

Wiltshire Council

Cabinet

21 November 2013

Subject: High Level Specification and Tender Evaluation criteria for future Waste Management and Collection Services

Cabinet Member: Councillor Toby Sturgis – Strategic Planning, Development Management, Strategic Housing, Property and Waste

Key Decision: Yes

Executive Summary

The report outlines that the specification documents for each of the contract lots will be based upon the current service but highlights some key departures. These reflect the work done by the Waste Management Service and views expressed by the Waste Task Group.

Two options for price/quality ratios are set out in the report, one proposed by the Waste Management Service and the other by the Waste Task Group.

Criteria for the development of the quality element of the tender evaluation models are set out in the report with some examples of more detailed criteria contained in Appendix 1 to the report.

Proposals

That Cabinet resolves to:

- (i) Develop service specifications based upon the key principles set out in this report.**
- (ii) Develop tender evaluation models based upon the price/quality ratios set out in paragraph 13 of this report.**
- (iii) Use the criteria contained in the report to develop the quality element of the tender evaluation models.**

Reason for Proposals

The decisions to be taken in respect of these proposals are key to informing the detailed development of tender documentation and tender evaluation models prior to issuing invitations to tender.

Tracy Carter
Associate Director, Environment and Leisure

Wiltshire Council

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Key Decision: Yes

Purpose of Report

1. To seek approval from Cabinet:
 - (i) To develop service specifications based upon the key principles outlined in this report.
 - (ii) To use the criteria contained in this report to develop the quality element of tender evaluation models.
 - (iii) To use the proposed price/quality ratios to develop the tender evaluation models.

Relevance to the Council's Business Plan

2. Delivery of sustainable waste management services is key to creating stronger, more resilient communities. This makes a significant contribution to ensuring that everyone in Wiltshire lives in a high quality environment. Procurement of these services will enable us to continue to increase recycling and reduce our carbon footprint.

Main Considerations for the Council

Specification

3. The details of the specification documents, one for each contract lot, are still being developed with the aim of issuing with the contract documentation and invitations to tender in January 2014. However, the key points of departure from the current service, and the reasons behind these, are set out in the following paragraphs.
4. A key change to the specification would be the addition of mixed rigid plastics (tubs e.g. margarine, trays e.g. meat, ready meals and bakery goods, and pots e.g. yogurt) to supplement the current kerbside collection of plastic bottles only. The EU revised Waste Framework Directive and The Waste (England and

Wales) (Amendment) Regulations 2012 include a requirement by 2015 to maintain separate collections of at least the following materials from the household waste stream: paper, metal, plastic and glass. At present Wiltshire Council collects plastic bottles only at the kerbside and other rigid plastics at the household recycling centres. The Council would not be able to provide a collection of a wider range of plastics from 1 January 2015. However, this addition to the specification would enable the Council to demonstrate that this service would be provided from 1 August 2016 when it would be possible to do so due to the commencement of new contracts. This should result in a reduction in landfill tax paid by the Council and an increase in recycling. However, there may be some additional processing cost and it is unclear what the net cost implications would be. Proposals would also be invited for the collection of other additional materials from the kerbside. These would be tetra-packs, batteries, and small household electrical items, for which there is currently only provision at the household recycling centres.

5. There should be greater provision for the Council to derive financial benefit from the sale of recyclable materials collected. This should generate an increased annual financial return to the Council providing the market value of a range of recyclable materials remains positive. An income sharing arrangement would allow for the contractor(s) to also derive added financial benefit providing an appropriate incentive to improve the quality and quantity of recyclable materials at each stage in the chain. This approach was also highlighted by the Waste Task Group.
6. Open-book accounting should be adopted as a general principle in each contract lot. This would ensure that additional costs arising from, for example, annual increases in population and households are only passed onto the Council once contractors have been able to demonstrate they have incurred additional expense, for example, the purchase of a new vehicle and hiring of a new crew. This would provide greater transparency and reduce the risk to the Council of making payments when the contractor has not incurred additional costs. It would also enable the Council to benefit from any unforeseen additional revenue when considered with a contractual mechanism for sharing such income which is again supported by the Waste Task Group. This approach is consistent with general practice within the industry.
7. The Waste Task Group believes that the proximity principle should be referred to wherever relevant. This should enhance sustainability by reducing carbon emissions as a result of fewer vehicle miles travelled in moving waste and recyclable materials to a disposal or processing point. The Task Group also believes that the specification should not just focus on existing sites but that additional sites should be sought. There is no requirement for individual authorities to be self sufficient in terms of waste infrastructure and transporting waste to existing infrastructure to deliver the best environmental solution should not be considered a barrier. Any proposals for new sites would be evaluated on their merits, including the cost of their development.
8. Another key specification issue would be the potential change in kerbside collection system. Cabinet in July determined that tenders should be invited from suppliers for both a kerbside sort (black box) model and a co-mingled (wheeled bin) solution. For the co-mingled collection the specification would include a

