

How to **be successful** in procuring **joint waste services**



Improvement through efficiency



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Introduction

When it comes to waste, local authorities find themselves in the firing line of a complex and competing set of demands. Not only must they grapple with EU directives, government strategy, climate change, emerging technology and the growing expectations of citizens but they face a tough financial future under the Comprehensive Spending Review 07.

Local authorities are spending around £3 billion a year on external third parties to deal with the country's waste. This figure is set to increase considerably as councils attempt to deliver their obligations under EU directives by diverting more waste away from landfill. If they don't meet their landfill targets, they could be hit with fines which will only add to their costs.

But out of this gloomy picture, there are real opportunities for councils to meet their obligations, improve services and deliver efficiencies. With high numbers of contracts coming to market in the next few years and a lower number of providers, councils have an excellent opportunity to implement new ways of procuring waste services in collaboration with their neighbours.

This guide brings together a number of recent examples of successful collaborative procurement that point the way towards how councils can deal with this complex set of challenges.

The nine Regional Improvement and Efficiency Partnerships, which represent the merger of the Regional Centres of Excellence and Regional Improvement Partnerships, will be instrumental in co-ordinating and supporting the drive for improvement and efficiency across local government. This guide will help the sector to transform procurement and deliver major efficiencies in the £42 billion it spends on goods and services each year.

To complement this guide, you should also visit the Waste Information Network, a website dedicated to supporting waste professionals in local authorities. It provides a comprehensive range of information on all aspects of waste management, including a document library, the latest consultations, case studies, legislation and guidance. Just go to: www.win.org.uk

Joint procurement of refuse collection vehicles Nottinghamshire

Summary

Eight waste collection authorities in Nottinghamshire joined forces with the support of the East Midlands Centre of Excellence to procure refuse collection vehicles (RCVs). They recognised that the key to delivering maximum efficiency savings was the development of a single common specification and the initiation of a single tender process. The project has generated significant cashable efficiency gains, the authorities have the opportunity to share a standardised, county-wide fleet and joint working has been enhanced.

Project background

The eight authorities had already standardised their refuse collection services and introduced a twin bin alternate weekly collection service countywide before agreeing to collaborate on the joint procurement of RCVs. Nottinghamshire's Chief Executives unanimously agreed that a single specification model should be tendered rather than the more commonly used framework model. It was felt that a single specification would provide the best opportunity to maximise savings.

A dedicated project team was established from amongst the partner authorities. Rushcliffe Borough Council agreed to be the lead authority, taking on board responsibility for all tendering and contractual matters.

Objectives

The project team had the following objectives:

- > Obtain a financial saving per vehicle below the benchmark price
- > Procure a single specification chassis, refuse body and bin lifter
- > Achieve added value by reducing the cost of spares and training
- > Obtain additional technical support from the supplier
- > Put in place a local source of impressed stock
- > Deliver a standardised, countywide fleet to allow the sharing of vehicles

The tender process

An OJEU request for expression of interest was placed and 20 companies responded. Tenders were invited in April 2006 and ten valid tenders were returned in June. During April, the project team carried out a detailed risk assessment of the project which was used as part of the evaluation process. The tender evaluation was carried out by the project team which, amongst other things, asked some manufacturers to provide a vehicle for evaluation and testing.

Evaluation criteria included:

- > Price
- > Whole life costs
- > Specification
- > Warranty
- > After sales service

Although there were differing views amongst the eight authorities, a preferred supplier was identified in September and a tender was accepted.

Faun Municipal Vehicles Limited was selected and is contracted to provide 27 RCVs in 2007/08 with a possible contract extension of up to two years. The accepted tender was based on a Mercedes-Benz chassis, Faun body and Terberg bin lifter. The contract was signed in January 2007 and the first vehicles were launched in April 2007.

Benefits achieved

Probably the most significant benefit from this project is to prove conclusively that councils can work together to deliver real savings. There have been and always will be challenges to overcome. Individual officers and their authorities will have their own preferences and experiences but these were overcome in pursuit of the wider benefits for all the authorities.

