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OUTLINE BUSINESS CASE

Introduction

Heading	Narrative
Project Title	<i>The collection, transportation, treatment and disposal of waste.</i>
Chief Officer	<i>Robin Cooper, Director of Community and Culture Regeneration</i>
Contracting Officer	<i>The procurement project will be managed by a procurement board supported by a procurement team. The make up of the board and the appointees have been agreed by the board. The make up of the procurement team is based on a project manager, a temporary procurement officer, a seconded representative from legal services and an administrative support officer. External support has been obtained when necessary for detailed technical advice and for financial advice and evaluation.</i>
Contract Manager	<i>The contract covers a number of different services including some required by other directorates. The majority of the contract(s) awarded will be managed by the waste services section with the remainder being managed by individuals in the relevant directorates or premises affected e..g Education .</i>
Summary Description	<i>The purchase of waste services.</i>
Project Objectives	<p><i>To ensure compliance with statutory duties.</i></p> <p><i>To meet statutory performance targets.</i></p> <p><i>To ensure continuity of a front line service.</i></p> <p><i>To provide the services within agreed budgets.</i></p> <p><i>To meet requirements to achieve efficiency gains.</i></p> <p><i>To provide environmentally sustainable services.</i></p> <p><i>A successful outcome will need to comply with the above. There isn't an alternative.</i></p>
Strategic fit	<i>Waste services need to be provided in support of the Council's waste strategy that in turn supports the performance and community plans.</i>
Options for Provision	<p><i>A range of services have been or are being put out to tender. The Council also needs to take account of recent government and independent reports on competition and capacity in the waste market and take action accordingly.</i></p> <p><i>The options have been covered in various reports submitted to committee.</i></p>

Heading	Narrative
Potential Links with other projects	<p><i>This procurement will involve other directorates and, possibly even other authorities, in the process of obtaining the services required. Hence subsidiary projects are likely to be created as a result, for example:-</i></p> <p><i>The service is highly dependent on the Council's Confirm system that has to be linked with the system(s) that are used by any successful contractor(s).</i></p> <p><i>There will be significant training implications for customer first dependent on the degree of change to the services.</i></p>
Consultation with Stakeholders	<p><i>Full details of the consultations held with industry, residents, interested groups and other stakeholders are contained within the waste strategy and supporting documentation. This information was subject to specific and separate reports to committee including presentation to a cross part advisory panel</i></p>
Affordability	<p><i>The overall cost of procurement cannot be established at this point and, inevitably, will be capitalized over the length of the contracts some of which may be up to 25 years.</i></p> <p><i>The revenue costs will be as those tendered and accepted together with any additional costs due to housing growth etc.</i></p>
Efficiency Savings under the Gershon initiative (incl VFM)	<p><i>Discussions with other authorities did take place to identify opportunities to share procurement costs and obtain economies of scale. Although limited primarily because of such factors as incompatible timing of the start of the service a joint procurement of clinical waste collection/disposal and the processing of wood waste is being undertaken with KCC.</i></p> <p><i>There remains a lack of waste processing capacity within Medway although, within the last year, garden and kitchen waste processing facilities and the EfW plant at Allington have been commissioned and become operational.</i></p>
Equalities and Environmental Issues	<p><i>These elements have already been dealt with substantially in the waste strategy and have been the subject of separate consultations.</i></p>
Risk Rating	<p><i>Updated risk analysis for all services are set out in a separate section.</i></p>
Risks	<p><i>These are set out in the document above.</i></p>

Heading	Narrative
Market	<p><i>There has been significant interest in the service contracts advertised in the OJEU. Not all companies were interested in all the services and indeed they tended to be quite specific about the range of services they wanted to provide.</i></p> <p><i>There was keen competition for collection services but there are also many other contracts being let. Companies can still, therefore, be selective. Two companies (Cory and Verdant) who wished to tender withdrew because of time facilities and involvement in other projects. The availability of disposal/processing solutions, particularly in close proximity to Medway are still, however, relatively limited with the result that there is a need for the continuing transfer of some waste and hence the need for an operating depot with waste transfer station.</i></p>

RISK REGISTER

No	Risk	Probability (P) (score 1-4)	Impact (I) (score 1-4)	Overall Score P x I	Action to avoid or mitigate risk
Collection Services					
1	Insufficient resources to deliver the project.	1	3	3	Advance planning and action when required. Monitor regularly.
2	Invitations to tender fail to stimulate a response from the market.	2	4	8	<p>Ensure contract requirements are packaged appropriately to invoke sufficient interest.</p> <p>Avoid restricting the market by packaging services to make contracts larger in the belief it will derive economies of scale.</p>
3	Response from the market is inappropriate to meet our needs.	1	3	3	<p>Use relevant procurement procedure and packaging. Response better than for current Contract. Some companies withdrew due to time or other factors.</p> <p>Reduce potential by packaging services into more discreet units and take account of the information provided during PIN discussions in contract documents.</p>

4	Changes in government regulations.	4	4	16	Incorporate into the contract that which is likely to be a known change. Prepare clear ground rules to be incorporated into the contract conditions for negotiating future changes in law. However waste industry is likely to be affected substantially in future.
5	Tendered prices unacceptable to council	3	3	9	Build in to each service contract a pricing mechanism with a PC sum arrangement for certain services which allows them to be removed or modified to meet budget constraints.
6	Awarding a contract with limited notice period to start of collection contracts can lead to poor service delivery initially,	3	3	9	Well packaged services generate good responses with options to use hire vehicles as an interim arrangement. Contingency plan to be agreed.
7	Receiving a challenge to a contract award decision.	2	3	6	Comply with contract regulations. Be fair, open and transparent in procedures.
8	Changes and difficulties caused if extending current contract. Increase in contract cost and effects on current expressions of interest of postponing further procurement action leading to probable loss of interest.	1	3	3	Prepare for a likely significant increase in contract costs. Termination date of existing Contract adjusted to end on a weekend and at the end of a normal payment period.
9	Street cleaning Lack of interest if service dealt with independently	1	3	3	Service included in main collection services.
10	Refuse collection	1	3	3	Ensuring the payment mechanism is

