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Surrey County Council's Rethinking Waste Programme – Re-procurement: Outline Business Case

Rethinking Waste Programme

[NT328]

SURREY COUNTY COUNCIL

Contents

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1. Executive Summary

Surrey County Council's (SCC) Transformation Support Unit has defined the Rethinking Waste Programme (RTW) as a key Transformation programme. The RTW is seeking to fundamentally shift the way we deal with municipal waste within Surrey, driving a circular economy that sees us keeping resources in use as long as possible in order to extract maximum value.

Surrey residents currently generate over 500,000 tonnes of household waste, annually. The districts and boroughs are Waste Collection Authorities (WCA) and are responsible for the collection of this waste. SCC is a Waste Disposal Authority (WDA) and has a statutory duty to manage, treat and dispose of this waste, including recovery of material for recycling or reuse. This responsibility is currently discharged through the 25-year Integrated Waste Private Finance Initiative (PFI) contract with SUEZ Recycling and Recovery Surrey LTD (SUEZ). This contract commenced in 1999 and is set to expire on 19 September 2024.

SCC must select its preferred future commissioning route for the future delivery of these services. A number of factors need to be considered in devising the future options, including the response of the market to integrated or disaggregated services, the nature of competition in the market and the preference of SCC to have increased ownership, transparency and control of the key drivers of waste disposal. The selection of a future commissioning route is therefore a significant decision for SCC given the widespread nature of the service and combined value and length of the contracts.

This Outline Business Case (OBC) identifies the outcome of the assessment of a range of future service delivery models available to SCC. RTW commissioned SCC's Contract and Commercial Advisory (CCA) team to provide support with the assessment of the delivery models available to the organisation. The options assessed were:

- Consideration A: Integration vs Disaggregation of the service.
- Consideration B: Insourcing vs Outsourcing of the service as a whole.
- Consideration C: Application of the outcomes of Consideration A and Consideration B to each service area.

The assessment identified the following as the recommended option to be taken forward for the future delivery of the services:

- Continue with the delivery model of outsourcing the services.
- Disaggregate the service into separate contracts; and
- Develop the Procurement Strategy to set out the implementation route for the procurement of each contract.

The recommended option contributes to the achievement of the strategic outcomes and the key objectives of the RTW.

The recommendation to implement the Procurement Strategy will be delegated to the Cabinet Member for Property and Waste in consultation with Executive Director of Environment, Transport and Infrastructure.

Please note the current dispute with SUEZ means that the future of the gasifier remains uncertain. Market engagement indicates that the private sector would be unwilling to accept any risk regarding the performance of the facility and as a result, for the time being, this element sits outside the current scope of procurement. Specialist operators have expressed an interest in operating the AD facility coupled with the treatment of all of Surrey's Local Authority collected food waste and associated haulage. It is therefore proposed that AD operation and food waste treatment be combined to form a single contract.

2. Background and Strategic Context

2.1. Introduction

SUEZ, on behalf of SCC, manage approximately 500,000 tonnes of waste each year (500KT/A). The current waste disposal delivery model is a 25 - year integrated PFI contract and covers the transfer, treatment and disposal of all household waste collected within Surrey. This includes:

- The treatment of the recyclable material for nine of the district and borough authorities;
- Residual waste collected by all eleven district and borough authorities via five waste transfer stations and a bulking facility; and
- The provision of 15 community recycling centres (CRCs).

There is also a relatively small amount (~30KT/A) of commercial waste collected by these authorities for which SCC arranges the treatment and disposal.

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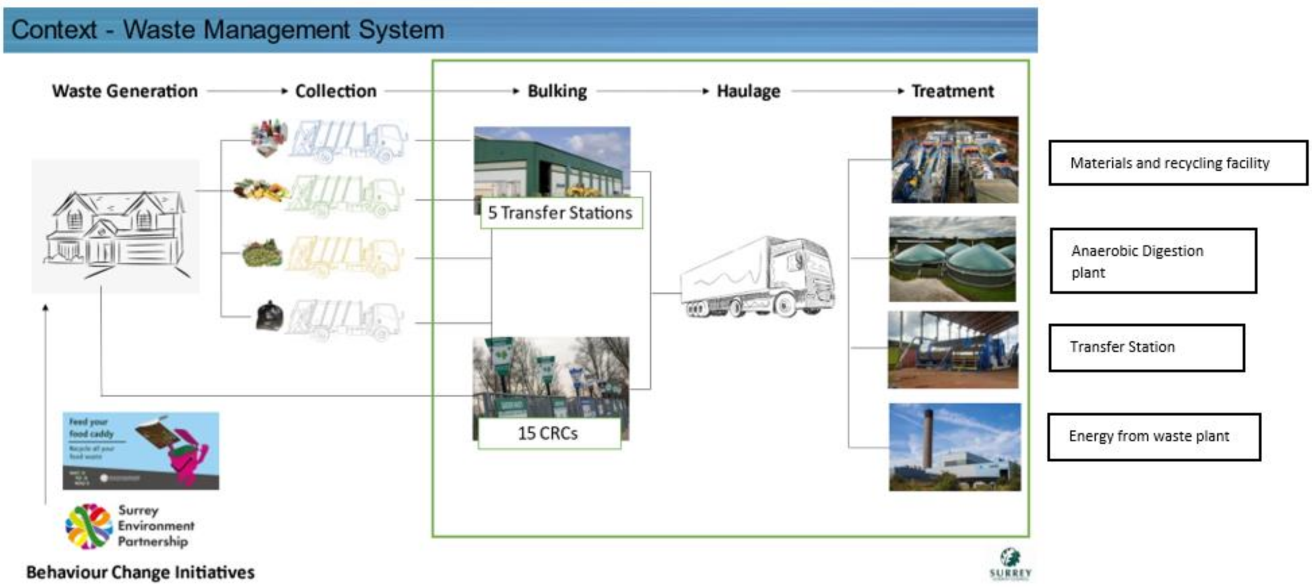
The cost of the current contract with SUEZ is approximately £62 million per annum. Figure 1 illustrates the current system.

