

<b>REPORT TO:</b>	<b>Streets Environment and Homes Scrutiny Sub Committee 9<sup>th</sup> October 2018</b>
<b>SUBJECT:</b>	<b>Update on South London Waste Partnership Strengths, Weaknesses, Opportunities &amp; Threats</b>
<b>LEAD OFFICERS:</b>	<b>Shifa Mustafa, Executive Director – Place Steve Iles, Director of Streets</b>
<b>CABINET MEMBER:</b>	<b>Councillor Stuart Collins Deputy Leader and Cabinet Member for Clean Green Croydon</b>
<b>PERSON LEADING AT SCRUTINY COMMITTEE MEETING:</b>	<b>Steve Iles, Director of Streets</b>

  

<b>ORIGIN OF ITEM:</b>	This item has been identified by the Streets, Environment and Homes Scrutiny Sub Committee as an area of scrutiny.
<b>BRIEF FOR THE COMMITTEE:</b>	To note the impact that the SLWP contract will bring to the delivery of services

## **1. EXECUTIVE SUMMARY**

- 1.1 The report sets out the progress of the new South London Waste Partnership (SLWP) Lot 1 contract which commenced for street cleansing in March 2018 and waste and recycling in September 2018.
- 1.2 This report details the arrangements for the South London Waste Contract with Veolia, and the improvement it will have on Croydon's existing services and provides an analysis of strengths, weaknesses, opportunities and threats (SWOT) for the contract. It also provides a service update showing progress to date with each element of the contract.
- 1.3 Veolia's solution delivers significant benefits to Croydon over the course of the contract term. In addition to delivering savings in the region of £5M per annum the new contract will be underpinned by a new set of performance indicators which set the contractor challenging targets aimed at driving up performance in key areas such as missed collections and street cleanliness. With strict penalties associated with failure to meet these targets, the contractor has also set out a robust monitoring approach to ensure these standards are upheld.

## 2. BACKGROUND

- 2.1. The South London Waste Partnership (SLWP) was formed in 2003 between the boroughs of Croydon, Kingston, Merton, and Sutton and has a proven record of providing improved and more cost-effective waste management services through the procurement of complex waste disposal treatment, recycling and Household Reuse and Recycling Centre contracts. The SLWP itself is not a legal entity and thus procures its contracts through one of the borough members of the Partnership in this case, Croydon Council.
- 2.2 Officers from the four partner boroughs explored opportunities for future delivery of a range of high quality environmental services. An options analysis was undertaken to assess the merits of procuring services in partnership, as opposed to procuring alone, or retaining existing arrangements. The boroughs made an assessment of delivery, procurement options and modelling savings based on joint procurement by all boroughs. The modelling suggested savings in the region of 10% from procuring jointly with the potential to achieve savings in excess of this if the partner boroughs harmonised these services.
- 2.3 On this basis a business case for a joint procurement exercise for the following services was agreed in each of the boroughs between November 2014 and January 2015:

Lot 1 (All boroughs)	Lot 2 (Sutton & Merton only)
Waste collection	Parks and grounds maintenance
Street cleaning	Cemeteries
Commercial waste	Highway verge maintenance
Winter Maintenance	Tree maintenance (excluding inspections)
Vehicle maintenance and procurement	Sports and play facilities management

**\*NB at this stage Croydon is only procuring Lot 1 contracts but may opt-in to Lot 2 at a later date.**

- 2.4 Following an endorsement from the Joint Waste Committee on Tuesday 7 June 2016. On 11 July 2016 Cabinet endorsed Veolia as the preferred bidder for the Lot 1 Contract The Contract was signed in March 2017.
- 2.5 Following contract procurement savings are around 20% and are forecast to save the four boroughs £56m over the next eight years (£47.4m on Lot 1 and £8.6m on Lot 2), based on a scenario where service budgets were inflated at 1% each year.
- 2.6 For Croydon the financial implications of the award of this contract to Veolia will result in revenue savings to the council of £5.1m per annum against a

revenue budget of £14.069m. For the full initial 8 year period of the contract the council will save £34.297m against a cumulative budget for the duration of the 8 years of £98.489m.

