

CABINET – 19 JULY 2011

SOUTHERN OXFORDSHIRE WASTE DISPOSAL AND/OR TREATMENT PROCUREMENT – CONTRACT AWARD DECISION

Report by Director for Environment & Economy

Introduction

1. OCC as the Waste Disposal Authority (WDA) has a responsibility to dispose of residual waste collected by the Waste Collection Authorities (WCAs) and residual waste delivered to Household Waste Recycling Centres (HWRCs). OCC currently manages approximately 300,000 tonnes of municipal waste per year.
2. OCC currently holds a contract with Waste Recycling Group (WRG) for the disposal of residual waste from Southern Oxfordshire at Sutton Courtenay Landfill. The current contract with WRG expires on 27th September 2011.
3. To ensure OCC is able to continue to discharge its duties as a WDA in the South of the county, a new waste disposal and/or treatment contract for Southern Oxfordshire (the Southern Contract) must be procured.
4. OCC has recently procured a long-term waste treatment contract with Viridor (the Treatment Contract) to divert waste from landfill, subject to the resolution of planning. A waste treatment facility will be constructed and is scheduled to be fully operational in 2014. Once operational, Oxfordshire's residual municipal waste will be diverted from landfill to the treatment facility for incineration with energy recovery.
5. The Southern Contract will ensure that waste disposal and/or treatment capacity is provided in the period between the end of the current contract with WRG and the commencement of the Treatment Contract.
6. A procurement exercise has been carried out and the tenders have been subject to rigorous evaluation by the project team (including legal, procurement and financial support) using technical and financial criteria, including a value for money assessment. The purpose of the report is to explain the procurement process and the outcome of the evaluation and seek authorisation to award the Southern Contract.

Exempt Information

7. This report contains information in Annexes 1-3 that relates to a competitive procurement process and is commercially sensitive. The public should therefore be excluded during consideration of the Annexes because their discussion in public would be likely to lead to the disclosure to members of the public present of information in the following categories prescribed by Part 1 of Schedule 12A to the Local Government Act 1972 (as amended): paragraph

3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information). Since it is considered that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure would distort the proper process of the transaction and OCC's standing generally in relation to such transactions in future, to the detriment of OCC's ability properly to discharge its fiduciary and other duties as a public authority.

Procurement process

8. The Southern Contract was advertised in the Official Journal of the European Union (OJEU) in January 2011. Documentation was issued to companies who expressed an interest in the Southern Contract and five companies submitted Pre-Qualification Questionnaires (PQQ). The project team evaluated the PQQs in early March 2011.
9. Four companies were shortlisted to tender for the contract. One tenderer did not progress beyond the PQQ stage as it did not pass the financial assessment.
10. The shortlist of tenderers and the criteria against which those tenders would be evaluated were approved by the Cabinet Member for Growth and Infrastructure and the Director of Environment & Economy, on 11 March 2011.
11. The Invitation to Tender (ITT) documents were distributed on 16 March 2011 and three competitive tenders were received by the deadline of 11 May 2011. The tenders included a number of different waste disposal and treatment solutions.
12. The criteria and weightings shown in Table 1 were used to evaluate the tenders. If a tenderer failed to obtain more than 60% of the available score for any criterion, OCC reserved the right to consider eliminating that tenderer from the tendering process. Detailed information about the sub-criteria is presented in Annex 1.

Table 1. Evaluation criteria, sub-criteria and weightings.

Criteria	Weighting	Sub Criteria	Weighting
Operations	35%	Site Operations	20.0%
		Travelling Distances	10.0%
		Health & Safety	5.0%
Organisation	15%	Recording and Reporting	10.0%
		Staff	5.0%
Pricing	50%	N/A	N/A

13. Due to differences in the composition and nature of the waste collected by the WCAs compared with waste delivered to HWRCs, the procurement has been conducted in 2 Lots. Lot 1 will provide a disposal point for up to 32,000 tonnes of residual waste collected by the WCAs. Lot 2 will provide a disposal point for up to 18,000 tonnes of residual and inert waste deposited at the HWRCs. The Lots are not guaranteed to be awarded to the same contractor.
14. Variant bids were not allowed under the procurement, however, tenderers were encouraged to offer more than one treatment and/or disposal point for use under the contract. This enabled OCC to evaluate a number of scenarios using different combinations of delivery and disposal points. The final contract delivery structure will be established based on the most beneficial scenario from the successful tenderer's proposal.
15. An experienced OCC project team conducted the procurement and evaluation. The Service Delivery Manager, Waste Contracts Officer and Service Development Officer from the Waste Management Team assessed the technical aspects of the tenders. Environment & Economy's Finance Business Partner reviewed and approved the financial models. OCC's Purchasing & Contracts Manager oversaw the procurement process and a representative from the County Solicitor's office produced the contract terms and conditions and responded to all legal clarifications received by tenderers. Meetings were held regularly throughout and OCC's project management and procurement processes were strictly adhered to.

Nature of the contract

16. The precise duration of the contract will be governed by the start of the waste treatment facility that will be delivered under the Treatment Contract. Current forecasts are that the facility will be fully operational in 2014. The contract has been written to give the flexibility OCC requires. The Southern Contract provides 3-year term, makes no minimum tonnage guarantee and includes the option to extend by any period of time up to 3 years at the sole option of OCC. This will facilitate a smooth transition to the operational phase of the Treatment Contract.
17. As there are no minimum tonnage guarantees stipulated, any further increases in waste reduction, recycling and composting will result in cost savings to OCC under this contract.

