Single Waste Collection Contract - Somerset model

Summary
Facing increasing costs, challenging environmental targets and higher customer expectations, councils in Somerset joined forces in 2007 to create a “virtual joint waste authority” for the collection and disposal of waste. They awarded a single county-wide collection contract which is expected to achieve £1.7 million revenue equivalent savings a year whilst significantly improving services.

“Somerset is the first to achieve a large multi-authority waste collection contract. It has been complex and time consuming, but we are now looking forward to generating major efficiencies while, at the same time, improving both recycling rates and customer satisfaction.”
Lesley Rowan, Project Manager, Somerset Waste Partnership

Project background
Refuse collection and recycling services for Somerset residents are provided by Mendip DC, Sedgemoor DC, South Somerset DC, Taunton Deane DC and West Somerset DC who are the statutory waste collection authorities (WCAs). Somerset County Council is the waste disposal authority (WDA).

In 1992, the six authorities identified the benefits of working together to plan and share resources and formed the Somerset Waste Partnership (SWP). This relationship was strengthened in 1997 with the agreement of a Memorandum of Understanding. In 2000-02, it was developed further when a joint best value review was undertaken which entailed a detailed examination of approaches to improve collection and disposal services.

A key finding of this review, and the subsequent joint municipal waste management strategy (JMWMS), was the need to address the inefficiencies, potential conflicts and difficulties in collection service organisation created by working within WCA administrative boundaries and between WCA and WDA responsibilities.
Objectives

Clear objectives for the contract were agreed by all partners at the beginning of the procurement and reiterated to bidders and partners throughout the process. The objectives are for the new contract to provide a fully integrated waste collection and recycling service for the whole county, with the aim of achieving:

- 50% recycling rate across Somerset by 2010 and 65%+ by 2020
- Increased diversion of organics and other material from landfill
- Improved waste minimisation
- High levels of customer satisfaction
- High levels of efficiency/productivity to deliver best value cost per household

The Procurement

The procurement attracted interest from major players in the industry. The European Journal (OJEU) contract notice was published in January 2006, and a presentation made to all potential bidders in February at which the opportunities of working with a well established waste partnership with a good record of innovation were emphasised.

One of the questions raised at this event by a potential bidder was “Waste partnership contracts sound a great idea, but none of them has succeeded yet. How are you going to be any different?”

A key issue highlighted was the difficulty created in other partnership procurements by bidders needing to price over 100 different service combinations to accommodate a wide variety of possible service choices by each authority.

Those present were assured that Somerset was seeking a high level of service harmonisation across member districts that would enable a simpler bidding model and facilitate cross boundary collections and depot optimisation Somerset-wide.

Twelve bidders originally expressed an interest and were assessed for their legal status, financial standing, experience and necessary expertise. Four were subsequently invited to bid under the Negotiated Procedure and submit costed proposals which set out in detail how all elements of the contract would be carried out and resourced.

The framing of the bidding model identified four different ‘service package options’ that kept the potential service variations between districts to a minimum. It also established the costs of adding service improvements (the collection of cardboard and plastic from each household) at different collection frequencies.
The bid evaluation process examined over 90 qualitative method statements for each bidder and went on to assess these against the levels of proposed resourcing of the contract and the costs. Representatives from all six SWP authorities were involved in the evaluation at every stage and a single moderated score was agreed for every method statement for each bidder.

The evaluation of bids was then challenged by the Environment Directors of all six SWP authorities to ensure that the process was robust and fit for purpose.

In March 2007, simultaneous meetings of the Executives of all six SWP authorities were held at one venue and all six unanimously endorsed the decision to enter into negotiations with a preferred bidder and to maintain contact with a reserve bidder.

Following negotiations, there was a further round of simultaneous meetings of the Executives in July at which the award of the contract to ECT Recycling was unanimously agreed.

The quality of all four proposals was very good and considerable time and effort had been invested by bidders to meet a challenging service specification for the SWP. The benefits of a partnership procurement were clear to SWP authorities as no single authority in Somerset would have been able to resource the level of time and specialist knowledge required to conduct the procurement or offer a contract that would have been so attractive to the waste industry.

**Benefits**

The new contract will enable the SWP to offer customers the most comprehensive household recycling collection service in the UK while reducing waste management costs.

ECT Recycling won the contract having outscored the competition for both quality and the cost of their bid. The SWP was particularly impressed with ECT’s approach to partnership and their focus on a triple bottom line of delivering high standards of social, environmental and economic performance. ECT is one of the largest social enterprises delivering public services in the UK and the largest in the waste sector.

The contract itself delivered annual revenue equivalent savings of around £1.51 million derived from both a reduction in waste collection costs and the rationalisation of waste disposal infrastructure, including the designing out of two waste transfer stations.

A further £225,000 has been saved by the creation of the single client unit. However, it is likely that the economic benefits of the project are actually significantly greater than these figures suggest as several of the Somerset districts previously enjoyed unsustainably low cost contracts.

