

<b>Committee:</b> Port Health and Environmental Services Committee – For decision	<b>Date:</b> 21052019
<b>Subject:</b> Progress report on mobilisation of the new waste and cleansing contract	<b>Public</b>
<b>Report of:</b> Carolyn Dwyer, Director of Built Environment	<b>For Decision</b>
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### Summary

This report serves to advise Members on progress towards fully mobilising the new Waste Collection, Street Cleansing and Ancillary Services contract. The report sets out that the early termination of the previous contract by Amey plc left both client officers and the new contractor with very little time to prepare for the commencement of the new contract. In addition, the last 3 months of the Amey contract needed a significant amount of City officer resource to closely monitor the contract and ensure satisfactory service delivery through to contract end.

As Members will be aware the new contract was awarded to Veolia ES (UK) Ltd (Veolia) and despite a challenging timetable to prepare for the new contract it commenced, on schedule, at midnight 05 April 2019.

This report considers a number of current issues relating to the full contract mobilisation including the use of Key Performance Indicators (KPIs) to manage the contract (see Appendix 1). Details of the mobilisation plan agreed between client officers and Veolia (see Appendix 2) as are a number of other contractual and/or service issues that are currently being finalised. These include increasing power supply to the depot to facilitate charging of the electric refuse freighters when they are delivered in August 2019.

### Recommendations

Members are asked to:

- Note the report and the commencement of the new contract.
- Note the proposed KPIs at Appendix 1.
- Agree that a further progress report be brought back to this committee in September with a particular focus upon the delivery of the mobilisation Plan as set out at Appendix 2.

### Main Report

#### Background

1. On the 8 November 2018 this committee approved the award of the Waste Collection, Street Cleansing and Ancillary Services contract to Veolia ES (UK) Ltd (Veolia) for a period of eight years commencing 6 April 2019. This followed an

approximately six-month early termination of the previous contract by Amey plc (Amey).

2. In response to the time challenges resulting from early termination both the Cleansing Service and Veolia established dedicated teams that worked closely in preparing for the new contract. As a result, despite the significantly reduced time period for contract mobilisation, the new contract commenced on schedule and is now operational.
3. City Corporation officers also dedicated significant resource to overseeing the completion of the Amey contract with a particular focus upon the last 3 months. This resulted in services generally being delivered to a good standard and avoided Amey moving key staffing and other resources away from the City Corporation contract.
4. The commercial waste business has been a particular area for attention in the new contract. It was agreed that, as was the case with Amey plc, the full management and trading operation of the City Corporation's commercial waste business should be transferred to the successful bidder for the life of the contract. Therefore, all bidders were requested to submit a proposed 'royalty payment' in return for this transference of business. Veolia offered 7% of the value of the business revenue at the point of business transfer. The value of the business transferred and hence the royalty payment figure, is currently being finalised. The agreed figure will constitute the minimum annual payment for the life of the contract with Veolia contracted to make an additional pro rata payment, assessed on an annual basis, in relation to any turnover growth.
5. Members agreed in approving what success would look like for the new contract that it should demonstrate sustainability and circular economy principles, which included the ambition for a zero emissions fleet. Therefore, the successful bidder proposed that a number of electric and other low emission vehicles be utilised in this contract including what is believed to be the first all-electric fleet of domestic refuse and recycling collection freighters in the country. It should be noted that all vehicles being procured by Veolia for use on the City Corporation's contract will be zero or low emission and Ultra Low Emission Zone (ULEZ) compliant.

## **Current Position**

### **Initial mobilisation**

6. The Veolia proposal differs from the previous contractor in a number of important ways. For example, timings of street cleaning beats and resource levels have been varied to meet the perceived additional cleansing demands brought about through increased tourism, the increased retail offering and the stronger night time and weekend economies. Refuse round timings have changed too as Veolia have sought to better deploy resources to improve efficiency and service quality.
7. Services changes have all been reviewed by officers with a view to ensuring the proposals will deliver the service quality required. The service detail will however be kept under close review and some, probably minor, adjustments can be

expected over the next few months for example in relation to matters such as timings of shifts and balancing resource allocations. A comprehensive operational review with Veolia is scheduled for August.

8. The short mobilisation time has meant that some vehicles were not available at the commencement of the contract. A number of vehicles will be utilising cutting edge technology, for example the electric refuse freighters. These are currently ordered and in production but are unlikely to be operational until August of this year. Similarly, some specialist cleaning equipment has not yet been delivered, necessitating Veolia agreeing temporary alternative operational arrangements with City Corporation officers. In all cases ULEZ compliance is to be maintained.
9. The short mobilisation period has also impacted the transfer of the commercial waste business. The loss of some data and records by the previous contractor has left Veolia in a difficult position. It has resulted in the customer details being provided to Veolia not being comprehensive. Therefore, Veolia have been working closely with City Corporation officers to review the customer base that has been transferred and establish related bin collection points. Veolia have also put in additional resources to specifically identify their bagged waste customers.
10. Given the initial uncertainty in relation to the commercial customer data base officers have agreed that the 7% annual royalty payment referred to above will be calculated on the substantiated customer base for bin customers after the first three months and bag customers after the first six months.

