

Scotland Excel

To: Executive Sub-Committee

On: 18 June 2021

**Report by:
Chief Executive of Scotland Excel**

Tender: Treatment of Organic Waste Services

Schedule: 02/20

Period: 01 July 2021 until 30 June 2024 with an option to extend for up to 12 months until 30 June 2025

1. Introduction and Background

This recommendation is for the award of the third-generation framework for Treatment of Organic Waste Services.

This proposed framework was advertised for the period from 01 July 2021 until 30 June 2024 with an option to extend for up to 12 months until 30 June 2025. It is intended to commence on 7 July 2021.

This framework will provide local authorities and other participating bodies with a mechanism to procure treatment options for organic materials, including separately collected food waste, garden waste and co-mingled (collected together as a mix) food and garden waste, generating electricity and compost. The framework is part of the Scotland Excel Environment Category portfolio that assists councils in delivering their statutory obligation to provide an essential waste management service, as well as contributing to The Scottish Government's Circular Economy ambitions¹.

2. Scope, Participation and Spend

As part of the strategy development, the User Intelligence Group (UIG) endorsed the inclusion of three lots as summarised in Table 1. This lot structure remains the same as the current framework, as this continues to represent the council requirements, whilst also recognising the structure of the marketplace.

Table 1: Lotting Structure

¹ <http://www.gov.scot/Resource/0049/00494471.pdf>

Lot No.	Description	Estimated % of Spend through lot
Lot 1	Food waste	17%
Lot 2	Garden waste	37%
Lot 3	Co-mingled food and garden waste	46%

As detailed in Appendix 1, 22 councils have confirmed their intention to participate in this framework. In addition, Renfrewshire Council and West Lothian Council, have made awards under the last framework for a period that will take them beyond the future framework period.

The following councils have indicated no present need to use this new framework for the following reasons:

- Aberdeen City Council waste management services are managed by SUEZ as part of a long term arrangement until 2025.
- Comhairle Nan Eilean Siar, Fife Council, Orkney Islands Council and Shetland Islands Council: have their own in-house arrangements to treat organic waste.
- Dumfries and Galloway Council, East Ayrshire Council and Moray Council have pre-existing contract arrangements in place and do not currently intend to participate but reserve the right to access it during the lifetime of the framework.

To ensure that all 32 councils have the option to use the framework, however, all councils were listed in the Contract Notice for the framework.

The forecast annual spend for participating councils and associate members, with contingency, is £12 million per annum. This equates to an estimated spend of £48 million over the full 4-year term of the framework.

3. Procurement Process

A UIG consisting of representatives from participating councils endorsed the procurement strategy on 21 October 2020. In addition, a working group consisting of technical and procurement representatives was formed to review technical specifications and participate in the evaluation.

Scotland Excel has taken cognisance of the impact during the Coronavirus pandemic in relation to this tender. Balancing the current situation with the need to provide a route to market for councils seeking the supply of Treatment of Organic Waste Services, and considering those council projects that may require to be undertaken in the future, Scotland Excel determined it was appropriate to undertake this tender exercise and to recommend the establishment of this framework.

A Prior Information Notice (PIN) was published on 6 March 2020, which resulted in expressions of interest from 22 organisations. Service Providers were given the opportunity to provide Scotland Excel with information in relation to, but not limited to; market intelligence, market trends, sustainability initiatives, community benefits to help inform the strategy.

The Contract Notice was published via the Find A Tender and Public Contracts Scotland (PCS) portal on 19 March 2021, with the tender documentation being immediately available via the Public Contracts Scotland Tender (PCS-T) system. The tender exercise was conducted and concluded in accordance with the law and procedures currently in force.

The procurement process followed the open tender process to ensure maximum competition and the inclusion for all potential providers to service the framework. All bidders were examined against selection criteria, using the Single Procurement Document (SPD) and award criteria, concurrently. The award criteria included technical and commercial sections that were evaluated against the following criteria and weightings:

Technical: 25%
Commercial: 75%

Within the technical section, bidders were required to evidence their knowledge and experience by responding to method statements which covered areas including: Operational Processes, Sustainability & Fair Work Practices. Bidders were also assessed in terms of their ability to provide community benefits. These are detailed below within Table 2.