	Lack of interest due to unfamiliar conditions or payment mechanism				such that the bidders are familiar with and use to the system proposed.
Disposal					
11	Need to design plan and construct plant	1	3	3	Bids received and taken to shortlist stage do not involve plant design and construction.
12	Planning/permitting delays or problems leading to delay or description to Service	1	3	3	One bidder requires a transfer station for which planning permission obtained. Can use Pier Approach in meantime.
13	Default by Contractor needing emergency action	1	2	2	Contractor to provide and/or pay for alternative action
14	Closure of plant or inability to provide Service due to Force Majeure or relief events	1	4	4	Shared responsibility under Contract conditions.
15	Volume of waste less than or greater than anticipated	2	2	4	Allowance made for this in Contract conditions.
16	Termination of Contract due to default by Contractor	1	4	4	One bidder requires a cap on the liability set at 2 years annual cost of the service (approximately £15m) but the bidder has also priced the service for a cap that is set at three and four years value of service.
17	Failure to meet performance targets as standards	2	3	6	KPI & default system in place for financial compensation with a payment for any LATS implications to the Council.
18	Changes in law	3	3	9	Significant changes in law expected over a long term Contract for waste disposal. The impact of these would

					be subject to review at the time of establishing whether the financial implications are the responsibility of the Council or shared.
19	Services affected by change in insurance risks and some become uninsurable	2	2	4	Review at time and determine if risks are Contractors or shared.
Ancillary Services					
20	CA Sites Lack of competition if service included with others. Difficulty with licencing.	1	3	3	Service providers now being found outside of the larger well known waste service companies so competition likely to improve. Set realistic targets and ensure clear disposal solutions in place.
21	School Waste Interpretation of legislation means Council may be responsible for the cost of disposal of the waste.	3	4	12	Seek clarity of interpretation from Government on waste classification. Retain system as is in the meantime but allow for future changes to be incorporated. Include budget provision for possible reimbursement claims.
22	Failure to respond adequately to new legislative requirements	2	3	6	Ensure approach to new legislation developed sufficiently well in advance.
23	Non-household waste entering MSW waste stream or waste incorrectly dealt with according to its category.	2	4	8	Robust monitoring arrangements should be undertaken as part of Contract management for checking/validating wastes and issuing appropriate defaults. Failure will have significant financial implications.
24	MRF only: Failure to minimise	1	3	3	Promote BMW reductions by funding

	Biodegradable Municipal Waste (BMW) increasing Council's exposure to extra LATS costs.				council initiatives and including appropriate incentives in the contract
General					
25	Capacity at Materials Recycling Facility (MRF) fails to be made available.	1	2	2	Contract to allow for Council to use alternative plants at no extra cost.
26	MRF only: Risk of loss on LATS trading	1	2	2	Establish clear procedures for trading, including arrangements for spreading trading risks over maximum time.
27	Failure of waste management services contractor to meet contract standards for service delivery to the Council.	2	4	8	Adequate contract monitoring and enforcement in relation to operations. In appropriate cases by including provisions in the contract for deductions where these standards are not met.
28	Interruption of availability of some facilities	2-3	2-3	4 – 9 dependent on extent and duration of event	Adequate contract monitoring and enforcement in relation to maintenance, security, health and safety, staff training. Contractual provision of back-up equipment and facilities. Fire insurance. In appropriate cases by including provisions in the contract for deductions where such interruptions occur.
29	Overpayment to contractor	1	2	2	Robust contract procedures for checking contracts, validating invoices and recovering any overpayments. Staff training.

					Internal audit.
30	Contractor/employee fraud or corruption	1	1-2	1-2 dependent on the nature of the fraud	Robust contract provisions for controlling payments and assets. Adequate supervision and transparency for contract management and negotiations. Staff training. Internal audit.
31	Budgeted net expenditure exceeded	1	2	2	Prudent budgeting. Robust arrangements for management within budget. Prompt and accurate assessment of unbudgeted proposals and developments.
32	Termination due to default by the contractor	1	4	4	Adequate contract provision to enable the Council to take effective action when necessary.

DETAILS AND RESULTS OF THE TENDER PROCEDURES

1. DISPOSAL SERVICES

- 1.1 The CD procedure has been used to obtain a disposal solution for residual waste and a processing arrangement for garden/kitchen waste. The Competitive Dialogue procedure is flexible and has enabled the Council to discuss with bidders the means best suited to meet the contracting authority's needs.
- 1.2 A formal notice of the Council's requirements under the CD procedure was published on 13 July 2007. This resulted in 37 organisations expressing an interest in tendering for the services, 12 organisations submitted a pre qualification questionnaire (PQQ) for one or more of the services advertised.
- 1.3 The CD procedure took place in successive stages in order to reduce the number of solutions discussed and bidders involved.
- 1.4 The management of enquiries received, the provision of the questionnaires and background data and the distribution of any information in response to queries from potential bidders were controlled through an IT package jointly developed between the Waste Procurement Section and the Information Technology Section. The system developed and deployed has produced efficiency savings because it ensured a significantly increased use of the electronic transfer of information whilst maintaining a high degree of confidentiality for the potential bidding organisations, data and procedures.
- 1.5 The completed questionnaires submitted were evaluated against previously established criteria based on the financial standing and ability, technical ability and professional competence as permitted under the Public Contracts Regulations 2006. The weighting of criteria was determined using Saaty's Analytical Hierarchy Process (AHP) which is a procedure for evaluation and decision analysis in situations where multiple criteria exist.
- 1.6 The results of the PQQ evaluation revealed that all the organisations that responded were potentially able to provide some form of disposal and/or processing solution. In order to reduce the number of organisations that the Council had to undertake a dialogue with it was necessary to reduce the overall numbers of applicants involved in each element of the service requirements (lots) before moving to the next stage.