### **Contract management**

11. The ambition is that this contract will be approached on a partnership basis. However, to be successful close client monitoring will be essential. There will therefore be weekly client/contractor meetings to review performance followed by monthly meetings for which the Assistant Director of Cleansing will be chairman. All of these meetings will be informed by a comprehensive set of performance data produced through the Veolia 'Echo' system. This will include contract performance, health and safety, and productivity data.
12. Whilst a comprehensive set of live performance data is expected to be available as above the contract will primarily be driven through performance of a suite of agreed KPIs. The date that the KPIs will track are set out at Appendix 1. These KPIs are currently being finalised and the contract requires them to be fully implemented following six months after contract commencement. This allows for some testing of the KPIs to ensure they effectively drive service performance. These KPIs will feed into the contract's performance payment mechanism. The contract allows the client to make staged financial deductions for under performance of the first seven KPIs.
13. The first seven KPIs have been chosen because they provide a good measure of overall contract performance and can be accurately monitored through a live contract management system. Resolution of any KPI related service underperformance is incentivised by ratcheting up the sum to be deducted based upon the level of service failure by the end of the month. This differs from the

simple 'pass/fail' approach in the previous contract which provided no incentive for the contractor to address under performance of a KPI during any month that they failed a KPI.

14. In addition to the seven payment related KPIs there are two strategic performance related KPIs the first relating to Veolia's performance in delivering the agreed Annual Improvement Plan and the second in relation to their performance against the agreed contract risk register. These KPIs have been introduced following discussion with the Corporate Procurement Unit as they provide a more strategic assessment of how well the contract is being managed. The contract risk register performance will automatically feed into the Commercial Contract management Scorecard which will be monitored by the Chamberlain's department.
15. Whilst these two performance measures have no financial penalty they do contribute to an overall contract performance score and if rated red for three consecutive months (or 6 months in any rolling year) would leave the contract vulnerable to termination for under performance.
16. The final KPI is focused upon the level of street cleanliness across the City. It will be delivered (as now) through an independent assessment of the City's street cleanliness by Keep Britain Tidy. This will be done every four months on a rolling programme across the life of the contract. Whilst this KPI has no financial or performance weighting it will be used to track the City's cleanliness and identify areas for improvement.
17. Any decision to make a financial deduction in relation to the seven payment KPIs for under performance will be taken at the regular monthly meetings and ratified at a quarterly Partnership Board meeting, the chairmanship of which will be rotated on a six-monthly basis. The Partnership Board will be attended by Directors of both Veolia and the City Corporation's Department of the Built Environment.

### **Embedding the contract**

18. It is expected that it may be up to six months before the contract is fully mobilised. That is not to say that service standards will not be achieved but it is expected to take up to six months to have the contract working as smoothly and effectively as is expected. For example, it will be at least four months before all the proposed new fleet is in place, there are significant staff training needs which will take some time to deliver and initial assumptions on routing (and staffing) will doubtless need to be fine-tuned to maximise performance. There are also a significant number of Human Resources issues that will need to be addressed. These include negotiating changes to operating hours for some staff and recruiting to a number of vacancies.
19. All key issues to be addressed in bedding in this contract over the next six months have been pulled together into a 'contract mobilisation plan' and this is shown at Appendix 2. Following the completion of the 'contract mobilisation plan',

the contractor will be required to produce each year an 'Annual Improvement Plan' Veolia and client officers will be monitoring delivery of this plan through the quarterly Partnership Board meetings. It is also these plans that will be reported to this Committee for approval each year at which time the Committee will also be provided with a performance review based on the previous year's plan.

20. It is envisaged the first formal Improvement Plan will be agreed in 2019 and commence in April 2020. In the interim it is proposed a further progress report on this contract with particular focus on the delivery of the 'contract mobilisation plan' plan is brought to this Committee at its September meeting.

### **Corporate & Strategic Implications**

21. This contract is an integral part of delivering outcomes eleven and twelve of the Corporate Plan, ensuring "We have clean air, land and water and a thriving and sustainable natural environment" and that "Our spaces are secure, resilient and well maintained."
22. This contract will deliver the first fleet in the country of all electric refuse freighters. All other procured vehicles will be low emission and ULEZ compliant. It puts the City Corporation at the forefront of innovation and delivery of sustainable services.
23. The effective delivery of this contract is essential if the City Corporation is to provide a clean and safe public realm and thereby help promote the City of London and ensure that "we are a global hub for innovation in finance and professional services, commerce and culture."

### **Implications**

24. The move to electric vehicles will be limited by the power available within the City of London. Further reports seeking authority to increase the power supply at the depot are currently being taken through the project process and being led by the City Surveyor.

### **Conclusion**

25. The new contract has commenced on schedule despite the challenging time constraints resulting from the early contract termination by Amey.
26. It will take several months before all the proposed vehicles are delivered and the contract is fully embedded. During this time client officers will be scrutinising service delivery and working with Veolia to fine tune the service so as to maximise performance and minimise costs.
27. The contract's performance payment mechanism is anticipated to be an effective mechanism in helping drive performance but will also be kept under regular review.

## **Appendices**

- Appendix 1 – Key Performance Indicators
- Appendix 2 – Mobilisation Plan

## **Background Papers**

- Waste Collection, Street Cleansing and Ancillary Services Contract Final Recommendation – Port Health and Environmental Services Committee – 08/11/2019

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