Food and Green Waste - Procurement Outcome and Evaluation Summary

Summary of Procurement Outcome

The full list of Lots included in the Invitation to Tender is set out in the table below, together with a column showing which bidders tendered for the Lots on offer, their ranking based on the finance and quality evaluation, and the Winning Tender for each Lot.

It can be seen from this table that recommissioning Croydon's Factory Lane waste transfer station and including this within the procurement (Lot 2) really galvanised the market and created competitive tension in a situation where the project team had feared no such tension might exist.

Rationale for the award of Lots

As above in the main body of the report, the documents state that the Authority reserves the right not to award any one or more Lots. Indeed it is inevitable that, as a result of the structure of this Procurement Process that not all Lots will be awarded.

The combination of Lots could generate a range of potential outcomes and so the procurement documents set-out the following principles for the evaluation and the subsequent award of the Lots:

> The Authority will calculate the combined price and quality score for each Lot independently and will take forward the highest scoring Tender for each, resulting in one winning (highest scoring) Tender in relation to each Lot ('**Winning Tender'**).
>
> The Authority will consider the Winning Tenders, and determine to which it will award Lots. The Authority intends to award Lots to Winning Tenders so as to provide the optimum overall service "coverage". As noted above, the Authority is under no obligation to award any specific Lot, or any combination of Lots. However, the Authority will only award Lots to Winning Tenders.

Combination Matrix Output

The 7 lots designed for Merton, Croydon and Sutton created 18 potential ways or 'combinations' that could deliver the entire service when combined, so in order to ascertain the optimum overall service "coverage", using only the Winning Tenders from each Lot, the project team placed each of the Winning Tenders into a matrix which mapped out the combined quality and finance scores for each of the 18 combinations - this the project termed the 'Combination Matrix'. The full Combination

Matrix output can be found below as PART B - Appendix 2 - Combination Matrix Output.

The three combinations that provided complete coverage of service were as follows:

Combination 1:

LOTS	Description	Winning Tender
LOT 2.1	Factory Lane - Green Waste Collect and Treat	Country Style Collectiing all Green waste from Factory
LOT 2.2	Factory Lane - Food Waste Collect and Treat	Olleco collecting food waste from Factory

Combination 2:

LOTS	Description	Winning Tender
LOT 1	Treatment Facility Direct Delivery - Food Waste Only	BioCollectors in Merton receive direct delivery of 5,000 tonnes
LOT 2.1	Factory Lane - Green Waste Collect and Treat	Country Style Collectiing all Green waste from Factory
LOT 2.2	Factory Lane - Food Waste Collect and Treat	Olleco collecting remining food waste from Factory Lane

Combination 3:

LOTS	Description	Winning Tender
LOT 1	Treatment Facility Direct Delivery - Food Waste Only	BioCollectors in Merton receive direct delivery of 5,000 tonnes
LOT 5.1	Nominated Receipt Point - Receive, Haul and Treat Green Waste	SUEZ - Receive, handle, haul and treat all green waste
LOT 5.2	Nominated Receipt Point - Receive, Haul and Treat Food Waste	SUEZ - Receive, handle, haul and treat remaining food waste

Appraisal of Combinations

Combination 1:

Combination 1 consists of Lots 2.1 and 2.2 which require the refurbishment and recommissioning of the mothballed local authority waste transfer station at Factory Lane in Croydon. The key benefits are; it secures the site as waste infrastructure for a further 4-8 years, and it offers the Council the robust future proof solution that we need, however, there are a number of challenges with this combination option, as follows:

Erosion of Savings - The financial outcome offered by this solution is not guaranteed. The transfer station has not been operational since 2008, and it is not in a condition currently to receive waste. The cost of refurbishing the transfer station to make it fit for purpose was estimated using structural and electrical surveys and a desk-top modelling exercise. This estimated figure is subject to 'opening up', and so therefore could increase, eroding what is already a relatively small saving.