Consultation and stakeholder involvement

18. As key stakeholders to the contract, the WCAs were consulted early on in the process to ensure the contract specification was aligned with their operational priorities and updated on progress throughout the procurement process.

Evaluation of final tenders

19. The evaluation of the tenders has been conducted by the project team. A detailed evaluation matrix was supplied with the tender documentation so that

all tenderers were aware of the basis upon which the tenders would be evaluated.

20. The scenarios that were evaluated were typically characterised in the following ways:
- (a) The tendered solution would either allow waste to be delivered directly to a disposal point or to a transfer station for bulk haulage to the disposal point. The former option was typically characterised by a lower gate fee but resulted in higher costs to OCC in relation to transport; the latter option was typically characterised by a higher gate fee but with reduced transport costs.
 - (b) The tendered disposal option was either based on all waste being delivered to landfill or some capacity being offered at a waste treatment facility¹.
21. The evaluation methodology used has been consistent for both Lots and was conducted in line with the criteria and weightings set out in Table 1. The overall evaluation outcomes for Lots 1 and 2 are presented in Tables 2 and 3 below.

Table 2. Lot 1 (WCA waste) evaluation scores

Level 1 evaluation criteria	Tender 1 – Scenario 2	Tender 2 – Scenario 1	Tender 3 – Scenario 2
Operations (35%)	19.5	30.3	27.0
Organisation (15%)	10.8	14.1	6.1
Financial (50%)	28.1	31.2	23.5
Total²	58.4	75.6	56.6

Table 3. Lot 2 (HWRC waste) evaluation scores

Level 1 evaluation criteria	Tender 1 – Scenario 1	Tender 2 – Scenario 1	Tender 3 – Scenario 2
Operations (35%)	23.5	30.3	24.8
Organisation (15%)	7.4	14.1	9.8
Financial (50%)	28.3	34.4	24.6
Total³	60.2	78.9	59.3

22. A value for money assessment has been conducted for each lot to assess the Net Present Cost to OCC of each Tender over the full contract term when compared with the current contract price. The outcomes are shown in tables 4 and 5.

Table 4. Value for Money (VfM) assessment – Lot 1

VfM Results	Tender 1	Tender 2	Tender 3
% variation from current contract price	+1.59%	-2.86%	+8.07%

¹ Incineration and mechanical and biological treatment (MBT) technologies were both offered

² N.B. Totals may not add up due to rounding

³ N.B. Totals may not add up due to rounding

Table 5. Value for Money (VfM) assessment – Lot 2

VfM Results	Tender 1	Tender 2	Tender 3
% variation from current contract price	-2.22%	-10.63%	+2.77%

23. The evaluations are described in detail in Annex 1 (Lot 1) and Annex 2 (Lot 2). Annex 3 sets out the specific detail of the financial evaluation and value for money assessment.

Evaluation conclusion

24. The evaluation demonstrates that Tender 2 clearly emerged as the leading bid for both Lots. The evaluation has demonstrated that Tender 2 is acceptable in technical, financial and value for money terms, while Tenders 1 and 3 do not provide overall value for money. Therefore the Cabinet is recommended to endorse the award of the contract to Tenderer 2.

Financial and Staff Implications

25. The financial implications of the contract are summarised in Annexes 1 and 2 and in more detail in Annex 3. There are not considered to be any staff implications arising from the award of the contract as all work to administer and monitor the contract will be conducted from the existing resource within the Waste Management Service Delivery Team.
26. WRG have confirmed that no staff will be subject to the Transfer of Undertakings Protected Employment (TUPE) at the end of the current contract. The Southern Contract will include relevant terms and conditions to set out TUPE requirements for the new contract.
27. The final tender evaluation has demonstrated that value for money can be provided through the contract when compared to the cost of the current contract and will allow the savings agreed as part of the Medium Term Financial Plan to be met.

Legal Implications

28. The legal implications of not securing a new contract are that OCC will be unable to discharge its duties as a WDA conferred by the Environmental Protection Act 1990.
29. OCC's legal team has provided the contract documentation and supported the procurement process including responding to clarification questions submitted by bidders during the procurement process.

Equality and Inclusion Implications

30. An equalities impact assessment has been carried out and the procurement and contract award do not have any negative impacts. WCAs have comprehensive kerbside collection services for residents, the Southern Contract will not impact on these.
31. Tenderers were required at PQQ stage to provide evidence of their equality policies.

Sustainability Implications

32. The evaluation criteria have been developed to ensure that sustainability issues were addressed in the procurement. 10% of the Tender scores related to transport impacts. The highest score for this criterion were awarded to tenders that proposed the use of facilities within 10 miles of the source of the waste. The approach is consistent with the "Proximity Principle" and the desire to reduce local transport impacts as well as global carbon emissions.
33. OCC's stated preference was for waste treatment and marks were awarded to Tenders that proposed waste treatment facilities which diverted waste from landfill.

Risk Management

34. A risk register has been maintained throughout the procurement and risks have been managed proactively by the project team.

RECOMMENDATION

35. **The Cabinet is RECOMMENDED to;**
 - (a) **note the outcome of the evaluation which is that Tender 2 is the leading bid for Lots 1 and 2; and**
 - (b) **endorse the award of the contract to Tenderer 2**

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Background papers: Nil

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