Southend-on-Sea Borough Council
Legal & Democratic Services
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21 January 2022

Dear Councillor

PLACE SCRUTINY COMMITTEE – SPECIAL MEETING: MONDAY, 24TH JANUARY, 2022

Please find enclosed, for consideration at the special meeting of the Place Scrutiny Committee taking place on Monday, 24th January, 2022, the following report(s) that were unavailable when the agenda was printed.

Agenda No	Item	
3	a)	**Waste Collection Contract (Pages 1 - 28)** Report of Executive Director (Neighbourhoods and Environment) This report will have been circulated to all Councillors with the Cabinet papers. The relevant Minute of Cabinet will be tabled at the meeting.

Tim Row
Principal Democratic Services Officer

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Southend-on-Sea Borough Council

Agenda Item No.
3a

Report of Executive Director Neighbourhoods & Environment
To

Cabinet

On

24 January 2022

Report prepared by:
John Burr Interim Director of Highways, Parks & Open Spaces

Recycling, Waste & Cleansing Contract

Relevant Scrutiny Committee: Place Scrutiny Committee

Cabinet Members:
Councillor Carole Mulroney – Cabinet Member for Environment, Culture, Tourism and Planning

Part 1 (Public Agenda Item)

1.1 Purpose of Report

1.1 To consider 2 options, **(with a recommendation that Option A be agreed** for the reasons as set out in this report**),** for securing the future service provision of the Recycling, Waste and Cleansing contract, with the express aim of supporting Southend-on-Sea Borough Council's declared Climate Emergency, the Southend 2050 Ambition and meeting the changing requirements of environmental legislation and the growing environmental demands of the Borough's residents.

1.2 This report therefore seeks to achieve the following objectives:

- To explain in clear terms the existing model of service delivery and its current levels of performance.
- To detail the environmental challenges and objectives that the Council will be required to meet in the future.
- To give Councillors the necessary information to make a decision on future service provision (in conjunction with the Part 2 Paper information).

- To gain formal approvals for the necessary actions to be undertaken to secure the future service delivery

1.3 NOTE: This report has been written as a standalone paper. The Part 2 paper contains commercially sensitive information, and other detailed information that could weaken the Council's financial position if discussed under the Part 1 Paper.

2. Recommendations

2.1 To note that the current levels of recycling are significantly below the future targets set by the government, and the significant environmental and economic benefits that reducing residual waste, and increasing recycling will bring to the Borough. Action is therefore required to secure a future service provision that is capable of meetings the Council's own targets and obligations.

2.2 That Option A be agreed for the reasons set out in this report and that Veolia be retained as the Council's Recycling, Waste and Cleansing Contractor, reverting to the original waste contract end date of March 2031.

2.3 That authority be delegated to the Executive Director (Environment & Neighbourhoods), the Executive Director (Finance and Resources) and the Executive Director (Legal and Democratic Services) in consultation with the Cabinet Member for Environment, Culture, Tourism and Planning to:

a) Agree any final terms, conditions, service specifications and within the costs set out in the report as may be necessary to implement Option A;

b) Procure a public relations company at a one-off cost of up to £250k to run a dedicated engagement, information and education programme to support the aims of Option A and to be funded by the Waste Reserve;

c) Employ a Contract Manager at a cost of £75k pa to support the management and effective performance of the contract by the Contractor and to be funded by the Waste Reserve in 2022/23 and for consideration as part of the budget setting for 2023/24 onwards;

d) Allocate £3m of the Waste reserves to progress Option A.

Subject to decisions taken under these delegated powers being reported to Cabinet.

3. Background

3.1 Following a lengthy and comprehensive procurement exercise, the current Recycling, Waste and Cleansing contract was awarded to Veolia. The contract commenced in October 2015 and was originally scheduled to run until March 2031. The end date was subsequently revised (by The Council in May 2018) to October 2023.

3.2 Two significant challenges have arisen during the current contract period, namely: the failure to meet the contractual 50% target for recycling, and the closure of the Tovi Eco park mechanical biological treatment plant (MBT), that was due to receive and process waste from the Council. The first of these has a major environmental and cost implication to the Council, and the second means all residual waste now goes to landfill, which also has significant environmental and cost implications for the Council. Tovi Eco park was commissioned by Essex County Council.

3.3 The term 'recycling' in this report means all collected household waste that is sent by the Council for reuse, recycling and composting (includes garden waste), unless otherwise stated.

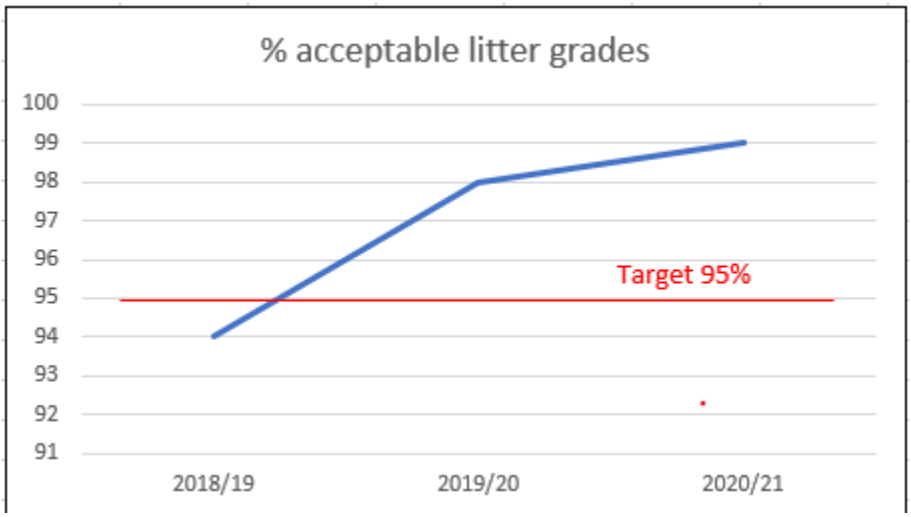
3.4 The term 'residual waste' in this report is collected household waste that is not recycled and is therefore, in relation to the Council, taken to landfill.

4. The Current Position

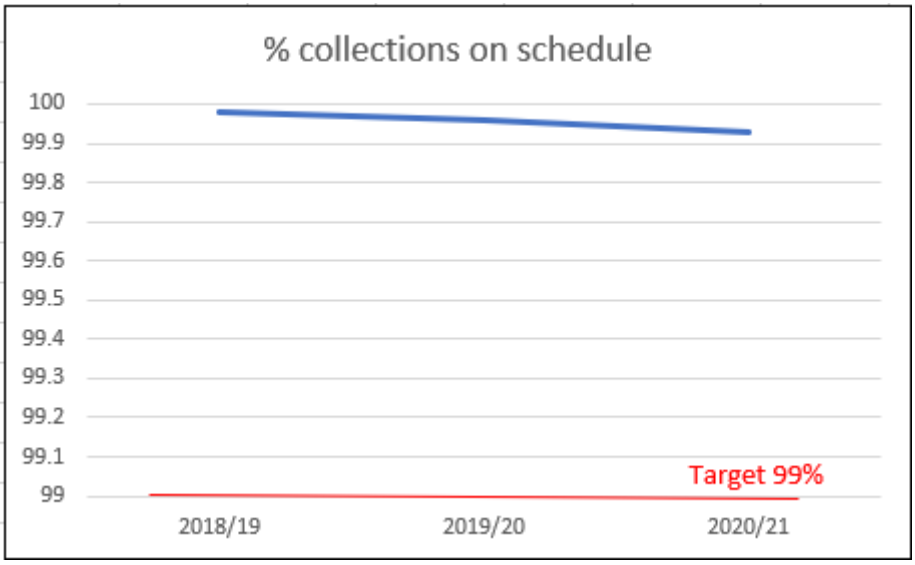
4.1 The service has operated relatively well since the challenges during mobilisation in 2015. The waste collection service moved from a five to a four day collection week and introduced a separate container for the collection of paper and card. Regular performance monitoring is undertaken through:

- Contract management meetings (weekly, monthly quarterly and annually);
- Contract compliance inspections (daily);
- Analysis of service user reports (daily, weekly, monthly and annually as appropriate);
- Resident satisfaction surveys (approximately every 1 to 3 years).