Benefits achieved are:

- > A cashable saving of £4,215 per vehicle equating to £114,000 in total
- > A single specification refuse vehicle
- > A reduction in the cost of spares and training. The suppliers are providing a technical fitter, operator and training programme to 'train the trainer' at no cost to the partnership. This additional benefit is worth about £13,000
- > Additional technical support from the supplier. For the duration of the contract, a dedicated service engineer is available to carry out work on the Faun equipment and provide basic diagnosis and minor repairs to the chassis and bin lifts. This additional benefit is worth about £35,000
- > A local source of impressed stock. An impressed stock of spares, with a minimum value of £10,000, is kept at a central location for the benefit of all partners

- > A standardised, countywide fleet which will enable the councils in the longer term to share resources and support each other with replacement vehicles and drivers. Joint procurement is the first step to ensure there are drivers, loaders and fitters at each authority that are familiar with the same equipment
- > Provision of replacement vehicles. In excess of the warranty arrangements, Faun provide a replacement vehicle immediately in the event of a vehicle being off the road
- > Mercedes-Benz provide a hotline for technical advice, an improved turn around time on repairs and impressed stock on fast moving items
- > Terberg have committed to develop a service centre at their manufacturing site in Nottinghamshire together for vehicle repairs and technical training

Return on investment

The joint procurement of RCVs will realise overall cashable efficiency savings of £114,000 and non-cashable efficiency savings of up to £143,000 during the first year of the contract. However, the benefits go much further than sheer monetary value, not least, the benefit of having developed good partnership working which will enable future projects to move forward with confidence.

Transferability

The opportunity to join and purchase through the partnership is available to all local authorities in the East Midlands. Authorities interested in procuring RCVs through the partnership should note that although this is a single specification contract, there are a number of optional extras available for each RCV. The partnership intends to continue to jointly procure resources and an analysis is being carried out to identify future opportunities for further efficiency savings.

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> Transforming Procurement

Joint provision of waste services

Babergh and Mid Suffolk

Summary

Market forces indicate a trend towards waste service provision by fewer and larger companies which will create challenges for contract pricing and the potential to achieve efficiency gains. Babergh and Mid Suffolk District Councils came together with the support of the East of England Centre of Excellence and established a ground breaking contract for the joint provision of a waste service. It aims to create economies of scale in procurement and operations by collaborating with partner councils. The initiative won the 4ps Excellence Award for Joint Procurement.

Project background

Babergh and Mid Suffolk District Councils are neighbouring authorities with geographic, demographic and service delivery similarities. Both councils are partners in the Suffolk Recycling Consortium which provides a delivery framework for a ten year Materials Recycling Facility contract for processing collected recyclables.

This project sought to procure contracts for the joint delivery of, firstly, waste and recycling services and secondly, street cleansing and grounds maintenance. Historically, each council employed different contractors to carry out these services.

Once established, this framework would be made available to other authorities to increase the potential for better services and larger efficiency gains from economies of scale and increased bargaining power in the waste collection market.

Objectives

- > To create economies of scale in procurement and operations by collaborating with partner councils
- > To procure the most effective and efficient joint contracts for the delivery of waste, recycling, street cleansing and grounds maintenance services
- > To deliver consistent and high quality services that meet users' needs

Benefits achieved

- > Achieving good value for money and savings that can be channelled into priority services
- > Creating collective and pooled buying power
- > Stimulating innovation in the market
- > Reducing the costs of procurement – one procurement for two service areas
- > Delivering consistent and high quality services that meet users' needs with a range of joint contracts

- > Managing and assessing risks more effectively including risk to partner authorities and tendering organisations
- > Creating greater interest in the market (a higher level and quality of tenders were received)
- > Better use of resources and productivity savings i.e. fewer vehicles
- > More effective planning which has led to reduced mileages and environmental benefits
- > Creating electronic business and communication methods to improve customer access, monitoring and performance management
- > Forming a single client team to represent the interests of both councils

Efficiencies gained

- > Savings gained across the two authorities of around £300k a year for refuse collection services
- > Expected further annual savings of £330k within two years through the placement of a joint depot and the sale of existing individual site assets
- > Over the lifetime of the contract:
 - > Savings of £4.2 million for both councils
 - > One off savings of £20k from a single tendering process
 - > Savings of £3.96 million by moving to a joint depot

