

Committee: Cabinet

Date: 20 February 2023

Wards: ALL

Subject: Waste and Street Cleansing Commissioning: Preferred model for securing service delivery

Lead officer: Adrian Ash, Interim Executive Director Environment, Civic Pride & Climate

Lead member: Cllr Natasha Irons, Cabinet Member for Local Environment, Green Spaces and Climate

Contact officer: John Bosley, Assistant Director of Public Space and Charles Baker, Waste Strategy & Commissioning Manager

Recommendations:

Cabinet is asked to:

- A. Note the Best Value Assessment of the four identified service delivery models for both waste and recycling collection, and the street cleansing service.
- B. Note the findings from the Resident Engagement survey undertaken by the service which identifies high satisfaction with waste and recycling collection along with identifying areas of required improvement within the street cleansing service.
- C. Agree, based on the Best Value Assessment and Resident Engagement findings, to a model of securing service delivery that disaggregates the street cleansing service from the waste and recycling service.
- D. Agree that a competitive procurement offers the Best Value approach to securing a waste and recycling service; authorise the publication of a Prior Information Notice to notify the market of the intention to tender for a waste and recycling service; authorise the Waste and Street Cleansing Project Board to undertake further detailed work on a service specification that delivers a high quality and responsive waste service to residents; and confirm that officers can proceed to prepare all necessary tender documentation.
- E. Agree with regards to the waste and recycling service that the tender opportunity is advertised on the basis that the successful bidder will be required to ensure all employees who are wholly or substantially engaged in delivering the contract have terms and conditions of employment that are comparable to the Council's.
- F. Note the implications for the Medium-Term Financial Strategy, from 2025/26, of agreeing to tender on the basis of comparability of employment terms and conditions and the rationale for making this recommendation.
- G. Note the Greater London Authority's (GLA) role, under the Greater London Authority Act 1999, to issue directions to London boroughs in relation to waste management procurement and note the impact this has on the procurement timeline.
- H. Agree that the setting up of a Direct Service Operation offers the Best Value approach to securing a street cleansing service and authorise the Waste and

Street Cleansing Project Board to undertake further detailed work on a service specification that responds to residents' concerns about the current service.

- I. Note that further Cabinet decisions will be sought as necessary with regards to the various components of the proposed service specifications for the waste and recycling, and street cleansing services.
- J. Note that the recommended model, and underpinning rationale, for securing service delivery of waste and recycling, and street cleansing services, will be subject to pre-decision scrutiny by the Sustainable Communities Overview and Scrutiny Panel on 13 February 2023, and that any comment or recommendation from the Panel will be referred to Cabinet by the Panel Chair.
- K. Note that in accordance with the Council's Contract Standing Orders the proposed procurement strategy for the waste and recycling service will be considered by the Council's Procurement Board, chaired by the Chief Executive, prior to final approval to proceed to tender.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Cabinet, at its meeting of the 10 of October 2022, agreed not to extend the current contract with Veolia ES UK for waste and recycling collection, and street cleansing services, beyond the contract expiry date of 31 March 2025. Cabinet also resolved to require officers to develop and manage a new Service Delivery Strategy for the waste collection and street cleansing services.
- 1.2 Following these decisions, a Waste and Street Cleansing Project Board (the Board) was set up with membership made up of key senior officers from across the Council and jointly chaired by the Cabinet Member for Local Environment, Green Spaces and Climate and the Interim Executive Director for Environment, Civic Pride and Climate.
- 1.3 The Board agreed a phased approach to the development of a new service delivery strategy, with the initial work focusing on developing recommendations to Cabinet with regards to the optimal service delivery strategy for both waste and recycling and street cleansing services.
- 1.4 To inform that proposal, the Council undertook a detailed public consultation exercise with residents to better understand their priorities for these services, and the improvements they want to see in the future.
- 1.5 This report sets out the conclusions from the initial phase of work and recommends to Cabinet that separate models for securing service delivery for each of waste and recycling, and street cleansing services be pursued as outlined in recommendations D and E. The Best Value Assessment of the four options considered, along with the findings from the resident survey referred to above, are set out to demonstrate that the recommended way forward for each of the services has a sound evidence base underpinning it.
- 1.6 Alongside the development of the service delivery models recommended to Cabinet in this paper, the Board has also commenced work on developing service specifications for each of the two service areas as well as considering options for enhancing service levels and standards. This initial work will continue into the next phase of the programme, subject to agreement of the service delivery models recommended here and will be the subject of future reports to Cabinet.

