

Report Title:	<b>Weekly Waste Collection Contract-Authority to Commence Procurement</b>
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Grey, Lead Member for Environmental Services (including Parking and Flooding)
Meeting and Date:	Cabinet - 26 April 2018
Responsible Officer(s):	Alison Alexander, Managing Director
Wards affected:	All

## REPORT SUMMARY

- 1 The current waste and recycling collection contract, held by Veolia, ends in March 2019. The Royal Borough is committed to maintaining and delivering a high quality, weekly waste collection service and this paper seeks approval to commence procurement. The contract includes allied services: management of the transfer station; management of the Household Waste and Recycling Centre; marketing of recyclable materials; provision of new bins and cleansing of bring sites. In addition, the new contract will include a recycling incentive scheme. Resident satisfaction with waste collection service is currently over 90%.
- 2 The recycling markets are currently very volatile due to changes in the global recycling market so this paper also seeks permission for a short extension of up to nine months to the current Veolia contract to allow the uncertainty in future recycling markets to reduce, allowing a more competitive price to be gained for the contract.
- 3 Additionally, the current recycling incentive scheme contract, held by Greenredeem ends in June 2018. This report provides details of an extension to this contract, providing a 40% saving on the cost of the current scheme, while incentivising residents to increase recycling and reduce the amount they are throwing away.

## 1 DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That Cabinet notes the report and:

- i) **Delegates authority to the Managing Director, and Lead Member for Environmental Services (including Parking and Flooding), to commence procurement of a new weekly waste and recycling collection service, along with allied services: management of the transfer station; management of the Household Waste and Recycling Centre; marketing of recyclable materials; provision of new bins and cleansing of bring sites. In addition, the new contract will include a recycling incentive scheme.**
- ii) **Approves an extension of up to nine months to the current Veolia contract to allow current market uncertainty in recycling material prices to settle and delegates authority to agree the details of this extension to the Managing Director in consultation with the Lead Member for Environmental Services (including Parking and Flooding).**

**iii) Approves an extension to the Greenredeem recycling incentive scheme contract so that this becomes coterminous with the current waste and recycling collection contract.**

## **2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

### **Waste and recycling contract**

- 2.1 The current waste and recycling collection contract, held by Veolia, ends in March 2019. The Royal Borough is committed to maintaining and delivering a high quality, weekly waste collection service and this paper seeks approval to commence procurement for this service. The contract also includes allied services: management of the transfer station; management of the Household Waste and Recycling Centre; marketing of recyclable materials; provision of new bins and cleansing of bring sites. In addition, the new contract will include a recycling incentive scheme.
- 2.2 Residents will not see any change to the service that they are offered and their rubbish and recycling will be collected at the same frequency as they are now. 76% of councils do not provide a weekly waste collection service.
- 2.3 A supplier engagement event was held in September 2017 where a range of questions were asked of suppliers to gauge the appetite of the market for this contract. There is considerable interest in the contract; however, there are some details in the current contract that are not palatable to suppliers in the market now.
- 2.4 The current contract for waste and recycling collections includes the sale of recyclable materials. The Veolia contract includes a small rebate for the value of the recyclable material collected by them.
- 2.5 Suppliers have told us that this type of contract, where the contractor takes all risk on fluctuations in the value of recyclable material, is no longer available in the current market, so a shared risk and reward approach will be taken where the Royal Borough shares the risk on fluctuations in the market price of recyclables with the successful contractor.
- 2.6 The recycling markets are currently extremely volatile following recent market changes, particularly changes to the global recycling markets following Chinese restrictions on imports of recyclable materials that started in January 2018.
- 2.7 It is, therefore, proposed that a short term extension to the current contract is agreed to allow the market uncertainty to reduce to limit the risks on the long term contract to be procured. Discussions are underway with the current contractor, Veolia, to agree an extension of a maximum of nine months.
- 2.8 This will also allow time for a full mobilisation period, including the launch of a new reward scheme through the Greenredeem recycling incentive scheme.

### **Greenredeem recycling incentive scheme**

- 2.9 The Greenredeem recycling incentive scheme currently ends on 30 June 2018. However, there is an option to extend this contract. Discussions have been undertaken with Greenredeem about how an extension can be provided which improves the scheme, while also providing a reduction in cost.

