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A NEW approach to tackling waste collection has led to potential savings of £75M for Cheshire West and Chester Council.

The council let a new contract based on a risk and rewards system which has resulted in significant savings and service improvements being projected over the 14-year life of the contract.

The contract is based on an innovative commercial model in which waste collected by the new supplier is viewed as a resource with a resale value, rather than simply rubbish that has to be disposed of.

Said Andrew Williams, Head of Supplier Management at Cheshire West and Chester Council: *"We asked bidders to base their bids not just on the traditional costs associated with rubbish collection and removal, but also to include the income they believed could be generated from recycling materials and the projected savings they believed could be made from reducing disposal and treatment costs."*

The new contractor replaces two, existing, outsourced services and one service which was being delivered by an in-house team.

Their bid to the council was based on subsidising the cost of the collection service to the council by off-setting the income received from the resale of waste materials.

In addition, any extra income they receive on resale of waste materials as a result of price increases in such materials will be profit-shared with the council.

The contract also allows the supplier to benefit from work undertaken to increase citizens' recycling performance. Similarly, if recycling volumes drop below a pre-agreed amount, the contractor must pay the disposal costs for each tonne below the target amount which it fails to recycle.

One of the conditions of the tender was that the bidders needed to show an increase in kerbside recycling rates from the benchmark figure of 50%. The actual recycling rate guaranteed by the successful contractor is 63% with an anticipated rise to 70% over the life of the contract.

## Headline news

- The council's annual waste collection budget is £10M a year. The new contract gives the council the security of knowing what their costs will be over the life of the contract. They'll also get a share in any increase in waste material prices and minimum guaranteed cashable savings of £75M from 2012 to 2026.
- The contractor must produce an Annual Service Improvement Plan with business cases for improvements in service quality and efficiency. If the improvements result in a cost saving, this is shared between the council and the contractor.
- The consultation exercise revealed the public's hot topic were bins not being collected and bins not being returned properly to their premises. Bidding contractors were required to 'stake' the percentage of their contract price they were prepared to risk against failure to meet the public's hot topics. This was then scored as part of the evaluation.
- The successful contractor will introduce real-time tracking of vehicles which will be integrated with the councils' customer service centre so that residents' bin queries can be answered quickly and accurately.

## What were the risks?

The radical approach by the council to restructure its waste collection service contract away from the traditional service-led approach may have failed to attract sufficient bidders. However, the council used a competitive dialogue process during the tender to determine how their transformational approach to the tender would be tackled by potential bidders. It was also useful for the project team to be able to discuss the innovative aspects of their tender with prospective bidders during a 'soft market testing' exercise with market leaders prior to issue of the OJEU notice.

## Why was it a success?

A successful communications strategy was produced for the project and part of it included a public consultation on whether food waste collections ought to be introduced.

Bidders were asked to submit tender options which included collection and non-collection of food waste. A vote by residents, after the consultation exercise, in favour of food waste collections was supported when the contractors identified efficiency savings from such collections in their submissions.

## Hindsight is 20-20 vision

The results achieved for this process by implementing a dedicated communications strategy which identified key stakeholders and respective communications routes to them has led to the same approach to communications being adopted for all major procurement projects that the Council undertakes – something which had not been done previously.

"For the first time in the public sector, the collection and processing of waste has been transformed from being a costly problem to one where each tonne of waste collected has an intrinsic value."

### Cllr Lynn Riley

Executive Member Community and Environment,  
Cheshire West and Chester Council

The new contractor has sub-contracted the bulk waste and re-use service to a local third sector organisation and has invested in facilities, vehicles and IT.

## Contact

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