

Lessons from a successful waste collection tender process through ESPO's Consultancy Services framework (664) - Eunomia



The requirement

Eunomia - a supplier on ESPO's Framework 664 - worked with Somerset Waste Partnership (SWP) to deliver an effective procurement process.

SWP had a vision to become an exemplar for how to manage waste as a resource, work with others and support residents to manage their household waste.

The partnership's journey to a new service model started in 2014, with trials of several different service models providing strong evidence that the revised system, known as "Recycle More" would deliver significantly more recycling and customer satisfaction. Under Recycle More, residents would be able to recycle plastic pots, tubs and trays, food and beverage cartons, small electrical items and household batteries. This is in addition to what can already be recycled every week - food, paper, glass, cans, aerosols, plastic bottles, cardboard, foil, textiles and shoes.

A formal options appraisal in 2015 (undertaken by Eunomia) compared service models and helped the SWP ensure it understood what the environmental and financial benefits of Recycle More would be. During the 2016/17 financial year the Somerset Waste Board and every partner council then voted to implement this new service model.

This unanimous support from all partners, of different political persuasions, was vital to subsequent progress and enabled clear objectives to be framed for procurement:

- Increasing the recycling rate to around 60% and reducing residual waste per household from the 2017/18 level of 480kg/household to below 420kg/household.
- Delivering against a target saving of £1.7m per annum compared with the incumbent contractor and service model (including contract costs, recycling income and avoided disposal costs but excluding one-off costs of service change).
- Retaining the kerbside sort methodology to ensure that the quality of materials remains very high, and to enable most material to be recycled in the UK and via 'closed loop' processes.
- Managing risk, especially in relation to recyclate revenue risk (which had hitherto been the responsibility of the contractor), ensuring that SWP didn't face an unnecessary risk-premium, while also mitigating risks arising from potential policy changes.
- Delivering social value and improved customer service.

The challenges

Despite having established a clear set of objectives with robust buy-in from members across the partnership, the procurement faced several important challenges that would need to be overcome in order to result in an effective competition and therefore maximise the chances of a successful outcome.



The market:

SWP would be tendering at the same time as several other local authorities, and potential bidders' resources would therefore be stretched. It was possible that some waste collectors would be unable to respond to all the tender processes and might pick and choose.

In these circumstances, SWP needed to make sure that its collection contract was sufficiently attractive to make waste collectors wish to respond, while still ensuring that the partnership's financial and service delivery requirements were met.



The delivery need:

SWP was looking to procure a collection-only contract, rather than integrated collection and treatment. The specification had features – in particular, the kerbside sort collection model that was to be deployed and the use of three-weekly residual waste collections – that were only being delivered by a small number of contracted-out services.

SWP therefore needed to provide bidders with sufficient information and assurance to give them confidence about bidding for the work.



The changing policy context:

It became clear during the procurement process that the government would announce important policy changes that would take effect during the lifetime of the contract. It was important to give bidders confidence that the partnership understood the changes and that its service requirements would not change dramatically as a result.

The procurement timetable and service specification needed to be mapped against the new resources and waste strategy, and planned consultations, to provide bidders with assurance that the procurement would not be adversely affected.

The solution

Through its preparatory actions and planning, SWP put in place the groundwork for a successful procurement. However, it was still necessary to design and implement the tender process, so as to secure the partnership's requirements.

Put a strong team and decision-making structures in place

The need to work on a cross-partnership basis, whilst posing some unique challenges, strengthened the project overall. The large number of partners necessitated that clear structures were put in place, when in some single authority tenders it can be easy to assume that established decision-making structures will be adequate to reach conclusions at the necessary stages in the procurement. In SWP's case, it was clear that:

- the county council would act as the contracting and procuring authority
- the services would need to be delivered at the district-level
- the interests of a wide range of stakeholders would need to be taken into account

Lessons

In preparation for a successful procurement, an authority should:

○ **Ensure they have the right skills in place at the outset.**

Consider whether they need to buy in advice to make sure they have sufficient access to market knowledge to identify the likely key commercial issues – and do so before key decisions on procurement approach and timetable are decided upon.

○ **Work with members to develop a clear set of objectives at an early stage and ensure that buy-in is achieved and maintained.**

Put in place decision-making structures that will allow for the procurement to evolve in the light of feedback from the market, while maintaining member support.

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Develop a clear service model

Developing a strong service model gave the partnership a clear vision for what needed to be achieved. SWP were able to go to the market with a clear specification, as they had already carried out extensive options work, with the results tested out with the incumbent contractor. This removed the onus on bidders to decide what model to propose, as well as addressing the balance of quality and price, alongside the social value of the service. A key component of developing this model was determining what actions would deliver the required outcomes, in terms of infrastructure, recycling performance and cost.