1.7 To ensure that the number of organisations for each of the service lots were set at a reasonable and manageable level, all 12 organisations were invited to submit Outline Solution(s) (ISOS) for the service lots in which they had shown an interest in their PQQ submission. These outline solutions were evaluated against the Council’s published evaluation criteria and a maximum of 4 organisations for each service lot were selected to be invited to submit their proposed solutions in detail with costings (the ISDS stage).

2. Evaluation

2.1 Of the 12 companies invited to submit outline solutions 7 did so. The responses received are shown in the table below and a summary of each company’s solution is given in paragraphs dealing with each service.

COMPANY	LOT 1	LOT 2	LOT 3
J	X		
K	X	X	X
F	X		X
B	X	X	X
C	X	X	X
E		X	X
L		X	X

2.2 Whilst price (which has a weighting of 47%) would be a significant single criterion for subsequent stages of the CD procurement process, it did not feature as part of the evaluation of the outline solutions because it was considered that prices submitted at ‘outline stage’ would be meaningless and potentially misleading. The outline solutions received were assessed against their respective technical and professional attributes. The relative weighting of the specified criteria for the ISOS evaluation summarised below.

2.3 **Technical and Professional Ability Comprising:**

Deliverability	21%
Service Quality	15%
Commercial	13%
Environmental & Social Responsibility	3%
Working with the Council & Stakeholder	1%

COMMENT

3. **LOT 1 – the Disposal of Residual Waste**

3.1 **Company J**

Company J proposed a solution based on EfW to provide both combined heat and power from a plant to be constructed in North Kent. The site was not named due to the lease arrangements not having been concluded because of its proposed location on land owned by a company who would use the energy

created. It is considered that the location of the plant would be outside of but 'local' to the administrative area of Medway. No planning permission has yet been obtained and the company considers that it would be at least four years before such a plant could be constructed. The capacity of the plant would be in the region of four times that required by the Council's residual waste needs. In addition the plant would require a refuse derived fuel and the company propose to build a plant in Medway to convert the residual waste into the fuel required. No interim solution was offered which would affect the Council's LATs compliance.

3.2 **Company K**

Company K have stated that their proposal to compost residual waste (to improve its biodegradability) would be operational by the time the new contract was due to commence (September 2009). Company K were already constructing facilities for an In-Vessel Composting (IVC) site in Kent but would require planning permission to extend this facility to process residual waste. This process would enable the Council to be LATs compliant. It is likely that some of the waste would require to be bulked at Medway prior to transportation to the site unless the current planning restrictions on vehicle movements into the site were relaxed.

3.3 **Company B**

Company B proposed using a number of Energy from Waste (EfW) plants at various locations in the South East at a level to achieve LATs compliance with the balance going to landfill. Their proposal did not quantify the amounts of residual waste that could be processed at any of the plants nor for the period for which the plant capacity would be available. Two of the EfW plants mentioned were operated by third parties one of whom is also providing a proposed solution to the Council. The other third party plant was based in Edmonton, north London. However despite requests for information on the capacity available to Company B of the third party sites, no information has been made available to date. Company B's other alternative was to use their proposed EfW plant on the South Coast for which planning permission has recently been granted although construction has not commenced. Capacity would be available at this plant only after the plant performance and the waste flows have stabilised. All four sites would require all the residual waste to be transferred into bulk vehicles for transportation although Company B maintain they would seek to obtain planning permission for a waste transfer station in Medway.

3.4 **Company C**

The proposal put forward by Company C involved constructing a medium scale Advanced Thermal Treatment plant located at their current waste transfer station site. The company maintained they had outline planning consent but detailed planning permission was still required. Their interim solution until early 2012 was by way of landfilling the waste. They already had a transfer station with sufficient capacity for Medway's needs and their long-term solution for Medway would enable the Council to be LATs compliant. The proximity of the long-term solution minimised the need for

transfer and transportation of the waste. They maintained their solution could provide potential operational and financial advantages to the Council.

3.5 Company A

Company A stated that their proposal (incineration/energy from waste) would be totally operational by the time the new contract was due to commence; there was sufficient capacity to treat all of Medway's residual waste; it would enable the Council to be LATs compliant and the need for the Council to use a waste transfer station may not be necessary.

4. LOT 3 – the Processing of Mixed Kitchen and Garden Waste

4.1 The following companies were considered to be the most suitable following the evaluation of their outline solutions against the specified evaluation criteria.

4.2 Company E

Company E stated that its proposal (an IVC facility) would be operational by the time the new contract was due to commence. Construction of the facility was already in its final stages and capacity would be available for all of this type of waste from Medway. The proximity of their facility to Medway would minimise the need for bulking up waste at a transfer station.

