

<b>REPORT:</b>	<b>CABINET</b>	
<b>DATE OF DECISION</b>	<b>25<sup>th</sup> September 2024</b>	
<b>REPORT TITLE:</b>	<b>Procurement Waste and Street Cleansing Service - Award Report</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<i>Nick Hibberd, Corporate Director of Sustainable Communities, Regeneration and Economic Recovery</i>	
<b>LEAD OFFICER:</b>	<i>Karen Agbabiaka, Director of Street and Environment</i>	
<b>LEAD MEMBER:</b>	Cllr Scott Roche - Cabinet Member for Streets & Environment	
<b>KEY DECISION?</b>	<b>Yes</b>	0424CAB  Financial Criteria (Over £1m)
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>YES</b>	Exempt Confidential Appendices 1 (Part B), and Appendices A, B, C and D  <b>Grounds for the exemption:</b> Exempt under paragraph(s) 3 of Schedule 12A of the Local Government Act 1972 and the public interest in withholding disclosure outweighs the public interest in disclosure.
<b>WARDS AFFECTED:</b>	All	

## 1 SUMMARY OF REPORT

- 1.1. The report supports the delivery of the key Executive Mayoral pledge to improve the quality and appearance of the street scene and hold contractors to account and deliver value for money. These services are directly linked to the Executive Mayor's Business Plan 2022-2026 'Make our streets and open spaces cleaner so that Croydon is a place residents and businesses can feel proud to call home'.
- 1.2. This report provides the Executive Mayor of Croydon and Cabinet with recommendations for the future waste and recycling collection and street cleansing service following the council's procurement exercise for a new contracted service commencing in April 2025.
- 1.3. Croydon Council operates waste and recycling services for every household in the borough through its current contract with Veolia managed on its behalf by the South London Waste Partnership (SLWP) which includes neighbouring boroughs Merton, Sutton, and Kingston. This contract includes waste and recycling collections, footway winter maintenance, vehicle maintenance and street cleaning. It was procured by

Croydon on behalf of the four partner boroughs in the SLWP. The contract commenced in April 2017 and the initial eight-year term expires on 31st March 2025.

- 1.4. The partnership boroughs had the option to extend the contract, but all boroughs agreed not to take up the option following a review of the proposed contractual changes and increase in the cost of the service being sought by the contractor.
- 1.5. At the Cabinet meeting on 24 November 2022, the Executive Mayor agreed that the current waste collection and street cleansing contract with Veolia ES UK is not extended following expiry of the initial term on March 31st, 2025. In addition, he agreed that further work was to be undertaken and alternative options for the provision of different delivery models explored. Key Decision No 6822EM.
- 1.6. This report presents the services approach to reshape the future waste collection and street cleansing service in line with financial affordability of the service as agreed in our Medium-Term Financial Strategy (MTFS).
- 1.7. The report concludes that following a comprehensive procurement exercise the best value option which allows the council to improve the waste collection, recycling and street cleansing within an agreed financial parameter is to award a new contract to the preferred Bidder A named in the Part B report.
- 1.8. In addition, the report notes the required changes in our approach to contract management, currently undertaken by the South London Waste Partnership (SLWP) with the aim of implementing an enhanced client contract management team focused on holding the contractor to account in the delivery of these high-profile services.

## **2 RECOMMENDATIONS**

For the reasons set out in the report and its appendices, Cabinet is recommended by the Contracts & Commissioning Board:

- 2.1** To approve the appointment of the preferred bidder named in the Part B report for the delivery of waste and recycling collection, street cleansing and vehicle maintenance services for a term of eight years (April 2025 – 2033), with an option to extend for a further two periods of eight years each by mutual consent for the value stated in the Part B report.
- 2.2** To agree that, subject to there being no material changes to the scope of services and proposed solutions set out in this report, the Corporate Director of Sustainable Communities, Regeneration and Economic Recovery in consultation with the Executive Mayor and Cabinet Member for Streets & Environment is authorised to agree the final contract.
- 2.3** To note the identity of the Preferred Bidder will be released following the award decision, in accordance with usual practice.

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1** This report, together with the supporting appendices, presents the outcome of the procurement for the new waste collection, recycling, and street cleansing service along with highlighting areas of service enhancements designed to meet the needs of our residents and communities.
- 3.2** The Executive Mayor's Business Plan includes a focus around making our streets cleaner so that Croydon is a place that residents and businesses can feel proud to call home, and a commitment to review the street cleansing and refuse collection contract.
- 3.3** Following the recommendation by Cabinet in May 2023 that the Council would re-procure the waste and recycling collection service and street cleansing service, a two-stage competitive dialogue procurement process was undertaken. The outcome of the procurement and proposed award of contract are the subject of this report.
- 3.4** The contract length has been chosen to reflect the significant capital investment cycle for the fleet of vehicles, which is typically 8 years for Refuse Collection Vehicles.
- 3.5** The contract will allow for an annual review of the contract and clauses for the Council to intervene if performance is not as agreed. If the contractor performs, it is worthwhile allowing for agreed extension(s) rather than having to reprocure the services.
- 3.6** Due to commercial sensitivities the identity of the preferred bidder will be announced following the decision.

### **4 BACKGROUND AND DETAILS**

- 4.1** In 2017 the SLWP procured the Phase C - Contract for waste and recycling collection and marketing, winter maintenance, vehicle maintenance and street cleaning on behalf of its four borough partners. The contract was awarded to Veolia ES (UK). The new contract saw all boroughs adopting the same collection methodology, fortnightly residual waste collection, fortnightly paper/card collection, fortnightly dry mixed recyclable collection (glass, cans, plastic), weekly food waste and a charged for 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.
- 4.2** In May 2024, the Executive Mayor in Cabinet agreed the procurement strategy set out in this report for the procurement (via a Competitive Dialogue process) of waste and recycling collections, footway winter maintenance, vehicle maintenance and street cleaning, for a term of 8 years, with an option to extend for a further two periods of 8 years each by mutual consent. Key Decision 0523EM.
- 4.3** The current contract is an output specification based on a series of method statements and managed through the SLWP. The authorised officer for the contract is the SLWP Partnership Contract Manager covering all four partnership authorities. They are

directed by the Senior Management Group which consist of the appropriate Director from each borough. Regular contract meetings are scheduled with SLWP, the Borough Leads and Veolia. In practice these have been challenging due to the different needs and priorities of the individual boroughs. Croydon now directly monitor and have direct input into the contract monitoring of the operational service in Croydon.

