

WAVERLEY BOROUGH COUNCIL

EXECUTIVE- 29 MARCH 2011

Title:

**WASTE MANAGEMENT CONTRACT- PROGRESS UPDATE AND
REQUEST FOR CONTINUED CONSULTANCY SUPPORT**

**[Portfolio Holder: Cllr Bryn Morgan]
[Wards Affected: All]**

Summary and purpose:

To provide a progress update on the re-specification and procurement of waste, recycling and street cleaning services beyond 2012, and to seek approval of the appointment of WYG Environment to provide specialist consultancy and Project Management support for this project, to be funded from the provisional sum of £60,000, which is included in the 2011/12 General Fund Revenue budget to cover the costs of retendering the council's major contracts.

How this report relates to the Council's Corporate Priorities:

The report addresses the Council's 'Environment' priority, specifically, the plan to contribute to tackling climate change by "working with partners to increase the recycling rate to 55% by 2015".

It also contributes to the Council's 'Value for Money' priority by proposing the appointment of consultancy support to identify measures to ensure the Council achieves its key delivery targets, performs well against the relevant National Indicators, and achieves value for money in the services it procures.

Equality and Diversity Implications:

There are no equality and diversity implications arising from this report

Climate Change Implications:

There are none arising directly from this report, except that any new contract(s) for these services would be expected to improve carbon performance, e.g. improved emissions and fuel consumption of vehicles and plant.

Resource/Value for Money Implications:

Included in the 2011/12 General Fund Revenue budget is a provisional sum of £60,000, which is intended to cover the costs of retendering the council's major contracts this year.

The Waste Management Contract is one of the Council's single largest items of expenditure, with an aggregate value over its first seven years of approximately £21m. It is felt that external advice is therefore vitally important if we are to ensure we secure the best value service going forward.

Legal Implications:

The procurement process for contracts of this nature and size is tightly regulated by European and national legislation. In addition it is important to ensure that any contractual relationship between the Council and the contractor(s) delivers what was intended – from the outset and throughout the life of the contract.

Background

1. At its meeting of 7 September 2010, the Executive considered a report seeking approval of the appointment of WYG Environment to provide specialist consultancy support with the re-specification and procurement of the waste, recycling and street cleaning services beyond 2012, and to seek approval of the use of £20,000 LPSA Performance Rewards Grant to finance this work. At that meeting the Executive resolved to: -
 - a. agree a waiver under Contract Procedural Rule 3.1 and to appoint WYG Environment to provide specialist advice on the Environmental Services contract[s] procurement process; and
 - b. agree that the capital costs be met from the unallocated LPSA revenue reward allocation.
2. Following their appointment, WYG have worked with officers on delivering against a detailed project brief encompassing:
 - a. Detailed cost modelling of different waste/ recycling collection approaches.
 - b. Investigating logistics, particularly options for delivery points for recyclables – which would impact on (a) above.
 - c. Attending a meeting between IESE and Waverley BC to discuss procurement options, including the possibility of the framework option, plus any contributions towards efficiency e.g. in relation to logistics (impacting on (b) above).
 - d. Assisting Officers in attending meetings between Waverley BC and Surrey CC to discuss financial contributions, gate fees for recyclables and infrastructure, including delivery points for recyclables – which would all impact on (a) and (b) above.
 - e. Producing a report in February 2011 summarising the results of 1 to 4 above.
3. WYG have now completed this work. Their headline findings and recommendations are set out below, and a report analysing these proposals in further detail and putting forward firm recommendations, will be presented to the next meeting of the Executive:
 - a. The WYG modelling exercise shows that the collection scheme likely to produce the highest recycling rates (of between 57-66%) involves the

fortnightly collection of refuse and comingled recycling in separate wheeled bins, a weekly borough-wide food waste collection service and a chargeable garden waste service.

- b. The modelling also suggests that this option is likely to be the cheapest approach in terms of annual revenue costs based on current market rates and the current value of recyclables.
 - c. The report concludes that there is little value in the Council collecting paper separately, due to the lower capture rates of a 'dual-stream' system, the additional resources required, and the higher gate fees likely to be associated with the remaining comingled materials.
 - d. WYG calculate that such a service would potentially divert an additional 9,250 tonnes of waste from landfill, leading to a saving to Surrey County Council of up to £896k in 2012/13, and up to £943k in 2013/14.
 - e. The report recommends that WBC continues discussions with Surrey County Council regarding the future of the local transfer stations at Slyfield and Ash Vale with a view to ensuring any improved facilities will be available before the commencement of the new service (likely to be on or before March 2013), but continues to look at alternative options such as the Surrey Heath facility at Camberley, and the Grundons MRF at Leatherhead.
 - f. It also recommends that WBC should continue to work with Surrey County Council to negotiate a formula for performance-based financial contributions towards the costs of developing an improved service.
 - g. Finally, it recommends that the Council should use the 'window of opportunity' between now and the issuing of the OJEU notice to hold negotiations with Veolia regarding the possibility of a contract extension on the basis set out above, and that if negotiations with Veolia are not successful, the most appropriate procurement procedure would be the Restricted Procedure.
4. Having carried out this exercise and identified preferred options, it will be necessary to start work on developing a detailed specification and working to a tight procurement timetable, with the aim of having a new, improved service in place at the end of 2012.
 5. This is a significant piece of work, culminating in the appointment of a contractor to deliver services, over the next seven years, with an approximate value of at least £21 million. It is therefore important that we get it right.
 6. Whilst there is significant in-house expertise in the field of waste and recycling within Waverley BC, there is simply not the capacity to deliver such a large and high-profile project within existing resources. For this reason, Officers have been exploring alternative options for delivering this work- looking first at the possibility of appointing a fixed-term Project Manager to deliver the project, and then at the option of buying-in consultancy support.
 7. At the request of Officers, WYG have now put forward a proposal where they provide a project management resource to support officers through the process, from the development of new contract documents, through the tendering process to award of contract.

