



Report of Senior Technical Manager Projects and Programmes City Development

Report to Director of Communities & Environment

Date: 11th September 2019

Subject: Procurement Strategy for the delivery of Waste Management Headquarters

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):	Burmanofts and Richmond Hill and Temple Newsam	
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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

Summary of main issues

1. In June 2017 Executive Board authorised the injection of £4.01m of unsupported borrowing into the capital programme, to fund the development of a new Waste Management Headquarters including depot facilities on Newmarket Approach and gave authorisation to begin the process to tender for the construction, on the land off Newmarket Approach behind the Refuse and Energy Recovery Facility (RERF), subject to necessary consultation and planning permission.
2. The design has now reached the end of RIBA Stage 2 following a full scheme review and now needs to progress into the next stage of Detailed Design. The works need to be completed to as soon as possible to allow Waste Management to realign service routes to make most efficient use of resources, reduce pollution and CO₂ emissions and bring the service together into one building allowing for the generation of savings that can be used for service improvements elsewhere.
3. The development of the new headquarters and depot facility are essential as the existing Waste Management Services operational sites are at capacity and have the potential to present operational and legislative risks to the conditions of their Operator Licences.
4. This report seeks approval for the proposed procurement strategy to deliver the new operational depot at Newmarket Approach, utilising a design and build contract through the YORbuild2 framework in line with Contract Procedure Rules (CPR) 3.1.8.

Recommendations

It is recommended that The Director of Communities & Environment:

- Approve the Procurement Strategy as a Direct Call Off project using the YORbuild2 framework in line with CPR 3.1.8; (CPRs 3.1.5 and 3.1.6 not applying as there are no exclusive supplier arrangements or an ISP to undertake this work),
- Note that the design services will be appointed and managed by the successful contractor.
- Approve that a Pre-Construction Services Agreement (PCSA) will be required to allow design costs to be reimbursed until contract award at the end of RIBA Stage 4.
- Note that a further Design and Cost Report will be submitted at the end of RIBA Stage 4, seeking an additional £2.79million (approx.) of borrowing, the revenue implications of which will need to be met by the service.
- Note that the Deputy Chief Officer, Waste Management is responsible for programme delivery of the new facilities.

1 Purpose of this report

- 1.1 The purpose of this report is to seek approval of the Procurement Strategy for the development of the new headquarters for Waste Management Services including depot facilities, in line with Contract Procedure Rule (CPR) 3.1.8 which requires that a decision to undertake procurement is taken at the point the procurement route is chosen.
- 1.2 The procurement strategy which is based on a NEC4 Design and Build Contract Option A (with Activity Schedule) is set out below.
- 1.3 Approval by the Director Communities & Environment is required to enable procurement to progress as set out within this report.

2 Background information

- 2.1 All goods vehicles over 3.5 tonnes, that are used for business, need a Goods Vehicle Operator's Licence to operate legally. Each operator's licence is associated with an 'operating centre' and generally restricts the numbers of such vehicles that can operate from a site. The main purpose of the licence is to ensure the safe and proper use of goods vehicles and to protect the environment around operating centres. Once the licence is obtained, any breach of the licence could result in a traffic commissioner restricting the use of the site, reducing the number of vehicles allowed to operate at the site, or even taking the decision to revoke the licence altogether.
- 2.2 Suitably licenced and located sites are therefore essential for the council to deliver safe, efficient and reliable operational services to Leeds residents. The existing sites are currently Knowsthorpe Way in Cross Green and Henshaw in Yeadon.
- 2.3 The existing operational sites used by Waste Management Services are at capacity. The existing depot capacity is full. Whilst services remain compliant with the conditions of their operator licences, the current situation is presenting operational and legislative risks which need to be addressed as well as removing any ability to increase the service and the potential for further collections of other recyclable material.
- 2.4 The council's current waste depot provision is not sufficient for the needs of the council's operational fleet and the provision of new purpose built facilities are required. The Henshaw operational depot now presents operational risks due to a lack of capacity and space.
- 2.5 The re-location of the Henshaw fleet to the new headquarters on Newmarket Approach, will enable the Service to maximise efficiency as all residual waste collections would be delivered to a single location at the Recycling and Energy Recovery Facility (RERF) for treatment. Maximising efficiency is essential in order to contribute to delivering the service with an anticipated reduced budget.
- 2.6 The relocation of the Henshaw fleet will eliminate the need for the vehicles to travel from the RERF at the end of the working day, after they have successfully

