



Executive
15 November 2010

**Report from the Director of
Environment and Neighbourhood
Services**

Wards
All

**Waste and street cleansing review – street cleansing
efficiency savings**

1.0 Summary

- 1.1 This report presents options for efficiency savings in the council's street cleansing operation.
- 1.2 This work represents part of the outcome of the One Council Waste and Street Cleansing Review.

2.0 Recommendations

- 2.1 That the Executive note and approve three options (not mutually exclusive) for delivering efficiency savings in the street cleansing operation.
- 2.2 That the Executive note the officers' response to the independent review of the street cleansing service undertaken by consultants, Gordon Mackie Associates.

3.0 Detail

- 3.1 The purpose of the Waste and Street Cleansing Review is twofold – to seek to deliver an enhanced waste service and to identify and implement options for generating efficiency savings. It is intended the Review should deliver £1.2million savings and that these should be notionally split as follows;

Street Cleansing - £700K
Waste Collection - £500K

- 3.2 Proposals for waste collection were considered by the August Executive Committee and these are currently the subject of public consultation. If these are eventually approved for implementation they will deliver £1million annual savings, just short of satisfying the combined annual target.

4.0 Street Cleansing Options

4.1 Options for street cleansing have now been developed through discussion with the council's waste services contractor, Veolia. These offer a combined saving of £545K and are not mutually exclusive.

4.2 There is a risk that any change to the operation could lead to deterioration in cleansing standards, particularly at the interface of cleansing zones or in areas of high footfall. This may manifest itself in more noticeable accumulations of litter, particularly during busy periods. There would be an onus on StreetCare Officers to monitor this to ensure Veolia still complied with remediation times set out in the contract.

1- Decrease of sweeping frequency on Zone 5's (from 3 to 2/weeks)	£	
465k PA		
2- Rebalancing of the PM shift service	£	40k
PA		
3- Further integration of special collections and cleansing	£	
40k PA		

4.3 **Option 1 Decrease of sweeping frequency on Zone 5's. ANNUAL SAVING £465K.**

This is the main proposal, with the principle being a decrease in Zone 5 (residential) sweeping frequency from three times to twice per week.

Whilst this option was allowed for in the Invitation to Tender document that was drafted by the council in 2006 there remains some doubt as to whether the council can swap options during the life of the contract. This issue is addressed in more detail in paragraph 7.0 Legal Implications. In effect, bidders were asked to price for cleansing of all Zone 5s three times a week as well as cleansing of all Zone 5's twice per week, the difference between the two options being £444,100 in 2007 which would be the equivalent of £465,692.51 in 2009-10 prices (with a 0.51% 2009 uplift).

This change would necessitate making around 30-35 operatives' positions redundant on the Veolia contract. In the current economic climate it may be difficult for Veolia to re-deploy these personnel elsewhere. The redundancy consultation period would be 90 days. The one-off cost of these redundancies is likely to be up to £80K. However, with a 4 month period for implementing the changes, Veolia may have opportunity for natural wastage and other redeployment options to mitigate this impact.

In addition, the change needed would require a major contract variation. The contract has been organised around the delivery of a number of services, and some recent investment decisions (fleet renewal, satellite depot refurbishment) have been made with the view that the cleansing service would continue as it currently is.

The contractor has argued that any decrease in the sweeping frequency in Zone 5 areas may undermine the ability to deliver some seasonal activities such as winter maintenance, North Circular Road bi-monthly cleaning and Wembley event cleaning, all of which rely operationally, to some extent, on the established core resource.

In consequence the contractor has suggested that a decrease in the sweeping frequency in Zone 5 areas is likely to require the introduction of an additional seasonal sweeping resource to mitigate the effect on standards which may come at additional cost.

- Summer season sweeping and weed control – up to £200k.
- Leaf collections - an extra £60k.

The original contract options for two sweeps and three sweeps per week in Zone 5 areas did not identify the need for this additional resource to cope with summer pressures, weed control and leaf collections. Officers are of the opinion these proposed extra costs do not contractually apply and can be discounted.

Allowing for the 90 day consultation period, the change would take 4 months to implement. The intended start date is 1st April 2011.

4.4 **Option 2 Rebalancing of the PM shift service: ANNUAL SAVING £40K.**

The principle of this change is a reduction in the afternoon shift service and the introduction of a late evening/night sweeping mobile crew to compensate.

