



Report Title: **Public Realm Commissioning Strategy (Option Appraisal)**

Forward Plan reference number (if applicable):

Report of: **Niall Bolger, Director for Urban Environment**

Wards(s) affected: **All**

Report for: **Key**

### **1. Purpose**

1.1 The purpose of the report is to appraise the four procurement options (set out in paragraph 12.1) in order for Members to select the most appropriate option to deliver the aims and objectives of the Haringey Strategic Partnership and Council Plan:

1.2 For Public Realm and Specialised contract options, to identify a suitable procurement process and ascertain the most appropriate contract vehicle.

### **2. Introduction by Cabinet Member**

2.1 The need to ensure that the future shape of waste management and highways contracts deliver excellent services to our citizens is paramount. This report reflects the first stage of this project with the development of a commissioning strategy which has objectively appraised the four procurement options that were identified by Members in December 2007.

2.2 The main finding of this report is to recommend procurement Option 2 (Specialised), which is to procure an integrated waste management contract (which includes the recycling collection service) and Highways/Street Lighting contract separately. The analysis undertaken to come to this decision has focused on scoring 13 separate criteria with a key emphasis in identifying the option which would be best suited to deliver improvements in performance, customer perception and ensure that services will be delivered effectively and efficiently (value for money).

2.3 Throughout the whole evaluation process a critical factor has been identifying, managing and grading risk. This has resulted in singling out Option 2 (Specialised) as

the procurement option with the lowest level of risk when considering the Council's overall objective to improve performance, customer perception and efficiency.

2.4 The next stage of the procurement will include the development of the contract documentation (specification, contract conditions, performance framework etc.), appointment of external advisors, determining evaluation criteria and completing the proposed borough wide consultation exercise. It is important that Members from both parties have a role in determining the outcomes from these processes. I have therefore recommended that a Cross Party Member Steering Group be set up to oversee and steer the development of both the highways and waste management procurement projects.

### **3. Recommendations**

3.1 It is recommended that Cabinet :

- 3.1.1 agree to select the Specialised contracts option (Option 2);
- 3.1.2 agree the use of a Competitive Dialogue procurement process;
- 3.1.3 agree to extend the Integrated Waste Management & Transport contract with Haringey Enterprise Ltd by 16 months with a new contract start date in April 2011;
- 3.1.4 agree to extend the proposed Highways/Street lighting contract period from two years to four years (contract period July 2009 to June 2013) with a possible extension of up to four years. The scope of the contract to be increased to offer on a non exclusive basis work off Highway and work over £0.5M in value.
- 3.1.5 agree to extend the current Highways (John Crowley (Maidstone) Ltd) and Street Lighting (EDF Energy Contracting) contracts by a further three months to June 2009;
- 3.1.6 agree that a Cross Party Member Steering Group be set up to oversee and steer the development of the ongoing waste and highways procurement projects. The constitution including the membership of this group will be determined by Executive Member for Environment & Conservation ; and
- 3.1.7 agree to undertake a formal public consultation on future waste management services with Haringey Sustainable Community Partners, residents, traders and visitors.

Report Authorised by: **Niall Bolger, Director, Urban Environment**

Contact Officer: **Stephen McDonnell, Head of Environment Resources**

#### **4. Chief Financial Officer Comments**

4.1 The financial implications are set out in paragraph 8 and will need to be taken into account during the 2009-10 to 2011-12 budget setting process. The main change to the current financial plans will be the deferment of pre-agreed savings of £1.165m from 2010/11 to 2011/12. The additional cost of the extension identified can be contained within the overall provision for inflation.

4.2 The options appraisal has been underpinned by value for money principles and this will continue throughout the procurement process. The process has also included a thorough analysis of risk as part of the evaluation process.

