



## Agenda Item 9

**Report to:** South London Waste Partnership (SLWP) Joint Waste Committee  
**Date:** Tuesday 7 June 2016  
**Report of:** SLWP Management Group

**Author(s):**  
Annie Baker, Strategic Partnership Manager

**Chair of the Meeting:**  
Councillor Doyle, Chair SLWP Joint Waste Committee

**Report title:**

**SLWP Environmental Services Procurement Preferred Bidder Endorsement Report**

**Summary**

This report informs the South London Waste Partnership Joint Waste Committee of the outcome of the procurement process for the two lots in the SLWP's Environmental Services Procurement.

This report seeks endorsement for the selection of Veolia ES (UK) Limited as Preferred Bidder for waste collection, street cleaning, winter maintenance and vehicle procurement and maintenance (Lot 1) and Amey LG Limited as Reserve Bidder. It also seeks the endorsement for the selection of The Landscape Group Limited as Preferred Bidder for parks and grounds maintenance (Lot 2) and Veolia ES (UK) Limited as Reserve Bidder.

The contract for Lot 1 will start on 1st April 2017, and for Lot 2 on 1st February 2017. The contracts each cover a period of 8 years, with two further opportunities to extend for 8 years by mutual agreement.

## **Recommendations**

It is recommended that the Joint Waste Committee:

- a) Endorses a recommendation to the relevant borough decision making bodies for the appointment of Veolia ES (UK) Limited as Preferred Bidder in relation to the procurement exercise that has been undertaken by the South London Waste Partnership for waste collection, street cleaning, winter maintenance and vehicle procurement and maintenance (Lot 1);
- b) Further endorses a recommendation to the relevant borough decision making bodies that Amey LG Limited is appointed as the Reserved Bidder for the Lot 1 services;
- c) Endorses a recommendation to the relevant borough decision making bodies for the appointment of The Landscape Group Limited as Preferred Bidder in relation to the procurement exercise that has been undertaken by the South London Waste Partnership for parks and grounds maintenance (Lot 2);
- d) Further endorses a recommendation to the relevant borough decision making bodies that Veolia ES (UK) Limited is appointed as the Reserved Bidder for the Lot 2 Services.

## **1. BACKGROUND**

- 1.1. The SLWP was formed in 2003 and has a proven record of providing improved and more cost-effective waste management services through the procurement of complex waste disposal, treatment, recycling and Household Reuse and Recycling Centre contracts.
- 1.2. Officers from the four partner boroughs explored opportunities for future delivery of a range of high quality environmental services. An options analysis was undertaken to assess the merits of procuring services in partnership, as opposed to procuring alone, or retaining existing arrangements. The boroughs made an assessment of delivery, procurement options and modelling savings based on joint procurement by all boroughs. The modelling suggested savings in the region of 10% from procuring jointly with the potential to achieve savings in excess of this if the partner boroughs harmonised these services.

- 1.3. On this basis a business case for a joint procurement exercise for the following services was agreed in each of the boroughs between November 2014 and January 2015:

<b>Lot 1 (All boroughs)</b>	<b>Lot 2 (Sutton &amp; Merton only)</b>
Waste collection	Parks and grounds maintenance
Street cleaning	Cemeteries
Commercial waste	Highway verge maintenance
Winter Maintenance	Tree maintenance (excluding inspections)
Vehicle maintenance and procurement	Sports and play facilities management

- 1.4. The objectives of this sub-regional approach to procuring these services are to reduce spend, increase income opportunities, maintain high quality service and customer satisfaction through environmentally sustainable, carbon efficient, innovative solutions.
- 1.5. Currently the partner boroughs deliver their waste collection services differently, with some providing weekly food waste collections, fortnightly collection and twin stream recycling services with all of the boroughs providing a chargeable green garden waste service.

## **2. HARMONISED SERVICE PROPOSALS**

2.1. The recommended Preferred Bidders' service proposals involve harmonisation of services over time across the Partnership area. Harmonisation of services provides significant benefits in terms of efficiencies and savings.

2.2. Waste collection proposals include:

- Food waste collected every week;
- Residual (non-recyclable or 'black bag') waste collected every fortnight;
- Paper and card collected every fortnight;

- Dry mixed recyclables (e.g. plastics, cans, glass) collected every fortnight.
- 2.3. Other services are also harmonised across the Partnership area. The street cleaning service proposals operate on a neighbourhood basis. Parks and grounds maintenance resources are flexible with dedicated staff at key locations. Boroughs are able to share depot space, enabling the services to operate more efficiently.
- 2.4. The likely timetable for service change in each of the Partnership boroughs is shown in the diagram below:



These are indicative dates and are subject to individual borough decision-making bodies' approval.

