

Housing, Planning & Environment Overview & Scrutiny Committee

Date: 11th October 2018

Subject: Update on Procurement of GMCA Waste Services - Part A

Report of: David Taylor, Executive Director, Waste and Resources, GMCA

PURPOSE OF REPORT

To provide members of the Committee with an overview of the procurement process for waste and resource management services for Greater Manchester.

RECOMMENDATIONS

Members are recommended to note the progress made against the procurement programme.

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BACKGROUND PAPERS

The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100D (1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as identified by that Act.

<https://ted.europa.eu/TED/notice/udl?uri=TED:NOTICE:444328-2017:TEXT:EN:HTML>

The above papers and documents may be inspected during normal office hours at GMCA, Churchgate House, 56 Oxford Street, Manchester M1 6EU.

1. BACKGROUND

1.1 The Greater Manchester Waste Disposal Authority (GMWDA) was abolished and all its functions transferred to GMCA on 1st April 2018. Waste disposal is now a GMCA function (but not a Mayoral function). The statutory responsibilities for waste disposal include making arrangements for the management and disposal of municipal waste from the nine constituent waste collection authorities (WCAs) and the management of Household Waste Recycling Centres (HWRCs). These statutory functions are discharged via contract arrangements. GMWDA previously let and managed a 25 year PFI contract entered into in April 2009. The PFI contract ceased on 29th September 2017 via a negotiated settlement with the contract providers (Viridor and Laing) and the financing Banks. The PFI contract was formally wound up on 8th March 2018.

1.2 Operations are currently being delivered via a short term contract with the existing operator, Viridor Waste (Greater Manchester) Ltd, while GMCA procures the future operating contracts. Access to the waste capacity of the Thermal Power Station (TPS) at Runcorn continues through a Residual Value Contract (RVC) entered into between GMCA and TPSCo (the Runcorn Special Purpose Vehicle - SPV), which will be in place until at least 2034 (the original PFI contract termination date).

1.3 Procurement of future operating contracts commenced in November 2017 on a three Lot basis with contract award programmed for December 2018 and service commencement in April 2019. The procurement is being run using Competitive Dialogue for all Lots and the process will be used to inform commercial positions that will be set out in the final tender documents to be issued to tenderers.

1.4 Following the termination of the PFI contract, a review was undertaken of how to approach the market; this included a soft market testing exercise with a range of specialist and multi-disciplinary organisations, following which, the review concluded that a single integrated contract was unlikely to generate a competitive market response owing to the limited number of organisations that would be able to bid.

1.5 In order to maximize the competition and to attract specialist service providers, the decision was taken to break the service up into 3 Lots based on waste stream and facilities. The 3 Lots are:

Lot One	Waste and Resource Management Services (WRMS)
Lot Two	Household Waste Recycling Centre Management Services (HWRCMS); and
Lot Three	Biowaste Management Services (BMS).

2.0 STRATEGIC OBJECTIVES

2.1 Principal strategic drivers for the procurement across all 3 Lots, were developed with the nine Waste Collection Authorities (WCAs) and the GMWDA, and formally approved in September 2017 by the GMWDA. These strategic objectives are summarised below:

- meet the objectives of the Waste Hierarchy;
- targeting 90% diversion from landfill of all the GMCA's waste arisings by 2020/21; and HWRCs achieving over 60% recycling targets, on average per year, by 2021/22

- an overall aspiration of achieving 55% recycling/composting of household waste by 2025/26;
- complete modifications to existing facilities to simplify the waste handling system;
- deliver savings to address the levy increases that would otherwise need to be charged to the constituent WCAs;
- respond to the changing need of processing, as a result of previous waste growth expectations not materialising;
- allow for changes to kerbside waste collection systems;
- use local facilities, where demonstrated to be good value for money; and
- support the GMCA Social Value Framework.

2.2 These strategic drivers form the basis of the specification documents for each of the Lots against which Tenderers will bid.

