

NORTH LONDON WASTE AUTHORITY
<u>REPORT TITLE</u>
NLWA Procurement Capacity and Officer Support

<u>REPORT OF</u>	
Clerk to the North London Waste Authority	
<u>FOR SUBMISSION TO</u>	<u>DATE</u>
North London Waste Authority	11 TH April 2007

<u>SUMMARY OF REPORT</u>
<p>The NLWA is embarking upon a procurement exercise unprecedented in scale and scope. NLWA Advisers consider that within the current arrangements for providing support, there is not sufficient capacity to deliver on the project.</p> <p>The report sets out recommendations to address this capacity shortfall.</p> <p>Contact Officer:</p> <p>Kelly Nash Head of Chief Executive's Office London Borough of Camden</p> <p>Telephone : 020 7974 5901</p>

<u>RECOMMENDATIONS</u>
<p>The NLWA is recommended to:</p> <ol style="list-style-type: none">1. Instruct NLWA advisers to proceed with recruitment of a procurement director as set out in paragraphs 5.5 – 5.72. Instruct NLWA advisers to proceed with recruitment of financial support as set out in paragraphs 5.8 - 5.103. Instruct NLWA advisers to proceed with recruitment of legal support as set out in paragraphs 5.11 – 5.124. Instruct NLWA advisers to resolve capacity issues as set out in paragraph 5.13 and report steps taken to the NLWA5. Adopt the governance model for procurement set out in section 6.

<u>SIGNED BY</u>
<p>Moira Gibb Clerk to the NLWA</p>

NLWA procurement capacity and Officer support

1. Background

- 1.1 The North London Waste Authority (NLWA) was established in 1986 as a statutory waste disposal authority after the abolition of the Greater London Council. The Authority's prime function is to arrange for the disposal of waste collected by its seven constituent London Boroughs of Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest.
- 1.2 Each constituent borough appoints two councillors, and so the Authority has a membership of 14 elected Councillors. In general, the Authority meets 5 times a year.
- 1.3 The Authority does not employ any staff directly, but makes the following cross-borough arrangements for support services:

London Borough of Camden

- Clerk
- Financial Adviser
- Finance Officer
- Legal Adviser
- Legal Officer

London Borough of Haringey

- Technical Adviser
- Valuation Adviser
- Strategy and Contracts Team (13 full time staff)

- 1.4 Further officer support is provided by the Technical Officer Group, comprised of one senior waste manager from each constituent borough council. The Group is chaired by the Technical Adviser. The structure of the NLWA is attached at Appendix A.

2. Upcoming developments

- 2.1 The NLWA has a large agenda in the next few years:
- New waste management contracts are required for 2014
 - The NLJWS identified a large number of new facilities needed to meet its obligations under the Landfill Allowance Trading Scheme (LATS)
 - There are requirements for facilities before and after 2014, with sites required for new facilities
 - A procurement strategy has been agreed, and is to be implemented
- 2.2 The NLWA is, in tonnage terms, the largest Waste Disposal Authority in London, and the second largest in the UK, with almost 1 million tonnes of municipal solid waste (MSW) arising per annum. Although the rate of growth in the waste stream has slowed in recent years further growth

in the period to 2044/45 could well see tonnages rise to between 1.4m and 1.6m tonnes per annum. The scale of the procurement is commensurate with this, and will be undertaken in a context of significant government and general interest in the activities of the Authority.

3. Costs

3.1 In December, Members were advised that, as a result of financial modelling undertaken by the Authority's external consultants, the Authority's current treatment and disposal costs of £47m per annum (2006/7 prices) could rise in real terms to between £88m (+87%) and £96m (+104%) by 2015/16, and to between £113m (+139%) and £124m (+163%) by 2044/45 depending on the financing solution. This equates to a project cost of up to £3.4bn in real terms and up to £7bn if an allowance is made for inflation over this period.

3.2 The significant scale of the procurement activity and the potential impact on Council Tax levels in individual boroughs means that it is essential that strong governance arrangements are in place throughout the process and that the right skills and expertise are in place to secure the best possible deal from private providers through an effective procurement process. The impact of this change in the scale of activity of NLWA cannot be underestimated with a shift from what is a relatively small operation with no capital programme to one which will have to manage very large capital investment and procurement activities.

