



**One Council Overview and Scrutiny  
Committee**  
22 January 2014

**Report from the Director of  
Environment and Neighbourhoods**

Wards affected:  
ALL

**Public Realm Contract**

**1.0 Summary**

1.1 This report provides information on the Public Realm Contract, its scope, proposed improvements; savings and how it will be managed.

**2.0 Detail**

2.1 At its meeting on 14 October, the council's Executive awarded the Public Realm Contract to Veolia Environmental Services. This will be a 9 year contract from April 2014. It includes the option for a further 7 year extension. The main aim of the new contract is to improve resident satisfaction through better integrated services that deliver financial savings of £1.3M pa.

**2.2 The Public Realm Services contract includes the following:**

- Waste collection and recycling services including the processing of recycled materials to generate an income.
- Street cleansing and litter picking across Brent's highways, parks and open spaces.
- Grounds maintenance across all Brent parks, cemeteries, open spaces and land managed and/or owned by Brent Housing Partnership ("BHP")
- Burial services
- Winter gritting

2.3 The contract aims to deliver a new vision for the Public Realm in Brent, giving greater emphasis on improving the appearance of all public places and helping implement Brent's Place Making Guide. It is intended to:

- Improve the way Brent 'looks and feels' to visitors, businesses and residents, including good quality and clean open spaces,
- Encourage greater consideration by residents and communities of how to generate less waste, emphasising reduction, reuse, recycling and composting;
- Promote a greater sense of civic pride and a stronger local identity.
- Make a positive impact on social, environmental and economic sustainability.

**2.4 From this contract, the council is seeking to achieve the following objectives:**

- Deliver good quality services and demonstrate continuous improvement, whilst seeking to achieve high performance and customer satisfaction throughout the life of the contract;
- Value for money services with on-going cost improvements year on year, particularly through maximising economies of scale and other efficiencies;
- Help the Council achieve its economic and social regeneration objectives through proposals such as apprenticeships, local recruitment, wage levels and supporting and developing the local supply chain;

- Deliver sustainable services which reduce the council's carbon footprint by aiming for a carbon neutral service;
- A flexible contract, encouraging innovation and taking account of changing legislation and policy;
- Change public perception and behaviours where ultimately residents and visitors will improve, and take pride in, the appearance of Brent's public places, reduce their carbon footprint, minimise the amount of waste they produce and maximise the amount of waste they segregate for reuse, recycling, composting and recovery.

2.5 The specification for the Contract is output based and includes specific quality standards the Contractor will be required to achieve. The output specification sets high level expectations and required bidders for the contract to use their experience and knowledge to shape their proposals for delivering an innovative, quality and cost effective service. During competitive dialogue these proposals were extensively assessed and negotiated until the preferred standard specification and the optimum price was agreed. These detailed proposals then become contractual and can be enforced as part of the contract.

2.6 In addition, the contractor will be expected to work closely with the council to develop a new Public Realm Strategy setting out the future direction for waste and recycling, street cleaning, and parks.

**The key elements of the output specification include the following:**

### **2.8 Customer service and behavioural change**

- Design, provide and manage an education and awareness service which positively changes public behaviour on environmental and sustainability issues in particular reduce, reuse and recycle.
- Increase the level of community engagement and partnership working including working with 'friends of' groups.
- Develop, implement and operate the Services in a manner that maintains and improves good public satisfaction, including managing and learning from complaints.
- Act as the first point of contact for councillor enquiries.

