

LONDON BOROUGH OF CAMDEN	WARDS: All wards
REPORT TITLE Environmental Services Contract Renewal (SC/2024/03)	
REPORT OF Cabinet Member for a Sustainable Camden	
FOR SUBMISSION TO Cabinet	DATE 28 th February 2024
STRATEGIC CONTEXT <p>We Make Camden has an ambition that Camden should be a clean, sustainable, vibrant, and accessible place with everyone empowered to contribute to looking after the borough and tackling the climate emergency. This procurement and investment report sets out how the Environment Services contract can support the delivery of these ambitions when the current contract with Veolia ES (UK) comes to the end of its initial period.</p> <p>These proposals respond to councillors’ and residents’ ambitions for the borough by investing in extra street cleaning to ensure Camden’s neighbourhoods are free of litter and waste, improving collections, and switching over to electric vehicles to reduce emissions and improve air quality.</p> <p>The proposals align with the Council’s Climate Action Plan and support residents to minimise waste, maximise recycling and move towards a ‘circular economy’ by using resources in a more efficient way. They prepare Camden for the implementation of Central Government’s Waste Reform proposals over the coming years.</p>	
SUMMARY OF REPORT <p>The Environment Services contract with Veolia ES (UK) started on 1 April 2017 for an initial period of 8 years to March 2025. The 2017 contract met a £5m savings target in line with Camden’s Financial Strategy 2015-2018 and provided additional savings of £495k. This paper reviews the options now available for the Council from April 2025 which are to either extend with Veolia, procure or insource.</p> <p>At the heart of this report is our commitment to delivering high-quality services to Camden’s communities. Residents’ and councillors’ views on the services delivered over the last seven years has been fundamental in shaping the future contract.</p> <p>We propose to invest further resources into services in order to keep Camden as clean as possible within the financial constraints currently imposed on local authorities.</p> <p>Independent benchmarking shows that collections, street cleaning and other services delivered via the contract have performed well overall when compared to six other local authorities.</p>	

Camden and Veolia have over the seven years used the flexibility built into the contract to adapt to meet challenges such as extreme weather, the covid-19 pandemic and heavy goods vehicle (HGV) driver shortage. Inflationary pressures and long-running uncertainty around Government legislation create risk and increase costs.

Community feedback, contract performance and benchmarking report findings meet our We Make Camden ambitions and highlighted areas for improvement and investment.

This investment will make sure Council services deliver for the people of Camden by keeping our streets clean, taking action against littering and fly-tipping, improving collections, and bringing forward electrification of contract vehicles. The proposals will provide an initial boost of 14 electric collection vehicles that will reduce the impact of operations on the local environment and contribute to the outcomes in the Clear Air Action Plan.

Local Government Act 1972 – Access to Information

No documents that require listing were used in the preparation of this report.

Contact Officer:

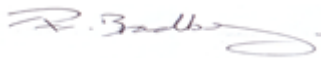
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RECOMMENDATIONS

That the Cabinet agrees:

1. To extending the existing Environment Services contract for 8 years from 1st April 2025, as permitted under the original terms of the contract.
2. To delegate authority to the Executive Director Supporting Communities, in consultation with the Cabinet Member for a Sustainable Camden to approve any final minor amendments to the contract extension.
3. An increase in the annual budget of £3.025m from 2025/26 to fund the contract extension

Signed:



Richard Bradbury, Director of Environment and Sustainability

Date: 15 February 2023

1. CONTEXT AND BACKGROUND

1.1 The Environment Services contract with Veolia ES (UK) comes to the end of its initial 8-year term in March 2025 and options for its renewal contribute to We Make Camden's aim to be a green, clean, vibrant, accessible, and sustainable place where everyone is empowered to contribute to tackling the climate emergency.

1.2 Reviewing performance and benchmarking with six other local authorities identified the service is performing well overall, with both strengths and opportunities for improvement. This, alongside an engagement exercise undertaken in the Summer of 2023 (Section 2), enabled Camden to hear in more detail about what is important to residents and stakeholders, what they thought of the current arrangements, and how we could adapt and invest in services to meet residents' and councillors' priorities and ambitions. This paper uses these findings to review the contract options and makes recommendations for the Environment Service Contract to ensure Council services are responsive in keeping our streets clean.