Table 2: Technical Section Weighting

Question	Description	Weighting
1	Operational Processes	20.5
2	Sustainability	1.0
3	Fair Work Practices	1.5
4	Community Benefits	2.0
Total Score		25.0

Within the commercial section, bidders were invited to offer on a lot by lot basis. Fixed pricing for 12 months was required for all lots. In addition to the 12 months' fixed pricing, bidders were asked to confirm if they were willing to offer a longer period of fixed pricing from the framework contract start date. Bidders were also invited to specify if they would offer any early settlement discount.

4. Report on Offers Received

The tender document was downloaded by 13 organisations, with 10 tender responses received by the specified closing date and time. A summary of all offers received is provided in Appendix 2.

Based on the criteria and scoring methodology set out in the tender document, a full evaluation of the compliant offers received was completed. Appendix 3 confirms the scoring achieved by each bidder.

5. Recommendations

Based on the evaluation undertaken, and in line with the criteria and weightings set out above, it is recommended that a multi-supplier framework arrangement is awarded to 10 service providers as outlined in Appendix 3.

These 10 recommended service providers offer best value and represent a mix of micro, small and medium organisations. All 10 service providers are classed as SME and all providers are Scottish based.

The range of service providers recommended provides competitive options for all participating local authorities as well as offering a degree of choice and most crucially, maximum processing capacity.

6. Benefits

Savings

The framework rates are in the form of a “gate fee” which includes, but is not exclusive to, the costs of handling and processing waste from reception to completion of the treatment process.

Table 3 below shows the average savings or on-costs per lot by comparing current framework processing rates with the rates submitted for the new framework.

- The average saving for Anaerobic Digestion (AD) treatment is 20.1% and an average cost for In-Vessel Composting (IVC) treatment is 12.2% on Lot 1 (Food waste).
- The average cost for Open Windrow Composting (OWC) treatment is 19% on Lot 2 (Garden Waste) and;
- The average cost for In-Vessel Composting (IVC) treatment is 27.1% on Lot 3 (Co-mingled food and garden waste).

Table 3: Average Savings per Lot

Lot No.	Description	Type of Treatment	Average Savings, Gate Fee per Tonne (%)	Range of Changes, Gate Fee per Tonne (%)
Lot 1	Food waste	Anaerobic Digestion (AD)	20.1%	from 5.6% to 34.6%
		In-Vessel Composting (IVC)	-12.2%	from -1.6% to -33.3%
Lot 2	Garden waste	Open Windrow Composting (OWC)	-19.0%	from 0% to -50%
Lot 3	Co-mingled food and garden	In-Vessel Composting (IVC)	-27.1%	from -6.6% to -39.1%

Analysis of the spend data collated for the current Organic Waste framework shows that it would not be possible to accurately benchmark against the previous framework. This is due to call offs being mainly by mini competition and/or the adoption of an alternative pricing model that involves an additional logistics charge with contractors collecting organic waste from a designated pick up location, again arranged through the mini competition call off process. Selection of contractors is determined primarily by operational requirements, geographical location of processing facilities to minimise both logistic costs and degradation of organic materials, preferred processing mechanisms and tonnage produced as well as market demand for output material.

The key influence on the current pricing is the combination of market conditions and Government policy. The volume of the organic waste which requires treatment coupled with the availability of treatment capacity and type is affecting pricing, and currently demand is outstripping supply in many cases. The tonnage of organic material for treatment has increased due to the change in legislation which requires a higher degree of separation of waste stream and therefore separate treatment requirements.

In addition, SEPA's recent proposal to review end-of-waste regulatory positions for compost and anaerobic digestate is currently under consultation and any final decisions are yet to be announced. These revisions set out stricter limits (by weight) of physical contaminants (including plastic) to 50% of those specified in PAS100 and 8% of those specified in PAS110 standards (Publicly Available Standard for compost and anaerobic digestate respectively). Treatment facilities' charging mechanisms correlate with the level of contamination that exist within the waste stream and these changes contribute to higher processing fees and result in increased costs to local authorities. However, the implementation of more challenging targets for treatment operators will align SEPA physical contamination limits with Quality Meat Scotland (QMS) standards and will open new markets for application of compost and digestate to agricultural land.