- 1.7 The report concludes by outlining the key elements of the next phase of the Board's work, subject to the recommendations in this paper being agreed, in preparing to advertise the tender for the waste and recycling service and in designing the Direct Service delivery model for the street cleansing service.
- 1.8 The recommended service delivery models and underpinning rationale for the recommendations will be subject to pre-decision scrutiny by the Sustainable Communities Overview and Scrutiny Panel at its meeting on 13 February. Following this meeting the Chair of the Panel may choose to provide comment and / or recommendations to further inform Cabinet in its decision making.

2. DETAILS

Review of potential service delivery models

This section of the report is relevant to recommendation A.

- 2.1 The Board, in arriving at recommendations with regards to the optimal service delivery model for waste and recycling and street cleansing services, has considered four models for securing service delivery:
 - Commissioned Service – service delivered by a third-party provider (the current model for both services)
 - Direct Service Organisation (DSO) – in-house delivery model
 - Local Authority Trading Company – A company owned and managed by the Council
 - Joint Venture – Partnership arrangement with a third-party
- 2.2 The key characteristics of each of the four models for securing service delivery are set out in paragraphs 2.5 to 2.15 below.
- 2.3 During the first phase of the programme, the Board commissioned a specialist waste consultancy to support the detailed work required to produce robust Best Value comparisons of the four models. As part of this work, the consultancy was asked to estimate the costs of each of the four models using the existing service levels as a baseline as well as an enhanced service offer based on the work referenced at paragraph 1.5 above. While the detail of the enhanced service offer remains confidential, to avoid any risk of market sensitive information being divulged prematurely, a brief overview of the areas of focus is outlined at paragraph 2.29 below. To ensure a like for like comparison, the costs of procuring the necessary vehicle fleet has been included in the analysis of the costs for each model.
- 2.4 Officers have used the financial data provided by the consultant to identify an average cost for each of the four options and then to calculate the extent to which the cost of each option varies from the average. The variance from the average cost for each of the four models, expressed as a percentage, is included in the summary description of each model.
- 2.5 **Commissioned Service** – The principal rationale for procuring an external contractor is the benefit gained from the technical expertise and business resiliency that is associated with specialist providers. An example of past benefit during the current waste contract was the management of services and the regional support provided during Brexit which impacted many material markets and service supplies for vehicles and other technical equipment. Additionally,

market competition can assist in generating price-competitive contracts that also allow the Council to have relative certainty of service cost for the life of the contract. The ability of the Council to exploit these advantages will however largely be determined by two things:

- a) the degree of competitiveness of the market at the time of procurement; and
 - b) the structure of the contract and its associated specification, including both the contractor and the council's attitude to the sharing of financial risk related to future costs and income delivered through the service.
- 2.6 Typically, the private sector can deliver a service at a lower cost than a Local Authority, usually making this the lowest cost option. This option also reduces risk in terms of resilience and capacity to maintain services. This was highlighted by the current contractor's ability to access resources during the recent national driver shortages and COVID-19 Pandemic, during which we were able to maintain a full service.
- 2.7 A review of the financial assessment undertaken by our external consultant indicates that a commissioned service for waste and recycling collection would be 5.2% higher when compared to the average total contract value of the four models, and an additional 4.9% for the street cleansing service, as there is less reliance on specialist vehicles and workshop overheads. (This excludes any agreed profit margin and overheads applied to these two services). A review of the financial assessment undertaken by our external consultant
- 2.8 **Direct Service Operations** – The option of bringing services in house (or in-sourcing) is always open to the Council at the end of a contract, as there is no legal requirement to retender services, provided best value can be demonstrated. One key advantage of in-house services is that they have the potential to be more flexible and agile, given that the local authority is not constrained by the terms of a contract with a third-party provider and can exercise more direct ownership and control. This is a particular benefit when considering services that need to be able to react rapidly to resident feedback and/or to be able to scale up or down to cope with changing operating conditions. No matter how flexibly the contract is drawn, the options to change delivery arrangements at short notice, either on a temporary or long-term basis, will be more limited. Contract flexibility also brings its own risk in terms of contractor behaviour and additional cost.
- 2.9 Whilst this model can provide direct control over how the service is delivered, it is typically more expensive. The financial information provided by the consultant confirms this as the most expensive delivery model. However, when favourable terms and conditions are applied to the other delivery models this approach becomes the most financially advantageous with an estimated decrease of 5.6% for waste and recycling collection, and an additional 5.3% for street cleansing when compared to the average cost of the four different delivery models.
- 2.10 Although an in-house delivery model for the waste & recycling service offers the most financially advantageous option to the Council, the technical and logistical challenges in establishing a viable in-house service are considered extremely high-risk at this stage. This would include the availability of specialist skillsets and staffing, fleet management and workforce shortages such as professional drivers, all in place within two years. Upcoming legislative changes relating to recycling & environment will also add further immediate pressures.

