

CABINET MEETING – 30 JULY 2008 EXECUTIVE SUMMARY SHEET - PART 1	
Title of Report: South Tyne And Wear Waste Management Partnership – Evaluation Methodology and PFI Update	
Author(s): Director of Community and Cultural Services	
Purpose of Report: To approve the commencement of the principal procurement of residual waste treatment services for the South Tyne and Wear Waste Management Partnership (STWWMP) through the Private Finance Initiative (PFI) (subject to Project Review Group (PRG) approval) and to confirm the procurement process and evaluation methodology to be undertaken.	
Description of Decision: Cabinet is recommended to: <ul style="list-style-type: none"> i) approve the commencement of the principal procurement of residual waste treatment services for the STWWMP through PFI subject to PRG approval; ii) authorise the Joint Executive Committee of the STWWMP to approve the relevant procurement documentation and to determine the detailed evaluation methodology. 	
Is the decision consistent with the Budget/Policy Framework *Yes/ No	
If not, Council approval is required to change the Budget/Policy Framework	
Suggested reason(s) for Decision: The following reasons are put forward: <ul style="list-style-type: none"> • to achieve the long term objectives of the Joint Municipal Waste Management Strategy; • to enable the principal procurement to be commenced in a timely fashion. 	
Alternative options to be considered and recommended to be rejected: The individual authorities could procure separately but this would not result in the benefits afforded by economies of scale and the aim within the Joint Municipal Waste Management Strategy to procure under the auspices of the Partnership. The individual authorities could decide not to proceed with the PFI funding once confirmed by PRG but they would lose access to PFI credits worth approximately £5.5m per annum in Revenue Support Grant.	
Is this a "Key Decision" as defined in The Constitution Yes/ No	Relevant Review Committee: Environmental and Planning
Is it included in the Forward Plan Yes/ No	

REPORT OF DIRECTOR OF COMMUNITY AND CULTURAL SERVICES

**SOUTH TYNE AND WEAR WASTE MANAGEMENT PARTNERSHIP-
EVALUATION METHODOLOGY AND PFI UPDATE**

1. PURPOSE OF REPORT

- 1.1 To approve the commencement of the principal procurement of residual waste treatment services for the South Tyne and Wear Waste Management Partnership (STWWMP) through the Private Finance Initiative (PFI) (subject to Project Review Group (PRG) approval) and to confirm the procurement process and evaluation methodology to be undertaken.

2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:

- (i) approve the commencement of the principal procurement of residual waste treatment services for the STWWMP through PFI subject to PRG approval;
- (ii) authorise the Joint Executive Committee of the STWWMP to approve the relevant procurement documentation and to determine the detailed evaluation methodology;

3. BACKGROUND

- 3.1 Cabinet, on 5 December 2007, approved the recommendation to Council that the PFI Outline Business Case (OBC) in relation to the procurement of residual waste treatment services for the South Tyne and Wear Waste Management Partnership (STWWMP) be submitted to Defra. Council subsequently ratified the recommendation including confirmation of its commitment to meet the illustrative affordability gap on the basis outlined in the report.

Developments since Submission of the Outline Business Case

- 3.2 Ministerial approval has now been obtained from Defra and the Project Review Group (PRG) will meet on 15 July 2008 to confirm approval on behalf of HM Treasury.
- 3.3 Approval would give the Partnership access to PFI support worth approximately £5.5m per annum in Revenue Support Grant.

- 3.4 Detailed work has been undertaken which indicates that the cost of a two-year delay in delivering the residual waste treatment facility would be very significant even taking account of the remedial actions which the Partnership authorities would naturally take to mitigate the maximum extent any increased costs.

Consultation

- 3.5 A programme of extensive engagement and consultation with the public commenced with an article in “Sunrise” and comments are being posted to the web address. Further articles are planned for “Sunrise” and other local media that will aim to inform the public of the need to address the future treatment and disposal of waste and the methods that may be employed; and meetings of Community Spirit panels at three venues are planned for mid- July. It is proposed to hold an additional consultation event once bidders respond to invitations to offer solutions that would meet the requirements of the output specification for residual waste treatment. The output specification will be “technology neutral” and will not propose any specific treatment or any solutions should be adopted. The bidders will be able to offer up their own preferred technology or technologies as the means by which the partnership can meet its targets for the treatment of residual waste. Other engagement opportunities will be provided by a presence at events including the Airshow.

As part of the process of consultation and communication it is intended to submit a further report for consideration by the Environment and Planning Review Committee and its recommendations would therefore inform any future decision to be made by Cabinet.

- 3.6 This programme is aligned with a communications plan for the STWWMP and the production of information and literature on its behalf.

4. PROCUREMENT PROCESS

- 4.1 The principal procurement will use the Competitive Dialogue procedure as required by Defra as a condition of funding. Competitive Dialogue is a process used for complex projects and where the procuring authority cannot define at the outset the technical means to be adopted or clearly determine the legal and/or financial basis for funding.
- 4.2 This process commences with a Pre Qualification Questionnaire (PQQ) stage following the issue of a Prior Information Notice and a Contract Notice in the Official Journal of the European Union (OJEU). The PQQ stage is a capacity and capability check of potential bidders to ensure their suitability to enter into the Competitive Dialogue.

