

Merton Council Sustainable Communities Overview and Scrutiny Panel



Date: 13 February 2023
Time: 7.15 pm
Venue: Merton Civic Centre

AGENDA

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2	Declarations of pecuniary interest	
3	Minutes of the previous meeting	1 - 6
4	Waste and Street Cleansing	7 - 28
5	Exempt Appendix A	29 - 30

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Sustainable Communities Overview and Scrutiny Panel Membership

Councillors:

Stuart Neaverson (Chair)
Daniel Holden (Vice-Chair)
John Braithwaite
Caroline Charles
Anthony Fairclough
Dan Johnston
Gill Manly
Stephen Mercer
Martin Whelton
James Williscroft
Victoria Wilson

Substitute Members:

Edward Foley
Klaar Dresselaers
Slawek Szczepanski
Samantha MacArthur
Max Austin

Note on declarations of interest

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Overview and Scrutiny describes the way Merton's scrutiny councillors hold the Council's Executive (the Cabinet) to account to make sure that they take the right decisions for the Borough. Scrutiny panels also carry out reviews of Council services or issues to identify ways the Council can improve or develop new policy to meet the needs of local people. From May 2008, the Overview & Scrutiny Commission and Panels have been restructured and the Panels renamed to reflect the Local Area Agreement strategic themes.

Scrutiny's work falls into four broad areas:

- ⇒ **Call-in:** If three (non-executive) councillors feel that a decision made by the Cabinet is inappropriate they can 'call the decision in' after it has been made to prevent the decision taking immediate effect. They can then interview the Cabinet Member or Council Officers and make recommendations to the decision-maker suggesting improvements.
- ⇒ **Policy Reviews:** The panels carry out detailed, evidence-based assessments of Council services or issues that affect the lives of local people. At the end of the review the panels issue a report setting out their findings and recommendations for improvement and present it to Cabinet and other partner agencies. During the reviews, panels will gather information, evidence and opinions from Council officers, external bodies and organisations and members of the public to help them understand the key issues relating to the review topic.
- ⇒ **One-Off Reviews:** Panels often want to have a quick, one-off review of a topic and will ask Council officers to come and speak to them about a particular service or issue before making recommendations to the Cabinet.
- ⇒ **Scrutiny of Council Documents:** Panels also examine key Council documents, such as the budget, the Business Plan and the Best Value Performance Plan.

Scrutiny panels need the help of local people, partners and community groups to make sure that Merton delivers effective services. If you think there is something that scrutiny should look at, or have views on current reviews being carried out by scrutiny, let us know.

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Agenda Item 3

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SUSTAINABLE COMMUNITIES OVERVIEW AND SCRUTINY PANEL

19 JANUARY 2023

(7.15 pm - 10.00 pm)

PRESENT Councillors Councillor Stuart Neaverson (in the Chair), Councillor Daniel Holden, Councillor John Braithwaite, Councillor Caroline Charles, Councillor Anthony Fairclough, Councillor Dan Johnston, Councillor Stephen Mercer, Councillor Martin Whelton, Councillor James Williscroft and Councillor Victoria Wilson

Adrian Ash (Interim Director, Environment and Regeneration), John Bosley (Assistant Director Public Space Contracts and Commissioning), Mitra Dubet (Future Merton Commissioning Manager), Andrew Kauffman (Head of Parks Services), Roger Kershaw (Interim Executive Director of Finance and Digital), Paul McGarry (FutureMerton Manager) and Calvin McLean (Interim Assistant Director Public Protection)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Cllr Gill Manly (with Cllr Slawek [Szczepanski](#) as substitute).

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of pecuniary interest.

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

The minutes were agreed as a true and accurate record of the previous meeting.

4 ACTION LOG (Agenda Item 4)

There were no questions/updates about the Actions Log items.

5 CALL IN: WIMBLEDON CHAMPIONSHIPS TRAFFIC MANAGEMENT ORDER (Agenda Item 5)

The Head of Future Merton explained that this item is no longer a 'call-in' - It is a pre-decision scrutiny item. This is due to the timing of the committee cycles and so the original traffic order has lapsed. As the original order has lapsed, the Council will be undertaking a fresh consultation on a new traffic order which consolidates previous orders for the Championships and the amendments from the experimental order. Therefore, the scrutiny report is a pre-decision scrutiny discussion on the

amendments proposed and the purpose of this session is to allow members to explore the rationale for having decided to make the order permanent and to consider any future proposals.