4.2 Operational and Key Performance Indicators (OPIs/KPIs) are monitored daily, weekly, monthly and annually as appropriate to ensure contractual compliance and service quality with the key ones being detailed below:



NB. Blue line is actual performance



NB. Blue line is actual performance

4.3 As can be seen above, the current performance for both 'waste collections on schedule' and 'litter grading' (street sweeping/litter picking), are above their respective targets. The current level of public satisfaction with the service is equally good with the Council 2021 Customer Satisfaction Survey showing Waste Collection being second (77%) and Recycling third (73%). Parks and Open Spaces came top with 80%. These figures are similar to previous years and cover the period of the recent global Pandemic where customer feedback was extremely positive during this unprecedented challenging time. Notably a number of other Local Authorities across the UK have had to cease some elements of their waste collection services or have experienced strike action during this same period.

4.4 Other key statistics are however cause for concern, both environmentally and financially. These are:

- The amount of waste collected has increased by 8.9% (between 2019/20 and 2020/21) as a result of the COVID-19 Pandemic. This increase is replicated nationally and is driven by many factors with the key ones being an increase in homeworking and online shopping. This trend is unlikely to be reversed for the foreseeable future.
- The percentage of waste that is recycled has fallen from 48.3% (2018/19) to 43.7% (2020/21). This is despite the target being 50% in the current contract. There has also been a loss of recycling that would have been recovered from black sack waste sent to the MBT plant, since its closure, equating to approximately 1 to 3 percentage points on the Council's overall recycling rate.

4.5 Whilst Veolia continue to perform well against the contractual OPIs & KPIs, their perceived level of service has dropped in the latter part of 2021 (mainly in densely populated areas of the town centre and on street cleanliness, fly tipping and responsiveness). This could be linked to ongoing operational challenges due to the Pandemic.

4.6 The net result of the total amount of waste being collected increasing, and the amount of that waste being able to be recycled declining, is that the Council is sending a lot more waste to landfill sites than planned and therefore paying significantly more (£1.2m pa) to dispose of it.

4.7 The Council currently operates a 'traditional' model of full weekly waste collection, and in comparison to other waste authorities who operate this model, the Council performs relatively well. However, in the 2020/21 England Waste Authority League Table for recycling the Council came 145th out of 338, with the top performers hitting recycling in excess of 60% (the Council 43.7%).

4.8 Our current waste collection model consists of the following:

- Weekly – Food waste – 23L external caddy and 7L internal caddy;
- Weekly – Paper & card – 55L box;
- Weekly – Non-recycling waste – Black sack, provided by householder (unlimited quantity);
- Weekly – Recycling waste – Pink sack, provided by the Council (unlimited quantity);
- Weekly – Garden/green waste – Wheelie bin/sacks (chargeable service);
- Weekly – Electrical & textiles.

4.9 With regard to operating a 'traditional' full weekly model, there are two key points to note:

a) Over 80% of English waste authorities have now moved away from operating a traditional model in a drive to reduce the environmental impact of waste (reduce waste and increase levels of recycling) and as a result, control costs. Moving away from the traditional model has been shown to facilitate an increase in recycling volumes.

b) Only two (Milton Keynes & East Cambridge) of the top 50 performing waste authorities in England now operate a 'traditional' model. However, they are in the top 50 due to their extremely high composting figure. This is due to a free garden waste collection service, which contributes more than half of their total stated recycling figure. The cost to the Council of providing a similar free weekly garden waste collection service is estimated at £1.5m - £2m pa and is therefore considered cost prohibitive.

4.10 With new legislation (see section 5) coming into force and new waste reduction and recycling targets being set as part of that, it is clear that the current Council service model is not able to facilitate the substantial changes needed in waste performance. The Council's technical advisors stated in their Options Appraisal Report **(Appendix 1, page 5)** that 'the Council is probably achieving a recycling rate almost as high as can be achieved with the current waste collection schemes'. It is therefore clear that the current collection model will need to be replaced by one that is more conducive to delivering the Council's (and the Government's) published environmental/waste objectives.

5. Future Service Requirements

5.1 In September 2019, the Council declared a Climate Emergency and has set itself a target of becoming carbon neutral by 2030. All services that the Council operate or control need to support this key objective.

5.2 The Southend 2050 Vision has two Themes that are directly impacted upon and supported by this future service provision, these are, Pride and Joy and Safe & Well. These themes detail the objectives of Southend's streets and public spaces being clean and inviting, as well as acting as a Green City with carbon neutral services and recycling.

5.3 The Environment Act 2021 is now law and sets out new responsibilities with regard to waste generation and waste management. It aims to reduce the total amount of waste produced, drive down the use of single use plastics, improve waste prevention and reuse, and increase recycling. When fully enacted, it will provide a mechanism for the Government to set specific targets for recycling that local waste authorities will need to achieve, with the current indication being that it will be set at 65% by 2035. Any future collection service must be formulated so that the Council will be able to meet this requirement by 2035.

5.4 The target to recycle 65% of municipal waste (waste collected by Local Authorities) by 2035 originates from a 2008 EU Framework Directive, (revised in 2018) and then transposed into law (England and Wales) through the Waste Regulations 2011. There is an EU circular economy package (2015), passed into UK law in 2018, which commits to the same target and these targets have been included as an ambition in the Government Waste and Resources Strategy 2018.

5.5 The future service model must deliver/contribute to achieving those matters set out above in paragraphs 5.1, 5.2 & 5.3.

5.6 The residents of Southend are becoming ever more interested in the Council's environmental performance and future plans. This is expected to continue to grow as demonstrated by the significant interest generated by the recent COP26 Summit. The Council has also recently employed a Head of Climate Change to demonstrate its commitment and support to this important initiative.

5.7 The Waste Service has recently completed writing a new draft Waste Strategy that will support meeting the requirements and objectives of the new Legislation, as well as the Council's own stated environmental objectives. It is currently being reviewed and covers the approach to the Waste Reduction Hierarchy shown below with significant focus on waste minimisation.

5.8 The waste collected under this contract currently falls into the bottom 3 tiers of the above chart, with 56.3% of Southend's total waste in the bottom tier (i.e. disposal to landfill). The new Recycling, Waste and Cleansing Contract would be a key vehicle in supporting the Council's Waste Strategy document and achieving its stated goals.

5.9 With the Council currently achieving 43.7% recycling, the Council will need to improve existing performance by just over 50% (i.e. half again). The fact that the Council's recycling rate (%) has fallen slightly over the last 5 years puts the task faced by the Council achieving this into sharp focus.

5.10 The key requirements of the new contract will focus on the last 3 points of the Hierarchy (i.e. dealing with the waste that remains following actions/initiatives on the top 3 points). The key focus being to ensure that the environment (and the Council finances) is protected by changing public behaviour to reduce waste and maximising the level of recycling.

5.11 For every 1% of waste that is diverted from landfill to recycling the Council will save approximately £120k pa.

5.12 Any future service provider should be required to utilise electric vehicles where available and practicable, where this is not possible, then hybrid vehicles could be used, where this is not possible then low emission vehicles could be used (i.e. Biofuel, reducing emissions by circa 90%). This will be a contractual

requirement and is estimated to save the Council a minimum 8,368 tonnes of carbon each year, the same as taking 4,650 cars running on fossil fuels off Southend's roads.

