

PLACE OVERVIEW AND SCRUTINY SUB-COMMITTEE

Subject Heading:

FCC Contract Review

SLT Lead:

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Policy context:

Corporate Plan: Continuing to deliver a green borough

Financial summary:

Contract costs are laid out in paragraph 6.1, currently totalling £13.5m per annum.

The subject matter of this report deals with the following Council Objectives

People - Supporting our residents to stay safe and well

Place - A great place to live, work and enjoy **X**

Resources - Enabling a resident-focused and resilient Council

SUMMARY

The integrated waste, recycling and street cleansing contract was awarded in January 2022, and commenced in October 2023. This report provides an overview of the procurement, award and first year of the contract's operation.

RECOMMENDATIONS

Members are requested to note the contents of the report.

REPORT DETAIL

1. **Contract Award**

- 1.1. The award of the integrated contract for Waste, Recycling and Street Cleansing was agreed by Cabinet in January 2022, with the successful bidder being Urbaser Ltd (now absorbed into FCC Environment). This followed a lengthy competitive process that initially commenced in 2019 with the development of a draft specification, followed by a period of soft market testing to understand the appetite within the industry for a contract of this type and size. The tender itself was expected to commence in 2020, however due to Covid-19 a number of bidders felt they were unable to proceed, and it was decided that a pause on the procurement process would be in the council's best interest.
- 1.2. The market testing recommenced in 2021, followed by a cabinet report to commence the formal tender exercise, of which five suppliers notified Havering of their intention to bid. Following the pre-qualification stage, four of the suppliers were invited to proceed, and one of these subsequently removed themselves from the process due to a lack of available resource.
- 1.3. The competitive dialogue process consisted of 7 sessions with each bidder, with a Havering team taking part, comprising representatives from the service and key business partners. The sessions were led by environmental consultants, Eunomia, who have a wealth of experience in this area.
- 1.4. Havering's specification included the following strategic outcomes, which would need to be addressed in the bidders' final submissions:
- 1.5. Strategic Outcome 1: The Contractor delivers waste collection and street cleansing services which make Havering Cleaner, Safer, Prouder, Together
- 1.6. Strategic Outcome 2: The Contract delivers maximum value for money for the cost of the service and achieves the Authority's outcome of maintaining and enhancing its financial position
- 1.7. Strategic Outcome 3: The parties work together and share their respective responsibilities to implement the waste hierarchy
- 1.8. Strategic Outcome 4: Technological change is embraced throughout the Contract and opportunities offered by rapid technological advancements are harnessed

1.9. To support the above, the competitive dialogue sessions covered the following topics:

- Legal and Contract questions and comments
- Payment & Performance Mechanisms including labour indices, bidding assumption prices, risk pricing, affordability and Key Performance Indicators
- Vehicle & resource schedules
- Depot discussions and updates including leases and licences
- Management Information System demonstrations and discussions
- Waste & Recycling collection service delivery and operational matters
- Street Cleansing operational matters.

1.10. The process allowed Havering and the bidders to discuss the specification of the contract against the budget envelope, which was the existing waste and street cleansing budgets combined, enabling both parties to understand each other's priorities, and the different elements of the contract that would affect the price, whilst factoring in any economies of scale brought about by combining the two services under one provider. The sessions also led to Havering offering Central Depot as a waste collection depot, which was subsequently accounted for within the financial model. The bids of each bidder were then refined between the ISDS stage and the submission of their final tender.

1.11. The three Bidders submitted their ISFT submissions by the deadline in August 2022, and the final evaluation was split 50:50 between price and quality to ensure that sufficient consideration was given to the submitted method statements. The quality section of the service was split into the following criteria, with the main weighting being on the service delivery methods:

Tier 1	Tier 2	Max Points Available at ISFT
Quality Criterion	Management and Culture	50
	Social Value	20
	Operations	130
	Deliverability	50
	Service Delivery Method	230
	Service Delivery Method for Health and Safety	20
Total		500

1.12. The evaluation team included personnel with different specialisms to offer, who could focus on key aspects of the bids:

- Waste and street cleansing operations and waste flow model: Havering waste team and external specialists
- Financial model: Havering Finance business partners
- Information technology and data security: Havering IT business partners
- Depot management and leasing: Havering asset management team

1.13. Urbaser's represented the most economically advantageous bid whilst also scoring very highly in the quality assessment, demonstrating that the company would be capable of delivering the specification set out by Havering. The company's method statement included innovative offerings around street cleansing methods and data integration, as well as notable elements of social value.

