

**Report of Head of Waste Operations**

**Report to Chief Officer Waste Management**

**Date: 17<sup>th</sup> August 2015**

**Subject: RouteSmart high density, route optimisation modelling software and associated ESRI Arc GIS platform - hosting, support, maintenance and consultancy**

**Report to seek a waiver of CPR 9.1 and 9.2 (tendering for high value contracts)**

Are specific electoral wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, name(s) of ward(s):		
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: 10.4 (3)		
Appendix A of this report has been marked as exempt under Access to Information Procedure Rules 10.4 (3) on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) which, if disclosed to the public, would, or would be likely to prejudice the commercial interest of that person or of the Council. The information is exempt if and for so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.		

**Summary of main issues**

- Under the authority set out in Contract Procedure Rule (CPRs) 27 this report seeks a waiver of CPR 9.1 and 9.2 in order to contract directly with Integrated Skills Limited (ISL) for the provision of hosting, support, maintenance and consultancy of high density, route optimisation modelling software and associated ESRI Arc GIS platform, without seeking competition due to the following reasons:

- 1.1. The on-going utilisation by the Waste Management Service of the technically specific RouteSmart (route planning) software provided by ISL, its linked maintenance and support contract arrangements currently in place with ISL and RouteSmart's compatibility to the Council's existing IT systems including ESRI Arc GIS arrangements and the new Integrated Waste Management System (Collective);
- 1.2. In addition to the compatibility issue highlighted above, specific development has been undertaken to integrate RouteSmart and Collective through the use of Route-Link. This tool has been developed between the two providers, ISL and Bartec in consultation with Waste Management Operations and will deliver significant improvement in the connection between route modelling, management and in-cab technology.
- 1.3. A 'soft market testing' exercise was initiated by ICT and Procurement inviting quotes for route optimization software with equivalent specification to the current contract with ISL.

## **Recommendations**

The Chief Officer Waste Management Service is recommended to approve the waiver of CPR 9.1 and 9.2 and award a contract directly to Integrated Skills Limited, to commence on the 01 September 2015 and expire on the 31 August 2018 with the option to extend for a period of 2 years.

### **1 Purpose of this report**

- 1.1 The purpose of this report is to seek a waiver of CPR 9.1 and 9.2 and award a contract directly to Integrated Skills Limited. The cost of the contract over the initial 3 year period will be £82656 plus an estimated cost of professional services of up to £12000. The potential cost over 5 years including professional services of up to £20000 would be £157760.

### **2 Background information**

- 2.1 The Integrated Waste Strategy for Leeds sets out a vision of a '*zero waste city, whereby we reduce, re-use, recycle and recover value from all waste, waste becomes a resource and no waste is sent to landfill.*' In December 2011, the Council's Executive Board approved a household waste recycling target of 55% by 2016, and a long term

target to exceed 60%. In support of this, Executive Board also approved details of service improvements including the phased introduction of fortnightly recycling and residual waste collections.

- 2.2 The provision of the RouteSmart software as well as consultancy, training and support delivered by ISL was fundamental to the timely and successful delivery of the 4 phases of Alternate Weekly Collections (AWC) with the final phase going live on 25 May 2015. This program has optimized waste collections to approximately 76% of residents in a constantly expanding city, generating efficiencies in waste collection and considerable savings through the reduction of waste being disposed at landfill sites and resulting in an increase in recycling.
- 2.3 Throughout 2013 to 2015, service capacity has continued to be fully utilised on a series of key priority projects. In this regard, the 'in house' route design and project, Waste Operations Business Team, have fully utilized RouteSmart to deliver the following service priorities:
- (i) Planning and implementation of AWC Phases 1 to 4 including identifying/ verifying properties not considered suitable for AWC;
  - (ii) Undertaking performance monitoring and associated route amendments post AWC Phase 1 to 4 GO LIVE;
  - (iii) On-going data cleansing exercises to update information held on the route modelling system and collections database;
  - (iv) Supporting the planning and technical design of the new Integrated Waste Management System (Collective), including the development of Route-link tool as detailed para 3.1.2
- 2.4 In addition to the tasks outlined above, key priority work ongoing during 2015/16 includes:
- (v) Undertaking feasibility work and developing collection options to address the impact of the new Recycling & Energy Recovery Facility (RERF) whose commissioning period is anticipated to commence between October 2015 and January / February 2016. This will include examining potential options to help maximize collection efficiencies; such as through the introduction of larger capacity vehicles and vehicle relay arrangements whilst balancing the selection of options

with a consideration of the associated impacts in terms of any increased disposal costs or other contractual constraints.