4.3 Company D

Company D stated that its proposal (an IVC facility) would be operational by the time the new contract was due to commence. This facility had received planning permission and there would be spare capacity to deal with all of this type of waste from Medway. It was considered that some of the waste may require to be bulked at Medway prior to transportation unless the current planning restrictions on vehicle movements into the site were relaxed.

4.4 Company L

Company L currently operates a site in the outskirts of London that processes garden waste using the open windrow composting system. Their outline proposal was to use this system for Lot 2. For Lot 3 it was proposed that an in vessel system was to be provided and constructed by others on local farmland. No planning permission had been granted for the latter and the company were not operating any other in vessel processing plants in the UK at the present time.

4.5 Company M

Company M stated that it could provide an IVC facility at its landfill site. Planning permission was available at this site for processing up to 14,000 tonnes per annum. The balance would be transferred to their IVC plant elsewhere which was currently operational and would be used as an interim arrangement until the capacity of the one based on the landfill site was increased. Alternatively, their proposal was to use an Anaerobic Digestion plant to be located elsewhere and for which planning permission has already been provided or a plant could be constructed locally subject to obtaining detailed planning permission.

4.6 **Company F**

Company F based their submission on sub contracting to another company. They considered there would be advantages to the Council if they were considered for both this contract arrangement as well as for the disposal of residual waste though this would not be in the form of financial savings. Their potential involvement in Lot 3 was not conditional on the award of a contract for Lot 1 services.

5. Evaluation and selection of companies to submit detailed solutions

5.1 Following a full and careful evaluation of the outline solutions for each lot four companies were invited to submit detailed solutions for the disposal of residual waste i.e. for LOT 1 and three companies did so.

5.2 Four companies were invited to submit detailed solutions for the processing of garden and kitchen waste i.e. LOT 3 and three companies did so.

5.3 The details of the companies invited in alphabetical order are as follows. Those that submitted a detailed solution are ticked:-

LOT 1

Company A ✓
Company B ✓
Company C ✓
Company K

LOT 3

Company D ✓
Company E ✓
Company F ✓
Company M

5.4 The requirements for LOT 2 (provision of windrow composting facilities) were not pursued because members had decided to allow kitchen waste to be mixed with garden waste and that required a different process where the processing took place in an enclosed environment for which the solutions submitted under Lot 2 would not have been suitable nor would have complied with relevant legislation.

6. Evaluation of the Detailed Solutions

6.1 In addition to the bid submission as part of the evaluation of detailed solutions the CD process used required that each of the companies were invited to present, more fully discuss and clarify their proposed solution with the procurement team.

6.2 The proposed bid prices submitted by bidders as part of the detailed solution, and any conditions and subsequent clarifications that affected, or were likely to affect, the outline prices, were analysed by Ernst and Young.

6.3 All other aspects of the bids which comprised responses to 13 criteria and 41 sub criteria, were scored by the procurement team. The results were as follows.

	DISPOSAL	SERVICES	ISDS Stage
	Scoring	Results	
LOT 1	Company C	Company A	Company B
Technical	3195	3415	3246
Financial	2875	3458	3152
Totals	6070	6873	6398
LOT 3	Company D	Company E	Company F
Technical	3630	3636	3335
Financial	3204	3458	3260
Totals	6834	7094	6596

6.4 The results of the financial evaluation at this stage are summarised in the table below. However, this information needs to be considered together with the full evaluation of each bid as detailed in a separate report by Ernst and Young.

	Financial	Comparisons	ISDS Stage
LOT 1	Company C	Company A	Company B
	£235.740m	£196.024m	£215.021m
LOT 3	Company D	Company E	Company F
	£18.162m	£16.828m	£17.850m

6.5 Following the results of the financial, professional and technical scoring of bidders submissions it was recommended that the bidders with the two highest scores, i.e. Company A and Company B be taken forward to the next and final stage of the CD procedure for LOT 1. For LOT 3 it was recommended that all three bidders i.e. Company D, Company E and Company F be taken forward to the next stage of the CD procedure because Company F's proposal relied on Company E providing the service as a sub-contractor.

6.6 In evaluating the detailed bids a number of issues had to be taken into consideration in order to examine and illustrate the impact of changes in the underlying assumptions on the unitary charge payable by the Council. These issues include the potential impact on each bidders' unitary charge of above inflation increases in landfill tax; the potential value of a LATS surplus or deficit assuming a LATS value of £20 a tonne, the impact that this would have on any 'guaranteed' diversion targets, and the potential impact that an inflation rate in excess the 2.5% assumed in the financial models of the bids, would have on treatment and gate fees. The results of taking these issues into consideration are reflected in the final scores given to each bidder. All scoring has been in accordance with the published evaluation criteria.

- 6.7 The CD procedure provides for bidders who remained in the process to request further discussion on any aspect of their submitted solution with the Council and for the Council to also seek further clarification of the information submitted. For LOT 1 these discussions tended to concentrate on seeking agreement over the main terms and conditions of the contract and the payment mechanism. For LOT 3 the discussions were about the process proposed with slightly less emphasis on the contract conditions, hence, the discussions and clarifications were less complex.
- 6.8 When the discussion and clarification phase was completed bidders were formally advised that the final stage of the CD procedure had been reached. At this stage bidders were required to submit their final price for the service taking into account the matters and outcomes of the discussions and clarification over the contract requirements.

