

Somerset Waste Board meeting
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Report for decision

Recycle More & Collection Contract Procurement: Update

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<p>Forward Plan Reference:</p>	<p>SWB/19/04/08</p>
<p>Summary:</p>	<p>This report summarises progress in mobilising our new collection contractor (SUEZ Recycling and Recovery UK) and hence delivery of Recycle More. It updates the board on what has happened since the Board approved SUEZ as preferred contractor on 29 March 2019, and what will be happening next. It seeks the Board's agreement to discontinue the New Service Member Task and Finish Group as it has achieved its objective.</p>
<p>Recommendations:</p>	<p>It is recommended that the Board:</p> <ol style="list-style-type: none"> 1. Notes the progress made in procuring and mobilising a new collection contract. 2. Agrees to discontinue with the (non-decision making) "New Service Task and Finish Group" as it has fulfilled its role.
<p>Reasons for recommendations:</p>	<p>To ensure that progress with the procurement and mobilisation of our new collection contractor (SUEZ) is transparent.</p> <p>The purpose of the New Service Task and Finish Group was to provide close member oversight into the project and to provide advice and guidance where required. The Group was non-decision making; made up of one member from each partner authority and any major decisions came to the Board with a recommendation from the Task and Finish Group. Having concluded the procurement phase of the project the group has achieved its key role. It will be crucial going forward that all Board members (and indeed the wider membership in each partner authority) are engaged as we mobilise the new collection contract and roll out Recycle More in phases across the county.</p>

<p>Links to Priorities and Impact on Annual Business Plan:</p>	<p>Task 1.1 within the SWB Approved Business Plan 2019-24 concerns the transition to a new collection contractor and new service model.</p>
<p>Financial, Legal and HR Implications:</p>	<p>Revenue: In addition to delivering the significant environmental benefits of Recycle More a new collection contract aims to deliver significant savings to all partners, through reduced contract costs, lower disposal costs and additional recycling credit payments from the County Council to District Councils (as refuse reduces and recycling increases). SUEZ’s bid met and exceeded SWP’s affordability target, delivering total forecast savings of over £2m once Recycle More is rolled out. It is important to note that this does not mean that year 1 costs will be lower by this amount, as SWP will incur roll-out costs before savings can be realised, and full savings are not realised until Recycle More is fully rolled out in 2022.</p> <p>Capital: The capital requirements of Bidder 2 are £24.6m, with £17.8 on vehicles and £6.8m on depot works. Consultation with partner s151 officers has confirmed that the business case for Local Authority borrowing is compelling – saving partners around £1.8m per annum in addition to the return on borrowing received by individual borrowing partners. S151 Officers have also confirmed a broadly equal split of borrowing between all partner authorities.</p> <p>Legal: The contract with SUEZ will be for a period of 10 years (from 28 March 2020 to 29 March 2030) with the option to extend for a further 10 years in increments to be agreed (i.e. potentially to 30 March 2040). SWP have completed the standard contractual standstill period following notification to bidders of the results of the procurement process. SWP and SUEZ have signed a Letter of Intent to ensure that mobilisation progresses ahead of contract signature – for example because orders for key parts of the new fleet of vehicles needed to be placed. We aim to have signed the contract with SUEZ in Summer 2019, once final legal matters have been addressed.</p> <p>HR: Collection Contractor staff will TUPE transfer to the new contractor on 28 March 2020. SWP, Kier (the incumbent contractor) and SUEZ (the incoming contractor) briefed staff at all five Somerset depots on the morning of the announcement of SUEZ as preferred bidder – to ensure staff were the first to know. The announcement was well received by staff and a comprehensive communications plan for transferring staff has been developed.</p>
<p>Equalities Implications:</p>	<p>An Equalities Impact Assessment was attached to the 29 March Board report. This impact assessment has been updated at key milestones throughout the procurement project and will continue</p>

	to be updated as we progress through to service commencement and Recycle More roll-out.
Risk Assessment:	The risks related to the procurement and mobilisation of a new collection contractor and Recycle More have been reviewed and are set out in SWP's updated risk register (summarised in our performance report). The procurement implications of potential Brexit scenarios have been considered and are reflected in SWP's 'no deal Brexit' risk register.

