

CABINET – 15th May 2008

Report of the Director of Leisure & Environment

ITEM 12 PROCUREMENT OF REFUSE COLLECTION, RECYCLING, STREET CLEANING & GROUNDS MAINTENANCE SERVICES

Purpose of Report

To seek approval of the procurement procedures being recommended for the refuse collection, recycling, street cleaning and grounds maintenance services in light of decisions made by the Environmental Services Project Board.

Recommendation(s)

1. To approve the restricted procedure procurement route for refuse collection, recycling and street cleansing services contract for Charnwood Borough Council over a minimum period of seven years commencing from 1st August 2009 in line with the attached Project Plan.
2. To approve the submission of an in-house bid for the contract referred to in (1) above.
3. To approve a budget allocation from the Reinvestment Reserve, of up to £150,000 to support the development of an in-house bid during the procurement period.
4. To approve authority be delegated to Director of Leisure and Environment, in consultation with the Contract Compliance Officer, to draw up the final tender specification.

Reason(s)

1. To ensure continuation of service to Charnwood residents when the current arrangements expire on 31st July 2009. The procurement route chosen follows advice from the Council's procurement officer and maximises efficiency and effectiveness of the contract.
2. To maximise efficiency in the way the service is procured and that the Council maximises value for money in the services it is providing by providing a benchmark against which bidders will be evaluated.
3. To recognise the level of resource required to develop an in-house bid.
4. To enable the procurement process to move forward.

Policy Context

To support the ongoing work as part of the Cleaner Greener agenda and the Local Area Agreement.

To help deliver Charnwood's Zero Waste Strategy and Action Plan around Waste Minimisation and Recycling.

This links to the Council's Strategic aim – 'To be an Excellent Council'

Background

The Environmental Services Contract is a Key Project for Charnwood. The Project Board has overseen the development of the procurement process including a Project Plan (attached as Appendix A) for renewing the existing refuse, recycling, street cleansing and grounds maintenance services for Charnwood Borough Council. This Project has considered a full range of issues including:-

1. The procurement route to be undertaken takes full account of the range of services and timescales required
2. Potential partnering arrangements
3. The potential for an in-house bid
4. The full resource implications of any decisions made

The Project Board has invited representatives from both Melton Borough Council and North West Leicestershire District Council over the past few meetings to discuss the potential for partnership arrangements in particular with a view to making efficiency savings.

As a result, the Project Board has agreed the following proposals:-

1. The most suitable procurement route to undertake for this type of service is a restricted procedure through the Official Journal of the European Union. This follows an assessment of the various procurement options with a view to maximising market interest, reducing the length of time required, and allowing greatest flexibility when bids are received.
2. The combined services of refuse collection, recycling and street cleansing would be tendered to include the provision of the fleet and depot for the service areas.
3. Grounds maintenance (considered as part of the “cluster” of services) would be excluded from the contract arrangements at this stage due to the lack of detailed benchmarking information as well as the service area undertaking measures to resolve performance issues.
4. Measures to improve efficiency including partnership working with Melton Borough Council and North West Leicestershire District Council wherever possible. This will specifically include allowing flexibility within the contract to ensure joint working arrangements can be developed at a later stage to optimise efficiency. However, North West Leicestershire District Council has made their position clear that they do not wish to submit their current refuse collection, recycling and street cleansing service to competitive tender.
5. That an in-house bid would be developed in an attempt to maximise efficiency in procuring the service. This bidding process would require significant additional resources.
6. That a budget allocation of up to £150,000 be allocated to the procurement process to allow for sufficient capacity to be provided for the submission of an in-house bid.

Partnership Arrangements

In considering the potential benefits of working in partnership the Project Board has considered the neighbouring authorities in and around Leicestershire. As

neighbouring Counties have different partnership arrangements within their own two tier area (between the waste disposal authority and the respective waste collection authorities) it was agreed that the most suitable arrangements would be within Leicestershire authorities. This was further limited by the geographic nature of Leicestershire and the fact that Harborough District Council, Blaby District Council and the Borough Councils of Oadby & Wigston and Hinckly & Bosworth were already working in partnership on a joint procurement exercise for Harborough District Council's waste management services.

The neighbouring authorities of Melton Borough Council and North West Leicestershire District Council were therefore considered the most appropriate potential partners.

North West Leicestershire District Council

The following comments have been received from North West Leicestershire District Council:-

Having been actively involved in all of the discussions so far North West Leicestershire District Council's position is as follows:

The waste management service is currently performing well with increasing recycling rates, reducing unit costs and high levels of customer satisfaction. In light of this there is no desire nor necessity at this time to submit the service to competitive tender. North West Leicestershire District Council do not therefore wish to be included in the joint procurement of the service.

Whilst the service is performing well North West Leicestershire do not currently have the resources to bid competitively for either Charnwood's or Melton's waste management services.

North West Leicestershire would however be willing to work jointly with Charnwood and/or Melton Borough Councils on the provision of the service and to this end would work with Charnwood and/or Melton in the preparation of any "in-house" bid which, if successful, would enable efficiency improvements in joint service provision to be realised. These efficiencies could include for example, the rationalisation of rounds and management costs which may be shared.

In addition North West Leicestershire would also be interested in working with a successful contractor even if an in house bid were unsuccessful, to enable similar efficiencies to be realised.

Melton Borough Council

The following comments have been received from Melton Borough Council:-

Melton Borough Council has appreciated the opportunity to better understand the position of neighbouring authorities and has taken this into account with its developing views.