Figure 1- Current Waste Management System, area outlined in Green is SCC function, with everything to the left being district and borough functions.



In addition, SUEZ have developed the Eco Park at Shepperton which comprises an AD plant for 40 KT/A of food waste and a gasification plant for 56 KT/A of residual waste together with a recyclable bulking facility and CRC. The AD plant has been commissioned and is now processing all of Surrey's food waste. The acceptance of the gasification plant is subject to a dispute between the Council and SUEZ.

The Initial Business Case (Appendix 1) set out the reasons and justification for the mandate to develop this OBC, including the key statutory and regulatory requirements for the re-commissioning of the services and the need to assess delivery models for the services in order to determine how new arrangements will be in delivered following the current Suez Contract expiry.

This OBC provides a recommendation for the service delivery model for the re-procurement of the waste service.

2.2. Waste management policies and drivers

The RTW programme coincides with a number of key developments in UK legislation which are expected to have a considerable impact upon local authority waste service provision. The most significant of these developments is The Environment Act (2021), which builds upon the foundations of Defra's Resources and Waste Strategy (RWS) (2018). Whilst the RWS has not been finalised, there are several key aspects of the national strategy which are expected, and which will impact on local government's delivery of these services, including:

1. A target of zero avoidable waste by 2050;
2. The phasing out of avoidable plastics;
3. New targets for waste and recycling;
4. A target to stop food waste to landfill by 2030; and
5. Reform of the Packaging Recovery Note (PRN) system.

15 The Strategy's ambition for waste management is as follows:

Rethink our current approach to waste, to create a system centred on circular economy principles that seeks to prioritise the reduction of waste creation, encouraging innovative approaches to waste reutilisation and recycling - throwing away will become a last resort.

The targets associated with this ambition are:

1. 75% of packaging reused or recycled by 2030;
2. 70% of all local authority collected waste reused, composted or recycled by 2030; and
3. 0% of waste sent to landfill and 50% reduction in food waste generated by 2030.

The options considered herein aim to contribute to, or enable, the delivery of solutions to meet these targets and ambitions, as well as be flexible enough to accommodate changes mandated through the Government's Waste and Resources Strategy when known.

Table 1 summarises key considerations arising from the RWS in relation to the RTW programme.

An extended Policy Review can be found in Section 3 of **Appendix 2.**

Table 1: The Environment Act - Key Considerations

Policy	Summary	Impact	Considerations for RTW
Consistency of Collections	Consistency in local authority waste and recycling collections.	Mandatory separate weekly collections for food waste, and separation of core recycling streams.	Increasing volumes of food waste and recycling streams. Reduction in volume of residual waste.
Extended Producer Responsibility	Packaging producers will be required to pay the full net costs of collecting, sorting and disposing of packaging (in all waste streams).	Money for local authorities who currently bear this cost. EPR may incentivise residual waste pre-treatment to extract packaging.	Funding available. Incentive for effective sorting of packaging waste.
Deposit Return Schemes	Consumers will pay a small levy on beverage containers that will be refunded on its return, either via a reverse vending machine or via a participating shop.	High return rates are typically achieved, removing these materials from recycling and residual streams, and reducing litter. Net savings are expected for local authorities.	Reduction in volume of collected recycling, residual waste, and litter.
Plastic Packaging Tax	Tax on producers of £200/tonne on plastic packaging with less than 30% recycled content.	Higher demand for recycled plastic, stimulating increased recycling and separate collection of plastic waste. This will reduce plastic in the residual waste stream and may incentivise residual waste pre-treatment to extract more plastic.	Incentive for the separate collection and effective sorting of plastic waste. Reduction in volume of residual waste.

This new regulatory environment also provides the **opportunity** for SCC to anticipate the impacts of upcoming legislation, building flexibility and resilience into future service arrangements from September 2024.

3. Current Situation, Business Needs and Key Objectives

3.1. Current situation

Section **Error! Reference source not found.** outlined the scope of the Integrated Waste PFI contract. Table 2 Waste Stream Management 2020/21

describes how waste is collected by the eleven WCAs and managed by SCC.

