

## APPENDIX B

### WAVERLEY BOROUGH COUNCIL

#### EXECUTIVE- 5 JULY 2011

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**Title:**

**WASTE MANAGEMENT- CONTRACT RENEWAL 2012**

**[Portfolio Holder: Cllr Bryn Morgan]**

**[Wards Affected: All]**

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**Note Pursuant to Section 100B(5) of the Local Government Act 1972**

Annexes to this report contain exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in paragraph 3 of the revised part I of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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**Summary and purpose:**

To present a report on the future of the Council's environmental contracts (Refuse, Recycling and Street Cleaning) and to seek Executive approval on the proposed specification and procurement route.

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**How this report relates to the Council's Corporate Priorities:**

The report addresses the Council's 'Environment' priority, specifically, the plan to contribute to tackling climate change by "working with partners to increase the recycling rate to 55% by 2015", and also by contributing to the 2010 Surrey Joint Municipal Waste Management Strategy Target of achieving a County-wide recycling rate of 70% by 2013/14 (with Waste Collection Authorities specifically being required to achieve a rate of 60% within the same timeframe); if the proposed scheme is adopted it is anticipated that Waverley would achieve a recycling rate of over 60%.

It also contributes to the Council's 'Improving Lives' priority by providing, in response to extensive customer feedback, a cost-effective and user-friendly service for our Council Tax payers.

**Equality and Diversity Implications:**

The waste and recycling service is provided equally to all sectors of the community. Bespoke arrangements are developed to serve houses in multiple occupation, assisted collection arrangements made for the disabled and infirm, and extra bins are provided to larger families. Any fundamental changes to the current system would be subject to an Equality Impact Assessment.

### **Climate Change Implications:**

Any new contract(s) for these services would be expected to improve carbon performance, e.g. improved emissions and fuel consumption of vehicles and plant, and the carbon reduction initiatives put forward by tenderers for the new service would be taken into account during any tender evaluation process.

### **Resource/Value for Money Implications:**

The Council's Waste Management Contract is one of the Council's single largest items of expenditure, with an aggregate value over its first seven years of approximately £28m at current prices. Any changes to the service are likely to have a financial impact, and the value for money of any such changes must therefore be considered carefully in the light of other spending priorities.

Included in the 2011/12 General Fund Revenue budget is a provisional sum of £60,000, which is intended to cover the costs of retendering the Council's major contracts this year.

### **Legal Implications:**

The procurement process for contracts of this nature and size is tightly regulated by European and national legislation. In addition it is important to ensure that any contractual relationship between the Council and the contractor(s) delivers what was intended – from the outset and throughout the life of the contract.

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### **Background**

1. The first term of the Council's (7 + 7 year) Waste Management (refuse, recycling and environmental cleaning) Contract with Veolia will expire in November 2012; at which stage the Council has an option to extend for (up to) a further 7 years, or to expose the work to competition in a competitive tendering process.
2. Work has taken place over the past 12 months to design a service specification for Waverley and to assess whether the Council would be best placed retendering these services or negotiating an extension with our existing contractor, Veolia.
3. At the meeting of 29 March 2011, the Executive considered a report which provided a progress update on the re-specification and procurement of the services beyond 2012, and sought approval of the appointment of WYG Environment to provide specialist consultancy and Project Management support for the project.
4. At that meeting, the Executive: -
  - i. noted and endorsed the headline findings and recommendations emerging from the WYG modeling exercise;