Officers are of the opinion that the afternoon shift service could be re-balanced to maximise the efficiency of crews. The use of mechanised sweeping equipment on main roads at peak hours could be avoided and shifted to later in the day. 2-3 operatives' positions would be made redundant (total redundancy cost - £5k).

The change would take 3 months to implement. The intended start date is 1st February 2011.

4.5 **Option 3 Further integration of special collections and cleansing: ANNUAL SAVING £40k PA.**

The principle of this change is the integration of bulky waste collection teams with the street cleansing mobile crews.

The street cleansing service is currently organised into seven "villages" with each village having dedicated management and resource. The special collection service could be integrated in the villages where most special collections occur. This may result in the loss of 2-3 operatives' positions (total redundancy cost - £5k). Implementation may only be possible if the number of requests for bulky waste collections remains near its current level. There is a risk that the reinstatement of free collections will significantly increase the number of requests. It may be prudent to wait until the service stabilises before considering this particular change.

Allowing for the bulky waste service to stabilise, the change would take 4 months to implement. The intended start date is 1st April 2011.

5.0 **Independent Review of the street cleansing operation by Gordon Mackie Associates.**

In addition to developing these proposals, officers considered the recommendations of an independent review of the service undertaken by external consultants, Gordon Mackie Associates. This specifically questioned the following:

1. The appropriateness of the 'village' approach to service delivery.
2. The relatively high Veolia management costs associated with the contract.
3. The relatively high cost per cleansing operative.

In response:

1. The current contract was specifically designed to improve cleansing standards. This openly required the application of an increased level of resource. The results have been noticeable, not only in the reduced number of “remedy points” but also in terms of complaints, NI195 scores and resident satisfaction. In officers’ opinion, the basis of this – the reason it is operationally manageable – is the contractor’s well established ‘village’ approach (which has also been implemented in Camden and Westminster). Brent is currently subdivided into seven “Urban Villages”, each with dedicated management and resource. This allows for closer monitoring and control and creates a sense of identity and belonging within the workforce. It also reduces ‘dead miles’ i.e. wasted time travelling to different parts the borough from one central depot. This approach best allows for a quick and efficient response to any arising issue. This may be even more relevant if the general level of resource is decreased as part of this review.

Officers recommend this system is retained.

2. The high management cost can be attributed to the ‘village’ approach.
3. The basis of the ‘cost per operative’ comparison is not made clear. Wide variations are likely if the method for calculating costs is not consistent. Some boroughs may require a high level of ‘out of hours’ work and incur high overtime spend (this is relevant with respect to event day cleansing in Brent). This will inflate the unit cost.

6.0 Financial Implications

Should all 3 options be accepted, then the potential full year saving is £545K, £155K less than the intended target. Members are reminded that the waste collection review is likely to achieve a larger proportion of the combined savings target than had been anticipated.

The savings are not net of redundancy costs. These represent an additional one off cost of up to £90K, a maximum of £80k in respect of Options 1, and £5k in respect of each of Options 2 and 3.

The implementation period associated with each option varies and this will impact on the level of saving realised this year.

7.0 Legal Implications

The procurement of the Waste Management Contract was subject to the Public Contract Regulations 2006 (commonly referred to as the EU procurement rules). The EU procurement rules also place limitations on the extent to which a contract can be varied before it is so different from the original deal which was entered into that it is effectively a new contract which requires re-tendering under the EU regime. The issue is whether the changes in the contract are considered to be ‘material’.

There is a potential that the contract variation may be challenged by an aggrieved contractor on the basis that the variation has required a fundamental renegotiation of pricing of the street cleansing element of the services and is a fundamental change in the way in which the services will be provided. However, it is arguable that the variation is not material as the scope and nature of the contract remain unchanged as the overall services to be provided under the contract remain the same.

Additionally, the potential variation in contract price per annum is minimal in the context of a contract value of £15.8m. It is open for members to weigh up any potential

for a successful challenge under the EU procurement rules against the need to make savings on the contract.

It is recommended that the Council issues a voluntary transparency notice in OJEU, before giving effect to any contract variation, to protect itself against the risk of the contract variation being declared ineffective by the courts under the Public Contracts (Amendment) Regulations 2009. It would however still be open for an aggrieved contractor to claim damages if they were to make a successful challenge.

8.0 Diversity Implications

None

9.0 Staffing/Accommodation Implications

None

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