

Agenda Item No:

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:

PROCUREMENT PROGRAMME – PROCUREMENT OF CONSULTANTS

REPORT OF:

HEAD OF WASTE STRATEGY AND CONTRACTS

FOR SUBMISSION TO:

AUTHORITY MEETING

DATE:

11th April 2007

SUMMARY OF REPORT:

This report sets out the process and results of the tender for advisory services to assist the Authority prepare for and progress the procurement of its next waste management contract(s). It also recommends the appointment of organisations to the Framework Agreement.

RECOMMENDATION

The Authority is recommended to approve the list of organisations set out in Section 8.1 to be appointed under the Framework Agreement.

**Signed by Head of Waste Strategy
and Contracts**

.....

Date:.....

1.0 PURPOSE OF THE REPORT

- 1.1 This report sets out the process and results of the tender for advisory services to assist the Authority prepare for and progress the procurement of its next waste management contract(s). It also recommends the appointment of organisations to the Framework Agreement.

2.0 BACKGROUND

- 2.1 At the December 2006 meeting of this Authority, Members agreed to make budget provision in the 2007/8 financial year for the engagement of procurement consultants to assist the Authority through its procurement process of the next waste management contract(s).
- 2.2 It was concluded through the Procurement Strategy that the Authority has further preparation work to complete, including short-term (before the end of the contract in 2014) and long-term procurement needs. It was agreed that further external advisory services are needed to assist the Authority with this work and approval was given for the procurement of further consultants for that purpose.

3.0 PROGRESS AND TIMESCALES

- 3.1 Work began on procuring consultants at the beginning of January 2007, with the placing of an advert in the European Journal and in trade journals requesting suitably qualified organisations to express an interest in applying to tender.
- 3.2 As with the Authority's previous procurement of consultancy services, the advert and documents provided stipulated a number of areas of expertise that the Authority requires interested parties to have, in order to be considered. These are listed below:
- Legal
 - Financial
 - Technical
 - Planning
 - Insurance
 - Risk Management
 - Contract Transition
 - Land Acquisitions & Ownership

3.3 The Procurement Strategy has identified three strategic areas of work to take forward the procurement process:-

- Preparing to undertake the procurement work;
- The Short Term procurement project: 2007 to December 2014; and
- The Long Term procurement project: December 2014 to March 2045

The work required of consultants is extensive and complex and as such is not easily defined. A preliminary list of the scope of work is set out in the Specification and is attached to this report in Appendix 1. It is likely, however that this will evolve as the procurement process takes hold.

3.4 In order to deal with the uncertainty of the consultants' scope of work, the tender process has been carried out through the use of the new Framework Agreement procurement tool. This gives the Authority the flexibility to invite more than one organisation per discipline to join a framework, through which work packages will be awarded. It is at this point that the Authority enters into contracts with organisations for the work itself. This allows the Authority to award work to the most appropriate organisation for specific pieces of work, but also to maintain continuity of advice wherever necessary.

3.5 The Framework was advertised to last for a duration of three years with an option to extend for a further one year. The maximum length for a Framework Agreement is four years, after which a further Framework would need to be put out to tender, if required. It is not anticipated at this stage that a further Framework would be needed for the procurement process.

3.6 The tender documentation stated that a minimum of 1 and a maximum of 20 organisations would be invited to join the Framework Agreement and therefore have a chance to be awarded 'Work Orders' throughout the Agreement period. Within this the Authority stated that for each area of expertise, a minimum of 1 and a maximum of 4 organisations would be awarded to the Framework. Notwithstanding this, the Authority reserves the right not to appoint consultants to a work area if tender submissions are not of sufficient quality to warrant an award.