8. This is an approach they have previously adopted elsewhere to good effect, basing a project manager in the Council Offices on set days each week – initially for one day per week, increasing to two, and then three or four as the process evolves, before reducing again, but continuing to provide a presence until the contract start date.
9. By way of illustration, the Project Manager would attend some meetings prior to May 2011; and then attend on one day per week from June until September to draft the OJEU notice and place it, to develop and issue a Pre-Qualification Questionnaire, and to start work on developing contract documentation and specification; then two days per week in September to evaluate the returned PQQ's, continue work on the documentation and issue the Invitation to Tender. Their time would then reduce to one day per week in November and December, to deal with queries during the tender period; but increase to three or four days per week in January, February and much of March for tender evaluation. They would then reduce back to one day per week from then until April; and then, one day per fortnight until contract start in November.
10. WYG are proposing to provide this support (equating to approximately 95 days in total) at a total cost of approximately £50,000, including some supervisory work from WYG's Project Director. An approximate breakdown of tasks and anticipated costs is to be found at Annexe 1.
11. The Council's Contract Procedure rules would normally require three competitive quotations to be sought for works of this value. However, approval is sought to waive Contract procedure rules to not go out to competitive tender but to commission this work directly from WYG Environment in recognition of their specific and relevant experience in Waverley and all the Surrey districts who have recently procured new contracts.
12. WYG has unparalleled experience in delivering waste consultancy services across Surrey and the South East and has demonstrated its ability to negotiate substantial cost savings on those services. The consultancy has a 'head-start' with extensive current market knowledge and experience of waste management in Surrey and the relationship between the County and the Districts.
13. Furthermore, it is very familiar with Waverley, and has of course played a key role in developing the cost models, which have informed the Council's proposed direction on waste and recycling beyond 2012. Also, over the past 18 months WYG has, among other projects.
 - a. Assisted with the re-negotiation of the contract extension at Surrey Heath to take account of a variation in service; used benchmarking techniques to ensure value for money; documented the contract changes; and assisted with the mobilisation of the new service (Surrey Heath is now one of the top two recycling/composting performers in England).
 - b. Assisted with the re-negotiation of the contract extension at Elmbridge to take account of a variation in service, using benchmarking techniques to ensure value for money.

- c. Assisted with a tendering exercise for the new waste service at Woking, including drafting of contract documents, modelling of options, and tender evaluation.
14. Included in the 2011/12 General Fund Revenue budget is a provisional sum of £60,000, which is intended to cover the costs of retendering the council's major contracts this year (of which the Environmental Services contract is the largest). It is proposed that £50,000 of this budget be ringfenced to finance the delivery of this project, as set out in Annexe 1.

Recommendation

It is recommended that the Executive:-

1. notes and endorses the headline findings and recommendations emerging from the WYG modeling exercise, as set out in Paragraph 3;
2. agrees a waiver under Contract Procedural Rule 3.1 as set out in paragraph 12 above and to appoint WYG Environment to provide Project Support on the Environmental Services contracts procurement process; and
3. agrees that the costs of this be met from the £60,000 provisionally allowed in the 2011/12 budget to cover major contract retendering costs.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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ANNEXE 1

Procurement Programme & Costs of Project Management Support

Month	Task	Estimated cost of WYG support
January 2011	Preliminary WYG Report- (cost modeling and logistics) submitted Early preparatory work including monthly brainstorm	£515
February 2011	Early preparatory work including monthly brainstorm	£515
March 2011	Early preparatory work including monthly brainstorm Executive 29/3/11- progress update and approval to continue consultancy support to work up a detailed specification for the preferred option	£515
April 2011	Early preparatory work including monthly brainstorm	£515
May 2011	Review old specifications & start producing documents (ITT, Specs, CoC)	£5,150
June 2011	Continue review of old specifications & production of documents (ITT, Specs, CoC)	£5,150
July 2011	Continue with production of documents Executive 5/7/11 & Council 19/07/11- Agree Specification and procurement approach and approve placing of OJEU notice Place OJEU Release PQQ end-month	£4,120
August 2011	Continue with production of documents	£4,120
September 2011	Continue with production of documents PQQ Return mid-month PQQ evaluation	£4,120
October 2011	Continue with production of documents Executive 4/10/11- agree ITT shortlist Issue ITT start-month	£5,150
November 2011		
December 2011		
January 2012	Tender Return mid-month	£4,120
February 2012	Clarification Tender evaluation commences	£6,180
March 2012	Tender Evaluation continues	£6,180
April 2012	Council 17/4/12- agree to appointment of successful tenderer Award process	£515
May 2012	Standstill period	£515
June 2012		
July 2012		
August 2012		
September 2012		
October 2012		
November 2012	New contract commences. Possible start of new Scheme	
Total cost of WYG support		£49,955