- 2.11 **Local Authority Trading Company (LATCO)** – The LATCO model requires that a Local Authority set up the service as a wholly-owned company with an appointed Managing Director having oversight for the day-to-day delivery of services.
- 2.12 This option represents the second most financially advantageous model at 2.3% below the average for waste and recycling collections, and a further 2.2% for street cleansing when compared to the average of the four delivery models costed for street cleansing. It is important to note that as the Council does not currently have a LATCO that services could be delivered by, there are inherent and increased risks in establishing a high performing structure prior to the commencement of services in 2025.
- 2.13 **Joint Venture (JV)** – A commercial arrangement where two or more organisations establish a new legal entity for a specific purpose. JVs typically form to attract private sector investment and combine their knowledge and skills with the public sector. JVs are well suited to schemes where there is significant scope for change and potential for the public sector to capture value growth over time. However, benefits achieved through the JV structure, in contrast to a formal contractual structure, come with added complexity and ongoing risks.
- 2.14 Benefits of this model include private finance and business expertise; however, ownership is a key concern, and under this model the chosen partner have a vested interest and say in the running the business. This, therefore, reduces the control the council can exert and consequently the flexibility of the contract applied.
- 2.15 For the council, the decision to establish a JV needs careful assessment of the benefits versus the risks. Developing a mutual company will require a great deal of financial and time investment. Under these circumstances the option does not appear to be an attractive one given that the waste sector is well established, and other options provide more flexibility and a competitive advantage.
- 2.16 The financial analysis indicates that the overall cost of the JV delivery model is 2.6% higher than the average of the four models for waste and recycling collection and an additional 2.7% for street cleansing.

Determining Best Value solutions

This section of the report is relevant to Recommendations A, C, D and H

- 2.17 Best Value is defined as the optimal combination of economy, efficiency and effectiveness and it follows that any analysis of the Best Value solution in a particular circumstance requires that a broader range of factors than price alone be incorporated into the analysis.
- 2.18 Fundamental to the understanding of Best Value in the context of the waste and recycling and street cleansing services is a recognition that both services impact directly on every household in the borough, and in the case of street cleansing services, on every business in, and visitor to, the borough. The breadth of this impact is reflected in the volume of resident contacts with the Council and with individual elected Members, that relate to waste and street cleansing issues.
- 2.19 A detailed picture of residents' views of the waste and recycling and street cleansing services is provided in section 3 of this report below. A key point to note, in the context of determining Best Value, is the differential levels of

satisfaction with waste and recycling (high and rising) on the one hand and street cleansing (low and dropping) on the other. In many ways the differing satisfaction levels across the two services reflect several of the key strengths and weaknesses of a contracted-out model.