- 2.10 The current scheme is based on the weight of individual recycling bins. The scheme is weight based, with each recycling bin holding a chip. This chip connects the bin to the property. The chip is scanned and the bin weighed at each collection and the amount of recycling collected is converted into points. Residents can also earn points on the Greenredeem website by taking part in quizzes, watching films about green topics and pledging to make a behavioural change, such as pledging to give zero waste gifts at Christmas.
- 2.11 59.08% of households are currently registered with Greenredeem to earn rewards for recycling, with 37,961 Greenredeem members in the Royal Borough. From October to December 2017 16.1 million points were earned by Greenredeem members and 6.6 million points spent on 5,404 rewards and 2,506 donations to charities and schools.
- 2.12 The proposed new scheme will be a community based scheme where residents will receive points each week for recycling, when they pledge that they have recycled, and will also receive bonus points based on the weight of recycling in their area.
- 2.13 In addition the new scheme will incentivise residents to reduce the amount they throw away by providing residents with points based on the amount of rubbish being thrown away in their community.
- 2.14 Residents will still be able to use their points to redeem against rewards such as money off in local shops, restaurants and leisure facilities; donating points to local schools and community groups and using them to take part in prize draws. Residents will also still be able to earn points through “learn and earn” activities on the Greenredeem website.
- 2.15 The scheme will be relaunched with information sent to current Greenredeem members and a full communications plan in place to let residents know about the incentive scheme, how they can earn points and how they can be redeemed.
- 2.16 The extension will provide a 40% reduction on the cost of the current Greenredeem scheme.
- 2.17 The extension to the Greenredeem scheme will make the end of the contract coterminous with the current waste and recycling collection contract. It can be extended further to remain coterminous with the waste and recycling contract should that be extended.
- 2.18 Provision will then be included in the waste and recycling contract to provide a community based recycling incentive scheme so that residents can continue to be rewarded for recycling and reducing the amount they throw away.
- 2.19 Industry experts have been commissioned to provide specialist advice and market intelligence and will work alongside the Royal Borough’s commissioners and procurement team to secure a high quality new contract.

**Table 1: Options**

Option	Comments
Do nothing. <b>Not the recommended option.</b>	This is not possible as the current waste and recycling contract is coming to an end, and there are no further options for formal extensions.
Procure new weekly waste and	This is required as the current contract

<b>Option</b>	<b>Comments</b>
recycling contract for March 2019. <b>Not the recommended option.</b>	is coming to an end, however there is significant financial uncertainty in the current market, which may influence the cost of the contract unduly if procured immediately.
Procure new weekly waste and recycling contract following an extension of no more than nine months to the current contract with Veolia and extend the Greenredeem contract to be coterminous with the Veolia contract. <b>This is the recommended option.</b>	This would allow the current market volatility time to reduce and would reduce risk on current high material prices being included in the long term contract.

### 3 KEY IMPLICATIONS

- 3.1 A new waste and recycling contract will be procured which maintains the current weekly waste and recycling collection schedule.
- 3.2 The contract will be for the period of eight years, with the option for an extension of eight years. The existing contract was a seven year contract with a seven year extension period. However, contracts currently being procured tend to be for a longer period as waste collection vehicles are now longer lasting as they do not visit landfill sites.
- 3.3 The contract will be tendered with two options regarding the supply of vehicles for the contract, one option where the contractor supplies and maintains the vehicles and one option where the Borough provides the capital for the purchase of the vehicles, which are then maintained by the supplier. The second option gives the contract a lower risk profile and may therefore command a more competitive price and the Borough will be able to provide capital at a lower rate than the contractor, providing a saving on this element of the contract.

**Table 2: Key implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Waste and recycling collection contract in place	Contract starts after 1 January 2020	Contract starts 1 January 2020	Contract starts 1 September 2019	Contract starts 1 July 2019	1 April 2019 or up to nine months after that date depending on contract extension
Current Waste & Recycling collection contract extension in place	Contract extension in place after 1 June 2018	Contract extension in place 1 June 2018	Contract extension in place mid-May 2018	Contract extension in place 1 May 2018	1 June 2018
Improved incentive	Extension in place	Extension in place 1	Extension in place 1	Extension in place 1 May	1 July 2018

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
recycling scheme in place	after 1 July 2018	July 2018	June 2018	2018	

- 3.4 A new recycling and waste reduction incentive scheme will be launched as the extension to the Greenredeem contract. This will replace the current individual weight based recycling incentive scheme with a community weight based recycling and waste reduction scheme, commencing on 1 July 2018.