Lessons

In preparation for a successful procurement, an authority should avoid:

- **Designing a process that makes an economic competition out of service design, especially if the authority already has a reasonably clear idea of the range of service models that are likely to be acceptable.**
- **Coming to market with a blank canvas, as the uncertainty this creates can be off-putting to bidders:**
If the authority wishes to compare options, the range of options should be limited to at most two, so as to keep the effort required of bidders more manageable.
- **A complete output specification is likely to be preferable.**

The tender process

The partnership team decided to use a process based on the competitive dialogue procurement procedure. This was deemed to be the most appropriate approach due to the need to engage with bidders to help identify and solve problems throughout the process, while allowing the required timetable to be achieved.

The tender process was carefully managed, with contract documents put in place early to allow bidders to respond. To further facilitate this, the team made data available and provided rapid responses to clarification questions. The soft market testing phase allowed the procurement team to narrow down key issues, which enabled them to engage closely with the contractors' proposals and position papers.

The initial (Outline Solution) stage of the process saw bidders' submissions scored on the basis of their core service specification. To encourage creativity, no bids were deselected at this stage: however, some parties whose bids received low scores decided to withdraw voluntarily.

Lessons

In order to achieve a successful procurement, an authority should:

- **Select the procurement procedure that best meets their requirements.**
The complexity of the commercial issues in waste collection contracts can make a procedure that involves an element of dialogue or negotiation attractive.
- **Focus dialogue – and therefore bidders' attention and efforts – on operational issues that will have the biggest impact on the quality and performance of the resulting contracts.**
In most cases, the key issues will be the detail of service design and resourcing.
The level of effort demanded of bidders needs to be proportionate – which is easier to achieve if the subject matter of the dialogue is quite focused.

The results

The tender process resulted in a contract being awarded to SUEZ recycling and recovery. The service design adopted in the SUEZ bid followed the Recycle More model, including three-weekly residual waste collection. Although SWP thought that a new depot was required, bidders decided that this wasn't necessary and found alternative approaches which developed existing depots, resulting in a more affordable solution. The risk share model was developed throughout the process, with the capped boundaries approach proposed by bidders accepted as the best value, as a simple 50:50 risk share would have been too costly to secure. The procurement also yielded a fund to support behavioural change initiatives, paid for through a top slice from material incomes from both parties, which was a proposal that arose through dialogue.

A four-year review window was included to ensure that there is an opportunity for fresh negotiation, and to allow the authority to remove the materials management part of the service from the contract if circumstances change so greatly (e.g. as a result of extended producer responsibility) that it no longer makes sense to outsource materials management.

Lessons

In the course of a procurement process, an authority should bear in mind that:

⦿ **Commercially sensible outcomes can be found to manage many risks. These are outcomes that:**

- Reduce the council's exposure at an acceptable cost.
- Make the contract viable for the contractor.

⦿ **Not every risk can be managed up front, so contractual processes are likely to be needed to ensure ongoing positive interaction to solve problems. These might include:**

- A customer liaison officer, who can act as an effective communication channel between the operational staff and the client to explain issues that arise and take action to resolve them.
- A joint management board, to enable more significant questions to be resolved collaboratively.

⦿ **It is possible to draft a contract to allow for changes where future requirements are uncertain. However, it is not possible to undertake a meaningful procurement that prices for a wide range of alternative options that might be adopted in the future.**

This is largely because of the difficulty of designing a process that allows for a sensible evaluation of service options that are unlikely ever to be implemented.

This procurement process has been highlighted as particularly successful, both in terms of the process followed and the results achieved. The parties agree that the contract:

- ✓ Represents good value for money
- ✓ Meets SWP's objectives, which are well-aligned with the aims of the Resources & Waste Strategy
- ✓ Allows for changes, by negotiation
- ✓ Provides some protection for all parties



Bidder feedback

“ SWP and their advisors ran a very effective procurement process overall. They worked hard to ensure bidders understood their technical and affordability requirements and were supportive in helping bidders modify and fine-tune their approach over several bidding phases.

SWP were well advised through with Eunomia’s project lead, an acknowledged expert in kerbside operations and collections. Their consultant was instrumental in helping bridge in commercial, legal and technical positions that ensured both parties achieved both a fair and mutually beneficial outcome.

It was clear that the SWP client team in particular had an in-depth operational understanding and knowledge of the existing service and were able to support bidders to better understand and address some of the existing shortfalls and challenges in relation to the workforce, operational sites and materials management.”

Serco, British provider of public services