- 2.20 The factors impacting on the performance of a waste and recycling service are relatively limited on a week-to-week basis. Assuming, therefore, that the service is specified and resourced appropriately, and that there are effective (contract) management arrangements in place, performance is unlikely to vary in any material way over time. Unless resident expectations change it follows that satisfaction levels are likely to remain consistent over time. Given all of this, the advantageous price of a contracted-out service is offset to a lesser degree by risk factors associated with service variability and the need for agility in response. The limitations imposed by a contract are therefore likely to be less of a material factor.
- 2.21 In contrast, there are a broader range of factors that will impact on a street cleansing service on a week-to-week basis. Weather, seasonality, changing patterns of footfall, planned and unplanned events and staff absences are all drivers of a much greater degree of variation in comparison to waste and recycling collection. This higher level of variation requires a more proactive and agile response, as well as the ability to flex resources to meet changing needs, if performance and resident satisfaction is to be maintained at high levels. The limitations imposed by a contract are therefore likely to be much more of a material factor in mitigating the price advantage of a contracted-out model.
- 2.22 This 'degree of variability' rationale, combined with the differing levels of resident satisfaction described in section 4 below, suggests that there is merit in considering the Best Value solution for a waste and recycling service, and for a street cleansing service separately. This mitigates the risk that a combined Best Value solution is sub-optimal in respect of one or both services, as illustrated by the current contractual arrangement.
- 2.23 The Best Value analysis was therefore undertaken in this way, using a methodology that was designed to ensure a like for like comparison of each of the four models, and against each model a score for each of waste and recycling and street cleansing. The methodology comprised of three key components: Finance, Implementation, and Delivery, further broken down into thirteen elements. Each element was assigned a percentage weighting that reflects its degree of importance / impact. Tables 1 to 4 below summarise the outcomes of the Best Value analysis of each of the four models in respect of the waste and recycling and street cleansing services.

Table 1: Service Delivery Model Evaluation: Commissioned Service

SERVICE DELIVERY MODEL:		Commissioned Service		Weighting	Polarity / Scoring		
SERVICE OPERATION:		Waste & Recycling Collections	Street Cleansing Services				
Finance	Financial Impact					10%	Positive (+) / 1-10
	Staffing Costs					2.5%	Positive (+) / 1-4
	Vehicle & Plant Costs					2.5%	Positive (+) / 1-4
	Management Costs					2.5%	Positive (+) / 1-4
Implementation	Reputational Impact					12%	Positive (+) / 1-10
	Deliverability (mobilisation)					12%	Positive (+) / 1-10
	Deliverability (service model)					15%	Positive (+) / 1-10
	Adaptability (service changes)					7%	Positive (+) / 1-10
	Governance & Legal (complexity)					6%	Positive (+) / 1-10
Delivery	Model Risks		-0.6		-0.36	8%	Negative (-) / 1-10
	Model Opportunities					6%	Positive (+) / 1-10
	Environmental Sustainability					8%	Positive (+) / 1-10
	Social Value Impact Potential					8%	Positive (+) / 1-10
	TOTAL Assessment Score		5.715		5.105	100%	

Table 2: Service Delivery Model Evaluation: Direct Service Operations

SERVICE DELIVERY MODEL:		Direct Service Organisation		Weighting	Polarity / Scoring
SERVICE OPERATION:		Waste & Recycling Collections	Street Cleansing Services		
Finance	Financial Impact	▲	▲	10%	Positive (+) / 1-10
	Staffing Costs	◆	▲	2.5%	Positive (+) / 1-4
	Vehicle & Plant Costs	◆	▲	2.5%	Positive (+) / 1-4
	Management Costs	◆	▲	2.5%	Positive (+) / 1-4
Implementation	Reputational Impact	●	●	12%	Positive (+) / 1-10
	Deliverability (mobilisation)	●	●	12%	Positive (+) / 1-10
	Deliverability (service model)	●	●	15%	Positive (+) / 1-10
	Adaptability (service changes)	▲	▲	7%	Positive (+) / 1-10
	Governance & Legal (complexity)	▲	▲	6%	Positive (+) / 1-10
Delivery	Model Risks	▲	◆	8%	Negative (-) / 1-10
	Model Opportunities	▲	▲	6%	Positive (+) / 1-10
	Environmental Sustainability	●	▲	8%	Positive (+) / 1-10
	Social Value Impact Potential	●	●	8%	Positive (+) / 1-10
	TOTAL Assessment Score	●	●	100%	
		5.70625	6.24125		

