

Cabinet

12 March 2024

Gateway 4: Recycling Resource Management Contract Extension

Portfolio Holder: Councillor Simon Curry, Portfolio Holder for Climate Change and Strategic Regeneration.

Report from: Ruth Du-Lieu, Deputy Director of Place

Author: Ian Gilmore, Head of Regulatory and Environmental Services

Summary

1. Recommendations

- 1.1. The Cabinet is requested to note the contents of the report and note that the contract is performing equal to or above expectations.
- 1.2. The Cabinet is requested to approve the contract extension as detailed in section 5 of the report.

2. Suggested reasons for decision

- 2.1. Agreement of the contract extension will enable the Council to continue to meet its statutory obligations.

3. Budget and policy framework

- 3.1. This Gateway 4 report is within the Council's policy and budget framework and ties in with all the identified Core Values, Strategic Priorities, Strategic Council obligations and Department/Directorate service plans.

4. Background information and review of contract performance

- 4.1. The Recycling Resource Management (RRM) contract comprises of:
 - 4.1.1. Lot 1 services – Provision of a waste transfer station within Medway and haulage to disposal points of contract waste.
 - 4.1.2. Lot 2 services - Treatment of contract waste (kerbside recycling and ancillary recycling services).

- 4.2. This service was procured through an ‘Open Process’ and received minimal interest with Veolia being the only bidder for Lot 1 and the only compliant bidder for Lot 2.
- 4.3. Cabinet approval was granted on 07/06/2022 (decision number 82/2022) to award the RRM contract to Veolia Environmental services for a period of two-years from 01/10/2022 to 30/09/2024 with the option to extend for a further two-years until 30/09/2026.
- 4.4. The two-year extension term was built into the contract to give both Medway Council and its contractor flexibility in the changing legislative scene for waste services.
- 4.5. **Contract management**
- 4.6. Overall responsibility for this contract will fall under the Head of Regulatory and Environmental Services remit. Contract management will be the responsibility of the Waste Disposal Manager.
- 4.7. Table 1 and 2 below outlines the Key Performance Indicators (KPIs) as set within the contract and their respective performance for the review period.

Table 1 – KPIs Lot 1 Services				
KPI	Description	Target (%)	Achieved (%)	Notes
KPI 1 - Reporting	For each occurrence of a failure to deliver the relevant reports and data provision within the required timescales, in accordance with paragraph 17 of Schedule 2 (Specification).	Pass/Fail	Pass	All relevant reports and data received within required timescales throughout contract duration.
KPI 2 - Sampling of contract materials	Failure to implement the requirements of the Input Composition Sampling for sampling of Contract Materials upon receipt, in any Contract Month during the Term.	Pass/Fail	Pass	Composition sampling requirements implemented throughout contract duration.
KPI 3 - Recycling Target	Failure to Recycle materials which have been separated from Contract Material for Processing, in any Contract Month	Pass/Fail	Pass	All contract materials separately delivered to transfer station segregated for recycling throughout contract duration.
KPI 4 – Contingency arrangements	Failure to implement suitable contingency arrangements to provide continuous delivery of the Services in accordance with the Specification	Pass/Fail	Pass 99.6%	Please see section 4.8.
KPI 5 – Non-acceptance of contract material	Failure to accept Contract Material that is delivered by or on behalf of the Authority	Pass/Fail	Pass 99.6%	Please see section 4.8.

Table 1 – KPIs Lot 1 Services				
KPI	Description	Target (%)	Achieved (%)	Notes
KPI 6 – Turnaround times	Failure to achieve a turnaround time for the unloading of Contract Material from Delivery Vehicles of 60 minutes, measured weighbridge to weighbridge.	Pass/Fail	Pass 97.5%	97.5% of vehicles tipped within 60-minute turnaround time. No target pass rate set, however, achievement of over 90% is considered a pass.
KPI 7 – Carbon management	Failure to provide annual update on carbon management plan as per Section 17 of the Lot 1 Specification.	Pass/Fail	In progress	Please see section 4.8.

Table 2 – KPIs Lot 2 Services				
KPI	Description	Target (%)	Achieved (%)	Notes
KPI 1 - Reporting	For each occurrence of a failure to deliver the relevant reports and data provision within the required timescales, in accordance with paragraph 17 of Schedule 2 (Specification)	Pass/Fail	Pass	All relevant reports and data received within required timescales throughout contract duration.
KPI 2 – Sampling of contract materials.	Failure to implement the requirements of the Input Composition Sampling for sampling of Contract Materials upon receipt, in any Contract Month during the Term.	Pass/Fail	Pass	Composition sampling requirements implemented throughout contract duration.
KPI 3 – Recycling target	Failure to Recycle materials which have been separated from Contract Material for Processing, in any Contract Month	Pass/Fail	Pass	All contract materials separately delivered to transfer station segregated for recycling throughout contract duration.
KPI 4 – Contingency arrangements	Failure to implement suitable contingency arrangements to provide continuous delivery of the Services in accordance with the Specification	Pass/Fail	Pass 99.6%	Please see section 4.8.
KPI 5 – Non-acceptance of contract material	Failure to accept Contract Material that is delivered by or on behalf of the Authority	Pass/Fail	Pass 99.6%	Please see section 4.8.
KPI 6 – Turnaround time	Failure to achieve a turnaround time for the unloading of Contract Material from Delivery Vehicles of 60 minutes, measured weighbridge to weighbridge.	N/A	N/A	Not used as not applicable to this contract.
KPI 7 – Carbon management	Failure to provide annual update on carbon management plan as per Section 17 of the Lot 1 Specification.	Pass/Fail	In progress	Please see section 4.8.

