



<b>Report to:</b>	Environment and Neighbourhood Committee	<b>Date:</b>	11 March 2020
<b>Report title:</b>	Conclusion of the Annual Review of the Veolia contract		
<b>Report from:</b>	Simon Latham, Interim Strategic Director, Environment, Housing and Regeneration		
<b>Ward/Areas affected:</b>	Borough Wide		
<b>Chair of Committee/Lead Member:</b>	Councillor Manuel Abellan		
<b>Author(s)/Contact Number(s):</b>	Matt Clubb, Assistant Director of Environment and Community Safety - 0208 770 6116		
<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>● Being Active</li> <li>● Making Informed Choices</li> <li>● Living Well Independently</li> <li>● Keeping People Safe</li> </ul>		
<b>Open/Exempt:</b>	Open		
<b>Signed:</b>		<b>Date:</b>	26 February 2020

## 1. Summary

- 1.1 A key aim of the 'Ambitious for Sutton' plan is to ensure the highest possible quality of life for our residents. As part of this we seek to attain the very best performance on recycling and implement a challenging waste minimisation strategy. Sutton has succeeded in significantly increasing its recycling rate to 50%, placing us in the top 5 in London achieving the Mayor of London's recycling target. In addition to this we have reduced the amount of waste requiring disposal, addressing the impacts of climate change and delivering on our ambitious Environment Strategy.
- 1.2 This report provides the outcome of the annual review process with Veolia Environmental Services (VES) in relation to the Council contract procured through the South London Waste Partnership for Waste Collection and Street Cleaning as detailed in sections 4.4 to 4.11 of this report.



## 2. Recommendations

- 2.1 To note the outcome of the annual review

## 3. Background

- 3.1 In June 2016, the Council agreed to outsource waste collection, street cleaning and winter maintenance services. This decision was taken to deliver savings of £8.2m, increase recycling performance, maintain satisfaction and provide over one million Londoners with a harmonised, easy to use kerbside recycling service. The contract commenced in April 2017 and faced a number of challenges in the level of service provided during the transitional phase. Now that the changes to implement kerbside food waste, battery and textile collections, twin stream recycling and fortnightly collection of residual waste have been implemented all parties have agreed to carry out the annual review process.

## 4. Issues

### Approach taken

- 4.1 Following the implementation of harmonised services across the partnership the annual review (Clause 41 of the contract) requirement for the first two years has been combined into a single process, incorporating changes during this period.
- 4.2 This review included a review of the changes to base case assumptions (such as property growth) and also took the opportunity to review the Service Performance Indicators (SPIs). This was to ensure that there is clarity regarding interpretation and application of these following the first two years of the contract.
- 4.3 This process ensures that changes or the impact of changes are formalised and that there is adequate resource in order to continue delivering these valued services to residents.

### Outcome of the Annual Review

- 4.4 There have been factors which have resulted in the original bid differing from the reality of providing these services since April 2017. These include the significant increase in recycling performance for Sutton, property growth, changes to the global recycling markets and, as highlighted in the Scrutiny investigation of October 2017, the transfer of data between organisations during the procurement and mobilisation process. It is important to recognise that the first three of these areas of review would have resulted in at least this cost being incurred even if the service was still delivered internally.
- 4.5 There has been a significant increase in the borough's recycling rate to 50%, making us one of the highest in London. The success of the recycling service has resulted in a different configuration for the collection rounds than that originally modelled, this is a



change that would have been required irrespective of who was delivering these services. As a result we have benefited in a substantial increase in the amount of food waste recycled, which has borne savings in our disposal costs. However, this has added additional pressure on the efficiency of the service by adding more material (food) than originally modelled.

- 4.6 There has been significant property growth in Sutton and across the partnership over the past two years. This is also recognised as placing additional pressure on the efficiency of the service. The annual review allows for adjustments to be made as a result of the impact of increased property numbers to ensure that residents receive efficient and effective services. This is also a change that would have been required irrespective of who was delivering these services.
- 4.7 As reported in the findings of the Scrutiny Committee in 2017 the completeness of the data regarding the numbers and locations of the assisted collections provided during the procurement and mobilisation process was highlighted. Reviewing this has resulted in the increasing in the number of assisted collections (and cost) as legitimate informal collections were formalised.
- 4.8 There was recognition from both parties that there was inconsistency in the application of the SPIs, therefore a review of these has been carried out. A revised set of SPIs have now been agreed and will be implemented from April 2020; whilst the specific content remains consistent, the application and proportional weighting of values has been modified. This will enable officers to focus attention on specific areas with the intention of driving improvement in services which are most important to residents. Performance against these will be published on the Council's website and reviewed as part of the performance review carried out by this Committee.
- 4.9 As a result of the outcome of this process there is an increase in the contract cost of £658k due to increased property numbers and assisted collections and the impact of Sutton's increased recycling rate. This will enable the stabilisation of the service level currently being provided, ensuring the correct level of resource is available to provide services in light of the changes identified in 4.4 above. This increase will be applied from Year 3 (2019/20) of the contract onwards but will not be applied retrospectively to the first two years.
- 4.10 It has been agreed that authorities will retain all deductions made in the first year of the contract in recognition of the challenges faced. However, as a result of the changes to service, such as the demand for additional containers following the service change a one off payment of £400k will be made for the first two years with all other operational costs incurred during the first two years borne by VES.
- 4.11 Following completion of this process, the relevant changes to the contract documents will be made.



## 5. Options Considered

- 5.1 The requirement to carry out an annual review is specified in the contract as laid out in clause 41, therefore not optional. Therefore it is not considered to be an option to not carry out the process.

## 6. Impacts and Implications

### Financial

- 6.1 Financial provision has been made through the Council's budget setting process for the increase in contract cost from 2020/21 associated with the conclusion of the annual review process. This additional budget funds the increased costs of operating the contract following the growth in properties, increased recycling levels and higher than originally forecast levels of food waste, and increased numbers of assisted collections.
- 6.2 The increase in operational costs already incurred for the first two years will be borne by VES and will not impact on the Council's financial position.
- 6.3 The one off costs related to the changes in the service during the first two years will be paid by the Council funded by the deductions retained from the first year. All deductions from subsequent years have also been retained by the Council in the appropriate financial years. These costs will not therefore impact on either the overall budget position going forwards or the financial outturn for 2019/20.

### Legal

- 6.4 The changes to the contract have been provided for in clause 41 of the contract and fall under the Regulation 72(1) of The Public Contracts Regulation 2015 allowing the contract to be modified without a new procurement procedure. A deed of variation to the existing contract will need to be executed by the parties to reflect the changes.



## 7. Appendices and Background Documents

Appendix letter	Title
None	

Background documents

Audit Trail		
Version	Final	
Consultation with other officers		
Finance	Yes	Victoria Goddard
Legal	Yes	Yana Sanderson
Other Officers:	No	
Equality Impact Assessment required	No	N/A

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