Table 3: Service Delivery Model Evaluation: Local Authority Trading Company

SERVICE DELIVERY MODEL:		Local Authority Trading Company		Weighting	Polarity / Scoring
SERVICE OPERATION:		Waste & Recycling Collections	Street Cleansing Services		
Finance	Financial Impact	●	●	10%	Positive (+) / 1-10
	Staffing Costs	◆	▲	2.5%	Positive (+) / 1-4
	Vehicle & Plant Costs	◆	▲	2.5%	Positive (+) / 1-4
	Management Costs	◆	▲	2.5%	Positive (+) / 1-4
Implementation	Reputational Impact	●	●	12%	Positive (+) / 1-10
	Deliverability (mobilisation)	●	▲	12%	Positive (+) / 1-10
	Deliverability (service model)	●	●	15%	Positive (+) / 1-10
	Adaptability (service changes)	▲	▲	7%	Positive (+) / 1-10
	Governance & Legal (complexity)	▲	▲	6%	Positive (+) / 1-10
Delivery	Model Risks	◆	◆	8%	Negative (-) / 1-10
	Model Opportunities	▲	▲	6%	Positive (+) / 1-10
	Environmental Sustainability	●	▲	8%	Positive (+) / 1-10
	Social Value Impact Potential	●	▲	8%	Positive (+) / 1-10
	TOTAL Assessment Score	●	▲	100%	
		5.38625	5.57625		

Table 4: Service Delivery Model Evaluation: Joint Venture

SERVICE DELIVERY MODEL:		Joint Venture		Weighting	Polarity / Scoring
SERVICE OPERATION:		Waste & Recycling Collections	Street Cleansing Services		
Finance	Financial Impact	●	●	10%	Positive (+) / 1-10
	Staffing Costs	◆	▲	2.5%	Positive (+) / 1-4
	Vehicle & Plant Costs	◆	▲	2.5%	Positive (+) / 1-4
	Management Costs	◆	▲	2.5%	Positive (+) / 1-4
Implementation	Reputational Impact	●	●	12%	Positive (+) / 1-10
	Deliverability (mobilisation)	●	▲	12%	Positive (+) / 1-10
	Deliverability (service model)	●	●	15%	Positive (+) / 1-10
	Adaptability (service changes)	▲	▲	7%	Positive (+) / 1-10
	Governance & Legal (complexity)	▲	▲	6%	Positive (+) / 1-10
Delivery	Model Risks	◆	◆	8%	Negative (-) / 1-10
	Model Opportunities	▲	▲	6%	Positive (+) / 1-10
	Environmental Sustainability	●	▲	8%	Positive (+) / 1-10
	Social Value Impact Potential	●	▲	8%	Positive (+) / 1-10
	TOTAL Assessment Score	●	◆	100%	
		5.04625	5.14625		

Recommended service delivery models and associated issues

This section of the report is relevant to recommendations C, D, E, H and K.

- 2.24 From the analysis summarised in the tables at Paragraph 2.22 above it can be seen that the scores for waste and recycling, and street cleansing are the same in both the LATCO and JV options, and in both cases are lower than one or both scores for each of waste and recycling, and street cleansing. Neither option can therefore be recommended as offering Best Value. This, combined with the risk and complexity inherent in developing either model to the required standard by 2025, has led the Board to conclude that neither option should be given further consideration in determining the optimum service delivery model for the waste and recycling and street cleansing services.
- 2.25 In comparison the scores for each of the waste and recycling, and street cleansing services show a clear difference in both the Commissioned and Direct Service Delivery options, with the Commissioned service model delivering the highest score for the waste and recycling service and the Direct Service Delivery model delivering the highest score for the street cleansing service.
- 2.26 The Board has therefore determined that in order to deliver the Best Value solution for each of the services, it is recommending to Cabinet that external service providers should be invited to tender for the opportunity to deliver the waste and recycling service for the period beyond April 2025, and that preparations should be made to bring the street cleansing service in-house from the same date.
- 2.27 It should be noted that from a purely financial perspective, the recommended option appears as superficially the cheapest option. However, as noted at paragraph 2.16, the Best Value options take account of a broader set of factors than cost alone and deliverability and risk are also key considerations. It is this wider Best Value and deliverability evaluation that underpins the recommendation to Cabinet on the optimal service delivery arrangements.