4.0 TENDER SUBMISSIONS

- 4.1 The Authority received over 70 expressions of interest from organisations with expertise covering the disciplines required. Each of these organisations received full tender packs. A Part 2 report entitled 'Procurement Programme – Procurement of Named Consultants' setting out the names of organisations expressing an interest, is attached and should be read in conjunction with this report (but naturally kept confidential at all times).
- 4.2 The closing date for the submission of tenders was 11am on Tuesday 20th March 2007. Tenders were opened and received by the Authority's Legal Adviser in conjunction with the Deputy Clerk and the Procurement Manager. A total of 23 completed tenders were received. The accompanying Part 2 report sets out the organisations that submitted tenders.
- 4.3 The table below details the tenders received and the work areas applied for. The codes refer to the list of tenderers that are set out in the Part 2 report.

| Code | Work Area |
|-------------|--|
| A | Planning |
| B | Legal |
| C | Financial, Risk, Other |
| D | Land Acquisitions & Ownership |
| E | Legal, Planning |
| F | Legal, Planning |
| G | Technical |
| H | Technical, Planning |
| I | Technical, Planning, Risk |
| J | Financial |
| K | Legal |
| L | Technical, Other |
| M | Technical |
| N | Risk |
| O | Financial, Insurance, Risk |
| P | Technical |
| Q | All disciplines |
| R | Technical, Planning, Risk, Land Acquisitions & Ownership |
| S | Technical, Other |
| T | Legal |
| U | Technical |
| V | Financial, Legal, Technical, Planning |
| W | Insurance |

4.4 The table below shows the number of organisations applying for each of the work areas requested:

| Work Area | Number of Submissions |
|-------------------------------|------------------------------|
| Financial | 5 |
| Legal | 7 |
| Technical | 11 |
| Planning | 8 |
| Insurance | 3 |
| Risk Management | 6 |
| Contract Transition | 1 |
| Land Acquisitions & Ownership | 3 |
| Other | 3 |

4.5 Tenderers submitting bids for 'Other' advisory services included communications support, development surveying and contract negotiation.

5.0 TENDER EVALUATION CRITERIA

5.1 In accordance with the Authority's Contract Standing Order C11.1 tenders are to be accepted on the basis of either (a) the lowest price, or (b) the most economically advantageous tender. The latter was used because of the need to make substantial qualitative assessments of tenders received. The following criteria and weightings were applied:

| Assessment Criteria | Weighting |
|--|------------------|
| Price <ul style="list-style-type: none"> • Fixed Fee 1 • % Discount | 35% |
| Quality <p>A Criteria</p> <ul style="list-style-type: none"> i) experience and expertise; evidence that the Tenderer has the experience of providing similar services in the recent past and that it has the skills and resources to deliver these Service(s) for NLWA ii) understanding of the Specification and awareness of the needs of the Service(s); iii) clear method statements; iv) level of managerial and supervisory input; v) timescales and resources - ability to carry out the required Service(s) within the timescales outlined; | 65% (35%) |

| | |
|---|-------------|
| B Criteria | (20%) |
| i) Best Value – continuous improvement within the structures recommended; | |
| ii) pro-active approach and flexibility; | |
| C Criteria | (10%) |
| i) environmental impact of the Service(s); | |
| ii) health and safety matters; | |
| iii) quality control and assurance; and | |
| iv) Equal Opportunity matters. | |
| Total | 100% |

The evaluation criteria above were previously published in the tender documents.

- 5.2 In terms of price, tenderers were required to submit a fixed fee for the work required to answer the relevant action plans for the work areas applied for, including information on their day rates. The prices tendered per work area are detailed in Appendix 2.

6.0 TENDER EVALUATION PROCESS

- 6.1 In order to assess the quality criteria, tenderers were required to provide responses to a Sample Project and present an action plan which answered the particular request for each work area, ensuring that their method statements dealt with specific issues set out in the Specification, such as a methodology and timetable for completing the work. Quality criteria were scored and these details are set out in the associated Part 2 report elsewhere on this agenda.
- 6.2 As mentioned previously, the advisory services were divided up into eight work areas as set out in section 3.2 above. Various subject specialisms and submissions were received from organisations offering advice for either one work area or more than one work area, with one consortium bid offering all of the work areas set out in the Specification.
- 6.3 The quality of each tender was scored against a range of individual criteria, set out in the Part 1 report, then the tender with the highest score was used as the benchmark. The scores of all the other tenders converted into a ratio of that benchmark score. The staff inputs into the best Sample Project response in each discipline were then costed at the relevant rates for each of the other tenders so that a similar process of identifying a benchmark score (the cheapest) could be used. Ratios of this could then be calculated to assess the relative costs of tenders.

