

MANCHESTER CITY COUNCIL

REPORT FOR INFORMATION

COMMITTEE: Resources and Governance Overview & Scrutiny
DATE: 19th July
SUBJECT: Waste and Recycling Collection
REPORT OF: City Treasurer and Strategic Director for Neighbourhood Services

PURPOSE OF REPORT

To inform Members of the progress made in the procurement of a joint venture partner for a contract to run the waste and recycling collection service with particular reference to the achievement of value for money and quality control.

RECOMMENDATIONS

Members to note the report.

FINANCIAL CONSEQUENCES FOR THE REVENUE AND CAPITAL BUDGET

One of the aims of the tendering process will be to contain the cost of the service within the existing budget. Members should note current service is in the lowest quartile for cost.

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BACKGROUND DOCUMENTS

Executive Report: 22nd November 2006 titled Delivery of the Waste and Recycling Service.

WARDS AFFECTED

All

IMPLICATIONS FOR

Anti Poverty **Equal Opportunities** **Environment** **Employment**

No Yes Yes Yes

1. INTRODUCTION

- 1.1 The current contract for waste collection is provided by the Joint Venture Company (JVC) Greater Manchester Waste (Manchester Collections) Ltd (MCL) the shareholders of which are Greater Manchester Collections (2006) Ltd (GMCL) and the Council. MCL has also a commercial collections business which operates independently from the Council. GMCL is a company wholly owned by Greater Manchester Waste Disposal Authority (GMWDA). When the PFI contractor is appointed later this year to run the disposal contract for GM the GMWDA takes the view they cannot legally undertake collection services in the longer term and therefore need to divest themselves from collection services.
- 1.2 The current contract expired on the 31st March 2007. The GMWDA agreed to extend this contract for another year in order to enable the Council to undertake a robust procurement for a new service provider. In November 2006 the Executive of the Council agreed that a joint venture company would be the preferred route for procurement. The creation of a new joint venture with a private sector partner was preferred as it allowed the Council to benefit from the flexibility of a JVC whilst ensuring that the Council retains a strong interest in the company.
- 1.3 The current service offers good value for money, being in the lowest quartile for costs compared against other Councils. Significant improvements have been made in recycling over the last 4 years going from 3% to 21% recycling. The amount of waste thrown away by each household has dropped over the last 4 years to 425kg by 2006/7 (however this is still in the upper quartile). Satisfaction with the waste service (as measured by the recent best value residents' survey) continues to be above the national average and satisfaction with recycling services has risen significantly over 3 years. The level of missed bins (a good indicator of quality of the service) still remains very low. Spend on the service is £7.5m with an average of £35.50 expenditure per household.

2. PROCUREMENT PROGRESS

- 2.1 The procurement commenced in March this year after preliminary market testing. The market testing showed that there was interest in providing the service but the range of service providers was limited and majority were large scale waste collection and disposal companies.
- 2.2 Table 1 gives the key dates of the procurement process.

Table 1 - Key Dates

Key Tasks	Revised Date
OJEU Notice	13 March 2007
Bidders Briefing Session	23 March 2007
Final date for receipt of expressions of Interest	19 April 2007

Complete PQQ Submitted	24 April 2007
Evaluation of PQQ complete by	03 May 2007
Issue of ITT	21 June 2007
Complete Tender Submitted	08 August 2007
Evaluation of Tenders complete by	19 September 2007
Post Tender Clarification Meetings	26 – 28 September 2007
Appointment of Preferred Tenderer	15 October 2007
Post Tender Clarification Preferred Tenderer and Standstill Period	15 October – 30 November 2007
Commercial and Financial close	21 December 2007
Service Commencement	16 January 2008

Eight expressions of interest were received and these were evaluated by a range of officers from legal, finance, procurement and service delivery. The expressions of interest were evaluated under a number of criteria:

- Financial
- Insurance
- Eligibility & Contract History
- Health & Safety
- Equality & Inclusion
- Quality Systems
- Corporate Social Responsibility
- Business Continuity
- Company Background
- Quality & Experience

Two companies failed to make the minimum standard. One failed on four of the criteria and one failed on the financial criteria as it was carrying high levels of debt with low profitability.

