

Committee: Cabinet

Date: 10 OCTOBER 2022

Wards: All

Subject: Waste and Street Cleansing Contract

Lead officer: Adrian Ash, Interim Director Environment & Regeneration

Lead member: Cllr N Irons, Cabinet Lead for Local Environment, Green Spaces and Climate Change

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

Recommendations:

- A. To agree not to extend the current waste collection and street cleansing contract, following a review of the proposed requirements by the contractor to support an extension of the current contract.
- B. To agree to not jointly procure with the SWLP and therefore require officers to develop and manage a new Service Delivery Strategy for the waste collection and street cleansing services while coordinating with the South London Waste Partnership (SLWP) boroughs.
- C. To note and agree the resourcing and co-ordination function of the SLWP. The SLWP will coordinate the partnership and help ensure compliance with the London Environment Strategy (LES), while providing technical, financial, and strategic advice.
- D. To note the powers held by the Mayor of London under the GLA Act to issue directions to London boroughs in relation to waste management procurement and encourage the project team to develop a working relationship with the GLA Borough Liaison Team to ensure service specifications are in general conformity with the LES.
- E. To note the proposed timetable and budget implications.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. The current Veolia contract managed through the South London Waste Partnership (SLWP) expires on 31st March 2025. Officers reviewed the current waste collection and street cleansing services along with the proposed terms placed on a contract extension by the contractor, which modify the service provision and increase costs.

1.2. As such, officers have concluded that it is not in the best interest of the Council to extend the current contract past March 2025.

1.3. This is primarily due to the significant changes in global recycling markets, additional risks to the Council for commercial waste disposal costs and the adjustment of contractual indexation due to significant changes in National inflationary impacts.

1.4. In addition, the contract requirements & performance to date have not fully met the evolving needs of our residents; particularly regarding flats above shops and street-cleanliness. Meeting those needs is the council's primary responsibility and has been set by Cabinet as a priority for the new administration.

1.5. Therefore, it is appropriate for the authority to further use the opportunity of re-procurement to ensure contractual performance is matched to the needs of residents going forward.

1.6. The report provides further analysis around the challenges, ambitions, and opportunities facing the Council, and recommends that the Council does not jointly reprocure with the SLWP the range of services currently delivered through the Phase C, Lot 1 Contract.

2 DETAILS

2.1. The Phase C, Lot 1 Contract provides for the provision of waste and recycle collection and marketing, winter maintenance, vehicle maintenance and street cleansing. The current environmental services contract, also referred to as 'Phase C', was procured by the London Borough of Croydon on behalf of the SLWP partner boroughs as lead and awarded to Veolia (Environmental Services). The initial term of the Phase C Contract is 8 years with an expiration date of 31st March 2025. Any extension must be agreed by both parties to the contract. Croydon as lead and the other SLWP partner boroughs entered into an Inter Authority Agreement (IAA) to manage the relationship between the partners in respect of the Veolia Contract.

2.2. The Parties may extend the Veolia Contract for two further periods (each period lasting up to eight (8) years) by written agreement no later than forty-two (42) Months prior to the end of the then current contract. This would have required agreement to Contract Extension finalised by 30th September 2021 however a new timeline has been agreed with all parties.

2.3. The contract saw all boroughs adopting the same collection methodology for the core areas of the services, including fortnightly residual waste collection, fortnightly paper/card collection, fortnightly dry mixed recyclable collection (glass, cans, plastic), weekly food waste and a charged fortnightly garden waste service. Some differences remain in response to localised needs and demands, such as flats above shops, communal properties, street cleansing and so on. Other areas, such as winter maintenance, are also services that are not provided to all boroughs under the Phase C Contract.

2.4. The annual value of the Phase C Contract across the SLWP is c £30m and the contract continues to be held and administered by the London Borough of Croydon. The council specific annualised costs are outlined in 6.3.

Service Delivery Strategy

2.5. The SLWP undertook a detailed Options appraisal on the recommissioning of the Phase C services on a 'like for like' basis – with all the current Phase C services packaged up and analysed for re-procurement using the same specification. The results of the analysis did not provide a clear 'best-route' to market for a 'like for like' delivery of the current integrated waste collection and street cleansing contract.

2.6. We have a duty to ensure all contracts provide best value and, in reviewing the current proposal, it is evident that a simple contract extension would not provide the

Council with an evidence based 'Best Value' solution taking into account the economic, environmental impact along with the inclusion of social value.