2. Resident feedback: performing well and where to improve

2.1 Over Summer 2023, Camden engaged with residents and stakeholders on the Environment Services contract to gain a deeper understanding of what is performing well, what could be better and what change would they like to see for the future. Engagement included a facilitated resident workshop, a boroughwide survey, in-depth resident diaries about their service experience with interview and feedback from internal teams. The full report is available in Appendix 4. The survey was designed to align with the Good Life Camden framework to gain an insight into residents' experiences of Camden's waste, recycling and street cleansing services, and over 800 responses were received.

2.2 Overall, residents felt happy with where they live but highlighted litter, cleanliness of streets, missed and irregular collections and fly tipping as their main areas for requested improvement. Residents were keen to praise the work of street sweepers and said they would like to see more sweeping. Fly-tipping was raised as a key issue, although many felt these were cleared quickly and said they find the Love Clean Streets app to be a very helpful reporting tool.

Cleaner streets, improved collections, new electric vehicles

2.3 It was suggested there should be more public education to ensure that people understand how to manage their waste and recycling, so residents and businesses are more accountable for their waste. What participants felt should be priorities for future service were:

- Cleaner streets via more litter bins, frequent emptying & street cleansing
- Improved collection service efficiency, with fewer missed collections
- Tackling fly-tipping
- More education on how to use services and better signage.
- Better provision for flats above shops to reduce refuse bags left on-street.
- Transitioning to a greener vehicle fleet

- 2.4 These priorities have been grouped into three themes which are: clean streets; improved collections; and electrification of the vehicle fleet.
- 2.5 Alongside the engagement exercises, Camden has ongoing monitoring of residents' experience of contacting Veolia's customer service centre. This is measured through a Gov Metric telephone survey, which is completed by the resident at the end of the call. The survey shows positive feedback to date, with over 90% of residents stating it was easy to contact the call centre, the call was handled professionally and politely and that the officer understood the issue raised. The survey is used ongoing to clarify training needs for the customer service centre team and allow the call centre manager to follow up on issues.
- 2.6 The community engagement, partner feedback and the resulting themes feed into and support service investment including electrification of the contract fleet, outlined in Section 3, and the Environment Service contract renewal options.

3. Investing in residents' priorities

3.1 The engagement work undertaken in summer 2023 (Section 2) highlighted areas residents would like to see improvements and investment. These align with We Make Camden ambitions, climate commitments and findings from the performance review. There are three themes of investment and improvement which are clean streets, collection services and electrification of fleet, which are discussed below. These investment areas are being developed to ensure value for money alongside the preferred contract renewal option.

3.2 Clean Streets for our communities

3.2.1 Clean streets are important to Councillors and residents. Since 2017, the Council and its contractors have succeeded in the face of financial constraints to meet the required standards of street cleanliness.

3.2.2 The Council now proposes to invest £1M in street cleansing. This proposal includes new flexible resources that can be deployed quickly to rectify issues, improve standards on high streets, and take action in other locations where standards could be improved. This includes an enhanced nighttime cleansing service to support the nighttime economy and a multi skilled cargo bike service carrying out reactive works over the length of the high streets including empty overflowing litter bins, clearing small piles of dumped waste, painting out shop fronts and other graffiti, removing small fly posters. A pavement jet washer service will do a deep clean, scrubbing pavements to restore cleanliness, clean around street furniture and deliver an ongoing service to maintain standards.

3.2.3 The Council will also bring forward further investment in litter bin provision, community skips events, beautification of fly-tipping hotspots (designing out issues), and further development of the Love Clean Streets app. This will help to keep streets clean and ensure issues can be resolved quickly.

3.2.4 The proposed £1M investment will be considered by the Cabinet as part of the 2024/25 Revenue Estimates and Council Tax Setting report being considered at Cabinet on 28th February alongside this report.

3.3 Improved collections

3.3.1 To create places that feel safe and clean, it is important to invest in collections that meet local needs, are regular and reliable, and keep streets free of waste. This investment proposal includes extending collection time bands on Kilburn High Road, Cricklewood Broadway, Mill Lane, and South End Green Road in the afternoon and early evening, and expanding waste storage for flats above shops, which was successfully tested in West Hampstead to keep waste bags off the street, alongside improving estate recycling facilities and providing a modern responsive business waste service.