4. Key issues regarding procurement

4.1 There are a number of factors which mean there are challenges and risks to the NLWA related to the procurement:

- A large number of other procurements are due before 2010, and therefore NLWA procurement will take place in the context of a "seller's market" – making contracts attractive is essential to maximise competition
- There is an urgent need to identify sites for new facilities
- There will be significant impacts on future budgets
- A new "Competitive Dialogue" procurement route is likely to be used
- NLWA will assume risk for sites and planning, waste composition and volumes.

4.2 In order to progress successfully, it is vital that there is full commitment from the NLWA Boroughs.

5. Issues around capacity – Officer Support

5.1 Clearly, given the scale of the procurement challenge, and the significant risks to the NLWA and member Boroughs, it is essential that appropriate and sufficient capacity is made available to lead on these issues. Details on capacity in comparable authorities is attached as

Appendix C. It should be noted that these disposal authorities are in many ways more similar to NLWA than other London disposal authorities due to the scale of the exercise, and the characteristics of the member Councils. As part of the process of preparing this report, officers visited Greater Manchester to learn more about their procurement process, resourcing, governance etc. The Authority Chairman was also separately visiting to meet both GMWDA officers and elected members.

- 5.2 The Clerk and Senior Advisers to the NLWA are concerned that there is currently not sufficient capacity or support in key areas such as large-scale procurement, finance and legal issues available through the NLWA current staffing provisions, and that this is a critical weakness for the Authority, that must be addressed in order to avoid creating exposure to a number of risks as the procurement process moves forward. Details of the current NLWA structure can be found at Appendix A. It is also important that NLWA is able to build a team to work collaboratively with the consultants. It is likely that requirements throughout the process will change as the project reaches different stages, but it is clear that the NLWA needs to be in a more robust position to move forward and that the major scale of the developments will mean that capacity is enhanced permanently.

Procurement

- 5.3 Whilst recognising the very significant skills and expertise of the staff currently at the NLWA, it is the view of the advisers that this needs major augmentation through the creation of a more senior post for someone with extensive procurement and project management expertise. It is proposed that this new post of Procurement Director will report to the NLWA's Financial Adviser who will act as project sponsor for the procurement project and will chair the officer project board. The current structure of the Strategy and Contracts Team is attached at Appendix B.
- 5.4 Research has been carried out to establish what the likely appropriate level and remuneration of such a post would be. The role would be similar or though not the same as a role in Manchester, which was responsible for the waste PFI and other contract work including procurement. This role was advertised offering £65k plus benefits. A major waste role with a contract budget of £44m is currently being offered in Hampshire County Council for a salary in the region of £85k.
- 5.5 Professional HR advice is that the NLWA role would need to be offering a salary commensurate to Assistant Director level for a London Borough, and that £85k - £95k would be a reasonable assumption for London, although provision would also need to be made for oncosts.
- 5.6 It is clearly important that this post is filled as soon as possible, and

with a preference that the postholder is in place by September, and it is therefore recommended that the recruitment process is started immediately, and is progressed by search consultants with relevant expertise in the area. This could cost in the region of £20k to 25k.

- 5.7 The current arrangements for management of the NLWA staff on the procurement project will need to be reviewed to take account of the new post of Procurement Director. It is expected that some form of dual reporting arrangement will need to be established for the current procurement team who are Haringey employees and currently report to the Head of Waste Strategy and Contracts. Initial informal consultation with staff has been undertaken and this will continue once members have agreed the establishment of the new post of Procurement Director. Suitable arrangements for office accommodation will also need to be made which is sufficiently flexible to cope with significant increases in staff/advisor numbers during key phases in the procurement (e.g. at evaluation stage).

Finance

- 5.8 Strong financial analysis and support will be key to delivering effective outcomes from the procurement exercise and ensuring achievement of value for money and mitigating, so far as is possible, the impact on the level of Council Tax increase. Inevitably, the level of support needed will vary considerably at various stages in the procurement process. There will be peaks of work when resources will need to be supplemented, for example when tender submissions are being evaluated. It will be possible for some of this work to be resourced through consultancy support, but there will also be a need for strong in-house expertise.
- 5.9 Financial support to the Authority is currently provided in the main by the Finance Officer. However, in view of the additional financial support that the Authority will require during the procurement process, it is recommended that one additional full-time post is appointed at this stage. Subject to final determination of the role and evaluation of the post this could cost in the region of £65k in a full year including employers' overheads but excluding other support costs. This appointment will need to be made as soon as possible and preferably in place by September in time to support the start of the formal procurement process. It is envisaged that the new post will be managed within Camden's Technical and Financial Advice team, as is the case with the current Finance Officer (Bob Bench) but that the post will also work closely with the NLWA Financial Adviser (Camden's Director of Finance) as is also the case with the current Finance Officer post.
- 5.10 The requirement for additional support will be kept under review as the procurement process is progressed with reports brought back to the Authority in due course.