dropped off their final load, across to Yeadon in heavy rush hour traffic thereby adding to evening rush hour traffic and pollution across the city.

- 2.7 Following an assessment by Waste Management service, it has been determined that relocating the Henshaw-based refuse collection services, on their own, and leaving the remaining services located on Knowsthorpe Way and Knowsthorpe Gate, would not be best value for money and would still involve significant duplication of services and an ineffective use of resources. Waste Management services have therefore concluded that the most viable way forward is to move to develop a new headquarters with depot site at Newmarket Approach, which will provide long term benefits for the council and its citizens.
- 2.8 It is anticipated that NPS Leeds will be retained to act as Technical Advisers for the contract through to handover which is anticipated in late summer 2020.

3 Main issues

- 3.1 The scheme was approved at Executive Board in June 2017 with an anticipated budget of £4.01million. Outside of the main scheme on land adjacent to the new facility, was a separate project to provide a CNG fuelling station that the vehicles would use to refuel.
- 3.2 As part of the Council's introduction of the Clean Air Zone and the requirement to cut CO₂ emissions as well as diesel particulates, a review was carried out into the delivery of the CNG fuelling station and its impact on reducing emissions over the minimum 25 year operational life of the station. Following the review, the decision to abandon the development of the CNG Fuelling station in favour of electrifying the fleet was approved, based largely on environmental and sustainable impact.
- 3.3 Over the last 2-3 years significant investment and improvements have been made into the development of fully electric (battery) powered Refuse Collection Vehicles (RCVs).
- 3.4 The Council trialled a fully electric RCV for a short period and the experience was considered positive by both Fleet Management and Waste Management services. Since that time the energy density and capacity of batteries has improved, meaning that the vehicles are able to handle a greater diversity of demands in terms of route length, number of bin lifts, and topography of roads (in terms of gradients).
- 3.5 The benefit of fully electric vehicles is that within the locality they operate the air quality impacts are zero, in terms of NOx and particulate matter. They also run far quieter than diesel variants and thus reduce noise pollution markedly in urban areas. In addition, whilst the estimation route is not yet an exact science, the embodied carbon within the grid electricity mix is likely to equate to a CO₂ equivalent reduction in the order of magnitude of between 25% and 50% against CNG or diesel for an RCV style operation. The National Grid is set to decarbonise over time, meaning that CO₂ performance should improve for pure EVs.
- 3.6 The electrification of the fleet was not anticipated within the original Executive Board funding approval resulting in an additional budget pressure that could not

be foreseen when a CNG solution was originally being considered. The capital funding originally being proposed for the CNG solution cannot unfortunately be used for the new electrification approach thus creating a new pressure. In addition to this change, attention has also been given to the need for additional health and wellbeing facilities to provide operatives with additional support to seek to reduce absence due to ill health and muscular skeletal injuries. These facilities will also be used by other council departments in a bid to create a healthier workforce or be used for adult employment training, to help ready people for work. These additional elements have resulted in the latest accepted design being valued at a total of £6.8million inclusive of contingency leaving a shortfall of £2.79million from the current funding approval, the revenue implications of which will need to be met from other savings within the service.

