

The appendices to this report are considered exempt under paragraph 3 of schedule 12A of the Local Government Act 1972 in that it concerns the financial or business affairs of the Council. The public interest has been assessed and it is considered that, the public interest is better served by non-disclosure to the press and public.

Report to: **Council**

Date: **29 March 2018**

Title: **Frontline Services (Waste & Cleansing Procurement)**

Portfolio Area: **Commercial Services**

Wards Affected: **All**

Relevant Scrutiny Committee: **Council**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: Immediately

Author: **Helen Dobby & Jane Savage on behalf of the Waste Board** Role: **Group Leader (Commercial Services) & Commissioning Manager (Waste)**

Contact: **helen.dobby@swdevon.gov.uk**
jane.savage@swdevon.gov.uk

Recommendations:

1. It is **RECOMMENDED** that the Council note the progress of the project and endorse the view of the Frontline Services (Waste Procurement) Project Board to continue to the next stage of the competitive dialogue process for waste collection, recycling and cleansing services.

1. Executive summary

- 1.1. Members requested that key decisions during the procurement process be brought before Council. The procurement process goes through a number of stages – Outline Solutions, Detailed Solutions and Final Solutions. This report deals with the Outline Solutions Stage.
- 1.2. Bids have been received and evaluated for the Outline Solution Stage and proposals have been assessed as offering better quality against current service.

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- 1.3. Appendix B contains further information from the submissions and outlines any potential savings, and service design improvements contained within the bids.
- 1.4. It should be noted that if the Council approve Recommendation 1, the procurement process will continue to the Detailed Solutions Stage and a further report will be brought before Council in July 2018.
- 1.5. West Devon are legally required to test services in line with the Public Contract Regulations 2015. In order for South Hams to properly test service costs in the marketplace detailed solution information will be required.

2. Background

2.1 Members requested that key decisions during the procurement process be brought before Council. This report deals with the Outline Solutions Stage and the Board have based the recommendation on whether it is of benefit to both South Hams and West Devon Councils to continue with the procurement process. It should be noted that if Recommendation 1 is approved, the procurement process will continue to the Detailed Solutions Stage and a further report will be brought before Council in July 2018. Detailed solutions expand upon the specific detail of service benefits to the Council based upon a more thoroughly costed service solution rather than the indicative costs given at outline stage.

2.2 At the current stage of the procurement process an endorsement of the recommendation does not commit South Hams District Council to outsource the services. It does however recognise that the process is currently competitive and allows bidders to proceed to Detailed Stage. West Devon Borough Council are committed to continue with the process to be compliant with Public Contract Regulations 2015. Broadly costed parameters have been submitted at this outline stage and Detailed Stage solutions would offer more in-depth analysis of quality and cost in July 2018.

2.3 To ensure commercial confidentiality of bids and maintain the integrity of the procurement process, actual costings cannot be disclosed in this report. The Project Board have considered both service price and the quality of service offered by the bidders.

2.4 Following the Special Council meetings for West Devon and South Hams on the 31 October 2017, a number of recommendations were agreed which allowed for a Notice to be placed in the European Journal (OJEU) to invite suitable candidates to bid for the recycling and waste collection, street cleansing and public toilet cleaning services in both Council areas.

2.5 These respective reports set out the key objectives for the services as well as defining 'red lines' for service delivery. The market place was asked to cost the current service design as well as to provide optimum service solutions designed to meet the required objectives as detailed in the report. The optimum service solutions included the need to work towards the Devon aligned service. This is in line with the Waste and Resource Management Strategy for Devon to which the Council is committed.

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2.6 To ensure legal compliance in West Devon the procurement must be completed in time for a service commencement date of the 1st April 2019. South Hams are testing the market within the same timeframe to take advantage of a shared procurement, which has potential advantages for both Councils, in terms of procurement costs and economies of scale.

2.7 Recommendations at key points in the procurement process will come from the Frontline Services (Waste Procurement) Project Board who have access to all procurement information. It was requested that key gateway decisions during the process be brought before Council for consideration.

2.8 The latest Board Highlight Report is attached as Appendix A. This and previous Highlight Reports can be reviewed by all Members at: <http://is.swdevon.lan/members-west-devon/messages-from-officers/> . Please note the highlight Reports are not available to the general public. In summary, these reports set out progress to date, milestone activity, budget position, and the main project risks. The current position is summarised in the following paragraphs.