3.3.2 A communications campaign will launch the new service to raise awareness and highlight the activity of our street cleaning services, clean-ups and interventions.

3.4 New electric vehicles

3.4.1 The contract extension includes a commitment to an initial 14 electric waste / recycling collection vehicles, with scope for additional vehicles, supporting waste and recycling collections and many other services.

3.4.2 [Camden's 2025](#) vision identifies clean air as a priority for Camden citizens and the [Clean Air Action Plan](#) 2023-2026 was launched which requires Camden to find solutions for improving air quality targeting specific areas, which includes reducing emissions from Camden's fleet, road vehicles, services and freight. Road transport-based emissions account for approximately 30.9% of all nitrogen dioxide and 19.6% of ultra fine particulate matter emissions in Camden, thus representing a significant contributing sector to air pollution in the borough.

3.4.3 Investing in electrification of the 130 fleet vehicles for delivery of these services is essential to meet these commitments but requires significant capital investment of around £20m and development of supporting electrification infrastructure at depots and across Camden. Evaluation of fleet electrification is being developed alongside a depot strategy to ensure the contract can transition as soon as possible taking into account infrastructure, funding opportunities, developing technology and availability of some specialised vehicles as electric, value for money and ability to adapt to changes in legalisation. All vehicles possible will be electrified by the end of the contract.

4. PROPOSALS AND REASONS

4.1 Environment Services Contract overview and options

4.1.1 The Environment Services contract with Veolia started on 1 April 2017 for an initial period of 8 years to March 2025, with the option for the Council to extend for further from between 1 to 8 years by mutual agreement and on the same terms as the original contract. The 2017 contract met a £5m savings target in line with Camden's Financial Strategy 2015-2018 and provided additional savings of £495k.

4.1.2 Current services in the contract include household and businesses waste and recycling collections, street cleansing, removal of fly-tips, winter maintenance and customer services including call centre and communications. The contract uses an 'output' specification where Veolia are required to meet certain standards such as the cleanliness of streets. Veolia are free to determine the resources required to meet these requirements.

4.1.3 Inflationary pressures, in particular fuel and labour have risen sharply in recent years placing a strain on both local authorities and contractors. Indexation mechanisms in the current contract have not kept pace with the increased costs and recruitment of staff has been a key issue particularly for positions such as Heavy Goods Vehicle (HGV) drivers. A number of large procurements are currently taking place across the environmental services market, putting pressure on contractor's bid teams, and there is uncertainty regarding upcoming waste legislation through Deposit Return Scheme, Extended Producer Responsibility and Simpler Recycling.

4.1.4 All options require large capital investment for the electrification of fleet vehicles and any supporting infrastructure. This paper reviews the contract renewal options which are:

Option 1: Contract Extension: An 8-year extension of the current contract.

Option 2: Re-procurement of services.

Option 3: Inhouse service provision.

4.1.5 The current contract performance along with feedback, investment, risk, and value for money are all considered in reviewing the contract renewal options.

4.2 Environment Services Contract Performance

4.2.1 The Environment Services contract has an 'outcome-based' specification that informs Veolia of the service standards that must be met but not the methods of delivery needed to achieve these outcomes. The 4 contract outcomes are:

- Increased local employment opportunities and local economic development
- Managing Camden's local environmental quality to an agreed standard
- Maximum recycling - minimising waste and driving up reuse and recycling
- Driving extra surplus from business recycling and waste services

4.2.2 The flexible 'outcomes-based' approach has enabled the contract to continue delivering through challenging circumstances. It has maintained services through the pandemic and continuing HGV driver shortages and responded well to extreme weather events such as flooding, heatwaves and high winds. The contract responds well to service requests, meeting service level agreements (SLAs) in most requests and is responsive to urgent and high-level incidents such as the flooding in Belsize Road in 2022 and reports of offensive graffiti. Inflationary pressures have placed a strain on the existing contract with the indexation mechanism not reflecting the sharp increases in fuel and labour prices.

4.2.3 Service performance is measured through 24 key outcome targets, and each have performance deduction costs for any target failures. These are reviewed and agreed with Camden monthly, and since the start of the contract in 2017,

deductions have steadily decreased per annum resulting in an overall 75% decrease between 2017/18 and 2022/23, which highlights ongoing improvement.