2. **Depot**

2.1. For previous waste collection contracts, suppliers had included their own depots in the bids and subsequent service delivery. However, during soft market testing for the Integrated Waste, Recycling and Street Cleansing Contract, the absence of a waste depot was flagged as a considerable risk due to the lack of suitable land available within the borough. It was therefore decided to include the option of leasing out part of Central Depot in Rainham for the waste collection operations, and retaining Harrow Lodge depot for street cleansing operations.

2.2. The contract price assumptions used within the tender documents included the use of a depot to ensure a level playing field for bidders, with bidders retaining the option to either use a Havering depot or one of their own.

2.3. Central Depot was subsequently upgraded to accommodate a full waste and recycling collection service personnel, vehicles, back office and equipment. There were capital costs involved in this upgrade, totalling £4.2m (including relocating the Council's Highways fleet and operations), with annual lease costs of £0.120m, which would otherwise have been added to the contract costs, should the supplier have used their own depot. The procurement of these works were agreed via Key ED in November 2022. The supplier is responsible for all utility costs and upkeep associated with the running of the depot.

3. **Key performance indicators:**

3.1. The KPIs for the contract are laid out in Appendix 1. Members Handbook, with further details provided in sections 7 and 8 of this report. They were devised to provide value-for-money whilst reflecting common indicators and performance seen in other contracts of a similar nature. The waste KPIs are

more ambitious than with the previous contract with Serco, whilst the street cleansing specification reflects standards shown in the government's [Code of Practice for Litter and Refuse](#), with KPIs related to the amount of time required to rectify any locations dropping below these standards. Financial penalties are imposed where KPIs fall below the prescribed threshold.

4. **Contract monitoring:**

4.1. Contract monitoring is carried out in a number of different ways:

- **Monthly report from FCC:** The raw data is accessible by Council officers to enable it to be verified.
- **Street Cleansing Monitoring:** The contract monitoring officer aims for 50 inspections per month at present, to check that roads are being cleansed to standard. Where they fall below standard, a rectification notice is raised via the management system. The grading system utilised is nationally recognised, with examples shown in the Members' Handbook. Spot checks are also carried out on service requests such as fly-tipping reports to check that clearance has taken place.
- **Supervisor monitoring:** This includes checking on work reported as completed by crews, as well as checking that roads are within the standards set out, and directing crews accordingly if roads fall below standard.
- **Joint monitoring:** Havering's Monitoring Officer and FCC's supervisors regular carry out joint inspections together to look at cleansing standards, as well as crew behaviours and safe working practices. This helps to ensure that both parties are working and monitoring to the same standards.
- **Complaints monitoring:** Carried out by Havering officers to identify and address any recurring issues.

4.2. The contract team also deals with the general running of the contract, and administration of items such as container distribution. For example, the team manages the siting and replacement of street litter bins, but works with the contractor, the council's Enforcement team and ward councillors, as well as using littering data to understand hotspot areas before deciding on the locations. Bins are removed if abused, for example where they have previously been set on fire.

5. **Governance / management:**

5.1. There are three key groups that meet to review the contract:

- **Contract Partnership Board:** To meet quarterly, or less frequently if agreed, and act as a strategic forum for contract improvement and development. Comprises of senior management from Havering and FCC.
- **Contract Management Group:** Meets monthly, and comprises Havering's Waste and External Contracts Manager or Head of Service, Assistant Director, FCC's Regional Manager and Senior Contract

Manager. Discusses monthly performance management report, service improvements, and any escalated issues.

- **Contract Operations Group:** This consists of Havering's contract monitoring team and FCC's operational managers. It focuses on the day-to-day running of the contract, and any key matters arising.