#### **5. Head of Legal Services Comments**

5.1 Please refer to Appendix A.

#### **6. Local Government (Access to Information) Act 1985**

6.1 The background papers relating to this project are :

1. Public Realm Option Appraisal Commissioning strategy Report
2. Haringey Sustainable Community Strategy (2007 – 2017)
3. Haringey Council Plan (2007 - 2010)
4. Going Green: Haringey's Greenest Borough Strategy 2008-2018
5. North London Joint Waste Strategy
6. Recycling Strategy for Haringey 2006-2010
7. Regeneration Strategy: People, Places and Prosperity
8. Local Implementation Plan (LiP)
9. Highways Asset Management Plan (HAMP)

6.2 This report contains exempt and non exempt information. Exempt information is contained in Appendix A of this report and is NOT FOR PUBLICATION. The information contained in Appendix A is exempt under the following category (identified in Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006):

s.5 *“Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings”.*

#### **7.0 Strategic Implications**

7.1 The frontline services being considered within this option appraisal, provided by Waste Management and Highways, uniquely involve daily and weekly interactions with all our customers and are therefore of critical importance in how

citizens perceive and judge the Council. In the recent annual resident survey (2007/08) both traffic and litter were in the top 5 areas of personal concern to our residents. How the Council performs in collecting refuse and recycle materials, how well it keeps its streets clean and how well it manages the condition of its footways and carriageways impacts on the quality of life of citizens and how they perceive the performance of the Council as a whole.

7.2 Therefore due consideration of the strategic implications of Public Realm services is key to understanding the procurement option best suited to delivering the improved performance which will meet the policy objectives set out in Haringey's Sustainable Community Strategy. The context for the strategic implications is set out in section 4.0 of the attached commissioning strategy report. For ease of reference the section has been divided the following five areas:

- a) Comprehensive Area Assessment and its implications – paragraph 4.3;
- b) Greenest Borough Strategy and its implications – paragraph 4.4;
- c) Waste - North London Joint Waste Strategy and NLWA Procurement – paragraph 4.5;
- d) Sustainable Transport – Local Implementation Plan (LiP) Highways Asset Management Plan (HAMP) – paragraph 4.6; and
- e) Achieving Excellence – Corporate improvement programme – paragraph 4.7

## **8.0 Financial Implications**

8.1 The total annual revenue and capital value of the existing public realm service are £20 million and £9 million respectively.

8.2 The funding the Council receives from Transport for London's (TfL) Local Implementation Plan is subject to an annual bidding process and therefore can vary year on year. The money funds schemes which include Principal Road renewal, road safety projects and town centre improvements. Any new contractual arrangements will need to be flexible enough to respond to changes in funding streams, including during the course of a financial year when Transport for London often releases additional funds to allow the implementation of additional projects in the borough.

8.3 The report recommends that an extension to the existing waste management contract with Haringey Enterprise Ltd, by a period of 16 months (with a new end date of April 2011), is necessary in order to pursue the proposed route of the Competitive Dialogue process for procurement of the specialised waste management contract (Option 2) and to gain the maximum benefit from this procedure.

- 8.4 The implications of extending the contract will be a deferment of planned budget savings of £1.165m p.a. from 2010/11 to 2011/12. The VfM analysis included within the options appraisal has confirmed that these savings can be achieved under either option 1 or 2.
- 8.5 The existing contract with HEL allows for an uplift in 2009/10 above the level of inflation. This is estimated at £300k above the current provision for inflation. HEL has proposed efficiency savings of £200k subject to an extension. There will therefore be a shortfall of £100k in the service's budget as a result of the extension which will need to be taken account during the council's budget setting.
- 8.6 The implications of extending the contract will be a deferment of planned budget savings of £1.165 million p.a. from 2010/11 to 2011/12. The VfM analysis included within the options appraisal has confirmed that these savings can be under either options 1 or 2.
- 8.7 The increased duration of the Highways/Street Lighting contract(s) from 2 years to 4 years is likely to increase VfM for the Council (although it is not possible to accurately quantify this increase at this point) as it will enable the contractor to spread the significant initial investment required for staff and other resources over the longer contract period and allow this investment to be paid back over a longer period.
- 8.8 The savings achieved from extending the contract duration to 4 years will be channelled into improving quality and to meeting the level of investment required to improve highways condition performance. A report has been completed into the level of investment required to achieve top-quartile performance, which estimates a required investment of around £3.65m pa over 10 years. The findings of this report will be presented to the Cross Party Members Steering Group for the Public Realm procurement to enable Members to consider the affordability of the suggested investment levels.
- 8.9 To complete the street lighting replacement programme a further £9 million will be required over the next 10 years as well as £1 million for investment in illuminated signs over this time.
- 8.10 The Council's budget setting process for 2008/09 to 2010/11 agreed resources of £500k, phased £350k in 2008/09 and £150k in 2009/10, to meet specialist legal and technical costs associated with the procurement of a single contract, as anticipated under the Public Realm option. It is anticipated that the proposed procurement under option 2 will be managed within this budget.