Veolia will take on responsibility for changing resident behaviour to reduce tonnes of residual waste and to increase recycling. To do this they are investing in a communication and education team and a comprehensive communication and engagement campaign. During the first three years Veolia will:

- Educate and encourage all staff to play their part – from encouraging grounds maintenance staff to recycle more to supporting the 'bin men' to educate our residents day to day
- Focus on recycling in flats through road shows, leaflets, door knocking including evenings and weekends. To drive the change in behaviour if an estate hits a certain percentage of recycling there is a reward.
- Invest in a campaign focused on street cleansing, encouraging residents and businesses to stop dropping and dumping litter.
- Push education through schools through the 'war on waste campaign', assembly talks, projects, visits to waste sites and theatre performances
- Carry out a campaign to increase reuse.
- Conduct targeted visits to householders where there is excess waste and/or contamination, ultimately backed up with enforcement. The initial role on all enforcement will be Veolia who will collate the necessary evidence and pass to the Council.
- 30 road shows and 10 meetings including residents associations and friends groups.

### **2.9 Waste and recycling**

- The specification for waste is designed to minimise waste and increase recycling:
- Provide a scheduled residual, recycled and composted waste collection service that maximises the amount of waste segregated for reuse, recycling, composting and recovery.
- Design, provide and manage an assisted collection service for those elderly, infirm or disabled persons who are physically unable to present household waste and recyclables at standard collection points.
- Provide a Bulky Household Waste Collection service that maximises the amount of waste segregated for reuse, recycling and recovery.
- Provide a sorting facility for co-mingled dry recyclable waste that enables the Authority to increase material recycling levels; maximise the quality of materials and optimise the benefits generated from the sale of material collected.
- Design, provide, manage and market a commercial waste collection service that maximises income and the amount of waste segregated for reuse, recycling, composting and recovery.

Veolia are proposing to continue with the current system of alternate weekly collections of dry recycling and refuse. They also plan to introduce a weekly collection of recycling at flats above shops and will look to further extend the food recycling service into areas currently not served. Current rules around side waste and bin fill levels will be retained. To deliver these improvements and to make savings there will be a change in collection day and this will be carefully communicated to residents.

To help save costs residents have been asked to present their bins as close to the boundary of their property as possible. This is already common practice across London and across much of Brent. Assisted collections will remain fully available to residents and will be promoted as part of a detailed communications plan.

It is also vital that we continue to increase recycling, therefore, in line with many parts of the country, new or replacement bin sizes will be reduced from 240 litres to 140 litres. To mitigate any impact, residents with larger households will be able to request 240 litre bins.

## **2.10 New time-banding plans**

The Council currently operates a 'clear all' policy in its Town centres. Under this policy all waste presented, whether domestic or commercial, is collected through the day between 6am and 10pm. The policy is labour intensive with up to three visits to key town centres during a day. It also means that rubbish bags are a permanent presence on our streets. Unfortunately, it also means that some businesses are disposing of their waste free of charge by dumping it with legitimate household waste rather than having a commercial waste contract.

Sections 20 and 22 of the London Local Authorities Act 2007 allow the authority to prescribe periods of time in which waste can be presented. Under this legislation, the Council propose to introducing time banded collections of waste in town centres to keep the streets clean of waste. The council will stipulate the hours during any day in which businesses and residents can leave their bags of waste out for collection and the timebands will apply to the first 50 metres of any side roads leading off from the main roads and to the main roads themselves. Usually, the times will include an hour in the morning and two hours in the evening. Any waste left outside these windows will be subject to enforcement action.

To deliver all these improvements Veolia have pledged to support the council to introduce timebanding.

Veolia will also provide the council with an income from the recyclable material. Veolia will handle and manage the waste collected through the dry recycling service and they will pay the council for the waste collected.

## **2.11 New commercial waste service**

All businesses are legally obliged to manage their waste and recycling. They are not meant to leave it out on the street to be picked up by street cleaners or as part of the domestic waste services provided to residents. Unfortunately, a proportion of the waste out on Brent's streets is left by businesses who aren't meeting their obligations. To help local businesses, Veolia will offer a commercial waste service at reasonable rates. Businesses will be able to buy a bagged service, or if they require a container service for both residual waste and recycling.

