

Leicester
City Council

WARDS AFFECTED
All Wards

Cabinet

21 May 2001

PFI AND WASTE MANAGEMENT - WAIVER TO STANDING ORDER 86.1

1. Report of the Director of Environment, Development and Commercial Services

This report seeks Members approval for a waiver to Standing Order 86.1 to assist with the procurement of the new Waste Management contract.

2. Summary

Standing Order 86.1 requires that "a Director shall normally accept the lowest tender submitted for a contract".

The EU regulations under which the Waste Management procurement is being conducted allows acceptance of the most "economically advantageous" tender, which will provide greater flexibility to the Council in making such an important decision.

The new waste management contract will be awarded for a minimum of 25 years and represents the single biggest contract ever let by the Council. Whilst price is a key determining factor in deciding which tender should be accepted for this contract there are other important criteria that the Council needs to allow scope for inclusion. The sensitive environmental nature of this contract and the important relationship between risk allocation and price need to be accounted for in the factors which can be allowed for in accepting a tender for the new contract.

3. Recommendations

3.1 That Members approve a waiver to Standing Order 86.1 in the case of procuring the PFI and Waste Management contract, and allow for the Director to accept the "most economically advantageous" tender.

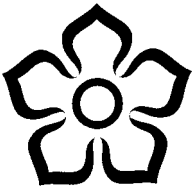
4. Financial and Legal Implications

If Standing Order 86.1 is not waived the Council must accept the lowest price and will not have the opportunity to consider other matters (unless the lowest price can be shown to be abnormally low).

One of the key aims of the procurement process is to ensure that solutions are developed that meet the authority's objectives and are affordable compared to the resources available, which comprise of existing budgets and additional government support. Information of the authority's affordability envelope, which is currently being reviewed, is to be provided to bidders as part of the procurement process. The affordability of bids will be a major factor in the evaluation of bids.

5. Author of Report

Cathy Loughhead Project Manager – PFI and Waste Management Project
Ext: 3146



Leicester
City Council

WARDS AFFECTED
All Wards

Cabinet

21 May 2001

PFI AND WASTE MANAGEMENT - WAIVER TO STANDING ORDERS 86.1
Supporting Information

1. Report of the Director of Environment, Development and Commercial Services

The purpose of this report is to provide Members with supporting information of the reasons for the request for a waiver of Standing Order 86.1 in relation to the new Waste Management Contract

2. Background

In September 2000 the Council was successful in its PFI bid to assist in the development of a new integrated waste management service.

On 21 February 2001 a notice was issued in the Official Journal of European Community (OJEC) inviting interest to be declared from potential contractors to provide the Council with a new integrated waste management service. The Council is now asking contractors to bid for a contract to build and operate a new waste recycling and recovery service, which will meet the city's needs for the next 25 years.

This contract represents the single biggest contract ever let by the Council and will be the first contract whereby the Council will enter into a long term partnership with the private sector to deliver a key Council service.

The EU regulations, under which the Waste Management procurement is being conducted, allows acceptance of the "most economically advantageous" tender for a contract. However Council Standing Order 86.1 requires acceptance of the lowest priced tender.

It is important that, given the particular environmental sensitivity of this contract and its complex nature in terms of risk sharing with the private sector, the Director has the scope to include other key factors in determining which tender is finally accepted

It is expected that, through the procurement process, a number of different technical and environmental solutions will be proposed for treating and disposing of the city's municipal waste. Through the procurement process, and through discussions with bidders, the Council may form a view as to which technical solution is not just affordable but is deliverable in the City, is compliant with the Council's Waste Strategy and can be delivered within the project timetable.

PFI projects are ultimately about the transfer of design, build, financial and operational risk from the public sector to the private sector through a long-term partnership arrangement. The relationship between risk allocation and the price of the overall contract is significant and will be the subject of detailed negotiations with bidders.

The term “most economically advantageous” allows for greater flexibility in determining which tender should be accepted and in making a decision which will have implications for the Council for the next 25 years.

3. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References within Report
Equal Opportunities Policy	No	
Sustainable and Environmental	Yes	This report deals with matters which are at the core of the City Council environmental and sustainable development policies
Crime and Disorder	No	
Human Rights Act	No	

4. Details of Consultations

Financial Strategy
 Legal Services