The three options are ranked, in cost terms, as follows (highest cost to lowest):

1. Both services are commissioned.
2. Waste and recycling is commissioned, and street cleansing is brought back in-house (the recommended option).
3. Both services are brought back in-house

Exempt Appendix A provides additional detail on the costs of each option.

- 2.28 The Board has also determined that, given the capital costs associated with vehicle fleet procurement and other capital items that the contract should be advertised with a minimum duration of eight years. Contract length and any allowance for extensions beyond the initial contract term will be confirmed during the next phase of the work at the point when the procurement strategy is presented to the Procurement Board for approval.

Workforce Terms and Conditions

This section of the report is relevant to Recommendations E and F

- 2.29 The Board is aware that in recommending a mix of in-house and commissioned service delivery models there is a risk of creating a two-tier workforce. To mitigate

this risk, the Board is further recommending that the waste and recycling tender be advertised on the basis that all employees who are wholly or substantially engaged in delivering the contract have terms and conditions of employment that are comparable to the Council's. This will include an explicit requirement that the entire workforce wholly or substantially engaged in delivering the contract are paid London Living Wage as a minimum. The Board is aware that in making this recommendation there is an associated financial impact but notes that at present c53% of the Veolia ES UK workforce engaged in delivering the current contract have, as a result of the TUPE Regulations, terms and conditions comparable to those of the Council. This reduces the financial impact of the proposal.

2.30 As noted in paragraph 2.27 above, the recommendation that the contract be tendered based on comparable terms and conditions for the workforce has a financial implication, which is relevant both to the Medium-Term Financial Strategy and to the Best Value analysis. There are, however, several mitigating factors in addition to the avoidance of a two-tier workforce that need to be factored in when considering this recommendation:

- In addition to addressing issues of equity and fairness, comparability of terms and conditions reduces risk in terms of the contractor's ability to recruit and retain sufficient staff to maintain service continuity;
- Comparability should also make maintaining positive employee relations easier for the contractor, in the context of shared use of depot facilities with the street cleansing service, and therefore reduce risks to continuity of service delivery;
- Were the contract to fail for any reason and there was a need to insource the service, even temporarily, the TUPE position would be much less complex, and the risk of additional unplanned cost significantly lowered;
- In any case, as has been outlined in earlier sections of the report, the option to insource the service, which would mean all staff were on Council terms and conditions, is considered by Officers to be too great a risk and not an option that can therefore be recommended.

2.31 The financial implications of this recommendation with regards to the Medium-Term Financial Strategy are addressed in section 5 below.

Next Steps and timeline

This section of the report is relevant to recommendations F, H, I and K.

2.32 Subject to Cabinet agreeing the recommended service models, the Board will shift its focus to the next phase of the work. Key milestones in this next phase include:

- Completion of the service specification for the waste and recycling service and submission to the Greater London Authority (GLA) pursuant to its responsibilities under the Greater London Authority Act 1999. As the Council intends publishing a Prior Information Notice (PIN), the GLA will have 56 days from the date of submission to respond with any directions it deems necessary. It is intended that the final Service Specification be submitted in April 2023. The PIN cannot then be published until either the GLA responds with directions or the 56 days elapses.

- Preparation of the necessary documentation prior to submission to the Council's Procurement Board in order to secure approval for the intended procurement strategy. Date to be confirmed.
- Publication of a PIN in respect of the waste and recycling service procurement. The purpose of the PIN is to provide an early indication to the market that the Council will be advertising a tender opportunity. Publication of the PIN also enables early market engagement. The PIN will be published 56 days after the GLA is notified of the Councils intention to do so as per the first bullet point above.
- Advertising of the tender opportunity. This will need to be done in sufficient time to allow for the procurement to be completed and contract awarded by April 2024 as a twelve-month contract mobilisation period is required.
- 2.33 In addition to the above key milestones the Board will also continue to develop and refine the proposed service specification for the street cleansing service.