The Cabinet Member for Transport, Councillor Stephen Alambritis, explained the primary reason behind his decision was due to the information and advice received from the Metropolitan Police counter terrorism department. The Cabinet Member referred to the letter from the Metropolitan Police in May 2022 that talks about the borough being visited by an extra 500,000 people over 13 days and the police are very firm in their advice that caution should be taken towards the threat of hostile vehicle attacks.

Also, with regards to the 'presumption in favour of openness', all information is all featured on the Merton website, and we've been in discussions with residents for the last 18 months with a further consultation planned for this year. We have a 21-day consultation period for traffic orders and run pilots and trials before implementing permanently.

In response to questions, both the Cabinet Member and the Head of Future Merton provided further explanations:

- Affected roads receive permits from AELTC.
- A Panel Member suggested the Council consider promoting active travel more as there are many options for walking and cycling.
- AELTC did not receive early sight of consultation responses or given word for word responses and/or objections. Fundamentally the Council is the traffic authority. We have contacted AELTC for assistance and feedback, but we make decisions to achieve the safety of residents during events. The road closures are necessary.
- Village Councillors would like a meeting with the Cabinet Member for Transport and the Head of Future Merton onsite. This was agreed.

Any suggested recommendations are to be sent to the Cabinet Member for Transport.

6 BUDGET AND BUSINESS PLAN (Agenda Item 6)

The Cabinet Member for Finance and Corporate Services described the Council's aim of bringing forward a balanced and sustainable budget. These budget updates, growth proposals and savings proposals before Members tonight are robust, reasonable, and sustainable.

The Interim Director of Finance and Digital gave an overview of the current position that is outlined in the October and December Cabinet papers. The information in the January Cabinet papers will be discussed at the Overview & Scrutiny Commission.

Looking at the December position, you can see at that time we still had a gap in the budget for 23/24 of some £4.3 million. We have since benefited from some gains, in terms of the increased council tax base and the reversal of the government's decision to increase National Insurance for contributions for the social care levy and we also benefited from some good returns from our Pension Fund Investments.

In response to questions:

All public sector workers should be receiving decent pay settlements, given the situation with inflation, but it is a difficult position. The pay settlement that has been agreed, it obviously applies to Merton Council staff, but it is a nationally negotiated position across the local government sector.

We have taken a lot of steps to support our residents with the cost-of-living crisis and we have been clear that we wish to support staff too.

A Panel Member invited the Cabinet Members, whose responsibilities report to this panel, to comment on how the budget proposals set out in this paper reflect their priorities.

- The Cabinet Member for Local Environment and Green Spaces highlighted the growth bid around sorting out flats above shops. We are proposing to standardise those time bands, bolster the comms for those flats and put on two time-banded collections every single week so that those flats have more collections because they have less space for storage.
- The Cabinet Member for Transport described his strategy throughout the budget is to promote active travel, air quality and have an EV strategy that will get us to 2030.

We are looking at the staffing arrangements for development management building control and they've taken on us as a sizeable number of additional staff um part of in terms of the savings, if we can bring in people within the growth element then we will increase our income in pre-applications in the savings element.

In terms of the overall complaints about fly tipping - the annual figures still remain high in terms of what the public are reporting. The evening economy crew (which is the pilot for this growth bid) is able to mitigate a large number of potential complaints that that may be forthcoming.

Attendance at leisure centres has dramatically increased.

Following the continued commercial success of the annual fireworks event in Wimbledon and Morden Park, with year-on-year increases in the income generated by this event, the Public Space Team feel confident that they can develop further

improvements in income generation during the annual event. The service is conscious that significant increases in the ticket prices does have an impact on communities who enjoy this activity and we have endeavoured to maintain a high-quality offer with acceptable ticket pricing for visitors to keep pace with the cost of external providers and event management.

The Panel had no recommendations to send to the Overview and Scrutiny Commission.

7 TREE STRATEGY DEVELOPMENT (Agenda Item 7)

The item was introduced by the Cabinet Member for Local Environment and Green Spaces

Through our commitment to a climate action plan, we're trying to increase our tree canopy cover by 20% help mitigate the impacts of climate change

The report outlines the progress from phase one, which is solely focused on Council trees, which we own and can control. Phase two will look at what we can do around privately owned trees.

We will come back to this Panel in February, with a view to taking the strategy to Cabinet in March.

In response to Panel Member questions:

Part of having a robust tree strategy is to try and prevent us getting to the situation where we have trees that are damaging property and subsequent insurance companies requesting tree felling.

