

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 03/02/2020

Subject: Waste Collection, Recycling and Street Cleansing Services

Report of: Cabinet Member for the Environment – Councillor Wesley Harcourt

Responsible Director: Sharon Lea, Strategic Director for Environment

Summary

The Waste Collection, Recycling and Street Cleansing Service is currently provided by Serco and the current contract has been in place since 2008 and was extended by Deed of Variation in 2014. It is due to expire in June 2021. Cabinet considered a Report on 7 October 2019 that set out the options for the service beyond June 2021 which included extending the existing Waste Collection, Recycling and Street Cleansing Contract or procuring a new contract.

Extensive negotiations between the Council and Serco were undertaken with the objectives of:

- Protecting existing service standards and reducing expenditure through efficiencies in service delivery
- Increasing investment in the Service including a Green Fleet
- Modernising the contract and introducing the London Living Wage and new Service Standard Guarantees (with financial remedies for non-delivery of services)
- Introducing a prototype container collection service for domestic, recycling and food waste across 6,000 properties for a 2-year period. It committed Council Reserves to fund the new container service and resources to continue the work on the preferred option.

Recommendations

That Cabinet:

1. Approve the extension and variation of the Waste Collection, Recycling and Street Cleansing Contract to 29 January 2023, noting that annual contractual inflation is still subject to agreement with the contractor.
2. Approve that Appendix 1 and 2 to the report are exempt from disclosure on the grounds that they contain information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended.

3. Delegate authority to the Strategic Director for the Environment, in consultation with the Borough Solicitor and Cabinet Member for Environment, to finalise the Heads of Terms and Deed of Variation by 1 April 2020.
4. Approve the proposed capital investment as set out in the exempt appendix and delegate the final confirmation of funding to the Strategic Director of Finance, in consultation with the Cabinet Member for Finance and Commercial Services.

Wards Affected: ALL

H&F Priorities	Summary of how this report aligns to the H&F Priorities
Building shared prosperity	<ul style="list-style-type: none"> • By reviewing and re-aligning its current service standards as part of the reprocurement of the future service (e.g. collection cycles, container services, commercial waste services). • This is intended to ensure that the services can continue to be delivered within the challenging financial operating environment.
Creating a compassionate council	<ul style="list-style-type: none"> • The new Green Fleet will ensure compliance to the LEZ (October 2020) and ULEZ (October 2021) regulations and thus helping to <i>contribute to the Council achieving its target to reduce net greenhouse gas emissions to zero by 2030.</i>
Doing things with local residents, not to them	<ul style="list-style-type: none"> • By extending the contract, the service is being remodelled, enabling the Council to provide new prototype services (food waste collections; containerised collection – recycling and residual) to be implemented through community engagement.
Being ruthlessly financially efficient	<ul style="list-style-type: none"> • The extension allows for the introduction of ‘Service Standard Guarantees’ Key Performance Indicators (KPIs) which provide for deductions to be levied for targets not achieved by the contractor while also providing savings to support the mitigation of base budget issues.
Taking pride in H&F	<ul style="list-style-type: none"> • The proposed extension includes a significant set of Service Standard Guarantees (or KPIs) including missed collections, recycling levels, street cleanliness and others designed to change the current operational culture.

Financial Impact

The financial strategy for the contract extension negotiation was based on continuing to protect service standards and reducing the contract cost through improved efficiency.

Details of the current and future financial implications are set out in the Financial Implications – Exempt Appendix 1.

Legal Implications

The primary issues identified in respect of the current Contract and Deed of Variation of 2014 are cost and the lack of performance measures. These have been addressed during negotiations for the extended contract.

An in-depth list of benefits gained by the Council can be found for both the financial elements (Exempt Appendix 1) and legal implications (Exempt Appendix 2), although in brief the negotiated outcomes are as follows:

- Current contract service standards protected
- Investment in Green Fleet (satisfying new legislative requirements regarding LEZ – October 2020; and ULEZ – October 2021)
- Payment of the London Living Wage (LLW)
- Service Standard Guarantees (KPIs) established
- Targets for missed residual/recycling collections
- Increase in recycling
- Health & Safety KPIs
- Incidents of Commercial Waste Abuse KPIs
- Introduction of Prototype Collection Services (6000 Properties)
- Guaranteed Savings on Core Services (for April 2020 – January 2023)