- 4.2.4 Camden's current recycling rate is 27.5% for 2022/23. Following a drop in 2019/20, which was due to changes in transfer station operations, data management and procedure, Camden's recycling rate has steadily increased and maintained similar levels since 2020/21.
- 4.2.5 The Love Clean Streets app and its integration into systems and continued development has worked well in providing a quality, fast way for residents to report issues and for the contract to respond, report data and action service requests. Effective reporting through the Love Clean Streets app increases the number of reported fly tips, with 99% of those reported cleared with the service level agreement of one working day which is also reflected in the Keep Britain Tidy cleaning survey results, Appendix 1. Whilst behaviour change is encouraged, tough enforcement is taken against those caught fly tipping.
- 4.2.6 The contract has delivered social value to Camden including offering employment to Camden residents, an HGV training programme, apprenticeships, student placement and supporting school projects. Various effective projects to reduce waste, increase recycling and improve the street scene have been completed and have potential to be expanded into any contract extension. This includes targeted food waste campaigns, fly-tip and contamination action plans and trialling on-street waste storage for flats above shops.
- 4.2.7 Whilst the contract has performed well there are areas of improvement and opportunities that the Council wishes to pursue. A review of the contract performance showed that the standards of streets from presence of litter dipped in 2022/23 although these recovered in early 2023/24); graffiti and flyposting have increased since the pandemic; and whilst missed collections have remained at service level standards there are some issues at complex collection points, which could be improved through better collaboration to devise long term solutions. As the needs of the borough change, it is important to ensure cleansing schedules are flexible and place a greater focus on retail, commercial and areas of high footfall. Further details in Appendix 1.
- 4.2.8 ReLondon were commissioned to undertake benchmarking of services and their findings showed Camden was inline or exceeding comparable environment services contracts across London. The full report is in Appendix 3 and a summary of their findings were:
- Levels of litter and detritus were better when compared with the London benchmark, but worse for flyposting and graffiti.
 - Daily sweeps of all main roads/high footfall areas are the minimum standard across benchmarked boroughs.
 - Camden provides a good recycling and waste service but this could be improved on estates.
 - Camden has low waste and recycling levels which reflect local factors.
 - Camden faces challenges in increasing recycling due to high number of flats, low home ownership and low garden waste levels (few gardens).

5 OPTIONS APPRAISAL

5.1 Environment Services contract options are to extend the existing contract for 8 years, re-procure the services through a new procurement exercise or bring the services in-house. Analysis of these options are in section 5.5 below and summarised in Table 1.

5.2 Option 1: Contract Extension

5.2.1 The contract has performed well overall, Veolia has extensive knowledge of the contract services and their resilience through covid, and the HGV driver shortage evidenced how they can work with the Council to manage risks. They have delivered additional savings and adapted the contract to try new things such as alternative collection methods and continued the development of the Love Clean Streets app to provide a responsive way for residents to engage with the Council and resolve issues. Benchmarking shows that the contract is either in line with or exceeding comparable contracts across London.

5.2.2 The contract extension must be by mutual agreement and is an extension of the existing contract. Minor amendments can be made through the existing contract mechanisms. Camden procured Eunomia consultants to support with Veolia negotiations due to their industry leading sector knowledge and experience conducting similar negotiations for a number of London boroughs. A series of seven negotiation meetings were held in line with a negotiation strategy to review and discuss the existing contract, risks and investment areas, which resulted in a Veolia extension proposal that includes fleet electrification and commercial waste annual revenue.

5.2.3 Inflationary pressures have placed a strain on the existing contract with the indexation mechanism not reflecting the sharp increases in fuel and labour prices which has resulted in an increase in the cost of a contract extension. Extending the current contract provides a low-risk option due to the proven experience and large number of procurements currently being undertaken in this sector.

5.2.4 The preferred option is to extend the current contract which will cost Camden an additional £3,025,000 in 2025/26 with indexation applied to each following year. This option includes introduction of 14 electric refuse collection vehicles (eRCV) at the start of the contract extension, alongside hiring the other collection vehicles, to enable the option to introduce more further down the line as quickly as possible as the technology and infrastructure advances and develops.