5.2. FCC and Havering also convene with other groups, including:

- Weekly Street Cleansing and Enforcement catch-up
- Monthly Health and Safety meeting
- Where We Live engagement campaign meetings

6. Service costs

6.1. The total service cost and previous service costs are shown below. The previous service costs do not include expected inflationary uplift, which for the Serco contract was approaching £0.400m per annum, with staff costs for Street Cleansing also experiencing annual pay awards / uplift, which would have accounted for a further £0.100m this year.

6.2. Current Service with FCC

	Core service (£m)	Rate items (£m)	Total (£m)
Waste/Recycling	7.378	0.132	7.51
Street Cleansing	5.902	0.175	6.077
			13.587

6.3. Previous services (*does not include inflationary uplift of approx. £0.500m*)

	Core service (£m)	Rate items (£m)	Total (£m)
Waste/Recycling (Serco)	6.619	0.233	6.852
Street Cleansing (in-house)	6.215	0	6.215
			13.067

6.4. The services above are split into core and rate items. Examples include:

Core Services	Rate Items
Waste and recycling collections	Bulky waste collections
Garden Waste collections	Ad hoc clinical waste collections
Scheduled clinical waste collections	Bin deliveries
Street cleansing inc. Romford Market	Out of hours emergency cleansing e.g. RTAs
Fly-tip removal	Fly-tip or graffiti removal on private land
Graffiti Removal	Ad hoc rubbish clearance e.g. special events
Annual leaf clearance	Deep cleans of pavements and street furniture
Weed treatments	Litter bin installations

7. Service standards – Waste Collection

7.1. The waste collection service incorporates all materials previously collected, plus some new offerings to help Havering fulfil its obligations under the Environment Act 2021:

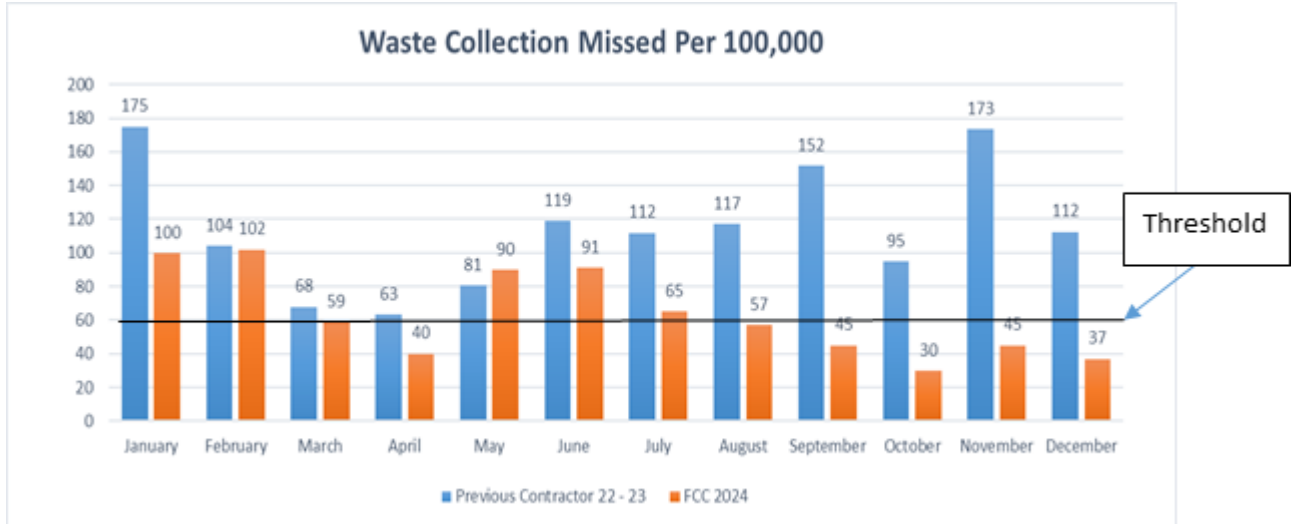
All properties (orange sacks)	Kerbside Properties
Paper/Card	Batteries
Food / Drinks Cans	Small electrical items
Plastic bottles	Clothes – NEW
Plastic pots / tubs / trays – NEW	Coffee pods - NEW
Glass bottles / jars – NEW	

7.2. All collections are weekly, and there are performance indicators in place for missed collections per 100,000 households, and the rectification of missed collections.

