

Overview and Scrutiny of the Integrated Waste Management Solutions (PFI) Contract



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Overview and Scrutiny
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Slide one

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Overview and Scrutiny

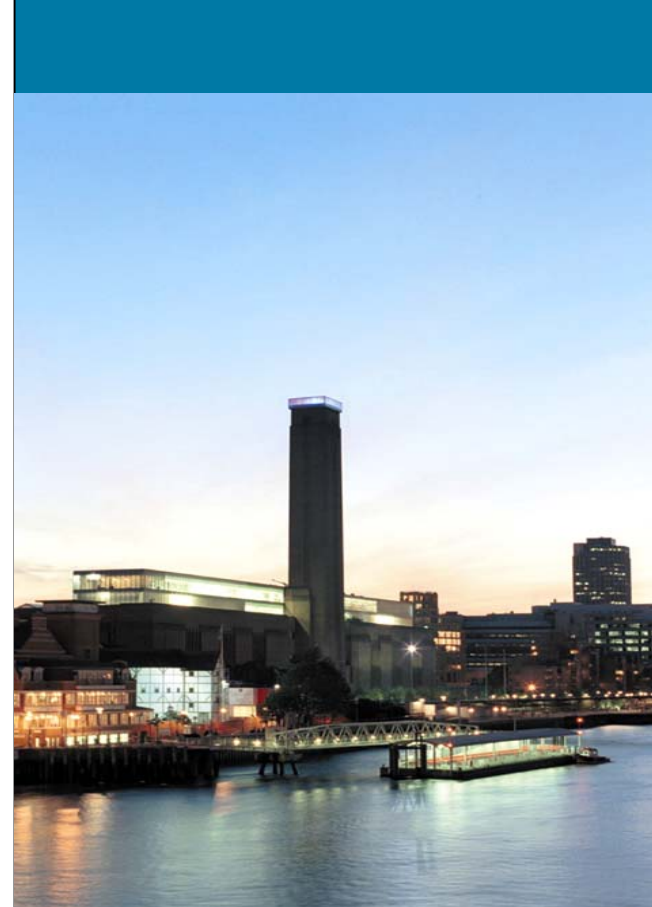
Either:

A review of the:

- Output specification
- Performance framework
- Payment mechanism, and
- Contract agreement

Or;

A review of the robustness of the business case in advance of procurement



Scrutiny presentation

- 1. An overview of the four major Contract Elements**
- 2. A presentation on the draft Output Specification**
- 3. Questions on any aspect of the procurement's Robustness**



Background

Why do we need to change?

- Rising waste arisings
- Increasing waste costs
- Unacceptable impacts of waste
- Legislative drivers (LATS)
- Increasing risks
- Wider sustainability issues

Doing nothing is not an option.



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Actions so far

December 2003

Waste Management Strategy approved

May 2004

Best Technical / Value Option approved

Site acquisition approach agreed

Procurement approach agreed

March 2005

Commence procurement of a long-term integrated waste management contract



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Contract Elements

Output Specification

Performance Management System

Payment Mechanism

Contractual Remedies

4Ps Waste Procurement
Pack (2004)



Output Specification

- sets Performance Targets
- sets Service Requirements
- defines Service Outputs
- requires Service Standards

- Performance Criteria

**Performance Management
Framework**



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Output Specification

**Performance Target (Example):
SO0 Universal Service Requirements**

Landfill Diversion Targets

“The Contractor shall divert through Minimisation, Recycling, Composting and / or Recovery, sufficient biodegradable Contract Waste from landfill such that the Council does not exceed its Allocations under the Landfill Allowance Trading Scheme (2004) which shall form its Landfill Diversion Targets.”

Output Specification

Service Requirement (example): SO5 Treatment

“The Contractor shall develop, implement and operate Facilities for receiving Contract Waste and for the onward transfer of Contract Waste.”