7. COLLECTION SERVICES

- 7.1 Following the presentation of individual reports on the options appraisal for waste collection services to the Waste Project Board, the Procurement Board, the Overview and Scrutiny Committee and, finally, to Cabinet on 5 August 2008 an advertisement inviting expressions of interest in rendering for the Council's collection services was placed in the Official Journal of the European Union (OJEU) and other relevant publications indicating a proposed start date of 29 September 2009 for the services.
- 7.2 In accordance with the Cabinet decisions based on the options appraisal the collection services were disaggregated into four service groups as follows:-
- 1a) The collection of Household Waste, Garden/Kitchen & Recycling together with street cleaning (the emptying of Bring Site containers is included in this service).
 - 1b) The collection and disposal of School Waste
 - 1c) The management of the Household Waste and Recycling Centres and the haulage of specified waste from these sites.
 - 2) Processing of recyclable materials at a Materials Recycling Facility (MRF) with capacity to deal with the Council's recycling collected in the kerbside service and from Bring Sites.
- 7.3 In response to the advertisement the Council received 36 expressions of interest covering some or all of the four services detailed above. Of these expressions of interest, 12 responded with a completed pre qualification questionnaire (PQQ): see chart at the end of this section.
- 7.4 Company X, after expressing interest, failed to provide the information required to enable an assessment of their eligibility and competency to meet the Council's requirements.

- 7.5 Company W were interested in providing only one small element of the waste collection service and not the complete service as required by the Council.
- 7.6 The evaluation criteria, and weighting mechanism used followed a similar pattern and style adopted and approved by the Project Board for the waste disposal services. As a result (the application of Saaty's AHP the ranking of the assessment criteria by sixteen independent assessors resulted in a weighting configuration as follows:
- | | |
|----------------------|-----|
| Technical Ability | 27% |
| Professional Ability | 26% |
| Financial Standing | 26% |
| Economic Standing | 21% |
- 7.7 The technical and professional ability of each company was subdivided further to cover health and safety, equal opportunities, environmental achievements and quality assurance systems. Independent references obtained from other councils were also taken into account in scoring this aspect of the evaluation.
- 7.8 The combined financial and economic standing that adds up to a total of 47% is assessed on the basis of the accounts submitted by each company's response to the PQQ.
- 7.9 Initially, every response was checked to ensure compliance with the PQQ requirements and that all relevant questions had been answered. The response to each category of questions was then assessed and marked by officers within the Council with expertise and experience in the relevant categories. The outcome of this exercise was as follows:-

8. RESIDUAL WASTE & RECYCLING COLLECTIONS & STREET CLEANSING

Ranking	Company	Overall Score
1	N	15,119
2	G	14,935
3	O	14,916
4	I	14,843
5	P	14,833
6	H	14,639
7	Q	14,570
8	R	14,170
9	S	14,140
10	T	13,666
11	U	12,423
12	V	9,960
13	W	Not evaluated
14	X	Not evaluated

- 8.1 The notification to the OJEU, and in compliance with the Contract Regulations 2006, specified that the Council would invite a maximum of seven bidders for the main collection services to include street cleaning.
- 8.2 The decision on the number of the companies that were appropriate to be invited was based on a figure that was sufficient to ensure good competition and yet be low enough to prevent companies being deterred from expressing an interest if they felt there was likely to be too high a level of competition thus leading to nugatory time and effort. It had to be taken into account that there were, and still are, a significant number of new waste collection contracts being advertised and let by other councils so it was imperative to maintain the interest of companies who responded to our advertisement.
- 8.3 The number of companies responding to the PQQ for each of the services was more than the Council stated they would normally invite to tender. In order to ensure good and manageable competition it was decided that the seven highest ranked companies would be invited to tender
- 8.4 The EU 'restricted' procurement process is a two stage process. In the first stage responses to the PQQs are evaluated and ranked. In the second stage companies selected from those ranked in the first stage are invited to submit tenders. The Regulations also prevent the use of the same criteria used in evaluating the PQQs from being used again in evaluating tenders.
- 8.5 The evaluation of the PQQs revealed that Company C, a major company was not interested in tendering for the main collection services covering household waste and recycling collections with street cleaning It was interested however, in tendering for all the other collection services and it remained interested in providing waste disposal solutions.
- 8.6 There were a large number of companies interested in tendering for the main collection services on this occasion than there were for the current contract. The preparation of the contract documents for the collection services was based on members' decisions following the options appraisal.
- 8.7 In accordance with the Public Contract Regulations 2006 those companies that were not selected for invitation to tender were informed of the results of the PQQ evaluation. There were no challenges to the results of this procedure.
- 8.8 The seven companies with the highest score from the PQQ results were invited to submit tenders for the main collection services. Three, namely Company G, Company H, and Company I did so. Company N, Company O, Company P and Company Q withdrew from the tendering exercise because of the lack of time or other reason not necessarily specified.
- 8.9 In addition to submitting prices for the services each tenderer was required to provide a response to a series of method statements. Details of the method statements that were required together with the scoring matrix are available as background documents.

EVALUATION CRITERIA

1. Tenders for the Solution(s) will be evaluated on the basis of the most economically advantageous Solution(s) having regard to a range of criteria set out in this Appendix. The Council has allocated a maximum score for each area that reflects the relative importance attributed by the Council to that area: The criteria will be followed by the Council in evaluation tenders for Solution(s).

