

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet

Date: 05/07/2021

Subject: Procurement Strategy for Waste Collection, Recycling and Street Cleansing Services

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

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Responsible Director: Sharon Lea, Strategic Director for the Environment

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Summary

The contract for Waste Collection, Recycling and Street Cleansing Services is currently delivered by Serco. The current contract has been in place since 2008. It was extended by Deed of Variation in 2014 to run to June 2021. It was further extended, (approved by Cabinet Decision in February 2020) to run to 29th January 2023. There is no provision to further extend the current contractual arrangements.

This report sets out the proposed procurement strategy to competitively tender the contract to deliver the services from 30th January 2023. The initial contract term will be to October 2032 to align with the council's waste disposal agreement with Western Riverside Waste Authority (WRWA). Officers also recommend an option for the council to extend the contract for a further period of up to eight years.

It is proposed that the contract will include a break clause after 4 years. The break clause terms will be developed during dialogue to ensure that the council retains as much contractual flexibility as possible whilst at the same time ensuring that the contract remains viable for potential bidders and allows for the required investment, for example in ICT infrastructure. Where significant levels of investment are required from the contractor it is likely that this will be reflected in the break clause terms through a cost recovery mechanism.

Recommendations

1. To note that Appendix 1 is exempt from disclosure on the grounds that it contains 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, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

2. To approve in accordance with the council's Contract Standing Order (CSO) 18.1 the procurement strategy for the waste collection, recycling and street cleansing services. The contract is estimated to start on 30th January 2023 to October 2032, with options to extend for a further eight years.
3. To delegate authority to the Strategic Director for the Environment, in consultation with the Cabinet Member for the Environment, to approve minor changes to the procurement process or to the evaluation methodology as set out in procurement strategy, for operational reasons if required.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	By reviewing and realigning service standards as part of the procurement, officers will ensure services can continue to be delivered within the current challenging financial environment
Creating a compassionate council	A significant element of the quality aspect within tenderers proposals will be based on social value, including the provision of apprenticeship opportunities. The contract will insist that all employees are paid at least the London Living Wage (LLW)
Doing things with local residents, not to them	As part of the development of the services being procured, officers will engage appropriately with the community via the council's coproduction team and relevant resident fora. One of the requirements of the contract will be that the provider carries out an annual satisfaction survey to drive improvement based on resident feedback and needs.
Being ruthlessly financially efficient	The procurement will allow officers to introduce further 'Service Standard Guarantees', Key Performance Indicators (KPIs) which maximise the quality of services for the financial investment made.
Taking pride in H&F	The specification for the services will increase the standards required within the KPIs of the contract in a number of areas to enhance the council's ambition

	to be a cleaner, greener borough.
Rising to the challenge of the climate and ecological emergency	<p>In order to support the delivery of the services the council will consider providing finance for the procurement of the necessary service vehicles and lease them back to the provider. The procurement of these vehicles will move towards having a fleet of service vehicles that will contribute towards the commitment to be a carbon neutral borough by 2030 as soon as is practicable and affordable from the start of the new contract.</p> <p>The KPIs will reflect significant enhancements of targets around the minimisation of waste, the increased recycling of unavoidable waste and reducing the environmental emissions from the operations of the services</p>

Financial Impact

The financial strategy for the contract procurement is attached as exempt appendix 1

Implications completed by Sukvinder Kalsi, Head of Finance (Environment)
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Legal Implications

Sharpe Pritchard Solicitors who have substantial experience in this type of complex contractual and procurement law, specifically in the waste management area, have been engaged to provide legal support for the technical, commercial, procurement and risk management workstreams of the procurement process.

Waste collection and street cleansing services are statutory functions of the Council under the Environmental Protection Act 1990 and that is the source of vires to procure the services. The procurement is governed by the Public Contracts Regulations 2015 (as amended) (the “PCR”) which are retained following Brexit.

It is likely that TUPE will apply to the staff currently providing the services if the contract is not won by the incumbent.

The value of the contract is above the threshold in the PCR for services contracts, which is currently £189,330, and must therefore be procured in accordance with the PCR. This means a new procurement competition. The contract is classified as a high value contract under the Council’s Contract Standing Orders as it is above the EU threshold for services.

All high value contracts are required to:

- have a Service Review Team established to oversee the procurement (CSO 17);

- have a Procurement Strategy reviewed at the Contracts Assurance Board and approved by the relevant decision maker before the procurement process commences (CSO 18); and
- have a Tender Appraisal Panel established following approval of the procurement strategy (CSO 19.3).

This report fulfils the requirement for a procurement strategy. Further, under CSO 19 a high value contract requires either the use of an existing framework agreement or a contract notice to be published in the Find a Tender Service ('FTS') along with an opportunity listing on the Council's e-tendering portal (capitalEsourcing) and publication of a contract notice on Contracts Finder.