**4.4** Waste and recycling collection and street cleansing are Universal Statutory services that the council is required to provide for residents and is funded through the council tax. This report sets out a revised approach to delivering these services from April 2025.

**4.5** It is important to note that the SLWP will continue to lead and provide contract support and management for all the partnership borough's waste disposal contracts and continue to prioritise the reduction in total waste volumes collected including the disposal of waste, processing of recyclate and the treatment of food and green waste.

**4.6** In parallel therefore the SLWP is in the process of setting up a series of contracts to take the recyclate material for processing. Note, Food and garden waste processing contracts are already in place, as such the new contracts will include: -

1. Paper and Card
2. Mix Dry recycling (DMR) Plastic, Cans, Glass etc.
3. Full Co-mingled recyclables -

#### **4.7 PROCUREMENT PROCESS**

**4.8** The principal rationale for procuring an external provider is the benefit gained through technical expertise and business resilience. Additionally, market competition can assist in generating competitive pricing along with relative certainty on cost over the life of the contract subject to any agreed indexation.

**4.9** The Competitive Dialogue route to market was implemented owing to the scope and complexity of the services being commissioned.

**4.10** One of the key benefits of using Competitive Dialogue is that it allows both the Council and the bidders to enhance and adapt the scope of the requirements through the process and adapt the scope of the requirements through the process, including the final specification. This has highlighted further enhancement in service design, for example increasing the frequency of waste collection from flats above shops.

**4.11** The Council issued notice on Find a Tender Service (FTS) Reference 2023/S 000-029104 on 3 October 2023. A competitive dialogue process was undertaken over two (2) rounds of dialogue, stage one (1) Detailed Solution Stage in January 2024 and Stage two (2) Final Solution stage which concluded in June 2024. Bids were evaluated at the end of each stage according to the evaluation criteria.

**4.12** Tier 3 weightings were applied for quality and price, and social value of: 60% Price, 30% Quality, including Quantity Management system (QMS), and 10% Social Value. The tender was returned electronically via the e-tendering portal and evaluated in accordance with the Tenders and Contracts Regulations to ensure probity, value for

money and that the most economically advantageous providers was chosen to deliver the service.

**4.13** Following the Pre-Qualification Questionnaire (PQQ) the Council received two compliant applications which passed the PQQ and both bidders were invited to enter into dialogue with the service. Following the first round of dialogue and submissions from both bidders, Bidder B withdrew from the procurement citing several commercial risk factors which they believed would mean it would not be in their interest to continue with the procurement process.

**4.14** As this left the procurement process with just one bidder the service identified and reviewed 5 options on how to proceed.

1) Continue the Procurement process and either carry on as though there are several bidders or disclose to Bidder A that they are the only remaining bidder

2) Discontinue the Procurement and recommence a new procurement, potentially looking at an open/restricted procedure with no dialogue due to timeframes.

3) Discontinue the Procurement and agree existing extension.

4) Discontinue the Procurement and use the negotiated procedure without prior publication.

5) Discontinue the procurement and bring the service in house whilst assessing a revised service delivery model and service requirements.

**4.15** The recommended approach was to continue with the procurement with just Bidder A and disclose to them that they are the remaining bidder (Option 1). Legal advice was sought and confirmed that Option 1 was a permissible approach. The recommendations were presented and endorsed by Procurement colleagues and approved by the Corporate Director of Sustainable Communities, Regeneration and Economic Recovery. A number of measures detailed in paragraphs 4.25 to 4.28 were undertaken to ensure that the bid remained value for money and achieved best value.

#### **4.16 Invitation to Submit Final Tender**

**4.17** The invitation to submit final tenders was issued to Bidder A in May 2024. The focus of this round of dialogue was to review the technical submission and seek to enhance the social value offer without increasing the financial cost of the overall service including:

1) A performance mechanism to incentivise the contractor;

2) Providing a solution that maintains / improves current frequency of collections;

3) Improves on the service offer to our Flats above shops including the provision of food waste;

4) Provides a solution that targets street cleansing resource by zones and reacts with greater efficiency through being smarter with data and targeted intervention;

- 5) Understanding future proofing the service design in line with the implications of the changes being proposed by Government to regulations around recycling consistency, EPR, DRS etc;
- 6) Proposals to incentivise recycling performance;
- 7) Improving recycling performance of communally collected properties;
- 8) Improving the recycling performance for flats above shops;
- 9) Increasing reuse and recycling of bulky household waste including potential 3<sup>rd</sup> sector involvement;
- 10) Developing the Commercial waste collection offer;
- 11) Enhancing leaf clearance, weed spraying service;
- 12) Reducing the carbon footprint of the service and greenhouse gas emissions over the life of the contract, in a constrained financial environment;
- 13) Financing a replacement fleet (capital investment);
- 14) Enhancing garden waste collections and the interface with Christmas tree collections.

**4.18** A financial model was required illustrating the unit cost of each element of the service including a detailed breakdown of specific areas based on bidder assumptions.

**4.19** At this stage, funding requirements for Capital investment were also clarified and a cost comparison was undertaken between the cost of Council borrowing compared to the cost of Capital investment of the provider through the contract. Further details are contained in the Confidential Appendix A.

**4.20** Dialogue concluded in May 2024 and final tender was received in June 2024

#### **4.21 Evaluation**

**4.22** The final tender was individually evaluated by the project team and relevant service leads prior to being moderated with the support of commercial services.

