

SURREY COUNTY COUNCIL

CABINET

DATE: 23 JUNE 2020



REPORT OF: MRS NATALIE BRAMHALL, CABINET MEMBER FOR ENVIRONMENT & CLIMATE CHANGE

LEAD OFFICER: KATIE STEWART, EXECUTIVE DIRECTOR - ENVIRONMENT, TRANSPORT & INFRASTRUCTURE

SUBJECT: RETHINKING WASTE – SURREY COUNTY COUNCIL’S WASTE COMMISSIONING STRATEGY

SUMMARY OF ISSUE:

The current Waste PFI contract with Suez provides for the treatment and disposal of all local authority collected waste arising within the county. This contract expires in September 2024, and Surrey County Council (SCC) needs to commission new service arrangements. The proposed Waste Commissioning Strategy and associated programme of activity will shape those new arrangements, including the infrastructure, ways of working with our district and borough collection authorities, and the services procured.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. approves the development of a Waste Commissioning Strategy;
2. approves the proposed outcomes for the Waste Commissioning Strategy, to:
 - a) Meet Surrey County Council’s Waste Disposal Authority (WDA) statutory duties.
 - b) Maximise the financial sustainability of waste management in Surrey.
 - c) Reduce the carbon impact of waste collection and disposal.
 - d) Maximise the integration of waste management in the county.
3. approves the programme proposed for the development of the strategy and re-procurement of the waste disposal contract; and
4. within this programme, approves the review of the variable elements of the funding mechanism through which the county council funds the Surrey Environment Partnership and the Waste Collection Authorities.

REASON FOR RECOMMENDATIONS:

The development of a Waste Commissioning Strategy as set out will enable the Council to fulfil its statutory obligations as a Waste Disposal Authority more effectively and will set a framework in which to work with partners and districts and boroughs in achieving a more efficient and financially sustainable approach to the management of waste in the county. Further, it will enable the Council to properly assess and identify ways of achieving the carbon reduction targets set out in the Council's recently adopted Climate Change Strategy.

DETAILS:

Background

1. The current Waste PFI contract with Suez provides for the treatment and disposal of all local authority collected waste arising within the county, around 500,000 tonnes a year, and includes the design, build, finance and operation of the Surrey Eco Park.
2. The contract covers the operation of all Community Recycling Centres (CRCs), Waste Transfer Stations (co-located with CRCs), and the handling and onward transport of all waste arisings. This includes all kerbside residual, garden and food waste collected by the district and borough councils and ultimately all kerbside Dry Mixed Recyclables (DMR from nine councils are currently included, with two more in transitional arrangements).
3. The design of the Eco Park at Shepperton comprises an anaerobic digester to treat food waste, an advanced thermal treatment plant (gasifier) to treat residual waste and a materials bulking facility alongside the existing CRC. The first two of these facilities remain under construction. As such, most of the total 200,000 tonnes per year of residual waste is currently being treated at facilities outside of Surrey in the South East of England.
4. This Waste PFI contract expires in September 2024, and the Council therefore needs to commission new service arrangements.
5. Surrey has made great strides in recycling and waste management since the Suez contract was let back in 1999. Yet there is much we can and should change when commissioning new waste contracts not least because the landscape has changed in waste management since the current contract was let. The need to re-procure these arrangements therefore provides an opportunity to rethink not only the services that the Council commissions to dispose of waste, but also to work with partners to review the infrastructure and governance of how waste is managed more broadly across the county.

International and national context

6. Waste is a global industry with recycled materials forming part of the commodities market exported to meet demand for manufacturing materials. In the last twenty years, recycling commodity markets have risen sharply, driven by a value in foreign exports, and subsequently fallen back when those same markets imploded. Even today export materials for recycling have a rather chequered record and both the costs of treating recyclates and the uncertainties of end destinations means there is a need to rethink how waste is managed.

7. In responding to these challenges and its broader ambitions to tackle climate change, the UK Government's plan is to become a world leader in using resources efficiently and reducing the amount of waste we create as a society. It is aiming to prolong the life of the materials and goods that we use, and move society away from the inefficient 'linear' economic model of 'take, make, use, throw' – enabling the move to a more circular economy, building on the existing waste hierarchy of 'prevention, preparing for re-use, recycling, other recovery, and disposal'.
8. To this end, the Resource and Waste Strategy for England was published in 2018, and since that time, the Department for Environment Food and Rural Affairs (Defra) have been engaging stakeholders on a number of proposals that were set out in that Strategy. These include consistency of collections across the country which will likely make weekly food waste collections mandatory (already adopted in Surrey), possibly make green garden waste collections free of charge (Surrey councils all charge for collections, but it is free at CRCs), and may lead to separate paper/card collections (Surrey Councils collect this material mixed apart from Reigate & Banstead Council).
9. Defra is also developing detailed proposals with stakeholders for 'Deposit Return Schemes' for cans, bottles and glass, as well as 'Extended Producer Responsibility' for other waste. The proposed changes will have a significant impact on council waste collection and disposal services.
10. The next round of Defra consultations is not expected until Autumn 2020, with legislation potentially being introduced in 2021-22 and implementation from 2023. The national response effort to the Coronavirus may delay this further. However, SCC needs to develop its Waste Commissioning Strategy now to guide the procurement for 2024.
11. As such, assumptions will be made based on engagement with Defra and other key stakeholders involved in the development of Government policy in this area to ensure that SCC's re-procurement of services and, wider activity to support a review of waste management in the county, is developed to align as much as possible with the emerging national policy context.