### **3. THE SLWP CONTRACT**

- 3.1 This contract is provided by Veolia and although different boroughs will use different waste containment methods, the materials collected will be the same, thus harmonising waste collection services across the four boroughs. The new street cleansing service started in March 2018 and the new waste collection service in Croydon began September 2018. As well as releasing substantial cost saving the new contract will be underpinned by a robust set of Key Performance Indicators with more ambitious targets than Croydon's current contract.
- 3.2 The objectives agreed prior to the commencement of the procurement exercise sought to ensure that levels of service delivery would be maintained, with a contribution to the required savings targets and enhance the environmental performance of the services. These were:
- To target optimum savings on the costs of service provision through lower service costs and increasing recycle revenues.
  - To deliver to residents a high performing service, achieving high levels of customer satisfaction.
  - To provide improved environmental and carbon outcomes in the way we deliver environmental services.
- 3.3 Whilst the provider of Lot 1 services is Veolia, who were the incumbent provider of Croydon's waste and street cleansing services, there has been the key enhancements to the way these services are delivered compared to the current context.
- 3.4 Veolia's solution delivers significant benefits to Croydon over the course of the contract term. In addition to delivering savings in the region of £5M per annum the new contract will be underpinned by a new set of performance indicators which set the contractor challenging targets aimed at driving up performance in key areas such as missed collections and street cleanliness. With strict penalties associated with failure to meet these targets, the contractor has also set out a robust monitoring approach to ensure these standards are upheld.
- 3.5 The changes to waste collection service will be underpinned by effective contract management and a programme of education focusing on waste prevention and minimisation to help ensure Croydon reaches its ambitious target of recycling over 50% of its household waste. The new service will contribute to the wider agenda of improving environmental sustainability and promoting the 'circular economy' within Croydon.

#### **4. STRENGTHS, WEAKNESSES, OPPORTUNITIES & THREATS OF THE NEW SLWP CONTRACT**

- 4.1 The following table highlights the key areas of the SWOT for the SLWP Lot 1 contract.
- 4.2 Whilst the money saved on the contract is a major benefit, with guaranteed Incomes to the boroughs for the recycle, garden waste and commercial waste, as well as the economies of scale that could be negotiated over four boroughs, there are a number of other key strengths associated with working in a partnership. The contract itself demands higher standards of waste collection and street cleansing than were being achieved under the previous contract and by pooling communications resources, there has been a strong reach and consistent messages across the four boroughs, helping to establish the partnership brand.
- 4.3 There are of course some disadvantages to the partnership approach, for example the time it takes to reach consensus on decisions tends to be longer than if the boroughs were making these decisions alone. The individual boroughs were all collecting waste in very different ways prior to the start of the partnership, meaning they started off in distinctly different places with regard to their contractual performance. This has meant that the rollout of new services will be more challenging in some boroughs – those making the biggest changes – than others, and the impact felt more acutely. There has also been the challenge of integrating the existing ICT systems to reflect the new service as well as setting up new monitoring approaches for contract performance. Croydon and Kingston are at an advantage in this respect as Veolia were the incumbent contractors for these services prior to the partnership, however, much work has been required, and is continuing, in order to ensure the correct reporting mechanisms are in place and the contractor is held to account in the event of any service failures.
- 4.4 The rollout of the new service has ultimately provided the platform for Croydon to reconsider its bin configuration and put in a new solution which focuses heavily on reducing the size of landfill bins and increasing the capacity available to recycling. In doing so, it is hoped that it will yield a recycling rate in excess of 50% and make considerable savings in landfill costs over the next ten years. The prominence of the Partnership has helped in co-ordinating responses to Government consultations and leading on initiatives such as promoting the circular economy.
- 4.5 Operation National Sword in China, is a campaign design to cut down the illegal smuggling of waste into China. This is to address the fact that China has long been a favoured destination for the cheap disposal of waste from abroad, often with general waste being falsely labelled as 'recycling'. The outcome of this is that now China will only accept a maximum tolerance of 0.5% contamination of imported recycle. Although Veolia do not export recyclable material from the SLWP to China, the effect of Operation National Sword has had a knock-on effect with reprocessors across the world insisting on low levels of contamination for recycle, effectively creating a buyers' market, with reports of material collected for recycling having to be landfilled. The Partnership is in a better position than most to mitigate this as waste is collected 'twin stream' rather than co-mingled, meaning that the paper, which is the most valuable element, is kept separately from other materials.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Procuring with through SLWP has led to savings of over £5M per annum in contractual costs.</li> <li>• Harmonised collections across 4 boroughs.</li> <li>• Consistency of branding/communications messages.</li> <li>• Has allowed a reconfiguration of waste containment</li> <li>• Higher standards of street cleansing, fly-tip removal and recycling missed collections.</li> </ul>	<ul style="list-style-type: none"> <li>• Decision making processes can take longer as agreement needed by 4 boroughs.</li> <li>• Localised branding could be lost.</li> <li>• Negative publicity in one borough could reflect badly on all boroughs.</li> <li>• Although all boroughs are collecting the same materials, the method of containment differs from borough to borough.</li> <li>• Contract termination would rely on agreement from all boroughs.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Reducing size of landfill bin and increasing provision of larger bins for recycling will lead to higher recycling rates and c£4m in avoided landfill costs.</li> <li>• Opportunity to lead on projects promoting circular economy, waste minimisation, minimising single use plastics etc.</li> <li>• Potential for boroughs to work with Veolia to expand income from areas such as bin hire.</li> </ul>	<ul style="list-style-type: none"> <li>• The global position re lower tolerances of contamination in recyclates means only high quality recyclate is being accepted by reprocessors, may lead to rejection of recyclate.</li> </ul>