**4.23** The tender evaluation team consisted of members from the following: -

- Head of Environment and Neighbourhood Operations
- Senior Client Monitoring officer
- Technical Waste Consultants
- ICT Digital Team
- Environment manager
- Procurement officers

The outcome of the evaluation resulted in Bidder A scoring 87.8 out of 100. Overall Bidder A offered a very strong submission demonstrating experience and competence to deliver all elements of the service. Further details are contained in Confidential Appendix C Evaluation.

#### **4.24 Determining Best Value**

**4.25** As the procurement continued with a single bidder, waste consultants were commissioned to undertake a financial analysis of the final tender pricing structure and

benchmark this against the original contract extension price and market intelligence on unit cost, which were extrapolated up to reflect the resource model in the final tender.

- 4.26** Using the most recent TUPE costs, the resource profiles within the final tender service delivery plans, market information on fleet costs, profit and overhead provision and some data from the original contract extension submission, a model cost view was constructed and compared to the final submission.
- 4.27** The overall outcome of the modelling was extremely close to the Invitation to Submit Final Tender (ISFT) submission cost. Whilst there were some slight variances in the breakdown of service costs, much of that was attributed to the allocation and treatment of management costs and overheads.
- 4.28** In summary the contract price represents a 0.5% saving when compared to the resource model comparison and 2.8% saving when compared with the contract extension price. This demonstrated to the Council that, despite the single bidder situation, the bid does offer the council value for money.
- 4.29** Further information is contained with the Part B report, please see confidential Appendix D – Best Value Assessment.
- 4.30** **SERVICE PROVISION**
- 4.31** The Council need to provide best value, increase recycling performance, drive waste minimisation, improve resident satisfaction in waste collection and street cleansing services, respond to the challenges arising from new legislation and Government waste consultations on the implementation of this legislation, and to reduce the carbon impact of these services. This cannot be achieved without change and enhancements to the service offer.
- 4.32** A fundamental objective of the procurement was to deliver a new Croydon specific contract that delivers effective and efficient waste and recycling service and street cleansing service to all residents and provides continuous service improvements over the life of the contract.
- 4.33** Although the specification requirements were based on the current service, noticeable improvements have been achieved through the dialogue process and form part of the final submission from Bidder A.
- 4.34** This ensures that the proposed solution is aligned with the Executive Mayor's priorities and delivers a solution which meets the needs of our residents and local communities.
- 4.35** Residents will continue to contact the Council through current channels including the Customer Contact Team, and via the web or via the report function through Love Clean streets. All service requests will be integrated with the contractor's operational system.
- 4.36** **Waste Collection**

- 4.37** There are no planned changes to the frequency of collection for our kerbside and communal properties. Flats above shops will see the collection frequency increase from weekly to a twice weekly evening collection service.
- 4.38** There will be the introduction of a night-time economy collection service that will provide an evening collection from flats above shops across the whole borough. The aim is to provide improvements for residents with a twice weekly collection along with delivering improvements in the overall street scene in district town centres and parades of shops.
- 4.39** As the new contract will be specifically for Croydon there will be no shared resource operating across borough boundaries as such the current schedules will need to be updated, which may result in a change in the scheduled day of collection. The frequency of collection will not be impacted.
- 4.40** The table below illustrates the proposed frequency of collection by property type.

Property Type	General waste	Paper / Card	Dry Mix Recycling	Fully Co-Mingled	Food
Kerbside	Alternate weekly	Alternate weekly	Alternate weekly	N/A	Weekly
Communal Flats	Weekly	N/A	N/A	Weekly	Weekly
Flats Above Shops	*Twice weekly	N/A	N/A	*Twice weekly	subject to site review and suitability

\*Currently weekly collection

- 4.41** The service provider will undertake the provision and delivery of all waste containers including all stock management functions, however, the cost of purchasing containers is a direct pass-through cost to the Council. This is a new cost as currently the cost of new containers is the responsibility of the contractor and not contained within the MTFs provision.
- 4.42** It is proposed that, through council fees and charges (subject to separate decision making), a full cost recovery model will be developed which maintains our commitment to recycling and provide free and/ or reduced rate for replacement recycling containers along with a full recovery cost price for replacement refuse containers.
- 4.43** It is important to note that any containers damaged by the contractor will be replaced at the contractor's cost. There will be no change in our approach to new developments and the cost of containers will be charged to the managing agent responsible for the new development.
- 4.44** Spillages - Any materials and liquids/leachate spilt during the collection of Residual Waste, Recyclable Materials, Food Waste or Garden Waste must be cleared by the collection crew immediately, before leaving the road in which the spillage occurred. Where possible, spilt recyclable material must be cleared in a manner to enable recycling. This includes materials spilt whilst collecting from refuse stores, sack holders or from Assisted Collections. If the collection crew is unable to clear the spillage it must



notify the supervisor for a cleansing response to be deployed to cleanse the area and remove the waste arising.

**4.45** The service recognises the current challenges with the collection of Christmas trees and as such the new service will provide additional resource dedicated to the collection of Christmas trees. This enhanced service allows for the garden waste service to focus solely on the collection of garden waste as scheduled and will continue to operate for 52 weeks of the year.

**4.46** Clinical waste will continue as a bookable service for the provision of sharp collection. Sanitary clinical waste will no longer be provided, however, residents will be able to dispose of their clinical waste as part of the general refuse collection service. If required, larger containers can be provided free of charge to those residents in need of a larger bin owing to medical grounds.

#### **4.47 Commercial waste**

**4.48** Commercial waste is a statutory requirement to be provided by the Council if requested by a commercial venture operating in the Borough. There is no exclusivity, and businesses are not obliged to have a Council provided commercial waste collection service and as such they are free to select their own preferred supplier.

**4.49** As a statutory requirement the contract provides for the provision of commercial waste in which the contractor will undertake the full provision of the service including disposal of all commercial waste collected.

