



CABINET REPORT

Report Title	Environmental Services Re-provision – Procurement Process
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AGENDA STATUS: Public

Cabinet Meeting Date:	11 th January 2017
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Customers and Communities
Accountable Cabinet Member:	Councillor Mike Hallam
Ward(s)	All wards

1. Purpose

- 1.1 To seek agreement from cabinet on the key principles of the Procurement Strategy for the re-provision of environmental services with effect from June 2018, when the council's current contract expires.

2. Recommendations

That cabinet:

- 2.1 Reaffirms its firm commitment to ensuring the views of local people inform the way environmental services are delivered when new arrangements are put in place in June 2018.
- 2.2 Notes that consultation with borough residents, community groups and councillors is currently still ongoing and, once complete, will be collated and analysed so that responses can be used to inform bidders of the council's preferences as to the way environmental services are to be delivered in the town from June 2018.
- 2.3 Approves the Business Case attached at Appendix A.

- 2.4 Agrees to procure environmental services (waste, recycling, grounds maintenance, street cleansing and other ancillary services) as a single lot.
- 2.5 Agrees to a contract length of up to 10 years, plus extension provisions up to a further 10 years (extension provisions to be subject to future cabinet approval).
- 2.6 Agrees to use the Competitive Procedure with Negotiation as its chosen procurement procedure.
- 2.7 Agrees to the development of an outcome based services specification and to negotiation with bidders on strategic aspects of service design so as to encourage innovation, quality, value for money and affordability.
- 2.8 Approves the procurement timetable outlined in the report.
- 2.9 Approves the contract award criteria outlined in the report.
- 2.10 Agrees that the award of the contract will be based on the most economically advantageous tender assessed from the point of view of the contracting authority, that the contract award criteria is on the basis of price and quality, that these are equally weighted and that that the weighting to be applied to the criteria stays the same at both initial tender stage and final tender stage.
- 2.11 Agrees to the non-mandatory provision of the council's depots.
- 2.12 Delegates to the Director of Customers and Communities, in consultation with the Cabinet Member for Environment and the Borough Secretary, authority to take all necessary steps to progress the environmental services procurement process provided such steps are consistent with the recommendations of this Cabinet Report.
- 2.13 Notes that further reports will be brought to cabinet to advise of progress with the environmental services re-provision procurement process in April, July and September 2017, with a final report being brought to cabinet in December 2017 to seek agreement to award contract.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The council's environmental services contract expires on 3 June 2018. To move forward the process to put new arrangements in place, at a meeting of cabinet on 16th November 2016, following a robust commissioning options review, the council decided to once again outsource its environmental services.
- 3.1.2 Intensive preparations to get the council ready for the imminent OJEU procurement process are now underway in order to ensure high quality and affordable environmental services are in place when the current arrangements come to an end.