- (vi) Undertaking feasibility work and developing options to identify further collection efficiencies for implementation during 2015/16 taking into account the planned transition to the RERF referred to above, as well as assessing and implementing maximum efficiencies to areas where AWC is not considered a suitable option.

2.5 The RouteSmart software, plus the associated training and mentoring support, was procured in 2010 from ISL. The RouteSmart software contract is still in place up until 31 August 2015. At the same time, a separate contract was also agreed by the Council whereby ISL provided route design consultancy support in connection with the design and implementation of city wide, optimized refuse and recycling collection routes.

2.6 ISL have significant expertise in the development and supply of optimised refuse collection routes and related GIS (geographic information) and IT systems. ISL utilise RouteSmart (modelling) software which is provided by RouteSmart Inc; a US-based developer of market leading, specialist, high density, route optimization software. RouteSmart continues to be an authorised ESRI Ltd business partner and focuses all RouteSmart product development on the ArcGIS environment. In this context, RouteSmart is an extension to ESRI's ArcGIS product and significantly, ESRI provide the corporate GIS used by Leeds. Furthermore, ISL continues to be the sole UK Distributor of RouteSmart and an ESRI (UK) Partner.

### **3 Main issues**

#### **3.1 Reason for contracts procedure rules waiver**

3.1.1 The use of RouteSmart has been integral to the improvements and optimisation of waste collections across the city, in particular the AWC project. Officers within Waste Management have undertaken training and have further developed skills using this software. Furthermore, these Officers have been able to pass on this knowledge through coaching and ongoing learning to colleagues resulting in a significantly expanded pool of skills and knowledge from the position 5 years ago. It is expected that

this will continue and so reduce the councils reliance on training and consultancy support, reducing the costs actually incurred

3.1.2 In 2014 the council went live, through a phased rollout, with the Integrated Waste Management System known as Collective (provided by Bartec). A key requirement of this project is the complex integration of mapping, modelling and balancing software (RouteSmart) with the 'back office' system and in-cab technology (Collective). This functionality is critical to the future management of waste collection changes from simple and regular business changes to bulk editing and project driven changes. A considerable amount of development has taken place between the Waste Operations Business Team, Bartec and ISL. The tool called Route-link is currently going through user acceptance testing and is expected to go live by the end of summer of 2015.

3.1.3 Given all of the above, and the fact that the current RouteSmart software contract (including system maintenance and support) is still in place, it is considered neither feasible nor value for money to change the existing software provider at this stage as to do so would cause significant inconvenience to the Council.

3.1.4 To utilise a different supplier would also mean abandoning the existing RouteSmart modelling software because an alternative replacement route modelling system would have to be found (ISL being the UK's sole distributor of RouteSmart). This would not be feasible for the reasons outlined in in section 2 above.

## **3.2 Consequences if the proposed action is not approved**

3.2.1 If the proposed action is not approved and a contract with an alternative supplier who does not use RouteSmart software is implemented, this will have negative impacts linked to the use of software which is incompatible with both existing Council ESRI ArcGIS arrangements and optimised refuse and recycling collection routes. It will also have a significant negative impact on the further roll out of the new Collective system as the direct link between modelled routes and the waste collection database will not be in place, subsequently resulting in reduced data quality to in-cab technology.

3.2.2 There is a significant risk to the Council's reputation if the current software is replaced.

The link between RouteSmart and IWMS is critical to making any changes to waste collections. These include day and/or week changes, change of unit type and assisted collections. The transfer of modelled route to in-cab units and subsequently to collection crews is paramount to the successful completion of daily waste collections in the city. Furthermore, the integration between the two systems means that resident collection information is correct and displayed as such upon making enquiries. The development between ISL and Bartec provides considerable assurance to mitigate the potential risk of resident misinformation leading to complaints.

### **3.3 Soft Market Testing**

3.3.1 A 'soft market testing' exercise was initiated by ICT and Procurement inviting quotes for route optimization software with equivalent specification to the current contract with ISL. These included a quote from the current provider, ISL. The four quotes that were received incorporated set up costs and ongoing costs across 1 to 3 years. The results of this soft Market testing exercise can be found in Appendix A.

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

4.1.1 The system has no impact on service users or the wider people of Leeds, therefore no consultation on this decision is required.

4.1.2 The Council's Projects, Programmes and Procurement Unit (PPPU) has been consulted, and this report has been prepared to reflect fully their input and comments. Comments from the Commercial Team within PPPU are set out at the legal implications paragraph to this report.