**4.50** Under the current contract this service is provided in full by the contractor from which the Council receives a guaranteed revenue income each year. Under the new proposal there is no guaranteed income, however, this is replaced with an agreed percentage of the gross value of the commercial waste service.

**4.51** Under this model risk is retained by the contractor.

#### **4.52 Fleet Vehicles**

**4.53** The service will see the introduction of the new waste collection fleet phased in over the life of the contract with modern technology including 360-degree cameras. These vehicles will be owned by the council and maintained by the service provider.

**4.54** Within the contract there is an opportunity to implement a Hydrotreated Vegetable Oil (HVO) fuel for waste collection vehicles at a time financially suitable to the Council. This will further reduce the carbon footprint of the service.

**4.55** Consideration was given to the implementation of a fully electrified fleet. However, this was dismissed by the services and was not a requirement within the specification. This was due to a number of influencing factors:

- High unit cost for collection vehicles;
- Capital investment in supporting infrastructure including the requirement to build a substation;

- Changing and developing technology, research indicates that improvements are still required for heavy specialist vehicles and the development of alternative fuels such as hydrogen.

#### **4.56 Street Cleaning**

- 4.57** The current street cleansing service is 'output based' which means that the contractor is not required to deploy a specific level of resource aligned to published schedules for street cleansing. Instead, the contract is required to deliver a service which maintains our streets to the required standard and ensure that any service request or service failures are rectified within an agreed time frame. As such the current service is reactive.
- 4.58** The new street cleansing service will see an increase in the level of resource deployed in the maintenance of the street cleansing service. This is supported by the development of cleansing schedules for each Zone, and these will be designed to ensure the standards required under the Specification are achieved and maintained. The frequency of cleanse and resource will vary by Zone. Although these schedules will be designed for Year 1, they will remain dynamic and subject to change depending on the needs of the area. To achieve this the contractor will undertake inspections to determine if standards are being achieved, and reports of streets below grade will be analysed by the Digital Transformation Manager. Where any street is regularly found to be falling below grade, an Operational Improvement Plan will be implemented to improve this and if required schedules will be updated to ensure the standards are achieved and maintained.
- 4.59** A new deep cleansing programme will be delivered throughout the year along with seasonal leafing teams.
- 4.60** There will be a reduction in the use of glyphosate to manage weeds with a twice yearly boroughwide manual spraying. This is a significant improvement moving away from mechanical spraying and allows for targeted application.
- 4.61** The new service will also see the inclusion of graffiti removal as part of the core service. This has been designed to provide greater resilience in the removal of graffiti and will be an addition to the current provision provided through the Council's highway contractor and local Small to Medium enterprises (SME).
- 4.62** The table below provides a comparison of the proposed new service offer compared with the current service.

Waste Collection	Current Service Provision	New Service Offer	No Change	Reduced service offer	Increased service offer
Kerbside Collection	Refuse – alternate weekly Recycling Dry Mix Recycling – alternate weekly Paper/Card – alternate weekly Food – Weekly	There is no reduction in the frequency of collection. All kerbside properties will retain the same frequency of collection.	✓		
Communal collections	Refuse – weekly Mix Recycling - weekly	Minimum weekly collection including Food from all estates			✓
Flats above shops	Weekly – Black sacks	Twice weekly collection of refuse and separate recycling and food waste collections Increased Service Provision  The flats above shops will receive branded sacks for the collection of both general waste and separate recycling with twice weekly evening collections as part of the new evening economy service.			✓
Assisted Collection	Assisted collection provided to individual household who qualify for the service.	No Change – assisted collection service will continue.	✓		
Bulky Waste	Chargeable service. Income retained by the contractor to cover the cost of the service.	No change to residents. Chargeable service. Rate set by the council and all income retained by the council.	✓		

Waste Collection	Current Service Provision	New Service Offer	No Change	Reduced service offer	Increased service offer
Garden Waste	Chargeable service –rate set by contractor Revenue retained by contractor to cover cost of service. Guaranteed Income returned to council Risk retained by contractor	No change to resident service. Chargeable service with rate set by council All income retained by council. No guaranteed income. Risk retained by council	✓		
Clinical	Bookable sharps and clinical bin / sack collection	Sharps collection only  Reduced services offer with the removal of sanpro and sanitary waste collected as part of general waste stream		✓	
Commercial waste	Chargeable service – Contractor acts as an Agent on behalf of the Council. Guaranteed Income returned to Council. Risk retained by contractor.	Commercial waste service managed directly by contractor. No Guaranteed Income. Risk retained by contractor.		✓	
Christmas Tree Collection	Undertaken by contractor utilising Garden waste service.	Dedicated temporary resource for the collection of Christmas trees.			✓
Containers	All containers purchased and delivered by contractor  Risk on volume managed by contractor.	All stock management and delivery provided by contractor. Unit cost of container is a direct pass-through cost to Council.		✓	

STREET CLEANSING	Current	New services offer	No Change	Reduced Service offer	Increased service offer
Sweeping	No current prescribed schedule. Resources deployed following service request. Resources deployed both Manual and mechanical. Maintained to grade B swept to grade A	<b>Improved service Provision</b> Dynamic Service schedules aligned to deployed resource requirements based on Zones. Operational scheduled to be reviewed and amended to ensure service standards are maintained.			✓
Litter bins	Scheduled collection.	Schedule collection. Primary and town centre routes to be cleared by 9:00am and maintained throughout the day. All sweeper sacks to be presented at agreed collection points and cleared each day. No sacks to be left out over night	✓		
Fly Tipping	Fly tips to be cleared within 28hrs of reporting	No Change	✓		
Weed control	Mechanical weed spraying up to 4 times each year using pesticides including glyphosate	Maximum twice yearly spray administered manually			✓
Graffiti removal	No provision under current contractor	<b>New Service requirement</b> Core service for the removal of graffiti from public property supported by schedule of rates. NOTE			✓