2.9 Detailed contract documents were developed by the waste working groups which included setting out the specific requirements of the two Councils and has produced detailed baseline data for both.

2.10 All bidders scored highly enough at the selection stage to be invited to take part in the next stage of the process, which was to submit Outline Solutions. The bidders understand the scale, scope and size of contract which we are procuring and the importance of each Council's identity. They are major market forces and have existing footholds in the South West – they are either already involved in, or have an interest in neighbouring South West contracts which are due to come to market shortly. As such our positioning and procurement timing should allow for a fully competitive testing of the market in relation to our services.

2.11 The process is divided into 3 parts, Outline Stage, Detailed Stage and Final Stage. This report deals with the Outline Stage where evaluation is based on 60% cost and 40% quality and whether solutions offer an advantage, in particular a financial advantage, over the current means of delivery.

2.12 Bidders were asked to provide bids on the basis of the services being split into 3 Lots:

- Lot 1 West Devon's waste and cleansing services
- Lot 2 South Hams' waste and cleansing services
- Lot 3 Both Councils' waste and cleansing services

3. Evaluation of Outline Solutions

3.1 All proposals have been assessed as offering better quality against current service design.

3.2 To ensure a like for like comparison, proposals have been evaluated against current service costs taking into account considerations, such as depot

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usage, income from recyclables and customer support. At this stage due to the procurement methodology, exact specification of services cannot be determined as this would be refined during later dialogue stages and therefore the comparison of pricing against existing costings cannot be finalised but based on the solutions offered so far. However, an indication of current delivery costs against those proposed are shown in Appendix B. For commercial reasons, exact costings cannot be disclosed in this report but have been fully considered by the Project Board.

3.3 It should be noted that net costs for the provision of waste and cleansing services have risen in recent years, not least due to the introduction of the National Living Wage, fluctuations in the global recyclable materials markets including Chinese import restrictions and a national shortage of HGV drivers.

3.4 The next stage of the procurement involves a second round of dialogue with bidders to discuss optimum solutions for each Council after which invitations to submit Detailed Solutions will be issued.

4. Options available and consideration of risk

- 4.1 There is no material risk to the Council of continuing to the next stage of the procurement process and, if the recommendation is approved, a further recommendation on whether to continue with the process will come before Council in July.
- 4.2 There is a risk if West Devon choose not to endorse Recommendation 1 as failure to continue with the procurement process and award a contract by April 2019 would result in the Council being non-compliant with the Public Contract Regulations 2015.
- 4.3 All Devon districts have committed to move towards the Devon Aligned Service. Any delay may incur additional costs and the Council would miss out on opportunities that the aligned service could provide such as improvements to the customer, increase in recycling rate and income, increased opportunities for partnership working and cost reductions, and positive environmental impacts.
- 4.4 At this stage it is not necessary to make decisions such as opting for less frequent residual collections. However it is worth noting that any savings that can be achieved from this option will not be fully realised if a decision is made after the procurement process is concluded.

5. Proposed Way Forward

- 5.1. It is proposed that Council endorses the view of the Board to continue to the next stage of the competitive dialogue process for waste collection, recycling and cleansing services.
- 5.2. This recommendation fits with the corporate priorities of Environment, Infrastructure and Resources.

6. Implications

Implications	Relevant to	Details and proposed measures to address
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	proposals Y/N	
Legal/Governance	Y	The Council has a duty to arrange for collection and disposal of household waste. The legislative framework is to be found in the Environmental Protection Act 1990, Waste Framework Directive 2008, and Controlled Waste Regulations 2012. The procurement process is compliant with the Public Contract Regulations 2015. Any change in policy will need to be communicated to bidders so that they can consider the impact on their pricing strategy.
Financial	Y	Financial implications are set out in Appendix B.
Risk	Y	The risks are set out at section 4 of this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	Not applicable
Safeguarding	N	Not applicable
Community Safety, Crime and Disorder	N	Not applicable
Health, Safety and Wellbeing	N	Not applicable
Other implications	N	None

Supporting Information

Appendices:

Appendix A: Project Board Highlight Report February 2018 - **Exempt**

Appendix B: Outline Solutions Stage Council Position - **Exempt**

Background Papers:

Council Report 31 October 2017

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Cabinet/Scrutiny)	