision of depot within or adjacent to the borough. • Acceptance of municipal waste. 	<ul style="list-style-type: none"> • build a facility. • Co-location of depot.
	CRC Management and Onward Transport to Transfer Station or Treatment/Disposal Facility.	2019	2019	<ul style="list-style-type: none"> • Management of 2 CRCs. • CRC review within first contract year. • Seek ways to encourage/support 3rd sector. • Acceptance of the current range of waste and recyclables, including hazardous. • Maintained as a Dedicated Collection Facility. • Transport to transfer station of residual waste, bulky items, green and recyclable materials collected at the kerbside. • Transport and treatment/disposal arrangements for all other waste and recyclables. 	<ul style="list-style-type: none"> • Solutions to improve the service. • Re-use Scheme. • Commercial waste CRC. • Education, publicity and promotion.
	Bulk Collections	2019	2019	<ul style="list-style-type: none"> • Offer a charged service to 100% of households on request. • Seek ways to encourage/support 3rd sector. 	<ul style="list-style-type: none"> • Call centre provision. • Diversion of materials.
	Transport from transfer Station to all Treatment/Disposal Facilities	2014	2014	<ul style="list-style-type: none"> • Meet the Council's statutory responsibilities. • Options to minimise cost, including carbon emissions. 	<ul style="list-style-type: none"> • Use of railfreight. • Vehicle efficiencies.
2.	Treatment/Disposal of Residual Waste	2014	2013/15 (landfill)	<ul style="list-style-type: none"> • Meet the Council's statutory responsibilities. • Options to minimise cost. • Facilities to dispose/treat full range of municipal waste. 	<ul style="list-style-type: none"> • Generation of renewable energy. • Recycling of municipal waste.
	Treatment/Disposal of Organic Waste	2019	2019	<ul style="list-style-type: none"> • Maintain a disposal outlet for separately collected green waste. 	<ul style="list-style-type: none"> • Opportunities to use local facilities. • Treatment facility for separately collected food if required. • Recycling of wood
3.	All Services in Lot 1 and 2	As detailed in Lot 1 and 2 above			

Appendix 3 - Overview of the Procurement Process



Note: The Council reserves the right to amend the timescales and stages of dialogue