Strategic Planning - The Factory Lane waste transfer station and wider site features within an ongoing property infrastructure review being conducted by LB Croydon that takes a longer-term consideration of the site afforded by a greater commissioning lead-in time, and potentially a complete redesign of the site at Factory lane. This has the potential to deliver a much wider range of services and a far greater operational and financial benefit. Essentially, the site may ultimately have a greater long term strategic value to Croydon, and possibly to the Partnership, than can be achieved if its use is confined to the receipt and handling of just food and garden wastes.

Timescales - There is also a tight deadline to ensure that the site is in a fit state to receive food and green garden wastes by September 2022. Whilst this is not

insurmountable, and project planning has already started in order to mitigate this risk wherever we can, the site has been mothballed for a significant length of time and so presents some unknown re-commissioning risks, and a risk around completion to an acceptable standard by September 2022.

Combination 2:

This combination scored more on quality when compared to Combination 1. This solution uses Lots 2.1, 2.2 and it also has the added benefit of including the use of an anaerobic digestion (AD) plant located within the Partnership area - Lot 1, which has a number of benefits.

Environmental benefits - The Lot 1 solution offers the treatment of local food waste at a local facility to create biogas to feed into the gas grid, supported by ambitious plans to offer biogas to other local vehicle fleets and to capture CO2 from biogas and supply it to industrial users. The facility already supplies its own electricity generated from food waste, and exports surplus electricity to the grid.

Local Green Employment - The bidder also offers credible social value benefits, such as a commitment to employing 80% of its workforce from Partnership boroughs, 3 new jobs associated with the contract, new apprenticeships, paid volunteering days for its workforce, and a community engagement fund.

Operational benefits - Partnership collection vehicles would be able to make direct deliveries of food waste to this plant, without the need to tip the food at a transfer station first. This AD plant offered exceptionally good environmental benefits to the Partnership, such as using biogas generated from food waste to run its haulage vehicles.

However, as this combination also uses Lots 2.1 and 2.2, Factory lane, it includes the same challenges as detailed above.

Combination 3:

Combination 3 includes Lot 1 as well as Lot 5.1 and 5.2, which offer the use of an existing commercial waste transfer station facility for green and food respectively, which again scored highly on quality.

As above, the Lot 1 solution offers the treatment of local food waste at a local facility to create biogas to feed into the gas grid, supported by ambitious plans to offer biogas to other local vehicle fleets and to capture CO2 from biogas and supply it to industrial users. The facility already supplies its own electricity generated from food waste, and exports surplus electricity to the grid. The bidder also offers credible social value benefits, such as a commitment to employing 80% of its workforce from Partnership boroughs, 3 new jobs associated with the contract, new apprenticeships, paid volunteering days for its workforce, and a community engagement fund.

The Lot 5 bidder is an industry leader with a local base, offering an exceptionally professional approach to important technical issues such as; waste acceptance, responsibility on receipt of waste, the reduction of contamination within the

Partnership's organic wastes, and thorough health and safety risk assessments. Very detailed proposals were made concerning the prioritisation of Partnership vehicles to minimise waiting times at the transfer station.

The lot 5 bidder offered a convincing mobilisation plan based on a commitment to close communication with the Partnership, together with an impressive understanding of how to satisfy the Partnership's requirements for audited data and for regular, frequent checks on the final destination of treated food and garden wastes. The bidder also offered to work with the Partnership to create apprenticeships, routes back to work for those at risk of exclusion from the jobs market, and work experience opportunities.

Conclusion for rationale for Lots awarded:

Combination 3 is the recommended combination that is made of Winning Tenders from the selected lots that the Council will award to - Lots 1, 5.1 and 5.2.

Good competitive bids were submitted for Lot 5 that were comparable and market tested against the other lots, and will provide a reliable, deliverable and complete service for handling and treating both types of organic waste.