2.7. The Council is recommended to develop and manage their own Service Delivery Strategy for the waste collection and street cleansing services currently delivered under the Phase C Contract while maintaining a coordinated timetable with partner boroughs. Four commissioning strategies would be involved - the Council's in addition to those of the three partner boroughs - meaning that the Council and each partner borough would commission their own services through their own internal governance and procurement processes.

2.8. The recommended approach would provide the Council with greater flexibility in the development and commencement of commissioning activities. Procurement could commence between the 1st of April 2023 through to the 1st of July 2023 should the Council choose this flexible route for any one or more service areas currently delivered under the Phase C Contract.

2.9. Officers will work on a coordinated approach to the market amongst SLWP partners to accommodate the different requirements and challenges that the Council and our partners need to address without overstressing the private sector bidding resources, should this route be chosen. These challenges naturally arise from different service design aspirations, depot requirements, and different member and resident consultation needs in Merton compared to other boroughs. The SLWP will work collaboratively with the Council and partnering boroughs to ensure any applicable synergies are maximised. In addition, this approach can simplify any bidding process by standardising documents that are replicated across separate procurements.

2.10. Officers will maintain the SLWP's central support function throughout this next stage of commissioning to ensure best advice and technical support is sought. It is essential that officers maximise the use of SLWP and realise potential savings can be made through shared knowledge across the partnership during this next stage. The SLWP can assist the Council by maintaining a coordinated timetable with the three partner boroughs in order to highlight pinch-points and facilitate a staggered approach to service design options that prevents bidding resources from being overstretched.

3 ALTERNATIVE OPTIONS

3.1. The primary services delivered within the Phase C contracts, as outlined above, are statutory services. Officers will undertake a review of current services delivered to develop a Service Delivery Strategy that will enable the future delivery of these services from April 2025.

3.2. The findings from the review and the development of a Service Delivery strategy will be presented for consideration by Cabinet. It is anticipated that the review will be available for presentation to Cabinet in January 2023.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. The services delivered through this scope of work impact all residents, workers, and visitors of the borough on a daily basis. Officers are keenly aware of the need to undertake proactive and thorough engagement of residents and key stakeholders, including resident associations, community groups, housing associations, BIDs, representative groups (e.g. MertonVision) and our children and young people, with special focus on the service delivery design phase that includes the preparation of service specifications.

4.2. The Mayor of London - has significant rights and powers conferred by s353-361 of the Greater London Authority Act. The Council has a duty to give the Mayor two years' notice of the expiry of any waste management contract. The Mayor has a right to be consulted on any arrangements proposed to re-procure or otherwise replace a contract, with a view to ensuring that the arrangements made would remain in general conformity with the London Environment Strategy (LES). The Council must give the Mayor at least 56 days' notice of any intention to place a Prior Information Notice on its buyer profile, or 108 days of any intention to place a Contract Notice. The Mayor could issue a direction to the Council in the event that a contract is perceived not to be in general conformity with the LES.

4.3. Member Consultations - Undertaken by officers to review current service delivery challenges, agree future service objectives and identify changes in future service delivery.

4.4. SWLP Consultations - To produce and fine-tune a specification for each of the service areas, informed by the results from intelligence gathering exercises.

4.5. General Resident Consultations - A resident engagement project is being jointly delivered by the SLWP and the Council in autumn 2022 (October – November), providing local people with an opportunity to have their say and help shape future frontline services as part of the recommissioning exercise. The engagement project has two key elements:

4.5.1 Online survey and focus groups / co-design workshops – led by an independent social research company.

4.5.2 Communications and engagement campaigns – led by the Council.

5 TIMETABLE

5.1. The existing contract with Veolia expires in March 2025 and, as outlined above, officers shall develop a Service Delivery Strategy for consideration that will provide options on how the services can be delivered from April 2025. This process will be informed by consultations and ensure future services conform with the LES and meet the ambitions of the Council's climate strategy and action plan.

5.2. A contract notice / PIN will need to be issued by April 2023 if the Council determines that they would like to re-procure a waste collection contract to begin in 2025.

5.3. This means that work on the specification of these services and on contract documentation will need to be carried out in parallel to determining the services that will be procured and/or delivered in partnership.

5.4. Any new service model will need to be awarded and signed no later than April 2024 in order to allow for a 12-month mobilisation period.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. The current combined contract value of the Phase C services in Merton is c£7.6m per annum (excluding capital). It is anticipated that this cost will rise. The project team will continue to review service designs, technology, partnership working, and other market opportunities in order to minimise this increase wherever possible and will continue to report back to Members as the project progresses. The replacement of the fleet vehicles has been built in the capital programme for 2025/26.