Service improvement

- > Less vehicle mileage
- > Rationalisation of collection rounds to provide more efficient coverage
- > Ability to introduce enhancements to collection services e.g. kitchen waste collections
- > Ability to expand garden waste and trade waste collections over a wider area
- > Ability to dedicate vehicles to recycling rounds exclusively, thereby reducing the risks of contamination
- > Single customer access point for all enquiries and service requests

Critical success factors

- > Essential to maintain service provision without interruption to residents
- > Maximise response to the tender to ensure competition and innovation
- > Establish a partnership agreement for the two authorities
- > Ensure a managerial and administrative structure is in place to support and monitor the service on behalf of both councils

Lessons learned

- > Early involvement of legal services before entering into the pre-tender stage will avoid unnecessary delays at later stages
- > Risks should be properly assessed and mitigated where appropriate
- > Review contract procedure rules to ensure allowances are made for joint procurement and partnering agreements
- > Applying appropriate 'surety bonds' for the preferred supplier protects the company against going bankrupt
- > Avoid underestimating the time required to manage the project and the supplier consultants, from initiation to implementation
- > Strong resolution and commitment are required to ensure that members in particular maintain focus and keep to the project mandate

Risks

- > Failure to negotiate key performance indicators and a process with the new provider
- > Misjudging the market could result in a low number of tender submissions with a risk of receiving low quality, high price and less innovation. Ensure therefore that potential providers are fully engaged
- > Potential joint depot facility not being identified
- > Failure to complete the complex OJEU tender process in time to meet the new waste service contract start date
- > Failure of the two authorities to reach an agreement on the final tender specification and contract. Establish a formal agreement through a memorandum of understanding and pre-tender consultation

Transferability

The outcome of this project is transferable. Through a joint procurement exercise two or more partners can contract for waste disposal and collection services. Key to this is a strong and effective partnering agreement and a well defined governance structure to reinforce the basis of the partnership through a single management board.

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> Transforming Procurement

Single waste collection contract

Somerset

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 savings a year whilst significantly improving services.

Project background

Refuse collection and recycling services for Somerset residents are provided by the statutory waste collection authorities which are the district councils of Mendip, Sedgemoor, South Somerset, Taunton Deane and West Somerset while Somerset County Council is the waste disposal authority.

Building on a history of working together, an opportunity arose in 2004 to procure a Somerset-wide collection contract for all recycling and refuse collections. A business case identified potential savings of £750k to £1.5 million a year.

Key drivers identified in the business case were:

- > Adverse market conditions – more waste collection procurements failing, with the average number of tenders received in the UK down to less than two
- > Increased regulation – adding to overall risk, making collection and disposal more complex and expensive
- > Opportunities for optimisation e.g. designing rounds and depot locations without the constraints of district boundaries
- > Growing customer expectations – significant local demand for a wider range of materials to be collected for recycling

The authorities had developed good practical working relationships through the design and implementation of the 'Sort It!' collection service. Sort It! provides each household with a weekly recycling collection (food waste, paper, glass, cans, foil, textiles, shoes, directories and yellow pages and car batteries), a fortnightly collection of refuse and an optional charged-for fortnightly garden waste collection.

Sort It! was implemented in phases across three of the districts between 2004-06, covering 162,000 households. It won the national Local Authority Recycling Advisory Committee 'Best Local Authority Initiative Award' in 2005. Recycling and composting performance improved markedly as a result of Sort It!, improving from 27% county-wide in 2003/04 to 47% in 2006/07.

High levels of customer satisfaction have been achieved and the controversy experienced in other parts of the country when fortnightly refuse collections have been introduced has been avoided largely because Sort It! collections take away food waste every week, thereby minimising issues of odour and hygiene.

The opportunity to procure a Somerset-wide collection contract was linked partly to several existing recycling and refuse collection contracts coming to an end in 2007. This also created time pressures as partners had to have replacement arrangements in place for a fixed date.

The collection contract is initially for seven years (the useful life of a fleet) with the option of two further extensions of seven years – potentially 21 years in all.

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 contract sought 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 process

The procurement attracted interest from major players in the industry. An OJEU notice was published in January 2006 and a presentation was 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. Assurances were given that Somerset was seeking a high level of service harmonisation across districts to enable a simpler bidding model and facilitate cross boundary collections and depot optimisation.