Legal

- 5.11 Based on similar models, it is expected that there will be a requirement for at least 1 FTE of senior lawyer resource to be part of the NLWA establishment, with a recognition that there will inevitably be a need for additional resource over time due to the wide range of expertise that will be required, encompassing procurement, contracts, property, planning. The requirement will also become more apparent when the interface between the NLWA and contractor is confirmed. Subject to final determination of the role and evaluation of the post, this could cost in the region of £65k in a full year including employers' overheads but excluding other support costs.
- 5.12 However, in advance of the tender process, there is a pressing need for work to be progressed in relation to setting out decision-making structures and developing inter-authority agreements. This is a priority, as these must be in place at an early stage in the process. The lawyer will also be needed to assist in the evaluation of tenders. It is therefore recommended that this post is appointed as soon as possible. The preference of the Legal Adviser to the NLWA is to appoint current legal support to the role in a full-time capacity and backfill the vacancy, to ensure that existing skills and knowledge are capitalised upon. However, it should be noted that there is a further issue in relation to the day-to-day legal support to NLWA, aside from the procurement exercise, and work is currently underway to scope the requirement for such advice and develop a sustainable solution.

Other capacity issues

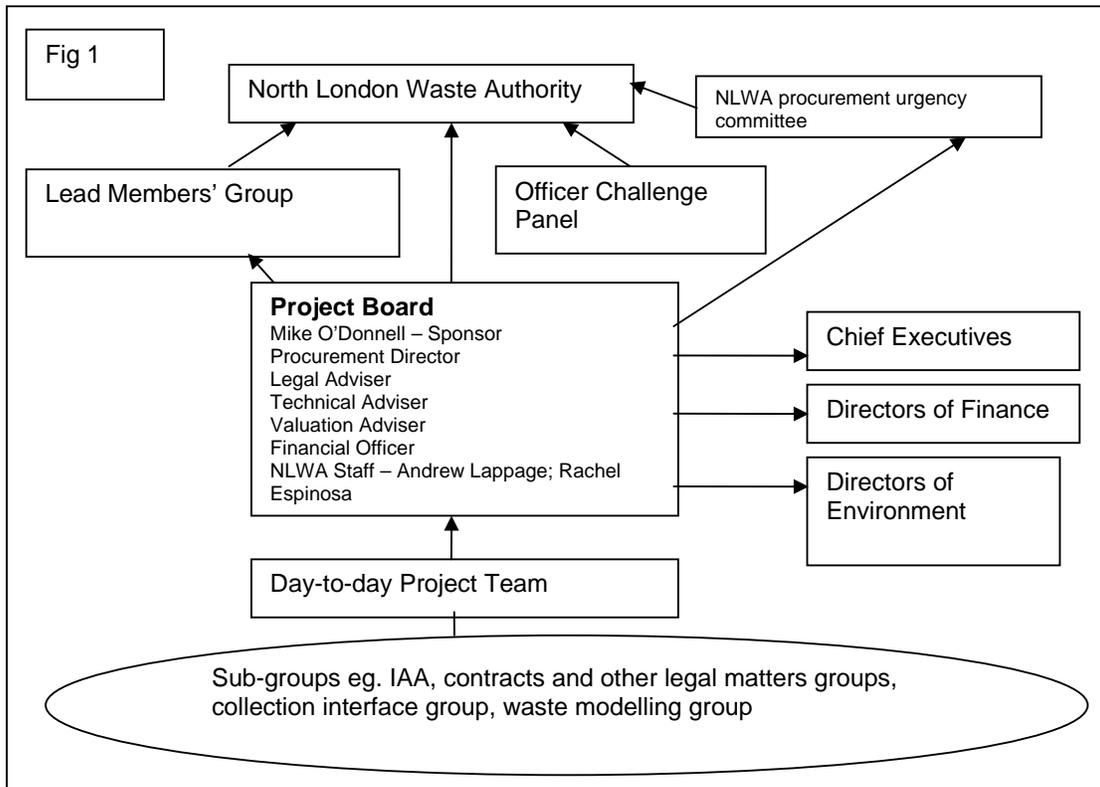
- 5.13 Officers have also identified that capacity issues exist in relation to communications and public relations (where it is already known that £42k is required for communications and PR advice), and valuation advice. Further issues for resolution include quality assurance on procurement and Internal Audit resource. A further report on the associated costs will be presented to NLWA in due course.