6.2. There are also implications to consider for asset management strategies, particularly in regard to the repairs and adaptations that may be required at Garth Road. The current SLWP shared infrastructure provides cost savings across the partnership boroughs through the collective use of depots. However, the service design options available for future services of the Council may potentially impact this efficiency opportunity. Considering potential service delivery options, Officers will work collaboratively with partners in the SLWP to maximise any synergies, whilst ensuring that service delivery efficiencies and achievement of climate reduction strategies for our future fleet are not jeopardised.

6.3. The table below illustrates the current financial cost of providing the waste collection and street cleansing contract over the first 5 years of the contract.

Year	Street Cleansing	Waste Collection
2017/18	£2.674m	£5.417m
2018/19	£2.501m	£4.824m
2019/20	£2.917m	£4.783m
2020/21	£2.990m	£4.593m
2021/22	£3.396m	£4.266m

6.4. For information to Cabinet, the extension proposal was comprised of an increase in costs, reduction in guaranteed income and a change in risk profile. The increase in contract price is 27% which equates to a gross cost increase for Merton estimated at £2.045m of the current annual cost. This follows extensive negotiations with the contractor over the last 18 months (prices submitted in June 2022) and reflects the changes to the marketplace as outlined in section 1.1.

6.5. It is important to note that the current services were procured in a different commercial context with reference to the increase in the cost offered as part of the extension. There have been significant changes in the private sector and the way we live and work due to COVID since the award to Veolia in 2016. Continuous change is likely over the coming years, and it is challenging to confidently agree a finalised specification that we will need, want or can deliver in 2025, which is another difficulty with the option to extend.

6.6. The proposed Service Delivery Strategy will support our aim to manage the increase in the cost of delivering our waste collection and street cleansing services even whilst there are risks around potential service delivery models. The approach will enable the Council to re-evaluate and redesign the services that we are required to deliver, test the market to ensure we are achieving best value for our new designs, and also consider whether we are investing in the right technology and infrastructure that will enable us to maintain, innovate and improve the customer and resident experience.

6.7. Lastly, the Council has a target to become Carbon Neutral by 2030. The realisation of this ambition will require a step change in how we design and deliver our high-profile environmental services. The Council will need to look to the wider market for innovation and technological solutions in order to support the realisation of this objective.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. Local authorities have legal duties with regards the collection of waste, the disposal of waste and to keep Highways and public lands clear of litter under the Environmental Protection Act 1990 and contracts falling under current Phase C contract satisfy those statutory duties.

7.2. Croydon as lead authority to the contract, as set out in section 2 of this paper, entered discussions in 2020 with Veolia regarding a possible contract extension. The amended approach to notification was agreed by all parties to the IAA as members of the SLWP via the Transformation Board reporting to the SLWP Senior Management Group.

7.3. Veolia has made it clear that future service costs would rise significantly and that existing guarantees on commercial waste income and recycle sales would no longer be provided. As above, this increase is seen across the market.

7.4. External legal advice, through the commissioning authority (LB Croydon), has been sought regarding whether such an extension would be compliant within the terms of the Section 72 modifications allowed under the Public Contract Regulations 2015. That advice has indicated that in the event that the variations are challenged the chance of success of such a challenge is high given the value of the variations in favour of the Contractor.

7.5. When considering options, due consideration shall be given as to what the position is in respect of TUPE and pensions and the cost implications in the event that these apply.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. There are no material equalities implications resulting from the recommendation(s) of this report. However, we will seek to address this in the procurement and delivery of future services and further consultation will be undertaken as the service delivery strategy is drafted.

8.2. A full equalities impact assessment will need to be undertaken and approved prior to any new service provision.

9 CRIME AND DISORDER IMPLICATIONS

9.1. None for the purposes of this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. There are developing risks dependant on the finalised Service Delivery Strategy.

10.2. The cost of delivering these services on a 'like for like' basis will increase for the reasons set out in the report. Officers will continue to review service designs, technology, partnership working, and other market opportunities in order to minimise this increase wherever possible.

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

12 BACKGROUND PAPERS

12.1. [27th Jan 2020 – Cabinet Report Annual Review](#)

12.2. [4th July 2016 – Cabinet Report Award of Contract](#)