## 9. Legal Implications

9.1 Please refer to Appendix A.

## 10.0 Equalities Implications

10.1 It is proposed that public consultation be carried out to ensure the views of the Council's all sections of the community, especially the vulnerable, are incorporated into the competitive dialogue process and the design of these universal public realm services, so as to deliver high quality services that can be accessed equitably and easily by all customers.

10.2 As part of the next phase of the procurement process an Equality Impact Assessments (EIA) will be completed on both the specialised Highways and Waste Management contracts.

## 11. Consultation

11.1 Consultation was carried out to inform the appraisal process with the information gathered used as evidence to assist the scoring of the assessment criteria (for further details on scoring refer to paragraph 12.3). The process has been divided into the following five areas:

11.2 **Services** - interviews were held with Waste Management, Recycling, Highways (including Street Lighting), Property Services and Homes for Haringey to determine the desired outcomes that new contracts would be required to meet, to gain views on the proposed four procurement options and to highlight any areas of investment required within the services.

11.3 **Neighbouring Boroughs** (Islington, Camden and Hackney) - to explore the potential of jointly procuring a waste management contract.

11.4 **Local Authorities using innovative contract vehicles** - to determine the success or otherwise of specific types of contract vehicles, including Joint Venture Companies (JVCos) and Limited Liability Partnerships (LLPs). Liverpool, Torbay and Oldham Councils have formed JVCos with private partners and Sheffield have entered in to a LLP with Kier. These visits also enabled information gathering on how other authorities have packaged services together as part of their commissioning strategies.

11.5 **Best performing authorities** - as measured by delivering consistently top quartile performance in Highways and Waste Management indicators. The two boroughs selected were Kensington and Chelsea, an authority that has

consistently externalised services, and Stockton-on-Tees whom provide the range of public realm services In-house.

- 11.6 **External bodies** - namely the '4Ps' (Public Private Partnerships Programme) and the London Centre of Excellence for procurement, to gain advice on the procurement process, to obtain views on the four options and any other experience that other local authorities may have shared with them in recent similar procurements of this type.
- 11.7 The details of the responses to these interviews and follow up questionnaires are set out in section 5.0 of the attached commissioning strategy report.
- 11.8 The Comprehensive Area Assessment will significantly weight information from the new customer satisfaction place based surveys and will assess the quality of involvement from local people, especially the vulnerable. Therefore it is recommended that Members consider the Council undertaking a full consultation with both strategic partners and citizens on the future provision of waste management and or highway services to inform the commissioning process. The details of the consultation programme will be determined by the proposed Cross Party Member Steering Group.

## 12. Background

- 12.1 Following a meeting with lead Members in December 2007 a request was made for officers to complete a procurement option appraisal on how the Council would commission future frontline Highways, Street Lighting and Waste Management Services. The four options that Members agreed to be appraised were:
- Public Realm (Option 1) – Combining all frontline (Highways/Street Lighting and Waste Management) services into one public realm contract.
  - Specialised (Option 2) – The Highways/Street Lighting and Waste Management services would tender their own 'specialised' service contracts.
  - Externalised Highways/Street Lighting contracts and Waste Management Services provided In-House (Option 3) – The Highways/Street Lighting services would be tendered and all waste management services would be provided by an In-house team.
  - Externalised Highways /Street Lighting and an Extension to the Integrated Waste Management Contract with a continued In–House Recycling Service (Option 4).
- 12.2 The subsequent commissioning strategy (see attached commissioning strategy report) sets out in detail the development, results and conclusion of this option appraisal, which will enable Members to consider all the technical information

and select the most appropriate procurement scenario to deliver Haringey's Sustainable Community Strategy objectives.

