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RUSHMOOR BOROUGH COUNCIL

CABINET

*at the Council Offices, Farnborough on
Wednesday, 1st February, 2017 at 7.00 pm
in Concorde Room, Council Offices, Farnborough*

To:

Councillor D.E. Clifford, Leader of the Council
Councillor K.H. Muschamp, Deputy Leader and Business, Safety and Regulation
Portfolio

Councillor Sue Carter, Leisure and Youth Portfolio
Councillor Barbara Hurst, Health and Housing Portfolio
Councillor G.B. Lyon, Concessions and Community Support Portfolio
Councillor P.G. Taylor, Corporate Services Portfolio
Councillor M.J. Tennant, Environment and Service Delivery Portfolio

Enquiries regarding this agenda should be referred to Chris Todd, Democratic
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A full copy of this agenda can be found here:
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A G E N D A

1. EXCLUSION OF THE PUBLIC –

To consider resolving:

That, subject to the public interest test, the public be excluded from this meeting during the discussion of the undermentioned item to avoid the disclosure of exempt

information within the paragraph of Schedule 12A to the Local Government Act, 1972 indicated against such item:

Item No.	Schedule 12A Para. No.	Category
2	3	Information relating to financial or business affairs

2. **AWARD OF THE WASTE, RECYCLING, STREET CLEANSING, GROUNDS AND PUBLIC CONVENIENCES CONTRACT(S)** – (Pages 1 - 30)
(Environment and Service Delivery)

To consider the Head of Community and Environmental Services' Report No. COMM1704 (copy attached), which seeks approval to award the Council's contract(s) in respect of waste and recycling collections, street cleansing, grounds maintenance and the cleaning of public toilets.

CABINET
1 FEBRUARY 2017

HEAD OF COMMUNITY AND ENVIRONMENTAL SERVICES
REPORT NO. COMM1704

AWARD OF THE WASTE, RECYCLING, STREET CLEANSING, GROUNDS AND PUBLIC CONVENIENCES CONTRACT(S)

Key decision? – Yes, due to importance and value of the contract(s)

Summary and Recommendations

The Council has completed the tender of the Waste, Recycling, Street Cleansing, Grounds and Public Conveniences Contract(s) using Competitive Dialogue. The contract award was divided into 3 lots, to provide an opportunity to secure the best outcome in both service quality and financial cost.

Stage 1 included a weighting of 60% to quality and 40% to cost, enabling the Council to remove quickly low quality or very high cost bids from the process. The weighting was adjusted in the subsequent stages to 50 /50 to increase the emphasis on costs.

The submissions were assessed and scored independently by the Councils officers and our external consultants, with the quality method statements subjected to moderation to agree a final score and the reasoning behind it.

The new contract(s) will start in August 2017 and will be for 10 years with a possible 10-year extension. The successful contractor(s) is shown in the confidential appendix (to follow).

There are additional costs associated with both the mobilisation and monitoring of the contract(s).

The Council must allow a minimum mandatory 10 day period between when the contract award decision and the reasons for it are notified to bidders and entering into the contract, during which time suppliers can have the opportunity to seek additional information to satisfy themselves that the award has been properly made.

Cabinet is recommended to:

- award the Waste, Recycling, Street Cleansing, Grounds, and Public Conveniences Contract(s) to the contractor(s) shown in the confidential appendix (to follow).
- Approve a supplementary estimate of £22k for 2017/18 onwards, to cover the annual costs of the resident's survey and visual inspection of street cleansing.
- Approve the provision of £155k from the flexible use of capital receipts to cover the additional mobilisation and IT costs.

Introduction

- This paper seeks approval to award the Waste, Recycling, Street Cleansing, Grounds and Public Conveniences Contract(s).
- Recognising these services are of high importance to local residents, business and the environment in which they live and operate, Cabinet established a Working Group to consider the best way to deliver them. The Working Group have received regular updates, provided clarification on a number of issues including recycling, operating times and commercialisation. They have also attended site visits and received presentations from the contractors.
- The new contract(s) have provided the opportunity to maintain or improve service quality and under the Better Procurement work stream, in the 8-Point Plan, is expected to deliver financial savings.
- Due to the complexity of the services involved and the opportunity to negotiate and develop proposals, the Council has procured the new contract(s) via Competitive Dialogue. The process involved three stages of dialogue with contractors, each followed by a round of evaluation.
- The Council divided the contract award into 3 Lots to provide an opportunity to secure the best outcome in both service quality and financial cost. Lot 1 included waste, recycling and street cleansing, Lot 2 included grounds maintenance and public conveniences and Lot 3 was the combination of Lots 1 & 2.
- The three stages of Competitive Dialogue enabled the price and quality weighting to be varied as the procurement progressed to ensure the best result for the Council. Stage 1 included a weighting of 60% to quality and 40% to cost, enabling the Council to remove quickly low quality or very high cost bids from the process. The weighting was adjusted in the subsequent stages to 50 /50 to increase the emphasis on costs.
- Conditions of contract were drafted to govern the way the Council and future contractor(s) will work together to achieve the outcome of the specifications. The draft service specifications were drawn up taking account of the current service levels, officer experience, views of elected members and industry best practice.
- Both the conditions of contract and service specifications were scrutinised by contractors during the procurement and these evolved to ensure the contractors could deliver the highest quality and best price in line with the Councils expectations.