3. Service delivery – Environmental considerations

- 3.1 The approved service delivery strategy will be required to address and respond to resident's needs, reflect our communities, react to challenges, and support the Council's environmental commitments. There is a need to ensure that the chosen model enables the Council to nurture civic pride in the borough's streets and green spaces and provides an environment where the Council can adapt to the changing needs of our residents.
- 3.2 The waste & recycling service will have a critical role to play in contributing to progress toward the London-wide vision to be a 'zero waste city' This is demonstrated by the objectives the Council is required to deliver against as listed below:
- To focus on food waste reduction and recycling
 - Increase recycling rates to achieve a 50% recycling rate of local authority collected waste by 2025
 - Reduce the environmental impacts of waste collections associated with greenhouse gas emissions and air quality
- 3.3 To reduce the impacts of the Council's waste operations on the environment, the Council will also be committing to invest in alternative fuel technologies for our fleet of vehicles, ensuring that operations limit their impact on the environment and contribute to better air quality for the borough.
- 3.4 Street cleansing operations will also be assessed and expected to utilise the best available technologies, such as electric sweeping units, to reduce their impact on the environment whilst remaining operationally efficient.

4. CONSULTATION UNDERTAKEN OR PROPOSED

This section of the report is relevant to Recommendation B

- 4.1 To inform the design of the new service, we undertook an extensive borough-wide consultation on residents' views on waste & street-cleaning, which ran from

early October to mid-November 2023 and generated a successful return-rate of around 2,500 overall responses.

- 4.2 It should be noted that the telephone survey (400) generally showed higher levels of satisfaction compared to the online/papers survey. This data is available in the full consultation analysis – however, we have used the combined online and paper responses as a guide for two reasons:
- 4.3 Firstly, the online & paper surveys are reflective of residents’ *lived experience* of using the service and contacting us; secondly the volume on the online and printed responses is significantly higher (2,100 responses), and well above the benchmark required for a representative analysis.

Resident experiences – street cleaning, recycling & collections

4.4 The table below shows the overall trend of residents’ experiences of both waste collections and street cleaning services since the current contract was put in place. Figures in the last column are from the most recent consultation.

Service	% Satisfied 2017	% Satisfied 2019	% Satisfied 2021	% Satisfied 2022
<i>Refuse collection</i>	69%	48%	62%	63%
<i>Recycling facilities</i>	71%	56%	56%	63%
<i>Street cleaning</i>	53%	44%	45%	30%

- 4.5 The results show a clear trend – following a drop in 2019, resident experiences have steadily improved around waste collections & recycling as service improvements have been made.
- 4.6 However, residential street cleaning satisfaction has dropped continually since 2017, and now stands at an average of around 30%. When we asked residents if they felt *town centre streets* (rather than residential roads) are cleaned enough, just 29% of residents agreed. Note that the slight rise in 2021 relates to the time period when the impact of the COVID-19 pandemic, including lockdowns, was at its peak and footfall was much lower. There is likely to be a causal relationship with the perceived cleanliness of streets at that time.

What are the issues – recycling & waste collections

- 4.7 When we asked those residents who have had a poor experience of collections what their concerns were, the top three issues were missed collections (49%), frequency of collections (49%) and putting their bins back properly (49%).
- 4.8 However, it should also be noted that there is a very high level of support for residents around recycling too – 74% of residents want to recycle more, and 55% said more recycling is critical to help the local environment. Collection frequencies (of both recyclables and residual waste) are also relevant to encouraging higher recycling rates.

What are the issues - street cleaning

- 4.9 When we asked those residents who have had a poor experience of street cleaning what their **key concerns** were, they came out as street litter (69%) fly-tipping (62%) and overflowing bins on streets (69%).
- 4.10 The overall data shows a clear need to review how we deliver our street cleaning services as the priority when considering the options for the future service delivery model.