## **2.12 Street Cleansing**

- Provide comprehensive cleansing services that deliver high performance standards across all land use types and which maximise the amount of waste segregated for reuse, recycling, composting and recovery. The council expects all areas covered by the contract to be cleansed at Grade A (as defined in the Environmental Protection Act 1990). When the quality falls below this level the contractor is required to restore cleanliness to the correct grade within a specified timescale.
- Provide and manage receptacles including, but not be limited to, litter bins, cigarette bins, gum bins, dog waste bins, wreath bins and 'On the go' recycling bins ensuring that they never become full or overflowing.
- Design, provide and manage a blossom and leaf fall service that prioritises the removal of blossoms and leaves to reduce risk to citizens.
- Provide a fly tipping removal service which proactively reduces the amount of fly tipped waste and delivers the highest possible performance standards in the removal of fly tipped waste thereby maximising the amount of waste segregated for reuse, recycling, composting and recovery.
- Provide a graffiti and fly posting removal service that meets EPA standards.

Veolia have committed to providing an excellent cleansing service. There is a move away from a contract that specifies how often the streets are cleaned to a requirement that Brent's streets are kept clean, no matter how often the streets need cleaning. The graded standards shown below are as defined in the original Code of Practice on Litter and Refuse issued under section 89(7) of the Environmental Protection Act 1990. These four grades also correspond to the scales used by local authorities for recording levels of cleanliness.

- Grade A: No litter or refuse
- Grade B: Predominately free of litter and refuse apart from some small items
- Grade C: Widespread distribution of litter and/or refuse with minor accumulations
- Grade D: Heavily affected by litter and/or refuse with significant accumulations

Veolia will ensure that their operation achieves a Grade "A" Standard after cleansing. It is recognised that a grade A cannot be maintained at all times, and the presence of a few small items of litter and refuse, not yet accumulating, are regarded by the public as acceptable for short periods of time. It is expected that Veolia should, through monitoring and the appropriate use of their resources, keep land clear of litter and refuse so that it does not fall below a grade B and is cleansed to an A on a regular basis. If the standard is reported to fall below the grade of cleansing required then Veolia will return to the areas and restore the area to Grade A within time limits set out in the contract. They will be measured purely on the level of cleanliness their operations are able to bring about. They have committed to delivering against very challenging annual targets and to improving these targets year on year.

Veolia have redesigned their service around 7 villages and this will give a new focus particularly at weekends and evenings in Zones A and B. Veolia have promised more fluid cleansing services, with their application of resource adapted to the specific needs of Brent by always having the right resource in the right place at the right time. The current 5 cleansing zones will be replaced by 7 'land use' types. The level of cleansing applied at each land use type will vary depending on need, moving away from the blanket approach to cleansing in residential streets. Busier residential streets will be cleaned more often.

- Zone A Main Retail & Commercial
- Zone B Other Retail & Commercial, schools.
- Zone C Industry & Warehousing.
- Zone D Main Road Land – North Circular Road.
- Zone E High Obstruction Housing.
- Zone F Medium Obstruction Housing.
- Zone G Low Obstruction Housing.
- Zone H Recreation Land.

There will be a continued focus on increasing the amount of cleansing waste that is recycled. The cleansing operation will be fully integrated across streets, parks and open spaces and will be organised on a 'village' basis. There will be 7 villages, with the managers and operatives taking responsibility for the standard of cleansing in their own areas. Bagged waste will be held in lockable on-street containers prior to pick up, so no longer visible to the public.

Operations will commence with an 'early shift' (0530 hours – 1430 hours for manual sweeping; 0500 hours - 1400 for mechanical sweeping) that will ensure the agreed standards of cleanliness for all land use types are achieved in the morning. Once these standards have been achieved it is more straightforward to maintain them to Grade A standard and a lower resource is applied in the late shift period (1400 hours – 2200 hours). The exception is in Zone A, where the resource level will be the same in the mornings and evenings. There will be a new weekend service, operating both in the morning and the afternoon.

