
25 November 2009

CLEANER AND GREENER SCRUTINY COMMITTEE

SUBJECT

Annual Review of Serco Contract.

WARD/S

All

CONTRIBUTORS

Residents Services

SYNOPSIS

This report reviews the performance of the contract for Waste Collection, Recycling and Street Cleansing Services, which have been provided by Serco Ltd since 16 June 2008.

RECOMMENDATIONS

To note the report and comment on the performance of Serco since June 2008.

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1. BACKGROUND

1.1 The contract for Waste Collection, Recycling and Street Cleansing Services was let to Serco Ltd on 16 June 2008. Within the conditions of contract, Serco is obliged to provide a retrospective view of the contractor's performance over the previous year and proposals for the forthcoming year. Predicated on the assumption that the contract commenced on 31 March 2008 as originally intended, this report would have been required by 1 June 2009. However, as the contract ultimately did not commence until 16 June 2008, Serco has been allowed more time in which to produce their annual report an excerpt of which is attached as **APPENDIX A**.

2. CONTRACT MONITORING

2.1 Contract monitoring is undertaken within the Cleaner and Greener Neighbourhoods Division of Residents Services Department (formerly Waste and Street Services Division) covering the following areas;

- Performance in terms of contract requirements
- Contractor meetings
- Monitoring of risks and issues
- Staying within contract costs
- User satisfaction

2.2 Within the contract documentation, the Council set out the aspiration to be working towards the upper quartile performance for cleanliness and recycling rates in London. Current performance for key performance indicators is provided in the table, below;

KPI	Performance 2008/9 *	Performance 2009/10(Q1)	Performance for other London Boroughs																
NI 195 Cleanliness	11%	7%	Joint 5 th out of 21 London Boroughs (compared to 11 th last year)																
NI192 Recycling rate	27.87%	24%	<p>2008/09* WRWA Boroughs</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 20px;">RBK&C</td> <td style="text-align: right;">30.16%</td> </tr> <tr> <td style="padding-left: 20px;">Wandsworth</td> <td style="text-align: right;">26.6%</td> </tr> <tr> <td style="padding-left: 20px;">Lambeth</td> <td style="text-align: right;">25.4%</td> </tr> </table> <p>Other Boroughs</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 20px;">Camden</td> <td style="text-align: right;">28.27%</td> </tr> <tr> <td style="padding-left: 20px;">Redbridge</td> <td style="text-align: right;">26.25%</td> </tr> <tr> <td style="padding-left: 20px;">Hackney</td> <td style="text-align: right;">22.76%</td> </tr> <tr> <td style="padding-left: 20px;">Southwark</td> <td style="text-align: right;">20.70%</td> </tr> <tr> <td style="padding-left: 20px;">Tower Hamlets</td> <td style="text-align: right;">19.00%</td> </tr> </table> <p>• nb – this information is only available on an annual basis</p>	RBK&C	30.16%	Wandsworth	26.6%	Lambeth	25.4%	Camden	28.27%	Redbridge	26.25%	Hackney	22.76%	Southwark	20.70%	Tower Hamlets	19.00%
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KPI	Performance 2008/9 **	Performance 2009/10(Q1)	Performance for other London Boroughs
Missed collections	3698	1467	n/a
User satisfaction	Place Survey - 2008 Cleanliness 54% (-5%) Refuse 73% (+3%) Recycling 73% (+2%)	n/a	Average London: Cleanliness 58% Refuse 76% Recycling 69%

** It should be noted that Serco became responsible for waste collection, recycling and street cleansing services towards the end of 2008/9 Quarter 1 (16 June 2008)

() Indicates + or – compared to 2005

3. FUTURE KEY ISSUES

3.1 Since contract commencement, Serco have made significant changes in their local management structure to reflect the acknowledged need for a more responsive and customer friendly approach. A new Contract Manager was selected with effect from mid-August, who has been chosen in particular for his track record on customer focus. Through ongoing improvements in management, supervision and better client monitoring, further improvements are anticipated throughout the next 12 months as refinements are driven through and attention to detail is further improved.