Table 2 Waste Stream Management 2020/21

Waste Stream	2020/21 Tonnage and Collection	Management
Residual waste	236,500 tonnes Ten WCAs collect fortnightly with one WCA collecting residual waste weekly. This includes residual waste collected at CRCs.	216,500 tonnes were sent to EfW via several offtake contracts. 20,000 tonnes were sent to landfill where EfW was not possible. Please note use of landfill as a waste management option is limited to where there are no other feasible management routes for materials.
Kerbside collected dry recycling	131,000 tonnes The WCAs offer a variety of recycling collections services: one authority has a separate paper and card collection; one authority has a separate glass collection, and nine have fully comingled collections.	SCC manages nine of the eleven WCAs' dry recycling waste. At present, dry recycling managed by SCC goes to one of four material recovery facilities operated by third parties. Once the material has been separated at the plants, the resources are sent for secondary reprocessing to several facilities in the UK and abroad, depending on the material type.
Kerbside collected food waste	43,000 tonnes All eleven WCAs provide weekly kerbside collection to all street level properties. Services provided to flats are more sporadic.	With the 45,000-tonne anaerobic digestor at the Surrey Eco Park brought into operation in 2020, most waste is now processed in SCC's own facility (provided by SUEZ currently but reverting to the authority in 2024). Excess food waste is treated in a variety of anaerobic digestion plants in Southeast England.
Chargeable garden waste	107,000 tonnes All WCAs offer a chargeable garden waste service. 81,000 tonnes were collected at the kerbside. 25,000 tonnes were collected at SCC's CRCs	All garden waste is composted in the Southeast.
CRC Waste Streams	72,000 tonnes 20,000 tonnes residual waste. 52,000 tonnes all other materials.	Residual waste was transferred to WTS facilities. All other materials were sent to a range of third-party sites for reuse, recycling or disposal.
Bulky waste	1,000 tonnes of bulky items 350 tonnes of mattresses	Sent to landfill, although some CRCs are now trialling a recycling route for mattresses.
Fly-tipping	3,800 tonnes	Treatment varies based on material fly tipped.
Hazardous waste	c.1,000 tonnes	Specialist treatment.
Road sweepings	16,500 tonnes	Specialist treatment.

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3.2. Business Needs

The 25-year Integrated Waste PFI contract with SUEZ is set to expire in September 2024, as detailed in Section 2. Through this contract, SCC delivers statutory services as a Waste Disposal Authority (WDA) and SCC must select its preferred commissioning route to deliver these services on expiry of the Suez Contract.

The implementation of any new commissioning approach will entail operational and cultural change for SCC. While all services are currently provided by one contractor, this appraisal of future service delivery models presents an opportunity to consider:

- the suitability of each delivery model, and
- how services could be packaged under each delivery model (e.g., delivered by the same entity, or integrated; delivered by more than one entity, or disaggregated).

Details of the delivery model assessment undertaken are provided in Section 4.

3.3. Targeted outcomes and key objectives

The RTW programme is seeking to fundamentally shift the way municipal waste is dealt with within Surrey, driving a circular economy that sees resources kept in use for as long as possible and extracting maximum value from them.

The targeted outcomes and key objectives of this programme are summarised in Table 33.

Table 3: Outcomes and Objectives

	Targeted Outcome	Key Objective
1: Compliance	SCC has a statutory duty to provide its residents with waste disposal services in line with its obligations as a WDA. Fundamentally, this programme is required to ensure that the statutory obligations and duties continue to be discharged effectively.	SCC will undertake, either through a procurement exercise in line with the Public Contracts Regulations 2015 (as amended) or through alternative commissioning options, to recommission all the services currently delivered by SUEZ through the PFI contract.
2: Replacement	Unless action is taken to replace the services, SCC will no longer be able to fulfil its obligations as a WDA and will not deliver statutory functions for its residents. Replacement could take many forms considered herein. Through replacement, SCC also ensures compliance with its statutory duties.	Obtain endorsement of the recommendations in this Outline Business Case to implement the preferred commissioning route and develop strategies to ensure that the services can be replaced at the expiry of the Suez Contract.
3: Effectiveness	Newly commissioned services present an opportunity for SCC to redefine the services it delivers and ensure that a circular economy model is adopted to minimise waste and maximise the value of resources.	Regardless of the preferred delivery model, policy and legislation in relation to waste management, coupled with the climate emergency, require that SCC embeds circular economy principles within the services. Where services are outsourced, this objective will be central to the development of the Procurement Strategy, and ultimately form a central pillar of the service specification and contractual requirements. Furthermore, this is an opportunity for SCC to incorporate emerging and ambitious waste policies and climate change targets into the future delivery of these services.
4: Efficiency	Newly commissioned services present an opportunity for SCC to redefine the services it delivers and ensure that the organisation, within its sphere of influence, moves waste management up the waste hierarchy by: • Minimising the amount of waste produced. • Reducing the carbon impact of waste collection and disposal.	Regardless of the preferred delivery model, policy and legislation in relation to waste management, coupled with the climate emergency, require that SCC contributes to move waste management up the waste hierarchy. Where services are outsourced, this objective will be central to the development of the Procurement Strategy, and ultimately form a central pillar of the service specification and contractual requirements.