3.2 Issues

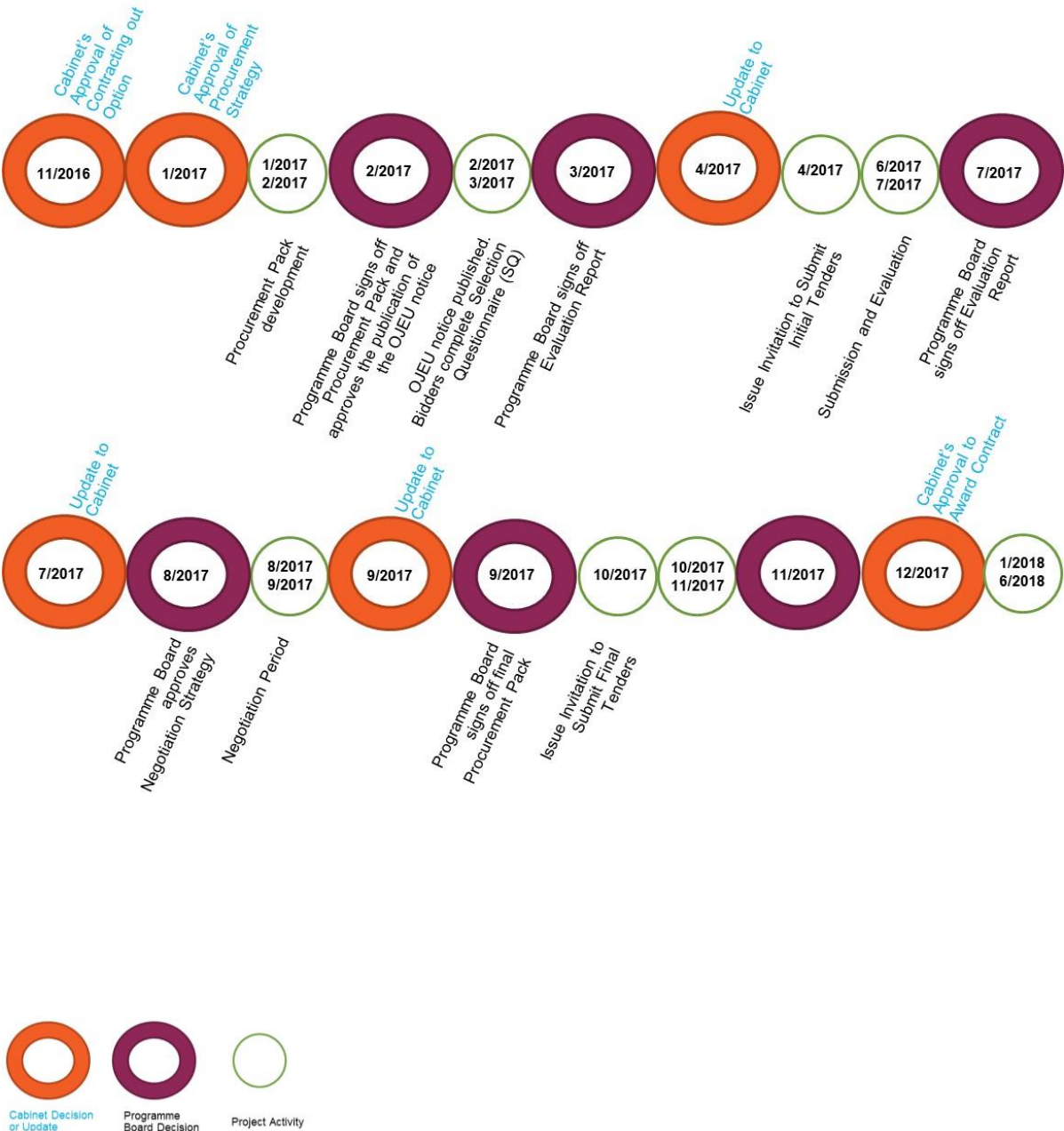
- 3.2.1 Following cabinet's decision of 16th November 2016 to re-outsource environmental services from June 2018, a number of matters need to be agreed by cabinet in order to move into the OJEU procurement phase of this project.
Business Case (Appendix A)
- 3.2.2 The purpose of this Business Case is to establish whether the procurement project is:
- desirable, taking into account the cost/risk/benefits balance
 - viable, in terms of the project's ability to deliver the product
 - achievable, by determining whether the product will provide the desired benefits.
- 3.2.3 The Business Case will act as the reference document that the programme board will use to ensure that the project has clear definition, direction and that it provides evidence of what it seeks to achieve.
- 3.2.4 The Business Case will be used as a reference:
- when a major decision is taken about the project
 - at the end of key gateways during the project life cycle
 - at the conclusion of the project, to measure whether it delivered the benefits and outcomes
- 3.2.5 As well as giving overall approval to the Business Case, there are a number of specific matters dealt within the Business Case that cabinet is asked to agree in this cabinet report, as follows:
- environmental services (waste, recycling, grounds maintenance, street cleansing and other ancillary services) are procured as a single lot (as detailed in sections 3.3 and 3.5 of the Business Case).
 - the contract length is up to 10 years, plus extension provisions up to a further 10 years (as detailed in section 3.4 of the Business Case).
 - Competitive Procedure with Negotiation is chosen as the procurement procedure (as detailed in section 3.7 of the Business Case).
 - an outcome based services specification is developed and negotiation with bidders is undertaken on strategic aspects of service design (as detailed in sections 3.6 and 3.8 of the Business Case).
- 3.2.6 Appendix 1 (Project Financial Analysis) of the Business Case contains commercially sensitive financial information and is therefore not published with this report. It is available to all elected members by request from the monitoring officer and under his guidance.

3.2.7 The procurement timetable for this project is in Appendix 2 to the Business Case.

3.2.8 The next stage of the project involves advertising in OJEU, release of the procurement pack and receipt of selection questionnaires from bidders. It does not include receipt of bidders' tenders or service design proposals.

3.2.9 The major implementation timescales are outlined in figure 1 below.

Figure 1: Major Project's Implementation Timescales



3.2.10 Table 1 below sets out the Tier 1 level of the contract award criteria.

3.2.11 To have the best possible chance of achieving both good quality and affordable environmental services from the procurement process, it is proposed that price and quality tier 1 criteria are given the same weighting in

order to reflect the high level of importance elected members and other consultees place on both service quality (across all three main service areas – waste, grounds maintenance and street cleansing) and affordability/value for money.