5.3 Option 2: Procurement

5.3.1 Whilst it is felt that the market, which consists of five major operators (Biffa, FCC, Serco, SUEZ and Veolia) may be interested in tendering for this contract, Eunomia has indicated that expected contract prices received during the procurement process would also be in excess of the current contract price and there is a risk of getting the same contractor at a greater cost than the contract extension offer. This option therefore represents additional financial risk to the Council.

5.4 Option 3: In house

5.4.1 The financial impact of internal provision has been modelled using various assumptions including the impact of differences in pay and conditions, efficiency of use of labour, cost of vehicles and other supplies, and the requirement for profit. Overall, the modelling suggests that the cost of providing the service in-house would be between £7.3m and £9.6m per annum before indexation more than option 1 to extend the contract. These figures take into account the absence of a guaranteed revenue available in option 1.

5.5 Contract recommendation

5.5.1 Following the options appraisal considering the reputational and financial risks, the performance of the existing contract and the inflationary pressures which have led to the increased costs in the extension proposal, an eight-year extension of the existing contract with Veolia is the preferred option.

5.5.2 All options for contract renewal represent an increase in contract costs, however extending the current contract with Veolia would be qualitatively the most suitable option and lowest cost, with the added value of a guaranteed commercial waste rebate per annum and introduction of 14 electric collection vehicles at the start of the contract.

5.5.3 Table 1 compares the finances of each option, highlighting the estimated additional annual revenue costs of £3.025m for a procurement and £7.3m - £9.6m for insourcing.

Table 1. Financial summary of each option (excluding fleet electrification capital)

Option	Additional annual revenue cost
1 Contract Extension (preferred option)	£3,025,000
2 Contract re-procurement	N/A – see 5.3.1
3 Inhouse service	£10,325,000 - £12,625,000

5.5.4 The final contract offer requires further minor amendments and it is recommended that the Executive Director Supporting Communities in consultation with the Cabinet Member for a Sustainable Camden approve the final extension offer and notice is serviced to Veolia in June 2024 to provide 9 months' notice for the contract extension commencement in April 2025.

6 WHAT ARE THE KEY IMPACTS/ RISKS? HOW WILL THEY BE ADDRESSED?

6.1 Of the three options, the recommended option provides the least financial and reputational risk for the Council, and external provision allows the Council to transfer risks associated with delivery of the service to the contractor. Risks regarding agreeing terms for a contract extension which meet the Council's objectives have been managed through proposal negotiation meetings with Veolia. The London Living Wage is incorporated into the mechanisms of the contract to ensure it is paid to all staff, which aligns with Camden's commitments.

6.2 Equality Impact Analysis (EIA)

6.2.1 The EIA assessment, Appendix 2, highlighted that older, pregnant or disabled people may experience difficulties putting out waste containers on-street for collection. This would continue to be mitigated through Veolia's provision of

the assisted collection service which would be monitored to ensure those who require support are receiving a suitable service.

7 CONSULTATION/ENGAGEMENT

- 7.1 A borough-wide resident survey alongside a resident workshop, diary and in-depth interviews plus engagement with internal stakeholders was carried out over Summer 2023 to get a better understanding of what works well, what could be better and ideas for a future service, which is outlined in Section 2 and Appendix 4.

8 LEGAL IMPLICATIONS

- 8.1 The Council is required to carry out its procurement activities in accordance with the Council's Contract Standing Orders (CSOs) and the Public Contracts Regulations 2015 ("PCR").
- 8.2 The report proposes the extension of the contract (which was procured in a PCR compliant way) as expressly permitted under the terms of the contract. The extension is therefore considered to be in accordance with the requirements of PCR and CSOs.
- 8.3 Clause 2.3 of the contract contains extension option expressly allowing for variations to services provided they are permitted under the mechanisms in the contract. The extending option is not a modification to the contract which has to be permitted under one of the "safe harbours" under Public Contract Regulations reg.72 allowing for modification of a contract during its term but rather is a utilisation of an existing contractual option to extend as provided for in the Change mechanism in the original contract. Similarly, the proposed pricing revisions would be agreed through utilisation of Annual Price Review procedure already built in to the original contract. Notwithstanding the express terms for modifications under the contract, if PCR reg 72 were to apply the modification would not render the contract materially or substantially different in character from what was originally procured¹. The extension is therefore considered to be in compliance with the requirements of CSOs and PCR.
- 8.4 It should be noted that the negotiations of the extension were also supported by external legal advice.
- 8.5 When making their decisions Cabinet Members must take into account the Council's equality duties. In summary, these legal obligations require the Council, when exercising its functions, to have 'due regard' to the need to: eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act; to advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and foster good relations between people who share a relevant protected characteristic and those who do not (which involves tackling prejudice and promoting understanding). Under the Duty the relevant protected characteristics are Age, Disability, Gender reassignment, Pregnancy and maternity, Race, Religion, Sex, Sexual orientation. In respect of the first aim, the protected characteristic of marriage and civil partnership is also relevant.