The appropriate decision maker for procurement strategies for contracts over £5million is Cabinet. Cabinet therefore needs to be satisfied that the recommended decision is in the best interests of the Council. The implementation of this decision will then be in accordance with the PCR.

Tenders will be evaluated on the basis of the most economically advantageous tenderer to the Council. Evaluation methodology has been agreed by the project team and is set out in the procurement strategy. The proposed split between quality and price is 60:40.

The Council is also under an obligation under the Public Services (Social Value) Act 2012 to consider how the letting of services contracts can benefit the social, economic and environmental well-being of their area. These are factors which will be considered and built into the contract and procurement documents. The Council has recently adopted a Social Value policy which applies to all its contracts above £100,000, and this requires that 10% of the total scoring is for social value, which will be subject to assessment by an external assessor, a company called Social Value Portal. The requirements of the assessor and the Council's policy will need to be built into the tender documents.

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Background Papers Used in Preparing This Report –

None

DETAILED ANALYSIS

Background

1. The council is determined to define a positive vision and embed a culture of change to help us meet net zero carbon by 2030 through strong and persistent leadership on climate change.

The new waste, street cleansing and recycling contract will be an important part of the council meeting its climate emergency objectives by:

- Minimising the amount of waste produced and collected.
- Increasing the proportion of recyclable materials in the waste that is collected
- Ensuring that the fleet we use to deliver the services is as green as possible, using electrified fleet as soon as practicable, to achieve a green fleet by 2030
- Ensuring that the provider has a clear pathway to carbon reduction in their wider operations

We have already taken steps to reduce the amount of plastic in our domestic recycling bags and commenced utilising carbon neutral delivery methods. We will continue to innovate in the new waste contract to minimise the environmental impacts of our operations as far as possible.

2. The council has a statutory duty as a Waste Collection Authority to collect Local Authority Collected Waste from the Borough and, as a Principal Litter Authority, to keep public land clear of litter and refuse within the Borough.
3. The current contract for the provision of services to fulfil the statutory duties, and to provide additional waste removal and cleansing services, expires on 29th January 2023. There is no provision within the contract to extend the current services beyond this date.
4. Options considered for the procurement of the services were:

Option 1 – Deliver the services in house

This is not the recommended option.

Whilst there are some undeniable attractions to delivering the services in house it would not allow the council to use the competitive tendering process as a driver for efficiency, quality improvement and innovation.

Insourcing would likely involve significant up-front costs to pay for the transition to direct employment and would lead to substantial internal capacity issues,

including those required to harmonise pay and conditions and join up service provision.

Bearing in mind the significant financial challenges councils will be facing in dealing with the impacts of Covid 19 in the coming years, such an approach would place too significant a risk for the delivery of services on the council

Option 2 – Set up a local authority trading company (LATC)

This is not the recommended option.

The process of establishing an LATC would be complicated, time consuming, and resource intensive.

Considerable consideration would need to be given, and external expertise sought, to advise on the potential complications arising around Corporation Tax and Value Added Tax.

Following such a process there is no guarantee that such an approach would deliver better services than a competitive tendering process, thereby placing the council in a position of additional risk and expense with no guarantee of subsequent reward.

Option 3 – Commission the services from a mature and well-developed marketplace

This is the recommended option.

It is a well-established pathway for the provision of such services and as such is the approach that minimises risk to the council as far as possible.

The basis for this approach is that it maximises private sector expertise, opportunities for economies of scale, and the use of technology to drive performance improvements.

Our proposed procurement approach is designed to have milestones within the contract to review the service provision to achieve efficiencies and maximise the benefits of technological advances throughout the lifespan of the contract

Option 4 – Partner with one or more other councils to commission the services

This is not the recommended approach.

Whilst there is an argument that procuring services across one or more councils may achieve economies of scale such arrangements can be difficult to manage in respect of the management of the terms of existing contracts and extension provisions. There are significant concerns around what the implications might be for borough sovereignty.

Such an approach also carries the issues around the need to agree the terms of the partnership (particularly in relation to the scope, scale, level of investment and the sharing of risks and rewards), and the differences in operating systems and organisational cultures across the councils involved in the partnership

Due to the size and complexity of the contracted services and for the reasons detailed above, procuring the services from a well-developed and mature marketplace is the recommended option.

5. The procurement strategy details the broad service areas which will be within the scope of the contracted services. More detailed aspects of the service

specification will be developed through soft market testing, competitive dialogue with potential providers, and consultation with relevant stakeholders.