### 3. COMMUNICATIONS & ENGAGEMENT

- 3.1. The Partnership has created an overarching SLWP Environmental Services Procurement (Preferred Bidder) Communications Plan covering the period 26 April – 2 December 2016. The Plan has been drafted by the Partnership's Communications Advisor in close liaison with the Communications Coordination Group (made up of communications representatives from each of the four boroughs).
- 3.2. The key objectives of the SLWP Environmental Services Procurement (Preferred Bidder) Communications Plan are to: Provide residents, elected Members, council staff and other stakeholders with clear, factual and timely information about the SLWP Environmental Services contracts; fill the seven-month 'information void' that would otherwise exist between the identity of the recommended Preferred Bidders entering the public domain on 27 May 2016 and contracts being signed in December 2016; help mitigate the risk of commercially sensitive information entering the public domain whilst the

Preferred Bidder recommendations are being endorsed by the Joint Waste Committee and considered by the four boroughs.

- 3.3. During Fine Tuning (August – November 2016) the Partnership's Communications Advisor will work with the Preferred Bidders to develop joint Communications and Engagement Strategies and Plans that take effect once contracts are signed.
- 3.4. Given the different implications of the contract award for each of the four boroughs, Merton and Sutton (where staff working on both Lot 1 and Lot 2 services are predominantly directly employed by those boroughs) have chosen to produce their own borough-specific communications plans. This has been done in liaison with the Partnership's Communications Advisor.

#### **4. THE PROCUREMENT PROCESS**

- 4.1. The Competitive Dialogue procurement route was recommended due to the scope and complexity of services and feedback from market engagement. Appendix 1 outlines the Competitive Dialogue procurement process in greater detail. The key determinants of the decision to use Competitive Dialogue were; a) the complexity of the requirement and the need to shape the market, explore various options and service developments with bidders; b) the costs of the services which are approximately £38m per annum for the four boroughs, and; c) the requirement for skilled negotiation to take place with bidders, particularly given the scale of spend and objective to achieve significant savings.
- 4.2. One of the key benefits of using Competitive Dialogue is that it allows both the authorities and bidders to enhance and adapt the scope of the requirements throughout the process, including the final specification. This has highlighted further efficiencies, in demonstrating the benefits of incorporating, for example, the administration function for the cemeteries services, along with the sports bookings function for parks, within the scope of the contracts.
- 4.3. In addition, it has been possible for Merton and Sutton to review the timescale and contract start dates and seek, in consultation with the bidders, to bring forward the contract start date for Lot 2 services from 1st April 2017 to 1st February 2017, to ensure that the Lot 2 contractor is in place prior to the start of the horticultural cutting season.
- 4.4. Following approval by the four boroughs, an OJEU notice was submitted in January 2015 and those companies expressing an interest were sent a Pre-Qualification Questionnaire (PQQ).

4.5. The Competitive Dialogue ran in three stages; Outline Solutions Stage, Detailed Solutions Stage and Final Tender Stage. Bids were evaluated at each stage according to the evaluation criteria; a detailed report on the evaluation process and outcome of each stage of dialogue is detailed in Appendix 1.

## **5. BENEFITS OF THE NEW CONTRACTS**

5.1. The objectives agreed prior to the commencement of the procurement exercise were:

- i. to target optimum savings on the costs of service provision through lower service costs and increasing recycle revenues;
- ii. to deliver residents a high performing service, achieving high levels of customer satisfaction;
- iii. to provide improved environmental and carbon outcomes in the way we deliver environmental services; and
- iv. to ensure the community are engaged and involved in the management and maintenance of parks, cemeteries and open spaces in Merton and Sutton.

5.2. The procurement objectives have been achieved and detailed borough benefits will be outlined in each borough's preferred bidder recommendation report.

## **6. GOVERNANCE AND CONTRACT MANAGEMENT**

6.1. In 2015, the Partnership boroughs agreed a new Inter Authority Agreement (IAA) relating to the procurement of the Lot 1 and Lot 2 services. This document related to the procurement activity only, with a commitment to agree a variation to the IAA for the management of the contract or contracts prior to services commencement.

6.2. The new Contract IAA is being agreed between the boroughs' lead officers and the core principles will remain consistent with those of existing IAA documents and will cover the period from Contract Award ensuring there is no gap between the Procurement IAA and the Contract IAA.

6.3. The contract will be managed by the Partnership in conjunction with each of the boroughs, with a centralised client function sitting in the Partnership team and a borough-led client team in each borough, in accordance with the reporting requirements developed through dialogue with bidders and agreed with the Preferred Bidder during fine tuning.

## 7. TIMESCALES & MOBILISATION

7.1. Subject to each partner borough executive’s approval of the recommendations within this report, the contract will commence on 1 April 2017 for Lot 1 and 1 February 2017 for Lot 2. A mobilisation plan has been submitted by the Preferred Bidder in accordance with the submission requirements and will be subject to further discussion and agreement with Partnership officers during contract fine tuning.