7.3. Kerbside collections take place in split back vehicles to enable one pass per household for both black sacks and recycling (one material stream in each side), with a container at the bottom of the vehicle to accommodate batteries, small electrical items, clothes and coffee pods. The council is able to penalise the contractor where there is evidence to show that materials have been mixed in the wrong compartments.

7.4. 360 degree cameras on the vehicles help to both monitor collection methods for both consistency and health and safety purposes, as well as provide evidence in the event of insurance claims or other incidents. This also assists with issues around access, to evidence where there are recurring problems.

7.5. Access issues are monitored to understand the cause of the problem (usually parked vehicles obstructing access), and FCC supervisors will work with waste officers and enforcement officers to come up with solutions – either walking the waste out, attending at different times or days, or changing the vehicle used.



7.6. The above chart shows a comparison from the previous contractor in blue and FCC in orange, depicting the number of missed collections per 100,000 households. The chart shows that compared to the previous contractor FCC are performing a lot better overall with the service performance being below the council’s stipulated 60 per 100,000 threshold for over half the year.

7.7. The waste service is delivered with a mixture of vehicles. There are 32t & 26t split body dustcarts, a narrow access vehicle, vehicles with lifts for bin collections on high rise and garden waste services; as well as box vehicles for clinical and bulky waste collections.

8. Service standards – Street Cleansing

8.1. The borough is split into different zones, which focus on key land uses and footfall. These were devised as part of the contract specification, and provide the contractor with requirements relating to rectification times for any street cleansing reports raised.

Zone	Grade Required after Cleansing	Response time to restore land to correct cleanliness standard within Operational Hours
1+ (Romford Town Centre)	A	From Grade B: 2 hours From Grade C: 2 hours From Grade D: 1 hour

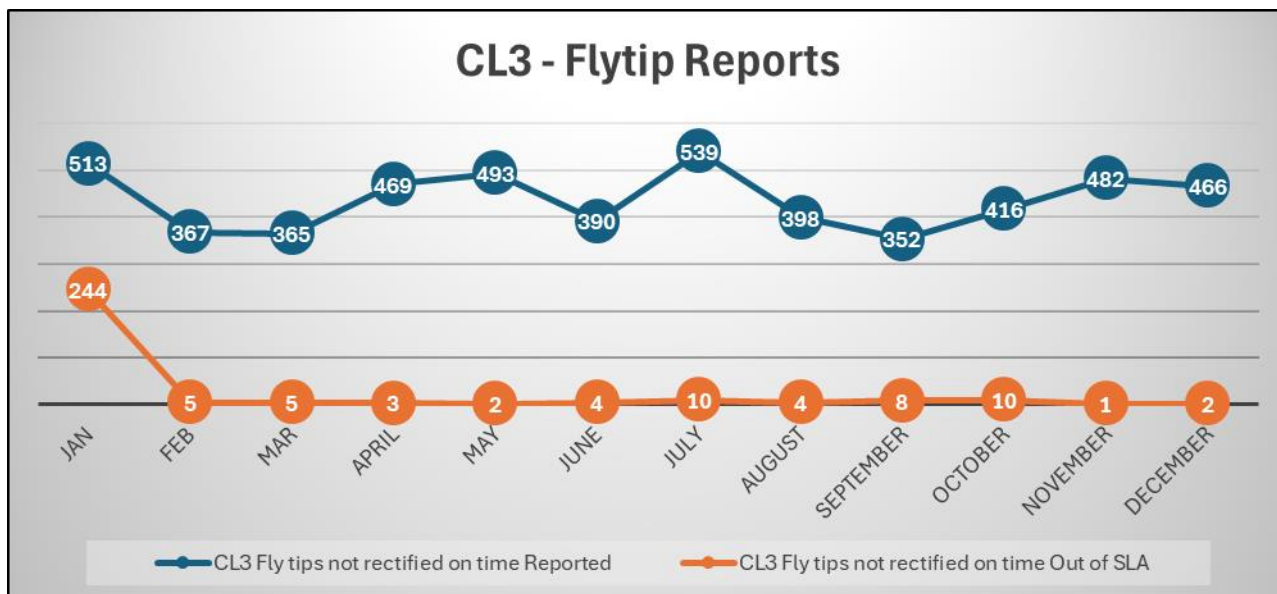
1 (all other Town Centres, shopping centres, areas where people congregate)	A	From Grade B: 3 hours From Grade C: 2 hours From Grade D: 1 hour
2 (streets that have high footfall, high density housing, other shopping areas, and/or and educational establishment on them)	A	From Grade B: next scheduled sweep From Grade C: 1 Working Day From Grade D: 1 Working Day
3 (everyday areas including most low and medium density areas)	A	From Grade B: next scheduled sweep From Grade C: 1 Working Day From Grade D: 1 Working Day
6 (industrial, warehousing, trunk roads)	A	As for the standard of the surrounding streets
7 (Rural Roads)	A	From Grade B: next scheduled sweep From Grade C: 3 Working Days From Grade D: 2 Working Days