6. The development of the detailed specification for the service will continue throughout the early part of the procurement timetable. This will ensure that the contract will deliver the best possible value for money whilst meeting both the council's statutory duties around waste and litter and providing additional services that will meet the needs of residents and business and contribute to the council's strategic objectives. Officers will brief and consult with the Cabinet Member for Environment and other relevant members and stakeholders throughout this process.
7. The specification for such services must be approved by the Mayor of London. The council notified the Greater London Authority (GLA) on 4th March 2021 of its intention to procure the contract, in accordance with the GLA Act 1999 (as amended), and commenced the consultation period with the GLA to seek approval that the proposed specification is in general conformity with the London Environment Strategy (LES). The council subsequently sent the proposed specification on 19th March 2021. Following an initial response letter from the GLA outlining comments and additional requirements in response to the first draft, officers anticipate there will be a series of discussions with the GLA, followed by a final response from the Deputy Mayor to the council confirming approval for the publication of the contract opportunity on FTS. Early discussions indicate that the GLA will only approve the specification on the understanding that there is a commitment to and a timetable for the expansion of the service to collect food waste within the new contract. At the time of writing, GLA approval of the specification is expected by 25th May 2021.
8. The indicative procurement timetable is detailed in paragraph 21. The intention is to make a recommendation to award the contract for the services by September 2022, for service commencement in January 2023.
9. Officers are proposing a contract length of an initial period of nine years and nine months to October 2032, which will align with the council's current arrangements for waste disposal to which it is committed as part of the Western Riverside Waste Authority. The proposal is to include provision for extension to the contract for a period of up to a total of eight additional years. This will allow the council and provider to review KPIs, negotiate more challenging targets and enable both parties to take advantage of technological advances relating to the services throughout the lifespan of the contract.

Reasons for Decision

10. The procurement of a contract to deliver waste collection, recycling and street cleansing services will meet the council's statutory duties.
11. The procurement of a new contract for the services will better reflect the significant recent changes 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).

12. The challenges arising from the Government's 25-year plan include:
 - Ambitions of zero avoidable waste by 2050
 - Achieving zero avoidable plastics by 2042
 - Seeking to eliminate waste crime by 2043
13. The challenges arising from the Mayor's Environmental Strategy include:
 - To reduce the environmental impact of London's waste activities (including but not limited to achieving the Mayor's emission performance standard and for London to become a zero-carbon city by 2050)
 - To make London a zero-waste city (including but not limited to the achievement of the Mayor's targets of sending zero biodegradable or recyclable waste to landfill by 2026 and for local authorities to collectively recycle 50% of Local Authority Collected Waste by 2025)
14. As importantly, a new specification and contract will ensure that the council has a service fit to deliver on its own overall strategic priorities and local environmental targets. When developing the service specification and evaluating tenders, officers will be considering specifically how the new contract will help to meet the challenges of our borough's climate and ecological emergency. These considerations will include but not be limited to:
 - Minimising waste, and recycling more of what remains, are critical to achieving a zero-carbon society. For food waste for instance, research in the UK has estimated net savings of 10kg and 40kg of carbon dioxide equivalent (CO₂e) respectively per tonne of waste diverted to energy-from-waste or anaerobic digestion plants; but avoiding the same tonne of food waste saves between 2,800 and 3,100 kg CO₂e.
 - Analysis from the council's independent carbon audit shows that disposing of residual waste produced by H&F residents emitted 8,277 tonnes CO₂e in 2019/20 (equivalent to almost 1% of the borough's emissions), while our recycling saved 8,114 tonnes CO₂e by displacing the need to produce virgin materials.
 - H&F already has one of the lowest rates of residual household waste in London. This contract, and the work around it to improve our collection approach and engagement with residents, are key to further improving on this. We will seek to further improve on our already low levels of waste and increase the proportion we recycle.
 - Additionally, the council will seek to replace the collection fleet with greener alternatives during the full life of the contract. The fleet accounted for 1,210 tonnes CO₂e in 2019/20, equivalent to 2% of the council's total direct emissions including all council housing. A fully electric fleet would produce zero tailpipe emissions and be net zero when charged via the council's 100% renewable procured electricity.

Contract Specifications Summary

15. The Authority has a statutory duty, as a Waste Collection Authority, to collect Local Authority Collected Waste (LACW) from the Borough and, as a Principal Litter Authority, to keep public land clear of Litter and refuse within the Borough.

The current contract for the provision of such services expires on 29th January 2023, having already been subject to a contract extension (extension commenced June 2020).

16. The contract will include a break clause after 4 years. The break clause terms will be developed during dialogue to ensure that the council retains as much contractual flexibility as possible whilst at the same time ensuring that the contract remains viable for potential bidders and allows for the required investment, for example in ICT infrastructure. Where significant levels of investment are required from the contractor it is likely that this will be reflected in the break clause terms through a cost recovery mechanism.