Fly tips will be cleared promptly. That is a key requirement. Veolia have committed their operatives to becoming "the eyes and the ears" of the council, trained to identify, report, and manage all day-to-day fly-tips using mobile devices. The initial role on all enforcement will be Veolia. Enforcement investigations will be managed as far as possible by the Veolia supervisors and managers who will ensure photographic evidence and pocket notebook records are taken to secure evidence. Once a case is correctly and sufficiently built, Veolia will work with Brent's enforcement team to bring final prosecution.

### **2.13 Grounds maintenance**

- Provide a comprehensive Grounds Maintenance service to deliver the agreed standards in all of the Authority's parks, open spaces, cemeteries and burial grounds and BHP housing estates and to ensure that:
- all parks and open spaces, cemeteries and burial grounds are maintained in a clean, safe, accessible and well maintained condition at all times;
- all pitches meet the applicable standards of the relevant sporting governing body.
- Facilitate the locking and unlocking of identified parks, open spaces and cemeteries and to facilitate the use of sports pavilions and pitches, and to assist in the enforcement of the Byelaws and Dog Control Orders.
- Ensure that all playgrounds, outdoor gyms and Multi Use Games areas are regularly inspected and kept in a clean, safe, accessible and well maintained condition at all times.
- Ensures that biodiversity, nature conservation and habitat management plays an integral role in service delivery.

### **2.14 Burials**

- Provide and manage a burial service to ensure it meets the burial demand of residents and non-residents;
- Recognises the different ethnic and religious communities within the Authority and their burial needs;
- Treats all its customers with dignity, respect and reverence;
- Develops a positive relationship with funeral directors;
- Recognises the wider benefits of cemeteries and burial grounds as green spaces for relaxation, education, wildlife, biodiversity and heritage;
- Ensures all the necessary works are carried out to enable the burial and or interment in the agreed location of both 'full body' and 'cremated remains' in graves, vaults or woodland burials.
- Memorials within the cemeteries are safe and stable and appropriate records of testing are maintained.

Veolia have recognised how important these services are to Brent's residents. They have committed to maintain the quality of our parks during the life of the contract. Specific parks will continue to be maintained to Green Flag standards, although we will no longer submit applications for the Green Flag awards. Veolia have demonstrated an understanding of the sensitivity and complexity of the burial service and committed to meet those standards. Veolia will take over vehicles and equipment as part of the mobilisation.

There will be a focus on increasing recycling in our parks, both through the regular litter picking, but also through composting. There is also a commitment to engage with 'Friends of Groups', to carry out clean up days, and to help local groups apply for grants from the Veolia Trust. Veolia have also acknowledged that some of our parks are very busy at the weekends and they will provide a cleansing service at weekends during the summer months.

Veolia have committed to match the current burial service and to ensure that its services reflect the diversity of Brent's residents.

### **2.15 Winter gritting**

- Provide an adequate and effective service to ensure that safe passage along main highways, priority routes and other relevant land uses is not endangered by ice and/or snow during the designated winter period.
- Design, provide, manage and locate salt bins to reduce risk to residents.

Veolia will be responsible for gritting the agreed routes and as part of that responsibility they are purchasing extra machinery for rapid gritting of footways in town centres. With the addition of grounds maintenance to the service they will also have a larger pool of staff available to be redeployed to gritting in emergencies.

Currently salt is stored at Harrow. Under this new arrangement Veolia will provide a salt store in Brent, giving a further cost saving, but also making it easier to grit Brent's roads and footways.

The Council has also negotiated changes to the way winter gritting costs and risks are handled. Currently any 'catch up' work after bad weather is at the councils cost and in the future this is at Veolia's cost. The Council also currently pay per run, but going forward this is a fixed price, no matter how many times Veolia have to grit the roads. This gives the council cost certainty.

## 2.16 Customer service

There will be significant investment in in-cab technology on the refuse trucks. This allows the drivers to report missed bins, contamination and route changes and this will be transmitted to the Brent contact centre in real time. This will help the Brent customer service team resolve more issues the first time a resident contacts them.