5.13 The cost of waste management and disposal has risen significantly in recent years. Part of this is deliberate to make the option of using landfill as a solution increasingly unattractive (the Government sets a Landfill Tax, set to rise from £96.70 to £98.60 per tonne from 1st April 2022). This cost is likely to increase going forward and residual waste quantities must therefore be urgently reduced, with recycling being a major facilitator of this objective.

5.14 This contract is the largest revenue contract (£8.4m per year) that the Council has and reducing the reliance on landfill to achieve value for money is paramount.

5.15 Every occupied residential property in the Borough will almost certainly generate some form of waste and public interest will understandably be extremely high in any choice of the future service provision model/provider. The future service provision must cater for all age groups, abilities, property types and site-specific issues.

6. Options

6.1 Four different delivery solutions (Options A – D) have been considered on how best to achieve the objectives that this new service will need to deliver upon. Two are considered viable options (A and B) and two are not (C and D). These are detailed in the Part 2 Paper as they contain information that is commercially sensitive and could significantly weaken the Council's financial position depending on what option is finally chosen.

6.2 There have been a number of national and global issues which have impacted bringing this decision forward, but also contributed to a longer than usual negotiation period. These include:

- The global Pandemic – This has necessitated a greater focus on ensuring service continuity, this has been done with reduced supplier and Council staff available (due to sickness) and reduced face to face interaction between the parties. This has led to less resource being available to work up the detailed options.
- Brexit uncertainty – This has created a variety of challenges ranging from likely cost increases to possible availability of imported plant and equipment.
- Changing Waste Legislation – The Environment Act 2021 only received Royal Assent on 9th November 2021. It was vital that the developed options were able to deliver against these new requirements.
- Uncertain market conditions – Real uncertainty has existed in the market and this has been exacerbated by the current Pandemic. This

uncertainty affects possible costs, levels of competition and availability of resource and equipment.

- Supply chain challenges – The supply chain has been impacted by all of the above points and this has affected them with regards to responsiveness, approach to risk, competitiveness and availability (of resource and equipment).
- The Council's economic position – The solution has to meet the Council's stated objectives whilst being affordable. Commercial discussions on Option A have taken a significant amount of time in order to ensure both of these are achieved.

6.3 From industry research, it is clear that high performing waste authorities tend to now operate similar revised models, but with slight differences based on location and specific local needs. There are however four consistent themes, these are:

- The container the waste to be collected is stored in – plastic sacks, boxes, material sacks, wheelie bins, communal bins, loose;
- The frequency that these 'containers' are collected/emptied;
- The amount of waste that will/can be collected from each household;
- Which waste types are stored/collected separately and which could be 'commingled' into one container.

6.4 Depending on how the above four themes are combined, directly influences public behaviour with regards to their waste management, and this is key to achieving the Council's stated objectives (both environmental and financial).

6.5 Welsh waste authorities are some of the highest performing in the UK and Europe (and the world). Some of them have started to move to residual waste collections every three weeks rather than weekly or bi-weekly. In 2019/20 Wales achieved a recycling rate of 65.1%, compared to England at 45.5%. Out of the 22 Welsh authorities:

- 15 are fortnightly.
- 6 are three-weekly .
- 1 is four weekly.
- None are weekly.

6.6 The four options considered were:

1. **Option A – Veolia offer – extending existing contract with a changed service model.**
2. **Option B - Engage with the wider market and then tender for a solution utilising the competitive dialogue process.**
3. **Option C – Bring the service in-house.**
4. **Option D - Create a LatCo (Local Authority Trading company) to deliver the service.**

7. Financial Matters Associated with the Two Options (A & B)

See Part 2 Paper.

8. Balance of Risk and Reward

See Part 2 Paper.

9. Options Determined Non-Viable

Options C and D were considered but were determined non-viable (see further detail in Part 2 Paper).

10. Reasons for Recommendations

To enable the Council to meet its waste, recycling and environmental obligations, both now, and for the foreseeable future (See Part 2 Paper for further information).

11 Corporate Implications and Contribution to the Southend 2050 Ambition and Road Map

11.1 **Pride and Joy:** With an ambition to become England's leading coastal tourist destination, we need to continue to invest in our services. People value our street-scene and we know the overall cleanliness is a good indicator of our Borough's state of health. Providing services which support residents in managing their waste effectively contribute towards this.

11.2 **Safe and Well:** The Council wants to act as a Green City**,** delivering efficient waste collection services and higher recycling will contribute to lower carbon growth, providing a more sustainable future for residents and businesses.

11.3 **Active and Involved:** We will use our commissioning and procurement power to ensure we secure the best possible outcomes whilst delivering wider social, economic and environmental benefits to the community and ensuring value for money.

11.4 **Opportunity and Prosperity:** Recycling waste and street cleansing services will be flexible to support building stronger communities in areas targeted for ambitious transformation e.g. Queensway.

11.5 **Connected and Smart:** All opportunities to explore use of electric and ultra-low emission vehicles will be explored to contribute to sustainable transport

12. Financial Implications

12.1 This report considers in detail two options for the Recycling, Waste & Cleansing Contract, the largest single revenue budget contract for the Council.

12.2 Extensive work has been undertaken both by officers and specialist external advisers in determining the recommended officer approach to be followed, which is Option A. Both options have a varying degree of financial cost range

as well as known and unknown parameters and a range of operational and financial risk. All of these matters have been taken into account alongside the position of protecting the Council's future financial sustainability.

12.3 In recommending Option A, there will be a known supplier, a known annual service cost in a risk assessed range, the commencement of the new service model will be continuous from October 2023, mobilisation of the contract will be easier and there will be no one-off costs for procurement or any interim costs.

12.4 With Option B, there would be the potential of an unknown supplier from a limited market, an unknown annual cost that may be higher or lower than Option A but more likely to be higher, a delayed contract start date of December 2023, a delayed new service model start of December 2024, potentially more difficulties with mobilisation and known significant one-off costs for the procurement exercise and also interim costs from October 2023 to December 2024.

12.5 The full financial analysis of both options is set out in the Part 2 commercially confidential paper.

12.6 In recommending Option A that would fully commence in October 2023, the latest Medium Term Financial Plan includes the estimated financial position of Option A and then the budget setting for 2023/24 would then include the relevant budget sum to enable payment of the new annual contract.

12.7 In addition, a one-off sum of £3m would need to be allocated from the Waste Reserve to progress the new service model under Option A.

12.8 There would also need to be a further allocation from the Waste Reserve for a one-off up to £250k for an engagement, communications and education programme for the new service. Also a further one-off allocation in 2022/23 from the Waste Reserve of £75k for Council contract management support with future years funding being further considered as part of the budget setting process for 2023/24.

12.9 From a financial perspective and determining the recommended officer option, full consideration throughout the process has been given to the financial risk to the Council and understanding what that is, the commerciality of the options, the Council's future financial sustainability and to ensure that the proposal is compliant financially, but also from a legal and service perspective.

13. Legal Implications

Option A – Veolia proposal

13.1 Detailed external legal advice has already been obtained that confirms that this option is compliant with the necessary procurement/contract legislation. This is due to the fact that:

- The scope of the services within the contract hasn't changed.

- The market has seen significant changes that could not have reasonably been foreseen at the time of tender and alterations are therefore reasonable to address these.
- The Council is allowed to vary the deed that had shortened the existing contract to 2023. This would mean the contract duration would revert to the original term (2031).

13.2 The existing contract will require alterations to reflect the new operating model, the transfer of risks and the new financial terms and conditions. The required changes have been drafted by Veolia, but it will require a specialist legal review to final these details/changes and ensuring compliance with procurement law.

Option B – Engage with the wider market and then tender for a solution

13.3 Significant legal work will be required, as it would for any major new procurement exercise.

13.4 As this option will be open to the wider market to shape and then tender, there is very little legal risk with this route, as long as standard formal processes are followed.

13.5 As it would be necessary to extend the existing Veolia contract for several months (3 months minimum), it will be necessary to negotiate the additional costs that the Council would incur as a result (See Part 2 Paper).