requirement for the separate collection of glass. It is proposed that the specification documents contain a high-level description of both approaches and invite contractors to submit detailed method statements to accompany tendered prices. Constraints would also be included, such as a preference for the retention of existing bins and boxes. It is unclear what impact use of the different collection systems would have on costs. Cabinet agreed to seek prices for both models as there was insufficient robust evidence to allow a business case to be constructed to demonstrate which approach provides greater value for money. The Council's approach to seeking tenders for both collection methods is designed to help mitigate the risks of failing to ensure adequate quality recyclables for the reprocessing market, leading to legal challenge. This approach was lent further support by recent correspondence from Lord de Mauley referred to in paragraph 23 below.

9. Currently, different performance standards exist for the time taken to deliver new bins depending on geographical area. It is proposed that the standard be harmonised to the higher performing figure of 10 working days and this standard should be specified as the minimum acceptable performance within the new contract from 2016. Proposals for further improvement in delivery time to residents would then be sought during the life of the new contract. This should improve residents' satisfaction with the service. There is unlikely to be a cost implication as the service has demonstrated this enhanced performance is already possible. The Council would seek to harmonise performance before contract commencement in 2016.
10. Responsibility for vehicle and container procurement is split between the Council and its contractors at present. It is proposed that responsibility would rest wholly with the contractors in future. At worst, this change should be cost-neutral. Given the large quantities of vehicles and containers purchased by many of the larger suppliers in the market, it is possible that this change would result in cost reductions as the Council should benefit from tenders priced to reflect contractors' greater buying power.
11. Responsibility would remain with the Council for communications and for working with residents on reducing the amount of waste they generate and to encourage them to re-use and recycle as much as possible. The Council has a good track record on communications. This approach would ensure consistency which would be particularly important in the case of multiple contractors. It would be difficult to foresee the resource requirements for the communications associated with a service change. As such, it would be difficult for contractors to price at the time of tender.
12. The service is currently working with colleagues from ICT to develop a business case for the systems which would be required to support service delivery and improvement. This would include the use of the My Wiltshire application for residents to report issues such as missed bins using their smartphones.

Evaluation Model

13. Cabinet is invited to consider the appropriate price/quality ratio for each of the contract lots. Proposals are contained within the table below:

Contract Lot	Suggested Price/Quality ratio
1 (recycling and transfer facilities)	80/20
2 (management of Council owned HRCs)	70/30
3 (garden waste composting)	80/20
4 (landfill/disposal)	80/20
5 (collection)	70/30

An 80/20 ratio means that 80% of the evaluation would be based on the tendered rates and 20% on the quality of the proposals. A higher weighting of 30% for quality has been proposed for lot 2 and lot 5 because of the increased level of contact with residents compared to the other lots.

14. An alternative proposal from the Waste Task Group is set out below:

Contract Lot	Suggested Price/Quality ratio
1 (recycling and transfer facilities)	40/60
2 (management of Council owned HRCs)	40/60
3 (garden waste composting)	50/50
4 (landfill/disposal)	35/65
5 (collection)	30/70

This proposal places a higher emphasis on the quality evaluation of submitted tenders, which reflects the Council's approach to delivering services. However, this should be balanced against the Council's reduction in funding from central government of £22 million over the next four years and the service pressures and inflation costs of all Council services of around £100 million over the same period. In placing a higher weighting on the price evaluation the Council can ensure a high quality service is retained by specifying its requirements. For example, the evaluation should not score contractors for proposing to provide clean and serviceable vehicles if the specification already requires this.

15. The proposed award sub-criteria against which quality would be evaluated are set out in the table below. Any final decisions regarding the use of qualitative sub-criteria will be determined by the service, prior to issuing the invitations to tender. Examples of the detail which would be considered against each of the proposed sub-criteria headings are contained in **Appendix 1**.