#### **4 FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 It is likely that the cost of the new waste and recycling collection contract will be more than is currently paid for the service due to the competitive market place and changes in recycling costs.
- 4.2 With the current climate there is a high degree of uncertainty around future costs.
- 4.3 The recycling markets are currently very volatile and the risk of procuring a contract at this time will be reduced by extending the length of the current Veolia contract.
- 4.4 The risk of the current market volatility being priced into the contract for the full length will also be mitigated by having measures in the contract to share the risk of the changing prices available in the market for the sale or treatment of recyclable materials and to also share the reward of any positive changes.
- 4.5 There is a possible saving on the contract by the Royal Borough providing the capital for the purchase of waste and recycling collection vehicles - this will be included as part of the procurement so that an informed decision can be made as to whether to fund the capital purchase of vehicles or not.
- 4.6 There will be up to a 40% saving from the extension to the Greenredeem recycling incentive scheme, which will be used to partly fund additional community wardens, as agreed in March 2018 Cabinet. .

#### **5 LEGAL IMPLICATIONS**

- 5.1 The procurement will be undertaken following the Public Contracts Regulations 2015 ("PCR 2015").
- 5.2 The current waste and recycling collection contract does not provide a viable option for further extension. Therefore, any extension of the current contract will be deemed to be an award of a new contract on the current terms and conditions. There is a risk of a procurement challenge, especially as the waste market is known to be litigious. However, it is likely that the fact that the Council will be commencing a full PCR 2015 compliant tender exercise will mitigate the risk of a challenge. The risk of challenge will be increased for a longer extension period and reduced for a shorter extension period.

#### **6 RISK MANAGEMENT**

6.1 There is a high risk that the waste and recycling collection contract will cost more than the current contract due to changes in the market. This increased cost will need to be considered in financial planning.

6.2 This will be reduced by extending the current Veolia contract under waiver to allow the current volatility in recycling markets to reduce.

## **7 POTENTIAL IMPACTS**

7.1 There will be potential TUPE implications if an alternative supplier is successfully awarded the contract.

## **8 CONSULTATION**

8.1 The report will be circulated electronically and considered by Highways, Transport & Environment Overview & Scrutiny Panel and comments will be reported to Cabinet.

## **9 TIMETABLE FOR IMPLEMENTATION**

9.1 To show the stages and deadlines for implementing the recommendations.

**Table 3: Implementation timetable**

<b>Date</b>	<b>Details</b>
30 June 2018	Commence procurement of weekly waste and recycling collection contract, OJEU notice published.
1 July 2018	New community based recycling incentive scheme commences.
1 June 2018	Contract extension under waiver agreed with Veolia, with the final decision delegated to the Managing Director and Cabinet Member for Environment, Parking and Flooding and Managing Director
22 November 2018	Cabinet report – contract award
December 2018 – June 2019	Contract mobilisation
1 July 2019	Earliest date for new contract commencing

9.2 Implementation date if not called in: Immediately.

## **10 APPENDICES**

None.

## **11 BACKGROUND DOCUMENTS**

None.

## **12 CONSULTATION (MANDATORY)**

<b>Name of consultee</b>	<b>Post held</b>	<b>Date issued for comment</b>	<b>Date returned with comments</b>
Cllr Grey	Lead Member for Environmental Services, (including Parking and Flooding)	03-04-18	03-04-18 16-04-18
Alison Alexander	Managing Director	03-04-18	17-04-18
Russell O'Keefe	Executive Director	03-04-18	
Andy Jeffs	Executive Director	29-03-18	03-04-18
Rob Stubbs	Section 151 Officer	03-04-18	03-04-18
Nikki Craig	Head of HR and Corporate Projects	03-04-18	03-04-18
Louisa Dean	Communications	03-04-18	03-04-18
Hilary Hall	Deputy Director Strategy and Commissioning	03-04-18	03-04-18 17-04-18
Elaine Browne	Legal (SLS)	03-04-18	03-04-18
Lyn Hitchinson	Procurement	23-03-18	28-03-18

## REPORT HISTORY

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To Follow item?</b>
Key decision. Date added to forward plan:22/2/18	No	No
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