2. Evaluation Criteria

Price 47%

Technical and professional ability comprising:

Deliverability 21%

Service Quality 15%

Commercial 13%

Environmental and Social Responsibility 3%

Working with the Council & Stakeholder Engagement 1%

3. General Principles

3.1 The tender evaluation team will assess the Bidder's responses as set out in each Method Statement to determine the degree to which the quality criteria have been met and award a score out of 100% of the points set out in the matrix and as defined below:

<ul style="list-style-type: none"> • Excellent – Meets all criteria in a very full and comprehensive manner and exceeds some requirements; 	Score 85 – 100%
<ul style="list-style-type: none"> • Good – Generally satisfactory and meets the requirements of the criteria to the satisfaction of the tender evaluation team; 	Score 61 – 84%
<ul style="list-style-type: none"> • Adequate – Satisfactory but with aspects which cause the tender evaluation team concern because wither the response is incomplete, or differs from the professional/technical judgement of the tender evaluation team on the requirements necessary to meet the criteria; 	Score 35 – 60%
<ul style="list-style-type: none"> • Inadequate – Indications that the response meets some of the requirements but either the tender evaluation team has serious doubts about aspects of the response, or inadequate information has been provided; 	Score 11 – 34%

<ul style="list-style-type: none"> • Unacceptable – Little or none of the response is satisfactory, or little or no information has been provided. 	Score 0 – 10%
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3.2 The Method Statements will be evaluated from the scores that reflect the extent to which a Solution(s) meets the Council’s expectations. The weighting to be given to each Method Statement in the evaluation of Bidders’ service delivery and technical proposals will be as follows:

3.2.1 The Method Statements will be evaluated against the following criteria:

3.2.2 **Service Quality** – the Solution(s) will be assessed to determine the degree to which Bidders have demonstrated in their Method Statements that they have the skills, experience and technical capacity to meet the Performance Standards set out in the Specification.

3.2.3 **Deliverability** – The Solution(s) is to be operationally available by the Service Commencement Date and has the capacity and resources to deliver the Disposal of Residual Waste Service in accordance with the Service Delivery Plan.

3.2.4 **Commercial** – Commercial evaluation will, in particular, include consideration of the extent to which the Bidder’s Solution includes the Bidder’s acceptance of the Council’s Model Contract.

The Council will require any contract let to, as far as possible, be subject to these Terms and Conditions of Model Contract. Bidders are invited to clearly indicate which, if any, of these Terms and Conditions of they wish to discuss/amend/change. If any amendments are proposed, Bidders are invited to provide full details of any alternative terms and conditions they wish to be considered.

3.2.5 **Environmental and Social Responsibility**

3.2.6 **Working with the Council and Stakeholder Engagement**

3.2.7 **Price** – the price will be evaluated on the cost to the Council and will include where appropriate, amongst other items, overall whole life cost of transfer station, haulage, LATS, landfill tax and any other details submitted in ISDS submission forms.

See Table on next page.

APPENDIX 4 – A - Disposal Services

Lot	Waste disposal				Allocation %	Max score per question	Actual Score	Price	Deliverability	Service Quality	Commercial	Environment & Social Resp.	Working with Authority & Stakeholder Engagement
								47%	21%	15%	13%	3%	1%
	Answer all these questions for interim (if applicable) and final solution and confirm												
2.4.1	Method Statement 1 Planning and Building			600									
	a Timetable for planning and consents				100	50	50		50				
	b Legal interest in site				100	30	30		30				
	c Details of EIA				100	50	50		50				
	d Planning conditions and restrictions				100	130	130		130				
	e Project plan				100	45	45		45				
	f Construction programme				100	55	55		55				
	g Waste capacities				100	130	130		130				
	h Contingency arrangements				100	60	60		60				
	i Site plans				100	50	50		50				
2.4.2	Method Statement 2 Disposal Facilities			800									
	a Plant and specifications				100	175	175			175			
	b Other locations using same technology				100	50	50			50			
	c Environmental controls				100	25	25					25	
	d Monitoring system and frequencies				100	150	150			120		30	
	e Meeting councils targets				100	250	250			250			
	f Adaptability for				100	150	150			150			

	a Safety in organisation				100	35	35			14		21		
	b H&S management				100	35	35			14		21		
	c Risk assessment and procedures				100	10	10			4		6		
	d Accident monitoring				100	10	10			4		6		
	Environmental Statement													
	a Gasses emissions				100	5	5					5		
	b Bio-aerosols				100	5	5					5		
	c Odour				100	5	5					5		
	d Emissions to water				100	5	5					5		
	e Emissions to land				100	5	5					5		
	f Proposals for EN14001				100	10	10					10		
	g Quality management				100	10	10			10				
	h Training				100	10	10			10				
	i Good industry practice/codes of practice				100	5	5			5				
2.4.10	Method Statement 10 Innovation			50										
	Innovation				100	50	50				25		25	
2.4.11	Method statement 11 Transfer of staff			50										
	a) 2.5.13.1 TUPE transfer experience				100	25	25				25			
	b) Pensions suitable provision				100	25	25				25			
2.4.12	Waste education programme			50										
	a) Facilities				100	25	25						25	
	b) Information				100	25	25						25	
2.4.13	Acceptability of terms and conditions			1200	100	1200	1200				1200			
	Including payment mechanism,						0							

EVALUATION CRITERIA

1. Tenders will be evaluated on the basis of the most economically advantageous Tender having regard to a range of criteria set out in this Appendix. The Council has allocated a maximum score for each area that reflects the relative importance attributed by the Council to that area: The criteria will be followed by the Council in evaluation tenders.