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 to 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 potential variations between districts to a minimum. It also established the costs of adding service improvements, such as the collection of cardboard and plastic from each household, for 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 authorities were involved in the evaluation at every stage and a single moderated score was agreed for every method statement for each bidder. This evaluation was then challenged by the Environment Directors of the authorities to ensure that the process was robust and fit for purpose.

In March 2007, simultaneous meetings of the Executives of all six authorities were held at one venue and all six unanimously endorsed the decision to enter into negotiations with a preferred bidder and maintain contact with a reserve bidder. Following negotiations, a further round of simultaneous meetings of the Executives took place in July at which the award of the contract to ECT Recycling was unanimously agreed.

The quality of all four proposals was high and considerable time and effort had clearly been invested by bidders to meet a challenging service specification. Equally, the benefits of a partnership procurement process were clear as no single authority would have been able to resource the amount of time and specialist knowledge required to conduct the procurement or offer a contract so attractive to the waste industry.

Benefits

- > The new contract will enable the authorities 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 cost
- > The authorities were 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
- > The contract itself delivered annual revenue equivalent savings of around £1.51 million which have been 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
- > £225,000 has been saved by the creation of the single client unit
- > Savings of a further £942,000 by avoiding the costs of five separate procurement exercises

Critical success factors and lessons learned

The six authorities 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 and its advice was invaluable in addressing issues that have derailed other waste partnerships to secure joint collection contracts.

Specialists in procurement, HR, legal, finance, health and safety from the authorities made a significant contribution to shaping the procurement process. Quarterly workshops were held for members, both ruling party and opposition, throughout the process to examine key areas of the project.

The 'service package' approach was necessary to bring 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 four service packages presented in the contract was an iterative process of robust debate between members and officers of the authorities and external advisors. The debate focused around the best balance between collection frequency of different recyclable materials and the service cost, taking into account the likely impact on customer satisfaction, participation and material capture rates.

Due to genuine uncertainty about these issues, the authorities 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.

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

A staffing structure for the client team was developed by staff in consultation with trade unions. A strong focus has been on retaining the waste expertise and local knowledge of staff that have been successfully managing contracts in Somerset. All waste management staff in the six authorities transferred to the Somerset Waste Partnership (SWP) on 1 October 2007 while DSO and contractor staff transferred to ECT Recycling two weeks later. 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 counsel's advice on the interpretation of the Code of Practice on Workforce Matters in Local Authority Service Contracts. This advice provided understanding within and outside the SWP and ensured a level playing field.

Member involvement has been a critical component of the success of the project. Elected members from political parties of all six councils have been attending quarterly workshops and meetings since 2005. This enabled the 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 to ruling political groups at two of the six 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 understand fully what is happening so that the most can be made from recycling initiatives. Somerset has a strong focus on education and awareness, both in schools and in the community, and provides regular positive feedback to encourage pride, achievement and commitment towards recycling.

Risks

- > The biggest risk is that such a huge investment of time, energy, money and political will not result in a contract being let that meets local needs
- > No ownership of a shared objectives by failing to genuinely engage members and officers from the partner authorities
- > Experienced technical advice and careful management of specialist officer engagement in the lengthy procurement process overcame the pitfalls experienced by other waste partnership procurements
- > Keen interest from the waste management industry to work in Somerset enabled a high quality, cost effective contract to be secured

Transferability

- > In addition to the potential for generating 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 officers draw on community development models and complement standard procurement approaches to engagement
- > Technical approaches to overcome challenges on '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 if the challenges of climate change are addressed

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Countywide integrated waste and recycling collection service

Northamptonshire

Summary

Local government is under increasing pressure to deliver real efficiencies while improving customer service at the same time. In response to this challenge, the Northamptonshire Waste Partnership (NWP) is exploring the potential for savings from a collaborative, countywide approach to waste and recycling collection services. The NWP includes all seven of the county's Waste Collection Authorities, the district and borough councils.

Each authority currently structures its collection service around its own area boundary but early indications show that substantial savings could be realised if different working arrangements are implemented. This interim case study focuses on the results achieved by the pilot authority, Daventry District Council.