- ii. agreed a waiver under Contract Procedural Rule 3.1 to appoint WYG Environment to provide Project Support on the Environmental Services contracts procurement process; and
  - iii. agreed that the costs of this be met from the £60,000 allowed in the 2011/12 budget to cover major contract retendering costs.
5. The headline findings and recommendations of WYG's initial scoping and modelling exercise are detailed in the 29 March report to Executive; and for ease of reference they are repeated below:
- a. The collection scheme likely to produce the highest recycling rates (of between 57-66%) involves the fortnightly collection of refuse and comingled recycling in separate wheeled bins, a weekly borough-wide food waste collection service and a chargeable garden waste service.
  - b. This option is likely to be the best value approach in terms of annual revenue costs based on current market rates and the current value of recyclables.
  - c. There is little value in the Council collecting paper separately, due to the lower capture rates of a 'dual-stream' system, the additional resources required, and the higher gate fees likely to be associated with the remaining comingled materials.
  - d. Such a service would potentially divert an additional 9,250 tonnes of waste from landfill per annum, leading to significant ongoing savings for Surrey County Council.
  - e. WYG recommended that the Council continue discussions with Surrey County Council regarding the future of the local transfer stations at Slyfield and Ash Vale with a view to ensuring any improved facilities will be available before the commencement of the new service (likely to be on or before March 2013), whilst also continuing to look at alternative options such as the Surrey Heath facility at Camberley, and the Grundons MRF at Leatherhead.
  - f. They also recommended that the Council should continue to work with Surrey County Council to negotiate a formula for performance-based financial contributions towards the costs of delivering an improved service.
  - g. Finally, they recommended that the Council should use the 'window of opportunity' between March and the issuing of the OJEU notice (at the end of July) to hold negotiations with Veolia regarding the possibility of a contract extension on the basis set out above, and that if negotiations with Veolia are not successful, the most appropriate procurement procedure would be the Restricted Procedure.

### **The current kerbside waste mix**

6. Waverley currently operates an alternate-weekly collection system, collecting residual waste in the first week and kerbside-sorted recyclables the following week. The recyclables are currently collected from the doorstep in three crates/ boxes, as follows:

- White paper, newspapers, magazines, junk mail, catalogues, greetings cards, white envelopes, telephone directories, yellow pages
  - Plastic bottles (milk, drinks, detergent and shampoo bottles), steel/ aluminium cans and aerosols
  - Mixed glass- bottles and jars of any colour
7. In addition to this core service, the Council also provides a garden waste collection service. This service currently serves approximately 2,800 customers from whom collections are carried out on a fortnightly basis on a day independent of their scheduled refuse or recycling date. This is a chargeable service, for which an annual subscription charge is paid. This is currently £50 for 2, and £60 for 4 sacks with half-price concessions for people in receipt of benefits.
8. There is also a separate clinical waste collection service currently serving just under 800 customers, who can receive weekly collections if required. For people with sharps boxes a 'collection on request' service is provided. This is an expensive service, with current costs equating to approximately £100 per customer per year and, although it is possible to charge for this service, it is currently provided free of charge.
9. Finally, the Council has, over the past 12 months, introduced a food waste collection service to an increasing number of households across the borough, focusing specifically on flats and properties with limited scope for composting. The final phase of this 'trial' was introduced in June this year, bringing the total number of households receiving the service to approximately 10,000. This trial has been supported financially by Surrey County Council.

### **Materials currently recycled at bring sites**

10. As well as providing a kerbside recycling service, Waverley also maintains 25 Bring Sites in various locations across the borough. These sites are primarily provided to collect materials that are not currently collected from the kerbside, such as cardboard, Tetrapak and mixed plastics, as well as other 'niche' materials such as textiles. However, in recognition of the limited capacity of the current kerbside sort collection containers, there are also a number of banks that duplicate the materials collected from the kerbside, such as cans, plastic bottles, paper and glass. Last year, Bring Sites captured 2,600 tonnes of recyclables, which equates to 16.5% of the total material recycled by Waverley.

### **Proposed new kerbside mix**

11. The impending expiry of the current contractual arrangements has presented an opportunity to carry out a fundamental review of the range of materials collected, and the method of collection, and to look again at the way in which street cleaning services are provided.
12. In order to inform this process, a series of Members' workshops took place in the autumn of 2010, at which a range of issues were discussed and explored, including:-

- Environmental cleaning
  - The finances of waste and commercial waste
  - Subscription services
  - Customer satisfaction
  - Materials recovery
  - Parish & Town Councils
13. These workshops, combined with customer feedback from recent surveys such as the 2008 'Place Survey', the 2009 'Participatory Budgeting' process and more recent engagement with the Council's Citizen's Panel have culminated in a set of proposals for the future, as set out in Annexe 1.
14. In summary, the new waste and recycling service being proposed is as follows:-
- Alternate weekly refuse and recycling collections (as now)
  - Recycling to be collected comingled in a 240 litre wheeled bin (instead of being sorted into boxes at the kerbside)
  - An increased range of materials collected from the kerbside, to include card, mixed plastics, Tetrapak, foil and (borough-wide) food waste
  - Bring Site provision to be rationalised to account for increased range of materials collected from the kerbside - fewer sites, with only 'niche' material banks and comingled dry recycling banks
  - Bulky waste will continue as at present, but with a streamlined administration process and an increased focus on furniture re-use.
  - A streamlined Clinical Waste service - collecting 'sharps' only; and on a prescribed day (no longer on-demand)
  - A revised Garden Waste service - reduced subscription fees, option to have a wheelie bin, and cessation of free Saturday 'bring' service