- 8.2. The standards for fly-tip removal also correspond with the cleansing zones as follows:
- two hours within Zones 1+ and 1; and
 - twenty-four hours in all other Zones.
- 8.3. If the fly-tipped or abandoned waste is greater than 2 cubic metres the additional time may be allowed.
- 8.4. The street cleansing service sends out 10 mobile crews, 6 small sweepers and 1 large sweeper daily. There is also a bulk crew that frequents Romford daily along with a deep clean crew that carry out all graffiti and street cleaning work. 22 hand barrows are deployed daily around the borough with the majority in Romford town centre as this location has high footfall.
- 8.5. Teams are generally allocated based on needs in the borough as this is an output-based contract, although a schedule is in place to add a level of organisation to the service.
- 8.6. The borough has been split into 10 sections with a mobile crew deployed to each. They are accountable for all residential streets, litter bins and shopfronts that we are required to be cleansed in their area. Two “Hit” teams work ad hoc across the borough to address anything that is reported daily, as an emergency, or requires immediate attention throughout the day – particularly fly-tips.
- 8.7. The large mechanical sweeper and the 6 small sweepers are deployed daily with a schedule, but also as per requirements identified through supervisor and manager checks as well as via “road not to standard” reports received.
- 8.8. Seasonally an extra 4 vehicles and 4 crews are added to the resources for leaf clearance duties around the borough.

- 8.9. Through the council website, integrated with FCC’s Whitespace system residents can raise street cleansing reports where they can inform FCC of overflowing litter bins, streets not to standard, fly-tips, graffiti and any other cleansing issue they may have identified in the borough. This enables the teams and supervisors to visit the location to assess the issue and offer a rectification. Due to Whitespace being a new system, staff have taken some time to get comfortable with its operation, however use of the system is improving constantly.
- 8.10. All staff have in-cab devices in their vehicle where the office and supervisors can send them any jobs that are reported that need their immediate attention.



- 8.11. The blue points on the chart show how many “streets not to standard reports” were received through FCC's management system (Whitespace) each month. Note that these reports also include any overflowing litter bins. The plan is to have these reports separate and this being worked on by the Council’s IT team.
- 8.12. The orange points on the graph show how many reports were *not* resolved within the service level agreement in each month.



8.13. The above chart shows all fly-tip reports received through the system monthly in Havering. The blue points show monthly the total number received and the orange points show how many of the reports were not completed within Service level agreement contractually in place. On average all reports are dealt with within SLA which is within 24hrs of the report.

8.14. The service has previously not self-reported, and all issues found during managers checks were resolved outside of the system. As an improvement this year the team will be self-reporting all street cleansing tasks that are identified internally and rectified internally.

9. Weed Management

9.1. The weed treatment method for the highway uses a chemical containing the active ingredient Glyphosate, and the contract provides a targeted weed control and removal service.

9.2. FCC contracted Charlton Environmental to provide the above weed treatment service. Charlton Environmental are new to the borough and use their own employees with knap sacks to treat areas where weeds are visibly present. Removal of the weeds start after the die back period has started. This tends to be 21 days after the first spray once the weeds have browned.