14. People Implications

14.1 Both options require a more dedicated approach to contract management. It is proposed that a Contract Manager be appointed for the Waste Service to ensure that the new service delivers real value for money, whilst delivering a quality service. This would require a revenue investment of £75k pa.

Option A – Veolia proposal

14.2 As this option is in effect a continuation of the existing contract, its set up and mobilisation is relatively straight forward. It would however require the Council to allocate dedicated resources to oversee the mobilisation of the new service delivery model as well as working with Veolia in determining the service that each individual property will receive.

14.3 The Council will also need to appoint an external public engagement company to assist with the engagement, communications and education programme for the new service at a one-off cost of up to £250k. Specialist legal advice will also be required to formalise the adjustments to the exiting contract to reflect the changes in the service and the payment mechanism.

14.4 There is unlikely to be any TUPE transfers affecting the Council or Veolia for this option.

Option B – Engage with the wider market and then tender for a solution

14.5 As this option entails designing a new service model, following engagement with stakeholders, and then going to the open market it requires significant investment in staff resources.

14.6 As well as the additional resources detailed in the Option A, this option would also require temporary investment in the Council's Procurement Team (1.5 x FTE), as well as an external specialist legal, financial and waste consultancy to assist in completing the new contract. The Council's waste team would also require a temporary increase in its team (4 x FTE) to facilitate the new service design and contract requirements.

14.7 See Part 2 Paper for more information.

15. Property Implications

15.1 Veolia currently occupy/operate several Council properties/sites. There are leases in place that formalise this arrangement, and this arrangement would continue with Option A. For Option B, the successful bidder would take over the occupation/operation of these sites and new leases/permits would be arranged.

15.2 No new Council property is likely to be required in either of the options (A or B), equally no Council property is likely to be surplus.

16. Engagement & Liaison

16.1 As with any change, there is always a level of uncertainty and anxiety created and steps will be undertaken to reduce this as much as possible. As well as the steps detailed below, additional lines of communication will be available to those most likely to be unsettled (i.e. those with larger families or those experiencing difficulties in presenting their waste). The Council will also have dedicated information on its website as well as having an up-to-date Q&A section.

The Waste service has drafted a Recycling Services Charter which will be used to help all customers understand their role in this important service.

16.2 External legal advisors (Sharpe Pritchard) have confirmed that there is no statutory or other duty to consult, as a result of the proposed service changes. They do however strongly advise that the public are kept informed of the proposed changes and the planned roll out, as well as where they can gain additional help/information from.

Option A – Veolia proposal

16.3 With this option, the new service model has already been designed, albeit additional detailed work is still required to finalise the service for each individual property. As a result, the approach to engaging the public would be as follows:

- Media Campaign 1 - around the need for change, with the focus on reducing waste and maximising recycling;
- Media Campaign 2 – around the upcoming new service principles;
- Media Campaign 3 – Each individual property contacted to detail the service that they will be receiving (type, frequency, dates, etc);
- Media Campaign 4 – Guiding and educating residents in how they can reduce waste and maximise recycling;
- Media Campaign 5 – Updating on waste/recycling performance, but also highlight enforcement will start to take place for those who are not complying with the new system.

Option B – Engage with the wider market and then tender for a solution

16.4 With this Option, engagement will be undertaken with stakeholders in advance of the new service being tendered. As a result, the engagement plan would be as follows:

- Media Campaign 1 - around the need for change, with the focus on reducing waste and maximising recycling;
- Media Campaign 2 – Highlighting the factors (container type, container size, collection frequency, comingling waste, etc) that affect waste and recycling and seeking feedback on each as well gaining feedback on a selection of preprepared service models. It will explain that this feedback will be used to help shape the basic framework of the model that the Council will take to market using the competitive dialogue process;
- Media Campaign 3 – around the upcoming new service principles (once tender awarded);
- Media Campaign 4 – Each individual property contacted to detail the service that they will be receiving (type, frequency, dates, etc);
- Media Campaign 5 – Guiding and educating residents in how they can reduce waste and maximise recycling;
- Media Campaign 6 – Updating on waste/recycling performance, but also highlight enforcement, will start to take place for those who are not complying with the new system.

17.0 Equalities and Diversity Implications

See Part 2 Paper .

18.0 Risk Assessment

18.1 The main risks for both proposals have been detailed throughout the report. A summary table is shown below.

	Number of factors assessed as:			Total Risk Points
	Green	Amber	Red	
Continuation of the current contract	10	2	0	38
Contracted-out service	8	4	0	45
Bring the services in-house	6	3	3	71
Deliver through a Teckal arrangement	1	7	4	72

19. Value for Money

Option A – Veolia proposal

19.1 The options appraisal report from our Technical advisors (Tetra Tech) states:

- 'Having had extensive discussions with Council officers and with Veolia, the Council received a financial offer from Veolia to continue with the contract on its original term and on the basis of the service design described above. We have analysed the offer and believe that it represents good value (and is lower than our calculated benchmark price and is affordable).'

Option B – Engage with the wider market and then tender for a solution

19.2 The TetraTech options appraisal report states:

- 'We are quite clear that at the start of this project we were open to all options: but our analysis strongly suggests that we should recommend that the Council should look to continue with a contracted-out service: and the preferred option would be to look to continue the current contract with Veolia; with the fall-back position being to procure a new contract if this cannot be agreed'.

- In terms of our preferred Option being value-for-money, we note that the contract was procured under competitive conditions; and in terms of the fall-back position, we have identified through our research that there would be some market interest to assure competition and thereby value-for-money.

20. Community Safety Implications

20.1 There are no Community Safety Implications.

21. Environmental Impact

21.1 Option A and Option B both need to support the Environment Act 2021 along with other Government ambitions, for example as set out in the Waste and Resources Strategy 2018, including anticipated recycling targets of 65% by 2035.

21.2 The Council has declared a Climate Change Emergency, moving to less frequent collections for non-recycling and recyclables. Based on the evidence should increase recycling rates and also harness the value of material as opposed to potentially having to dispose of non-recycled material via poorer performing methods such as landfill which has a higher carbon impact.

21.3 Allowing residents to manage their waste in bins will protect the street scene from litter impact and reduce the environmental impact of using single use plastic bags currently provided to residents.

21.4 The carbon benefits of both the proposed options have already been highlighted in this report, but can be summarised as: higher recycling, less waste to landfill, reduction of single use plastics, moving towards more sustainable fuels and reduction in vehicles movements for the collection service.

21.5 Any new procurement will require bidders to submit Carbon reduction plans which will be evaluated as part of the process.

22. Appendices

Appendix 1. TetraTech Service delivery options October 2021

Southend-On-Sea Borough Council - Note Regarding Service Delivery Options

B032659
October, 2021

PRESENTED TO

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Prepared by:

Date

Reviewed by:

Len Attrill
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Project Director

Date

1.0 INTRODUCTION

The Council procured its current contract for recycling, waste and street cleansing services during 2013 and 2014. The contract as procured: started on 5 October 2015; expired on 30 March 2031 (subject to a Council only right to extend up to 18 months); was subject to a Council only break notice which, if served allowed the Council to end the contract on 4 October 2023 but subject to that notice being withdrawn at any time before 4 October 2023 with the contractor's agreement. The contract included for significant investment in infrastructure, in particular a new transfer station at Eastern Avenue, which has been delivered.

The design of waste collection services as set out in the contract and as currently delivered, is as follows:

- Weekly collection of residual waste from sacks;
- Weekly collection of mixed dry recyclate (glass, cans, cartons and plastic containers/packaging) from pink sacks;
- Weekly collection of paper/card from boxes;
- Weekly food waste collection; and
- Chargeable garden waste service with weekly collections from wheeled-bins.