4.8. Non-Performing KPI(s) review and action plan

4.9. Lot 1 services KPI 4 and KPI 5

4.10. During Christmas 2023, a failure in the waste disposal supply chain caused a backlog of waste that could not be resolved through contingency planning. This resulted in the transfer station being unable to accept waste under this contract as per KPI 4 and KPI 5.

4.11. The Regeneration, Culture and Environment Overview and Scrutiny Committee reviewed the issue on January 23, 2024. It was acknowledged that whilst there was a breakdown in the waste disposal supply chain, Medway's waste collection methodology of collecting two double days during the New Year's week added significant pressure on the already strained supply chain.

4.12. This sort of service failure is extremely rare. It should be noted that this is the only service failure throughout this contract, and it must be acknowledged that Medway's own Christmas waste collection methodology compounded the issue.

4.13. The Overview and Scrutiny Committee has asked the waste to review future Christmas waste collections to provide a system that fairly balances service and operations to ensure that this issue doesn't occur in future years.

4.14. Lot 1 and 2 services KPI 7

4.15. Medway and Veolia are working in partnership to calculate scope 3 emissions which will feed into the carbon management plan for the waste disposal service as a whole.

4.16. It is important to note that the ongoing nature of this work stream does not signify a failure, but rather underscores the complexity of the scope 3 emissions and carbon management calculations.

4.17. Financial impact on KPI performance

4.18. No KPI's within this contract are associated to financial incentivisation.

4.19. Summary of contract performance 2022-2024

4.20. The delivery of this contract supports the Council in meeting its statutory duties to:

4.20.1. Arrange for the collection of household waste from all properties (section 45 Environmental Protection Act 1990).

4.20.2. Arrange for the collection of at least two types of recyclable waste from all households via kerbside collections (section 45A Environmental Protection Act 1990).

4.20.3. Arrange for cleaning of streets to keep them free from litter and refuse (section 89 Environmental Protection Act 1990).

4.21. The monitoring of contract performance is managed through regular meetings alongside auditing of the transfer station site, data provision and disposal points. This supports the Council in meeting its statutory duties under the Environmental Protection Act 1990 to ensure waste is collected, stored, treated and disposed of properly.

4.22. The performance of this contract is measured in contract years which run October to September. Table 3 below presents a forecast indicating that 79.7K tonnes of recycling will be processed throughout the two-year term.

	2022-23	2023-24*	TOTAL
Tonnes	39,985	39,697	79,682

**2023-24 data forecast*

4.23. As part of this contract, Veolia have provided social value through two schemes. These schemes align with the Council's core values of People, Place and Growth through healthy and active communities, a clean and green environment and resident's skills. Furthermore, the schemes are also interconnected with the Council's Climate Change Action Plan by reducing emissions and enhancing green infrastructure:

4.23.1. Veolia Environmental Trust awarded £61K to Plant Life, Ranscombe Farm nature reserve, specifically to safeguard rare plant and animal species, promote biodiversity and enhance woodland conditions for both wildlife and visitors.

4.23.2. Veolia Orchards scheme awarded eight Medway schools with fruit trees and plants to establish new carbon sinks and enhance biodiversity. Additionally, the program educates children on orchard care and supplies them with fresh fruit for consumption.

4.24. In accordance with Waste Services governance process, this contract undergoes annual reviews at the Regeneration, Culture and Environment Overview and Scrutiny Committee. Relevant reviews for this contract were held on 13/10/2022 and 15/11/2023.

4.25. **Summary of contract performance**

4.26. This contract has consistently met performance targets and is efficient and effective in supporting the Council to execute its statutory duties. The contract has demonstrated a strong commitment to sustainability through its environmental initiatives such as recycling processing services, environmental social value schemes and support with the Council's carbon emissions baseline calculations. Overall, this high performing contract has proven to be an asset in achieving the Council's objectives and delivering value to the community.