Local context

12. In two tier areas like Surrey, waste disposal and collection responsibilities are split between the upper and lower tier authorities respectively. In Surrey, there is partnership working in place between SCC as the waste disposal authority and the district and boroughs as the collection authorities in the form of the Surrey Environment Partnership (SEP), which aims to manage Surrey's waste in the most efficient, effective, economical and sustainable manner.
13. The SEP is responsible for the development of a Joint Municipal Waste Management Strategy (JMWMS) which has enabled the development of a more joined up approach to how waste is managed in the county, with common communications, all households receiving food waste and, similar dry mixed recycling, collections.
14. However, significant challenges remain to the efficient management of waste in the county. Not only is there a need to address the county's resilience to global waste

and recycling market challenges and its ability to meet national policy aspirations, but there are specific local issues that authorities continue to face.

15. Although the county is one of the best performing in the country in respect of recycling rates at around 55%, its performance has remained stubbornly static over the last five years or so, falling 10% points short of the SEP's target of 70% recycling and recovery rate, which includes some street sweepings and non-clean wood not counted nationally. Achieving greater waste reduction is largely down to behavioural change, for instance, in enabling the reduction of recyclable materials in residual waste. The last waste compositional analysis, and more recent data shows that roughly 40,000 tonnes of food waste which could be recycled was going into residual waste. This represents the single largest opportunity to reduce the amount of residual waste.
16. Costs of waste management have also increased in recent years, and there are clear opportunities for a more efficient approach to two tier financial mechanisms which are currently in place, with estimates of up to £9 to 12m across the waste management system having been estimated by the SEP in previous analysis.
17. In addition, there is a need to review the infrastructure for waste treatment that is employed by SCC. This infrastructure includes the Community Recycling Centres (CRCs), Waste Transfer Stations (WTSs), Material Recovery Facilities (MRFs) and other treatment facilities.
18. Further, there is a need to learn lessons from the county's existing PFI contract. In the face of the potential for far reaching and imminent change on a number of fronts, modern public service contracts for the medium to long term management of waste have to be far more responsive and flexible.
19. Finally, there is a need to ensure that the county's waste management aligns with and supports the aspirations of the now-approved Surrey Climate Change Strategy, which sets a net zero carbon target for the county by 2050. Its strategic priorities for waste include minimising the creation of waste and working with partners to develop practical, innovative and effective methods for increasing reuse and recycling rates.

Developing a Waste Commissioning Strategy

20. In order to ensure that SCC commissions an effective approach to the treatment of waste moving forward, it is proposed that a Waste Commissioning Strategy is developed to identify how to minimise the amount of residual waste we treat, the infrastructure required, and options for delivering waste management system efficiencies with district and borough councils, to deliver the desired outcomes, the procurement process, and a timeframe.
21. Because of the need to ensure the proposed Waste Commissioning Strategy is in place to guide the re-procurement of the Council's waste services before the expiry of the current contract in 2024, it will be developed in advance of the next refresh of the SEP's JMWMS. The joint strategy was due a refresh in 2019/20, but this has been postponed until after the full implications of the national strategy are known – which is likely to be after 2020. It is therefore proposed that the SCC Waste Commissioning Strategy is undertaken in a way that complements the later refresh of the joint strategy.

22. The outcomes for the proposed Waste Commissioning Strategy are set out below:

- a. Meet Surrey County Council's Waste Disposal Authority (WDA) statutory duties.
- b. Maximise the financial sustainability of waste management in Surrey.
- c. Reduce the carbon impact of waste collection and disposal.
- d. Maximise the integration of waste management in the county

23. In identifying how to deliver these outcomes, the proposed strategy will address not only the re-procurement of SCC's WDA services, but the wider approach to waste management in Surrey, including the governance and financial mechanisms in place between the WDA and collection authorities in Surrey, as well as the infrastructure to support effective waste management across the county.