Scope of services

17. The services within the scope of the contract will include:

Waste Collection Services

- Household residual waste (initially collection from single use sacks and the current trial scheme for containerised collection in the event that trial continues).
- Household bulky waste (including Waste Electrical and Electronic Equipment (WEEE))
- Collection from non-residential properties producing household waste
- Collection of residual waste from commercial and municipal premises (including delivery of waste sacks to commercial customers)
- Skips

Recycling Collection Services

- Household dry recycling (including delivery of recycling sacks to eligible households. Initially collection from recycling sacks and the current trial scheme for containerised collection in the event that the trial continues)
- Household food waste recycling (initially collection from street level properties in the prototype scheme followed by the expansion of the service during the initial term of the new contract so that households in street level properties receive a separate food waste collection, and, where feasible, households in communal bin properties and flats above shops)

- Christmas tree recycling
- “White goods” recycling services
- Collection from non-residential properties producing household recycling
- Collection of dry recycling from commercial and municipal premises (including delivery of sacks to commercial recycling customers)

Cleansing Services

- Street cleansing and washing
- Litter bin and specialised bin collection and stock management
- Non-enclosed recreational parks and green open spaces cleansing
- Public car parks
- “Clear all” on designated roads
- Street market cleansing and washing
- Street furniture washing
- Subways, bridges and footbridges
- Special events cleansing
- Seasonal leaf fall removal
- Removal of fly-tipped materials and abandoned waste
- Boarded fly posting removal
- Weed control and removal on hard standing areas
- Dead animal collection (from public spaces)
- Winter services (including pavement gritting and maintenance)

Other services

- Container management
- Customer Care and Satisfaction
- Service Requests and Complaints Management
- Communications

Provisional services for consideration

Other services that will be considered for inclusion in the contracted services as part of the procurement process may include:

- Containerised household waste and recycling collection. This will be considered as a provisional service, on the basis that we are awaiting the outcomes of the current prototype scheme. Should the prototype be successful we will need to know the financial impacts of any expansion of the scheme to areas of the borough where such a collection method would be appropriate and feasible in order to allow for informed decision making.
- Household garden waste recycling

- Commercial waste (sales and marketing services)
- Commercial Food waste
- Graffiti and pasted fly posting removal services
- Clinical waste
- Materials Management (food waste, garden waste, arisings from mechanical sweepings)

Vehicle Provision

Officers intend to run a separate but parallel vehicle procurement exercise to support the delivery of the services. The intention is that the council will retain ownership of the vehicles purchased for the services, and lease these to the Contractor who would then operate, maintain and insure the vehicles. These will be phased into the contract as and when it is economically viable and practicable to do so, especially considering the infrastructure support that will be required for a “green fleet” that will meet the council’s climate emergency strategic objectives.

At this stage of the contract procurement process, whilst final decisions are still to be reached on the future scope of services that are currently being trialled as prototypes, it is inevitably more challenging to recommend the most appropriate vehicles cost effectively and secure the appropriate waste disposal routes.

Strategic and policy objectives and benefits

18. The services shall be consistent with the following objectives:

Statutory duties

The services will enable the Authority to discharge its relevant statutory duties under the Environmental Protection Act 1990 to collect and dispose of waste with least impact on the environment and the community

Mayor of London’s Environment Strategy.

The services will contribute towards the achievement of the Mayor of London’s Environment Strategy objectives, including without limitation:

- To reduce the environmental impact of London’s waste activities (including but not limited to achieving the Mayor’s emission performance standard and for London to become a zero-carbon city by 2050).
- To make London a zero-waste city (including but not limited to the achievement of the Mayor’s targets of sending zero biodegradable or recyclable waste to landfill by 2026 and for local authorities to collectively recycle 50% of Local Authority Collected Waste by 2025).

H&F Vision

The services will contribute to the council’s strategic priorities —as demonstrated in the table above (on p 2-3) “Our Values”.

Alignment with wider council strategic objectives

The strategic objectives for waste, recycling and street cleansing services will mirror the council's wider strategic objectives.

Strategic Outcome 1: Residents and customers are at the centre of service delivery. The Authority and the Contractor involve residents and customers in the co-production of Services, doing things with them and not to them. The needs of residents and customers are addressed in a compassionate, friendly and efficient way.

Strategic Outcome 2: The Contractor delivers maximum value for money for the cost of the Services so that the Authority is a ruthlessly financially efficient organisation and builds shared prosperity in the Authority area.

Strategic Outcome 3: Technological change is embraced throughout the Contract Period and opportunities offered by rapid technological advancements are harnessed.

Strategic Outcome 4: The Contractor delivers solutions to support the Authority continuously reduce waste and increase recycling performance.

Strategic Outcome 5: The parties rise together to the challenge of the climate and ecological emergency. The Contractor reduces the greenhouse gas (GHG) emissions from the operations of the services to work towards the achievement of the Authority's goal to become carbon neutral by 2030 and contribute to the Mayor of London's Emissions Performance Standard (EPS).

Strategic Outcome 6: The parties work together to ensure residents and customers take pride in their local area. The Contractor keeps the Authority area clean, welcoming and well maintained.