6. Governance Issues

- 6.1 There is a clear need, as NLWA moves into a period of unprecedented activity and investment, to review the governance structure for the procurement project to ensure that this is sufficiently robust. The complexities of managing the stakeholder interests of 7 Boroughs means that there is a requirement for a governance structure that provides for involvement and discussion at a number of levels.
- 6.2 Based on the model operated in Greater Manchester, it is recommended that there should be a number of stages in any governance process. These stages are based on a mixture of delivery

of the project itself, stakeholder management and decision making authority.

6.3 Fig 1 below sets out a suggested Governance Model:



Day-to Day project team

6.4 Responsible for the delivery of the procurement project.

Project Board

6.5 Responsible for providing oversight, steering and challenge to the day-to-day project team, and for referring items to the meetings of Chief Executives, Directors of Finance and Directors of Environment. It is expected that these will be regular sessions, and will be a key mechanism for engaging Boroughs in the procurement project. The Board would answer to the NLWA.

Officer Challenge Panel

6.6 Comprised of senior officers from constituent boroughs, the Panel would provide political overview and challenge to the progress of the project, providing assurance on progress to borough Chief Executives, Directors of Finance and Directors of Finance that the project was progressing well, delivering on its key objectives and providing value

for money. Recommendations from this Panel would feed into the NLWA deliberations and Lead Members Group.

Lead Members Group

- 6.7 A Joint Sessions for Cabinet/Executive members of constituent boroughs with lead responsibility for waste, supported by Directors of Environment and other officers as necessary. The purpose of this Group would be to ensure that Lead Members are fully involved in the development of the procurement strategy and are able to deliver on decisions required in individual boroughs, for example in relation to the Joint Waste Strategy and inter-authority agreements.

NLWA

- 6.8 Ultimate project governance body and formal decision making will rest with the Authority members, although it is recommended that an urgency sub-committee is established to deal with more routine or urgent items outside of the schedule of full Authority meetings.
- 6.9 It is recommended that the proposed Governance Model is adopted and that steps to establish the necessary groups are taken immediately.

7. Project Programme

- 7.1 An indicative programme for the project is being drafted and will include indications of when and where the issue would need to reach decision-making boards set out in the Governance Model.

8. NLWA Standing Orders

- 8.1 NLWA advisers are conscious that standing orders will need to be amended to include and define the scope of new posts, and their relationship to existing posts. Any necessary amendments will be brought to the NLWA at the June AGM

9. Financial Implications

- 9.1 The cost of undertaking the procurement process will be significant. This report provides an initial view of the additional in-house support arrangements that the Authority needs to establish as a matter of urgency to work with the external consultants. The cost of those areas that have been quantified is estimated to have a full year cost in the range of £297k to £319k. For 2007/08 the part year cost (assuming 8 months) is estimated to be in range of £218k to £231k. The costs may be summarised as follows:

	Estimated Full Year Cost	Estimated Cost 2007/08
Procurement Director	£105k to £117k	£70k to £78k
PD Recruitment costs		£20k to £25k
Finance	£75k to £80k	£50k
Legal	£75k to £80k	£50k
Communications and Public Relations advice	£42k	£28k
Total	£297k to £319k	£218k to £231k

- 9.2 Details of costs for other areas, eg. accommodation costs will be reported to a future meeting of the Authority.
- 9.3 The 2007/08 budget contains a provision of £700k to fund the cost of the procurement process. This figure includes a figure of £500k for consultants and £200k for internal support. As the costs of the additional in-house support in the current year are estimated to exceed the original provision of £200k by £18k to £31k, it is proposed that the additional cost is contained within the overall budget provision of £700k. This figure will need to be kept under review.