Veolia will also handle all initial councillor enquiries and investigate and respond to all stage one complaints relating to all public realm services.

To make it easier to report concerns residents will be able to use the 'Love Clean Streets' app to report fly tipping, graffiti and other local concerns. Veolia are also proposing that people can log complaints / service requests on-line via Council's website.

## 2.17 Contract targets and contract management

The Council has transferred the risk for non-delivery and/or poor performance to the Contractor through an output based specification. The contract will be self-monitoring, meaning that the contractor is accountable for measuring, monitoring and improving their own performance with the council carefully auditing their performance. This, along with Key Outcome Targets set for each of the different services will ensure that the Contractor is motivated to deliver the services. The KOTs cover all the services, with a time to rectify any problems and if the issues remain the contractor incurs default points which can lead to payment deductions.

There are two tiers of targets: 4 Contract Targets and 65 Key Outcome Targets. The Contract Targets have been bid back by the Contractor for the first 3 years of the Contract. After this, these will be developed on an annual rolling basis at the start of each Contract Year as part of the Annual Service Improvement Report through the Partnering Board. The Contract Targets in subsequent years shall be at least as stringent as the Contract Targets in Year 3. If certain annual Contract Targets are exceeded then the Authority will make incentive payments to the Contractor, conversely, if these annual Contract Targets are not met then there will be payment deductions.

### The 4 Contract Targets are:

- 2.18 Residual waste tonnages** - £7m or 30% of the waste budget is currently spent on disposing of residual waste. This is a significant risk to the Council and this risk is being transferred to the Contractor. The Council calculates that it will save £105/t for waste recovered and not disposed of as residual waste, partially offset by increases in organic waste processing costs (based on the current charge per tonne from the West London Waste Authority (WLWA) and will be adjusted as the charge changes. The Contractor will have Residual Waste Disposal annual targets. If the Contractor doesn't achieve the reductions in tonnes of residual waste they will pay the full WLWA costs for every tonne above their target. If the contractor exceeds their Residual Waste Disposal Tonnage Contract Target, the Council will share with the Contractor the saving in relation to the treatment of Residual Waste, Garden Waste, Food Waste and Mixed Organic Waste.

Veolia have committed to reduce the residual waste, saving the council money on disposal. The table below summarises the tonnage reductions.

Contract Year		Residual Waste Disposal Tonnage Contract Target (tonnes per annum)	Maximum Green Waste Tonnage (tonnes per annum)	Maximum Food Waste Tonnage (tonnes per annum)	Maximum Mixed Organic (Green and Food) Waste Tonnage (tonnes per annum)
Baseline	2012/13	66,162			14,643
1	2014/15	59,778	7,661	7,836	15,496
2	2015/16	57,329	7,774	8,241	16,015
3	2016/17	55,671	7,923	8,502	16,425
Total change from baseline		-10,491			+1,782

- 2.19 The standard of **cleanliness of Brent's streets** – this is very important to our residents. There will be financial deductions for each 1% that litter, detritus, graffiti and fly posting fail to meet cleansing targets. If they exceed their targets they will receive an incentive payment.

**Veolia have committed to the following on-going improvements in the standard of cleanliness of Brent's streets and open spaces.**

Year	% of streets with less than unacceptable level of Litter LCS 1	% of streets with less than unacceptable level of Detritus LCS 2	% of streets with less than unacceptable level of Graffiti LCS 3	% of streets with less than unacceptable level of Flyposting LCS 4
Current baseline	13	14	5	3
2014/15	10	11	7	1
2015/16	9	10	6	1
2016/17	8	9	5	1

- 2.20 Carbon emission reduction – a deduction of £15/t will be made for each tonnage of carbon emitted above the contract target. If they exceed their targets they will receive an incentive payment.