9.3. Clearance will include from back line to back line, under railings and street furniture, pedestrian precincts, footpaths, alleyways, walkways, stepped areas that form part of the highway and public rights of way that are paved and fall under the remit of the contract.

9.4. In 2024 the weed treatment schedule was carried out as below.

- First spray started 11/03/2024 and was completed 10/04/2024
- Second Spray started 10/06/2024 and was completed 10/07/2024
- Third spray started 24/09/2024 and was completed 28/10/2024

- 9.5. All of the supervisors and service delivery managers have regular drive arounds with the contractors to point out any areas of concern that require further treatments. The contractor is called back to re-treat any areas where the chemical has not proved to have taken.
- 9.6. Last year issues were identified during the weed treatment process, for example where patches were missed or dieback failed to occur, although Charlton Environmental were very flexible in ensuring that these were rectified promptly.
- 9.7. A point to note is that the company was new to the borough and when they initially started and were utilising agency staff to complete their treatments which led to various complaints across the borough. Towards the end of the year when their 3rd spray took place there were fewer complaints and increased supervision to ensure that standards and expectations were clear and understood.
- 9.8. All cleansing staff are also provided with scrapers to use on weeds during their cleansing operations in the borough.
- 9.9. Similar to other authorities, Havering officers and FCC are currently putting together plans to trial alternative treatments to glyphosate, with a view to moving towards more bespoke, area-based treatments. There are cost implications in moving to other systems, and a cost-benefit analysis will be undertaken following these trials.

10. **Social Value**

- 10.1. FCC has various values as part of their commitment to Havering, both in terms of the day-to-day running of the contract, and specific commitments around provision of support and funding. This includes an annual £10,000 Environment Fund to support tree planting and other initiatives, and a £30,000 Community Engagement Fund. Havering officers are working with FCC to allocate these funds accordingly.
- 10.2. An example of one of the social value commitments was to provide 100 litter pick packs per year to the council to help with keeping the borough clean. These are utilised in various volunteering initiatives. As part of this FCC has also worked in partnership with the council to liaise with libraries to ensure that they have the relevant stock to support resident requests to borrow litter picks for use in the borough.
- 10.3. FCC have also engaged with a lot of volunteer and community groups as part of the commitment to volunteer hours and assist in the local borough. Apprenticeships are also currently in progress for HGV drivers and an administrator. The company are recruiting more people from the local area and utilising local businesses such as electricians, plumbers and builders which helps to support the local economy.

11. **Anticipated service changes and future contract developments**

- 11.1. The main anticipated change within the current contract is the introduction of separate weekly household food waste collections; a requirement of the Environment Act 2021.
- 11.2. FCC have modelled for their expected service delivery, based on the number and spread of households, as well as expected volumes of waste to be collected. The service is currently in its planning stages, with the rollout to commence from October 2025.
- 11.3. There are further opportunities for continued service developments throughout the life of the contract, with an optional 8-year extension from 2031. An annual contract review will help to identify opportunities for shared efficiency savings as well as technological innovation and improved performance.

IMPLICATIONS AND RISKS

Financial implications and risks:

The current cost of the integrated waste, recycling and street cleansing contract with FCC is laid out in Section 6 of this report. Officers are working with FCC to establish the expected uplift for the coming year, taking into account inflation, national average earnings, and the increase in properties. This is reviewed annually via an agreed metric, and checked by officers. Havering's Finance Team are subsequently updated to allow for the budget to be uplifted accordingly.

Legal implications and risks:

Section 45 of the Environmental Protection Act 1990 sets out the duty placed upon a Waste Collection Authority, to arrange for the collection of household waste in its area. The contract with FCC (formerly Urbaser) was awarded in accordance with relevant procurement rules and procedures. There are no direct legal implications from this report, however the contract with FCC is managed in line with the relevant specification and waste handling laws.

Human Resources implications and risks:

There are no identified Human Resources implications from this report.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An equalities impact assessment was produced at the time of contract award. Further equalities impact assessments will be produced and / or reviewed to accompany any proposals for future service changes.

The Council seeks to ensure equality, inclusion, and dignity for all in all situations.