The Invitation to Tender were sent out on the 21st June to six companies who were:-

- Biffa Ltd
- Connaught Partnership Ltd
- Enterprise Plc
- Sita UK
- Veolia Environmental Services
- Verdant Group Plc

The returned ITTs will be evaluated on the basis of 50:50 Price: Quality and the breakdown of the quality evaluation will include:-

Partnership	20%
Service Delivery Proposals	20%
Legal/Commercial/HR Proposals	5%
Finance Proposals	5%

The evaluation panel will include officers from service delivery, procurement, legal, finance, health and safety and an officer from the Green team.

The Tender submission are due back on the 8th August 2007. Selection of a preferred tenderer is scheduled to take place on the 15th October 2007. The Executive have been asked to agree the appointment of Joint Venture partner and the award of the contract to the City Treasurer in consultation with the Executive Member for Environment and Executive Member for Finance and Human Resources. When the officer panel have evaluated the tenders then there is time within the procurement programme to present to scrutiny Members the results of the evaluation and selection of a preferred bidder in October, prior to appointment of a preferred bidder. The contract is due to commence on the 16th January 2008.

Ongoing consultation with the Trade Unions has taken place by Manchester Collections. Officers from the Council have participated in briefing sessions for staff. All rights will be preserved for the employees and over 191 staff will be TUPED to the new service provider.

3. ENSURING QUALITY AND VALUE FOR MONEY

- 3.1 The ITT is based on the tenderers providing an “as is” service. This enables an accurate cost comparison of bids to be made with the existing contract price. Tenderers have also been asked to price for additional services such as further green waste expansion (again this can readily be compared against a known cost.
- 3.2 In the ITT we have emphasised that we want to work with the Contractor to ensure that value for money is maximised and that customer care is at the forefront of any change. We therefore have created a performance framework which will give incentives to the Contractor for increased recycling tonnages and decreased waste arisings as a result of service change. If the Council has concerns that value for money through the JVC will not be achieved then we reserve the right to carry out a separate procurement exercise for any element of the service change.
- 3.3 There are three types of performance mechanism within the contract. These mechanisms seek to:-
1. Maintain existing high levels of service delivery
 2. Improve recycling rates within the existing service
 3. Ensure high levels of implementation by the contractor of service change

3.4 Maintenance of existing high levels of service delivery

The current levels of missed bins both for waste and recycling are in line with good practice when compared against other core cities. It is essential that this level of performance be maintained. A deductions based system has been created, which is driven by the number of missed bins and deductions will accrue monthly. Monthly rates for missed bins have been assessed and benchmarks have been set. The baseline can be changed to account for new service implementation.

The Council will have the right to give 6 months notice of termination of the contract in the event of persistent failure by the contractor.

A graduation of deductions recognises that the high level deductions, the highest being 10%, are much more serious in terms of service failure than those at a lower level.

3.5 Improving recycling rates within the existing service

Tonnage represents an excellent means of determining good levels of service delivery by the contractor. There will be an incentive based scheme, which would reward:-

- Consistency of service
- Good communications by the crews of contamination problems
- Good customer service by crews
- Service innovation

Overall, the incentive payment aims to increase both participation and capture of recycling. The baselines have been set at a level, which will require the Contractor to make a sustained effort to improve services. The target will be an annual target.

3.6 Ensuring high levels of implementation by the contractor of service change

This incentive scheme will also be based on tonnages, on the same basis as detailed above. When a new service, campaign or policy change is going to be undertaken by the Council then we will set for the Contractor a performance target based on anticipated tonnages. The Contractor will be required to meet these targets in line with the incentive based scheme. For example if further green waste services are rolled out then a baseline tonnage will be set and then an incentive payment will be applied for above baseline performance. For recycling increased tonnages will carry an incentive (above the agreed target) and the converse would be true for waste arisings where a reduction in tonnage could potentially be rewarded.

All the three schemes can be amended over the course of the contract and new performance indicators can be added to both the deduction and incentive scheme.