3.2.12 A 50/50 approach is assessed as the one most likely to accurately reflect political and local priorities at a price the council can afford.

Table 1: Tier 1 Level of Contract Award Criteria

Tier 1 Criteria	Weighting to apply at Initial Tender Stage	Weighting to apply at Final Tender Stage
Price	50%	50%
Quality	50%	50%

3.2.13 Officers will produce the procurement documentation, including the detailed evaluation framework which will set out the detailed sub-criteria levels for price and quality.

3.3 Choices (Options)

3.3.1 The key choices open to cabinet are set out below.

Lots (section 3.3 of the Business Case):

3.3.2 Environmental services consists of three service areas – waste and recycling, grounds maintenance and street cleansing. Cabinet could elect to subdivide the contract into several lots or elect to keep the contract in a single lot.

3.3.3 The relative options have been considered in detail and the conclusion is that the advantages of the single lot option outweigh the reasons for subdivision of services into lots.

3.3.4 A single lot is likely to deliver better value for money for reasons of synergy and economies of scale. It can also address demarcation inefficiencies at the point of delivery and minimise interface risks between services.

3.3.5 The single lot option can promote a stronger local identity. One of the main disadvantages associated with the single lot option however is that it can minimise the number of bidders to larger organisations.

3.3.6 To overcome this potential disadvantage, where appropriate and subject to commercially prudent safeguards, bidders are able to sub-contract parts of the services, to support the development of the local supply chain, the local economy and social value principles.

Length of Contract (section 3.4 of the Business Case):

- 3.3.7 Cabinet could choose a contract of any length. A contract length for the initial term of 10 years is recommended as it is likely to provide the best value solution to the council and was identified as the contract length generally preferred by leading suppliers engaged during a recent soft market testing exercise.
- 3.3.8 The main reason for electing to use this length is that it reflects the expected lifespan of refuse vehicles and allows efficient recovery of the capital investment that will be required in fleet and other infrastructure.
- 3.3.9 It is recommended that after the initial period, the council considers the option, subject to cabinet approval at that time, to extend for up to a further 10 years, the duration of the extension may range from 1 year to 10 years, with no lower or upper limit to the number of extensions that the council can arrange, subject to not exceeding the maximum possible overall length of 20 years.
- 3.3.10 The flexibility built into the extension provisions will allow the council to adapt to future service changes and technological advancements, innovation and financial pressures, taking into account the contractor's performance and the council's strategy.

Procurement option (section 3.7 of the Business Case):

- 3.3.11 There are a number of procurement options open to the council. These options are evaluated within the Business Case. A summary is provided below.
- 3.3.12 A **restricted procedure** has the benefit of being fast and low cost but it requires the contracting authority to clearly specify the service it requires rather than allowing the market to propose service solutions and is therefore not considered to be an appropriate option for the council for this procurement given its desire to benefit from market innovation.
- 3.3.13 **Competitive dialogue** encourages market innovation but is lengthy and resource intensive.
- 3.3.14 The **competitive procedure with negotiation** is considered to be best suited to the council's needs as it encourages innovation but is not as resource intensive as competitive dialogue.

Service Design (sections 3.5 and 3.6 of the Business Case)

- 3.3.15 Cabinet may choose to prescribe service design in whichever way it chooses in order to best meet the needs and wishes of local residents, however doing so reduces the opportunity of the market to innovate so as to improve quality and reduce cost.
- 3.3.16 There could be significant risks associated with specifying specific aspects of the service at this point in time as it could fetter innovation or could have a disproportionate and unanticipated impact on price. It is proposed that the outcomes of community and political consultations are therefore best fed to bidders as preferences to be balanced against affordability.

- 3.3.17 The election of the competitive procedure with negotiation will allow the council to refine its needs and requirements with the market during the successive stages of the procurement process.
- 3.3.18 An outcome based services specification will be developed and key outcome requirements will be negotiated with bidders during the procurement process.
- 3.3.19 For example, subject to the outcomes of ongoing consultation, bidders could be advised of the council's preference for a co-mingled collection system for dry recycling and/or a free at the point of use collection service for green waste, but would be required to balance these preferences against the overall affordability of their bid.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There are no policy implications directly arising from this report.