The success of this framework will be measured on participation, level of actual spend, level of service and the convenience of a framework option from which councils can draw down that allows the delivery of treatment services that assist in councils meeting their legislative requirements and recycling targets.

Price Stability

The framework applies twelve months fixed pricing. 6 of the recommended service providers have offered further fixed pricing periods of between 12 months and 24 months. Thereafter, all requests for price increases will be evaluated against prevailing market conditions and require to be supported by documentary evidence.

Sustainable Procurement Benefits

Within the technical section of the tender, a sustainability method statement assessed service providers in relation to their corporate approach to sustainability and how they promote recycle, reuse and reduce initiatives to minimize the impact of their supply chain on the environment. A range of sustainable measures were outlined by service providers including:

- Use on site power plants to generate electricity and heat that produce renewable energy fed into the electric grid and heat local communities.
- Route planning to optimize movement of vehicles.
- Water management systems to minimize the use of fresh water by reusing surface water.
- Adoption of low-emission vehicles to reduce carbon footprint.
- Re-use of PPE whilst not comprising safety.
- Donation of old laptops/keyboards/screen to be refurbished.

Community Benefits

Scotland Excel is committed to maximising community benefit delivery for our members. Tenderers were asked to confirm whether they were willing to comply with our community benefits approach for the lifetime of the framework. This approach is designed to deliver local community benefits based on individual member requirements and all 10 recommended service providers have confirmed their acceptance.

The community benefits approach focused on supporting the Scottish Government's National Performance Framework, and the benefits delivered should support, but are not limited to, the following indicators:

- Improve access to local green space
- Improve the skill profile of the population
- Reduce underemployment
- Improve workplace learning
- Improve young people's participation
- Reduce waste generated

Service providers have agreed to report ongoing delivery of community benefits to Scotland Excel on a six-monthly basis.

Delivery of commitments made will be monitored throughout the lifetime of the framework.

Fair Work Practices including the Real Living Wage

Scotland Excel and its members are committed to the delivery of high-quality public services and recognise that this is dependent on a workforce that is well-rewarded, well-motivated, well-led, has access to appropriate opportunities for training and skills development, are diverse and engaged in decision making. Within the technical section of the tender, bidders were assessed on their approach to fair work practices and payment of the Real Living Wage to their workforce. All 10 recommended bidders are paying the Real Living Wage, as detailed in Appendix 4 - List of Recommended Service Providers with Living Wage Status).

Scotland Excel will continue to monitor Fair Work Practices including the Real Living Wage status during contract and supplier management.

7. Contract Mobilisation and Management

As part of the mobilisation process, all service providers will be offered a contract mobilisation meeting to outline the operation of the framework, including roles and responsibilities, management information and community benefit commitments. Both service providers and participating members will be issued with a mobilisation pack containing all required details to utilise the framework.

In accordance with Scotland Excel's established contract and supplier management programme, in terms of risk and spend as detailed in Appendix 5, this framework is classified as class D. As such, it will require annual service provider and user group reviews as appropriate. During the current market conditions Scotland Excel will continue to engage with service providers on a regular basis to manage the response to the pandemic and ensure continuity of service delivery for our members.

Meetings and engagement undertaken with service providers will adhere to all applicable health and safety guidelines.

8. Summary

This third-generation framework for the Treatment of Organic Waste Services maximises collaboration, facilitates the procurement of a treatment of organic waste services, promotes added value and delivers best value in terms of price, quality and service.

The Executive Sub Committee is requested to approve the recommendation to award this framework agreement as detailed in Appendix 3 (Scoring and Recommendations).