**During the first three years of the contract Veolia are committing to an 8.5% reduction in CO2 emissions.**

Year	T Co2 e/Year
2014/15	2717
2015/16	2703
2016/17	2690

- 2.21 Customer satisfaction for waste, cleansing, grounds maintenance and burial services, measured by an independent organisation. For every percentage point the target is missed for each of the services, a £5,000 deduction will be made i.e. a £20,000 deduction for each percentage point per customer satisfaction across the four services. If they exceed their targets they will receive an incentive payment.

**Over the first three years of the contract Veolia have committed to improve customer satisfaction across the key services.**

	% satisfaction with waste collection	% satisfaction with street cleansing	% satisfaction with grounds maintenance	% satisfaction with burial service
Current baseline	77	56	72	91
2014/15	80	60	80	93
2015/16	82	65	82	94
2016/17	85	70	85	95

## 2.22 Excess profit and risk share

Where the Contractor generates a profit associated with the delivery of the services in any Contract Year in excess of that included in the financial model, the Council shall be entitled to receive 50% of such Excess Profit (over and above that for which the Council has received payment through the Shared Commercial Waste Income and Shared Recyclables). This therefore provides a potential income source to the Council in the future.

## 2.23 Contract management

The contract for Brent Council and BHP will be monitored by a single team within the Recycling and Waste Service. The team will audit the contractor's work and help identify and deliver further opportunities for service efficiencies. Officers will agree with BHP how the parties will effectively operate the contract together. The contract will be managed through a weekly Contract Operations Group discussing day to day issues; a monthly Contract Management Board monitoring performance and payment and a senior Executive Partnering Board ensuring the goals of the contract are being met and determining the future direction of the contract.

## 2.24 Employment opportunities, supporting local business and other commitments

As the procurement of Public Realm services commenced before the main provisions of the Public Services (Social Value) Act 2012 came into force on 1 January 2013, the provisions of the Act are not strictly relevant. The Council has however had regard to the ethos of the Act in the procurement in trying to improve economic, social and environmental well-being within Brent. In this regard, Veolia will provide at least 8 apprentices including 2 apprentices for grounds maintenance and work with a range of other providers to provide local employment opportunities when vacancies arrive. They will aim for as many vacancies to be filled by Brent residents as possible through the following routes:

- Work with Job Centre Plus, Cue Personnel and Skills Training Centre to source local people who are seeking work, provide training and then work with Cue to find work.
- Work with Reemploy and Shaw Trust - provider of employment services to people with disabilities, Blue Sky (employment services to ex-offenders), and Veolia Restart (18-24 year old NEETS)
- Provide training opportunities through their dedicated training facilities – Campus Veolia.
- Ensure all staff are trained to NVQ level 2 as a minimum by December 2014.
- Veolia has been awarded Platinum status by Business in the Community. They currently spend over £13 million pa in Brent including larger businesses such as McGovern's and small enterprises such as local caterers and will endeavour to favour local procurement where possible.
- Veolia offer all staff ½ a day per year to carry out volunteering. In 2012 70% of the staff took up this opportunity (this equates to approximately 955 volunteer hours). They aim to increase this year on year.
- Veolia will also comply with the 'Safer Lorries' pledge to improve safety for cyclists. This includes ensuring lorries have proximity alerts and signage and that drivers have additional training.

## 2.25 London Living Wage

Veolia has agreed to make the contract London Living wage compliant.

## 3.0 STAFFING IMPLICATIONS

Waste, recycling and street cleaning services are currently provided by Veolia. Resident engagement and education on recycling, waste and street cleansing is currently provided in-house as is graffiti removal and toilet cleaning. Grounds maintenance services for Brent's parks and open spaces and burials are currently provided in-house. Grounds maintenance for land managed by BHP is provided by Wettons and SDK manage the dog fouling bins in Parks. There are TUPE implications for Council staff, SDK and Wettons arising from awarding this the contract. Officers identified a total of 88 council employed staff as potentially liable to transfer to a contractor pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). These figures will be finalised during the detailed TUPE conversations that happen post contract award.