### **4.2 Equality and diversity / cohesion and integration**

4.2.1 There are no Equality and Diversity or Cohesion and Integration issues associated with this decision.

### **4.3 Council policies and city priorities**

- 4.3.1 *Dealing effectively with the city's waste* is one of the six strategic objectives 2015-16 in the Best Council Plan. This incorporates the continued optimisation of all waste collection routes as well as disposing all of the city's residual waste at the new RERF. A further contract for the continued use of RouteSmart will enable Waste Management to continue to achieve this objective against the Best Council Plan
- 4.3.2 The introduction of, and continued development of, AWC refuse and recycling routes represent an integral part of achieving the vision and key principles of the Integrated Waste Strategy for Leeds (2005 – 2035). These were re-affirmed by the Executive Board on 14<sup>th</sup> December 2011 and as such represent key service priorities.

#### **4.4 Resources and value for money**

- 4.4.1 As set out previously in this report, the use of RouteSmart with consultancy and training from ISL has achieved value for money and has been integral to achieving the efficiencies set out in the AWC project. The continued use of the software will enable further savings to be achieved, in particular disposal of all residual waste at the RERF.
- 4.4.2 It is clear that any change to the system at this point in time, would be disruptive to the ongoing implementation of IWMS and realisation of expected benefits as we will be incurring additional costs and require additional resources in order to maintain the current level of service.

#### **4.5 Legal implications, access to information and call in**

- 4.5.1 This is a Significant Operational Decision that is not subject to call in.

The Appendix to the report is Exempt/Confidential under Access to Information Procedure Rules 10.4 (3). The public interest in maintaining the exemption in relation to the confidential Appendix outweighs the public interest in disclosing the information and financial details which, if disclosed would adversely affect the business of the Council and the business affairs of a number of individual companies.

- 4.5.2 Awarding contracts directly to ISL in this way could leave the Council open to a potential claim from other providers, to whom this contract could be of interest, that it has not been wholly transparent. In terms of transparency it should be noted that case

law suggests that contracts of this value should be subject to a degree of European wide advertising. It is up to the Council to decide what degree of advertising is appropriate. In particular, consideration should be given to the subject-matter of the contract, its estimated value, the specifics of the sector concerned (size and structure of the market, commercial practices, etc) and the geographical location of the place of performance.

4.5.3 The Chief Officer has considered the content of this report and is satisfied that he award of this contract is the best course of action for the Council. The Chief Officer is satisfied that this represents best value for the Council.

## **4.6 Risk management**

4.6.1 As highlighted at paragraph 4.5.2 above, there may be a risk of challenge from other potential providers who have not been given an opportunity to tender for this work. However, given the nature of this contract and the considerations as to the necessity for ISL to be appointed in order to utilise the current software in use and the limited term of the contract, it is considered that the risk is low. ISL are the sole UK distributor of RouteSmart and previous research has found that there is not a great deal of diversity in the marketplace; especially considering that compatibility with existing Council software must always be borne in mind.

4.6.2 This option of providing a direct contract to ISL presents low risk to service delivery and reputation. More specifically, it presents low risk in capability to integrate with the council's other software as such integration has been developed and tested.

4.6.3 As set out in this report the risk if the RouteSmart contract was not renewed is very high. RouteSmart has been used for all waste collection projects and connects with Collective through an integration that took considerable development. The removal of such integration would potentially result in waste collection crews being unable to obtain the most up to date collection information through in-cab technology. At best this would result in a process work-around likely and at worst the missed collections due to crews being unable to complete rounds. This potential high risk including reputational damage would be a significant step backwards in service delivery.



## **5 Conclusions**

- 5.1 In conclusion, given the fact that the current RouteSmart software contract (including system maintenance and support) is still in place, it is considered neither feasible nor offering value for money to award a new contract to any provider other than ISL at this stage.
- 5.2 ISL have the combined skills and expertise in the use of RouteSmart modelling software which is currently utilised by the Waste Management service and also a detailed knowledge of the complex refuse and recycling operation in Leeds. Other internal and external supplier options have been investigated but none found suitable, at this time for a variety of reasons detailed in this report.
- 5.3 The costs associated with the contract are of high value and are based on an upper limit target price which is not to be exceeded without the prior agreement of the Client.

## **6 Recommendations**

- 6.1 The Chief Officer Waste Management Service is recommended to approve the waiver of CPR 9.1 and 9.2 and award a contract directly to Integrated Skills Limited, to commence on the 01 September 2015 and expire on the 31 August 2018 with the option to extend for a period of 2 years.

## **7 Background documents**

- 7.1 No background documents.