	• Reducing the illegal dumping of waste by fly tipping. • Increasing the amount of waste that is recycled and reused. • Reducing the amount of waste sent to landfill, • Maximising resource recovery of residual waste.	
5: Economy	Newly commissioned services present an opportunity for SCC to maximise its opportunities to secure value for money.	Regardless of the preferred delivery model, SCC has a Best Value Duty to deliver value for money services. Where services are outsourced, this objective will be central to the development of the Procurement Strategy, and ultimately form a central pillar of the service specification and contractual requirements

Further key objectives of the re-procurement outside of those listed in Table 3 are:

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- Aligning the procurement to take account of the development of any future waste infrastructure developed within Surrey in the future;
- Managing the elements of the Eco Park development which are currently in dispute;
- Managing the carbon and environmental impacts of the waste service in alignment with SCC's Greener Futures ambitions;
- Maximising social value opportunities to deliver SCC's ambition that 'no one is left behind';
- Facilitating efficiencies and promoting 'frictionless' working between SCC as the WDA and the districts and boroughs WCAs.

4. Options Analysis

4.1. Approach

The RTW programme commissioned SCC's Contract and Commercial Advisory (CCA) team to provide support with the assessment of the delivery models available to the organisation. The role of the CCA team was primarily to facilitate discussions and provide an appropriate level of challenge to the views and opinions presented. The level of confidence in those opinions is assessed and a consensus of opinion is then established.

This assessment took place through two workshop sessions. During the workshop sessions, participants were asked to assess potential future delivery models using a range of assessment criteria, including:

- Strategic alignment and strategic objectives;
- Cultural alignment;
- Political alignment;
- Stakeholder acceptance;
- Economy;
- Efficiency;
- Effectiveness;
- Capability;
- Complexity;
- Affordability;
- Deliverability;
- Risk;
- Opportunity;
- Authority readiness;
- Market readiness.

The following options assessed were:

- Consideration A: Integration vs Disaggregation of the Service;
- Consideration B: Insourcing vs Outsourcing of the Service as a whole;
- Consideration C: Application of the outcomes of Consideration A and Consideration B to each Service area.

The scope of the review is presented in

Figure 2. The output of the assessment is available in **Appendix 3**.

Figure 2: Future service delivery options (scope of the review)

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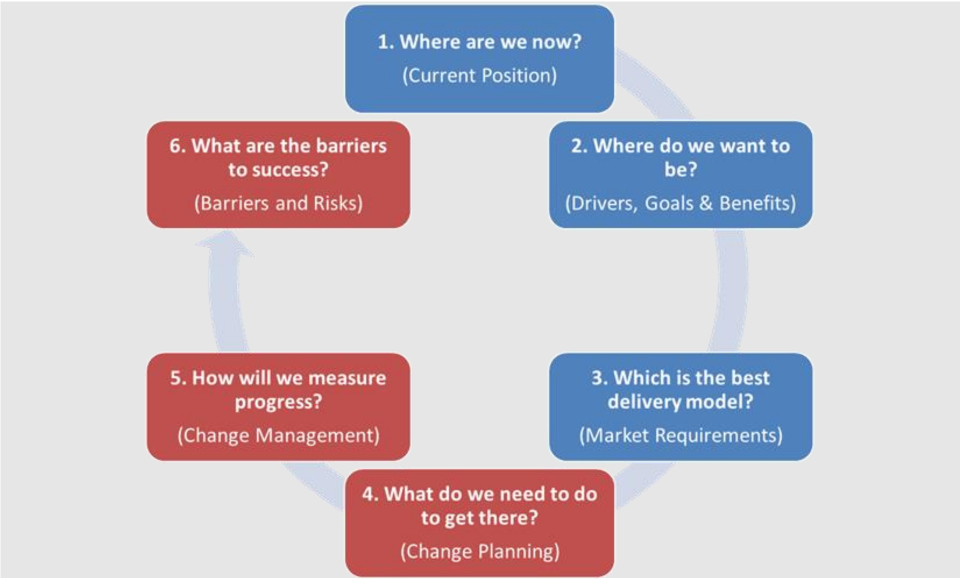

In support of this review piece, the RTW programme commissioned external consultants, Eunomia to compile commercially relevant information which may help inform SCC's approach and the discussions for the re-procurement of the services, including:

- A comprehensive review of the relevant policy, regulatory measures and what can be discerned of those set to impact the sector in future;
- How the UK market for waste operates in practice, how the market has developed over time, the commercial forces in play, and the current commercial position of the main economic operators;
- Commercially relevant information for each of the waste services that SCC plans to re-procure.

The consultants' assessment is included in Appendix 2. This Appendix is a Part 2 paper as it contains commercially sensitive information, and other detailed information that could weaken SCC's financial and commercial position if discussed under Part 1.

4.1.1. Critical Success Factors (CSF)

Several Critical Success Factors (CSF) have been identified, against which the potential service delivery options were assessed as part of the workshop led by the CCA team. These are summarised in Table 4.

Table 4: Critical success factors

Critical Success Factor	Measurement Criteria
Strategic Alignment	The delivery of the services within the scope of the RTW ensures compliance with relevant legislation, is in line with SCC's ambitious environmental strategies, addresses the need to respond to the climate emergency and delivers social value improvements for residents and communities.
Business Needs	The requirements of SCC to fulfil its statutory duties in the treatment and disposal of municipal waste are met, and the replacement of services currently provided through the 25-year Integrated Waste PFI contract with SUEZ ensures service continuity.