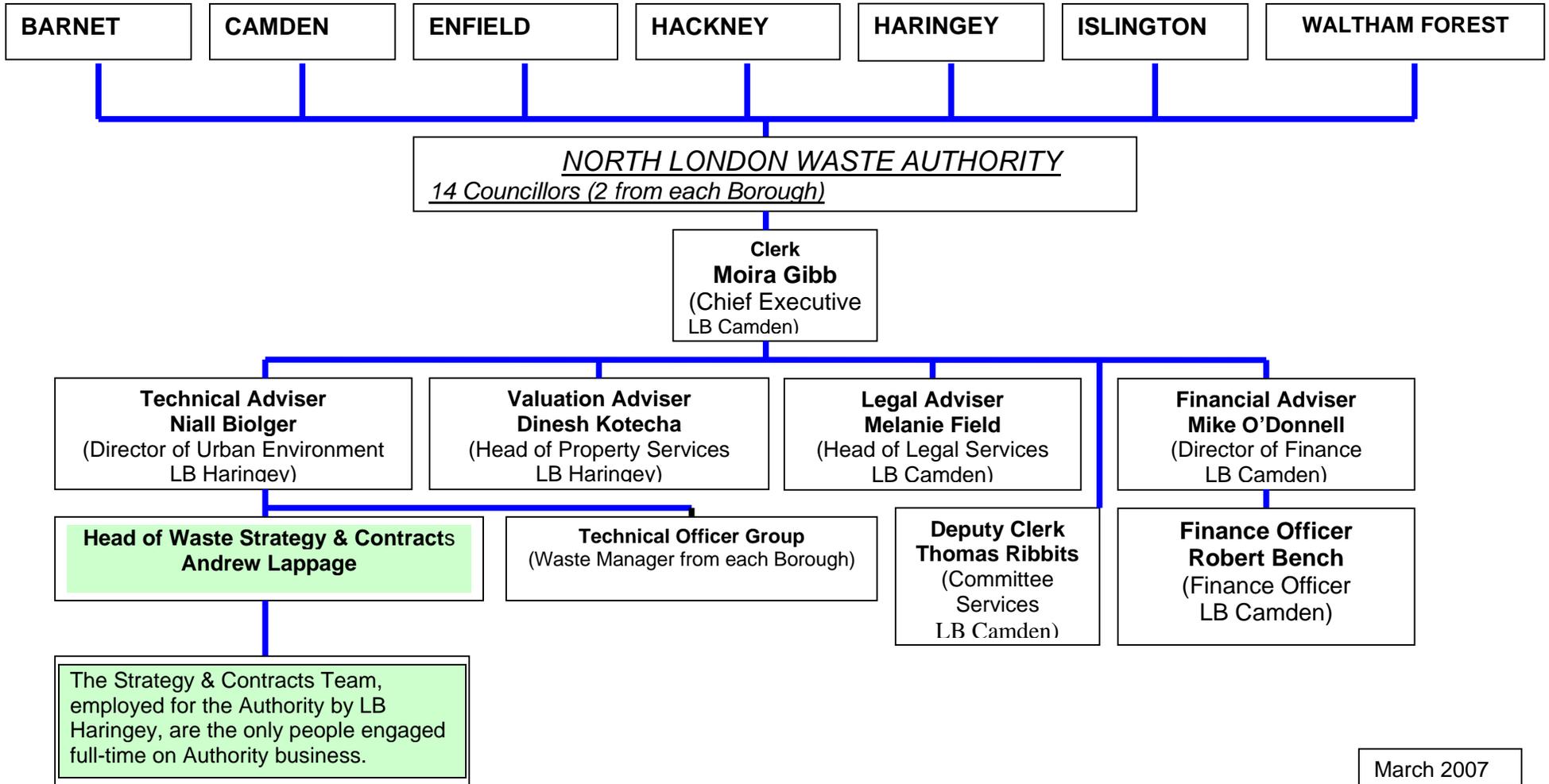
10. Comments of the Financial Adviser

- 10.1 The Financial Adviser has been consulted in the preparation of this report and has no further comments to add.