The integrated waste management contract currently utilised by Melton Borough Council is providing high recycling rates, and has done so for a number of years; there are a number of procurement options that are still being considered that could also offer a solution for our new service. Therefore, we do not wish to be included

in a joint procurement exercise with Charnwood Borough Council for the waste service.

However, to maximise opportunity, Melton Borough Council would request that included within Charnwood's OJEU notice and contract/specification is a clause to cover the principle of future joint working with the organisation carrying out the waste management service for Charnwood.

Melton Borough Council could assist Charnwood Borough Council where possible in formulating an in-house bid for Charnwood Borough Council's service and working in partnership with North West Leicestershire District Council. If successful, the same principle could be continued for Melton Borough Council's waste service. Capacity issues, funding issues etc. would unfortunately mean that Melton Borough Council could only collaborate on the in-house bid and not lead it.

However, Melton Borough Council, as already mentioned is still considering different procurement options:-

- Contract extension with the current service provider
- Working in partnership with the South Leicestershire Partnership
- Processing a service in accordance with EU procurement legislation which would negate the above
- Pursuing a holistic local approach"

It is therefore recommended that whilst there is no opportunity for a joint contract between the three authorities, that Charnwood's refuse, recycling and street cleaning contract is procured in such a way that flexibility is maximised to enable efficiency gains through partnership working with both Melton and North West Leicestershire. This could be achieved either during the writing of the contract specification or post contract award. In both circumstances the ongoing dialogue with both North West Leicestershire District Council and Melton Borough Council will help direct such a process through the Project Board.

In-House Bid

Research into the potential for any in-house bid realising any savings to the Council has been conducted. Such contracts have a number of basic deliverables including:-

- overall performance e.g. National Indicators and Best Value Indicators for the amount of household waste recycled or composted, the amount of waste generated per head of population and the cleanliness standards of the streets;
- the cost of the service to the Council Tax payer e.g. the cost of refuse collection per household;
- the satisfaction rating of the service provided.

When considering a number of these issues the top quartile authorities were identified and it was found that 60% of these authorities utilised an in-house provider.

The risks associated with the preparation and submission of an in-house bid were also discussed. The resources required to ensure the submission was sufficiently robust were estimated at around £150,000. This is based upon the need to ensure the current service is not detrimentally affected by this work and that officer(s)

dealing with the submission of the bid were sufficiently 'detached' from the Council to ensure a clear and robust process could be seen by all potential bidders.

When considering the potential value of the contract (seven years at around £5m per annum), the fact that 60% of the 'top quartile' authorities used in-house providers suggested that the £150,000 required for the submission could be a suitable investment if potential savings could be made. This risk was evaluated and considered by the Project Board at a meeting on 24th April 2008. The recommendation from the Board was that an in-house bid should be developed and submitted.

In recognising the costs associated with the preparation of an in-house bid, it is also recognised that if the tender submission were to be successful then associated costs of contract mobilisation will be incurred e.g. TUPE costs, Depot development costs, fleet hiring costs and associated consultancies to provide suitably qualified advice at the various technical, legal, financial and HR stages.

The capacity of the Council to prepare and submit an in-house bid has been evaluated and an option to consolidate existing staffing issues has been developed as part of the issues raised in this report. It is proposed to utilise interim consultancy support to enable the Director of Leisure & Environment to work with Human Resources on re-structuring the Waste Operations part of Environmental Services and allow for existing staffing issues to be resolved and sufficient capacity to be developed in readiness for the tendering process.

Financial Implications

The resources required to tender the services under this contract were considered in the budget process for 2008/09 with an allocation of £10,000 agreed for project scoping. Whilst this was an estimate at the time, this was provided to cover some of the consultancy costs associated with the procurement process e.g. tender evaluation, writing of contract documentation etc, and not the submission of an in-house bid.

With the recommendation to submit an in-house bid it is estimated that a further figure of around £150,000 will be required to provide the necessary support in preparing such a bid. This figure is based upon research within other local authorities that have gone through a similar process and the need for additional officer(s) / specialist consultancy support to be dedicated and independent from the officers within the Council responsible for writing the contract, together with admin support to enable the bid to be researched (including the establishment of a depot) and written. In addition, at the appropriate time (assuming the bid was to be successful) this would include legal and human resources expertise together with fleet provision to enable the successful bid to be mobilised. The £150,000 therefore would be required over two financial years (2008/09 and 2009/10).

This would need to come from a reinvestment bid as there insufficient resources in the Environment Services budget for this year to deliver this amount. However, the above paragraphs on risk would illustrate the investment is around 0.3 to 0.5% of the contract value.

Risk Assessment

Risk	Likelihood	Impact	Measures to address risk
Failure to deliver the contract	Low	High	Following a defined and rigorous project plan with clear resource implications at key stages
Failure to deliver targets for the Zero Waste Strategy and LAA	Low	High	Consideration of Zero Waste Strategy and LAA targets within the procurement process
Cost of the contract when bids are received is too high	Medium	High	The tendering process has been designed to maximise market interest and the submission of an in-house bid follows consideration of efficiency issues
Insufficient funds to complete an in-house bid	Medium	High	The estimated cost of such a submission has been drawn from other authorities and consultancies that have helped put together such bids
Failure to meet ongoing service targets due to resources directed towards the procurement process and in particular towards the in-house bid submission	Medium	High	The management of the resources within the service area will be closely monitored to ensure sufficient resources are provided to support the procurement process as well as the management of the current service during this busy period

Key Decision: Yes

Background Papers: Project Board and data collated from national evidence

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