6.4 Evaluations were carried out by a comprehensive team led by the Procurement section with input received from the Authority's legal and financial support teams provided by the London Borough of Camden.

7.0 TENDER EVALUATION OUTCOME

7.1 The decision to appoint under the Framework Agreement is based upon evaluation criteria that was previously published in the tender documents and a scoring ratio of:

| | |
|---------|-----|
| Quality | 65% |
| Price | 35% |

7.2 The application of the quality:price scoring process takes into account the quality of service that is being offered as well as the cost, allowing the Authority to appoint to the Framework organisations that offer a better service, in a fair and transparent way. For example, the evaluation team concluded that tenderers J and O had best addressed the requirements of the financial advice required due to the level of experience within the core team, named in the tender submission that will be carrying out the work. They had also demonstrated a much clearer understanding of the Authority's needs in their response to the Sample Project, which was to the point, concise and efficiently answered. With regard to the complexity of the issues to be considered around determining the Authority's financial strategy for procurement these two submissions demonstrated a clearer vision of how we might move forwards.

7.3 In the case of the Technical submissions, one particular submission was felt worthy of inclusion because of its specialist niche area of expertise.

7.4 The table below provides a summary of the outcome of the processes described above:

Legal Consultants

| Tenderer | Price Score | Quality Score | Overall Score |
|----------|-------------|---------------|---------------|
| K | 26 | 65 | 91 |
| B | 31 | 58 | 89 |
| F | 34 | 54 | 88 |
| E | 33 | 49 | 82 |
| T | 32 | 45 | 77 |
| V | 35 | 18 | 53 |
| Q | 25 | 27 | 52 |

Financial Consultants

| Tenderer | Price Score | Quality Score | Overall Score |
|-----------------|--------------------|----------------------|----------------------|
| J | 21 | 65 | 86 |
| O | 17 | 59 | 76 |
| Q | 17 | 34 | 51 |
| C | 35 | 15 | 50 |
| V | 23 | 11 | 34 |

Technical Consultants

| Tenderer | Price Score | Quality Score | Overall Score |
|-----------------|--------------------|----------------------|----------------------|
| H | 26 | 65 | 91 |
| U | 23 | 65 | 88 |
| Q | 28 | 55 | 83 |
| S | 26 | 55 | 81 |
| G | 23 | 52 | 75 |
| L | 22 | 52 | 74 |
| M | 35 | 34 | 69 |
| P | 27 | 32 | 59 |
| R | 22 | 34 | 56 |
| I | 22 | 25 | 47 |
| V | 27 | 11 | 38 |

Planning Consultants

| Tenderer | Price Score | Quality Score | Overall Score |
|-----------------|--------------------|----------------------|----------------------|
| H | 32 | 65 | 97 |
| A | 25 | 61 | 86 |
| E | 35 | 50 | 85 |
| R | 29 | 54 | 83 |
| Q | 27 | 41 | 68 |
| F | 14 | 48 | 62 |
| I | 29 | 28 | 57 |
| V | 34 | 19 | 53 |

Insurance Consultants

| Tenderer | Price Score | Quality Score | Overall Score |
|-----------------|--------------------|----------------------|----------------------|
| W | 35 | 65 | 100 |
| Q | 27 | 36 | 63 |
| O | 27 | 31 | 58 |

Risk Consultants

| Tenderer | Price Score | Quality Score | Overall Score |
|----------|-------------|---------------|---------------|
| N | 35 | 65 | 92 |
| O | 4 | 57 | 69 |
| R | 19 | 43 | 62 |
| Q | 26 | 33 | 59 |
| I | 31 | 20 | 51 |
| C | 19 | 16 | 35 |

Contract Transition Consultants

| Tenderer | Price Score | Quality Score | Overall Score |
|----------|-------------|---------------|---------------|
| Q | 35 | 65 | 100 |