This service design has delivered a recycling/composting rate which, until 2019/20, had increased incrementally over the years to 46.8%. This is slightly higher than the national average in England of 45.5% and just below the top quartile compared to other English unitary authorities (placed 31st from 91 unitary authorities reporting in 2019/20). Similarly, SSBCs recycling and composting performance (including HWRC and bring site tonnage) amongst unitaries is above average with SSBC ranked 29th and 33rd respectively from 91 unitary authorities.

Compared to similar unitary authorities – those of the same rurality and deprivation classification1 ('2: predominately rural, lower deprivation') – SSBC's overall performance is the third highest (Bournemouth, Poole & Christchurch is the highest at 53.9%): see Table 1 below. Recycling/reuse diversion and composting are both above average compared to similar unitaries, with recycling/reuse diversion the fourth highest in the benchmark group (Swindon has the highest diversion). It is worth noting that in Bournemouth, Poole & Christchurch, Bromley and in Reading residual waste is collected fortnightly: but for others it is collected weekly. This makes SSBC's performance particularly creditable.

Table 1: Recycling/composting performance in 2019/20 – Southend & other Unitary Authorities (in ascending order of overall diversion)

Authority	Overall diversion %	Recycling/ reuse %	Composting %
Bournemouth, Poole & Christchurch	53.9	32.2	21.7
Bromley	50.9	28.0	22.9
Southend	**46.8**	**27.3**	**19.6**

Medway	46.0	25.8	20.2
Swindon	42.8	32.8	10.0

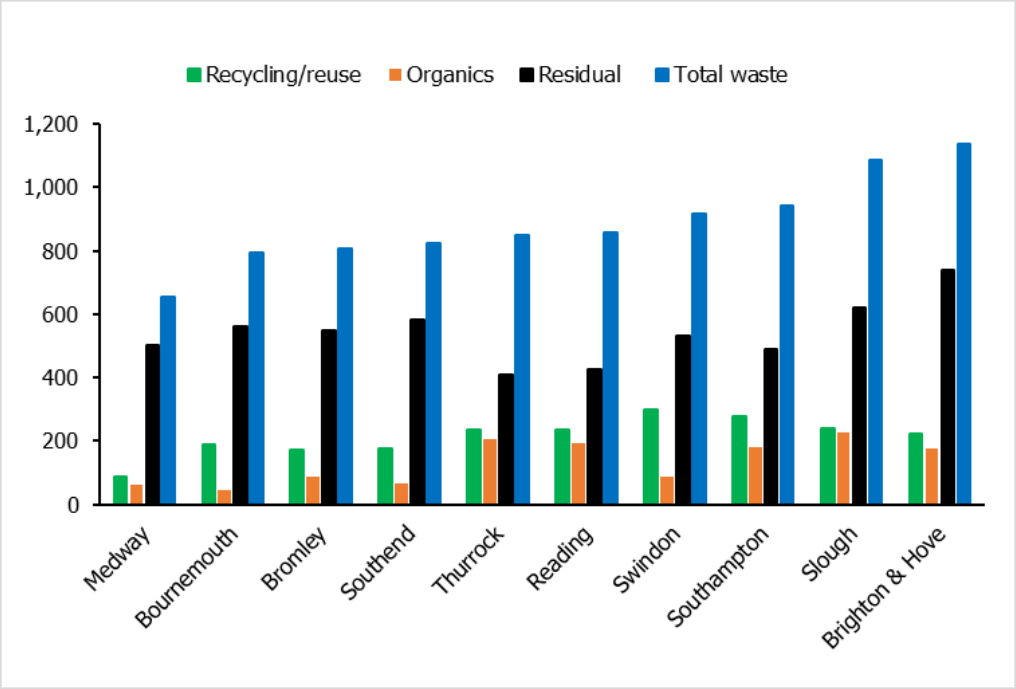
[1] Rurality classification: a six-part classification developed by WRAP combining rurality and deprivation level

Reading	35.3	23.9	11.4
Thurrock	34.8	19.4	15.4
Brighton & Hove	29.4	24.1	5.3
Southampton	29.3	21.5	7.8
Slough	24.0	13.7	10.3
Average	*39.3*	*24.9*	*14.5*

A similar picture emerges when examining a wider benchmark group, which includes waste collection authorities with the same rurality classification: Southend's overall performance, recycling and composting diversion are all above average. In this scenario, overall performance is ranked 6th from 19 authorities, with Rochford achieving the highest diversion at 61.3% (but note, over half of this comprises garden/food waste, which, as noted earlier is collected together and for free and Rochford's recycling % performance is actually lower than Southend's). Basildon, Eastbourne and Slough, like Southend, operate weekly residual waste collections; others are fortnightly.

Looking at overall waste arisings indicates that SSBC residents generated an average amount of total household waste in 2019/20 compared to other unitary authorities of the same rurality and deprivation classification or similar index of multiple deprivation (IMD), (Figure 1, source: DEFRA reported data). However, residual waste is the third lowest amongst the benchmark group (probably as a reflection of the sack service), while recycling and compostables yields are both above average (both fourth highest amongst the benchmark group).

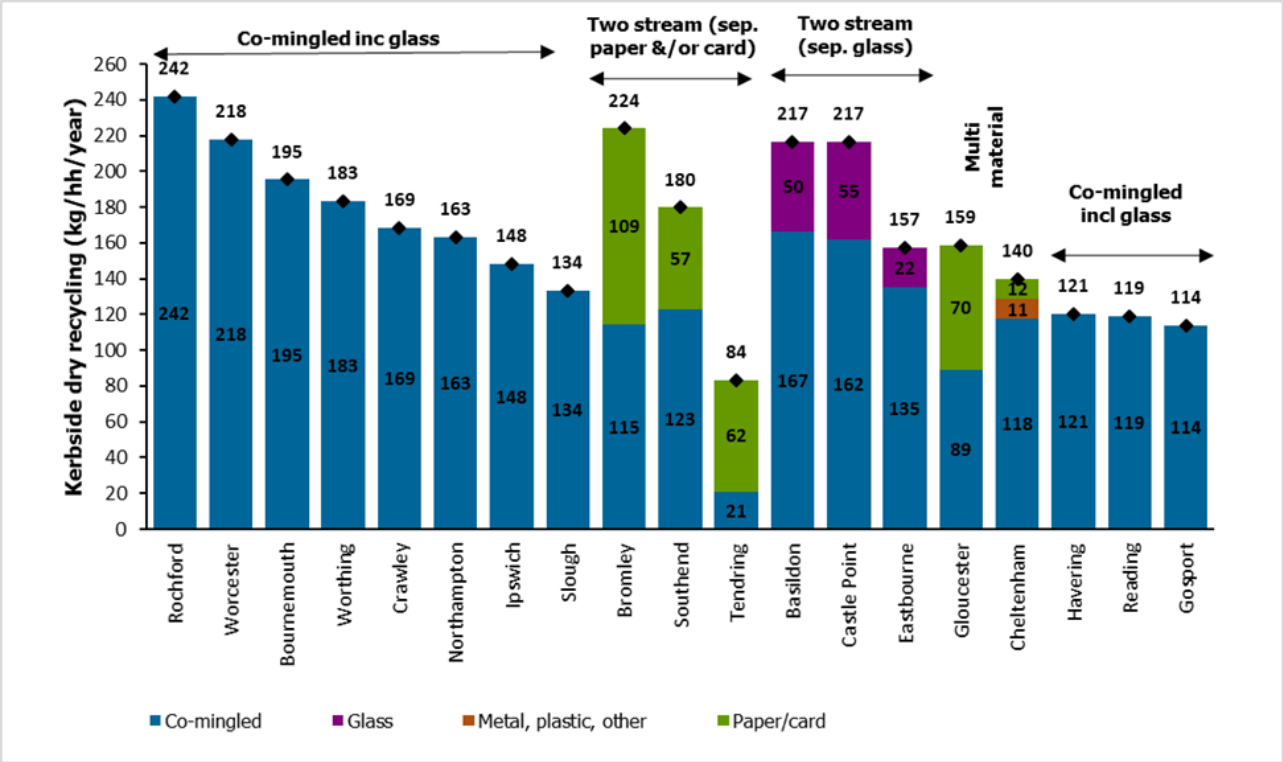
Figure 1: Total Waste Yields by Material Type: Southend & similar unitary authorities (2019/20: in ascending order for total waste)



Examining kerbside recycling in more detail indicates that, despite the Council achieving above average diversion for overall recycling/composting performance, its kerbside performance is in the bottom 50% compared to all UK authorities and those of the same rurality according to WRAP's Local Authority Portal2. In addition, it is in the bottom 25% compared to those in the same region in terms of total kerbside dry recycling yield. It is interesting to note that SBC's performance in relation to paper/card yield at the kerbside is in the bottom 25% compared to all authorities, whether comparing across the UK, those in the region or by rurality classification.