Value for Money	The delivery of the services maximises value for money for the cost of the services and for Surrey residents and taxpayers.
Capacity and Capability	The entity responsible for the future delivery of SCC's waste services has the capacity and capability to deliver the services to a high standard.
Affordability	In acknowledgement of budgetary pressures and the requirement of SCC to deliver value for money, the cost of future services fall within a determined price envelope and a degree of cost certainty is achieved.
Achievability	The services are designed to be achievable and deliverable, yet ambitious and innovative.

4.2. Options Analysis Summary

4.2.1. Consideration A: Integration Vs Disaggregation of the Service

The current waste contract is fully integrated and includes the provision of infrastructure (section 2). It was deemed necessary as part of this exercise to examine this delivery method and determine whether an integrated contract or separate contracts for each waste element are most appropriate.

As part of the workshop several key themes emerged as the group explored what it wanted to achieve in a future contract. These included:

- Increased transparency;
- Greater flexibility;
- Encouraging SME's to participate;
- Reduced risk;
- Greater control;
- Reduced cost from sub-contracting.

The assessment of this review aligned with the CSF is summarised in Table 5 and is supported by the pre-market engagement work conducted in February 2021.

Proposed solution: Disaggregation of the service into distinct separate contracts.

Table 5: Assessment of Integrated Vs Disaggregated Contracts

Key Criteria	Assessment
Capability/ Market Readiness/ Complexity/ Risk	There are very few contractors who will be able to deliver all aspects of an integrated contract, limiting competition during procurement and potentially affecting the resilience of the contract during its term. Disaggregation of contracts may foster greater participation by SME's.
Capability/ Market Readiness/ Complexity/ Risk	Smaller contracts underpinned by less complex commercial models should improve transparency and create an environment conducive to collaboration and at the same transferring more control to SCC
Capability/ Market Readiness/ Opportunity/ Risk	Upcoming legislation will require flexible arrangements to be built within contracts in order to adapt to change in line with future demands. Larger, integrated contracts are built on guaranteed volumes of waste delivered to facilities and focus on return on investment. Smaller, disaggregated contracts will offer greater flexibility and controls for SCC.
Strategic Alignment/ Opportunity/ Authority Readiness/ Market Readiness	Supporting the local economy is a key strategic objective. A larger, integrated contract may reduce opportunities to allow for SME delivery. With smaller contracts to manage distinct service areas, SCC will be able to design services and contracts to encourage local participation.

4.2.2. Consideration B: Insourcing Vs Outsourcing of the Service

Consideration was given to the opportunity to insource of all of the waste services. The assessment found that as SCC did not own a vast majority of the infrastructure required to recycle, treat and dispose of the waste generated, coupled with the large exposure to risk, both financially and environmentally, that insourcing would not be a viable option. Table 6 provides a summary of the discussion points.

Proposed Solution: Outsourcing at least some of the service, if not all, would be most appropriate.

Table 6: Assessment of Insourcing / Outsourcing

Key Criteria	Assessment
Capability/ Deliverability/ Affordability/ Authority Readiness / Risk	SCC does not possess the necessary infrastructure to deliver this contract directly. The scale of the investment and resources required to design, procure, build and commission facilities is not possible within the timescale available, and would be heavily influenced by external forces such as the availability of capital, planning conditions and environmental permits.
Capability/ Complexity/ Deliverability/ Risk and Risk Allocation	Ownership of risk of failing to manage, market and dispose of waste is a critical consideration and SCC does not have an ability to manage this risk, including contingency, resilience and business continuity. Insourcing the services would also exacerbate risk of breaching environmental legislation and incur financial risk.
Economy, Efficiency and Effectiveness	Private contractors have access to a wide supply chain and often operate across multiple local authority contracts. This brings benefits in economies of scale: - Greater ability to manage movement of waste at disposal facilities - Access to commercial rate not available to SCC given the volume of waste managed by private contractors - Teams of centralised resources make operations more efficient and cost effective.

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4.2.3. Consideration C: Application of the outcome of Consideration A and Consideration B to each Service area

Consideration C required a review of each of the services in the scope of the current contract, as outlined in Table 7, to determine if a 'mixed economy' delivery model contributes to the achievement of the strategic outcomes and the key objectives of the RTW programme.

Table 7: Mixed economy service delivery model (Disaggregation)

Service Area	Assessment	Preferred Approach
Residual Waste	SCC does not possess the necessary infrastructure to treat the current volumes of residual waste collected. The delivery model for the residual waste treated at the 55kt/annum gasifier within the Surrey Eco Park may be subject to further considerations	**OUTSOURCE**
Dry Mixed Recycling	SCC does not possess the necessary infrastructure to sort and treat the current volumes of DMR collected. There is a strong desire to explore the development of one (or more) SCC-owned MRF(s). This is subject to financial and planning constraints and so cannot be committed to ahead of the end of the existing contract.	**OUTSOURCE**
Food Waste	Food waste collected in Surrey is currently treated through the AD at the Surrey Eco Park. It is anticipated that there will be extra food waste tonnage requiring treatment in addition to the capacity available at the AD plant. The delivery model for food waste may be subject to further considerations.	**OUTSOURCE**
Garden Waste	SCC does not possess the necessary infrastructure to treat the current volumes of garden waste collected.	**OUTSOURCE**
CRCs, WTS and Roll on Roll off (RoRo) Haulage (From CRCs to WTSs)	The efficiency and integration of the operations between these three service areas is critical to manage the interface and reduce the risk to service failure. The complexities of managing the human resources over multiple locations, the investment required in vehicles, machinery and maintenance, and the experience needed to deliver these services is currently beyond SCC's capability. Risks associated with these services extend into compliance given the complexity of the logistical operation. Evidence from other waste disposal authorities has indicated that the cost differential between outsourcing and insourcing is marginal.	**Further assessment was carried out, see Appendix 2. Consequently, decision to OUTSOURCE**