Appendix 1 – Participation and Spend Summary

Treatment of Organic Waste Services 02-20

Member Name	Participation in Contract	Participation Entry Date	Estimated Annual Spend (£)	Source of Spend Data
Aberdeen City Council	No			
Aberdeenshire Council	Yes	01 December 2021	£556,486	Scotland Excel M.I.
Angus Council*	Yes	Framework Start Date - Dependent on expiry current contract	£0	N/A - Award under previous framework
Argyll & Bute Council	Yes	Framework Start Date	£37,534	Scotland Excel M.I.
City of Edinburgh Council	Yes	Framework Start Date	£311,220	Scotland Excel M.I.
Clackmannanshire Council	Yes	Framework Start Date - Dependent on expiry current contract	£73,084	Scotland Excel M.I.
Comhairle nan Eilean Siar	No			
Dumfries & Galloway Council	No			
Dundee City Council	Yes	Framework Start Date - Dependent on expiry current contract	£10,213	Scotland Excel M.I.
East Ayrshire Council	No			
East Dunbartonshire Council	Yes	Framework Start Date	£182,735	Scotland Excel M.I.
East Lothian Council	Yes	Framework Start Date	£190,307	Scotland Excel M.I.
East Renfrewshire Council	Yes	Framework Start Date - Dependent on expiry current contract	£426,144	Scotland Excel M.I.
Falkirk Council	Yes	Framework Start Date - Dependent on expiry current contract	£476,244	Scotland Excel M.I.
Fife Council	No			
Glasgow City Council	Yes	Framework Start Date - Dependent on expiry current contract	£688,604	Scotland Excel M.I.
Highland Council	Yes	Framework Start Date - Dependent on expiry current contract	£367,530	Scotland Excel M.I.
Inverclyde Council	Yes	Framework Start Date - Dependent on expiry current contract	£121,886	Scotland Excel M.I.
Midlothian Council	Yes	Framework Start Date - Dependent on expiry current contract	£83,685	Scotland Excel M.I.
Moray Council	No			
North Ayrshire Council	Yes	Framework Start Date - Dependent on expiry current contract	£0	N/A - Own arrangements
North Lanarkshire Council	Yes	Framework Start Date - Dependent on expiry current contract	£12,480	Scotland Excel M.I.
Orkney Islands Council	No			
Perth & Kinross Council*	Yes	Framework Start Date - Dependent on expiry current contract	N/A	N/A - Award under previous framework
Renfrewshire Council**	No			
Scottish Borders Council	Yes	Framework Start Date - Dependent on expiry current contract	£95,271	Scotland Excel M.I.
Shetland Islands Council	No			
South Ayrshire Council	Yes	Framework Start Date - Dependent on expiry current contract	£321,391	Scotland Excel M.I.
South Lanarkshire Council*	Yes	Framework Start Date - Dependent on expiry current contract	N/A	N/A - Award under previous framework
Stirling Council	Yes	Framework Start Date - Dependent on expiry current contract	£547,988	Scotland Excel M.I.
West Dunbartonshire Council	Yes	01 March 2023	£273,972	Scotland Excel M.I.
West Lothian Council**	No			
Tayside Contracts	No			
Totals			£4,776,773	
Associate Members	Yes	Framework Start Date	£3,990	Scotland Excel M.I.
Totals			£4,780,763	

* Angus Council, Perth & Kinross Council and South Lanarkshire Council, have made awards under the previous Scotland Excel framework 10-12 (Framework period 1/04/2013 - 31/03/2017). No MI collection is taking place for expired frameworks.

** Renfrewshire Council and West Lothian Council, have made awards under the last framework for a period that will take them beyond the future framework period.

Appendix 2 - Summary of Offers Received

Name of Tenderer	SME Status	Location	Lot(s) Tendered	Lot(s) Awarded
Brewster Brothers Limited	Small	Midlothian	2	2
Cireco (Scotland) LLP	Medium	Fife	2, 3	2, 3
Energen Biogas Limited	Small	Bellshill	1	1
Enva Organics Recycling Limited	Small	Linwood, Paisley	2, 3	2, 3
Forth Resource Management Limited	Small	East Lothian	2	2
Immediate Waste and Resource Management Limited	Micro	Clackmannanshire	2	2
Keenan (Recycling) Limited	Medium	Aberdeen	1, 2, 3	1, 2, 3
Levenseat Ltd	Medium	Lanark	1, 2, 3	1, 2, 3
Scottish Water Horizons Limited	Medium	Dunfermline	1	1
Earnside Energy Limited	Micro	London	2, 3	2, 3