When planting new trees, it's important to make sure we've got the investment for the aftercare. We have managed to get external funding to look after the trees for three years after they're planted to make sure that they've got the watering and the tending that they need.

8 IDVERDE (Agenda Item 8)

This item was introduced by the Cabinet Member for Local Environment and Green Spaces, who thanked the Independent Merton Green Spaces Forum for their helpful report which gives a great amount of feedback and perspective of what's going on.

Andrew Kauffman, Head of Parks Service, gave an overview of the report and the Chair invited Tony Burton from the Independent Merton Green Spaces Forum to speak to his annual report that was circulated around the panel.

"We are pleased to report there has been more activity from Merton Council supporting projects in parks and many constructive dealings with Idverde but there

are still problems with Idverde's performance. Their performance continues to be below par; the annual target has never been met and as a panel you have not been receiving monitoring information on the key performance measures.

There is still no Green Spaces strategy or a timetable or process for its production.

No One-Stop web-based reporting for the public for parks and green spaces.

No quarterly written updates on Idverde's performance.

Idverde do not have enough staff and too many lack the horticultural skills needed to get the basics right. There is a chronic lack of knowledge of the local circumstances of different parks and green spaces and the contract needs much more active and assertive management by Merton Council. Sites need basic management plans.

Our annual review contains a plan of action".

The Cabinet Member responded to the points raised by IMGFS.

In terms of the Green Spaces strategy, there's been a delay and it links to the wider green strategy across London. We're just waiting for that guidance so that we can make sure that we are feeding into a pan London approach.

Fix my street/reporting will be extended to parks and green spaces.

Action: The Assistant Director for Public Space committed to meeting with Chair to agree on how performance will be reported to the Sustainable Communities Panel going forward.

The Head of Parks Services added that the Council are looking to add further green flag sites.

The Panel agreed the following actions:

Action: Request a return to quarterly reporting back to this panel on the performance of Idverde. (Look into including it on the back of the performance monitoring section – e.g.- dashboard overview of the performance).

Action: Add Idverde item to June 2023 agenda.

Action: Add Idverde recommendations to recommendation log.

9 PERFORMANCE MONITORING (Agenda Item 9)

The Chair invited Cllr Aidan Mundy to speak – The Chair of the Planning Committee updated the scrutiny panel on an issue that he and officers have identified affecting the reported performance statistics for development and building control. This means the department has significantly under reported their performance for the last six months and work is ongoing to identify the root cause of the issue. We suspect it's a technical and a process issue and we would like to provide a report to this committee that updates the performance record, sets out the background to the issue and make some suggestions to the panel to reduce the risk of the issue happening again in the future.

CRP044 - Parking Services estimated revenue. We are all aware of the impact of the pandemic and the ongoing behavioural changes of people working from home which has impacted immensely on the revenue.

10 WORK PROGRAMME (Agenda Item 10)

The work programme was agreed.

Committee: Cabinet

Date: 20 February 2023

Wards: ALL

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

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

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

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

Recommendations:

Cabinet is asked to:

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

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

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

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

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

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

2. DETAILS

Review of potential service delivery models

This section of the report is relevant to recommendation A.

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

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

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

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

Determining Best Value solutions

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

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

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

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

Table 1: Service Delivery Model Evaluation: Commissioned Service

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

Table 2: Service Delivery Model Evaluation: Direct Service Operations

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

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

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

Table 4: Service Delivery Model Evaluation: Joint Venture

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

Recommended service delivery models and associated issues

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

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

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

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

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

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

Workforce Terms and Conditions

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

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

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

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

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

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

Next Steps and timeline

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

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

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

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

3. Service delivery – Environmental considerations

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

4. CONSULTATION UNDERTAKEN OR PROPOSED

This section of the report is relevant to Recommendation B

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

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

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

Resident experiences – street cleaning, recycling & collections

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

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

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

What are the issues – recycling & waste collections

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

What are the issues - street cleaning

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

5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

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

Chargeable Service	In House Estimate
--------------------	-------------------

Garden Waste	1,270,000
Bulky Waste	285,000
Recyclate sales	70,000
Commercial Waste	580,000
Total Income	2,205,000

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

6. LEGAL AND STATUTORY IMPLICATIONS

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

7. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

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

8. CRIME AND DISORDER IMPLICATIONS

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

9. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

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

- EXEMPT Appendix A – Option Comparison Analysis

11. BACKGROUND PAPERS

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

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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](#)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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