A further benchmarking exercise, looking at those authorities with the same rurality classification as Southend, indicates that, from a total of 19, seventeen local authorities are operating some form of co- mingled collection, either fully co-mingled or two-stream (with paper or glass separate): Figure 2. This suggests that that Southend's kerbside yield is average amongst those authorities operating a two-stream system, with paper and/or card collected separately, at 180kg/hh/year (WRAP LA Portal data, 2017/18). LB Bromley achieves the highest diversion for a kerbside scheme collecting paper/card separately, at 224kg/hh/year, with the paper/card yield almost double that captured in Southend (but NB Bromley collects residual waste fortnightly, which may explain at least some of the difference). The highest performing authority operating a fully co-mingled system is Rochford capturing 242kg/hh/year, while the average yield for this benchmark group is 182kg/hh/year, slightly higher than Southend's performance.

Figure 2: Kerbside Recycling Yields for 'Rurality 2' & WRAP benchmarks 2017/18



[2] http://laportal.wrap.org.uk/

Southend's waste current performance can be summarised as follows:

- Overall division is above the national average for English unitaries;
- Recycling/composting diversion is above the national average and when compared to benchmarks;
- Overall waste arisings are average, while residual waste is low;
- Kerbside dry recyclate diversion is in the bottom 50% compared to all UK authorities and bottom quartile compared to those in the same region;
- Kerbside dry recyclate diversion is above average when compared with authorities operating similar two-stream schemes.

This suggests that the Council is probably achieving a diversion rate almost as high as can be achieved with the current waste collection schemes. In order to deliver a step-change in performance the following could be introduced:

- Reduction in the frequency for residual waste collections;
- Fully co-mingled collections of dry recyclate alongside weekly food waste and chargeable garden waste.

Our modelli. ng suggests that by changing kerbside schemes to an alternate-weekly scheme collecting residual waste and a fully co-mingled mix could increase Southend's overall diversion to between 55.7% and 62.5%This is our best

prediction using current data: although at this point in time it is difficult to predict whether the increased tonnages observed during the past year through three national lockdowns will translate into higher tonnages going forward.

As explained below, this design is approved by Government and by DEFRA and WRAP.

For the Council to introduce a change in system as soon as possible – which the Council wishes to do for reasons described below – the quickest and lowest risk way would be to instigate this change under the existing contract with Veolia. Through this methodology the Council could see a new system introduced from October 2023: whereas if the contract were reprocured we estimate that the change could not happen until autumn 2024 at earliest and more likely until the spring or summer of 2025.

2.0 UNFORESEEN EVENTS

2.1 CLIMATE CHANGE EMERGENCY

In response to the gathering global awareness of a climate emergency, in September 2019 the Council declared a Climate Emergency including committing to action to achieve net-zero carbon by 2030. Those factors and imperatives to take effective action only came to the fore in the last two-year period and so post the procurement and conclusion of the contract. Those factors and the Council's net zero carbon declaration in 2019 are considered to be circumstances that have brought about a need to modify the design of the waste collection services (as set out in 1.0 of this note) and are circumstances which a diligent contracting authority, like the Council, could not have foreseen at the time of the procurement and entering into the contract .In order to respond to these factors and meet the need to lower carbon emissions by modifying, the proposed modifications must have time to become effective by 2030. As such, the proposed modifications would need to be place within the next two years.

To lower carbon emissions for waste services the most obvious actions are, first, to increase the level of diversion of waste from residual waste and to achieve a higher recycling/composting rate; and second, to reduce the number of waste collection vehicle movements. Extensive analysis has shown that both could be achieved by reducing the frequency of residual waste collection from weekly to fortnightly. The proposed modifications would introduce this change.

A second action, taking into account analysis of the dry recyclate collected as well as the requirement to increase the capture of dry recyclate, would be to collect dry recyclables fortnightly on a fully co-mingled basis. The proposed modifications would also introduce this change.

Under the proposed modification, both dry recyclables and residual waste would be presented in wheeled-bins.

It is worth saying that the lockdown imposed as a result of Covid-19 has had significant effects on increasing the volume of household waste: and particularly increasing the volume of residual waste., These effects are expected in some measure to remain and so reducing the frequency of the collection of residual waste and containing it in a wheeled-bin would help to counter these effects of Covid 19, which in itself was a unforeseen circumstance.

A proposed reduction in waste vehicle movements would achieve a carbon saving of 529 tonnes per annum, both through a reduction in the number of vehicles from 23 to 21 and fewer vehicle movements. The vehicles will be new vehicles and the introduction of alternative fuel for those vehicles also has a positive impact.

The proposed new service design is calculated to achieve a diversion of 6,457 tonnes per annum from residual waste (with an increase in food waste of 2,352 tonnes per annum, an increase in garden waste of 1,733 per annum and an increase in dry recycling of 3,923 tonnes per annum); and in addition to improving the Council's recycling/composting rate, this is estimated to generate a carbon saving of 8,368 tonnes per annum (including savings from having the vehicles fuelled by hydrogenated vegetable oil in place of diesel). This is the equivalent of taking 4,650 cars from off of the road.

To make these changes would be a challenge: and the best way to introduce these service changes in an effective way would be to bring them in as soon as is practically possible and at the lowest risk of disruption to the quality and continuity of service. The assessment is that these imperatives could be achieved if the current contractor Veolia introduced them from 2023.

2.2 FAILURE OF TOVI ECO PARK – MECHANICAL BIOLOGICAL TREATMENT (MBT)

The procurement, the contract and the specification (which is incorporated into the contract) contemplated that disposal of the Council's residual waste for the duration of the contract was to be undertaken a tan MBT plant at Basildon (Tovi Eco Park) operated by Urbaser Balfour Beatty (Waste) Ltd (hereinafter referred to as UBB) under contract with Essex County Council (ECC). The plant treats residual waste by reducing its mass, biodegradability and recovering recycling. The remaining output can be landfilled or used to generate energy in a separate facility. The specification requires delivery of an annual minimum tonnage of residual waste to the facility (in excess of 25,000 tonnes). From the outset the facility suffered from severe operational and commissioning problems. It is understood that the Council's residual waste has not been delivered to the facility since 2015.

Those extensive difficulties led ECC to begin proceedings in 2017 arguing that UBB failed to design and construct the facility so that it was capable of passing the acceptance tests. In September 2020, the Judge ruled in ECC favour with the result that the Court has ruled that the facility cannot operate and function as it was intended.

The MBT plan has not accepted any waste from any source since June 2020 and the operator has gone into receivership. It is unclear if the facility will ever be operational to receive any of the Council's residual waste.

Clearly, at the time of the Council's waste services procurement it was expected that this facility would have been open for the duration of that contract, contributing to increasing recycling/recovery and reducing carbon impact for the Council.

Since some of this waste would have seen recovery (from the MBT treatment process) equating to some 2,081 tonnes in 2019/20 or ca. 3.25% of the total waste arisings for the Council, the closure of the plant means a potential increase in residual waste going to landfill and hence a carbon increase of 916 tonnes per annum; and given the Council's policy on carbon, this exacerbates the need to change the design of waste services as described above and hence the proposed modifications.