The specification has been developed by the project board and is subject to ratification by the Mayor of London. Officers have notified the Mayor of London of the intention to procure the new contract on 19th March 2021. This notification commenced the period of consultation with the GLA to seek approval that the proposed specification is in general conformity with the London Environment Strategy. Officers anticipate obtaining approval by 25th May 2021.

Contract Length

19. The proposed contract length is for an initial period of nine years and nine months to October 2032, to align with the expiry date of the council's waste disposal contract with Western Riverside Waste Authority and to reflect the potential maximum lifespan of new vehicle fleet and other assets obtained shortly after contract commencement.
20. The contract will include a break clause after 4 years. The break clause terms will be developed during dialogue to ensure that the council retains as much

contractual flexibility as possible whilst at the same time ensuring that the contract remains viable for potential bidders and allows for the required investment, for example in ICT infrastructure. Where significant levels of investment are required from the contractor it is likely that this will be reflected in the break clause terms through a cost recovery mechanism.

It is proposed that break clauses and extensions provided for in the contract will mitigate the risk inherent in the length of the contract by:

- making such break clauses/extensions contingent on contract performance and the review of service provisions;
- providing the opportunity to review key performance indicators and negotiate more challenging targets to improve service outcomes and value for money; and
- enabling the authority and the contractor to adapt and take advantage of technological advances in the collection and disposal of waste throughout the lifespan of the contract

Procurement Route Analysis of Options

21. The options considered for the procurement route for the services included:

Open procedure

This was not the recommended route. Whilst the open procedure is considered the most straightforward route to awarding contracts, the process does not allow the opportunity to discuss the Authority's requirements with providers.

Restricted procedure

This was not the recommended route. Such a procedure is suited to where the requirements can easily be specified and there is no need to negotiate. As discussed in Section 15 (Scope of Services), the Council's requirements are complex and require some further discussion with bidders. Therefore, the restricted procedure is not suitable.

Innovation Partnership

This was not the recommended route. Such an approach would be suited to where suitable market solutions to services required do not exist and a council may work with a provider to develop such solutions. This is not the case for these services, which are a statutory provision and has a consolidated marketplace.

Negotiated procedure without prior advertising

This was not the recommended route. Such a procedure would need strong justification for its use under current regulations and there would likely be issues around the transparency of appointing a provider without having a clear process in place as to why they were appointed.

Competitive Procedure with Negotiation

This was not the recommended route as it is used where the contracting authority is able to fully specify its requirements and wishes to negotiate these with a view to receiving an improved bid. It is not suitable as a means for

identifying the best solution and defining the means best suited to satisfying the contracting authority's needs.

Competitive Dialogue

This is the recommended procedure for the commissioning of these services.

Such a procedure is considered appropriate in light of the complexity and significant financial value of the services being procured. Whereas the council knows the broad scope of the services it needs, there is potential for tenderers to work with the Council to understand these requirements and optimise the proposed solutions. The benefits to the council of this process include:

- The ability to explore opportunities for innovation through the lifespan of the contract.
- Ensuring that potential providers understand the authority's strategic aims and goals.
- The ability to explore opportunities to find the optimal balance between cost and quality.
- The opportunity to test the relationship between the council and potential providers.

The process also benefits potential providers in that:

- It allows them to understand the financial risks, including up-front investment, that might be required in the delivery of the services
- It allows for an informed discussion around any areas of concern.

The intention is to procure the services in a single lot from one provider

The indicative competition process timetable is outlined in Section 21. A shortlist of bidders may be selected on the basis of an assessment of a selection questionnaire (SQ), principally based on technical and professional ability and economic and financial standing. The current intention is to select the top 3 highest scoring applicants following assessment of their selection questionnaires. However, should there be a greater appetite from the market for the services than anticipated, and such interest is deemed competitive, officers will discuss with the Strategic Director and Cabinet Member the possibility of bringing through additional providers beyond the SQ stage.

The selected bidders will be invited to an initial dialogue, after which they will be asked to submit interim detailed solutions. Following evaluation of the interim solutions there will be a further detailed dialogue after which bidders will be required to submit a final tender. The recommendation to award will be based on the final tender submitted, with regard to which is considered to be the Most Economically Advantageous Tender, where cost effectiveness will be based on a quality/cost ratio.

This "iterative" process will allow the council to explore solutions while ultimately providing a straightforward final competition based on agreed positions.

Market Analysis, Local Economy and Social Value

22. As a statutory service for local authorities, the market for the services is mature and well developed with c.6-7 private-sector companies working nationally with c.4-5 currently active in London. The scope and complexity of the services being procured means there are a small number of large service providers and we would therefore expect detailed dialogue with a small number of providers. It is not an area where it would be appropriate for the authority to attempt to further develop the market.

The market is consolidated and may be subject to further consolidation, so it will be important that the tender documents will be clear and balanced and that the Authority's approach to the procurement gives the market confidence in order to attract competition.

Pre-market engagement will take place in June 2021 so that officers can investigate the market more fully and initiate dialogue with potential providers to enhance their understanding of the council's strategic objectives underpinning the procurement of these services.