Service Output (example): SO9 Mobilisation

“The Contractor shall mobilise, provide, and manage take-over arrangements to ensure a seamless transition of the Services.”

Service Standard (example): SO3 Collection

“Any Contract Waste spilt during the Collection Services shall be cleared at the time of spillage”

Performance Management Framework

- **Measures achievement of outputs with Performance Criteria**
- **Measures Service Delivery Plan achievement**
 - **Sets Rectification Periods**
- **Assigns Penalties to deficiencies**

Performance levels

Payment Mechanism



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Performance Management Framework

Performance Standard	Service Deduction Category	Service Rectification Category	Monitoring Frequency
Failure to clear Contract Waste spilt during collection at the time of collection	D (2 Performance Points and / or £150 - £200)	3 (24 Hours)	Daily

Payment Mechanism

Payment for services

Direct deductions (e.g. Landfill Tax)

Indirect deductions, with financial penalties assigned to service failure

Persistent performance failure

Contractual remedies



Payment Mechanism

$$UC = T + V + L + R + W - D - EP$$

UC = Unitary Charge

T = Tonnage payment

V = Volume payment

L = Landfill Charges

R = Recycling Bonus

W = Waste Minimisation bonus

D = Deductions (performance)

EP = Excess Profit Deduction

Contractual Remedies

Deals with compliance with the main Contractual Agreement

Addresses acute chronic performance

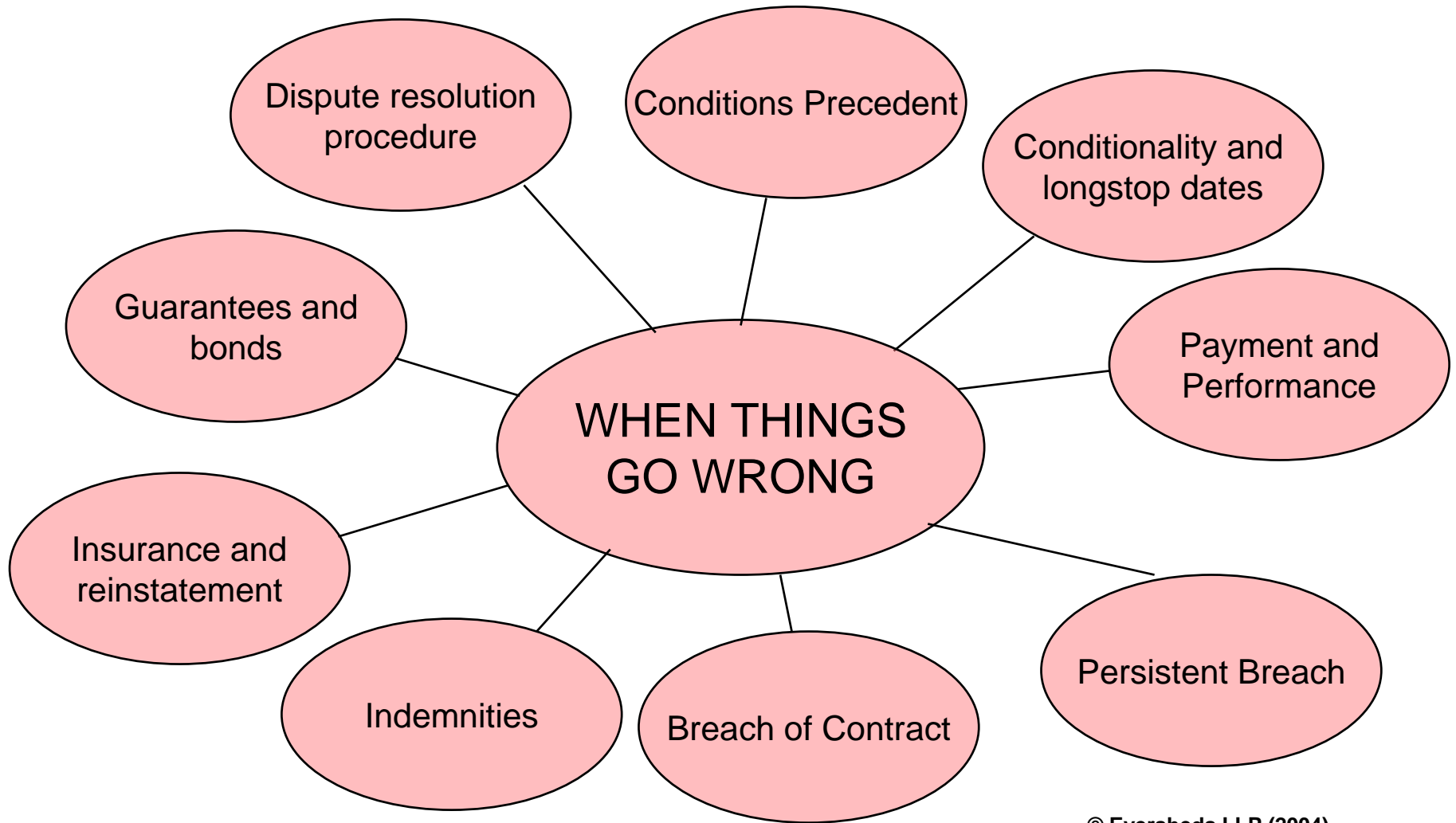
Sets out escalation procedures for the issue of warning and termination notices