1. Background

1.1. Recycle More: recap

Recycle More will enable the public to recycle even more at the kerbside, adding in the following materials to the weekly collection:

- Plastic pots, tubs and trays (including black plastic)
- Food and beverage cartons (e.g. tetrapaks)
- Small electrical equipment (e.g. a kettle or toaster)
- Household batteries

This is in addition to what can already be recycled every week – food, paper, glass, cans, aerosols, plastic bottles, cardboard, foil, textiles and shoes. Garden waste, clinical waste, bulky waste and assisted collections will be continued broadly as they are now. A 60litre weighted reusable sack will ensure residents have space for all their extra recycling.

It will maintain the kerbside sort system that is so crucial to the excellent environmental performance that SWP already achieves, with over 90% of our materials reprocessed in the UK each week. With so much more recycled each week, the frequency of residual waste will be reduced to every three weeks. This change is crucial to us being able to respond to public demand to recycle more, to budge those that aren't recycling fully at the moment, to support our aim to see rubbish treated as a resource rather than wasted, to tackle the climate emergency, and to support the national policy ambition to eliminate avoidable waste by 2050.

For communal properties (e.g. flats) additional materials that residents will be able to recycle each week will be cardboard, plastic bottles, plastic pots, tubs and trays. This is in addition to the paper, glass, cans and aerosols they can already recycle. We will work in partnership with our new contractor to enable residents of communal properties to use the full range of kerbside services for recycling.

1.2. Appointment of preferred bidder (SUEZ)

On 29 March 2019 in confidential session the Board decided upon SUEZ Recycling and Recovery UK as the preferred bidder, informed by the feedback and support from the Joint Waste Scrutiny Panel. The key elements of the bid are:

- Once Recycle More is fully rolled out our recycling rate is expected to increase from 52.4% to 58.5%. If our behavioural change campaigns are effective, then we expect this to increase further to 60% and beyond. We expect this to further improve SWP's independently rated 'high-flying' carbon-saving performance.
- How we recycle is as important as how much we recycle. By retaining the kerbside sort methodology we expect that the environmental quality of our materials will remain very high (as recycling materials stay separate rather than being mixed together), meaning that we expect most of our material to be recycled in the UK, with as much as possible going into 'closed loop' processes (i.e. glass bottles are recycled back into glass bottles, and not 'recycled' into aggregate). Material will only be sent elsewhere in the EU if reprocessing is not possible within the UK (e.g. due to a lack of UK reprocessing capacity) and outside of the EU as a last resort (with SWP advised in advance).
- Once Recycle More is rolled out we expect that residual waste per household is expected to fall from the 2017/18 level of 480kg/household to below 420kg/household. This will all be used to generate clean electricity at the Resource Recovery Centre currently being constructed at Avonmouth.
- The Board set an affordability target for Recycle More of a £1.7m saving compared to the current service from the current contractor. SUEZ's bid met and exceeded SWP's affordability target, delivering total forecast savings of over £2m once Recycle More is rolled out. It is important to note that this does not mean that year 1 costs will be lower by this amount, as SWP will incur roll-out costs before savings can be realised, and full savings are not realised until Recycle More is fully rolled out.
- Working in partnership to drive behaviour change and deliver excellent customer service was a crucial element of SUEZ's bid, and this is reflected throughout their bid, including:
 - much more robust standards on missed collections (0.045%) and a contractual emphasis on improving the quality of the service delivered engineering out missed assisted collections and repeated missed collections,
 - utilising in-cab technology on every vehicle so that we give our crews the right tools to do the job, drive up service standards, and have the data to effectively target behaviour change,
 - establishing a SW:EEP fund (jointly funded and managed by SWP and SUEZ from recyclate revenue) to drive behaviour change,
 - the appointment of a Liaison Officer dedicated to analysing performance data, working with crews and SWP to drive continuous improvement,
 - A Joint Management Board which will meet every six months to oversee performance, innovation and improvement. As well as SWP Officers, the SUEZ Contract Manager and Board representatives, this will involve the Chief Operating Officer and senior directors from SUEZ nationally, so that we can remain at the forefront of innovation nationally.
- Using a nationally recognised social value calculation tool, SUEZ have estimated that the contract delivers £644million of social, economic and environmental benefits to Somerset, in part through the employment and