### **Street Cleaning**

15. The proposal for street cleaning is to, as a minimum, continue 'as is' but incorporating into the contract the service enhancements that were put in place in 2010. At that time additional funding was made available with the aim of improving public perception of the service, to include the introduction of the Community Cleaning Team, and to finance an additional vehicle throughout the leafing season. It may be that further service enhancements can be achieved using savings realised from elsewhere in the procurement of the environmental services contracts.

### **Funding Negotiations with Surrey County Council**

16. As mentioned in paragraph 5(d), above, the WYG modelling exercise suggests that the proposed collection system could divert up to an additional 9,250 tonnes of material, per annum, from landfill. This is made up of an estimated 5,000 tonnes additional dry recycling, and 4,250 tonnes food waste.
17. This improvement in performance will result in significant avoided costs for Surrey County Council, which, as the Waste Disposal Authority, is required to meet the cost of disposal of residual waste, and to pay 'landfill tax' on every

tonne of material it sends to landfill. It is recognised by both parties, and at the Surrey Waste Partnership, that Surrey County Council will support and encourage any Waste Collection Authority to improve recycling performance by providing revenue and/or capital investment.

18. In addition, SCC continues to want to support Waste Collection Authorities (WCA's) to achieve further service improvements and increased recycling rates through the introduction of food waste collection services, as they recognise the impact that food waste collection has on landfill diversion, both directly, and more indirectly through encouraging increased dry recycling performance.
19. Over the past two years in order to incentivise WCA's to adopt food waste collection, they have offered a combination of capital and revenue support in lieu of Recycling Credits to any authority embarking on a new scheme (in the case of WBC, they have financially supported the 'Phase 1' food waste pilot with a capital contribution of £75,000, and annual revenue support of approximately £30,000).
20. Having used this approach for the past two years, SCC has observed very different levels of 'payback' (in terms of recycling and landfill diversion) for their investment and, as a consequence, they intend to review the scheme going forward and plan to work with the Surrey Waste Partnership (SWP) over the coming months to develop a revised approach which better recognises high performance.
21. Details of the financial package available from SCC are set out in [Exempt] Annexe 2.

### **Contract Extension negotiations with Veolia**

22. If the Council is to fundamentally change the contract specification as described previously above, the two options available, in procuring a new Waste Management contract, are:
  - a. to extend our relationship with Veolia for (up to) a further 7 years – but with a modified specification introduced in the current 7 year term
  - b. to go to external competitive tender for a 7 year term with a new specification.
23. In the case of option (a), it would still be necessary to procure a processing/ MRF contract to handle the comingled dry recyclates collected, as the scope of the original 2004 OJEU Notice is not sufficiently broad to allow for such services to be incorporated into a renegotiated contract.
24. Aware of the contractual options open to the Council and taking into account its emerging thinking regarding the range of materials to be collected and the desired collection method, Veolia have engaged with Officers over recent months, and have now submitted a detailed contract extension proposal for our consideration. This is not unusual and is a path that has been

successfully followed recently in Surrey by both Surrey Heath and Elmbridge Borough Councils.

25. The headlines of the Veolia offer are set out in [Exempt] Annexe 2, together with the outcome of an options appraisal by WYG, and discussion of the proposed procurement route.

### **Opportunity to pursue shared contracts**

26. The proposed specification of alternate weekly collection of waste and commingled recycling, with weekly food waste collections and a subscription green waste service will bring the Council in line with a number of other partners from the Surrey Waste Partnership; namely, Elmbridge, Surrey Heath, Woking and Mole Valley.
27. Although Waverley's procurement timetable is not conducive to engaging in a shared procurement at this stage, discussions are underway with these potential partners to ensure that we are all 'partnership-ready' and will be in a strong position to undertake a joint procurement exercise when the works next come up for retender in 2019.
28. Officers will continue to engage in these conversations going forward to ensure that the Council is in a strong position to play a key role in this initiative when the time arrives.