Land Acquisition Consultants

| Organisation | Price Score | Quality Score | Overall Score |
|--------------|-------------|---------------|---------------|
| Q | 20 | 65 | 85 |
| R | 34 | 42 | 76 |
| D | 35 | 40 | 75 |

8.0 RECOMMENDATIONS FOR APPOINTMENT TO FRAMEWORK

- 8.1 Taking all matters into account it is concluded that the following tenderers should be appointed to the Framework Agreement for the corresponding areas of expertise.

| Work Area | Organisation(s) |
|------------------------------|-----------------|
| Financial | J O |
| Legal | K B |
| Technical | G H U |
| Planning | A H |
| Insurance | W |
| Risk Management | N O |
| Contract Transition | No appointment |
| Land Acquisition & Ownership | Q |

8.2 The evaluation team felt that the submission for Contract Transition advisory services was not of sufficient quality to make an appointment to the Framework. If the Authority is unable to cover this work area through the remaining appointments, it will need to complete a further tendering exercise when required for this purpose.

9.0 LIKELY COSTS

9.1 At this stage it is only possible to estimate the likely costs incurred by consultants involved in the preparations for and the completion of the procurement process. Experience from other waste disposal authorities indicates that the Authority may spend between £3m and £5m on external consultants over the lifetime of the Framework.

9.2 The Authority at its February meeting agreed to establish a budget provision of £500,000 in 2007/8 as the actual implementation of the procurement programme commences. The proposed costs for consultants will be met from this provision.

9.3 It should be noted that a budgetary provision of £200,000 for the further development of the Authority's in-house expertise was also made, but this is the subject of a separate report elsewhere on this agenda.

10.0 COMMENTS OF THE LEGAL ADVISER

10.1 The Legal Adviser has reviewed the recommendations of this report in the light of Procurement Law and the Authority's Contract Standing Orders and has no further comment to make.

11.0 COMMENTS OF THE FINANCIAL ADVISER

11.1 The Financial Adviser has been in the tender evaluation process and has subsequently been consulted in the preparation of this report and all comments are incorporated into the report.

12.0 RECOMMENDATION

12.1 The Authority is recommended to approve the list of organisations set out in Section 8.1 to be appointed under the Framework Agreement.

13.0 Local Government Act 1972 Access to information

13.1 References

This report is based on commercially sensitive tenders received from various consultancy organisations.

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Appendix 1: Preliminary Scope of Consultant's Work

Stage 1:- Preparations for Procurement

- Analysis of the potential to secure sufficient PFI credits to enable a decision on whether to submit an Outline Business Case (OBC)
- Prepare and present an OBC for application for PFI credits if required
- Draft, prepare and negotiate enhanced levels of agreements between NLWA and Constituent Boroughs – Inter-Authority Agreements
- Receive existing waste generation and treatment modelling work and incorporate into new and on-going modelling to inform the procurement process and subsequent updates of timeline of facilities
- Update financial models of cost and affordability in line with waste flow models
- Identify potential sources of external funding and assist the Authority in obtaining such (including developing alternative funding proposals to government)
- Develop output specification appropriate for competitive dialogue process, if necessary, including all necessary assumptions
- Develop initial evaluation criteria for assessing contract structures, technical solutions, funding solutions and risk allocation
- Actively assist and advise on the future of the SITA Joint Venture arrangements
- Actively assist and advise on negotiations, contract terms and project plan incorporation on the relocation of the Hendon Rail Waste Transfer Station
- Determine the final approach prior to placing the OJEU notice
- Advise on the level, scope, timing and co-ordination / organisation of human resource needed within NLWA and from the Constituent Boroughs
- Incorporate site survey results carried out
- Advise on and procure (options) on identified sites
- Obtain planning permission for similar facilities at identified sites (as risk mitigation for tenderers)
- Prepare final programme plan – bringing together 5 sub components:-
 - i) short term procurement activity
 - ii) negotiations with SITA in reference to LondonWaste Ltd
 - iii) long term procurement activity
 - iv) Hendon redevelopment proposal
 - v) Planning, sites and other statutory processes
 - vi) Overall Authority arrangements for managing this work including internal team and governance arrangements