3.0 PROCUREMENT PROCESS

3.1 The GMCA is procuring the Contracts using the Competitive Dialogue procedure pursuant to the Public Contracts Regulations 2015. A Contract Notice, reference 2017/S 214-444328, was published in the Official Journal of the European Union and on ProContract (The Chest), reference DN306714 on 8th November 2017, inviting expressions of interest from organisations wishing to enter into a contract or contracts with the GMCA for the provision of Waste and Resource Management Services.

3.2 The procurement process is being led by specialist resources from Transport for Greater Manchester, technical support is being provided by John Wood Group PLC and Envalue; DLA Piper are providing legal advice; KPMG are providing financial and commercial support; and overall the process has input and support from Local Partnerships and the Waste Collection Authority officers.

3.3 The published procurement timeline from soft market testing through to proposed Contract Award is summarised below:

Activity	Commence	Complete
Soft Market Testing	Mar 2017	July 2017
Contract Notice Published		Nov 2017
Selection Questionnaire (SQ) Issued and Returned	6 Nov 2017	11 Dec 2017
SQ Evaluated and Shortlisting Confirmed	Dec 2017	Mar 2018
Invitation to Participate in Dialogue (ITPD) Issued		12 Mar 2018
Dialogue Sessions	Apr 2018	May 2018
Invitation to Submit Interim Tender (ISIT) Issued	11 June 2018	
Focussed Dialogue Sessions	19 June 2018	28 June 2018
ISIT Responses Submitted		16 July 2018
ISIT Feedback Dialogue Period, including; Post-ISIT Feedback Tenderer Driven Dialogue Sessions	20 Aug 2018	19 Oct 2018
Close Dialogue Phase		Oct 2018
Issue Invitation to Submit a Final Tender (ISFT)		Oct 2018
ISFT Clarification Period via ProContract ePortal	Oct 18	Nov 2018
Deadline for Submission of ISFT Responses		Nov 2018

Activity	Commence	Complete
Tenderer Clarification Sessions	Nov 2018	Nov 2018
Conclude Evaluation		Dec 2018
Notify Results to Tenderers; Commence Standstill Period		Dec 2018
Conclude Standstill Period		Jan 2019
Confirm Contract Award		Jan 2019
Commence Due Diligence and Mobilisation Period	Jan 2019	
Contract Start	01 April 2019	

3.4 Following receipt of the SQ on 11th December 2017, responses were received from 11 Candidates across the 3 Lots.

3.5 SQ responses were evaluated against the criteria shown below:

Criteria	Scope of Question	Evaluation Methodology
Part 1 – Information	Basic information about the Candidate, such as the contact details, trade memberships, details of parent companies, consortium bidding.	For information only
Part 2 – Exclusion	Candidate self-declaration regarding whether or not any of the mandatory or discretionary exclusion grounds apply	Pass/Fail
Part 3 – Selection	Candidate self-declaration regarding whether or not the company meets the selection criteria in respect of their economic and financial standing; technical and professional certification; compliance with relevant legislation; health and safety compliance; commitment to take out insurances; skills and apprenticeships; and statement of awareness.	Pass/Fail
	Additional project specific questions, bespoke to each Lot/package, in the form of Case Studies.	Numerically scored, based on three case studies per Lot. Lot One: Based on two Operational Service case studies scored at 35% each, and one case study on Design, Build, and Operate Works scored at 30%;

Criteria	Scope of Question	Evaluation Methodology
		<p>Lot Two: Based on two Operational Service case studies scored at 40% each, and one case study on Social Value scored at 20%; and</p> <p>Lot Three: Based on two Operational Service case studies scored at 30% each, and one case study on Design, Build, and Operate Works scored at 40%</p>

