

Somerset Waste Board meeting
28 September 2018
Report for decision



Recycle More & Collection Contract Procurement: Update

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Forward Plan Reference:	
Summary:	This report summarises progress in procuring a new collection contractor (and hence delivery of Recycle More).
Recommendations:	It is recommended that the Board notes the progress made in procuring a new collection contract.
Reasons for recommendations:	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.
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. 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. The key risk to the project remains acquiring a new authority depot site.
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1. Background

- 1.1. A progress report on the procurement of a new waste and recycling collection contractor was presented to the Board on 29 June 2018 (Agenda Item 10). This report provides a summary of progress since then.

2. Progress to date

- 2.1. The following Key Project Milestones have been achieved since the last report to the Board on 29 June:

Selection of potential suppliers (11 June)

Four potential suppliers were selected from five expressions of interest following evaluation and moderation of the pre-qualification questionnaires (PQQ).

Pre Invitation to submit detailed solutions (ISDS) Dialogue (2 July – 7 September)

Three periods of dialogue have been held with the selected companies. The topics covered in these dialogue sessions included:

The first six hour dialogue session enabled SWP to set out its approach and objectives for the procurement focussing on procurement, depots, Recycle More and variants, service transition, payment mechanism and materials value risk share, and performance management.

The second period of dialogue (also six hours with each bidder) enabled the bidders to outline their emerging proposals for pricing and delivering the services and particularly their approach to service variants, alternatives to the specified materials value risk share and approach to depots.

The third (3 hour) pre-ISDS dialogue sessions was held during week commencing 3 September. These sessions were led by the bidders and provided an opportunity for them to present more details of their proposals on risk share, service methodology, performance management and affordability. It also enabled SWP to explain a changed approach to the way bidders need to submit ISDS bids, reflecting increased uncertainty about the additional depot (as set out in paragraph 3.2).

The dialogue period included a tour of the operational depots that the collection service is currently run from to provide bidders with an introduction to the facilities that would be provided as part of the contract.

At this stage in the procurement process a number of common themes have emerged from the bidders. These include:

- All bidders are generally supportive of the draft contract and specification.
- All were absolutely confident of their operational capability and delivering service quality.

- A number of alternatives to our proposed risk share mechanism were proposed and in general, bidders demonstrated a very constructive approach
- All bidders have concerns about having to take risk on volume of materials collected through Recycle More and during the transition period. The main issues being the difficulty of predicting material volumes and the very high potential for legislative changes over the contract period.
- All were keen for SWP (partners) to fund capital.
- Bidders have suggested introducing pro rata charges for garden waste collections for new subscribers.

Issue of ISDS (28 August)

As planned, the ISDS pack was re-issued reflecting the outcome of the dialogue sessions. A few minor changes were included but some changes of approach were necessary. Details of these are provided in paragraph 3 below.

3. Emerging issues

3.1. Changes in law

A new approach to the contract provisions relating to changes in law has been introduced. This was necessary to reflect uncertainty about the form and impact of new legislation relating to extended producer responsibility, deposit return schemes, and national waste strategy. The definition of qualifying changes in law has been relaxed to accommodate these “known unknowns” but with greater control of the impact of legislative changes on the contract price.

3.2. New authority depot

During the latter stages of the dialogue phase the project team were made aware that the site identified for a new depot to serve the west of the county may no longer be available. Acquiring a new authority depot site remains work in progress but it has not been possible to make progress at the pace we originally hoped. We are continuing to explore potential site options and remain hopeful that a new authority depot site will be developed. However, in these circumstances, we have not been able to provide bidders with details of a site and the impact on costs for ISDS. It is also unlikely that the site could be developed in time for the commencement of the waste and recycling collection contract at the end of March 2020.

Therefore, in the light of these changed circumstances, it has been necessary to amend our approach for ISDS. Bidders are now 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. A verbal up-date on the search for a new depot site will be provided to members at the confidential briefing immediately following the board meeting.

3.3. Capital assets

It has become clear through the dialogue sessions that it is most likely to be advantageous for SWP to fund capital assets by borrowing through the Public Works Loans Board (PWLB) in exchange for contract discounts. The contract has therefore been amended to extend the range of assets that can be funded through PWLB to include plant and machinery (including vehicles).

Partners have previously approved requests for borrowing to support the implementation of Recycle More and these approvals are in the process of being refreshed in consultation with the s151's officer group.

4. Next steps

- 4.1.** At the request of three of the potential suppliers we have agreed to a 2 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 response documents ISDS must now be returned by 8 October. We have accommodated the additional time for ISDS by reducing the period for post submission dialogue and negotiation and so that overall project plan and the SWB decision to award a contract to a new supplier on 14 March 2019 is unaffected. However, the overall timetable remains incredibly tight as has been previously highlighted to the board.

Evaluation and moderation of bids will take place over four weeks commencing on 8 October. Evaluation teams have been established using appropriate expertise from the project team but also including specialists from partner authorities and from the strategic management group (SMG).

Members will receive a confidential report on the outcome of the ISDS stage at the additional meeting of the Board on 2 November (note date change). This will include discussing variant proposals on materials value risk share, service methodologies and depots, and hence any potential changes to the delivery of Recycle More as previously approved by the board. Were this to be the case, it may also be necessary to obtain partner approval for the changes and with this possibility in mind the SWP business plan consultation process has been brought forward.

An outline of the remaining stages of the procurement project following moderation of the detailed solutions is provided in the table below:

Phase	Time	Comments
Dialogue 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.
Submission of final tenders (ISFT)	4 Feb 2019	This includes, evaluation, governance (ahead of pre-election period for DC elections in 2019) and standstill period. Contract award at February 2019 SWB meeting.
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.
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 2020.

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 four strong bidders competing to win the SWP contract it has not been necessary to escalate the contingency plan from the research phase to implementation.

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