Social value will make up 16.7% of the total quality score. Tenderers will be asked to complete a social value matrix as part of their final tender and will be required to commit to the social value proposals offered.

The themes of the social value matrix are based on the National Themes and Outcomes Measurements Framework, and the broad categories are:

- Jobs – Promoting local skills and employment
- Growth – Supporting growth of responsible regional business
- Community – Safer, healthier and more resilient communities
- Environment – Protecting and improving our environment
- Innovation – Supporting social innovation

Risk Assessment and Proposed Mitigations

23. The risk profile of the procurement is significant in terms of the value of the services being commissioned, the complexity of the procurement approach, (including the statutory obligation to have the service specification approved by the Mayor of London), and the strategic importance of the services being procured.

In order to mitigate these risks a procurement project board was convened in November 2020. The board will work under the direction of the Strategic Director of Environment and Chief Officer of Public Realm, reporting to the Cabinet Member for Environment. Officers and roles within the project board are:

- Project Sponsor – Assistant Director – Street Environmental Services
- Project Manager – Service Lead – Street Environmental Services
- Technical Lead – Waste Contracts Manager – Street Environmental Services

- Finance & Commercial Lead – Head of Finance – Environment Department
- Procurement Lead – Head of Procurement & Contracting – Resources Department

In addition, specialist support and advice has been commissioned from Sharpe Pritchard LLP (supported by Eunomia Research & Consulting Ltd. and Envalue Solutions) to work with the lead for each of the technical, finance & commercial, and procurement workstreams.

The project board will meet regularly throughout the procurement timetable to progress the individual workstreams and ensure key milestones are achieved. The board will develop a risk register where risks and mitigations will be identified and recorded throughout the procurement process.

Timetable

24. Table 1 shows the indicative timetable for the competition process. The dates therein are contingent upon Cabinet approval of the procurement strategy and Mayor of London approval of the service specification, as well as any issues that might arise from the dialogue process. The dates will be reviewed and amended, if necessary, throughout the procurement period and should not be considered fixed.

Table 1

ACTIVITY	START DATE	COMPLETION DATE
Initial Procurement		
Publish “Find a Tender Notice”	From 27/01/2021	16/07/2021
Receive selection questionnaires		20/08/2021
Assess selection questionnaires	20/08/2021	17/09/2021
Confirm selected bidders		24/09/2021
Initial Dialogue		
Issue invitation (ITPD) and ISDS		01/10/2021
Initial dialogue	01/10/2021	12/11/2021
Solutions arising from dialogue	12/11/2021	14/01/2022
Evaluate responses	14/01/2022	11/02/2022
Feedback to bidders and detailed dialogue with remaining bidders	11/02/2022	11/03/2022
Final tender		
Final dialogue	11/03/2022	20/05/2022
Finalise tender documentation	08/04/2022	27/05/2022
Call for final tender issued		27/05/2022
Final tender returns		24/06/2022
Final tender evaluation	01/07/2022	29/07/2022
Award		
Identify preferred bidder	29/07/2022	26/08/2022
Confirm commitments	From 27/08/2022	
Standstill period	26/08/2022	09/09/2022
Award		09/09/2022

Contract		
Finalise contract documentation	09/09/2022	21/10/2022
Execute contract		28/10/2022
Mobilisation period	09/09/2022	30/01/2023
Contract commencement		30/01/2023

Selection and Award Criteria

25. The award of the services will be based on a 60:40 Quality to Price ratio, which is the council's standard practice. 10% of the total score (i.e. 16.7% weighted of the total quality submission) will be allocated to social value responses in the tenderers proposals.

The key provisions for award criteria in the Public Contracts Regulations 2015 are:

Reg 67 Contract award Criteria – Most Economically Advantageous Tender:

67.—(1) contracting authorities shall base the award of contracts on the most economically advantageous tender assessed from the point of view of the contracting authority.

67.—(2) ... tender shall be identified on the basis of the price or cost, using a cost-effectiveness approach,... and may include the best price-quality ratio, which shall be assessed on the basis of criteria, such as qualitative, environmental and/or social aspect, linked to the subject-matter of the public contract in question.

Deciding on appropriate award criteria

Contracting authorities have a broad discretion to select evaluation criteria and the evaluation methodology the contracting authority considers appropriate provided the transparency principle is met.

In essence, being transparent requires a contracting authority to:

- disclose the methodology; and
- ensure that the methodology is "*clear, precise and unequivocal*" so that all "*reasonably well-informed, normally diligent tenderers*" understand the methodology and interpret it in the same way (RWIND test).

The key principles in deciding award criteria are:

- **RWIND tenderer principle** - "*Award criteria must be formulated . . . in such a way as to allow all reasonably well-informed and normally diligent tenderers to interpret them in the same way.*"
- **Principle of objectivity** - Award criteria must be objective, ensuring that tenders are compared and assessed objectively and therefore in conditions of effective competition
- **Verification principle** - Award criteria must be accompanied by requirements which permit effective verification by the contracting authority that the tender meets the criteria.