Summary table of Lots to be awarded:

Lot	Winning Tenderer	Recommendation
Lot 1 - Direct Delivery of Food	BioCollectors	Award to BioCollectors
Lot 2.1 - Factory Lane Green Waste	CountryStyle	No Award
Lot 2.2 - Factory Lane Food waste	Olleco	No Award
Lot 3.1 - Villiers Road Green waste	CountryStyle	Award to Countrystyle
Lot 3.2 - Villiers Road Food Waste	Olleco	Award to Olleco
Lot 4.1 - Transfer and haul Green	SUEZ	No Award
Lot 4.2 - Transfer and haul Food	SUEZ	No Award
Lot 5.1 - Transfer, haul, treat Green	SUEZ	Award to SUEZ
Lot 5.2 - Transfer, haul, treat Food	SUEZ	Award to SUEZ

Finance:

The recommendations in this report will reduce the rate per tonne paid by each borough to handle and treat food and green garden wastes.

The total required spend for these Contracts and services are in direct proportion to the tonnages of these wastes presented by each borough's residents, and so whilst the costs per tonne associated with the recommended tenders are less than those being paid to the incumbent contractor, due to the impacts of COVID19 and the resultant increase in the cost of waste treatment and disposal, it is likely that this saving in the rate per tonne will not result in a budget saving but will rather bring down the increased costs relating to COVID and bring the boroughs back into existing budgets.

Lot	Winning Tenderer	Total Contract Value (Including ext)
Lot 1 - Direct Delivery of Food	BioCollectors	£0.2m
Lot 3.1 - Villiers Road Green waste	CountryStyle	£1.8m
Lot 3.2 - Villiers Road Food Waste	Olleco	-£0.5m
Lot 5.1 - Transfer, haul, treat Green	SUEZ	£11.1m
Lot 5.2 - Transfer, haul, treat Food	SUEZ	£3m

Financial details of tenders recommended for award are set out below.

Evaluation Assumptions - Please note that in order to compare '***like for like***' these finance figures use the current contract rates multiplied up to 22/23 rates (assumed 2.5% RPI), and compares these rates to the new prices that are tendered and fixed for the same financial year, 22/23. Both of these 22/23 rates are then multiplied against the assumed tonnes. The assumed tonnes are calculated using 2019/20 data uplifted to assumed 22/23 tonnes. The evaluation does not use 2020/21 tonnage data due to the significant variation in tonnes collected within the boroughs during the year of the COVID19 pandemic.

So, while the procurement successfully achieved savings against the current rates paid per tonne, this is off-set by the increase in tonnes collected, so caution is advised when reflecting these savings in budgets.

Impact on Contract Management Resources - Due to the procurement design and the necessary carve-up of the services into smaller more accessible Lots, if the recommendations made here are approved the services will now be delivered through **four contracts** with four contractors, as opposed to the previous model in

which a single contractor managed the services using a number of subcontractors. This may have Contract Management resource implications.

Legal Implications:

The project team was advised by Browne Jacobson LLP and supported by the Partnership's legal lead officer.

The lots into which the Procurement is structured cannot all be awarded. The decision on those lots to be awarded is not based on an arithmetic calculation or objective, additional scoring criteria. Instead, it has been made at the discretion of the Partnership based on the optimum operational coverage and value provided by the highest scoring tenders.

The risk of a challenge to this approach has been reduced by stating this position very clearly in the procurement documents. Accordingly, and provided that the procurement was otherwise operated in accordance with the Partnership's public sector and statutory duties, the risk of a successful challenge on the basis only that some lots are not being awarded (and/or that the decision on which lots to award has been taken by the Partnership based on a range of "non-arithmetic" factors) is low.

We would also note that the alternative approach (to set out in advance, in objective terms, which lots would be awarded) was considered, but discounted on the basis that it would be excessively complex and could result in a sub-optimum position for the Partnership.

Risk Assessment

The risk assessment of the current stage of the procurement is set out in the table below:

Risks	Risk Rating	Mitigations
Mobilisation	Low	These are essential front line services, and without the right receipt points ready to receive green and food waste the collection services will be severely impacted. The recommended option is an existing commercial facility with minimal upgrades required in order to receive contract waste and so this risk is deemed low.
Risk of Challenge	Low	The tendering exercise is compliant with PCR 2015 and the Council's Contract Regulations