		Specialist removal to be undertaken by Council contractor			
<b>Support Services</b>	<b>Current</b>	<b>New service offer</b>	<b>No Change</b>	<b>Reduced Service offer</b>	<b>Increased service offer</b>
Contract Management	Undertaken by South London Waste Partnership	<b>Increased LBC provision</b> Strategic and operational contract management undertaken by the Council including health and safety			✓
Social Value	Limited social value across the SLWP boroughs	<b>Increased Provision</b> Social Value offer delivered in Croydon for the life of the contract. Reviewed and monitored by the Council's contract management team.			✓
Fleet provision	Fleet provision purchased and owned by the council, maintained by contractor	No Change, Opportunity to explore alternative fuels through contract review.	✓		

#### 4.63 Social Value

4.64 Under the current contract there is minimal Social Value requirement.

4.65 As part of the tender process the Council set out the minimum requirements in relation to social value and encouraged bidders to offer a social value solution that exceeds these minimum requirements. This was designed to ensure that, through the procurement process, the Council received social value offers with quantified delivery requirements. These quantified social value requirements are embedded in the contract through KPIs/contractual requirements.

4.66 This will help ensure that the Council holds the Contactor to account to delivering its social value commitments through the life of the contract, to maximise the benefit for the borough of Croydon and its Residents.

- 4.67** The individual elements of the Social Value requirements comprised 10 main themes linked directly with the Executive Mayor's Business plan. A detailed service offer is contained in confidential Appendix B - Social Value, which provides clear measurable commitments offered each year over the life of the contract. This detailed information is commercially sensitive as it relates to the business affairs of the Bidder and, as such, remains confidential.
- 4.68** In summary, the social value offer includes: -
1. Support the reduction of crime;
  2. Employment Opportunities;
  3. Apprenticeships - FTE across all workstreams with 85% being retained in full time employment;
  4. Work Experience/Pre-Apprenticeships;
  5. Employment related events, Initiatives, and training;
  6. Supporting local business and third sector;
  7. Mental Health, Domestic Abuse Housing Alliance, Safeguarding and Dementia Friends Awareness;
  8. Supporting Local Communities;
  9. Carbon Reduction;
  10. Environmental Strategies.
- 4.69** The London Living wage is a requirement for this contract and part of the terms and conditions.
- 4.70** **Contract Management**
- 4.71** The current contract is managed on our behalf through the SLWP.
- 4.72** Moving forward the new contract will be monitored and managed directly by Croydon's Waste Team. To facilitate this a new contract management team will be established as part of the mobilisation phase and will see the creation of a service specific Contract Manager supported by two Senior Contract Monitoring Officers who will oversee the operational service being delivered and implement a ward-based inspection programme undertaken by Client Monitoring officers.
- 4.73** This will allow officers to better understand the needs of the local area and work collaboratively with the contractor to identify areas of service improvements along with designing solutions to areas of concern at a local level.
- 4.74** It is recognised that the performance monitoring and management of the contract is a key function in the overall success of the financial and operational delivery of a sustainable service. Independent research suggests that the failure to invest in contract management processes and monitoring of the contract can cost up to 9% of the contract value.
- 4.75** The proposed structure will see the creation of Client Monitoring Officers each responsible for a cluster of wards. This will be flexible, and consideration will need to be given to the final ward allocation. The service recognises that the needs of individual wards are unique and require different levels and frequency of monitoring.

- 4.76** An important role of the monitoring team will be to undertake regular operational inspections of the depot and the working practises of the crews to ensure that the contractor is compliant with their agreed safe methods of working and all health and safety procedures are being implemented. Any areas of non-compliance will be addressed as a key priority and formally documented as part of the monthly contract management meetings.
- 4.77** In order to hold the contractor to account and ensure that the service is delivered to the required standard the contractor is required to provide the Client Monitoring team with daily service schedules updated weekly. The Contractor must submit a weekly Performance Summary identifying:
- incidents where standards have been identified as not acceptable and rectified within the Rectification Period;
  - incidents where standards have been identified as not acceptable and rectified outside of the Rectification Period;
  - incidents where standards been identified as not acceptable and have not as yet been rectified.
- 4.78** The Council will exercise a quality control and a random checking system of all aspects of the services performed by the Contractor. The Contractor is required to provide information and all reasonable assistance to enable audits to be completed by the Council.
- 4.79** As part of the scheduled contract management reporting cycle the contractor is required to provide:
- Daily service schedule, updated Weekly;
  - Monthly Performance report;
  - Seasonal report i.e. Leafing;
  - Annual action plan and service improvement review.
- 4.80** A new growth bid has been completed to cover the additional revenue cost of the new Client Monitoring team for 2025/26. As part of the agreed mobilisation cost the service will look to commence the recruitment and appointments of the new team from Oct 2024.
- 4.81** The Contract includes a suite of Key Performance Indicators (KPI) to drive and incentivise required behaviour changes to improve service delivery, supported by a performance mechanism allowing for financial deductions where appropriate.
- 4.82** The Contract, recognising previous concerns of the current contract, sets out a more robust Performance Mechanism that has been tried and tested elsewhere.
- 4.83** The contract sets out a set of nine industry KPIs (Key Performance Indicators), which reflect the top service delivery priorities to be monitored by the Contractor and reported



to the Council. These are set out below and have been designed to align with the Executive Mayor's corporate KPIs:

KPI 1: Rectification of Missed Collections.

KPI 2: Number of missed collections per 100,000 collections by waste stream.

KPI3: Two or more service failures by a crew to comply with contamination/spillage procedures.

KPI 4: Three repeats (or more) of an unjustified missed collection from the same property within a rolling 8-week period.

KPI 5: Failure to deliver Containers within 10 Operational Days.

KPI 6: Failure to collect Bulky Waste on the Scheduled Collection Day.

KPI 7: Failure to return and cleanse to Grade A within zoned response time.

KPI 8: Number of Street Cleansing Requests received by specified category.

KPI 9: Failure to clear Fly Tips.