Appendix 3 - Scoring and Recommendations

Lot 1 - Food Waste

Tenderer	Lot/Offer	SCORE	Awarded (Yes/No)
Energen Biogas Limited	Lot 1 - Offer 1	93.23	yes
Keenan (Recycling) Limited	Lot 1 - Offer 3	79.88	yes
Scottish Water Horizons Limited	Lot 1 - Offer 1	64.60	yes
Levenseat Ltd	Lot 1 - Offer 1	43.42	yes
Keenan (Recycling) Limited	Lot 1 - Offer 1	36.61	yes
Keenan (Recycling) Limited	Lot 1 - Offer 2	35.86	yes

Lot 2 - Garden Waste

Tenderer	Lot/Offer	SCORE	Awarded (Yes/No)
Forth Resource Management Limited	Lot 2 - Offer 1	91.93	yes
Forth Resource Management Limited	Lot 2 - Offer 2	87.99	yes
Forth Resource Management Limited	Lot 2 - Offer 3	87.99	yes
Brewster Brothers Ltd	Lot 2 - Offer 1	77.76	yes
Earnside Energy Ltd	Lot 2 - Offer 1	77.30	yes
Enva Organics Recycling Ltd	Lot 2 - Offer 1	76.31	yes
Immediate Waste and Resource Management Ltd	Lot 2 - Offer 1	74.07	yes
Keenan Recycling Ltd	Lot 2 - Offer 1	68.17	yes
Keenan Recycling Ltd	Lot 2 - Offer 2	67.42	yes
Levenseat Ltd	Lot 2 - Offer 1	59.91	yes
Cireco (Scotland) LLP	Lot 2 - Offer 1	53.36	yes

Lot 3 - Co-mingled food and garden waste

Tenderer	Lot/Offer	SCORE	Awarded (Yes/No)
Earnside Energy Ltd	Lot 3 - Offer 1	94.56	yes
Enva Organics Recycling Ltd	Lot 3 - Offer 1	90.88	yes
Cireco (Scotland) LLP	Lot 3 - Offer 1	86.21	yes
Keenan Recycling Ltd	Lot 3 - Offer 2	83.55	yes
Keenan Recycling Ltd	Lot 3 - Offer 1	82.73	yes
Levenseat Ltd	Lot 3 - Offer 1	81.14	yes
Keenan Recycling Ltd	Lot 3 - Offer 3	76.16	yes

Appendix 4 - List of Recommended Service Providers with Living Wage Status

Tenderer	Accredited	Currently progressing through Real Living Wage accreditation process	Pay Real Living Wage to all employees, and committed to gaining accreditation over the initial 2 years of framework	Pay Real Living Wage to all employees, but not accredited	Neither accredited nor paying Real Living Wage, but do commit to pay the Real Living Wage to all employees over the initial 2 years of the framework	Neither accredited nor paying Real Living Wage
Brewster Brothers Limited	Yes					
Cireco (Scotland) LLP	Yes					
Energen Biogas Limited				Yes		
Enva Organics Recycling Limited				Yes		
Forth Resource Management Limited		Yes				
Immediate Waste and Resource Management Limited	Yes					
Keenan (Recycling) Limited	Yes					
Levenseat Ltd	Yes					
Scottish Water Horizons Limited	Yes					
Earnside Energy Limited				Yes		

Appendix 5 - Segmentation classifications

02-20 Treatment of Organic Waste Services is classified as class D.

There are five segmentation classifications and these classifications are rated from Class A to Class E. Each classification has contract and supplier management activities associated with it based on pre-determined weighted criteria.

Class A

Due to the unique and bespoke nature of the frameworks that fall within this class, a contract management plan to be developed and agreed with CSG.

Class B

Quarterly supplier contact, six monthly surveys, annual UIG, frequent support to councils, suppliers and external stakeholders requiring high level of procurement expertise, extensive contract monitoring.

Class C

Six monthly supplier contact, six monthly to annual surveys, annual UIG, regular support to councils, suppliers and external stakeholders requiring procurement expertise, high contract monitoring.

Class D

Annual supplier contact, annual surveys, optional annual UIG, ad-hoc support to councils, suppliers and external stakeholders potentially requiring procurement expertise, regular contract monitoring.

Class E

Annual supplier contact (if required), optional annual surveys, no requirement for annual UIG, straightforward ad-hoc support to councils, suppliers and potentially requiring procurement assistance, basic contract monitoring.