2. Evaluation Criteria

Price 47%

Technical and professional ability comprising:

Deliverability 24%

Service Quality 17%

Environmental and Social Responsibility 7%

Working with the Council & Stakeholder Engagement 5%

3. General Principles

3.1 The tender evaluation team will assess the Bidder's responses as set out in each Method Statement to determine the degree to which it is capable of achieving the performance standards of Specifications and award a score out of 100% of the points set out in the matrix and as defined below:

<ul style="list-style-type: none"> • Excellent – Is considered capable of achieving the performance standards in a very full and comprehensive manner and exceeds some requirements; 	Score 85 – 100%
<ul style="list-style-type: none"> • Good – Generally satisfactory and is considered capable of achieving the performance standards 	Score 61 – 84%
<ul style="list-style-type: none"> • Adequate – Satisfactory but there remains concern as to the bidder's ability to sustain its achievement of the performance standards; 	Score 35 – 60%
<ul style="list-style-type: none"> • Inadequate – Indications that the response meets some of the service requirements but it is not considered capable of achieving all the necessary performance standards either the tender evaluation team has serious; 	Score 11 – 34%
<ul style="list-style-type: none"> • Unacceptable – Little or none of the response is satisfactory, or little or no information has been provided. 	Score 0 – 10%

- 3.2 The Method Statements will be evaluated from the scores that reflect the extent to which a Tender meets the Council's expectations. The weighting to be given to each Method Statement in the evaluation of Bidders' service delivery and technical proposals will be as follows:
- 3.2.1 The Method Statements will be evaluated against the following criteria:
 - 3.2.2 **Service Quality** – the Tender will be assessed to determine the degree to which Bidders have demonstrated in their Method Statements that they have the skills, experience and technical capacity to meet the Performance Standards set out in the Specification.
 - 3.2.3 **Deliverability** – The Bidder has the capacity and resources to deliver the Services in accordance with the Method Statements.
 - 3.2.4 **Environmental and Social Responsibility**
 - 3.2.5 **Working with the Council and Stakeholder Engagement**
 - 3.2.6 **Price** – the price will be evaluated on the cost to the Council and will include the whole life cost of the Services. These costs will include the cost to deliver the various types of waste to the disposal location(s) specified by the Council. In the case of the brown sacks for Garden Waste Tenders will be assessed on the basis that 5,000 units of 2 will be required during each year of the Contract Term.
4. Variant bids will be evaluated on the same basis as that for standard bids. Variant bids will also need to be supported by Method Statements in the same way that they are required for standard bids. Any differences between Method Statements for a standard bid and for a variant bid must be clearly identified.

See Table on next page.

APPENDIX 4 – B – Collection Services

COLLECTION SERVICES				Max score per question	Actual Score	Price	Deliverability	Service Quality	Environment & Social Resp.	Working with Authority & Stakeholder Engagement
						47%	24%	17%	7%	5%
2.1	Method Statement 1		410							
	a) collecting and reporting accurate data		130			65	65			
	b) strategic reporting for CPA etc		100			50	50			
	c) assist in continuous improvement		70			52	18			
	d) partnering arrangements		60				30			30
	e) engaging key stakeholders		50				25			25
2.2	Method Statement 2		200							
	Innovation		200			100	100			
2.3	Method Statement 3		800							
	a) initial service and transfer to revised service		700			630				70
	b) repair & maint of wheeled bins		100			100				
2.4	Method Statement 4		600							
	a) premises and resource		50			50				
	b) staff resources		130			130				
	c) environmental impact		50						50	
	d) monitoring and frequency		130				130			
	e) assist with waste targets		50			45				5
	f) adaptability to change		140			140				
	g) working with charities etc		50							50
2.5	Method Statement 5		100							
	a) holiday operations		50			50				
	b) weighing of waste		50			50				
2.6	Method Statement 6		250							
	a) management systems		20				20			
	b) employee involvement in safety & risk assessments		20				10		10	
	c) health and safety and inspections		20				20			
	d) risk assessment		10				10			
	e) accident reporting / investigation		20				20			
	f) ISO 9000		50				50			
	g) en14000		50				50			
	h) operative training		30				15		15	

	I) good industry practice			30			30		
2.7	Method Statement 7		100						
	a) TUPE assumptions			50				50	
	b) TUPE actions/experience			50				50	
2.8	Method Statement 8		250						
	a) depots and locations			250		250			
2.9	Method statement 9		400						
	a) customer service			200			200		
	b) communication arrangements			200			200		
	Method Statement 10		150						
	a) weed plan			50		50			
	b) leaf plan			50		50			
2.1	c) shopping trolley plan			50		50			
	Method statement 11		50						
2.1	a) strategic route cleansing			25		25			
	b) strategic route litter picking			25		25			
	Total		3310	3310		1812	1043	275	180
	Whole life costs		2935			435	177	19	9

WASTE CONTRACTS – EXECUTIVE SUMMARY

1 Contract Packaging

- 1.1 The waste contracts are packaged separately –
- Residual disposal (energy from waste and land fill) 25 years plus an option to extend for five years.
 - Garden and kitchen waste composting 15 years.
 - Street cleaning and collection services 7 years (option to extend 2 years).
 - Complies with council's procurement procedures including previous reports to Cabinet.
 - The competitive dialogue process was used for residual waste and garden/kitchen composting.
 - The restricted route was used for street cleaning and collection services.

2 Evaluation

- 2.1 Under EU procurement rules, the successful tenders are accepted on the basis of the most economically advantageous tender (MEAT). This is a combination of technical factors and financial assessment that follows a weighting previously agreed with Cabinet.