3.2 Street Cleansing

During the initial stages of the contract, general street cleanliness standards and the need both for greater consistency and closer attention to detail were primary concerns for the Council. These issues therefore constituted the main focus of attention for the client team and, although in the months following award there was undoubtedly a reduction in standards, there have since been improvements. In residential streets, cleansing operations are now synchronised to follow refuse and recycling collections, which in the main, has produced improvements in the local environment. Monitoring officers will be ensuring that this synchronisation is being followed and attention to detail is ensuring that following a sweep the street is at a Grade A and will be issuing rectifications where this is not the case. A demonstration of the improvements are outlined in the table above and initial feedback from the Tidy Britain Group for Tranche 2 is even more encouraging.

3.3 Refuse & Recycling Collection

The move to Single Pass collections in residential streets took place with effect from 2 February 2009. Despite the coincidental heavy snowfall that unfortunately occurred the night before launch (inevitably adding to the anticipated problems of driving through major service changes), the transition was achieved with remarkably few significant problems and has since bedded down well. Unfortunately, concurrent reorganisation of the large container collection rounds for waste and recycling (which largely service estates and mansion blocks having communal waste and recycling facilities), and also the

Council's commercial waste portfolio, has resulted in unforeseen difficulties. These difficulties have been exacerbated by problems with the Confirm IT package supporting the trade waste portfolio and a review of the Confirm element to understand if it is fit for purpose is currently being undertaken. Furthermore, moving to night time collection of sack based commercial waste and recycling also led to some service disruptions. Both client and contractor are now focusing on improving these services for customers. Improvements will be achieved through the introduction of more effective supervision by Serco and monitoring by the Client Team, which should now be possible if the Confirm contract management system performs as specified.

3.4 Recycling rate and garden waste collection

As indicated in section 2.2 of this report, there has been a disappointing downturn in the recycling rate since the beginning of the year. Whilst this recycling tonnage drop has been experienced in some other London boroughs, including Wandsworth, Kensington and Chelsea, and Lambeth, it was anticipated that the single pass collection would have encouraged recycling and so an increase was expected from February 2009.

There has indeed been a positive improvement within the kerbside doorstep collections, with the single pass vehicles now averaging a 30% recycling rate for this service. However, the ancillary services require further investigation. This issue was raised formally with Serco at the Quarterly Street Scene Members' Board on Monday 20 July. Serco managers have agreed to work with the Council to maximise opportunities for recycling, including rolling out a split collection of street cleansing arisings to ensure up to 50% is captured for recycling in the longer term, and providing a more realistic quote for second collection of recyclables to operate concurrently where second refuse collections are offered. This quote has now been received and forms part of the reconciliation process that is now underway, as described in paragraph 4.1.

Regarding the composting element of the recycling rate, there has been a reduction in tonnage that has occurred since the removal of the garden waste collection service in April 2009. If May and June figures for 2008 are compared against May and June figures for 2009, a reduction of 1.03% can be calculated. With disposal costs increasing year on year, there may be a financial argument in the future to reintroduce the service. A review of the full year impact of the removal of this service will be collated in early 2010, for a future scrutiny meeting.

3.5 Further shared efficiencies with Serco

As outlined in their annual report, Serco wish to explore further opportunities to work with the Council for mutual benefit. The areas that the Council's procurement and Legal teams are currently exploring are;

- Shared incentives for delivery and management of the trade waste collection service
- Fleet maintenance and management
- Depot – facilities management

- Second recycling collection for those properties receiving a second refuse collection
- Additional cleansing (e.g. within estates)
- Winter maintenance from 2011
- Fuel supply

Any variations to the current contract would need to comply with procurement regulations and not be considered a “material change”. Significant amendments may need to be market-tested more widely.

4. Financial update

- 4.1** The annual contract price for Serco has two elements; the fixed core contract cost that remains the same each month and variable works that fluctuate depending on demand and additional levels of service commissioned. The total cost of the service for the first part year of operation (June 2008 – March 2009) was £8,517k. This includes £363k one off costs associated with the implementation of the contract (termination of vehicle leases, establishment of bag stock etc). The annual budget for 2009/10 is £10,536k to accommodate ongoing core costs and “ad hoc” works. A reconciliation process is currently being undertaken with Serco to quantify both positive and negative variations related to a reduced bulky waste collection service, ongoing TUPE payments, estates collections, a second recycling collection for some households, the provision of smart sacks and litter clearance of docks. An appropriate variation document is being drafted to ensure all changes are fully documented.