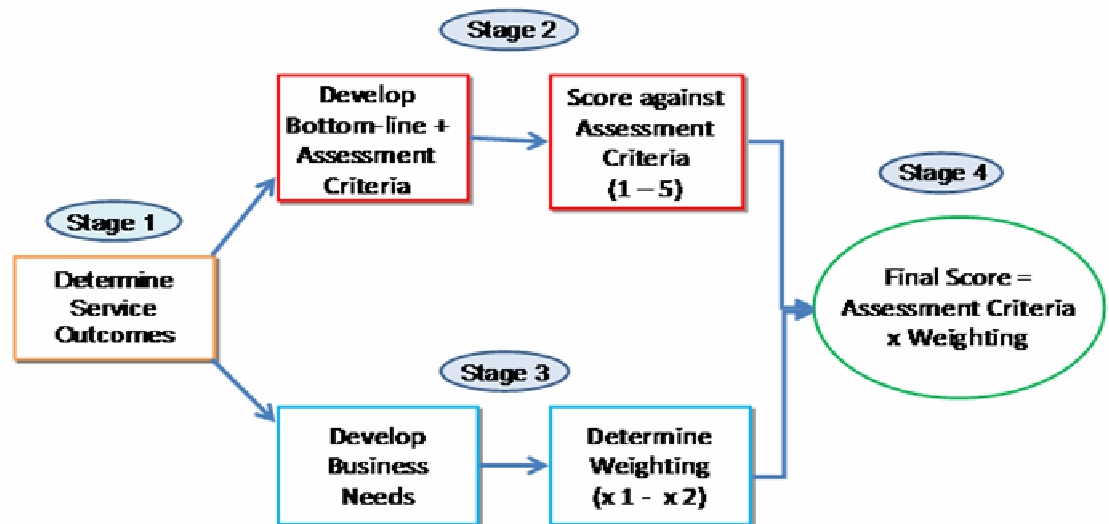
- 12.3 This project falls within the remit of the Achieving Excellence programme and a key underlining aspect of this programme has been to demonstrate that projects deliver improvements in Performance (P) and customer Perception (P) together with ensuring services are Efficient (E) and provide value for money. These three principles (PEP), which have been agreed by Members, have been incorporated throughout this option appraisal.
- 12.4 This section of the report summarises the detail in the commissioning strategy and for ease of reference has been divided into two parts:
- a) The option appraisal setting out the methodology, results and analysis.
  - b) Details on an appropriate procurement process and contractual vehicle.

12.5 **a) Option Appraisal Methodology/Results/Analysis**

- 12.6 The appraisal methodology is split into four distinct stages as shown in Diagram 1.0 overleaf. The approach taken has been designed to be objective by linking the development of the assessment criteria to the Council's business needs to determine final scores. The rigour applied and the robustness of the methodology has stood up to external scrutiny from both Ernst & Young and Positive Purchasing (appointed by Corporate Procurement). The consideration of risk has been paramount to the methodology and is reflected in the development of two assessment criteria areas: procurement risk and project risk, which have been assigned the joint highest weighting (x2). The appraisal process has also focused heavily on the value for money offered by each option.

**Diagram 1 – Appraisal Process**





12.7 Section 6.0 of the attached commissioning strategy report sets out in detail the appraisal methodology; however a summary of the four appraisal stages is highlighted below.

12.8 **Stage 1** – determining desired service outcomes based on the priorities in Haringey’s Sustainable Community Strategy/Council Plan and interviews with frontline services.

12.9 **Stage 2** – the development of assessment criteria based on the outcomes identified, divided into two parts: three qualitative ‘bottom line’ criteria that each option had to meet, before being assessed against ten quantitative criteria, which would be scored from 1 (low) to 5 (high), for each option.

12.10 **Stage 3** – the development of a set of Business Needs for the services (Assurance of Supply, Perception, Quality of Service and Cost) and their appropriate weighting. Then linking these Business Needs and weighting to each of the ten quantitative assessment criteria.

12.11 **Stage 4** – final results are determined by first assessing the options against the three ‘bottom line’ criteria and secondly by scoring the qualifying options against the ten quantitative assessment criteria (from 1 to 5) and then multiplying by the appropriate weighting.

12.12 As described above a robust approach has been employed in considering risk both before (Procurement Risk) and after (Project Risk) the contract commencement date. A total of 21 risks have been identified and evaluated. These are fully detailed within a risk register (see Commissioning Strategy - Appendix E) and have been graded on the basis of being low (green), medium (amber) and high (red).