¹ *James Waste Management LLP v Essex County Council [2023] EWHC 1157 (TCC)*

9 RESOURCE IMPLICATIONS

- 9.1 The Environment Services contract is one of the Council's largest contracts. The contract value in 2023/24 was £18.878m and as such represents a significant annual investment in the cleanliness of the borough. £11.358m of the total contract value is cleansing, £6.653m waste & recycling collection and £0.867m other contract costs. This does not include the business waste element of the contract which generates a revenue for the Council.
- 9.2 The financial impacts of the three options are set out in Table 1 above. The preferred option is estimated to cost £3.025m more in 2025/26 than 2024/25, the final year of the current contract. Indexation will apply in each subsequent year of the contract. This option also includes guaranteed revenue from the business waste element of the contract.
- 9.3 However, alongside this increased contract cost are the costs of the service investment set out in Section 2.8. In the 2024/25 Council budget setting report elsewhere on the February 2024 Cabinet meeting agenda, the Cabinet is asked to allocate an additional £1M to meet the costs of the service investment. This would bring the total contract value to c.£25.1m per annum in 2025/26 including the guaranteed business waste revenue.
- 9.4 There are significant additional costs associated with the electrification of the vehicle fleet which go hand-in-hand with the preferred option. By agreeing to Option 1, the Cabinet is also committing itself to significant investment in the fleet. Camden pays for and owns the fleet, but Veolia procures the vehicles on the Council's behalf to enable it to benefit from Veolia's position in the market. The total capital investment is estimated to be in the range of £13.6m to £20.6m. Assuming the capital investment would be funded by borrowing and factoring in a number of other revenue impacts associated with the roll out of an electric fleet, the total annual revenue impact in addition to the increase in contract cost set out in Table 1 above would be between £2.500m and £3.495m.
- 9.5 The service will continue to work with Veolia to firm up the capital investment requirement for the electrification of the fleet and the capital budget will be formally requested from Cabinet at its July 2024 as part of capital budget setting for 2024/25.

10 ENVIRONMENTAL IMPLICATIONS

- 10.1 Extension of the current Environment Services contract, alongside further consideration of investment areas will increase recycling, reduce waste, maintain a clean environment, move to a circular economy and decarbonise the fleet therefore supporting Camden's ambition to be green, clean, vibrant and sustainable.

11 TIMETABLE FOR IMPLEMENTATION

- 11.1 Final amendments to the contract will be negotiated with Veolia with the final contract extension offer approved by the Executive Director Supporting Communities in consultation with the Cabinet Member for a Sustainable Camden in May 2024. Notification of extension served to Veolia in June 2024

to enable mobilisation of any amendments for contract extension commencement on 1st March 2025.

12 APPENDICES

- Appendix 1: Veolia performance report
- Appendix 2: Equality Impact Assessment
- Appendix 3: ReLondon benchmarking report
- Appendix 4: Engagement report

Part II appendices:

- Appendix 5: Part II Confidential Appendix (NOT FOR PUBLICATION)
- Appendix 5A: Part II Confidential Appendix (NOT FOR PUBLICATION)
- Appendix 6: Part II Confidential Appendix (NOT FOR PUBLICATION)
- Appendix 7: Part II Confidential Appendix (NOT FOR PUBLICATION)
- Appendix 7A: Part II Confidential Appendix (NOT FOR PUBLICATION)

REPORT ENDS