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 5.1 Beyond 2025 the final financial implications will vary according to decision and any future service delivery model along with any tender price (should that be the method selected).
- 5.2 Waste Consulting LLP, a specialist waste management, financial resourcing, and procurement advisor to local authorities have been commissioned by the London Borough of Merton to undertake a financial analysis of the options available for the future commissioning of our waste and recycling services and our street cleansing function.
- 5.3 They were required to assess the gross financial cost associated with the four different delivery models based on both the current service specification undertaken by our service provider - i.e. Business as usual (BAU)
- 5.4 The modelling undertaken by Waste Consulting LLP provides a breakdown of the cost implications of the various options being considered.
- 5.5 In addition to the financial assessment undertaken by our consultant our Finance team have also undertaken a due diligence financial assessment which is comparable to that undertaken by the consultant as such we and the consultant are confident that the business as usual direct service organisation modelling reflects a degree of accuracy within +/- 5% of the total gross cost.
- 5.6 Based on current modelling as seen above there is an estimated 25.8% cost increase for the business-as-usual in house (DSO) model when compared to the net budget (2025-26 price base) current contract price for these services. This increase is attributed to two main drivers: the increased cost of service provision along with a reduction in projected income. These costs will continue to be refined and are likely to increase further once additional information is available, for example agreed insurance overheads and costs associated with any revised IT systems. It is also worthy of note that splitting the service delivery model for waste and cleansing services will also increase costs further.
- 5.8 Within the waste and recycling collection service there are four main areas of income generated from the delivery of BAU services. The table below provides an overview of the anticipated income position at cessation of the contract:

Chargeable Service	In House Estimate
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Garden Waste	1,270,000
Bulky Waste	285,000
Recyclate sales	70,000
Commercial Waste	580,000
Total Income	2,205,000

- 5.9 It should be noted that under current legislation the Council is able to apply a 'Reasonable Charge' for prescribed services, such as bulky waste collections and garden waste collections, to cover our operational cost and all fees and charges should be set at a rate which covers these costs without including any profit margin.

6. LEGAL AND STATUTORY IMPLICATIONS

- 6.1 With regard to major projects of this nature, it is permissible and prudent that an options appraisal is conducted that takes into account the Councils Best Value Duty and the input from Resident Engagement.
- 6.2 The options analysis carried out, as set out in this report, dismiss the joint venture and trading company models, and put forward recommendations. Any such options decisions and recommendations that are reasonable and evidenced are permissible where they meet the Councils Best Value duties.
- 6.3 The competitive procurement for the commissioned service must be procured in accordance with the appropriate route to market, as per regulation 26 of the Public Contract Regulations 2015 and the Councils Contract Standing Orders.
- 6.4 In accordance with section 358 (1A) of the Greater London Authority Act 1999, where a PIN is issued then the Mayor needs to be notified no less than 56 days prior to the issue of the PIN, where no PIN is issued then the Mayor needs to be notified no less than 108 days before the contract notice is issued. The proposals are to issue a PIN in respect of this project and as such the notification needs to be issued to the Mayor 56 days prior to this. These notifications need to be taken account of in the programme.
- 6.5 There may be cost implications in employees having the same terms and conditions as the Council staff and this should be fully costed.

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 7.1 There are no material equalities implications resulting from the recommendation(s) of this report.

8. CRIME AND DISORDER IMPLICATIONS

- 8.1 There are no material crime and disorder implications resulting from the recommendation(s) of this report.

9. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 9.1 There are developing risks dependant on the finalised Service Delivery Strategy, but the nature of these risks will be dependent on the final shape of the service delivery models and the agreed service specifications. The Board established a Risk Log at the outset of the project and this Risk Log is reviewed at every Board meeting. This ensures both that new risks are identified and added to the Risk Log in a timely fashion so that control measures can be developed. It also helps ensure responsive action to introduce mitigations where risk levels are identified to be increasing.
- 9.2 Costs could well be even higher than those currently modelled with changes in pay rates along with inflationary impacts on fuel costs as well as other cost of living factors.
- 9.3 The cost of delivering these services in line with any required enhancements to the minimum requirements will increase for the reasons set out in the report. Officers will continue to review service design, technology, and other market opportunities in order to minimise this increase wherever possible.

10. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- EXEMPT Appendix A – Option Comparison Analysis

11. BACKGROUND PAPERS

- Cabinet Report, 10th October 2022 - Waste and Street Cleansing Contract

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