

Report of: Waste Management Contracts Manager

Report to: Director for Environments & Housing

Date: 19/09/2016

Subject: **Kirkstall Road Reuse Shop Leasehold Contract**
Contract Ref: ABDK-LF3W01

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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? If relevant, Access to Information Procedure Rule number: 10.4(3) Appendix number: Appendix 1	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

SUMMARY OF MAIN ISSUES

1. A competitive Tendering process which was restricted to the 3rd sector has been carried out to appoint an organisation as a leaseholder to fit out and operate the reuse shop at the newly redeveloped Kirkstall Road Household Waste Sorting Site (HWSS).
2. Once awarded, the outcome will be a 5 year lease period awarded to the successful organisation which will be 'contracted out' of the security of tenure provisions of the 'Landlord and Tenant Act 1954'.
3. A minimum annual base rent of £25,000 was being sought and bidders were invited to bid back competitively above this. The Council are also to receive 10% of total gross sales income for the period of the lease. Information on the submitted bids can be found in Confidential Appendix 1 attached to this report.
4. Competitive tenders have been received and evaluated on a quality and price basis. Revive who are a consortium made up of 3rd sector organisations of; SLATE (lead partner), SVP Leeds and Emmaus Leeds. Revive is the organisation recommended by the evaluation panel to be awarded the new leasehold contract, based on delivering the best overall option for the Council as determined by the evaluation criteria.
5. Revive are community interest group and was originally established to operate the East Leeds reuse shop by partner organisations; SLATE, SVP Leeds and Emmaus Leeds. These organisations have demonstrated that they are committed to the continuation of the Revive organisation and their success at the first reuse shop at the East Leeds site gives further reassurance that they will be capable of making a success of the shop at Kirkstall.

RECOMMENDATIONS

6. The Director for Environment & Housing is recommended to note the content of this report and subject to information regarding self-certification being verified and passed, approve the award of the leasehold contract to Revive for the fit out and operation of the Kirkstall Road HWSS reuse shop for the lease period of 5 years.

1 PURPOSE OF THIS REPORT

- 1.1 Contract Procedure Rule 18.5 requires that a decision to award is made by the relevant Officer through the delegated decision process. The delegated decision should outline why any tenderers were disqualified and the reasoning for the selection of the contractor.
- 1.2 The purpose of the report is to brief the Director of Environments and Housing on the processes adopted for the procurement and advise of the outcomes it has achieved in order to demonstrate that a fair and transparent process has been followed. The report seeks further to request approval for the award of the leasehold contract to Revive.

2 BACKGROUND INFORMATION

- 2.1 Funding from the 2014/15 capital programme has already been identified for the redevelopment of the Kirkstall Road Transfer Station. Monies have been allocated from within this project to construct a purpose built re-use shop as part of the redevelopment programme. As such, planning permission was granted for use of the unit as a Re-use shop and workshop (Planning permission number: 15/01499/LA).
- 2.2 The council has already started the redevelopment work at Kirkstall Road (HWSS), with the site having closed to the public in January 2016. The work involves the complete redevelopment of the whole site to include a modern split-level household waste recycling site with improved recycling facilities, a new waste storage shed and the provision of a separate two storey purpose built business unit to house the new Re-use shop and the LCC site office. The development should be complete and ready to open its doors to the public in early 2017.
- 2.3 A similar arrangement already exists at the council's East Leeds Household Waste Sorting Site, which has over the last five years proved to be a very successful venture and it is expected that this success can be replicated at this new purpose built facility.

3 MAIN CONSIDERATIONS AND REASONS FOR CONTRACT AWARD

3.1 Main Features of the Contract

- 3.1.1 The leasehold contract is to be let for 5 years with no extension options.
- 3.1.2 Management and fit out of the shop is offered on a lease basis and is restricted to organisations from the Community and Voluntary Sector. This will support the development of a robust and vibrant voluntary, community and faith sector that will ultimately deliver additional benefits by providing opportunities for employment, training and the development of skills. The presence of the shop will encourage local residents to participate in volunteering and engage in activities to improve the quality of life for local people in Leeds.
- 3.1.3 The lease terms were written in collaboration the Council's own asset management team. A minimum threshold of £25,000 was sought for the annual base, in addition to this a 10% of total gross sales income will be payable to the council on a yearly basis for the period of the lease. Information on the submitted bids can be found in Confidential Appendix 1.
- 3.1.4 Basic services within the building will be completed by LCC's redevelopment contractors and the successful leasehold contractor was required to submit a fit out plan within their tender submission for approval from Council representatives.

3.1.5 Key benefits of the Re-use shop are:

- Further reduction in the amount of waste sent to landfill, playing a role in helping meet the Governments National Waste Strategy targets and the targets within our own waste strategy;
- Conservation of resources;
- Providing an outlet for usable goods left at the household waste site;
- Growing and strengthening the local economy by Investing the Leeds pound in Leeds;
- Opening up job and training opportunities to local people who are socially disadvantaged, e.g. the long term unemployed;
- Increasing numbers of local people engaged in activities to meet community needs and improve the quality of life for local residents;
- Local residents and site users can purchase items at a low or reduced cost;
- Promotion of re-use can provide a hub in which the Leeds and Kirkstall community can participate in a highly visible and worthwhile activity.

3.2 Evaluation of Tenders

3.2.1 An evaluation panel of officers from Waste Strategy and infrastructure, Finance (business plan assessment only) and Asset management teams was established to evaluate the tender submissions.

3.2.2 The 2 compliant tenders received, from Revive - who are a consortium made up of 3rd sector organisations of; SLATE (lead partner), SVP Leeds and Emmaus Leeds and other was from St George's Crypt who are a charity based in Leeds. Both were evaluated on both a price and quality basis with price attracting 40% of the scores available and quality attracting 60%. 1000 points were available overall.

