



WIN case study May 2010:

Procurement of a new environmental service contract saves Charnwood Borough Council £1.25 million per year!

Case study focus

- Using data to make the case for DSO or inhouse
- Introducing a new service
- Making the procurement process work for you, challenge the market!
- Key policy areas leading to efficiencies and improvements

Background

When Charnwood Borough Council's environmental services contract was coming to an end it was felt that it was time for the contract to be updated and the market tested. Through a review and subsequent tendering process a new contractor was awarded which aims to save £2.4 million in its first two years of existence.

DSO or contracted out?

One of the first decisions the Environmental Services team at Charnwood needed to make was the choice of procurement and delivery mechanism. Charnwood's service has been externalised since 1990 and although the council had no desire to establish a DSO, the decision needed quantitative analysis.

By enrolling the help of WIN, Charnwood were able to obtain information including BV86 and BV82 data of all local authorities across England. In order to find out whether they would be better to bring the contract in-house Charnwood ranked the two sets of Best Value

data individually and then added the two rank numbers for each council together – the lower the total value, the better the achievement of the authority.

Worked example:

Council with the cheapest Service (BV86) = 1
Top council for recycling (BV82) = 1

Total = 2

By ranking the total scores and considering the top quartile of results, Charnwood were able to assess that 60% of the top councils operated an in-house provision.

Whilst Charnwood realised that this was not conclusive data, it established the fact that an in-house bid could not be ignored. A report was therefore taken to cabinet that allocated up to £150 thousand for the preparation and mobilisation of an in-house bid. The bid was seen as a risk however, due to the idea that private contractors may have been put off by the sum of investment for a service that had never previously been conducted in-house.



Focus



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The decision to establish an in-house bid therefore led to the development for effectively managing the relationships between potential bidders and the council.

By the end of the tendering process, Charnwood had received four private sector submissions (in addition to the in house bid) and savings against a forecast budget of £1.25 million / annum for the life of the seven year contract.

Tendering, short-listing and awarding

How the process was undertaken:

- In order for the process to run smoothly a project board was set up
- A market workshop was then held for potential bidders. This gave them more information on which to base their decision to tender
- Reference panels were set up (one for members and one for the community). The panels were led by an independent facilitator (Ray Georgeson) and aimed to gather information about the priorities for the contract
- A thorough short-listing process was undertaken by professionals in environmental services alongside independent evaluation by environmental consultants
- Site visits were made to contracts run by each of the shortlisted bidders, followed by presentations
- The companies were then scored against a number of criteria and the highest scoring bidder was put forward to the cabinet for approval.
- An important part of this process was that the panel scored the evaluation criteria so that Charnwood had a priority that reflected user’s views.

The awarded contract

Serco were awarded the contract with Charnwood due to their value for money and also their approach to putting the customer’s needs at the core of their proposal. The contract includes:

- Collecting refuse and recycling from the kerbside of properties
- Street cleaning
- Emptying litter bins
- Bulky household waste collections, such as old furniture
- Increasing the amount of bulky waste diverted from landfill through re-use
- Collecting garden waste from properties subscribing to the charged service.

Two of the key points for Charnwood during the tendering process were that Alternate Weekly Collections and wheelie bins should be kept as they were, but all other aspects were left up to the bidder.

Waste collection policy

- Alternate Weekly Collection
- Charged green waste collection
- Free bulky waste (limited number/property)
- No side waste

“The key to success in implementing a contract which provides savings and improvements is to think outside the box – sounds like a cliché but unless you ask why, things will never change!”

Neil Charnwood, Head of Environmental Services at Charnwood.



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Improvements to the service

Although Charnwood's BV86 score and performance were already relatively high, officers still wanted to make improvements; this meant that changes needed to be made. Some of the main improvements that have been made include:

- The move to single sack recycling collections, from two sacks (making the service easier)
- The introduction of Community Champions
- The change in refuse collection and recycling collections of over 1500 rural properties (move to AWC with full recycling services)
- The output nature of the street cleaning operations (better use of equipment and resources to keep all areas litter and detritus free by targeting resources at areas of greatest need, rather than on a cyclical nature)
- Better training on working methods and customer care resulting in improved satisfaction ratings
- The introduction of an automated electronic data transfer from our CRM system to Serco's work management package (better use of technology to make the data work smarter and faster - penalty points are accrued automatically when timescales are breached)
- The introduction of new LPI's that use a traffic light system for performance management including the abolition of "non-presented bins" - a notion that generates negative customer feedback, hence the move away from such things.
- The 24 hour collection response - all missed collections must be collected within 24 hours; the clock starts ticking once the call is logged.
- Chewing gum removal in all zone one areas (all streets, paths and open land included in the Contract have been mapped on GIS and colour coded according to their respective Code of Practice zoning).
- A requirement to work in partnership with other agents including grounds maintenance and other authorities
- Increased NI 192 by expanding the chargeable garden waste service to about 23,000 customers (extra 5,500 this year through better promotion - Serco have set aside a £350k budget during the contract life for marketing)
- The move to consider new and innovative ways of increasing NI 192 score (driven by the KPI table that provides rewards or penalties to the tune of £175k per annum). This includes the composting of street sweepings
- Partnership working with the Community Sector (notably SOFA and MIND) on bulky waste reuse and textile collections.
- Support for the Policy work of the Council has resulted in a four year PhD studentship being awarded by Loughborough University (part funded by Serco) that will see new policies and practices researched to take the service forward over the next four years as part of a three way partnership between the University, Serco and the Council
- Route optimisation will also play a big part in improving the service, however it has been decided that this will take place at a later stage – as too many changes without the planning would cause too many problems.



Pointers for councils!

This contract provided such large savings through greater efficiencies, innovation, maximising competition and understanding the market as well as deficiencies. Neil Greenhalgh, Head of Environmental Services at Charnwood has suggested that:

- Anyone who is planning on conducting similar work should ask the difficult questions such as “Why do we not subject our contract to market competition?”
- Think outside the box - unless you ask why, things will never change!
- Know your customers and write a contract that suits your needs, not industry's
- Don't underestimate how time consuming the process is - Get a good strong team together, have faith and confidence in their ability and reward them!

Links and Contacts

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