11. Comments of the Legal Adviser

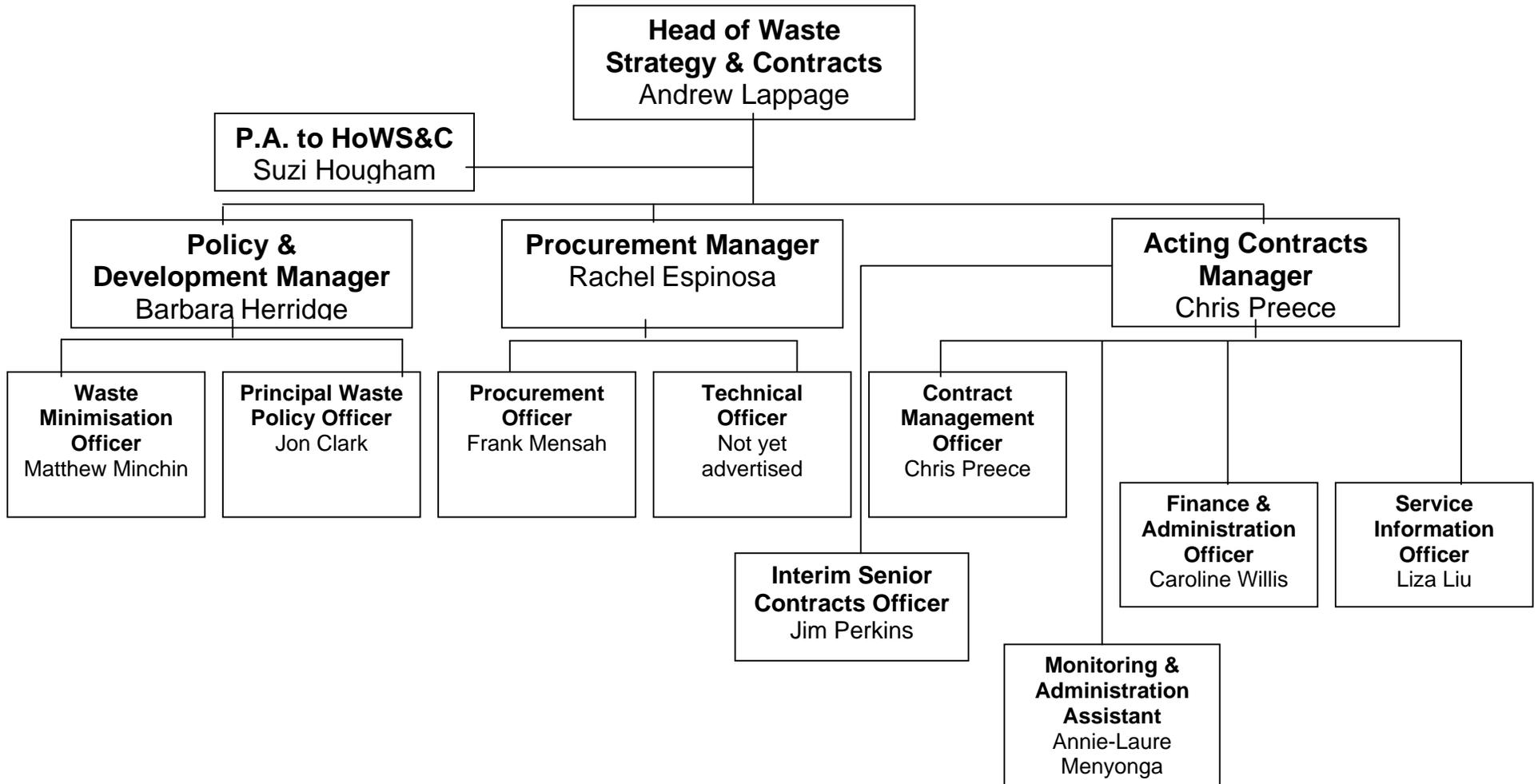
- 11.1 The Legal Adviser has been consulted in the preparation of this report and has no further comments to add.

NORTH LONDON WASTE AUTHORITY



APPENDIX B

**Structure of NLWA Strategy & Contracts Team
November 2006**



Appendix C – Structures in comparable authorities

Greater Manchester Waste Disposal Authority

Greater Manchester Waste Disposal Authority was created in 1986. The Authority covers the Metropolitan Districts of Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside and Trafford. Wigan MBC is a statutory waste disposal authority in its own right and is represented on the authority for administrative purposes. The Membership of the authority comprises of two elected Members of each of the constituent District Councils (with the exception of Manchester CC which has three members).

The authority directly employs 33 FTEs, and additional staffing resources have been employed by the authority to support the procurement of future waste management services. There are senior appointments to the authority including an Executive Director, Director of Contract Services, and Director of Resources.

Specific resource has been added to support the procurement process, including a full-time Finance Assistant Director on secondment with two further finance posts, a Procurement Director and full-time senior lawyer. The Director of Finance for the lead constituent borough also spends one-third of his time on GMWDA business.

Merseyside Waste Disposal Authority

Merseyside Waste Disposal Authority was established in 1986. The Authority is governed by a Board of 9 elected members (councillors) representing the five Merseyside District Councils of Knowsley, Liverpool, St Helens, Sefton and Wirral.

The Authority has a team of 33 covering the areas of Corporate Services, Waste Facilities, Environmental and Planning, Waste Strategy and Contracts. The staff is led by a group of senior managers who head up a variety of teams, including a Director of Merseyside Waste Disposal Authority, and a Procurement Director