Quality Criteria

The quality aspect of the tenders will be based on method statements submitted by the potential providers. The broad criteria under which providers will be asked to respond to are:

- Management and Culture
- Performance
- Operations
- Deliverability
- Service delivery method
- Service delivery method for Health & Safety
- Social Value (see below).

Social Value

Social value will make up 16.7% of the total quality score (10% of total tender score). Tenderers will be asked to complete a social value matrix and a method statement as part of their final tender and will be required to commit to the social value proposals offered.

The themes of the social value matrix are based on the National Themes and Outcomes Measurements Framework, and the broad categories are:

- Jobs – Promoting local skills and employment
- Growth – Supporting growth of responsible regional business
- Community – Safer, healthier and more resilient communities
- Environment – Protecting and improving our environment
- Innovation – Supporting social innovation

Price Criteria

Price will make up 40% of the total score applied to tenderers proposals.

Of this 90% (36% of total tender score) will be applied solely on the price tendered and 10 % (4% of total tender score) will be based on other commercial risk elements (financial robustness and legal/risk)

Indicative weighting

Table 2 outlines the proposed weighting officers recommend for the quality and price criteria .

Table 2

Overall Weighting %	Criteria	Criteria Weighting %
60%	Management and Culture	12.5%
	Performance	8.3%
	Operations	10.8%
	Deliverability	10.8%

	Service delivery method	35.8%
	Service delivery method for Health & Safety	5.0%
	Social Value matrix	8.35%
	Social Value method statement	8.35%
40%	Price	90.0%
	Commercial Risk	10.0%
100%		

Contract Management

26. A full suite of key performance indicators will be developed for the services. This is within the remit of the procurement project board and will form part of their work on the development of the performance management framework which will underpin the contract for the services. The framework will include performance incentives and deductions which will feed into the contract payment mechanism to ensure value for money.

The relationship between the successful provider and the council will be managed within Street Environmental Services (SES), Waste Contract Management team, who will also be responsible for performance monitoring of the contract. A monthly performance management meeting will be conducted with the provider senior contract manager and SES management team, and a quarterly Improvement & Efficiency Board conducted with Chief Officer/SLT level management from the council and their equivalent from the provider.

In order to assist in the performance management of the contract, the service specification will insist on all vehicles used in the discharge of the services being fitted with in cab technology, tracking technology and 360-degree cameras, and the contract management team having full access to these systems. The contract will use technology and the acquisition of data to monitor the contract, drive improvement in service delivery and inform service development through the life of the contract.

Waste and recycling collection performance

Measurement standards for household waste and recycling collection will include, but not be limited to:

- Recycling rate as a percentage of household waste collected.
- Number of missed household waste and recycling collections per 100,000 collections
- Rectification of missed household waste and recycling collections within agreed rectification periods
- Return of household waste and recycling containers to presentation point
- Cleansing of spillage arising from household waste and recycling collections

Street cleansing performance

Measurement standards for street cleansing will include, but not be limited to:

- High standard of cleanliness (based on ex-National Indicator 195) after each cleanse
- Removal of reported fly tips and abandoned materials within a specified period after report issued.
- Emptying of street litter bins if greater than 80% full
- Contractor sacks to be only left at designated collection points as agreed with the contract management team
- Attending emergency responses, as defined in the contract documentation, within one hour
- Removal of reported dog fouling within 2 hours of report issued (during daytime hours)

Health & Safety performance

H&S performance measures will include but not be limited to:

- Material breaches of health and safety, such as reversing without a banksman
- RIDDOR incidents
- Personal injury levels
- At fault vehicle incidents
- Lost time incidents
- Safety observations and near misses
- Staff sickness/absence levels

Customer satisfaction performance

As part of the services, the provider will be required to carry out an annual resident satisfaction survey, with an escalating “contract customer satisfaction target”, the indicative proposals for which are outlined below.

As there is no like for like baseline data available, the first year’s survey will act as the baseline for future improvement targets.

- In the second Contract Year, achieve Customer satisfaction levels of at least;
 - i. [X]% of all residents reporting ‘excellent’, ‘very good’ or ‘good’ in relation to their satisfaction with the survey category of ‘refuse collection’ as determined by the Authority’s annual residents’ survey; and
 - ii. [Y]% of all residents reporting ‘excellent’, ‘very good’ or ‘good’ in relation to their satisfaction with the survey category of ‘recycling services’ as determined by the Authority’s annual residents’ survey; and
 - iii. [Z]% of all residents reporting ‘excellent’, ‘very good’ or ‘good’ in relation to their satisfaction with the survey category of ‘street cleaning’ as determined by the Authority’s annual residents’ survey;

- From the third Contract Year onwards and for the remainder of the Contract Period, the Contractor shall demonstrate an annual improvement in the satisfaction levels for all residents reporting 'excellent', 'very good' or 'good' in relation to their satisfaction with the survey categories of 'refuse collection', 'recycling services' and 'street cleaning' as determined by the Authority's annual residents' survey.