The failure of the facility has therefore brought about a need to modify the contract in order to change the services method of residual waste collection and introduce more flexibility into the means/location of disposal. It is not considered that a diligent contracting authority like the Council could have foreseen the circumstances of serious design and operational failure, leading to the facility's indefinite closure, the ensuing litigation, resulting in a court decision that the facility was not fit to meet its design purpose.

2.3 RESOURCES AND WASTE STRATEGY & THE ENVIRONMENT BILL

In December 2018 (and so again after the procurement and entering into the contract) the Government published its Resources and Waste Strategy setting out how the U.K. will preserve material resources by minimising waste, promoting resource efficiency and moving towards a circular economy in England. Complying with this Strategy is a circumstance which brings about the need to modify the waste and recyclate collection service and was not capable of being foreseen by a diligent contracting authority like the Council at the time of the procurement or the entry into the contract.

A key factor in the delivery of this strategy is resource recovery and waste management and the following key principles below are consistent with this review:

- improve recycling rates by ensuring a consistent set of dry recyclable materials is collected from all households and businesses (separate collection but other designs are approved, provided a TEEP assessment is undertaken)
- reduce greenhouse gas emissions from landfill by ensuring that every householder and appropriate businesses have a weekly separate food waste collection, subject to consultation
- improve urban recycling rates, working with business and local authorities
- improve working arrangements and performance between local authorities
- drive greater efficiency of Energy from Waste (EfW) plants
- address information barriers to the use of secondary materials
- encourage waste producers and managers to implement the waste hierarchy in respect to hazardous waste

In May 2021 the Environment Bill was taken back to Parliament for a third reading. Through the Environment Bill, the Government aims to clean up the country's air, restore natural habitats and increase biodiversity. The Bill will also outline how the Government will reduce waste, make better use of resources, and improve management of water resources in a changing climate. The legislation builds on this Government's decisive action to protect the environment as set out in our 25 Year Environment Plan and the binding commitment to reach net-zero carbon emissions by 2050.

Although the Bill has been some years in discussion / consultation, that still preceded the procurement and the entry into the contract .Its forthcoming introduction into legislation in the current format at this time could not have been foreseen at the time of the original procurement by a diligent contracting authority.

At the time of writing, the clear thrust is to get councils (in their capacity as waste collection/disposal authorities) to increase their recycling/composting performance and reduce carbon impact; and as described above it is the Council's intention to do so from 2023 with a new design of service. It is worth stating that the proposed modifications to the service will produce a design of service which is an approved design and therefore fits with the requirements as set out in the Bill. However, a Technically. Environmentally and Economically Practicable ("TEEP") assessment would be required in order to validate the proposed modifications. We have completed many assessments, including for some councils in Essex; and are confident that the proposed modifications would pass such an assessment .

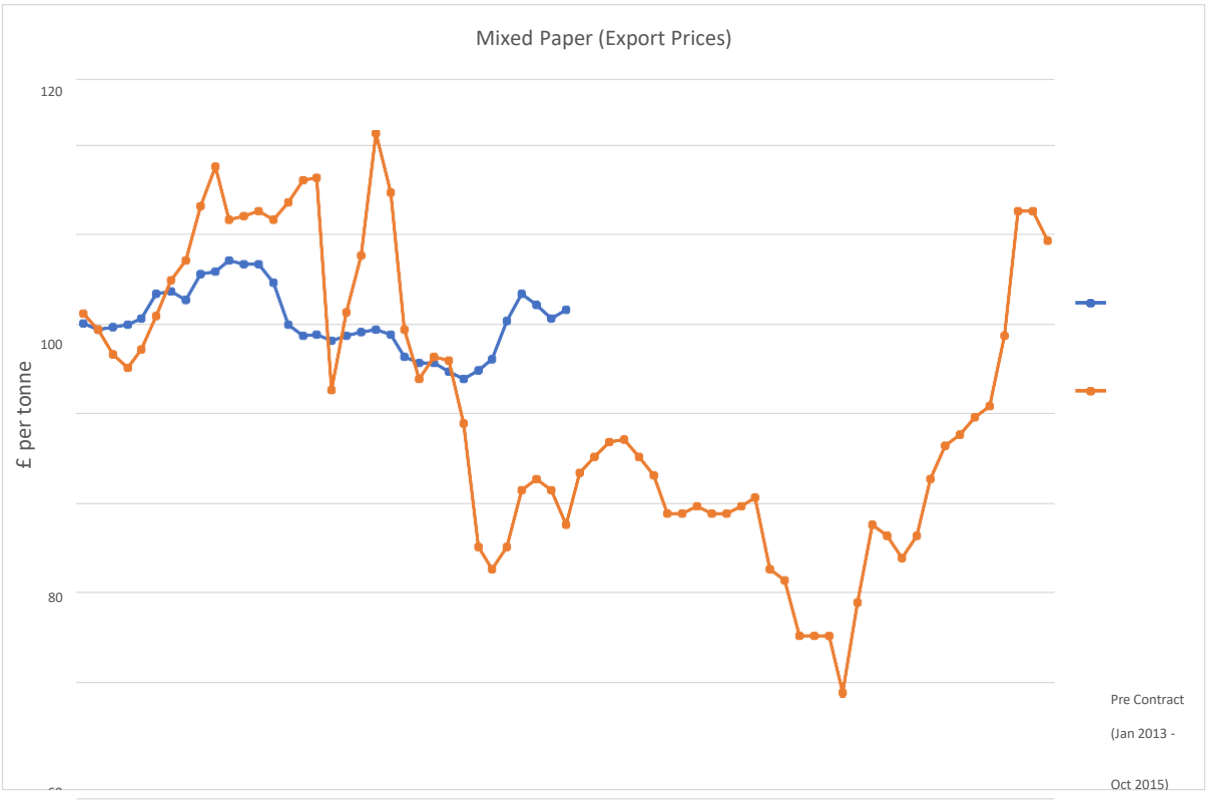
2.4 RECYCLATE VALUES

In part, all tenderers would have formulated their tenders by reference to a fairly well-established pattern and range of recyclate values. At the time of the procurement and entry into the contract, although there had historically been changes in recyclate values, these had generally been relatively minor fluctuations: therefore, waste companies were able, at the time of the procurement and entry into the contract, to take a view based on a relatively stable recyclate market position. That allowed them to accept a risk-share mechanism concerning recyclate values.

Since then, fluctuations have been more severe and more frequent, as the following graphs show. Data is taken from commodity prices as shown by Letesrecycle.com; such data is commonly used to inform price movement values on waste contracts: and we here consider the major constituents of the dry recycling stream at Southend.