3.6 Case Studies were scored on the basis set out below:

Basis of Score	Award Score
The response fails to demonstrate even a basic capability and relevant experience of the Specifications (in this Table, reference to Specifications and GMWDA objectives is reference to the relevant Specification set out in Annex 2, 6 ot 9 of the DD (as relevant)) and GMWDA's objectives and raises major concerns as regards the Candidate's capability to deliver the Specifications and GMWDA's objectives.	0
The response demonstrates basic capability and relevant experience of some of the Specifications and GMWDA's objectives and raises minor concerns as to the Candidate's capability to deliver all the Specifications and GMWDA's objectives.	4
The response demonstrates adequate capability and relevant experience of the majority of the Specifications and GMWDA's objectives and provides confidence as to the Candidate's capability to deliver all the Specifications and GMWDA's objectives.	6
The response demonstrates good capability and relevant experience of all the Requirement Specifications and GMWDA's objectives and provides good confidence as to the probability of the Candidate's capability to deliver all the Specifications and GMWDA's objectives.	8
The response demonstrates excellent understanding and relevant experience of all the Specifications and GMWDA's objectives and provides excellent confidence as to the probability of the Candidate's capability to deliver, and in some areas, exceed the Specifications and GMWDA's objectives. The response provides a number of examples where past experience on similar projects demonstrates the Candidate's ability to provide added value to GMWDA above and beyond the stated requirements.	10

3.7 Following evaluation, the 3 top Candidates per Lot were invited to continue in the procurement through the issue of an Invitation to Participate in Dialogue (ITPD) in March 18, as set out below:

Lot One WRMS	Lot Two HWRCMS	Lot Three BMS
Suez	FCC	Biffa
Veolia	Suez	Biowise
Viridor	Veolia	Viridor

3.8 Subsequent to the issue of the ITPD to successful Candidates (now Tenderers), a series of dialogue sessions were held in April and May 2018, where Tenderers and the GMCA had the opportunity to discuss areas of interest and clarification.

3.9 This process allowed the GMCA to understand key issues and input accordingly to the Invitation to Submit an Interim Tender (ISIT) documentation which was under parallel development by the GMCA, procurement, and technical advisors; the final version of the ISIT for each Lot was issued to Tenderers on 11 June 2018.

3.10 Interim submissions from Tenderers in the three Lots were received on the 16 July 2018.

3.11 As part of the procurement process, it was decided not to down select at the ISIT stage. However, the interim tender responses were evaluated and moderated to allow feedback and the outputs to form part of the next dialogue stage. Overviews of the submissions are set out in the accompanying part B report elsewhere on the agenda.

4.0 PROCUREMENT NEXT STEPS

4.1 As indicated in the table at 3.3 the GMCA is now entering a round of feedback and dialogue sessions across technical, financial and legal aspects of the procurement.

4.2 This period will also be used to share iterations of the specification, financial and contract documents in order to allow Tenderers early visibility of draft versions prior to these being published in final version with the Invitation to Submit Final Tender (ISFT). The ISFT document suite will also be under continuous development by procurement and technical, financial and legal advisors during this period.

5.0 RISK

5.1 Recyclate income, pensions arrangements and delivery of savings to programme will be key risks to be managed through the procurement process. Maintaining the programme and the process delivering the forecast level of savings are identified on the GMCA Corporate Risk register.

5.2 The procurement process also needs to deliver a contractual outcome that gives certainty of obligations/terms and is manageable from a client perspective.

6.0 FINANCE

6.1 The Waste and Resources budget for 2018/19 onwards includes a number of areas of savings in its core assumptions including, those already delivered through the PFI settlement and termination and the forecast savings from the replacement Operating Contracts that are currently being procured. The interim tender submissions are being

assessed for capital and operating costs and will be used to generate forecast comparisons against savings forecasts for future years. Further details are provided in the accompanying part B report.

7.0 LEGAL CONSIDERATIONS

7.1 The principal legal issues identified in this report relate to the procurement process and ensuring this is compliant and minimises the risk of challenge. The procurement process is being led by specialist resources from TfGM and legal advisors, DLA Piper, have been appointed. Each stage of the process is subject to legal review and risk assessment.