Social value performance

The successful provider will be expected to report on delivery of social value measures to the Council's social value provider at regular pre-determined intervals and will be required to deliver the outcomes committed to in their social value proposals. KPIs will be included to enforce these commitments.

Equality Implications

27. 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 procurement of a new waste, recycling and street cleansing service from 2023.
28. An Equalities Impact Assessment has been completed.
29. Officers recognise that there may be equalities implications arising from any service changes that might come about following the award of the contract, and a separate EIA detailing any mitigation of these will be included in the report recommending contract award.

Risk Management Implications

30. Due to the complexity and financial value of the services officers are proposing to procure, the risk profile inherent in the procurement is significant. To manage and mitigate the risks a project board has been convened under the direction of the Chief Officer for Public Realm and made up of senior officers from Finance, Procurement and Street Environmental Services, and supported by specialist advisers from Sharp Pritchard Solicitors.
31. Officers will put in place provisions in the service specification for robust contract management processes once the contract for services is awarded. This will ensure that appropriate service standards are met throughout the contract period and that the cost of the service can be met within available budgets. A relationship has been recognised linking the approval of strategy to the Mayor of London. A decision therefore maybe somewhat affected, either in time or adjustment to the specifications depending on the outcome of the Mayoral elections.
32. Implications verified/completed by: Michael Sloniowski, Risk Manager, tel 020 8753 2587

Climate and Ecological Emergency Implications

33. The services being procured will have a net positive impact on the council's climate emergency priorities
34. The move away from petro-diesel fuelled vehicles through the services term towards a cleaner, net zero tailpipe emissions fleet, and rationalising the overall number of vehicles used to deliver the services will contribute to our commitment to be a carbon neutral borough by 2030. Officers will however need to be mindful of the carbon impacts involved in the production of entirely new vehicles and ensure that the fleet is managed in such a way as to prolong the useful life of the vehicles for as long as possible.
35. We welcome the commitments within the services being contracted to minimise the levels of household waste produced and increase the percentage of waste collected that can be recycled.
36. We also presume a level of engagement with residents about their food waste, not only to divert such waste into more ecologically sound waste streams, but also to work with residents to reduce the amount of wasted food they produce.
37. We expect that the social value element aspect of the tenderer's method statements will reflect the council's strategic objectives around climate emergency and outline clear proposals about how the service provider will meaningfully contribute to these objectives.
38. Implications verified/completed by: Hinesh Mehta, Strategic Lead – Climate Emergency, 07960 470125

Social Value Implications

36. The council's Social Value Strategy became effective on the 15 May 2020 and introduced a mandatory requirement for all procurement activities over £100,000 to generate a minimum 10% in social value. The social value assessment in this procurement strategy is in line with the Council requirement.
37. Bidders will be required to register on Social Value Portal to enter social value commitments from H&F Themes Outcomes and Measures (TOMs) framework. The Successful Bidder is responsible for paying the Social Value Portal Management Fee for the term of the Contract.
38. Contract managers will need to work with the council's Social Value Officer to ensure commitments are being effectively monitored and delivered. The final contract should contain appropriate social value clauses so that the Council can enforce its right to compensation if social value commitments are not delivered.
39. Implications by: Ilaria Agueci, Social Value Officer, tel. 0777 667 2878

Consultation

40. The key statutory consultee is the GLA, who in accordance with the GLA Act 1999 (as amended) must approve the specification for such services. Consultation with the GLA commenced with a notification letter on 4th March 2021 and is expected to continue up until 25th May 2021

Digital Services and Information Management Implications

41. **IT Implications:** Digital Services have been advised that the Environment may consider technical enhancements such as an interface between the Council's CRM system and the Contractor's ICT systems as part of this contract. As well, there may be an opportunity to use IoT technology (sensors) to gain valuable insights through data analysis. Therefore, it is recommended that, should a new contract with the incumbent or a new supplier result in a requirement for new systems to be procured, existing systems to be modified, or IT enhancements to be considered, IT Services should be consulted.
42. **IM Implications:** A Privacy Impact Assessment will need to be completed to ensure all potential data protection risks in relation to this proposal are properly assessed with mitigating actions agreed and implemented.
43. Contracts arising from this report will need to include H&F's data protection and processing schedule. This is compliant with the UK Data Protection law.
44. The supplier will be expected to have a Data Protection policy in place and staff will be expected to have received Data Protection training.
45. Implications completed by: Karen Barry, Strategic Relationship Manager, IT Services, tel 0208 753 3481

List of Appendices

Appendix 1 (Exempt) – Financial Implications