12.13 Another key component of the option appraisal has been the Value for Money analysis. Ten sub-categories within the VfM criterion have been assessed to determine the overall VfM criteria score for each option (for further details refer to the commissioning strategy, paragraph 7.4.3). A summary of the results of the VfM analysis is highlighted below:

- It is clear that all three options (Public realm, Specialised & In-house) will offer a greater level of value for money compared to the current contract with Haringey Enterprise Ltd. It is estimated that the overall financial benefit would be between £0.8 Million and £1.4 Million.
- In overall terms there is no difference in potential savings between the Public Realm and Specialised options.
- The cost benefit for the In-house option was slightly less than for the Public Realm and Specialised options and this was mainly due to the greater procurement and salary costs.

## 12.14 Appraisal Options Results

**Table 1 - Option Appraisal Results**

Criteria	Weighting (%)	Option 1 Public Realm		Option 2 Specialised		Option 3 In-house Waste		Option 4 Waste Extension	
		Score	Total	Score	Total	Score	Total	Score	Total
Assurance of capacity	N/A	Go		Go		Go		Go	
Performance of service	N/A	Go		Go		Go		No	
Environmental Sustainability	N/A	Go		Go		Go		No	
Procurement Risk	13.5	2	27	3	40.5	2	27		
Project Risk	13.5	3	40.5	4	54	1	13.5		
Vfm	10	4	40	4	40	3	30		
Flexibility	10	3	30	3	30	5	50		
Customer Perception	9.5	4	38	3	28.5	2	19		
Certainty over financial outcomes	8.5	5	42.5	5	42.5	3	25.5		
Innovation	8.5	5	42.5	4	34	3	25.5		
Investment	8.5	4	34	4	34	3	25.5		
Partnering	8.5	3	25.5	4	34	2	17		
Performance Management	8.5	5	42.5	5	42.5	2	17		
<b>Totals</b>		38	363	39	380	26	250		

12.15 The Specialised option scored the highest number of points with 380; however this was closely followed by the Public Realm option with a score of 363 points. The lowest score was for the In-house Waste option; 34% less than the highest score. Any extension of the Integrated Waste Management & Transport contract (Option 4) over an extended period was dismissed based on its failure to satisfy two of the three 'bottom-line' criteria, but the option could be used to manage the procurement timetable risk in delivering the Public Realm (Option 1) or Specialised (Option 2) options.

12.16 A summary of the positive and negative aspects of each option are highlighted in Table 2 below. The table demonstrates where an option has received either a high (4 or 5) or low (1 or 2) score.

**Table 2 – Summary of Pros and Cons of each Option**

Option	High Scores = 4 and 5	Low Scores = 1 and 2	Total Score
<b>1 - Public Realm</b>	<ul style="list-style-type: none"> <li>▪ Financial Certainty</li> <li>▪ Innovation</li> <li>▪ Performance Management</li> <li>▪ VfM</li> <li>▪ Customer Perception</li> <li>▪ Investment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Procurement Risk</li> </ul>	<b>363</b>
<b>2 - Specialised Contracts</b>	<ul style="list-style-type: none"> <li>▪ Financial Certainty</li> <li>▪ Project Risk</li> <li>▪ Performance Management</li> <li>▪ Partnering</li> <li>▪ Investment</li> <li>▪ Innovation</li> <li>▪ VfM</li> </ul>	<ul style="list-style-type: none"> <li>▪ None</li> </ul>	<b>380</b>
<b>3 - In-house Waste</b>	<ul style="list-style-type: none"> <li>▪ Flexibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Procurement Risk</li> <li>▪ Project Risk</li> <li>▪ Customer Perception</li> <li>▪ Partnering</li> <li>▪ Performance Management</li> </ul>	<b>250</b>

12.17 A summary of the results for each option follows in the order of the highest score to the lowest:

12.18 **Option 2** – (Specialised 380 points) - The assessment criteria areas where the Specialised option scored higher can be summarised as follows:

- Procurement Risk (pre-contract): Level of competition - The specialised option should attract a greater number of bidders when compared to the Public Realm option. The Highways contract should attract up to 12 bidders and the expectation is that up to six contractors will express an interest in the waste management contract. More bidders should lead to more competition which in turn places pressure on prospective bidders to submit competitive bids to ensure services offer value for money.
- Project Risk (post-contract): Industrial action - There will be less risk of industrial action spreading to all frontline services when compared to the Public Realm option. Any industrial relation issues should only affect those services within the respective waste management, highways and street lighting contracts.
- Highways/Street Lighting - The selection of the Specialised option would enable Members to reconsider the proposed length of contract period for the new Highways/Street Lighting contract(s) beyond the envisaged two years to four or five years. This should lead to a better value for money solution for these contract(s).