During negotiations with the preferred bidder, the opportunity arose to estimate, with some accuracy, what the costs of service would have been had the five districts procured separate contracts, implying a further £942,000 of avoided future costs.

**Critical Success Factors and Lessons Learned**

The SWP has benefited considerably from technical advice provided by Eunomia Research and Consulting throughout the procurement process.

Eunomia’s advisory role was part-funded by DEFRA through the Waste Implementation Programme. This technical advice was invaluable in addressing issues that have derailed the endeavours of other waste partnerships to secure joint collection contracts.

Specialist staff from the SWP authorities have made a significant contribution to shaping the procurement process. This has involved the focused attention of procurement, HR, legal, finance, health & safety specialists. Quarterly workshops were held for members throughout the process, each involving ruling party and opposition members from each authority examining each of the key areas of project development.

The Innovation Forum report identifies the following challenges: bringing service delivery systems together to enable efficiencies and robust contracts; cost allocation between partner authorities; the impact of TUPE transfer of staff; the position of a DSO and the way in which the single contract will be managed.

The ‘service package’ approach was helpful in bringing service delivery systems together with the full consent of all partner authorities. The pre-Contract service is the minimum level of service for all authorities and will continue from day one. All six authorities have agreed a timetable for the harmonisation of 130 service rules over the next three years.

The shaping of the four service packages presented in the contract was an iterative process of robust debate between members and officers of the SWP authorities and external advisors. The debate focused around the optimal balance between collection frequency of different recyclable materials and the service cost, taking account of likely impact on customer satisfaction, participation and material capture rates. Due to genuine uncertainty on these issues, the SWP and ECT have agreed to jointly fund large-scale trials of different service packages in 2008 that will inform the final choice of service design that will be implemented throughout Somerset from 2009.
Risks
The biggest risk of undertaking such a large and complex process is that the significant investment of time, energy and money and political will still does not result in a contract being let that meets local needs.

The Somerset experience is that genuine engagement of members and officers from all the partner authorities led to a strong ownership of a shared set of objectives. Experienced technical advice, and careful management of specialist officer engagement in the lengthy procurement process enabled the pitfalls experienced by other waste partnership procurements to be overcome. The keen interest of the waste management industry in working in Somerset enabled a high quality cost effective contract to be secured.

Transferability
In addition to the potential for generating very significant savings /avoided costs in the waste sector, elements of the Somerset experience offer potential in other sectors.

Participation approaches used to engage with contractors, members and specialist offices draw on community development models and complimented standard procurement approaches to engagement.

The technical approaches used to overcome technical challenges around 'packaging of services' for procurement, cost sharing between partners and TUPE transfer of staff, are applicable to a wide range of high volume services requiring partnership solutions.

The ability to secure contracts that effectively address the triple bottom line of economic, environmental and social benefits are crucial as we seek to address the challenges of climate change.

Further Information
If your authority is interested in learning more about partnerships working in waste services, the South West Centre of Excellence can help.

Cost allocation issues between partner authorities were resolved by the development of a cost sharing formula, which addresses the cost of the collection contract and client side contract management. The formula was agreed before bids were received and enabled each SWP authority to assess the affordability of the various service package options prior to making a decision to move to negotiate with a preferred bidder.

In the business case in 2004 it was made clear that a single collection contract requires a single contract management team to ensure consistent and appropriate contract management. A staffing structure for the SWP client team was developed by the staff in consultation with trade unions. A strong focus has been on retaining the waste expertise and local knowledge of the staff that have been successfully managing contracts in Somerset. All waste management staff in the six SWP authorities transferred to the SWP on 1st October 2007.

TUPE transfer of staff, and the need to address the position of staff transferring from a DSO and from other waste management contractors, was challenging. To ensure that the bid evaluation process was well informed and transparent, the SWP sought QC’s advice on the interpretation of the Code of Practice on Workforce Matters in Local Authority Service Contracts. This advice provided clarity and understanding within and outside the SWP and ensured a level playing field.

DSO and previous contractor staff transferred to ECT Recycling on 15th October 2007 and a very high standard of service has been offered to customers from day one.

Member involvement has been a critical component of the success of the project
Elected members from all political parties from all six councils have been attending quarterly workshops and meetings since 2005. This enabled the SWP procurement and the process of creating a ‘virtual joint waste authority’ to continue smoothly despite the local impact of possible local government re-organisation and changes in the ruling political group at two of the six SWP authorities just weeks before the contract award decision.

Communication with the public is another vital aspect of making collection and recycling services work effectively. Implementing changes to services requires customers to fully understand what is happening so it is possible to troubleshoot any problems early on, and to make the most of any recycling initiatives. Somerset has a very strong focus on education and awareness, both in schools and the community, and provides regular positive feedback to further encourage pride, achievement and commitment towards recycling.

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