

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE - 3 MAY 2006

Somerset Waste Board – Waste Collection Contract Award and Management

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This report is the responsibility of Executive Councillor Mark Edwards

1. Purpose of Report

- 1.1 To update Members on progress of the Somerset Waste Board project; and
- 1.2 To provide a basis for cross-county agreement of an approach to coordinating the contract award process for the integrated refuse collection and recycling contract(s).
- 1.3 To agree further funding to deliver the project.

2. Background

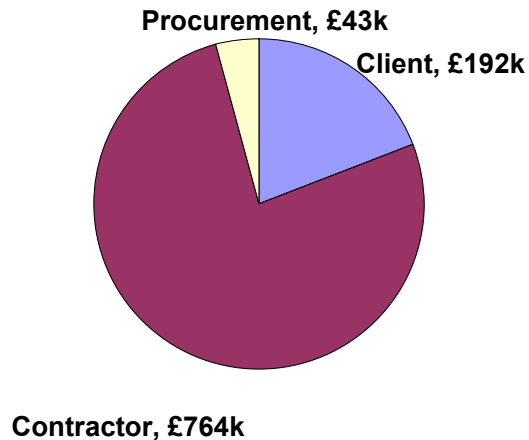
- 2.1 Taunton Deane Borough Council is participating in the development of contract integration for waste collection services in Somerset. This was an integral part of the Joint Waste Best Value Review Continuous Improvement Plan (CIP) that was adopted by the Council in March 2002.
- 2.2 The proposal to integrate contracts is seen as a means of reducing the financial burden of meeting increasingly challenging statutory requirements for minimising waste and diverting it from landfill.

3. Business Case

- 3.1 In October 2004 the Somerset Waste Partnership (SWP) appointed Eunomia Research and Consulting (funded by Defra) to work with the six authorities to examine the potential business case for:
 - (a) Integrating waste collection contracts across the five District Councils;
 - (b) Forming a joint Executive body to govern the delivery of all waste management services (waste collection and disposal) across Somerset (known as the Somerset Waste Board or SWB);
 - (c) Forming a joint 'client' operation of officers to manage all waste collection and disposal contracts; and

(d) Pooling all waste management budgets across the six authorities.

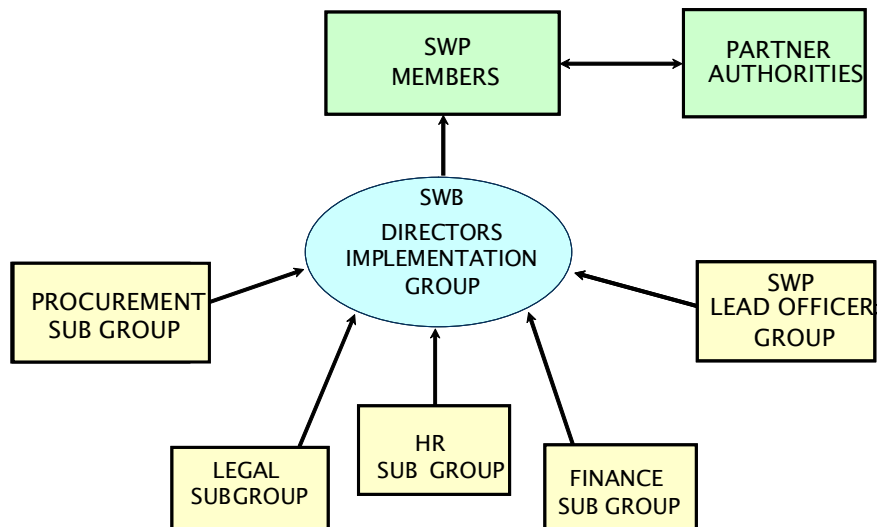
- 3.2 The research identified a number of practical opportunities to improve efficiency as a result of both integrating the waste collection services and forming a single client to manage all waste services.
- 3.2 The biggest opportunity to reduce cost was through the integrated collection contracts, in particular through 'depot optimisation' – the development of the right number of purpose built depots to facilitate efficient cross-boundary collection services.
- 3.4 The business case also identified opportunities to improve service quality by exploiting economies of scale to fund a more specialised client team. This is seen as being particularly important as waste management services become more complex and heavily regulated. Better integration between waste collection and disposal was also seen as a key to controlling costs and maintaining service quality over the long term.
- 3.5 The business case identified savings of around £1m between the 5 District and Borough councils, split between the following three areas:



- 3.6 The business case was reported to the SWP on 10 December 2004 when all partners agreed that the SWP approach offers potential benefits to the partner authorities and it was agreed in principle that it should be progressed.

4. Progress and Project Timetable

- 4.1 By May 2005 all six authorities' Executives had committed in principle to implementing the SWB and work has progressed since then to deliver the project. The strategic directors with responsibility for environmental services have formed a Directors Implementation Group (DIG), which meets regularly to steer the project. The DIG is supported by a full-time project manager and secretariat.
- 4.2 This is a major project for all of the partner authorities and a large number of officers from different disciplines are involved with its delivery:
- (a) The Lead Officer Group is developing the integrated contract specifications and supporting the development of the single client;
 - (b) The Legal Sub Group is overseeing the development of the contract documentation and development of the SWB constitution;
 - (c) The Finance Sub Group is developing the budget pooling formula and developing the funding strategy for the SWB;
 - (d) The Human Resources Sub Group is developing the single client management structure and dealing with the workforce issues relating to the integrated contract(s); and
 - (e) The Procurement Sub Group is overseeing the procurement of the integrated collection contract(s).
- 4.5 All of this work is overseen by the SWP Members and key decisions brought for approval by each partner authority Executive. The project management structure is illustrated below:



- 4.6 The implementation of the SWB is time critical, as several of the Districts have existing contracts for refuse collection and recycling that are due to expire in 2006 and 2007 and must be replaced by the integrated contract arrangements. Taunton Deane's current waste collection contract has been extended and is now due to terminate in July 2007.
- 4.7 The joint contract(s) are due to start on 2 July 2007. In order for this date to be delivered, the following steps will be required of all partner authorities:
- (a) Agreement of the contract award mechanism for the integrated contract(s) by May 2006;
 - (b) Adoption of the preferred bidder(s) for the contract(s) in September 2006; and
 - (c) Award of refuse collection and recycling contract(s) in December 2006.
- 4.8 It will also be necessary to agree the management structure for the joint client operation during the summer of 2006 so that it can be implemented in time for the start of the new contract(s).
- 4.9 Work is progressing on the other parts of the SWB constitution and will be reported to the SWP Members Workshop on the 23 June 2006.
- 4.10 Work across the project has helped to reinforce the business case conclusions and at this time the savings projection indicated seems to be realistic.

5. Contract Award Mechanism

- 5.1 The integrated collection procurement is progressing well, with 12 completed prequalification questionnaires having been evaluated and seven bids having qualified for the next stage of the process. These will be further short-listed following an Invitation to Submit Outline Proposals stage. A smaller number of bidders will be involved in the Invitation to Negotiate stage, which will end in August.
- 5.2 The decision to award the integrated collection contract(s) will require approval by all five District and Borough councils. The time available for reaching a decision will be limited, as it is essential that adequate time is available for the winning contractor to buy necessary equipment before the contract start.
- 5.3 However, it is also essential that the decision making process is transparent and that all the partner authorities are agreed that it is appropriate.

- 5.4 The award of the contract(s) will happen in two stages. Firstly, a preferred bidder (and probably a reserve) will be appointed in September, based on the evaluation of responses to the Invitation to Negotiate stage. Following detailed negotiation with the preferred bidder, the contract(s) will be awarded in December. A similar approach for reaching a decision is proposed for each of these two stages.
- 5.5 The approach has been developed by the Directors Implementation Group and would entail:
- (a) Each Executive arranging a special meeting to discuss the single agenda item of selecting the preferred bidder or contract award; all Executives would meet in the same building and at the same time;
 - (b) A joint presentation would be made to all Executives with a question/answer session;
 - (c) Each Executive would then meet separately and take the formal decision within their own Committee administration arrangements;
 - (d) The Leader of each Council would then report back to a plenary session on the decision of their Council, with all five Councils being signatories to the decision.
- 5.6 The special meetings would be preceded by briefings and presentations from the project team and the officers to the Executive and wider Members as necessary.