Service Area	Assessment	Preferred Approach
	With the appropriate level of effort and resources, the services could be operated by SCC (as prior to 1999).	
Street Sweepings	SCC does not possess the necessary infrastructure to treat the current volumes of garden waste collected.	**OUTSOURCE**
Bulky, Fly-Tipped and Hazardous Waste	Bulky, fly-tipped and hazardous waste could be incorporated into other contracts or procured in isolation. Upcoming legislation may have implications for some of the materials collected. There may be justification for SCC to explore developing a local facility to treat some items which would otherwise by disposed of to landfill. This is subject to financial and planning constraints and so cannot be committed to ahead of the end of the existing contract.	**OUTSOURCE**
Bulk Haulage	SCC does not possess a fleet of suitable vehicles and lacks the skills and resources to operate such a fleet. This element of the service will therefore be outsourced, either as a standalone contract or combined with other elements	**OUTSOURCE**

4.2.4. Proposed Solution

The assessment identified the following Proposed Solution to be taken for the delivery of the services from the expiry of the Suez Contract:

- Continue with the delivery model of outsourcing the services;
- Disaggregate the current Integrated Waste PFI contract into separate contracts;
- Develop the Procurement Strategy to set out the implementation route for the procurement of each contract.

This is based upon conclusions drawn from the previous considerations and includes relevant considerations for the procurement of the contracts for each of the services in the scope of the current contract. This is summarised in **Error! Reference source not found.**.

Please note that the precise service design and number of contracts will be determined during the development of the Procurement Strategy (see section 6). The recommendation to implement the Procurement Strategy will be made by the Executive Director for Environment, Transport and Infrastructure in consultation with the Cabinet Member for Property and Waste.

Market engagement will also be undertaken to ensure that SCC is able to:

- Prepare the best possible approach to procurement;
- Further focus and define the parameters of the services;
- Test assumptions about the future contracts with the market;
- Establish means to achieve the best value for money.

Subsequently, the market engagement will contribute to the development of an effective Procurement Strategy.

Table 8: Outsourcing Service Delivery Model (Disaggregation)

Service Area	Assessment	Preferred Approach
Residual Waste	The volume of residual waste to be managed means that there may not be single facilities able to meet the requirements of a single SCC residual waste disposal contract, due to capacity limitations and existing contracts. Where single facilities may have adequate size to manage the volume of residual waste in a single contract, this has the potential to reduce the competitiveness of bids received. There is likely to be some re-adjustment of the available supply and demand in the future, taking into account operational facilities, under construction, committed and consented facilities, and RDF exports, although this is heavily dependent on anticipated high recycling rates, new facilities becoming operational and continuation of RDF exports. There is some merit in disaggregating the current residual waste treatment contract into lots to increase competition, improve market health, widen SCC's options for flexibility, and	**OUTSOURCE AND POTENTIALLY SUB-DIVIDE INTO LOTS** **THE DECISION ON THE MANAGEMENT OF THE GASIFER PLANT WILL BE MADE DURING THE DEVELOPMENT OF THE PROCUREMENT STRATEGY**