Strategy and procurement programme and timetable

24. The provisional timetable over the next year is as follows. During the period July to September 2020 officers will develop the Business Case and options appraisal to identify the infrastructure needs and treatment capacity. From October to December 2020 we will refine the project by running a workshop with key stakeholders, including SEP officers and Members to get agreement to what we want to procure and then seek SCC Cabinet approval on the Commissioning Strategy.

25. During January to April 2021 officers will set out how we are going to procure the services, engaging with industry and partners, soft market testing and market analysis. We will conduct a further workshop with stakeholders, including SEP officers and Members on how we would procure considering options on lots, length of contract, in house options, local authority companies etc. From May 2021 the procurement process will start, issuing contract notices to tender for services that need to go out to market.

26. The provisional programme assumes the longest timetable of an 18-month Competitive Dialogue procurement, which includes a three-stage dialogue and deselection process, planning and site selection for any infrastructure, leading to contract award in 2024. However, the Commissioning Strategy will also consider alternative approaches including dividing the service into separate packages which could be procured in a much shorter timescale. In fact, residual waste treatment is currently treated in this way with market testing and sub-contracts awarded in under a year through the Waste PFI. Further, engagement with other councils will be undertaken, which may lead to inter-authority agreements or co-ownership service models that may fall into a timescale somewhere between these timescales.

CONSULTATION:

27. From January to March 2020, SCC undertook a series of meetings with key officers in Surrey districts and boroughs and with Joint Waste Solutions and SEP to assess views on a series of issues, including opportunities for closer joint working between SCC and the districts and boroughs; aspirations for future collection arrangements; infrastructure provided by SCC (including CRCs and WTSs); and commercial opportunities that could jointly be developed in the future.

28. During April 2020, SCC met with neighbouring WDAs to understand what opportunities there may be for collaboration for up to 150,000 to 200,000 tonnes a

year of residual waste treatment, and any other waste areas that may be of mutual interest. It was found that some municipal contracts may have spare capacity, and others may consider working together to realise new facilities on sites with planning permission. These options will be explored as the strategy is developed.

29. Further engagement will be undertaken as the Strategy is developed with representatives from District and Borough Councils on the Board, officer and member workshops and soft market testing for appropriate elements of the service.

RISK MANAGEMENT AND IMPLICATIONS:

30. If an appropriate Commissioning Strategy is not adopted, there is a risk of not having a suitable framework for the development of the re-procurement of waste disposal services in Surrey, leading to poor outcomes. If SCC does not complete its procurement process before the end of the existing Waste PFI contract, it risks being unable to meet its duties as a WDA.
31. SCC has commenced the commissioning process in good time to ensure service continuity in 2024.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

32. The programme will aim to achieve savings in the delivery of the Council's statutory obligations as WDA. Savings identified in the Commissioning Strategy will be developed as part of the Medium Term Financial Strategy for the Environment, Transport and Infrastructure (ETI) Directorate.

SECTION 151 OFFICER COMMENTARY

33. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium term financial outlook is uncertain as it is heavily dependent on decisions made by Central Government. With no clarity on these beyond 2020/21, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term. As such, the Section 151 Officer supports the proposed development of a Waste Commissioning Strategy, including identification of financial opportunities and a review of financial mechanisms. The costs associated with developing the Strategy are expected to be met within council's existing Medium Term Financial Strategy, and the outcomes of the Strategy will be reflected in future financial plans.

LEGAL IMPLICATIONS – MONITORING OFFICER

34. The report sets out the statutory duties the County Council is required to meet as waste disposal authority through the proposed waste commissioning strategy. Support for the strategy and procurement exercise is currently being put in place from specialist external legal firms experienced in all aspects of waste procurement and contracting.

EQUALITIES AND DIVERSITY

35. An Equality Impact Assessment will be required as part of the Procurement process for residents accessing the Community Recycling Centres.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

36. An Environmental Sustainability Assessment (ESA) will be required for the procurement. As part of the Options Appraisal process, we will evaluate the current and proposed carbon impact of waste collection and disposal, using the WRATE (Waste and Resources Assessment Tool for the Environment methodology).

WHAT HAPPENS NEXT:

37. The Executive Director of ETI will establish suitable Board and Governance arrangements with representatives from Surrey Chief Executives and the Surrey Environment Partnership.
38. The Board will develop the Waste Commissioning Strategy in accordance with the desired outcomes agreed by Cabinet, including developing Option Appraisal Criteria for recycling/ composting performance, infrastructure deliverability, system cost efficiencies, circular economy and carbon impact and report back to Cabinet next year on the proposed procurement options.

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Consulted:

Managing Director, Joint Waste Solutions

Officer Chair of the Surrey Environment Partnership

Sources/background papers:

- Annex 1 - Re-thinking Waste consultation, Surrey Environment Partnership, Officers' Group, 4 June 2020
 - Annex 2 - Waste reduction and financial arrangements, Surrey Environment Partnership, Officers Group, 4 June 2020
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