

Somerset Waste Board meeting
2 November 2018
Report for decision

Recycle More & Collection Contract Procurement: Update

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<p>Forward Plan Reference:</p>	
<p>Summary:</p>	<p>This report summarises progress in procuring a new collection contractor (and hence delivery of Recycle More).</p>
<p>Recommendations:</p>	<p>It is recommended that the Board:-</p> <ol style="list-style-type: none"> 1. Notes the progress made in procuring a new collection contract. 2. Agrees the case for applying the exempt information provision as set out in the Local Government Act 1972, Schedule 12A and therefore to treat the attached confidential report and its appendices in confidence, as they contain commercially sensitive information, and as the case for the public interest in maintaining the exemption outweighs the public interest in disclosing that information. 3. Subject to the approval of recommendation (2) above, agrees to exclude the press and public from the meeting for the consideration of the attached confidential report and its appendices where there is any discussion at the meeting regarding exempt or confidential information. 4. Considers the recommendations contained within the confidential report. 5. Subject to approval of the recommendations above, authorise the Managing Director to undertake any appropriate consultation with partner authorities and progress the procurement of a new Collection Contractor.
<p>Reasons for recommendations:</p>	<p>To ensure that the Somerset Waste Board is kept up to date with this major procurement exercise and has the opportunity to shape the approach taken.</p> <p>The accompanying confidential report contains commercially sensitive information relating to the contract and the Council's financial and business affairs. Officers recommend that this is treated as exempt information. "Exempt information" is defined by</p>

	Section 100 of the Local Government Act 1972, by Schedule 12A to that Act. Much of this information will be provided to the Board by way of a verbal update (as moderation of ISDS submissions will have been undertaken in week commencing 29 October).
Links to Priorities and Impact on Annual Business Plan:	The procurement delivers Task 5.2 within the SWB Approved Business Plan 2018-23 concerning the implementation of future collection arrangements.
Financial, Legal and HR Implications:	In addition to delivering the environmental benefits of Recycle More a new collection contract aims to deliver significant savings to all partners, through reduced contract costs, lower disposal costs and additional recycling credits for district partners – estimated in total at up to £1.7m. It has been evident from soft market testing and dialogue that all potential suppliers are becoming more risk averse, and that there is considerable uncertainty in the markets for recycled materials. A robust procurement process has been developed to realise these benefits, enable potential suppliers to propose innovative solutions to meet our environmental and financial objectives, and ensure that risks are shared appropriately. Getting risk share arrangements right will be crucial to securing best value. Staff will TUPE transfer to the new contractor, and SWP aims to proactively engage with staff throughout the procurement process.
Equalities Implications:	None.
Risk Assessment:	The risks related to the procurement of a new collection contractor and Recycle More have been reviewed and are set out in the updated risk register.

1. Background

- 1.1. A progress report on the procurement of a new waste and recycling collection contractor was presented to the Board in September 2018. This report provides a summary of progress since then.

At the request of three of the potential suppliers we agreed to a two-week extension to the deadline for the submission of detailed solutions (in the form of method statements) and prices. This reflects the importance to bidders of this phase of the dialogue process to develop and enhance their detailed solutions

The timing of the writing and publication of this report means that a verbal update will be provided to the board on 2 November to update the board on progress (in public session), and seek decisions in confidential session on the approach to the final tender stage of the procurement process, ahead of partner consultation.

2. Progress to date

2.1. The 'Detailed Solutions' response documents were returned on 8 October. Bidders were required to submit a compliant Recycle More bid, in a way which enabled SWP to understand the necessity and value of securing such an additional 3 acre depot site in the west of the County depot. Additionally, each bidder had the option of submitting two variant bids:

- 1) Service methodology: Varying the containment, frequency and mixing of materials (i.e. not the Recycle More kerbside sort specification which the Board and partners have previously approved)
- 2) Recyclate risk share: Varying the proposed payment mechanism in relation to how the income (price and volume) of recyclate was shared, given the

A team of SWP officers, finance, representatives from partners (e.g. ICT and customer service) and our commercial and technical advisers have been evaluating the bids during October, with scores moderated in week commencing 29 October. Bids will be evaluated on the 'most economically advantageous tender' (MEAT) basis with 60% of the score on the price and financial evaluation and 40% on quality (with a total word limit on each bidders' two compliant bids of 100,000 words), covering the following areas:

Tier 1 Criteria	Method Statement
Mobilisation & Efficiencies	Service Mobilisation Plan
	Transition to Recycle More (Roll Out)
Customers & community	Social Value
	Monitoring
	Customer Services
Resources, assets and facilities	Management & Organisational Structure
	Waste Flows
	Resources - Labour
	Assets
	Depots and Facilities
	Robustness of Financial Model
Collection Approach	Scheduling & Route Planning
	Collection Methodology - kerbside services
	Collection Methodology - communal bin collections and Schedule 1 Collections (schools & certain businesses)
	Bulky Waste Collections
	Clinical Waste Collections
	Collection Container Management
	Processing & Marketing of Dry Recycling
ICT	Information, Communications Technology
Health & Safety	H&S Policies & procedures
	H&S Assessed Solution (operation of assets)
	H&S Assessed Solution (other)

3. Issues to be addressed in confidential discussion

3.1. Service Methodology

Recycle More was approved by the Somerset Waste Board on 16 December 2016

following consultation with all partner authorities. Recycle More retains the kerbside sort service which has been so successful in Somerset (financially and environmentally), adding in additional recyclable items (plastic pots, tubs and trays, food and beverage cartons, small electrical items and batteries). With so much recycling being collected each week, refuse collections will reduce to once every three weeks. In addition to delivering environmental benefits, Recycle More aims to deliver significant savings to all partners – estimated in total at up to £1.7m.

To be compliant, all bidders have to submit a bid which delivers Recycle More as specified by SWP and approved by the Board and partners. Whilst SWP believe that Recycle More offers the most financially and environmentally beneficial outcome, affordability is a key issue in this procurement. SWP recognised that suppliers may be able to offer solutions to the dry recycling service that may deliver additional financial improvements. The procurement process therefore allows (but does not require) bidders to submit a variant bid which varies the frequency, containment and mixing of dry materials (though does not allow a fully co-mingled solution which mixes glass with fibres). It requires them to set out the full cost of changing service model and requires a high standard of evidence that proposals will not adversely affect environmental outcomes – these being at the heart of what SWP does.

The Board are not bound to accept a variant bid approach, and will be mindful of the financial and environmental factors and risks in deciding whether to allow any variant bid to progress to the next and final stage of the procurement. Should the Board decide to do so, then this would result in SWP opening up the specification for final tenders to allow for such solutions alongside compliant Recycle More bids. Political approval from all partner authorities would be required, and this has been made clear to bidders throughout.

3.2. Risk Share Mechanism

Our current collection contract was let in 2007, with the winning supplier taking 100% risk on quantity and unit prices for dry recycling. Dry recyclate is currently worth approximately £3m each year. Partner authorities have not historically experienced budgetary change in relation to the overall value of dry recycling. Throughout the existing Contract the marketing of materials has worked well for the partnership.

Ahead of commencing this procurement SWP and the Board were clear that we would need to move to a risk sharing mechanism in the new collection contract – the market has changed substantially since 2007 and it would simply not be possible to secure a new contractor who took on all dry recycling risk. SWP tested out their ideas through Soft Market Engagement, and this contributed to establishing the fundamental principles we have used in designing the procurement process and a risk sharing mechanism.

SWP recognise that the value of dry recycling fluctuates over time and that this comprises mostly of unit value changes (commodity markets) but also due to changes in quantities. We want to have a fair apportionment of this risk and, as a general principle, would allocate risk proportionately to whoever can best control it. However, on dry recycling incomes we recognise that neither SWP or the partners or suppliers are able to completely control the risk. However, we do believe that suppliers can mitigate risk to a degree through utilising a well thought out marketing strategy and ensuring the effective delivery of collections to ensure satisfaction and participation in recycling services. We therefore believe suppliers have an important

role in this matter to deliver an excellent service and utilise their professional resources to prepare materials for market and to sell those materials. Through Soft Market Engagement we determined that a proportionate risk sharing mechanism would be volume and unit price shared on a 50/50 basis, based on published index prices for materials.

SWP believe this to be a fair, proportionate and reasonable approach, and the Board have endorsed the principles of this mechanism. We have required that all bidders have to submit a bid on this basis. However, we also recognised that it is possible that bidders may be able to deliver better value to SWP through changes to this mechanism. For that reason we have discussed this area intensively during dialogue, and the process allowed (but did not require) bidders to submit a variant bid, explaining very clearly how it would work through the contract and how payments would be altered.