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Service Area	Assessment	Preferred Approach
	provide best outcomes. This has to be balanced against non-delivery risk and interface issues when sites are unavailable. This will be given more consideration in the procurement strategy. Given SCC's own net zero pathway ambitions, and risk of carbon price affecting residual waste in future, there is clear merit in seeking to reduce the carbon intensity of residual waste managed via contracts that incentivise lower net emissions. The delivery model for the residual waste treated at the gasifier within the Surrey Eco Park may be subject to further considerations, as discussed in section [5.2.5].	**PROPOSED PROCUREMENT ROUTE: Restricted**
Dry Mixed Recycling	SCC is achieving high recycling targets but is motivated to improve and to exceed them. There may not be one single facility with capacity to manage the volume of dry recycling under one contract. Sub-dividing the contract into lots should be considered. The UK government has clarified that co-mingled is the least preferred option. Considering two-stream collections across all WCAs would align SCC more closely with the legislative trend as well as increasing the material quality. Cleaner material commands higher prices and has a more secure market demand, but not all MRFs sort material equally. The age and capability of the MRF is an important factor to consider during procurement as it may impact its operational efficiency and adaptability. Due to the changes and uncertainty in future material sorting and segregation, as a result of the Environment Act, SCC will consider how flexibility is built into the procurement process.	**OUTSOURCE AND SUB-DIVIDE INTO LOTS** **PROPOSED PROCUREMENT ROUTE: RESTRICTED/OPEN**
Food Waste	Food waste collected by WCAs is currently mainly treated through the AD plant at the Surrey Eco Park. Post September 2024, SCC will hold a beneficial asset which can deal with the majority of SCC's currently collected food waste. Quantities of collected food waste already exceed the facility's treatment capacity, therefore the contractor operating the AD plant could be made responsible for securing additional outlets. The delivery model for the food waste treated at the AD plant within the Surrey Eco Park may be subject to further considerations, as discussed in section [5.2.5].	**OUTSOURCE** **THE DECISION ON THE MANAGEMENT OF THE AD PLANT WILL BE MADE DURING THE DEVELOPMENT OF THE PROCUREMENT STRATEGY** **PROPOSED PROCUREMENT ROUTE: COMPETITIVE DIALOGUE**
Garden Waste	Provision of open windrow capacity in Surrey is limited. SCC's main competition in securing contracts for composting of garden waste is likely to be from neighbouring authorities. Sub-division of tonnages into lots may ameliorate this competition. Potential policy provisions regarding changes to the charges for garden waste collections may impact tonnages. A free or reduced rate for garden waste collection could see an increase in tonnages collected, so contingency for additional treatment capacity should be considered.	**OUTSOURCE AND SUB-DIVIDE INTO LOTS** **PROPOSED PROCUREMENT ROUTE: RESTRICTED/OPEN**
CRCs, WTS and RoRo Haulage	The option to outsource CRCs operations, RoRo haulage operations and WTS management as one integrated contract will be assessed during the development of the procurement strategy. Determining whether the coverage, size and nature of the current WTS network will meet the needs of SCC for the duration of a future contract, and how these sites may be supplemented by third-party sites, will be a critical decision during the development of the procurement strategy. As the procurement strategy is developed, SCC will consider how haulage will interface with WTS and CRC operations to minimise operational inefficiencies.	**OUTSOURCE INTO ONE LOT SUBJECT TO ALLOCATION OF BULK HAULAGE SERVICES TO SOME SPECIALIST SERVICE CONTRACTS WHERE THIS PROVIDES THE BEST OPERATIONAL SOLUTION** **PROPOSED PROCUREMENT ROUTE: COMPETITIVE DIALOGUE**
Street Sweepings	The main economic driver for the recovery of material from street sweepings is the high cost of disposal. There is an economic incentive to divert as much material from disposal as possible. Over recent years a number of specialist treatment technologies for the recovery of aggregates from street sweepings and gully emptying have come onto the market. Different technologies have been developed to target specific materials within the mixed composition of the waste, meaning that a greater number of materials can now be extracted.	**OUTSOURCE INTO ONE LOT** **PROPOSED PROCUREMENT ROUTE: RESTRICTED/OPEN**

Service Area	Assessment	Preferred Approach
Bulky, Fly-Tipped and Hazardous Waste	Bulky, fly-tipped and hazardous waste could be incorporated into other contracts or procured in isolation. Bulky waste is typically sent to landfill, but often has potential for reuse and recycling that should be considered to minimise disposal costs and optimise recycling performance. Policy changes and the introduction of new regulatory guidance may lead to an increased focus on recycling and/or the identification of some bulky waste as hazardous, shifting the disposal routes from the current practice of landfilling to EfW or recycling routes. Encouraging the sorting of fly-tipped waste may enable recycling of recovered materials, as well as assisting in identifying perpetrators. The Defra's RWS promotes the waste hierarchy, and is explicit in including hazardous waste, and the need to drive this waste stream up the waste hierarchy.	**OUTSOURCE INTO ONE LOT** **THE BENEFITS OF INTEGRATING THESE SERVICES, OR ASPECTS OF THESE SERVICES, INTO OTHER CONTRACTS WILL BE ASSESSED DURING THE DEVELOPMENT OF THE PROCUREMENT STRATEGY** **PROPOSED PROCUREMENT ROUTE: RESTRICTED/OPEN**
Bulk Haulage (From WTS to treatment destination)	The haulage of material in bulk from WTSs to the respective treatment destinations can be addressed in a variety of ways. These options will be explored further during the development of a procurement strategy, to ensure the most efficient means of managing interfaces at WTSs and end treatment destinations is selected	**THE BENEFITS OF INTEGRATING THESE SERVICES, OR ASPECTS OF THESE SERVICES, INTO OTHER CONTRACTS WILL BE ASSESSED DURING THE DEVELOPMENT OF THE PROCUREMENT STRATEGY** **PROPOSED PROCUREMENT ROUTE: RESTRICTED/OPEN**

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4.2.4.1. Contract Structure

Work has been undertaken to establish how best the service can be separated into discrete elements. Market engagement and analysis, dialogue with other WDAs and expert advice indicates that contracts for waste treatment and disposal for each individual waste stream (residual waste, dry mixed recycling, food waste etc.) would deliver the best response from potential providers, enabling specialist waste treatment providers to tender for contracts within their sphere of expertise.

The same evidence showed that combining the operation of facilities (including Community Recycling Centres (CRCs), Waste Transfer Stations (WTS) and bulking facilities) into a single contract would provide the most efficient solution, minimising risks associated with different contractors operating on a single site, especially where WTS and bulking facilities are co-located with CRCs.