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

- 1.1 The original contract of 2008 did not have sufficient performance measures that a modern contract should possess. This has now been addressed during the negotiations that have taken place with the Contractor.
- 1.2 The extension allows for the introduction of 'Service Standard Guarantees' which introduces key performance indicators (KPIs) and allows for deductions to be levied for targets not achieved by the contractor.
- 1.3 As previously identified, the Council has operated a dual strategy of negotiation and procurement. After much discussion and negotiation with the contractor it is felt that significant savings can be made on extending the contract to January 2023 (as identified in Exempt Appendix 1) whilst not detrimentally impacting on service standards.
- 1.4 This will allow a suitable time to:
 - Consult fully with residents and trial the proposed prototype services – food waste and containerisation
 - Prepare a new contract which is fit for purpose that can evolve with any future changes in regulation and legislation to meet the needs of the residents
 - Ensure that there is sufficient time to plan and mobilise a new contract.

2. Reasons for Decision

- 2.1 There has been significant change in environmental legislation and regulation, for example, the introduction of The Government's 25-year Environmental Plan (January 2018), the Mayor of London's Environmental Strategy (May 2018) and the Council's own vision that residents deserve a safer, cleaner and greener place.
- 2.2 The new legislation will have a significant impact on practice – for example, moving away from the use of rubbish sacks and introducing food waste

collections which are disposed of differently to name but two. These kinds of changes need careful piloting to ensure that they are managed effectively and residents do not experience a drop in what is a key service. An extension will also give time to work with the new Climate Emergency Unit to ensure best green practice in keeping with the Council's priorities.

- 2.3 The proposed extension to this contract represents improved commercial terms in relation to the existing contract. Allowing more time for the re-procurement of a successor contract will allow the value for money associated with various risk allocation scenarios to be tested and optimised, in alignment with the requirements set out in 2.1.

3. Equality Implications

- 3.1 It is not anticipated that there will be any direct negative impacts on any groups with protected characteristics, under the terms of the Equality Act 2010, from the extension of the Serco contract or the procurement of a new waste, recycling and street cleansing service from 2021.
- 3.2 Officers will ensure any new equipment e.g. food containers will take full consideration of access needs and where required additional support will be put in place.

Implications verified by Fawad Bhatti, Policy & Strategy Officer, tel. 07500 103617.

4. Risk Management Implications

- 4.1 The proposal contributes positively to the Council achieving its priority of being ruthlessly financially efficient through our negotiation with the contractor. The proposed extension is intended to mitigate the risk of further budget pressures for this service for the period of the extension, subject to an acceptable annual uplift percentage being agreed through ongoing negotiations. Negotiations to invest in Green Fleet also contribute to the Council achieving its target to reduce net greenhouse gas emissions to zero by 2030 as set out in the Leader's Urgency Decision on the Council's response to the climate emergency approved in July 2019.
- 4.2 The appointment of Sharpe Pritchard who have substantial experience in this type of complex contractual and procurement law, specifically in the waste management arena will assist the Council to meet the procurement demands and required timescales in terms of the Mayor's Environmental Strategy and the Government Environmental Plan.
- 4.3 The Project Board has oversight responsibility for the work that all project team and individual officers carry out. It ensures that policies are adhered to at corporate level and the programme level. The members of the board are accountable for managing any risk and for the successful delivery of the project. This governance arrangements have been put in place to ensure that all are acting in ways that is financially, ethically and operationally acceptable to

the Council. This will ensure the delivery of the variations in the extension and that the Council is ready to re-procure for January 2023.

- 4.4 Officers will need to ensure that robust contract management arrangements are maintained to ensure that appropriate service standards are met throughout the extension period and that the cost of the service can be met within the budget envelope available.

Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, tel. 020 7361 2389.

5. Consultation

Prototype Consultation and Engagement

- 5.1 A critical success factor for the proposed changes will be how effectively the Council engages with residents throughout the process to raise awareness and seek support for the service changes such as the introduction of food waste collections which will require a behavioural shift. A high level of adoption will inevitably help us improve the recycling rate and reduce disposal costs.
- 5.2 As part of the delivery of the prototype proposals, we will be undertaking door to-door engagement and consultation with every householder. All residents will be fully supported throughout the process with specific communications about the benefits of food waste collections and containerisation.
- 5.3 There will also be consultation and engagement with local communities, residents' associations and social clubs. This may also include recycling demonstrations and using social media platforms to support the campaign. Each householder will be offered the opportunity to give feedback during the consultation exercise and this feedback will help redesign an improved service going forward.

List of Appendices:

Exempt Appendix 1: Financial Implications

Exempt Appendix 2: Legal Implications