7.2. The indicative timetable leading to contract commencement is as follows:

Borough Executive Approvals for Preferred Bidders	June – July 2016
Preferred Bidders Fine Tuning	August – November 2016
Contract Signing (includes 10 working day standstill period following notification of contract award)	December 2016
Mobilisation period (including TUPE transfer of relevant staff)	Lot 1: January – March 2017 Lot 2: January 2017
Contract Commencement (note: precise dates to be agreed at fine tuning. 1 <sup>st</sup> April 2017 is a Saturday)	Lot 1: 1 April 2017 Lot 2: 1 February 2017

## 8. LEGAL IMPACTS & IMPLICATIONS

8.1. The Partnership’s Legal Lead comments that whereas the Joint Waste Committee does not have delegated functions in relations to waste collection services or grounds maintenance services and the other ancillary services which are the subject of the procurement exercise outlined in this report, given the interplay between waste collection and waste disposal this report is being presented to the Joint Waste Committee to keep the Committee abreast of the developments with regards to the procurement exercise and to seek the Committee’s endorsement of the recommendations due to be made by the

South London Waste Partnership project team to the individual borough authorities of the Partnership.

- 8.2. The procurement exercise leading to the recommendation of a preferred bidder has been conducted using the Competitive Dialogue procedure as provided for under the Public Contract Regulations 2006 (as amended). Legal advice in relation to the procurement rules and the drafting of contract documentation and other relevant legal matters has been given throughout the whole of this procurement process. There are no governance or legal concerns at this time in relation to the proposed recommendation. Legal advice will continue to be provided up to financial close and as necessary.
- 8.3. Staff working in Merton and Sutton on both Lot 1 and Lot 2 services are directly employed by those boroughs and will be transferred to the new service provider for Lot 1 or Lot 2 respectively. Staff working in Croydon and Kingston on Lot 1 services are predominantly employed by Veolia through contracts already in place. A TUPE transfer plan will be drawn up by the Preferred Bidders during fine tuning for agreement by the Partnership. This transfer will be made according to the TUPE regulations and staff will need to be fully consulted.
- 8.4. Approved by: Sean Murphy, Principal Corporate Solicitor (Regeneration) at Croydon Council and Legal Lead to the South London Waste Partnership on behalf of the Solicitor to Croydon Council and the South London Waste Partnership.

## **9. FINANCE**

- 9.1. The 10% savings target has been achieved by the procurement. Savings are likely to be at around 20% and are forecast to save the four boroughs £56m over the next eight years (£47.4m on Lot 1 and £8.6m on Lot 2), based on a scenario where service budgets are inflated at 1% each year. The year one savings from the procurement will be calculated against each authority's own service budget and details of savings will be set out in each borough's preferred bidder report.
- 9.2. Clienting arrangements for managing the contract are being considered and are likely to result in additional costs that will need to be netted off against each authority's final saving from the procurement.

- 9.3. The Department for Communities and Local Government (DCLG) awarded funding of £1.3m to the project following a successful application by London Borough of Sutton on behalf of the Partnership boroughs to the Transformation Challenge Award (TCA) scheme.
- 9.4. The table below details the total estimated cost of the procurement (£1,640,027) from 2014/15 to 2016/17. As detailed in 8.2, TCA funding of £1,330,500 was received in April 2015 from DCLG resulting in an estimated cost payable by the Partnership of £309,527 (£77,382 per borough). £1,221,130 expenditure has been incurred up until 31 March 2016 leaving an estimated £418,897 of expenditure to be incurred during 2016/17.

<b>Item</b>	<b>Estimate £</b>	<b>Actuals to 31 March 2016 £</b>
<i>Advisor Consortium</i>	1,254,997	1,086,077
<i>Project &amp; Contract Management</i>	161,000	66,778
<i>Internal Legal Advice</i>	90,375	68,275
<i>Contingency</i>	133,655	0
<b>Sub-Total</b>	<b>1,640,027</b>	<b>1,221,130</b>
<b>Less TCA funding</b>	<b>-1,330,500</b>	<b>-1,330,500</b>
<b>TOTAL</b>	<b>309,527</b>	<b>-109,370</b>
<b>COST PER BOROUGH</b>	<b>77,382</b>	<b>-27,343</b>

## **10. EQUALITIES IMPACT**

- 10.1. There are no equalities implications arising directly from the endorsement set out in this report, and boroughs will set out the approach to equality impact assessments where these are relevant within each borough's preferred bidder report
- 10.2. The tender opportunity and procurement process was conducted with due regard for equalities legislation and bidders selected for Competitive Dialogue

were required to have a current Equalities Policy which met legislative requirements.

## **11. SOCIAL VALUE**

11.1. To meet the requirements of the Public Service (Social Value) Act 2012, the Partnership is obliged to measure the social impact of services commissioned by the constituent councils. Bidders were therefore required in their submissions to demonstrate how their proposals would contribute to social value within the partner boroughs. Contribution to social value in the context of this procurement was defined as, but not limited to, apprenticeship schemes, local employment opportunities and third sector engagement.

## **12. ENVIRONMENTAL IMPACT**

12.1. The new services will deliver environmental benefits by contributing to boroughs' aims to reduce waste from households, increase recycling rates and reduce carbon emissions.

**CONTACT OFFICER:** Annie Baker, Strategic Partnership Manager, South London Waste Partnership

**BACKGROUND DOCUMENTS:** previous Phase C reports to individual borough decision making bodies and evaluation reports as held by report author.

### **APPENDICES:**

Appendix 1                      Evaluation Report