- 3.7 It is anticipated that to assist in resolving some of the financial pressures being experienced, that further savings of £300-£500k can be made to the above figure, through value that can be added by early engagement of the contractor and their input in design buildability and making beneficial use of their preferred supply chain. The total costs of the building will be detailed within a Design and Cost Report that will be submitted to Executive Board at the end of RIBA Stage 4.
- 3.8 It is proposed that a Construction Partner be selected via a Direct Call Off from the YORbuild2 framework. A contractor is directly selected from the YORbuild2 framework without competition on a rotational basis. A Tender price is then developed with the framework contractor (a single stage tender) at the end of RIBA Stage 4. The contractor will undertake the design from the end of RIBA Stage 2 to Stage 4 under a PCSA along with the development of a market tested price for the works. Subject to the price being developed and agreed in accordance with the process under the YORbuild framework, the Construction Partner will be appointed following approval of the Design and Cost Report, in line with CPR 3.1.8; (CPRs 3.1.5 and 3.1.6 not applying as there are no exclusive supplier arrangements or an ISP to undertake this work).
- 3.9 A robust delivery framework has been developed which has clearly defined deliverables required at each stage. The implementation of an end stage review will allow the Council and its technical advisor NPS Leeds to effectively challenge the integrity of design and costs put forward by contracting partners throughout the lifecycle of project development.
- 3.10 The use of the YORbuild2 framework is deemed the most efficient method of procurement in terms of timescales and resources. The alternative method would be to undertake a procurement exercise via OJEU, but this is estimated to take at least 2-3 months longer than via a framework and involve higher procurement resource and costs. The benefit of the YORbuild2 framework is that it includes contractors based in the Yorkshire region.
- 3.11 The YORbuild2 framework provides a procurement route for public sector bodies within the Yorkshire and Humber region and formal approval is in place for its use. The framework under the single stage tender route provides an integrated team of client, design team and contractor leading to more efficient design and construction, as well as added value from bespoke Employment and Skills plans and use of regional contractors and supply chains.

- 3.12 The Contractor will be selected from Lot 4 (£4m to £10m) of the framework. To support the early appointment, the Yorbuild2 Framework Manager has contacted the next available contractor and established that they are keen to proceed with the development of the Waste Management Headquarters.
- 3.13 The procurement route is in line with 3.1.6, there is an existing supplier framework arrangement (YORbuild2) which will be used for the procurement. CPR 3.1.4 does not apply as there is not an ISP that is able to provide the service; CPR 3.1.5 does not apply as there are no Exclusive Supplier arrangements.
- 3.14 The procurement route as a Direct Call Off has been proposed as the lead designer does not have the necessary skill set to complete the specialist design packages of the civil engineering work or the construction of the fuelling station. Additionally early access to the contractor's specialist supply chain, to develop the above mentioned items will allow the city council to design in partnership with the specialist supply chain that the contractor will be able to access immediately.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 To support the delivery of the programme, the Project Team will engage with nearby residents prior to the Planning Application being submitted. Additional Ward Member and Executive Member consultation will take place at the end of the concept stage and prior to planning being sought. Further consultation will also take place at the end of Detailed Design Stage prior to contract award.
- 4.1.2 The Procurement Strategy outlined within this report has been discussed at the Waste Depot Project Board and with the Director of Communities and Environment and support for the procurement approach has been gained. The Procurement Strategy has also been reviewed by procurement and legal advisors within the council who have supported the proposal.
- 4.1.3 A communication plan has been developed which outlines the process for consulting and engaging with key stakeholders in relation to the schemes and which will be applied to the programme.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 An Equality, Diversity and Cohesion Impact Screening has been undertaken for this scheme and determined that the proposals have a positive impact and that a full assessment is not required.

4.3 Council policies and Best Council Plan

- 4.3.1 The Procurement method proposed is in line with Corporate Procurement Regulations and Financial Procedure Rules.
- 4.3.2 The new Waste Management headquarters will directly respond to the Best Council Plan 2018-2021 by;

- Providing Sustainable Infrastructure across Leeds with the introduction of an electric fleet and reducing pollution,
- Providing Safe Secure Communities where people chose to live that are clean and healthy,
- Contributing to Inclusive Growth by providing jobs where people live and ensuring the wellbeing of all its employees.