5. Options

- 5.1. The following options have been considered and analysed for this report:
- 5.2. **Option 1 – Do nothing:** This option is not viable. The Council is obliged to take action as it is essential that Medway's kerbside collection service has a treatment route for recycling that meets our statutory obligations, climate change objectives and gives the best financial value for money.
- 5.3. **Option 2 – Re-tender the service:** Open market procurement in 2021/22 garnered limited interest in this service. One bid was received for Lot 1 services and one compliant bid received for Lot 2 services. Re-tendering these services does not guarantee interest, particularly given the requirement for a Medway based transfer station in Lot 1 services. With only 7 months to go until the contract expires it is not feasible to re-tender this service.
- 5.4. **Option 3 – Extend the current contract (recommended option):** The current contract is performing well. It was written to allow the option to extend for a further 2-years to give Medway and its contractor flexibility. This is particularly relevant given the changing legislative landscape for waste. Extending this contract reduces procurement costs and gives stability in the waste disposal supply chain whilst the Council designs a waste strategy. All costs associated with this service are within current budgets. This option ensures the Council continues to meet statutory duties set out in section 4.20 of this report.

6. Advice and analysis

- 6.1. Cabinet is requested to acknowledge the contents of this report and note that the contract is performing equal to or above expectations.
- 6.2. Cabinet is asked to approve the extension of this contract for a further two-years in line with the original tender as per option 3 in section 5 of this report.
- 6.3. As has been demonstrated through this report, the RRM contract is deemed to be performing well. It is efficient and effective in supporting the Council to meet its statutory duties and will continue to do so through the recommended extension.
- 6.4. Extending this contract will reduce procurement costs to the Council as a procurement exercise is not required.
- 6.5. Extending this contract will give stability in the waste disposal supply chain whilst the Council implements a waste strategy which will inform future waste disposal procurement decisions.
- 6.6. The Contractor was evaluated as the most economically advantageous against the Council's award criteria when the services were awarded through Cabinet decision 82/2022. All costs for the services associated with this contract are within current budget.

6.7. By extending this contract the Council can ensure it continues to meet its statutory obligations set out in section 3.19 of this report.

6.8. This report does not recommend policy or service change therefore a Diversity Impact Assessment (DIA) is not required.

7. Risk management

7.1. The table below details risks associated with the ongoing success of this contract including mitigation plans.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial	Volatility of recycling commodity markets causing budget pressures	Contractor shares risk of recycling commodities alleviating some budget pressure and encouraging them to find best available markets.	BIII
Financial & Legal	Changes imposed on how Local Councils collect waste as a result of the Environment Act leading to collection methodology changes and potential material composition changes.	Clear ground rules set out in the contract in terms of negotiating future changes in law and variations to specification.	CIII
Reputational	Failure to extend this contract post 01/10/2024 leading to Medway Council being unable to deliver recycling service and not meeting statutory obligations.	Extend contract for recycling processing as set out in this report.	DIV
Climate Change	Failure to extend this contract post 01/10/2024 resulting in recycling being disposed of via energy recovery/ landfill routes. Leads to Medway Council not meeting statutory obligations set out in this report and climate change objectives.	Extend contract for recycling processing as set out in this report. Clear ground rules set out within the contract to ensure the appropriate management of recycling materials. Contract management audits carried out to ensure contractor meeting duties.	DIV
Reputational	Contractor disposes of waste unlawfully leading to reputational damage (for example - waste sent	Robust contract clauses ensuring that the contractor meets its duty of care responsibilities in line with waste industry regulation.	DIV

Risk	Description	Action to avoid or mitigate risk	Risk rating
	to a foreign market and unlawfully flytipped).	This will be complimented by continued spot checks and audits by the Waste Disposal team to ensure waste is managed properly.	

For risk rating, please refer to the following table (please **retain** table in final report):

Likelihood	Impact:
A Very likely	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	IV Minor

8. Consultation

- 8.1. This report has been reviewed through the relevant Departmental Management Team (DMT) and Procurement Board prior to submission for Cabinet decision.
- 8.2. Further internal and external stakeholder consultation is not applicable for this contract extension.

9. Climate change implications

- 9.1. The treatment of waste through the recycling resource management contract is in line with the waste management hierarchy. Recycling waste prevents it from being sent to landfill, which in turn reduces the amount of greenhouse gas emissions attributed to the waste management process.
- 9.2. Work to quantify the greenhouse gas emissions associated with our disposal and collection services is underway and will help to inform future decisions on service delivery, in support of the Council's net zero carbon target.
- 9.3. Climate considerations are included in this contract with the aim of holding the contractor accountable for improving carbon emissions which links into the Council's Climate Change Action Plan.

10. Financial implications

- 10.1. There are no financial implications as costs associated with this contract are within current budget.

11. Legal implications

- 11.1. The procurement under the Open procedure carried out in 2022 including extension arrangements is compliant with both Medway's Contract procedure rules and the public contracts regulations.

11.2. The provision of waste collection services is a statutory function of the Council and therefore the Council has a duty to ensure that the service is provided to all residents within the area.

12. Procurement implications

12.1. There are no procurement implications in relation to the recommendation of utilising the two-year extension.

Lead officer contact

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Appendices

Exempt Appendix – Financial Analysis

Background papers

[Gateway 3 Contract Award - Recycling Resource Management Contract, Cabinet report 7 June 2022 \(Decision no. 82/2022 refers\)](#)