12.19 **Option 1** – (Public Realm 363 points) The second highest score with 363 points, only slightly below the Specialised option. The poorer score can be attributed to lower scores for the following assessment criteria areas:

- Procurement risk (pre-contract): Level of competition – There are two to three contractors that could provide all the services within the Public Realm option. A number of other bids might be received where contractors have entered into consortia for the sole purpose of bidding for this contract. Bids from consortia without any previous experience of working together will need to be scrutinised in detail. The limited number of providers will reduce the level of competition and the potential to provide value for money services.
- Project risk (post-contract): Industrial action – Having all services within one contract could result in a ‘domino effect’ whereby industrial action in one area of the service could spread to all frontline services provided under the Public Realm contract.
- Partnering - The slightly lower score for partnering is based on prospective partners’ perceived risk of a new public realm business model not working successfully. Specialised contracts solely dealing with the traditional packaging of services would be seen to be less risky and therefore offer a greater opportunity for joint working.
- Highways/Street Lighting contract - Due to the Highways/Street Lighting having to be aligned with the Waste Management Services, as soon as possible, the contract period would be restricted to two years, thereby offering limited opportunities to improve value for money.

12.20 **Option 3** – (In-house Waste Management Services 250 points) - The In-house option for waste management services scored the lowest number of points with 250. The difference in score between the In-house option and the contracting out options (Specialised and Public Realm) can be attributed to the following assessment criteria attracting lower scores:

- Project Risk – the Council having full liability to deal with ongoing employment issues which will include TUPE, Pension and Single Status both prior to the contract commencing and thereafter.
- Procurement Risk – to reflect a reduction in the level of competition if an In-house option was exercised. If an In-house option was recommended without undertaking a competitive procurement it may result in the Council not being able to demonstrate value for money with serious implications for the Comprehensive Area Assessment.
- Partnering – with an In-house service there will be limited potential for partnering with neighbouring boroughs and internally with Haringey’s community partners (e.g. PCT).

- Performance Management – the ability to enforce a performance framework with targets is lost without the opportunity to employ a robust default mechanism to impose the recovery of liquidated damages.

#### 12.21 **Option 4** – (Long term Extension)

12.22 A long term extension (Option 4) immediately fails to meet the 'bottom-line' criteria with respect to performance of service and environmental sustainability. This is due to the inflexibility of the existing Integrated Waste Management and Transport contract with Haringey Enterprise Limited. In terms of both improvements in performance and addressing the sustainability agenda the extension option will fail. However, a short-term extension may still be an option to mitigate the procurement timetable risk associated with the delivery of the Public Realm and Specialised options.

#### 12.23 **b) Procurement Process & Contractual Vehicle**

12.24 On the basis that the Council's objectives will be served best by the Specialised option (Option 2), the Council will need to choose both the most appropriate procurement process and the most advantageous contractual vehicle.

12.25 The recommendations for the procurement process and contract vehicle, below, are specifically for the Waste Management Service. For the Highways/Street Lighting contract(s) it is anticipated that the procurement process will be a restricted procedure and the vehicle will be the standard client/contractor split.

12.26 **Procurement Process** - The report considers four procurement processes, the negotiated procedure, an open process, restricted process and a competitive dialogue procedure. Due to the complexities associated with the Specialised option and the need to design services around what providers can supply within budget limits, the recommendation will be to use the competitive dialogue process. This process will enable the Council to consider market proposals from a range of prospective bidders before completing the contract documentation in readiness for final bids.

12.27 Further detail on the rationale for the selection of competitive dialogue is contained within the commissioning strategy report (section 8.0).