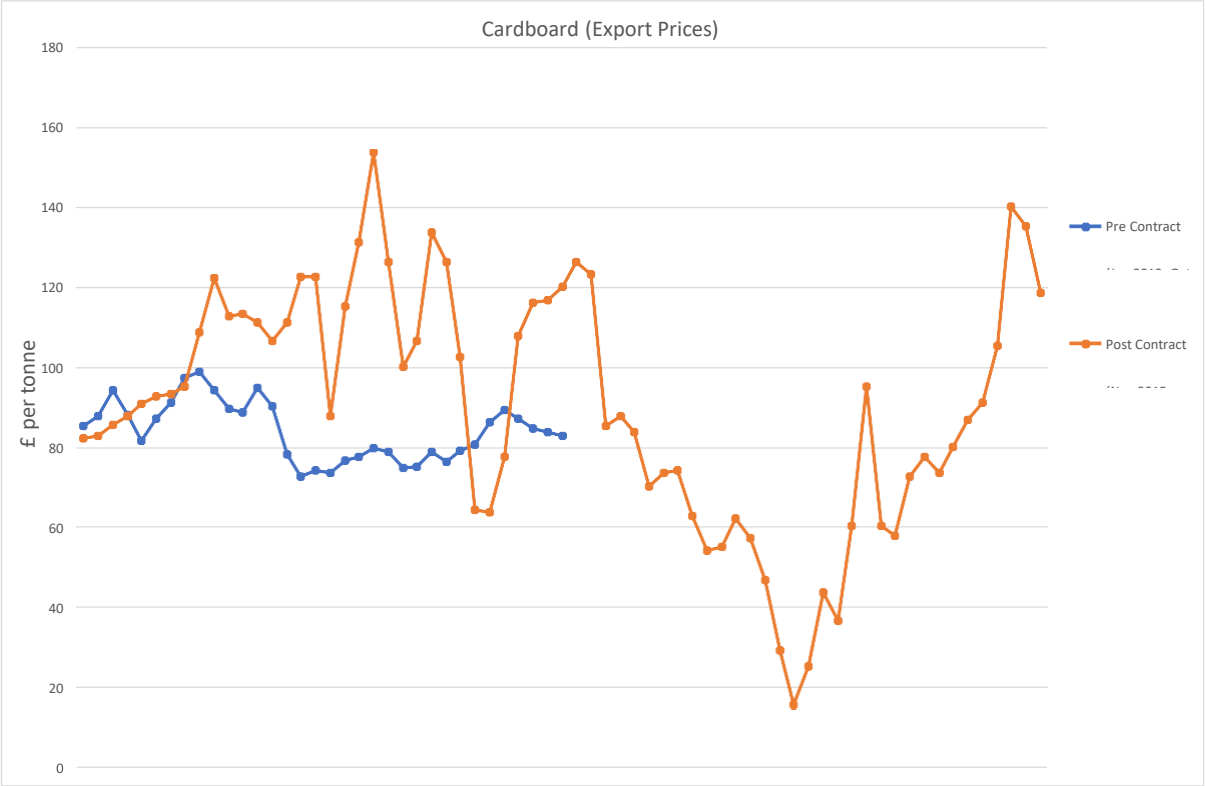
If we look at paper, which comprises ca. 22% of the dry recyclate collected at Southend, then during 2013 and 2014, the average price per tonne for mixed paper was some £62 with a high value during that period of £74 per tonne and a low value of £51 per tonne. However, since the start of the contract in October 2015, the price has fluctuated considerably, with a high value of £102 per tonne and a low value of just £5 per tonne (and we know of some councils who found that their paper had no value). See Figure 3 below:

Figure 3: Mixed paper export prices pre-contract compared with post contract



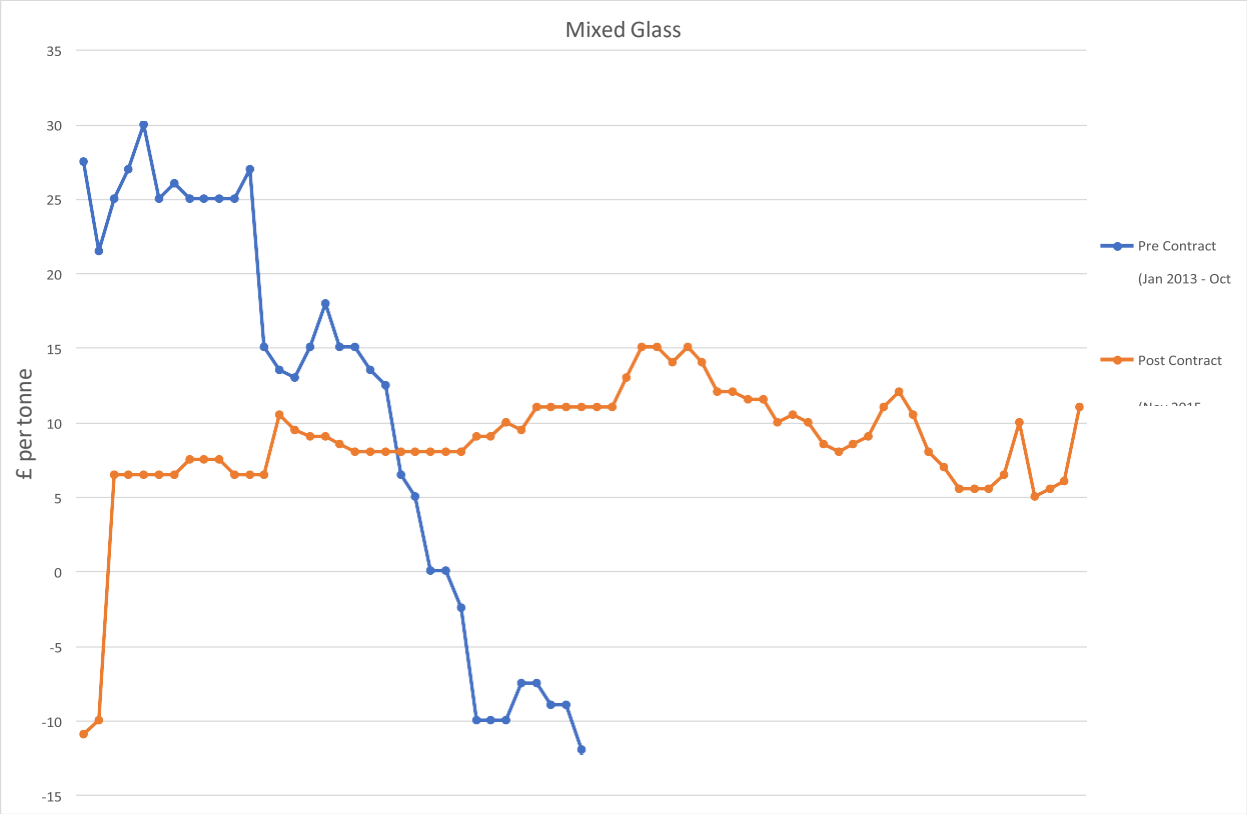
Cardboard comprises almost 10% of the dry recyclate collected at Southend. During 2013 and 2014, the average price per tonne was £84.40: with a high value during that period of £98.50 per tonne and a low value of £72 per tonne. However, since the start of the contract in October 2015, the price has fluctuated considerably, with a high value of £153 per tonne and a low value of £64 per tonne. See Figure 4 overleaf.

Figure 4: Cardboard export prices pre-contract compared with post contract



Glass is the largest fraction of the dry recyclate stream at Southend, comprising some 42.5% of the total collected. During 2013 and 2014, the average price per tonne for mixed glass was £18.80: with a high value during that period of £30 per tonne and a low value (in December 2014: up to then values had been positive) of £0 per tonne. Since the start of the contract in October 2015, the price has fluctuated considerably, with a high value of £15 per tonne and a low value of minus £12 per tonne (i.e. processors were being paid to accept glass, a situation entirely unknown at the time of the procurement. See Figure 5 overleaf):

Figure 5: Mixed glass prices pre-contract compared with post contract



The result of these dramatic reductions in the market value of recyclate have coincided with the necessity to increase recycling; and the re-design of services referred to in 2.1 and 2.3 of this report mean that the volumes and composition of the collected recyclate are very different to those included in the original contract. A modification to the risk profile relating to how dry recyclables are dealt with in the contract is therefore considered necessary in order to respond to these increased volumes of dry recyclate.

It is entirely understandable that, with this change in price, taken together with the change in the collection system, a corresponding change in the risk share mechanism is required and hence the proposed modifications by Veolia to the current contract.

In summary, the rapid disappearance of the stability in price; very substantial reductions in price (as per 2.4) ; the need to increase recycling (as per 2.1 and 2.3) and the resultant change in the volumes and composition of the collected dry recyclate are circumstances which have brought about the need for the proposed modifications to the risk profile and indexation. Those circumstances can be fairly described as circumstances which were not foreseeable by a diligent contracting authority like the Council.