Stages 2 and 3:– Short-term and Long-term Procurement Projects

- Maintain and update programme plan and component project plans throughout the procurement process
- Analysis of best means to secure short term requirements i.e. through merchant facilities or local build, ensuring integration with long term requirements
- Actively assist throughout the Competitive Dialogue process (if necessary) and Tender phases including associated procurement techniques used
- Actively assist with evaluation of PQQs, ISOPs, Tender submissions, Legal submissions, Financial proposals, options from bidding process etc (deliverability, reliability, environmental impact, markets for outputs, risk etc)
- Prepare for and attend meetings with potential bidders, advising the Authority at all stages
- Review contract packaging options and assist on evaluation and decision-making
- Identify potential sources of external funding and assist the Authority in obtaining such (including developing alternative funding proposals to government)
- Actively assist NLWA to secure prudential borrowing approval, and to secure relevant loans on optimal commercial terms
- Execute funding competitions / engage finance options in co-operation with or on behalf of NLWA
- Contract transition considerations including TUPE requirements
- Legalities of procurement and options considered
- Planning advice on sites / criteria and assisting with planning applications as appropriate
- Assisting, advising on negotiations, contract terms and project planning (short-term and long term provision may differ but must be complementary)

Appendix 2: Tenderers Fixed Fee for Work Areas

| Tenderer | Fixed Fee | Average Day rate |
|------------------------------|---------------------|------------------|
| Legal Consultants | | |
| B | £229,481.00 | £1,961.37 |
| E | £234,600.00 | £1,439.26 |
| F | <i>Not provided</i> | £1,185.00 |
| K | £218,500.00 | £1,680.76 |
| Q | £464,000.00 | £2,000.00 |
| T | £281,025.00 | £1,494.81 |
| V | £12,000.00 | £1,200.00 |
| Financial Consultants | | |
| C | £23,075.00 | £650.00 |
| J | £79,600.00 | £1,693.61 |
| O | £256,762.50 | £2,118.54 |
| Q | £222,000.00 | £1,500.00 |
| V | £78,300.00 | £1,087.50 |
| Technical Consultants | | |
| U | £87,510.00 | £645.83 |
| G | £46,690.00 | £663.21 |
| H | £87,594.00 | £612.54 |
| I | £23,075.00 | £556.02 |
| L | £67,150.00 | £780.81 |
| M | <i>Not provided</i> | £423.00 |
| P | £104,145.00 | £601.99 |
| Q | £59,200.00 | £604.08 |
| R | £93,900.00 | £700.74 |
| S | £284,440.00 | £613.01 |
| V | £91,350.00 | £537.35 |
| Planning Consultants | | |
| A | £213,211.00 | £614.44 |
| E | £94,000.00 | £528.08 |
| F | <i>Not provided</i> | £1,185.00 |
| H | £151,959.00 | £554.59 |
| I | £73,450.00 | £580.63 |
| Q | £181,600.00 | £782.75 |
| R | £128,875.00 | £671.22 |
| V | £104,425.00 | £535.51 |
| Insurance Consultants | | |
| O | £63,610.00 | £1,817.42 |
| Q | £14,322.00 | £1,432.20 |
| W | £28,800.00 | £1,200.00 |
| Risk Consultants | | |
| C | £11,375.00 | £650.00 |

| | | |
|--|-------------|-----------|
| I | £53,840.00 | £791.76 |
| N | £171,800.00 | £715.83 |
| O | £312,557.00 | £3,062.48 |
| Q | £16,410.00 | £631.15 |
| R | £57,275.00 | £677.81 |
| Land Acquisition Consultants | | |
| D | £45,000.00 | £1,232.87 |
| Q | £77,705.00 | £1,110.07 |
| R | £46,650.00 | £686.02 |
| Contract Transition Consultants | | |
| Q | £44,860.00 | £404.14 |
| | | |

Report Ends