## 5. CHANGES TO STREET SERVICES AND PERFORMANCE UPDATE (operational since March 2018)

- 5.1 Fly tips must now be cleared twice as quickly as they were under the previous contract. The new service standard is to clear fly-tipped material within 24 hours of notification, compared to the previous 48 hours. For month of May 2018 97% of reported flytips have been cleared by Veolia within 24hrs
- 5.2 Street cleansing has moved from being a frequency based service, to being an output based service. Streets are required to be serviced to a grade A standard as detailed in National Indicator 195 (NI195) at the time of sweep and maintained to such a level that they never fall below a grade B.
- 5.3 It is a contractual obligation for street cleansing sacks to be removed on the same day of production.
- 5.4 In many parts of the borough performance has improved as a result of the new service. In particular the number of fly tips removed within 24 hours is beyond

90% which has been a considerable upgrade, Random sampling of streets show that around 85% of streets around the borough are being maintained to the contractual standards, however, in a borough of Croydon's size, that still represents a lot of streets falling below the standard, and there is work to do, particularly in the known hotspot areas to ensure standards are maintained. With this in mind, instead of all sampling being random, officers will now undertake 50% of their joint inspections in litter hotspot areas, with a view to carry on returning with Veolia to those areas until a sustained improvement has been seen.

## **6.0 CHANGES TO WASTE COLLECTION SERVICES AND PERFORMANCE UPDATE (operational since September 2018)**

- 6.1 Croydon currently recycles 38% of its household waste. Although this is well above the London average, there is scope for further improvement, especially considering that over 70% of household waste in Croydon could be recycled using its current set up.
- 6.2 One of the explanations for Croydon's recycling rate not being as high as it could be is that the wheeled bin for landfill currently makes up 60% of the total fortnightly capacity. This means the size of the landfill bins is far larger than most households should need if they are recycling correctly. At the same time, dry recycling capacity is limited to two 55L boxes. Although some residents have ordered additional boxes and some present excess recycling in plastic bags, the reality for many is that when the recycling boxes become full, any excess recycling simply goes into the landfill bin.
- 6.3 The disparity between the number of litres offered for landfill waste and recycling each fortnight is driving the wrong behaviours, limiting the amount of recycling being collected and in some cases, leading to some people to not recycle at all. In order to help realise the goal of Croydon being one of London's cleanest, greenest boroughs, a change is needed.
- 6.4 The rollout of the new collection services under the SLWP represented an opportunity to think more holistically about the way in which we collect waste and to reduce the impact of sending waste to landfill. Landfilling waste is not only harmful to the environment, it is also a far more expensive option than recycling it. By reducing the size of the landfill bins and increasing the capacity for recycling it is anticipated that Croydon's recycling rate will increase to over 50%, making it one of London's top performers in this respect. In summary:
- 240L landfill bin – replaced by a 180L bin
  - 55L paper and card recycling box – replaced by a 240L bin
  - 55L dry mixed recycling box – replaced by a 240L bin (this will be the existing landfill bin which will be restickered for its new use following the final collection)
  - Food bins/caddies – remain the same.