4.4 Resources and value for money

- 4.4.1 The estimated cost of the contract at present is circa £6.5m excluding contingency. This is based on estimated RIBA Stage 2 with a degree of risk budgeting, with the expectation that the procurement process and greater scheme certainty will drive these cost downwards.
- 4.4.2 The capital cost of scheme will be met by both utilising the £4.01m of unsupported borrowing already approved at June 2017 Executive Board, with additional funding to make up the shortfall of approx. £2.5million coming from prudential borrowing. The scheme will be submitted for approval to Executive Board via a Design and Cost report which will be taken as a key decision. All tender documentation will be thoroughly reviewed and validated by NPS Leeds Ltd and City Development to ensure Value for Money.
- 4.4.3 Early contractor involvement will result in better risk management and more certainty in respect of cost and programme delivery.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The service agreement between Leeds City Council and NPS Leeds Limited states that NPS has exclusivity relating to the provision of all professional design services for the Council on respect of feasibility / concept work, pre and post contract services and other construction related services. NPS support the use of the Direct Call Off approach on this scheme.
- 4.5.2 This procurement strategy is in line with CPR 3.1.8, the decision to undertake a procurement (including a decision on what is being procured, the procurement route, the programme, the scope and the budget), will be taken at the point that the procurement route is chosen and, subject to any project specific issues, this will normally be the main decision that all subsequent decisions flow from.
- 4.5.3 The procurement route is in line with 3.1.6, as there is an existing framework supplier arrangement (YORbuild2) which will be used for the procurement. CPR 3.1.4 does not apply as there is not an ISP that is able to provide the service; CPR 3.1.5 does not apply as there are no Exclusive Supplier arrangements.
- 4.5.4 This is a Significant Operational Decision and will not be subject to call-in.

4.6 Risk Management

- 4.6.1 Soft market testing has been undertaken to brief the potential contractor on this project to ensure that they are accepting of the proposal.

4.6.2 The Project Manager is responsible for identifying and managing risks via the project Risk Log. This is reviewed and updated regularly and risks closed out as appropriate.

4.6.3 A risk workshop is planned early in the Stage 3 process to outline any risks that are evident with the scheme, to ensure that they are eliminated or reduced to an acceptable level.

5 Conclusions

5.1 The programme completion is vital to achieving the benefits noted in this report such as development of one service approach, reduced pollution and enhanced environmental benefits and realising revenue savings through integration of the whole service onto a single site adjacent to the RERF. Utilising the Direct Call Off option through the YORbuild2 framework in line with CPR 3.1.8 will facilitate a quick and effective route to market allowing the council to secure a quality construction partner and their associated design teams.

5.2 Ensuring we drive value for money out of the process is a key priority for the project team and will be addressed through the implementation of a robust delivery framework which has clearly defined deliverables required at each stage which would align with the revised RIBA stages to allow the Council and its technical advisor NPS Leeds to effectively challenge the integrity of design and costs put forward by contracting partners throughout the lifecycle of project development.

6 Recommendations

6.3 It is recommended that The Director of Communities & Environment:

- Approve the Procurement Strategy as a Direct Call Off project using the YORbuild2 framework in line with CPR 3.1.8; (CPRs 3.1.5 and 3.1.6 not applying as there are no exclusive supplier arrangements or an ISP to undertake this work),
- Note that the design services will be appointed and managed by the successful contractor.
- Approve that a Pre-Construction Services Agreement will be required to allow design costs to be reimbursed until contract award at RIBA Stage 4.
- Note that a further Design and Cost Report will be submitted at the end of RIBA Stage 4, seeking an additional £2.79million (approx.), the revenue implications of which will need to be met by the service.
- Note that the Deputy Chief Officer, Waste Management is responsible for programme delivery of the new facilities.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.