training initiatives they will offer (including apprenticeships) and their health and well-being offer (including dementia awareness training for staff), in addition to the environmental benefits of the service.

2. Progress to date

- 2.1. The public announcement of SUEZ as the preferred bidder was made on 13 May 2019. All current staff were informed of these changes at a special briefing with SWP, Kier and members of SUEZ's senior leadership team early in the morning, which took place at each of the five depot locations in Somerset. A press release attracted good local and national coverage, and a member briefing was sent to every member of our partner authorities.

Ahead of the waste collection contract service commencing on 28 March 2020 there is considerable work to be undertaken by the preferred bidder. SWP and the preferred bidder are unlikely to be in a position to sign the contract until Summer 2019, as we finalise a number of legal matters. SWP therefore needed to sign a letter of intent to ensure that work can progress ahead of contract signature, in particular to reflect the need to place orders and book delivery slots for vehicles. The construction of a fleet of recycling and refuse vehicles needs to be completed ahead of day one of the contract on 28 March 2020. If SWP fail to place orders promptly then there will be severe disruption to services. Whilst SWP are funding the purchase of vehicles (as it saves the public purse £18m over the contract life if we do) and will own the assets, SUEZ are responsible for specifying and ordering the vehicles. A particular constraint/risk was the large fleet of new recycling vehicles we need – and SUEZ have placed the order for 87 Romaquip vehicles to ensure that our vehicles are ready on day one of the new contract.

Roll-out costs

SWP have built up a Recycle More fund of £1,076k (subject to board approval of lease vehicle underspend – as set out in the finance paper going to the June Board), with contributions coming from all partners, both District and County Council. This will be adequate to cover the implementation costs of the new contract expected to be incurred in 2019/20 (e.g. external technical and

commercial advice, purchasing some plant and equipment from Kier on termination), and help offset some of the Recycle More roll-out costs.

The roll-out costs of Recycle More are expected to be c.£2.2m (as set out below).

Activity	Cost	2020/21	2021/22
Container supply ¹	£ 775k	£223k	£552k
Container delivery ¹	£545k	£156k	£389k
Marketing ²	£ 480k	£246k	£234k
Customer support	£ 340k	£170k	£170k
Total	£2,140	£795k	£1,345k
Revenue total	£820k	£416k	£404k

1: Proposed capital items

2: includes notification packs (c£140k), service leaflets/stickers (c£160k), newsletters (c£100k)

The Board agreed a set of financial principles for Recycle More on 18 December 2015. As part of the 2020/21 budget setting process these principles will be reviewed by partner officers (s151 Officers and the Strategic Management Group) – and this will inform the indicative budget presented to the Board in September. Changes to the inter-authority agreement will be needed, not least to deal with recycle risk share (which we don't require in our current contract). Key principles include:

- District collection partners should not be penalised or rewarded for when they roll out within the programme.
- Sharing of the additional costs of roll-out will be based on household numbers unless there is a district-specific cost.

3. Approach to mobilisation

- 3.1. SWP and SUEZ (and where relevant Kier) are having weekly meetings to oversee a smooth mobilisation process. There are 13 substantial workstreams underpinning this process, including communication, ICT, fleet, and depot construction. Given the complexity of the mobilisation programme, it is proposed to hold a workshop with Board members on 2 July to take them through key milestones in this process and in the phased roll-out of Recycle More. SWP are developing a major communications plan to support the roll-out of Recycle More, part of which will be ensuring that we do not confuse residents by telling them too much too early, especially as the roll-out of Recycle More will be phased across the County.