12.28 In order to gain the maximum benefit from the competitive dialogue process it is recommended that the procurement process be extended by a minimum of six months in comparison to a standard procurement. This will result in the existing contract with Haringey Enterprise Limited having to be extended and it is

recommended that this be by a period of 16 months with a new contract end date of April 2011.

**12.29 Contractual Vehicle** – the report evaluates two potential contractual vehicles, the Standard Client/Contractor split and a Strategic Service Partnership (SSP) delivered through a Joint Venture Company (JVCo) limited by shares.

**12.30** Standard Client/Contractor Arrangement - The current contracts with John Crowley (Maidstone) Ltd, EDF Energy Contracting and Haringey Enterprise Ltd all use the standard client/contractor split. The contractor's performance is monitored by the client team to ensure that contractual targets are met. The focus of the relationship can be on the interpretation of the contract documentation rather than improving service delivery outcomes.

**12.31** Joint Venture Company – This vehicle would involve the Council forming a separate company with a private sector partner to deliver services. The degree of ownership that the Council would wish to retain will determine its share holding within the JVCo, and the number of Directors the Council would appoint to the JVCo Board. Under these joint ownership arrangements the Council can retain a level of influence and control over the JVCo whilst still working within a contract that will demand that performance targets are met. Even a small share of ownership will entitle the shareholder to a controlling vote (known as a 'Golden share') over particular issues, such as annual business plans and approving bids for other contracts. However, a JVCo between the private and public sector providing waste management services is a relatively new business model, which will create its own complexities, and its development will cost more than the traditional standard contractual route of a client/contract split.

**12.32** External advisors, Trowers and Hamblins, have completed a report (attached as Commissioning Strategy - Appendix F) which sets out the positive and negative aspects of various contractual vehicles and the associated complexities. In summary, Trowers and Hamblins has expressed a preference for a JVCo limited by shares as the most appropriate contractual vehicle to meet the Council's needs.

### **13 Cross Party Member Steering Group**

**13.1** It is proposed that the view of Members in shaping the future Highways/Street Lighting and Waste Management contracts will be taken into account through an

advisory Cross Party Member Steering Group. The Steering Group's membership and its future role and responsibilities will be determined, however it is envisaged that it will oversee and steer the development of the waste and highways procurement projects, including:

- for the waste contract the possible development of a Joint Venture Company;
- the development of the waste management and highways contract documentation e.g. contract conditions, specifications, default mechanisms etc;
- the development of evaluation criteria;
- the development and undertaking of a borough wide waste management consultation; and
- working with North London Waste Authority in the developing and understanding the implications of their procurement process for the future treatment/disposal of waste post 2014.

## **14 Conclusion**

14.1 Option Appraisal - after due consideration of the detailed analysis conducted within this option appraisal, it is recommended to Cabinet that the Specialised option (Option 2) be procured resulting in two separate contracts being commissioned for Waste Management and Highways/ Street Lighting respectively. The reasons for recommending the Specialised option include:

- it being the option achieving the highest score (380) in the option appraisal;
- it being the option demonstrating the least risk to the Council; and
- it being an option that will allow a Highways/Street Lighting contract period to be extended from the current proposed two years to four years.

14.2 Waste Management (Contract Vehicle) – It is recommended to Cabinet that the Council considers entering into a Strategic Service Partnership using a Joint Venture Company (limited by shares) vehicle. The benefits of this approach have been highlighted in the commissioning strategy report, paragraph 8.3, but will include:

- retained influence and control in comparison to a standard client/contractor contract through elected members sitting on a board of directors;
- the ability even with a small share holding to have a controlling vote (known as a 'Golden share') over the service provider, such as approving bids for other contracts, agreeing business plans etc.;
- open book accounting, with access for all partners to costs, shared business and budget planning, and sharing of risks where they can be best managed;