**The full set of KPIs can be seen in Appendix One**

**4.84** These will be used to track and report service performance internally and externally during the Contract Term.

**4.85** In addition to these KPI's there are a further 46 Performance Criteria which are designed to drive good contract performance across the contract. Where there are service failures on any KPI or Performance Criterion there will be performance deductions, both in terms of financial performance deductions (from £60 to £6000 per event) and associated performance points.

**4.86** If failures continue not to be dealt with and deductions continue, then the Contractor will be required to produce a Rectification Plan. Failure to adhere to the Rectification Plan would lead to escalation for urgent resolution, warning notices and ultimately potential for the Council to exercise step in rights and terminate the contract.

**4.87 Environment**

**4.88** The Environment Act 2021 is a key piece of legislation for delivering the commitments made in the 2018 Government's 25 Year Environment Plan to 'protect and improve the natural environment in the UK', and for taking forward and legislating the measures and proposals outlined in the Resource and Waste Strategy (2018). The detail of the policy changes is still not fully known but the following are expected to impact the Council's services in the next five years:

A. **Consistency in Collection** - this requires the Council to collect in a segregated way a series of core materials: plastic, glass, paper/card, metal, and food waste. With the exception of flats above shops which do not have a food waste service, the Council already does this.

- B. **Deposit Return Scheme** will add a small charge for the packaging of an item (such as a bottle), which is refunded when the item is recycled via a dedicated recycling scheme (usually in a shop).
- C. **Extended Producer Responsibility** - this is the Government's approach to move the full cost of collecting household waste from the taxpayer to producers. Fees are based on the recyclability of products and the approach aims to ensure greater quantities of recyclable waste are reprocessed into valuable, high quality secondary resources.
- D. **Plastic Packaging Tax 2022** introduced a charge on producers for any plastic packaging that does not contain at least 30% recycled plastic content.

- 4.89** These proposals will have an impact on the quantities and value of recycling the Council collects, potentially as much as a 50 to 70% reduction in materials collected. This will impact the cost of running services.
- 4.90** Climate change is the single most important challenge facing us all. Our response to the climate emergency will form a key element of the Council's focus, with cross-cutting and pan-departmental themes that align with each of our key objectives.
- 4.91** The Council declared a climate change and ecological emergency in July 2019 and Cabinet agreed that the Council would become carbon neutral by 2030. The council also agreed a Carbon Neutral Action Plan in February 2022.
- 4.92** Achieving decarbonisation in the waste service will require looking at the carbon emissions of every part of the waste journey - from material production to disposal routes.
- 4.93** There is a need to ensure that the service enables the Council to nurture civic pride and 'make our streets and open spaces cleaner so that Croydon is a place residents and businesses can feel proud to call home' along with ensuring that the contract is flexible and can adapt to changing regulations along with the changing needs of our residents.
- 4.94** The design of our waste and recycling collection service will have a key role in contributing to the Council's Carbon Neutral Action Plan along with ensuring compliance with our Waste Reduction and Recycling plan (RRP). This includes but is not limited to:
- Drive resource efficiency to significantly reduce waste, focusing on food waste and single use packaging.
  - Maximise recycling rates.
  - Reduce the environmental impact of waste activities (greenhouse gas emissions and air pollutants).
- 4.95** To achieve this the contract allows for a review of current industry recommendations and investment in alternative fuel technology for the new fleet of waste collection service, specialist Heavy Goods Vehicles, along with assessing the potential use of electric vehicles for the smaller fleet used on the street cleansing service.

- 4.96** As part of the Social Value submission Bidder A included a number of commitments to reduce the environmental impact of the service with further details set out in Confidential Appendix B Social Value.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

- 5.1** The only alternative option open to the Council is not to appoint the preferred bidder and withdraw from the procurement process.
- 5.2** In the event that the recommendation is not to appoint the preferred bidder, careful consideration will need to be given to the alternative delivery model and the service would need to explore the option of bringing these services inhouse as part of a Direct Service Operational model or through a Joint Venture through a third party. These options were considered by Cabinet in May 2023 prior to recommending the commissioning and procurement of the services through a competitive dialogue process. Given the acceptability of the bid received this is not a preferred option.

## **6 CONSULTATION**

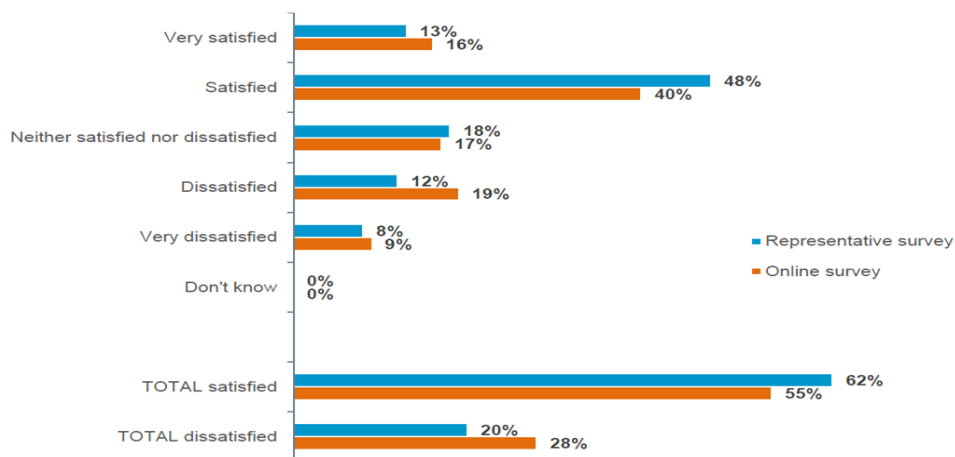
- 6.1** The Mayor of London - has significant rights and powers conferred by s353-361 of the Greater London Authority Act. The Council has a duty to give the Mayor of London two years' notice of the expiry of any waste management contract (this has been done). The Mayor of London has a right to be consulted 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 Mayor of London's Environment Strategy.
- 6.2** The Mayor of London through the GLA was consulted on the proposed specification for waste collection and confirmation was given that the proposed service requirements and frequency of collection comply with the London Environment Strategy.
- 6.3** **Member consultations** –prior to the commencement of the procurement two All Members Focus Group meetings have been undertaken which have been designed to enable elected Members to share their views and experience to help shape the design of the future service. The two sessions covered each of the main services with the first session focused on waste collection followed by the second session on street cleansing.
- 6.4** **Tenants and Leaseholders Panel**
- 6.5** In April 2023 officers from the services presented an update on the current performance of the waste collection and street cleansing service along with a high-level overview of the findings from the recent resident survey which illustrated that residents are more likely to be dissatisfied with the communal collection when compared to those with an individual waste container.
- 6.6** It is important to note that although communal collections only make up 3% of the collection service it impacts nearly 20% of our residents, as such any new contract