From day one of the new contract SWP will have a new fleet of vehicles. These are necessary because our current fleet are beyond their useful life and because the new service requires different vehicles – both to cope with

increased levels of recycling and because fewer refuse vehicles are required. Some additional vehicles will be required to bridge the gap until the Recycle More service is rolled out. The increased level of recycling also requires improvements to our five depots across Somerset. Capital expenditure related to this is:

- £17.71m on vehicles
- £5.24m on depots
- £1.54m on depot equipment (e.g. to sort and bale equipment)

The primary environmental benefit of our new fleet of vehicles is through the 27,000 tonnes of additional recycling they will carry. We expect our new fleet to contribute to reducing carbon emissions through:

- Euro 6 high-efficiency engines delivering a 30% CO2 equivalent saving compared to our current fleet
- Driver training, monitoring and changed maintenance arrangements potentially delivering 8-24% CO2 equivalent saving compared to our current fleet. All refuse and garden waste will be fitted with electric bin lifts (rather than running directly off the diesel engine)
- The frontline fleet of vehicles will reduce from 170 currently to 144 – due to requiring around one-third fewer refuse vehicles, more efficient routing of vehicles, and because our new recycling vehicles will be higher capacity on broadly the same footprint.

Whilst we looked carefully at electric vehicles and alternative fuels, the reality is that the technology of electric trucks is not at a sufficiently advanced point to enable it to be viable for a large rural county like Somerset. We are still working with SUEZ to explore the potential for some parts of the fleet to be electric (e.g. smaller vans), but the limited range of most vans on the market may mean that this is not viable. There will be a need to procure some replacement refuse vehicles in 2024/25 and SUEZ and SWP are committed to procuring the most environmentally friendly vehicles possible, and we expect that the technology will have matured by then. Continuing to reduce the service's environmental impact will be a core part of the Annual Service Improvement Plan that SUEZ have to provide.

4. Next steps

- 4.1. It is proposed that the New Service Task and Finish Group is discontinued during the mobilisation phase. The Task and Finish Group proved invaluable through the procurement process, enabling SWP to keep Board members updated on what was a fast-moving process – where SWP officers needed the ability to test out issues more quickly than the normal governance timetable allows. The mobilisation phase does not have similar time pressures, and it is vital that all Board members are updated on the approach to public engagement. As such, the Task and Finish Group has achieved the aims it was set out to achieve and is no longer required.

A workshop on Recycle More for Board members and Joint Waste Scrutiny Panel members is planned for July. In the meantime, SWP officers will continue to progress mobilisation workstreams, finalise the contract with SUEZ, manage the risk of service deterioration with Kier, develop a robust communications plan to support the roll-out of Recycle More, and work with partner authorities to refine the financial principles and financial modelling that will underpin future budgets. Recycle More will be phased in across the County between June 2020 and June 2022, ensuring that roll-outs are undertaken in manageable chunks (to ensure a good customer experience) and in line with depot improvements needed to cope with all the additional recycling expected.

5. Background papers

- 5.1. Previous papers:

- Report to SWB “*Recycle More*” 16th December 2016.
- Report to SWB “*Contractual Negotiations for Recycle More*” 30 June 2017,
- Confidential Report to SWB “*Contractual Negotiations and Procurement Strategy for Recycle More*” 3 November 2017.
- SWP Business Plan 2018-23 Approved by SWP on 15th December 2018.
- Reports to SWB “*Recycle More & Collection Contract Procurement: Update*” 23 February 2018, 29 June 2018, 28 September 2018, 2 November 2018, 14 December 2018, 15 February 2019, 29 March
- Confidential Reports to SWB “*Recycle More & Collection Contract Procurement: Consideration of ISDS submissions and approach to final tender specification*” 2 November 2018, 14 December 2018
- Confidential: “*Recycle More & Collection Contract Procurement: Update*” 29 March 2019