- 6.5 Giving residents larger wheeled bins for recycling, whilst at the same time reducing the size of the landfill bins will encourage recycling and give residents an incentive to reduce the amount of landfill waste they create as side waste. Landfill waste that is not contained within the wheeled bin will not be taken.
- 6.6 There will be certain circumstances where residents can apply for a larger bin. For example, households with five or more people or where medical conditions dictate that there is a large volume of waste will be able to acquire a 240L wheeled bin for their waste.
- 6.7 An added advantage of putting the dry recycling items into wheeled bins is that it will greatly reduce the amount of spillage and windblown litter from the recycling boxes. Many of these boxes are currently presented for collection without lids, meaning that on windy days, recyclable items are blown out of the boxes and onto the street, causing problems for the street sweepers. During the collection operation the contents of the boxes are then decanted into larger wheeled 'transfer bins' which in turn, creates further spillages.
- 6.8 Although the footprint of the new containers is extremely similar to the existing boxes, there will be some properties that are not suitable for the new receptacles. Survey work has been carried out to identify these properties and alternative arrangements will be made, dependent on property type. A collection service has also been arranged for any unwanted recycling boxes, should residents wish not to reuse them around the home.
- 6.9 In addition to the changes in waste containers, for the majority of households there will also be a change to their collection day. 78% of residents' collection day will be changed as the rounds are reorganised in order to make them more efficient and ensure there is a saturation of resource in the same area on any given day which will minimise the effect of vehicle breakdowns.
- 6.10 The change in waste containerisation is a bold decision by the Council and is one which goes beyond the original plan for the rollout of waste services under the SLWP Lot 1 contract. These changes are necessary in order to help achieve the ambition for Croydon to become one of the top recycling boroughs in London and to reduce the financial burden of sending waste to landfill. It is forecast that these changes will result in the avoidance of over two million pounds in landfill costs for the council over a ten year period.
- 6.11 A change of this magnitude which requires the delivery of over 250,000 new waste receptacles, the rescheduling of rounds and a change of collection day for the majority of households in the borough is far from a simple task. The reality is that there will be disruption to the services as a result. Officers have worked with our contractor, Veolia to ensure that the extent of this disruption has been minimised and that there was a robust communication plan to engage with residents about the service changes before they are rolled out and that alternative arrangements were available for non-suitable properties. The communication plan, includes extensive details on the councils website, FAQs, letters and leaflets to all residents, frequent messaging via "Your Croydon", along with a series of Roadshows around the borough during July, along with a dedicated contact number and email address which were widely communicated for residents and elected members to use
- 6.12 Flats above shops have been provided with different coloured bags for waste

and recycling. As commercial waste customers will also be using coloured bags, it will be easy to identify those who are presenting waste illegally –e.g. in black sacks- and Veolia's staff will be trained in evidence gathering which will assist the council's enforcement team in identifying and bringing to justice the perpetrators.

- 6.13 In order to ensure that the performance of our contractor can be managed effectively, it is important that service issues are reported through the correct channels. Veolia have very specific timeframes with which to respond to issues such as missed collections, streets below grade and the removal of flytips. If reported correctly the contractor's performance against these timeframes can be monitored by officers and they can be held to account over service failures, with financial penalties applied where necessary. It also means that the data can be used to build up an accurate picture of hotspot areas and manage the contract proactively. To this effect, the Council has been actively encouraging residents to use the Don't Mess With Croydon App and My Account, to report street cleansing and waste collection issues respectively.
- 6.14 Currently many residents circumvent these reporting channels by either going directly to officers or via councillors. By the time the officers pick these requests up, the response times have often elapsed, and in most cases they are not logged, only passed through to Veolia as an instruction which is then carried out, meaning penalties cannot be applied.
- 6.15 For a borough-wide service change in a local authority the size of Croydon, the amount of contact that will be generated means that the established channels are the only way of effectively dealing with and managing the contractor's performance as individual officers won't have the capacity to deal with the volume of issues.
- 6.16 Built into the cost savings in the new contract is the employment of six officers who will be based within the Environment and Leisure service area. These officers will work closely with Veolia to assist residents who have questions about the new service and will give support to residents on how to do the right thing with the new service.
- 6.17 At the time of writing this report, the service has yet to commence so it is not possible to give an update on performance. Much work has been done by officers in advance of the new service in order to ensure that it gets off to the best possible start, however, as with any major service change on this scale, particularly one which involves a day change for over 75% of properties, it is anticipated that there will be a considerable period of disruption at service commencement. Communications to residents have reflected this, with the emphasis on the long term benefits the new service will bring. Additional staff have been employed to help deal with the extra demand and officers will work intensively with Veolia to ensure operational difficulties are minimised and that the service standards are met as quickly as possible.

## **7.0 SERVICE STANDARDS UNDER THE NEW CONTRACT**

- 7.1 The delivery of bins and other waste containers will be carried out within 5 working days, as opposed to the current 5-20 working days, meaning residents will receive replacement bins/boxes far more quickly than they presently do.



- 7.2 The contractor will work toward a target of thirty missed collections per one hundred thousand properties, whereas under the current contract it is 90/100,000 properties.
- 7.3 Garden waste will be an all-year round service instead of stopping in the winter as it has previously. This means that instead of receiving approximately 13 collections each year, residents will now get 26 collections per year for just £1.50 extra to last year's annual charge.
- 7.4 Every year, for a two week period at the beginning of January, Veolia will arrange for the free collection of Christmas trees from kerbside residents, for composting.

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**BACKGROUND DOCUMENTS:** None

**APPENDICES:** Appendix A Definitions of Litter Grades  
Appendix B Map of New Collection Days