6. Developing the Single Client

- 6.1 The implementation of a single client operation to manage the new collection contract(s) and the integration of waste collection and disposal services will be a key to the success of the SWB project, both in terms of service quality and efficiency.
- 6.2 A consultation with staff potentially affected by the move to the single client will take place during the spring, following the development of a proposed management structure over recent weeks, which has itself been based on a staff consultation exercise.
- 6.3 The management structure will be brought to the Executive for consideration following consultation. The draft structure will be based on the following principles:
- (a) The single client will combine a centralised head office with area base working, which is likely to be based on optimised depots.

- (b) The high-level functional split within the single client would be between Operations (including collection & disposal), Strategy (including development, legislation & projects) and Central Services (including Administration, Finance, Communications and PR, Democratic Services and Performance Management), as opposed to being between collection and disposal.
- (c) Some services will not be included in the SWB structure (e.g. legal services, payroll and education) which would be bought in as support services or left in their current 'location'.
- (d) The location of customer contact will be finally decided following a costed appraisal of options.
- (e) The structure will be based on driving out duplication of activities that currently exists within the partner authorities.
- (f) The client operation will be led by an Executive Director and will employ a relatively 'flat' management structure.
- (g) The need for specialist skills and knowledge will be effectively balanced with the need for flexibility within what will be a relatively small organisation by establishing the right mix of specialised and generic duties within each job description.

7. Project Resource

- 7.1 It was expected that most of the expertise and resource required for this project could be found in house, from within existing budgets or from DEFRA funding. However it has been recognised that advice and external resource need to be bought in to cover capacity problems within authorities and to provide the right level of expert advice for the project to succeed (legal, financial, HR). There will also be set up costs for the new SWB client function.
- 7.2 The Public Service Agreement (PSA) for Somerset covers a basket of performance areas including BVPI 82a "Percentage of household waste arisings recycled". The PSA covered a 3 year period which ended March 2006. A reward grant is paid for those areas of performance which achieved their stretch target and it appears that, due to the investment that both the County and District Councils have made in improved service delivery that a reward grant will be payable on this target. The full amount of the reward grant is £400k for the County Council and between £10 and £33k to each of the Districts. Taunton Deane will receive £22,800 if we achieve the full target or (and more likely) £14,820 if we achieve 65% of the stretch target. This money is paid over the two financial years of 06/07 and 07/08. Each authority is requesting that this funding is used to support the SWB

contract integration project. SCC is being asked to put in 50% of its total and the Districts 100%.

- 7.3 The PSA funding together with funding currently in the SWP budget and DEFRA funding mean that the budget estimate for the project would be covered.

8. Conclusions

- 8.1 The procurement of the integrated collection contract(s) is progressing well and high levels of interest are being demonstrated by the market. In order to keep the procurement on track and to maintain competition, it will be necessary for the partner authorities to agree a joint approach to awarding the contract(s) that is robust and efficient. Work on the single client and constitution is progressing and will be brought to forthcoming meetings of the Executive.
- 8.2 Funding is required to provide sufficient resource for the project to achieve the initial objectives.

9. Financial Implications

- 9.1 The PSA reward grant would not be available for the General Fund. However, it does not currently feature within any budget as it was never certain that it would be received.

10. Recommendations

- 10.1 That Members note the content of the report, including progress on the procurement of the integrated refuse collection and recycling contract(s) and the development of the single client for managing all waste services in Somerset.
- 10.2 That the Executive supports the contract award mechanism set out in paragraph 5.
- 10.3 That the Executive approves the allocation of the PSA Reward Grant to TDBC for the Waste performance to supporting the SWB project.

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