In accordance with Standardised Conditions for PFI Contracts



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Contractual Remedies



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Output Specification Service Categories

**SO0 Universal
service issues**

**SO1 Stakeholder
Engagement and
Behavioural
Change**

**SO2 Waste
Minimisation**

SO3 Waste Collection

**SO4 Re-use and
Recycling
Centres and
Bring Sites**

**SO5 Reception and
Transfer**

SO6 Treatment

SO7 Disposal

**SO8 Resource
Management**

**SO9 Mobilisation,
Contingency
and Expiry**

**SO10 Service
Management**



Output Specification Priorities



Community Engagement

**Annual
Service
Plan**

**Engage
Involve
Participate**

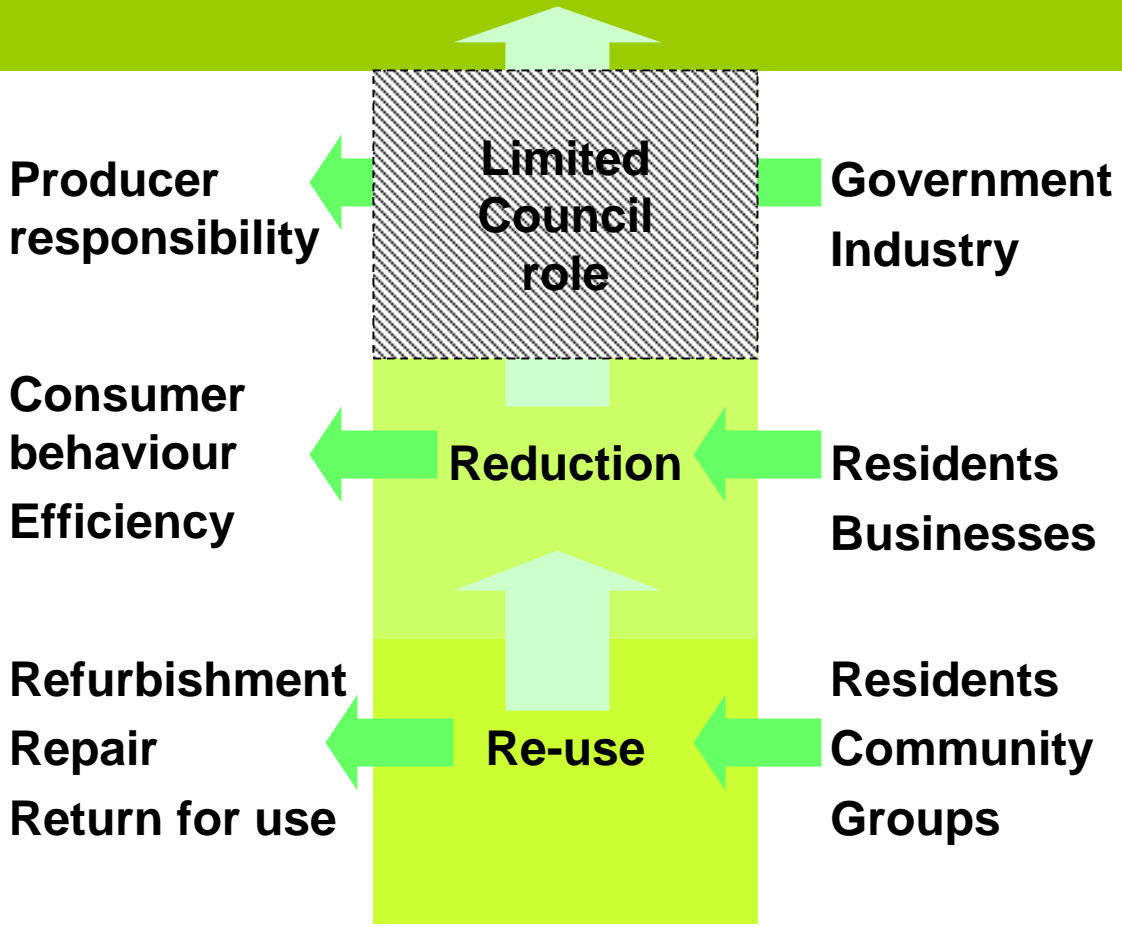
Deliver

**Measure
Report
Feedback**



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Waste Minimisation



Excellent Services

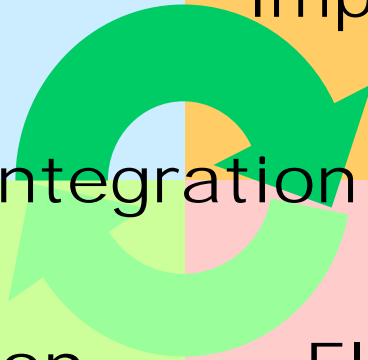
Quality

Continuous improvement

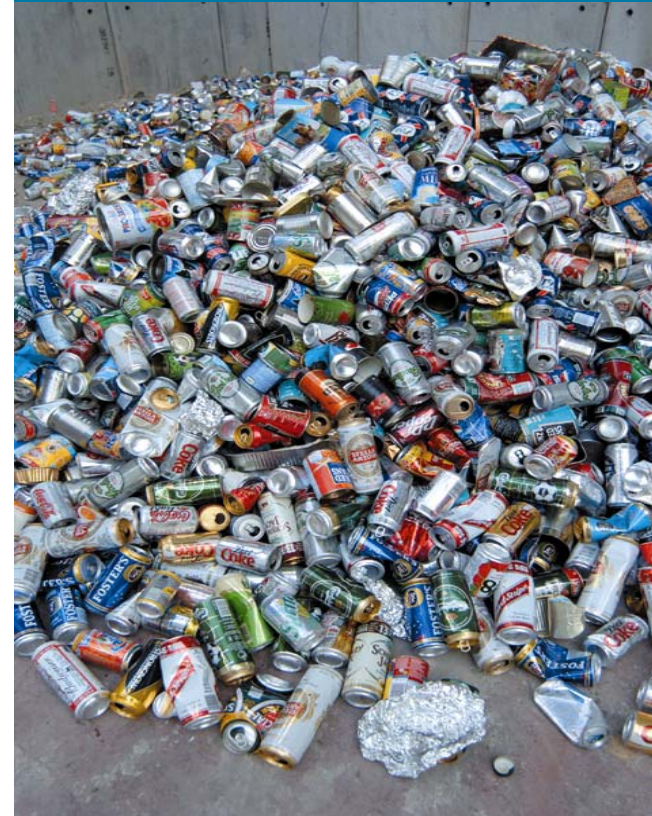