SWP have been clear to all bidders throughout that we wanted to listen to their ideas and to see the detail of these in their bids. In confidential session the Board will then consider if SWP's objectives are better met by making changes to the risk share mechanism as currently set out. SWP have made clear to bidders that if we are to do this we will then discuss this in post-submission dialogue with them, and will develop a consensus mechanism, so that all bidders at the final stage are bidding on a level playing field. S151 officers from all partners will be closely involved in these considerations, as clearly it is vital that all partners fully understand the implications of the final risk share mechanism.

3.3. New authority depot

SWP currently operate its collection services from five depots across the County. As with any collection contract, effective use of operational depots will be crucial to delivering affordability. The procurement process is designed to ensure that SWP see evidence that suppliers have selected the optimum number and location of depots to deliver value to the partnership. SWP had initially expected to have secured a new larger depot (serving the west of the County) by this stage of the process, however it has not been possible to make progress at the pace we originally hoped.

Bidders are required to base their methods of service delivery (for compliant and variant bids) and prices on the five existing authority depots and/or their own (contractor) depots. However, in addition to this, in order to understand the impact a new authority depot will have on the overall service costs we have also required bidders to submit additional prices and relevant method statements based on a new depot "scenario" as a mandatory variant proposal. This will enable SWP to better understand both the potential need and the potential value in securing a new depot.

SWP are continuing to explore potential site options and remain hopeful that a new authority depot site will be developed. A key area that the Board will be considering in confidential session is the extent to which a new authority depot is essential and whether it offers value for money.

4. Next steps

- 4.1. The flowchart below shows the whole procurement process. We are currently at the point in the process after the 'submission of detailed solutions', but prior to 'further detailed dialogue'.



An outline of the remaining stages of the procurement process following the board meeting on 2 November is provided in the table below:

Phase	Time	Comments
Consultation with partners	2 Nov – 14 Dec	Having brought forward the SWP Business Plan consultation timetable, this period will include an update to partners on the procurement and/or potential consultation with partners on any changes to the approach agreed by the Board in confidential session on 2 Nov
Dialogue with bidders on final tenders	12 Nov – 17 Dec 2018	It is at this stage that we will be able to negotiate on commercial, legal and waste technical matters identified at ISDS to improve outcomes. This will include feeding back on ISDS submissions and any changes to the final specification that resulted from the variant bids.
Review revised risk share approach		Meetings with Task and Finish group & s151 officers to ensure that the Board and finance officers from partner authorities are closely involved in the process.
Somerset Waste Board Meeting	14 Dec 2018	Review of procurement process ahead of final tender
Invitation to submit final tenders (ISFT)	4 Jan 2019	Publication of final specification reflecting the previous stages of the process
Submission, evaluation & moderation of final tenders	4 Feb – 29 Feb	This includes all activity necessary to identify the most economically advantageous tender, including meeting with SMG (project board)
SWB decision to award contract	14 Mar 2019	A decision by SWB to award is followed by a statutory alcatel (standstill) period before it is made public.
Mobilisation	May 2019 – end March 2020	This is the period in which the new provider gears up to provide the services including procurement of vehicles, plant and equipment, and close engagement with staff.
Service Commencement	28 March 2020	The first collections by the new provider will be on Monday 30 March 2020.
Complete roll out of Recycle More	End of March 2022	The specification requires that Recycle More must be rolled out in 5 phases within 2 years of commencement, including a bedding in period of 3 months and allowing for a period of learning and reflection in March and April 2021.

5. Contingency plan: Local Authority Company (LAC)

- 5.1. As previously reported SWP have commenced work to explore this option as a contingency. However, with strong bidders competing to win the SWP contract it is not currently considered necessary to escalate the contingency plan beyond the research phase.

6. Background papers

- 6.1. Report to SWB “Recycle More” 16th December 2016.

- 6.2. Report to SWB “Contractual Negotiations for Recycle More” 30 June 2017.

Confidential Report to SWB “Contractual Negotiations and Procurement Strategy for Recycle More” 3 November 2017.

- 6.3. SWP Business Plan 2018-23 Approved by SWP on 15th December 2018.

- 6.4. Report to SWB “Recycle More & Collection Contract Procurement: Update” 23 February 2018

- 6.5.** Report to SWB “Recycle More & Collection Contract Procurement: Update” 29 June 2018
- 6.6.** Report to SWB “Recycle More & Collection Contract Procurement: Update” 28 September 2018