provision will need to differentiate between the different property types and be tailored to meet the needs of our residents.

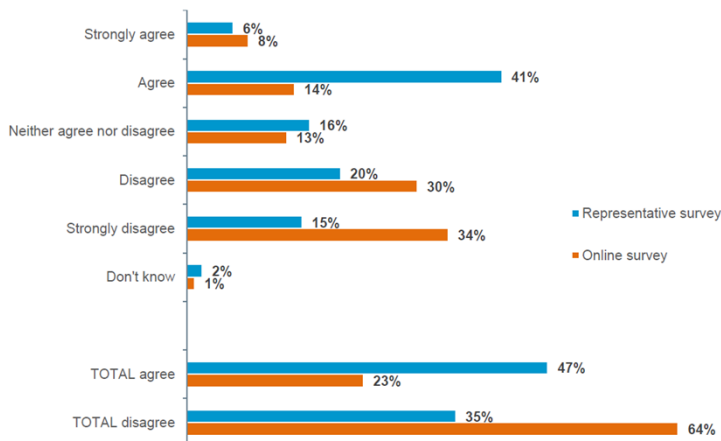
**6.7 Residents' engagement** – The Council through the SLWP commissioned Enventure Research to hear from residents what works well in the waste and street cleansing services that they currently receive, what needs to be improved and what elements of the service they value and would want to see maintained.

**6.8** In total 2,654 responses to the survey were received comprising 406 representative responses from telephone interviews and face to face focus groups along with 2,248 on-line survey responses. The two separate focus group discussions were targeted at specific property types. Group one was representatives from households with kerbside collections and group 2 was made up of representatives from flatted properties.

**6.9** In reviewing the findings for waste collection (see Graph 1 below) up to 62% of residents responded positively in regard to their overall satisfaction with the waste collection service. Those who indicated that they were dissatisfied with the recycling and waste collection service were then asked why this was. The most common response across both surveys was missed collections and bins not returned back to the original collection point.



**6.10** The resident feedback on the street cleansing service highlights that this is an area of importance to our residents and particularly the frequency of cleansing in residential roads with c35-45% of residents were satisfied with the current frequency of the service.



- 6.11** It is important to note that the needs of our residents in our housing estates and flats are different from those in houses as such the service will continue to work closely with Housing Services in designing a service which meets these needs. To achieve this representative from this service area were part of the project team and attended our dialogue discussion with bidders prior to the final submission of tenders.
- 6.12** **SLWP Triennial Survey Nov 2022-** In addition to this the SLWP has completed its Triennial resident survey. The SLWP triennial survey is a reflective, closed, invite-only consultation limited to just over 1,000 residents across the SLWP region. The survey is conducted by an independent social research company and has taken place every three years since 2010. This is a regular survey undertaken by the SLWP and the results from this survey will be used to support the delivery of the SLWP work programme and inform the development of the Joint Waste Strategy and the next Communications Strategy for 2023-2026.
- 6.13** The results from these surveys were used in shaping the design and service requirements set out in the services specification.

## **7. CONTRIBUTION TO EXECUTIVE MAYOR'S BUSINESS PLAN**

- 7.1** As a key Executive Mayoral pledge, we are committed to tackling the 'broken window effect' to improve the quality and appearance of the street space environment, to encourage investment and tackle low-level anti-social behaviour. This is supported through the contractors proposed social value on reducing crime and employment opportunities.
- 7.2** These services are directly linked to the Executive Mayor's Business Plan 2022-2026 Make our streets and open spaces cleaner so that Croydon is a place residents and businesses can feel proud to call home.

## **8. IMPLICATIONS**

### **8.1 REVENUE AND CAPITAL CONSEQUENCES OF REPORT RECOMMENDATION**

- 8.1.1** Current services are operating within the current budget provision but are under pressure. Although efficiencies have been sought and explored through the tendering exercise the final service provision is above the current contract price for 2024/25.
- 8.1.2** In anticipation of increasing cost and as part of the agreed MTFS the service budget allocation for 2025/26 includes the provision of growth of £2.5m. In addition, there is £0.125m growth for additional services including graffiti. The total growth is £2.625m. This growth is sufficient to cover the increased cost of the new contract.
- 8.1.3** It is important to note that the contract does not provide for guaranteed income from chargeable services such as Garden waste subscription, Bulky waste collection and the sale of recyclate material as such the operational cost in delivering these services

form part of the core service provision with the council retaining all the income generated from these services.

- 8.1.4** Premier Supplier Programme (PSP): The ITT pack include the opportunity for the potential Bidders to sign up for the Council's Premier Supplier Programme, to enable them to receive prompt invoice payment in return for a small discount off the Contract Price. This has not been taken up by the preferred bidder and no early payment deductions will be applied.
- 8.1.5** In addition to the revenue cost of the new contract there is a Capital requirement for the replacement of the council's waste and street cleansing fleet. This is not a new cost, and the Capital requirement will be needed for the vehicle replacement programme regardless of who or how the service is delivered. To deliver the new service there is a total capital requirement of £17.6m to fund the new street cleansing and waste collection vehicles phased in over three tranches.
- 8.1.6** Comments approved Zaber Ahmed Head of Finance and William Zellerbach, Finance Manager, Sustainable Communities, Regeneration & Economic Recovery Directorate on behalf of the Director of Finance on 6 09 2024.