3.2.3 The quality scoring was carried out on a 0 - 5 consensus basis with bidders required to meet minimum scoring thresholds of 40% for each of the quality sections apart from the fit out plan which was non-scoring.

3.2.4 In the evaluation of the lease offer bids, the highest points available were for 'waste diversion' and for 'local community benefits and social responsibility'. Another key element was the provision of a business plan demonstrating that the tenderers had made a realistic assessment of likely running costs and income generation for the reuse shop.

3.2.5 Full details of the quality scores awarded and full list of considerations of the quality criteria is provided in Appendix 1

3.2.6 The organisation submitting the highest base rent price above the stated minimum of £25,000 received the highest marks. Since Revive Leeds submitted a compliant bid which was above the threshold and more than any other organisation they gained the full 400 marks for this element. Full details of the prices offered are provided at Appendix 1

4 CORPORATE CONSIDERATIONS

4.1 Consultation and Engagement

- 4.1.1 It is not considered that the content of this report or the recommendations made will have a significant impact on any particular ward or community and as such no consultation has taken place.
- 4.1.2 A market bidder's day was organised in preparation for the subsequent tender exercise being released to ensure the offer information submitted to the market was appropriate and realistic. This also served to make the market aware of the upcoming tender opportunity to generate as much competition as possible.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 An EIA screening assessment has been completed for this project and has been submitted along with the DDN proforma.
- 4.2.2 Waste officers have considered the effect of the project and concluded any impact will be positive on any specific individual or group in terms of equality, diversity, cohesion and integration. This has been attached with the report.

4.3 Council policies and Best Council Plan

- 4.3.1 It is paramount that tender exercises in the authority are undertaken with a view to ensuring openness, transparency and fairness. Whilst not a procurement, the award of this lease has been undertaken through a formal competitive exercise and the proposed award is based on an evaluation to achieve a cost/quality balance which subsequently will offer best value to the authority, whilst delivering a successful re-use shop operation. All appropriate governance arrangements have been followed throughout.
- 4.3.2 The issues being discussed within this report and the contract proposed for award have a beneficial impact in relation to the council's environmental performance and the aspirations stated within our environmental policy where the council is aiming for improved environmental protection. The following are all relevant contributors to meeting the needs of this Council policy:
- Preventing pollution and minimising our environmental impact;
 - Increasing reuse in the community;
 - Taking steps to reduce carbon emissions;
 - Improving our resilience to current and future climate change.
- 4.3.3 The recommended action will also support the delivery of the Best Council Plan objective of 'Dealing effectively with the city's waste' by;
- Minimising the amount of waste going to landfill;
 - Increasing the volume of waste being reused;
 - Developing and promoting sustainable waste management through providing community reuse options.

4.4 Resources and value for money

- 4.4.1 By undertaking a formal tender process as described in this report an element of competition has been introduced in the market place and this has ensured that competitive base rent prices for the lease have been secured.
- 4.4.2 The evaluation criteria used for selecting service providers was developed in conjunction with the financial officer supporting Waste Management Services with a view to ensuring that income generated is maximised and also ensuring that the bids received were based on sound financial management practices and forecasts.

4.4.3 The criteria in terms of price/quality split and the actual quality requirements were presented to the Chief Officer Waste Management for approval prior to tender.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The report approved by the Executive board on 15th November 2015 relating to the Kirkstall road recycling site redevelopment included the proposal to carry out this tendering exercise and was subject to call in. This award report and subsequent DDN is a consequence of that original decision and is therefore not subject to call in, through it being a significant operational decision.

4.5.2 As the selection of a tenant for the Kirkstall Road re-use shop and appointment of Revive Leeds will be operating under the terms of a lease which falls outside the EU procurement rules or thresholds.

Note that by virtue of Access to Information Rules 10.4. (3) The Appendices attached to this report are restricted as confidential. This is on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) which, if disclosed to the public, would, or would be likely to prejudice the commercial interests of that person or of the Council.

It is considered that the public interest in maintaining this information as exempt outweighs the public interest in disclosing the information, as disclosure may prejudice the outcome of the procurement process, whilst the details of the tender proposals within the appendices also contain the financial details/business affairs of individual companies.

4.6 Risk Management

4.6.1 Throughout the procurement a risk register was developed and this will be maintained throughout the operation of the lease with any risks which are high or which escalate at any time being brought to the attention of the Chief Waste Management Officer. The Waste Management service's experience of which was gained through the East Leeds re-use shop should ensure that the establishment of this new scheme and partnership arrangement is managed effectively.

4.6.2 A delay in approving this leasehold contract award would introduce a delay in the opening of the shop, and it is very unlikely that this would then be occupied for the reopening of the Kirkstall HWSS. Any delay would reduce the income generation for LCC whilst restricting the volumes of waste that otherwise could be potentially, reused.

5 CONCLUSIONS

5.1 A fair and transparent competitive tendering exercise has been conducted by officers from waste management, finance and asset management to appoint a 3rd sector organisation as lease holder for the new Kirkstall Reuse shop. The tender submitted from Revive scored the highest against the price and quality evaluation criteria.

6 RECOMMENDATIONS

6.1 The Director of Environment & Housing is recommended to note the content of this report and subject to information regarding self-certification being verified and passed, approve the award of the leasehold contract to Revive for the fit out, management and operation of the Kirkstall Road HWSS Reuse Shop for the lease period of 5 years.

7 BACKGROUND DOCUMENTS

7.1 In compiling this report no additional background papers were used.