MAIN SECTION	SUB-SECTIONS
Management Arrangements	<ul style="list-style-type: none">• Mobilisation• Partnership Working• Staff and Culture• Asset Proposals

Systems and Processes	<ul style="list-style-type: none"> • ICT systems • System Interfaces • Processes
Operations and Service Delivery Methods	<ul style="list-style-type: none"> • Business Continuity • General Approach • Detailed Method Statements
Customer Focus	<ul style="list-style-type: none"> • Complaints • Local Communities • Customer Care
Performance, Innovation, and Efficiency	<ul style="list-style-type: none"> • Efficiency Savings • Innovation in Service Delivery • Income and Profit Sharing • Performance and Key Performance Indicators

Background

16. On 1 April 2009 Wiltshire Council inherited four different waste collection services from the former district councils. Since 1 April 2012 a harmonised waste collection service has been in operation across the county. This comprises fortnightly collections of:
- (i) Residual waste (in a wheeled bin);
 - (ii) Plastic bottles and cardboard (co-mingled in a wheeled bin);
 - (iii) Paper, glass, cans, foil and textiles (kerbside sort in a black box);
 - (iv) Garden waste (opt-in, non-chargeable service in a wheeled bin).
17. The report to Cabinet on 6 November 2012 on Future Delivery of the Waste Management Service explained that there are no proposals to change the collection service or the materials that residents separate for recycling at present. However, the procurement process provides an opportunity to review these services and the way in which they are delivered. To inform this review the Wiltshire Council Waste Management Strategy 2012 was approved.
18. The Wiltshire Strategy highlights four guiding principles to pursue in order to achieve continuous service improvement. These guiding principles, together with related policies and targets, cover a wide range of sustainable waste management practices with the overall aim of managing more waste towards the top of the waste hierarchy and prioritising waste prevention, re-use, recycling and composting.
19. The key principles identified in the updated strategy are set out below:
- (i) Waste prevention and re-use - To provide advice, education and where possible incentives to encourage waste prevention and re-use by Wiltshire's residents. The Council will pursue a target of reducing waste after recycling and composting from 606 kilograms per household achieved in 2011-12 to 545 kilograms per household by 2015-16.

- (ii) Recycling and composting – To carry out the separate collection of recyclable and compostable waste materials from all accessible households, supported by comprehensive communications campaigns to encourage the use of these services by householders to achieve a recycling rate of 50% of household waste by 2014.
 - (iii) Further diversion from landfill – To recover energy or otherwise divert from landfill sufficient tonnage of Local Authority Collected Municipal Waste in addition to that diverted by recycling and composting to achieve:
 - a landfill rate of 25% or less of total Local Authority Collected Municipal Waste by 2014
 - a landfill rate equivalent to less than 35% of the biodegradable municipal waste tonnage landfilled in 1995 by 2019-20.
 - (iv) Waste Treatment Capacity – To monitor available capacity for diversion of Local Authority Collected Municipal Waste from landfill and, subject to the requirements of planning policies and procedures, to support any additional proposals required to meet targets and policies for landfill reduction.
20. In the longer term, the Council will pursue the goal of zero untreated waste to landfill and reduction of the environmental impact of waste treatment, by continuous improvement to waste collection and treatment services.
21. The EU revised Waste Framework Directive and The Waste (England and Wales) (Amendment) Regulations 2012 include a requirement by 2015 to maintain separate collections of at least the following materials from the household waste stream: paper, metal, plastic and glass. This requirement is reflected in the Wiltshire Council Waste Management Strategy. In respect of plastic, at present Wiltshire Council collects plastic bottles only at the kerbside and other rigid plastics at the household recycling centres. There is a requirement for the Council to provide a collection of a wider range of plastics beyond 2015. In recent years there have been significant developments in the technology available for sorting a wide range of plastics. This procurement process provides Wiltshire Council with the opportunity to extend the range of plastics collected at the kerbside, utilising the blue lidded bins, in order to comply with the requirements of the revised Waste Framework Directive.
22. At the meeting held on 23 July 2013 Cabinet resolved to:
- (i) Invite tenders for the delivery of the waste and recycling collection service (including the chargeable waste collection service) for two options:
 - to include provision of a co-mingled collection of dry recyclable material with separate collection of glass;
 - to include provision of a kerbside sort collection of dry recyclable material.