## 4.0 FINANCIAL IMPLICATIONS

The estimated value of this contract for Brent will be £15.9 per annum, or £143.1m over the initial 9 year contract term. The table below shows how the savings arise over the contract period, compared to existing budgets.

	Year 1	Year 2	Year 3	Year 4	Years 5-9
	2014/15	2015/16	2016/17	2017/18	2018/19 - 2022/23
	£000	£000	£000	£000	£000
<b>Net budget savings including LLW option</b>	<b>1,213</b>	<b>1,180</b>	<b>1,557</b>	<b>1,743</b>	<b>1,743</b>

## 4.1 Payment Mechanism

Within the payment mechanism, there a number of items which guarantee levels of income and expenditure within the overall contract price, thereby transferring risks to the contractor as well as providing incentives to maximise efficiencies. A good example is winter gritting where the contractor will meet the cost of additional winter runs and the costs of catching up with domestic waste collections after snow. Additionally, there are provisions for income and profit share arrangements, where the council would receive additional income. The payment mechanism also includes financial penalties to the contractor for performance failures, thereby further incentivising the contractor to deliver a service as outlined in line with key output targets.



#### 4.2 Excess profit and risk share

Where the Contractor generates a profit associated with the delivery of the services in any Contract Year in excess of that included in the financial model, the Council shall be entitled to receive 50% of such Excess Profit (over and above that for which the Council has received payment through the Shared Commercial Waste Income and Shared Recyclables). This therefore provides a potential income source to the Council in the future.

#### 4.3 Income

For the first three years there is a guaranteed income figure for Commercial Waste included in the tender bid. Within Veolia's overall annual contract price they have included a guaranteed income of £694k per annum less £511k of costs. For any additional net profit above this, Veolia would pass on 75% of this to Brent. The contractor would charge commercial organisations directly for collection of their waste. These organisations can choose who collects their waste. If income is below the guaranteed figure, the contractor will fully bear the cost of any shortfall.

For the first three years for recyclable materials there is a guaranteed income figure of £1.144M per annum less costs of £1.3M for storage, haulage and processing of materials. For any additional income above the guaranteed level, Veolia would pass on 60% to Brent and Veolia would bear any increase in processing costs. Again, the contractor would fully bear the cost, if there was a shortfall in income against the guaranteed figure.

Prices for recyclable materials tend to be volatile, and to take account of this there will be rebasing of the prices every three years. Currently recycle prices are relatively low due to prevailing economic conditions, and it is likely that prices will increase over the period of the contract. Having rebasing exercises would therefore allow the Council to benefit from any increases in recycle prices, as the guaranteed income figure would increase accordingly.

#### 4.4 Incentives and deductions

The payment mechanism includes incentive payments and deductions. The Council currently has a separate budget for West London Waste related costs of £7m. The incentive payment within this contract relates to savings to the Council for waste recovered and not disposed of as residual waste (estimated saving of £105 per tonne, partially offset by increased organic waste processing costs). The contractor will be required to use at least 70% of any incentive payment to incentivise staff and the sharing mechanism is set out in the following table:

WLWA Saving	Contractor's Share of WLWA Saving
0 to £200,000	30%
£200,000 to £400,000	40%
£400,000 to £1,000,000	50%

#### 4.5 Options for further savings

During the competitive dialogue process the financial outlook for local government has deteriorated further and Brent Council now faces a budget shortfall of £20m in 2014/15'. Within the contract there is a change control mechanism that will help the authority and Veolia to accurately price any service changes during the life of the contract, ensuring that prices are transparent and fair to both parties

As the incumbent Veolia offered to vary their current contract and implement the crew reductions and change to curtilage collections now to deliver savings of £300,000 during 2013/14.

**Background Papers**

**None**

**Contact Officers**

**Chris Whyte Ext: 5342**

Sue Harper

Director of Environment and Neighbourhoods