## **8.2 LEGAL IMPLICATIONS**

- 8.2.1** 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.
- 8.2.2** The Council must ensure that it meets relevant statutory and other applicable obligations as detailed in the report. These obligations include the collection of waste and its disposal under the Environmental Protection act 1990, meeting carbon reduction targets and commitments made in relation to the Environment act 2021 and obligations required by the Greater London Authority.
- 8.2.3** Pursuant to clause 1 (1) of the Localism Act 2011 a local authority has the power to do anything that individual may do. The council has the power under section 1 of the Local Government (Contracts) Act 1997 to enter into a contract with another person for the provision of making available assets and services, or both, (whether or not together with goods) for the purpose of, or in connection with the discharge of a statutory function by the local authority.
- 8.2.4** The Council is required to comply with the Council's Tenders and Contracts Regulations and the Public Contracts Regulations 2015. The recommendations for a procurement using competitive dialogue approach is permitted by regulation 30 of the

Public Contracts Regulation 2015. Procurement implications within Section 8.4 confirm the compliant process undertaken.

**8.2.5** Approved by the Kiri Bailey, Head of Commercial Housing and Litigation on behalf of the Director of Legal services and Monitoring Officer.

### **8.3 EQUALITIES IMPLICATIONS**

**8.3.1** The Council has a statutory duty, when exercising its functions, to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must, in the performance of its functions, therefore, have due regard to:

1. eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.
2. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
3. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

**8.3.2** There are several equalities implications resulting from the recommendation(s) of this report. Equality assessment will need to be reviewed and amended to take into account Clinical waste, Waste containers and the provision of Assisted Collections. These will be developed through the mobilisation period prior to the commencement of the new contract. These will be aimed at those who have protected characteristics specifically for disabled and elderly residents.

**8.3.3** Current waste collection and street cleansing policies and procedures have been designed to ensure that all our residents have full access to the services. There are no planned material changes or implications that are a direct result from any of the recommendations contained within this report, as such no new Equality Impact Assessment has been undertaken regarding frequency of collection.

**8.3.4** The Contract Management Framework is required to work within the framework of the Equality Strategy 2020- 2024. The deliverables in the Equalities Strategy should be incorporated into the Contract Management Framework and policy documents as detailed below:

“Outline how the proposed contract(s) will comply with the Public Sector Equality Duty outlined in Section 4 of the EQIA; and meet the outcomes of the Council’s equality strategy, particularly:

- i. All Council contracts contribute towards delivering our equality objectives.
- ii. Council contractors are inclusive and supportive of vulnerable groups.
- iii. Ensure that every strategy, delivery plan, council contract and staff appraisal have an equality objective linked to it.
- iv. That contractors be requested to adopt Croydon’s Equality and George Floyd Race Matters Pledges.”

**8.3.5** Comments approved by Ken Orlukwu, Senior Equalities Officer, on behalf of Helen Reeves, Head of Strategy & Policy on 27/08/2024

## **8.4 PROCUREMENT IMPLICATIONS**

**8.4.1** The procurement has been carried out in conjunction with the Procurement Team supported by internal and external legal advice and technical consultants. The Council has carried out a competitive dialogue procedure allowable under Public Contract Regulations (2015). Through competitive dialogue approach the council was able to work with bidders to refine the specification, ensure risks were appropriately allocated, maximise the social value offer and ensure best value. For example, this approach has allowed us to seek innovation and new ways of addressing current challenges in services delivery such as the operational approach to Houses of Multiple Occupancy (HMO) and housing estates of differing sizes and design.

**8.4.2** With the withdrawal of the second bidder at ISDS leaving only 1 bidder in the process the Council considered its options as set out above and decided to proceed with the procurement. This was deemed to be a compliant approach. Throughout the remainder of the dialogue the Council was able to progress solutions in a constructive manner with Bidder A. The final tender was robustly assessed by a panel and moderated by the Procurement Team. In addition, the technical consultants did a comprehensive value for money review (confidential Appendix B) demonstrating how the solution offered value to money for the Council.

**8.4.3** Approved by: Matthew Devan on behalf of the Director of Commercial Investment 05 09 2024 - Approved by Strategic Procurement Manager

## **8.5 HR IMPLICATIONS –**

**8.5.1** There are no direct TUPE implications for Croydon as the staff currently carrying out the work are not employed by the council.

**8.5.2** There are TUPE implications for the current and new provider which will need to be considered as part of the demobilisation of the current contracted and staff TUPED over to the new contracted service provider for each of the SLWP boroughs in which they currently operate.

**8.5.3** If the service was to be brought back under the direct management of the council this would be managed under the councils Corporate Policies and Procedures. Consideration would also need to be given for additional resource requirements if the contract was to come back in house.

**8.5.4** There is no immediate HR impact on Croydon council in regard to this proposal, however if any should arise this would be managed under the councils' corporate policies and procedures.



**8.5.5 Approved by: Jennifer Sankar for and on behalf of Dean Shoesmith, Chief people Officer**

## **8.6 RISK IMPLICATIONS**

**8.6.1** Whilst there are many procurement challenges, timely decision making, and good consultation means that the procurement strategy and use of Competitive Dialogue enables the Council to consider all of these challenges and shape the design of the service moving forward.

## **9. APPENDICES**

### **PART A**

Appendix 1 – Service KPIs

### **Part B**

APPENDIX 1 PART B - Social Value

Confidential Appendix A - Financial Assessment

Confidential Appendix B – Social Value offer

Confidential Appendix C - Evaluation weightings and score

Confidential Appendix D - Best Value Assessment

### **BACKGROUND DOCUMENTS**

**9.1** Waste Procurement Cabinet report of November 2022

**9.2** Waste Procurement Cabinet Report of May 2023