Project background

In July 2006, the NWP secured a grant from the East Midlands Centre of Excellence to fund a feasibility study into a countywide integrated waste and recycling collection service. The project is split into four key stages:

Stage 1 – production of revised collection schedules for each Waste Collection Authority (WCA) together with a supporting report identifying the savings that could be made through their implementation

Stage 2 – overall report identifying options for further savings through cross-border working

Stage 3 – options for the integration of collection services between two or more authorities and the steps needed for implementation

Stage 4 – options for the full integration of collection services and the steps needed for implementation

Services under review

- > Domestic refuse, green waste and dry recyclable collections
- > Clinical waste collections if applicable
- > Supporting infrastructure i.e. vehicle depots, fleet maintenance and transfer/treatment facility locations

Feasibility study

External consultants, White Young Green and Integrated Skills, were awarded a contract in September 2006 to carry out a detailed study in order to plot a spatial plan of collection points together with vehicle depots, resources and disposal/delivery points. The consultants were tasked with developing more efficient collection rounds, with a focus on maximising the efficiency of fleet vehicles and staff time, irrespective of existing district boundaries.

Pilot study

In October 2006, Daventry District Council, the project lead authority, was chosen to pilot the feasibility study for Stage 1. Daventry's rounds were optimised using a dedicated software package called RouteSmart. The software developed several different collection scenarios and Daventry chose the one that best supported local need while at the same time generating savings.

Pilot study benefits

The first year cash savings anticipated from implementing Stage 1 in Daventry are £95,000 which are made up of the following:

- > £25k a year by reducing mileage by 12-13%
- > £17k a year from spare capacity to allow for vehicle washing
- > £28k a year by virtually eliminating employee overtime
- > £25k a year by purchasing a four wheeler refuse collection vehicle instead of an additional six wheeler
- > A productivity gain of 4-5% from re-routing

Engaging the partnership

In January 2007, the NWP held a showcase event to share the results of the pilot study with the partnership stakeholders. There was unanimous agreement to expand the pilot study throughout the remaining six authorities and all seven partners have identified potential improvements to their service using RouteSmart.

Implementation of Stage 1 is predicted to deliver significant savings across the county and provide each authority with essential management data including:

- > Maps showing individual service locations, colour coded by route
- > Maps showing the sequence in which locations are serviced and/or vehicle travel paths
- > Route summaries showing time, distance and waste tonnage by route
- > Lists of all locations serviced on each route
- > Instructions to drivers showing turns, street services and numbers of service locations by street

Next steps

The next step is to explore avenues for further joint working and draw upon the data to optimise routes for waste and recycling collection services across existing boundaries. Facilitated workshops will be held where the NWP can test draft criteria and identify two or three joint-working options that warrant further exploration. The agreed model will then be fed into RouteSmart and a final report prepared to identify potential savings, the steps to implementation and an action plan to address potential barriers to integration.

The project undertaken by the NWP is a good example of partners working hard to break down barriers and a traditional silo mentality. The partnership has also engaged the Waste Disposal Authority, Northamptonshire County Council, so that its staff can use the shared database when planning additional waste treatment and disposal sites.

Success factors

- > A clear, project-based approach with work streams identified and processes staged
- > A defined organisational structure consisting of a project board and project team
- > Clearly defined roles and responsibilities from the start of the project
- > A transparent and clear communication process, facilitated by the project lead and partners
- > Stakeholders engaged on a carrot and stick basis

Risks

Major risks to the successful completion of the project were discussed at a risk management workshop. Potential risks were identified and graded high, medium or low according to their probability and impact. Each risk was assigned to a responsible owner to ensure they were managed effectively.

Role of the Regional Centre of Excellence

The East Midlands Centre of Excellence provided grant aid of £110k to fund the feasibility study. A Return on Investment (ROI) was carried out at the start of the project which estimated the benefits of integrating waste and recycling collection routes across the NWP at £2.3 million. Improvement and efficiency savings were forecast using the RSe Brent ROI model and relate to total savings over a period of five years from the start of the project. The ROI will be recalculated at the end of the project.

Transferability

The key processes and principles from this project can be applied to similar schemes both regionally and nationally.

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