3 MEAT Tender – Residual Disposal

- 3.1 The current Council policy states “Incineration shall not be used for the disposal of Medway’s household waste nor shall such waste be exported for incineration elsewhere unless an alternative environmental method of disposal cannot be achieved at comparable cost”.
- 3.2 The procurement process was based on a competitive dialogue approach that allowed the private sector to suggest solutions for processing Medway’s waste. Five companies submitted outline solutions to process residual waste. 4 out of 5 were based on thermal treatment. The fifth (non thermal treatment) solution withdrew from the procurement process. Effectively the only viable solutions offered were based around energy from waste as a component.
- 3.3 Having passed through the process, the two remaining solutions are both based on a combination of energy from waste and elements of landfill. All the solutions are based outside of Medway. The transportation costs have been taken into account in the evaluation of the tenders.
- 3.4 Both solutions seek to limit the Council’s potential liability to LATS but both solutions provide caps in respect of the contractor’s liability to LATS penalties. The Council is protected against landfill tax liabilities if the contractor does not perform to the contract targets.

- 3.5 The technical scores for both solutions indicate that the Council can have confidence in the methodology.
- 3.6 The significant issue differences between the bids –
- Company A will accept direct delivery to its plant. However that business has also submitted 3 gate fee prices based on a capped liability in the event of major contractor default triggering termination by the Council.
 - The liability cap is linked to the value of the annual turnover of the contract for 2, 3 and 4 years. The gate fees are set on the basis.
 - In the event of a major default causing termination, then the capped amount might need to cover the additional costs the Council would have to bear to re-let the contract e.g. procurement costs, emergency disposal and the possibility of higher disposal costs from another contractor for the remaining lifetime of the contract. A commentary of the costs is included in the exempt appendix to the main report.
 - Company B requires delivery to a waste transfer station in Medway. The bid has no cap to liability in the event of termination as a result of default by the contractor.
 - Both bids limit their risk as far as purchase of LATS permits is concerned. (The current trading value is £0)
 - The details of the MEAT scores and full life financial costs, including the bid structure for liability capping are given as an appendix to the main report.
 - Company A, based on a liability cap equivalent to 2 years contract value provides the highest MEAT score

4 MEAT Tender – Green Waste Disposal

- 4.1 Both bidders are from Kent based processors and offer good solutions to process garden and kitchen waste.
- Both solutions allow the processing of co-collected garden waste
 - Both solutions are based 15 miles from Medway.
 - Company E has the highest MEAT score.

5 MEAT Tender – Street Cleaning and Collection

Main Bids

- 5.1 The main bids were based on offering the following services with a pricing for 5 mile and 15 mile delivery –
- Street cleansing following current arrangements but with an Emergency Response Team for litter picking to cover areas not included in the contract.
 - Weekly black sack residual waste collection (to change to a wheel bin collection after 18 months).

- Fortnightly garden waste collection to include kitchen waste from contract start via wheel bins.
- Fortnightly kerbside dry recycling (to change to wheel bin service after 18 months).
- 5 or 10 day bulky waste collection service.
- Option to work bank holidays for waste collection.
- Servicing bring sites.

Variant Bid

5.2 The procurement process allows bidders to offer changes to the service provision that are advantageous to the Council. Company H has done that. The ability of the Council to accept this bid has been checked with external legal advice. The services are the same as outlined above but change the collection arrangements for recycling –

- Fortnightly collection of mixed recycling from the outset of the contract using a 2 box system with clean paper separated from other types of recycling using dual bodied collection vehicles to support this.
- The potential to collect a wider range of plastics.
- The collection of domestic batteries with the Council providing the receptacle.
- The bid includes the processing of mixed recyclate and segregated waste from the clean paper collection and bring sites. This means that the Council does not need a separate materials recycling facility (MRF) contract and also allows the bidder to offer a fixed share to the Council of income from the kerbside paper collection service.
- The bid is based on providing a 55 litre box without a lid to supplement the existing blue boxes. The bidder has confirmed that dry recycling will be collected if it is presented in bags or boxes that allow the collection crews to see that it is recycling. Provision of additional sacks to box users has not been included in the option.
- The bidder has suggested that contamination will be less as the refuse crews can identify issues more easily than with a wheel bin system.
- The exempt appendix to the main report indicates the MEAT bidder.

Finance Particulars

5.3 The evaluation of the bids has been expressed on a full life time cost of the contracts. This makes it hard to see the impact on the budgets allocated to Waste Services.

5.4 The likely effect of the tenders has been mapped onto existing budgets for 2009/2010 (part year effect of the contract change) and an indication of the full year cost for 2010/2011 has been given. These are based on actual figures from the bills of quantities but exclude the operation of the 3 Household Waste Recycling

Centres. These are shown in a table included in the exempt appendix to the main report.

- 5.5 The table shown in the Exempt Appendix outlines the estimated costs for waste services for 2009-10 compared to the budget. It also shows a full year estimate for 2010-11 (not indexed)
- 5.6 The information indicates that the solutions identified by the procurement process will be within the existing budget provision for 2009/2010.

6 Recommendations

- 6.1 Members consider the waste services in the following order:-
- a) disposal of residual waste;
 - b) disposal of garden/kitchen waste;
 - c) the collection of residual waste and recycling and street cleansing service.
- 6.2 Members to award the contract for the disposal of residual waste to Company B as recommended by the Procurement Board, whilst noting that Company A is the most economically advantageous tender (MEAT), and that Company A is bidding on the basis of a capped liability in the event of contract termination, which potentially exposes the Council to unacceptable financial risk.
- 6.3 Members note that the MEAT result for the processing of garden/kitchen waste and award the contract to Company E.
- 6.4 Members note the MEAT result for the collection/cleansing service and award the contract to Company H for its variant bid.
- 6.5 Members allow the cleaning of the streets in Cuxton and High Halstow to be carried out by the respective parish on an agency basis at their quoted price.

Lead Officer Contact:

Andy McGrath, Assistant Director, Front Line Services
Tel. No: 01634 333163, Email: andy.mcgrath@medway.gov.uk