### **Community Overview and Scrutiny Committee**

29. A Special meeting of the Community Overview and Scrutiny Committee has been convened to consider this report and their observations will be circulated separately.

### **Recommendation**

It is recommended that the Executive: -

1. agree to the headline specification for Waste Management beyond 2012, of alternate weekly collection, comingled recycling and weekly food waste collections, as set out in Annexe 1;
  2. note the latest position regarding funding from Surrey County Council, as set out in paragraph 14 of (Exempt) Annexe 2; and
  3. delegate authority to the Strategic Director and Deputy Chief Executive, in consultation with the Portfolio Holder for the Environment, to proceed with the procurement of waste, recycling and street cleaning services, as set out in paragraphs 13&14 of (Exempt) Annexe 2, and in line with the timetable set out in (Exempt) Annexe 5.
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## Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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## ANNEXE 1

### Proposed Headlines of new contract specification

Proposal	Rationale/ evidence	Change in approach?
<b>Kerbside Refuse Collections</b>		
Alternate Weekly Collection	Already an embedded part of the system-known to increase recycling rates. The number of complaints from the public about the scheme has reduced significantly over the past 12 months	
240L Wheeled bins	Although a smaller residual waste bin would reduce capacity for residual waste (and therefore encourage recycling), the introduction of new smaller bins for residual would carry a significant cost (circa £800k)	
Replacement bin policy – contractor’s responsibility to replace free of charge	Incentive for contractors to look after them, and will improve customer satisfaction.	✓
Closed bin policy and no excess waste collected	Consistent with current policy	
Remedial collections carried out without question within 24 hours of reporting – up to 7 days after scheduled collection day	Will significantly improve customer satisfaction and reduce call volumes	✓
Return to inaccessible roads within 24 hours	Will significantly improve customer satisfaction	✓
Existing arrangements for second bin exemptions to continue	WBC current approach already strict and robust	
Collections to be made from bin store areas at flats	Consistent with current policy	
Agreement for additional properties (new developments) to be serviced without incremental increase in payment to contractor	Ensures that Council does not have to budget for uncertain liabilities during life of contract	✓
<b>Kerbside Recycling Collections</b>		
Co-mingled	Would allow us to collect larger variety and greater volumes of material. Is also simpler and would improve customer	✓

	service. Can add additional materials more easily if technology becomes available.	
Wheeled bins 240 litres	240l capacity wheeled bins increase recycling capacity by over 1/3, and make recycling easier for residents	✓
Additional bins supplied to customers on request- free of charge	Consistent with current policy -to encourage recycling	
Replacement policy – contractor’s responsibility.	Would encourage contractors to look after the bins and therefore reduce frequency of replacement- also leading to an increase in customer satisfaction	✓
Recycling materials collected to be clearly specified in contract	Allows us to take on board suggestions from consultation of residents and Members, therefore improving customer satisfaction and ensuring that Members have been able to incorporate their views where possible.	
Continue to collect existing materials: <ul style="list-style-type: none"> <li>• Paper</li> <li>• Glass</li> <li>• Plastic bottles/cans</li> <li>• Food waste (from all properties)</li> </ul>	Consistent with current policy.  Food Waste constitutes nearly 30% of residual waste in WBC bins (2010 composition analysis)	
New materials to add (essential): <ul style="list-style-type: none"> <li>• Cardboard</li> <li>• Mixed plastic</li> </ul>	As suggested in Citizen’s Panel/ Participatory Budget feedback, and through Members’ workshops.  Cardboard and mixed plastics constitute over 9% of residual waste in WBC bins (2010 composition analysis)	✓
New materials to add (desirable): <ul style="list-style-type: none"> <li>• Tetra Pak</li> <li>• Foil</li> </ul>	Tetra Pak recycling has proven to be popular from the bring sites, so would be more efficient to collect from kerbside if possible.	✓
Remedial collections and return to inaccessible roads- as per refuse	Will significantly improve customer satisfaction and reduce call volumes	✓
Existing arrangements for exemption to	Consistent with current policy.	