The current dispute with SUEZ means that the future of the gasifier remains uncertain. Market engagement indicates that the private sector would be unwilling to accept any risk regarding the performance of the facility and as a result this element sits outside the current scope of procurement.

Specialist operators have expressed an interest in operating the AD facility coupled with the treatment of all of Surrey's Local Authority collected food waste and associated haulage. It is therefore proposed that AD operation and food waste treatment be combined to form a single contract.

The Eco Park site includes a CRC and waste bulking facilities. It is intended that these will be combined with the wider WTS and CRC operating contracts as an option.

These options are subject to further consideration as part of the procurement strategy which also need to consider the impact on the Environmental Permits for each of the sites.

4.2.4.2. Recommended Service Packages and Procurements

The proposed disaggregation of the services shown in **Error! Reference source not found.** can be split broadly into two (2) categories:

- **Complex:** services that require a higher degree of engagement with bidders to develop the right solution(s) through dialogue;
- **Straightforward:** services that are relatively simple to procure with no requirement to engage in dialogue to establish solutions.

Initial market engagement established that Competitive Dialogue procurement processes are favoured by the market for more complicated solutions. The services that are 'complex' and will likely require dialogue are:

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- **AD operation and food waste:** the facility is highly specialist and will likely require significant dialogue due to the many interfaces within the Eco Park with potential operators;
- **CRC and WTS operations:** although relatively simple operationally, the customer service element and risks associated with volatile markets for materials deposited at the sites will need careful consideration and dialogue with bidders.

The remaining services are less complicated material disposal / treatment contracts that require the market to simply process material sent by the Council. These will require shorter procurement processes (Restricted / Open) with no dialogue or negotiation with bidders:

- Restricted
- Dry mixed recycling;
- Green waste;
- Street sweepings.
- Bulk Haulage

Following approval of the OBC, a Procurement Strategy will be developed that will focus on the detail of the proposed procurements. This will include:

- Assessment criteria (including weightings of quality vs price and outlining weightings allocated to elements such as social value, carbon and environmental management);
- Use of Lots and numbers of lots within each service element;
- Contract durations;
- Detailed timelines and resources required.

Further market engagement is currently being undertaken to inform the development of a detailed Procurement Strategy.

4.2.4.3. Consultation with Districts and Boroughs

There has been significant engagement with Surrey's districts and boroughs to ensure future arrangements enable efficient working between disposal and collection activities. The feedback from this engagement, which included a desire to reduce wait times at transfer stations, will be incorporated into the contract specification.

Findings from this engagement found that districts and boroughs would like to see frictionless working, particular in relation to transfer stations and their operation. Additionally, there was county wide support for a Surrey-based Materials Recycling Facility. A detailed summary of engagement with districts and boroughs is included in **Appendix 4.**

In addition, engagement was also carried out with peer Waste Disposal Authorities seeking opportunities for collaboration and where possible, insight on service design and procurement based on their recent experience. Although procurement timelines did not facilitate any immediate collaboration opportunities, relationships with these authorities are now developed and will be used to explore such options in future as opportunities arise. Further, the feedback from the experience of other disposal authorities made clear the benefit of disaggregating the contract into smaller lots. The evidence taken from engagement meetings with peer Waste Disposal Authorities is included at **Appendix 5.**

4.2.4.4. Surrey Eco Park

The Eco Park operation is currently subject to legal dispute; however, this is a vital component of procurement considerations following expiry of the Suez Contract. The operations at the Eco Park comprise: 15

- Treatment of food waste at the Anaerobic Digester facility;
- Treatment of residual waste at the gasifier facility
- CRC operations;
- Bulking and transfer operations.

Market engagement included seeking feedback on the operation of the gasifier. The gasifier is at the core of the legal dispute and its future is uncertain, however exploration of market appetite to operate the facility from September 2024 is prudent at this stage and will likely inform strategy over the facility's future. To mitigate the risk of a discontinued gasifier operation post 2024, a provisional option has been proposed in the Residual Waste and Haulage package to utilise the bulking capacity in the gasifier to facilitate transfer of residual waste that would have been processed at the gasifier. This approach (or similar) should ensure continuity in disposal of all residual waste post 2024, with the market informing the approach.

The AD facility has been linked to the food waste package in the market engagement convey SCC's desire that it is fully utilised as part of the future service, and the CRC and bulking and transfer operations form part of the overall CRC and WTS package. Again, the market should feedback as to the viability of these proposals or suggest alternatives.

5. Decision making and approval

Decision to proceed for the Outline Business Case will be taken to Cabinet in September 2022. Procurement Strategy will be approved by the Cabinet Member for Waste and Property in consultation with the Executive Director ETI in Summer 2022.

6. Next steps

- Preliminary market engagement (February 2022 – July 2022)
- Continued development of proposed routes to market, either in full, or phased from 2024, which are to be approved by the Cabinet Member for Property and Waste in consultation with the Executive Director for Environment, Transport and Infrastructure.

APPENDICES

Appendix 1

[Initial Business Case]

Appendix 2

[Market Assessment – Part 2 of the Cabinet report]

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Appendix 3

[Strategic Options Appraisal]

Appendix 4

[D&B Engagement]

Appendix 5

[WDA Engagement]