23. On 9 October 2013 Lord de Mauley, Parliamentary Under Secretary, Department for Environment Food and Rural Affairs, wrote to various organisations asking that they remind local authorities of the effect of The Waste (England and Wales) (Amendment) Regulations 2012 which transposed the requirements of the revised Waste Framework Directive. Extracts from the letter are set out below. From 1 January 2015 an establishment or undertaking which collects waste paper, metal, plastic or glass must do so by way of separate collection. These requirements apply where separate collection:

- (a) is necessary, in effect, to provide high quality recyclates; and
- (b) is technically, environmentally and economically practicable.

Where waste paper, metal, plastic or glass has been collected separately all reasonable steps must be taken to keep that stream separate from other waste streams wherever this is necessary to provide high quality recyclates.

24. Any local authorities considering new collection or disposal plans should take care to ensure that they are placing themselves in a position to fulfil their legal duties from 2015. This is particularly important for local authorities who may be considering moving away from separate collection, or including glass within a co-mingled stream. Local authorities should consult their own lawyers as necessary, and should keep a clear audit trail given the potential for legal challenge.

25. At the meeting held on 24 September 2013, Cabinet resolved to approve the extension of the contract with FCC Environment for waste and recycling collection in west Wiltshire until 31 July 2016.

26. The services to be delivered from 1 August 2016 largely reflect those provided today. However, to encourage competition within a changing market, services are being specified within five separate contract lots. This should generate from one to five principal suppliers (not including sub-contractors) delivering services from August 2016.

27. The services contained within each of the five lots are set out in **Appendix 2**. The lots are listed below.

Lot 1 management of recycling and transfer services

Lot 2 management of Council owned household recycling centres

Lot 3 garden waste composting services

Lot 4 treatment and disposal of residual waste

Lot 5 waste collection services

28. Cabinet has previously approved proceeding on the basis of four contract lots. Subsequent work identified that separating out the management of the nine household recycling centres owned by the Council would enhance the ability of smaller organisations, including those from the voluntary and community sector (VCS), to tender for this work. Increased opportunities for the VCS improve the Council's adherence to the requirements of the Public Services (Social Value) Act 2012. This should enable greater emphasis on re-use of materials at household recycling centres. The management of these wastes would move

further up the hierarchy, which is consistent with the updated Waste Strategy approved by Cabinet in July. Re-use initiatives commonly involve smaller, more local organisations, particularly from the VCS, so this added emphasis should further stimulate this sector. This approach was supported by the Waste Task Group at the meeting held on 18 October 2013.

Safeguarding Implications

29. There are no safeguarding implications arising directly from the proposals set out in this report.

Public Health Implications

30. The Council retaining responsibility for communications and working with residents enables a stronger focus on the public health objectives set out in the Council's Business Plan. One example would be the role of food portion sizes in reducing obesity related health problems and minimising food waste.

Environmental and Climate Change Considerations

31. There are no environmental and climate change considerations arising directly from this report. Such considerations would form part of the quality evaluation of submitted tenders.

Equalities Impact of the Proposal

32. There is no equalities impact arising from the proposal.

Risk Assessment

33. Failure to procure these services would impact on the Council's ability to comply with its statutory duties as a Waste Collection Authority and Waste Disposal Authority.

Risks that may arise if the proposed decision and related work is not taken

34. If the decision is not taken there would be delays to the procurement process which could impact on service delivery from 1 August 2016.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

35. There is a risk of challenge to the Council should the decision be taken to change the collection system for recyclable materials. The approach outlined for inviting tenders for two models should minimise the risk.

Financial Implications

36. There are no financial implications arising directly from the proposals. Work is ongoing to identify the true savings to the Council of outsourcing the collection service.

Legal Implications

37. There are no legal implications arising directly from the proposals. In parallel with the development of the draft forms of contract that will be issued with the invitations to tender for each lot, deciding on the principles for service specification and tender evaluation is the next stage of the procurement process.

Options Considered

38. The options for changes to the specification of the current service and for the ratios of price/quality for tender evaluation are set out in the body of the report.

Conclusions

39. The next stage of the procurement process is the detailed development of tender documentation (including the contract documentation) for each lot and the tender evaluation models prior to issuing invitations to tender. The decisions to be taken in respect of these proposals are key to informing this work.

Tracy Carter
Associate Director, Environment and Leisure

Report Author:
Tracy Carter
Associate Director, Environment and Leisure
01225 713259

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The following unpublished documents have been relied on in the preparation of this report:

None

Appendices

Appendix 1 Example Evaluation Criteria
Appendix 2 Details of Contract Lots