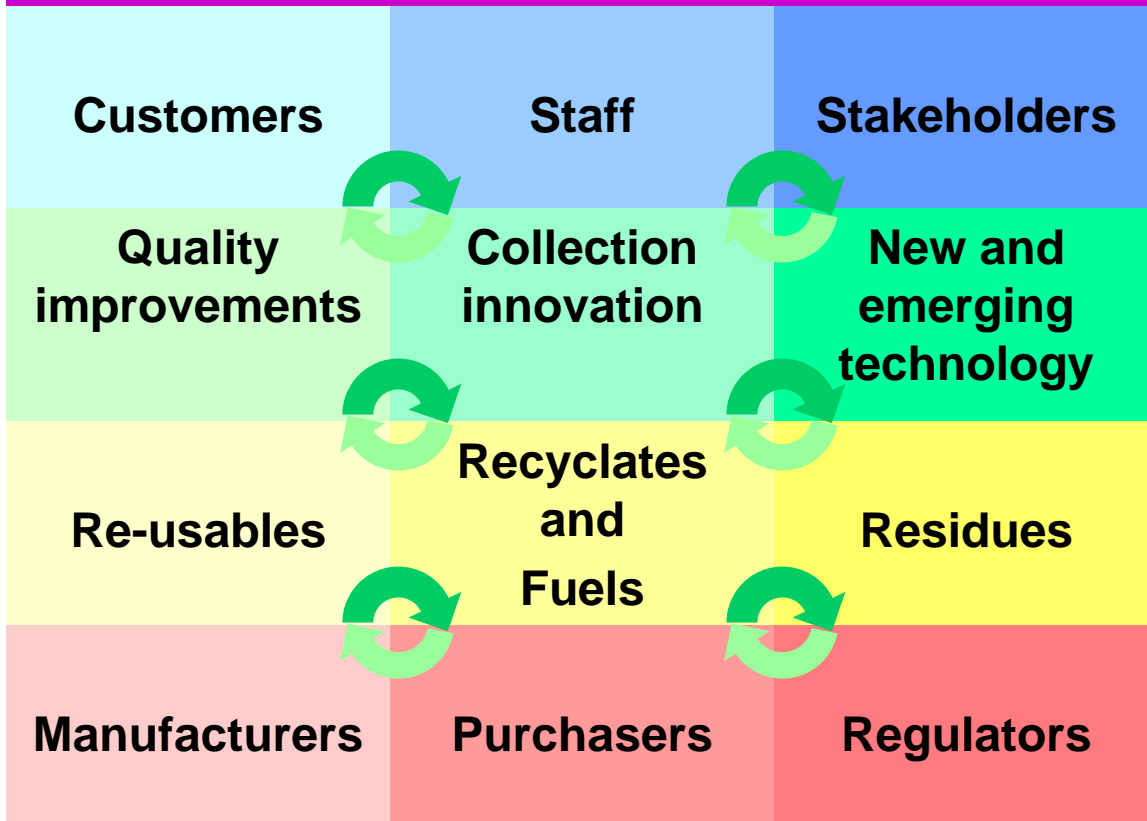
Integration

Innovation

Flexibility



Resource Management



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Next Steps

April – June 2005

- Contract Advertisement
- Stage 2 - Communications Campaign
- Affected Staff Consultation
- Bidders Market Interest Day
- Refinement of Contract Elements
- Pre-qualification

July – September 2005

- Initial Statement of Proposals
- Invitation to Negotiate (ITN) Long-listing
- Lead Member (IDM) ITN Long-list