- the ability to trade by bidding for other contracts both internally and externally (Partners in HSP & Neighbouring Boroughs);
  - JVCo employees may feel more motivated to provide frontline services where it is clear that the Council continues to provide a long term investment in them through its shareholding within the JVCo; and
  - under a JVCo the private sector partner will have a better understanding of the Council's ethos and objectives, and will be able to work more closely with the Council within the formal structure of the company and its board.
- 14.3 Waste Management (Procurement Process) – It is recommended to Cabinet that the Council undertakes a Competitive Dialogue procedure. The advantages of this process are set out in commissioning strategy report, paragraph 8.2, but will include:
- the ability to develop with service providers the best possible solutions to improve waste management services at a price that the Council can afford;
  - the ability to tackle complex issues in demonstrating how waste management services will be effectively and efficiently integrated ;and
  - the opportunity to complete a consultation exercise with residents, traders and visitors to identify their future needs and wants from waste management services. The feedback from the exercise can then be considered as part of the dialogue process with prospective contractors.
- 14.4 Using the Competitive Dialogue process will extend the procurement process by at least six months. This will result in extending the existing contract with Haringey Enterprise Ltd and it is recommended this be by a period of 16 months, with a new contract end date of April 2011.
- 14.5 Highways/Street Lighting - Selection of Option 2 will enable the Highways/Street Lighting contract period to be extended from the proposed two years to four years (with a possible extension of up to four years).The four year contract period will offer a better opportunity for the Council to deliver value for money services, whilst still short enough to offer a level of flexibility to the Council to consider longer term options. It is anticipated that the procurement process will be a restricted procedure and the vehicle will be the standard client/contractor split.
- 14.6 In order to gain the maximum benefit of the four year contract it is proposed that the current Highways (John Crowley Ltd) and Street Lighting (EDF Energy Contracting) contracts be extended by a further three months, subject to the contractors not requiring any increase in their prices, to allow more time for the procurement process, including better research of the performance criteria used by others. In addition, the publication of the OJEU notice for the Highways/Street Lighting contract has been delayed by around 1 month to allow the option appraisal process to be completed, as it was known the results of the appraisal

would have a bearing on the length of contract (with the Specialised contract option enabling a longer term contract to be tendered, as set out in paragraph 14.5). It is also considered prudent to include for work off the public Highways and for higher value schemes in order to avoid unnecessary further procurement costs if the Contractor proves beneficial to the Council. Therefore it is suggested that although the work on the public highway is exclusively offered under the contract up to a value of £500k per job, it is also offered on a non exclusive basis for work over that figure. It is also considered prudent to include on a non exclusive basis work of a similar nature off highway (e.g. Parks; Schools; Homes for Haringey and other places). Officers representing the various sites have started working together on the procurement.

14.7 It is recommended that the Cabinet:

- i. agree to select the Specialised contracts option (Option 2);
- ii. agree the use of a Competitive Dialogue procurement process;
- iii. agree to extend the Integrated Waste Management & Transport contract with Haringey Enterprise Ltd by 16 months with a new contract start date in April 2011;
- iv. agree to extend the proposed Highways/Street lighting contract period from two years to four years (contract period July 2009 to June 2013) with a possible extension of up to four years. The scope of the contract to be increased to offer on a non exclusive basis work off Highway and work over £0.5M in value.
- v. agree to extend the current Highways (John Crowley (Maidstone) Ltd) and Street Lighting (EDF Energy Contracting) contracts by a further three months to end in June 2009;
- vi. agree that a Cross Party Member Steering Group be set up to oversee and steer the development of the ongoing waste and highways procurement projects. The constitution including the membership of this group will be determined by Executive Member for Environment & Conservation; and
- vii. to undertake a formal public consultation on future waste management services with Haringey Sustainable Community Partners, residents, traders and visitors.

## **15 Next Steps – Procurement Process**

15.1 It is suggested that the Cross Party Member Steering Group (CPMSG) will on a quarterly basis update the Cabinet on the progress of the procurement of both

the Highways and Waste Management contracts. The CPMSG will also put forward recommendations to the Cabinet at key stages of the procurement process seeking formal agreement on issues which may include:

- the details of the appointment of the commissioning team;
- the appointment of external advisors;
- the selection of contractors following after due consideration of the response to the Pre Qualification Questionnaire;
- the development, roll out and feedback from the borough wide consultation process; and
- tender evaluation results and appointment of contractors.

15.2 The CWMG will present at the first progress meeting with the Cabinet a completed a Project Initiation Document, which will set out in detail the tasks, updated risks, financial information and associated completion dates for the next stage of this procurement project.

## **16 Appendices**

16.1 **Appendix A** - Exempt information

16.2 Commissioning Strategy Report with Appendices (hard copy to be made available).