- This did result in the inclusion of a change in law, under which the Council maintains some liability in the event there is a change in law, which impacts on the services provided. In addition, in the event of a transfer of staff to a new contract, the Council will also have some ongoing pension contribution liability for the staff who were once Council employees. The contractor(s) is liable for the initial contribution rate plus/minus 5%; the Council takes the risk outside this band.
- The submissions were assessed and scored independently by the Councils officers and our external consultants, with the quality method statements subject to moderation to agree a final score and the reasoning behind it.
- The Council through the method statements was keen to receive proposals linked to innovation and added value, to include how the contractors would integrate with other Council services including the Community Patrol Team, Customers Services Unit, the Maintenance Team and Community Services.
- We also sought specific commitments for the expansion of commercial activities to the mutual benefit of both the Council and contractor, along with any Social Value commitments, particularly around the Council's priorities of education, employment, the environment and local economy.
- The contract with Veolia ES (UK) for the above services was due to expire on 31 March 2017, with the new contract(s) being awarded in September 2016, allowing a 6-month mobilisation for the start of a new contract(s) in April 2017. The contract(s) will be awarded for 10 years with a possible 10-year extension.

Contract Extension

- At its meeting on 29 March 2016, Cabinet agreed to extend the current contract with Veolia by 4 months to end in July 2017. This was to enable the completion of the new depot and the outcomes of the County Council reviews of - waste processing and savings linked to their Agency Agreements (verge/hedge cutting and weed control) to be reflected in the contract specifications prior to final tender submissions. The Council as part of its budget review process would also have the opportunity to refine the specifications, optimising the Council's ability to secure the best financial deal.

Mobilisation

- The mobilisation will require additional project management in the first year to support the implementation of the new contract and relocation to the new depot. The contracts managers time to support the mobilisation will be limited, as he will be using his expertise to assist with the retendering of the Leisure

contracts. The Council will also require ongoing legal expertise and support from the consultants involved in the process.

- The provision of the new service will require a more comprehensive IT approach to integrate the client and contractor systems. This may include a customer self-service portal, mobile application and working solution, along with an end-to-end process flow.
- Funding will also be required for software licences, external technical professional services and implementation resource, which may require some back fill in IT.

Operational requirements

- There are additional operational requirements the Council need to carry out as part of the new contract to monitor standards and ensure a quality service is delivered. This includes an annual resident's survey and an independent visual inspection of street cleansing (NI195) to identify performance standards across the contracted services

Hampshire Agency Agreement

- Due to changes to the Agency Agreements, the County are taking back highway trees and will reduce weed spraying from twice to once a year. The poor control of weeds is already having a detrimental impact on the appearance of the borough and the ability of our contractor to cleanse the roads. Following the award of our contract, we will discuss our concerns with the County and explore options to improve the situation.
- The County have obtained a benchmark price for highway verge grass, shrub and hedge maintenance, which they have used to advise councils on the savings they require. We will now compare this with our own retendered prices and advise Cabinet on both the implications and options.

Financial Implications

- The current overall cost of this contract(s) is £4.5m per year including routine and additional work, representing around one third of the Councils net spend.
- A project manager will be required to coordinate the implementation of the new contract and relocation to the new depot as well as ongoing consultancy and legal advice. This has been estimated as a one off cost of £70k to be covered by the flexible use of capital receipts, as there will be measurable reductions in the contract costs.

- The additional IT costs are estimated at £85k for 2017/18 made up of portal/licences/professional services £30k, mobile App £20k and resources £35k. These one off costs would be covered by the flexible use of capital receipts. There will also be some costs associated with the need for additional software.
- The ongoing annual cost of the resident's survey is estimated at £7k and the visual inspection of street cleansing is estimated at £15k.
- The new depot to be used by the contractor(s), which is due to be completed before the end of this year, will incur a minimum revenue provision of £100k pa along with £125k pa to cover the borrowing costs of capital, measured at long term borrowing interest rates. The Council will continue to pay rent of £9k for each month we remain in the current Doman Road Depot. The Council is also receiving £4k pa rental from the Telefonica mast sited in the new depot.
- To ensure the Council receives the best price possible we have reduced the risk to the contractor(s) by sharing some of the risks for unknowns around the pensions in the event of a transfer of staff, through a cap and collar approach to any exit shortfalls and possible change in law.
- The Council will also pick up the business rates on the smaller grounds maintenance depots.
- The comments from the Cabinet Working Group along with the outcome of the tender process including the name(s) of the successful contractor(s) along with their scores and pricing compared to the unsuccessful contractor(s) is shown in the confidential appendix (to follow).

Standstill period

- The Council must allow a minimum mandatory 10 days between when the contract award decision and the reasons for it are notified to bidders and entering into the contract, during which time suppliers can have the opportunity to seek additional information to satisfy themselves that the award has been properly made.
- The Award Decision Notice should include the award criteria and the name of the successful contractor(s). We also need to provide the reasons for the decision, to include - the characteristics and relative advantages of the successful tender(s) in comparison to the recipients bid, the scores of the winner(s) and the recipient of the notice and any reasons why the recipient did not meet the technical specification.

Recommendations

Cabinet is recommended to:

- award the Waste, Recycling, Street Cleansing, Grounds, and Public Conveniences Contract(s) to the contractor(s) shown in the confidential appendix (to follow).
- Approve a supplementary estimate of £22k for 2017/18 onwards to cover the annual costs of the resident's survey and visual inspection of street cleansing.
- Approve the provision of £155k from the flexible use of capital receipts to cover the additional mobilisation and IT costs. The formal authorisation of the flexible use of capital receipts is included within the capital programme 2017/18 that will be submitted to Cabinet on 7 February for recommendation to Full Council on 23 February 2017.

Peter Amies – Head of Community and Environmental Services

Background Papers:

Cabinet reports

Conditions of contract and specifications

Tender evaluation model

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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