continue		
Collections to be made from bin store areas at flats	Consistent with current policy.	
Agreement for additional properties (new developments) to be serviced- as per refuse	Ensures that Council does not have to budget for uncertain liabilities during life of contract	✓
Performance incentive for contractor – financial (e.g. if recycling rate reaches 60%)	Will encourage them to collect as much as is possible.  May positively impact number of missed bins.	✓
Sale of recyclable materials/gate fees-responsibility of MRF contractor- with profit share arrangement	Contractor better placed to take advantage of economies of scale	✓
Use of bulking facilities at Slyfield, Camberley or Leatherhead- or another local facility of contractor's choice	To keep transportation times and carbon footprint to a minimum.	✓
<b>Bulky waste</b>		
Stream-lined process for the customer	Reduces our workload if the contractor deals with taking payments and arranging collections directly	✓
Integrate a necessity to work with re-use networks	As Surrey is working on developing reuse networks at this time	✓
Item for community clean-up days & added value neighbourhood activity.	Currently linked to bill of quantities to prevent excessive overcharging	✓
Limit on charge for collections	To prevent contractor from pricing themselves out of the market.  To increase customer satisfaction.	✓
<b>Clinical waste</b>		
Collections for sharps/infectious waste only	Sharps should not be placed in wheeled bins, and are required to be collected separately.	✓
Sharps collections no longer provided on an on-demand basis instead on specified days, e.g. quarterly	To ensure efficiency in rounds and reduction in carbon footprint.	✓
All other non-infectious waste to be dealt with by second bin	More cost-effective and carbon-efficient, as there is no separate clinical waste round each week.	✓

exemption (bin provided free of charge) or by a single 240 litre bin (if using 140L for refuse).		
Involvement of pharmacies/ surgeries as potential collection points for sharps	Will allow more flexibility if customer does not want to wait for a quarterly collection	✓
<b>Garden waste</b>		
Choice of bin or bags for customer	To use up existing sack supply while providing flexibility for residents.	✓
Up-front charge for wheeled bins at initial issue	To cover cost of provision of bin.	✓
Charge for replacement bags to continue	Consistent with current policy.	
WBC to pay contractual fee for vehicle, not per household	Would mean that the Council would take the risk if there was a lack of participation, but is likely to provide long term savings. Would also allow the cost of the service to be more flexible for customers.	✓
Saturday collections to be withdrawn	To encourage subscriptions to kerbside collection service (current arrangements directly compete with subscription service)	✓
Fortnightly frequency to continue	Continuation of existing service- frequency considered appropriate	
One-off collections to be allowed – price to include cost of sacks.	Would improve range of services available to customers	✓
Delivery of wormeries and tumblers where householders have purchased these	Continuation of existing service.	
Reduced charge for customer (subscription charges)	To improve customer satisfaction and encourage participation in the scheme	✓
Remedial collections to be carried out without question (as per refuse)	Will significantly improve customer satisfaction and reduce call volumes	✓
<b>Bring Sites</b>		

Bring site provision rationalised- number of sites reduced and specialist paper, card, bottle banks removed and replaced with commingled bins. Recycling for 'niche' materials still offered through bring sites.	Improved range of materials and increased capacity of kerbside recycling service negates the need for such a comprehensive bring site service.	✓
Bring sites serviced entirely by waste collection contractor.	Ensures 'ownership' of sites, and improves links between waste collection and street cleaning aspects of bring site maintenance	✓
<b>Miscellaneous- I.T./ customer service/ branding/ carbon efficiency</b>		
WBC logo proportionally larger than contractor logo and to be visible on all vehicles, uniforms, bins, street cleaning barrows.	To increase public awareness of the services Waverley provides.	✓
Requirement for contractor to adopt route optimisation within first year and to share savings made from efficiencies.	To ensure operations are as efficient as possible, and the carbon footprint of the service is reduced	✓
Contractor to provide compatible waste management system, to include 'near real time' technology and a two-way reporting system.	Will allow improvements to customer satisfaction by better client-contractor communication, and by having 'near real-time' information	✓
Customer service remains with client, except potentially over Christmas periods, if Waverley continues with prolonged closure.	Consistent with current policy. Contractor has in previous years provided customer support over Christmas period.	