4.2 Resources and Risk

- 4.2.1 There are no financial implications directly arising from this report.
- 4.2.2 The financial implications of carrying out the environmental services procurement process were dealt with in the Environmental Services Re-provision cabinet report of 16th November 2016.
- 4.2.3 Risks are being appropriately mitigated and managed and a risk register has been developed to ensure effective risk management throughout the procurement process. The risk register appears in Appendix 3 (Risk Log) to the Business Case.
- 4.2.4 It is recognised that risks associated with out-sourcing must be sufficiently considered as the project progresses and contract documentation / contract management processes are developed to ensure that there is appropriate focus on delivering against the assumptions made by the council in its risk assessment of each commissioning option (as set out in 16th November 2016 cabinet report, Environmental Services Re-provision – Selection of Service Delivery Option).
- 4.2.5 The main risks, at this early stage of the project, primarily fall within the following categories:
- 4.2.6 A risk that the procurement timetable is not adequately implemented leading to delays and a short mobilisation phase;
- 4.2.7 A risk that resources are not sufficiently skilled or available to move the procurement process forward leading to delays and a short mobilisation phase;

- 4.2.8 A risk that the incumbent contractor does not co-operate fully and promptly with requests for data and information during the procurement stage leading to inaccurate solutions;
- 4.2.9 A risk that the council is unable to find a suitable partner to deliver the services leading to a contract which fails to meet the quality and affordability expectations; and
- 4.2.10 A risk that expectations on service design arising from public consultation lead to a service cost which goes beyond the financial affordability.
- 4.2.11 The Council's internal auditors, PwC, have considered, at a high level, the approach taken by the Council to develop its Business Case for the re-provision of environmental services, and the Procurement Strategy embedded within it, and consider that the process followed in this regard to be reasonable.
- 4.2.12 Furthermore, to help to ensure the robustness of the procurement process going forward, overview and scrutiny committee have been invited to establish a scrutiny panel to scrutinise the process through to contract award and mobilisation.

4.3 Legal

- 4.3.1 The legal implications of the environmental services re-procurement were dealt with in the 16th November 2016 cabinet report, Environmental Services Re-provision – Selection of Service Delivery Option.
- 4.3.2 Expert legal advice has been sought and adhered to throughout the process to ensure it is fully legally compliant. Appropriate legal advisors (Bevan Brittan) have now been appointed and have confirmed the legal robustness of the project to date and the proposed way forward.
- 4.3.3 Legal advisors have confirmed that the Council may use the Competitive Procedure with Negotiation for this procurement if it fulfils one or more of the criteria pursuant to Regulation 26 of the Public Contracts Regulations 2015 (as amended) which justify the use of this procedure.

4.4 Equality and Health

- 4.4.1 An equality impact assessment was undertaken as part of the commissioning options review process, which was considered by cabinet on 16th November 2016. That EIA has been reviewed to reflect the recommendations set out in this report and will continue to be reviewed and updated throughout the procurement process.
- 4.4.2 Bidders will be required to have regard to equality and health implications when submitting their bids and a community impact assessment will be undertaken ahead of contract award.

4.5 Consultees (Internal and External)

- 4.5.1 A community engagement framework has been developed to ensure stakeholders are fully involved in the environmental services re-provision process.
- 4.5.2 The community engagement framework is drawn from a broad range of stakeholder groups, including resident associations, parish councils, friends groups, park management committees, partner agencies, elected members and staff.
- 4.5.3 Following the 16th November 2016 cabinet report, more community engagement meetings took place in both December 2016 and January 2017.
- 4.5.4 The views of local councillors are vitally important to this procurement process. A workshop session was held in December 2016 and a follow up surgery took place in January 2017.
- 4.5.5 As well as consultation undertaken via the community engagement framework, an Ipsos MORI survey was commissioned. The survey entailed 1,000 interviews with residents from across Northampton which sought their views on various aspects of environmental services.
- 4.5.6 In addition to the Ipsos Mori consultation, all borough residents are being given the opportunity to share their views via an online survey which they are being driven to by a letter delivered to their home.
- 4.5.7 To ensure maximum response, alternatives are being provided to those unable to respond online.
- 4.5.8 All Information gathered from consultation will be collated and analysed by March 2017 in order to be shared with bidders, as they prepare their tenders, to inform their service design proposals.
- 4.5.9 The outcomes of consultation will also be shared with Overview and Scrutiny Committee in their scrutiny of the environmental services re-provision process to give assurance that consultation undertaken has been meaningful and is informing the future of environmental service provision in Northampton.
- 4.5.10 However, it must be noted that the wishes of the community will be balanced against cost to ensure an affordable solution is derived from the procurement process.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 The proposals in this report will help to deliver the following corporate plan priorities:
 - A clean and attractive town for residents and visitors

- Enhancing and encouraging participation
- Delivering quality modern services

5. Background Papers

Environmental Services Re-provision – Selection of Service Delivery Option, Cabinet Report, 16th November 2016

Eunomia – Commissioning Options Review, October 2016 (partly exempt for commercial reasons)

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