- 4.3 The Competitive Dialogue process requires the evaluation methodology to be agreed by the Partnership and notified to bidders prior to the commencement of the Dialogue process. The Competitive Dialogue procurement is then carried out in accordance with this methodology. This ensures that bidders are not disadvantaged by amendments to the selection criteria and that the Partnership is not exposed to risk of legal challenge by losing bidders on the grounds that their bid would have been acceptable had the evaluation criteria not been changed. The cost of the bidding process to losing bidders can be as much as £3 million, so transparency and consistency within the procurement is very important.
- 4.4 Between 5- 10 companies or consortia which pass this initial check will then be invited to submit Outline Solutions for the project. These will be evaluated using the Competitive Dialogue evaluation methodology. The evaluation methodology must be agreed prior to the issue of the OJEU notice.
- 4.5 Companies or consortia which are successful at Outline Solutions stage (expected to be 3) will be invited to submit Detailed Solutions. Following evaluation there will be a final bidding stage, involving 2 bidders. A Selected Bidder is then appointed. The final conditions of the contract are then agreed and the contract is signed at Financial Close.
- 4.6 The relevant procurement documents to be approved by the Joint Executive Committee of the STWWMP are:
- i) Pre-qualification Questionnaire
 - ii) Pre-qualification Questionnaire Guidance Notices
 - iii) Pre-qualification Evaluation Framework
 - iv) Letters to bidders expressing an interest
 - v) Descriptive Document
 - vi) Output Specification
 - vii) Prior Information Notice
 - viii) OJEU Notice
 - ix) Invitation to Submit Outline Solutions
 - x) Invitation to Submit Detailed Solutions

5. EVALUATION METHODOLOGY

- 5.1 The evaluation approach will, in general terms, be to assess bids in a manner which will:
- conform with all relevant statutory and regulatory requirements and best practice;
 - be robust, objective and transparent;
 - provide a framework that will facilitate a comprehensive review of each Bid; and
 - provide a clear audit trail.
- 5.2 The evaluation methodology will consider bids on a quantitative and qualitative basis. The quantitative evaluation will determine the affordability of the bid to the Partnership. Each Councils' affordability position was approved by the respective Cabinet at their meetings in November and December 2007.

- 5.3 The quantitative evaluation will assess whether each bid meets the affordability guidelines to be issued by the Partnership, or in the opinion of the Joint Executive Committee of the STWWMP can be made affordable (whilst still meeting the Partnership's core project requirements). Where a bid achieves neither of these tests, the Partnership would not generally proceed further with that bid.
- 5.4 The qualitative evaluation will determine the quality using a range of core criteria around technical matters including sustainability and environmental impact, financial robustness and the impacts of legally acceptable amendments the bidder might propose to the terms and conditions of contract.
- 5.5 In addition, the core criteria include a section on bid integrity which would cover the cohesion of the bid consortium and its ability to partner with the Partnership. In this case a core criterion relating to the environmental impact of the project would be appropriately linked to the technical quality of the bid.
- 5.6 The methodology will score the bids against the core criteria using the more detailed sub criteria with each core criterion weighted for its importance to the Partnership.

Other examples of recent waste procurements, have been reviewed by the Project Team, and following advice from external advisers including 4ps (the local government- funded body established to support local authorities in the procurement of PFI schemes) and following Office for Government Commerce guidelines it is recommended that the following evaluation criteria and weightings are applied at the Outline Solutions stage and then at Detailed Solutions and Final Tender stages:

Outline Solution

- Technical, Service Delivery & Sustainability 70%
- Financial & Commercial 15%
- Legal & Contractual 10%
- Overall Integrity 5%

Detailed Solutions and Final Tender

- Technical, Service Delivery & Sustainability 60%
- Financial & Commercial 20%
- Legal & Contractual 15%
- Overall Integrity 5%.

7. REASONS FOR THE DECISION

6.1 The following reasons are put forward:

- to achieve the long term objectives of the Joint Municipal Waste Management Strategy;
- to enable the principal procurement to be commenced in a timely fashion.

7. ALTERNATIVE OPTIONS

7.1 The individual authorities could procure separately but this would not result in the benefits afforded by economies of scale and the aim within the Joint Municipal Waste Management Strategy to procure under the auspices of the Partnership.

7.2 The individual authorities could decide not to proceed with the PFI funding once confirmed by PRG but they would lose access to PFI credits worth approximately £5.5m per annum in Revenue Support Grant.

8. RELEVANT CONSIDERATIONS/ CONSULTATIONS

8.1 a) Financial Implications

The City Treasurer confirms that the costs arising from the procurement exercise will be addressed within the Council's Medium Term Financial Strategy for 2009/10 to 2012/13. There will be economies of scale as a result of working in partnership, which will result in reduced costs compared with each authority acting independently. Further details of the financial implications will be reported once procurements have been completed and the budgetary implications will be included within the Medium Term Financial Strategy and future years' budgets.

b) Risk Management Implications

There are very significant risks, in particular, failure to meet statutory targets, extra cost for longer exposure to LATS penalties or a requirement to purchase additional allowances in order to avoid LATS penalties which would result in additional financial implications.

c) Legal Implications

The City Solicitor has been consulted and his comments have been incorporated within the report

d) The Public

The Joint Municipal Waste Management Strategy has been subject to wide public consultation. The Cabinet Member for Neighbourhood and Street Services has been consulted on the proposals.

8. BACKGROUND PAPERS

8.1 The following background papers were used in the preparation of this report:

- i) Report of the Director of Community and Cultural Services- Waste Management Partnership Arrangements- Cabinet 26 June 2008
- ii) Report of the Director of Community and Cultural Services- South Tyne And Wear Waste Management Partnership – Governance Arrangements- Cabinet 10 October 2007
- iii) Report of the Director of Community and Cultural Services- Waste Management – Joint Municipal Waste Management Strategy – Cabinet 10 October 2007
- iv) Joint Report of the Director of Community and Cultural Services, City Treasurer and City Solicitor- South Tyne and Wear Waste Management Partnership - Outline Business Case- Cabinet 5 December 2007
- v) South Tyne and Wear Waste Management Partnership Joint Municipal Waste Strategy 2007-2027