

Decision Taker:	Cabinet Member for Climate Emergency, Clean Air and Streets
Date:	20 May 2024
Report title:	Waste PFI Contract, Purchase of Food Waste Collection Vehicles and Equipment
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	Not applicable
From:	Head of Waste & Cleaning

RECOMMENDTION(S)

That the Cabinet Member for Climate Emergency, Clean Air and Streets:

1. Authorises the Director of Environment to issue Letters of Intent to Veolia ES Southwark Limited (Veolia) authorising essential and urgent expenditure for food waste collection service rollout, to enable orders to be placed for the purchase of:
 - 1.1. Seven specialist food waste collection vehicles at a total cost of approximately £850k.
 - 1.2. Containers and food waste container housings with an expected cost of up to approximately £1.3m.
2. Notes that the proposed principles of service design set out in this report will be the subject of a further Gateway 3 Report when the final terms of the variation have been agreed with Veolia.
3. Notes that funding from DEFRA provided as part of the new burdens funding of £1.316m, and Waste PFI reserves will be used to fund these purchases as one-off capital purchases to enable the new service to be provided.

BACKGROUND INFORMATION

4. The council entered into a 25 year PFI contract in 2008 for managing the collection, treatment and disposal of collected household and non-household wastes, including the operation of the Integrated Waste Management Facility on Devon Street. This contract discharges the duties undertaken in accordance with the council's role as Waste Collection Authority and Waste Disposal Authority. It is due to expire in February 2033. This requires the council to procure its requirements for waste management services, including new service requirements such as food waste collection through this contract.

5. The requirement for Waste Collection Authorities (WCAs) to provide food waste collections to all household and certain other premises types such as schools is included in the Environment Act 2021. This makes the provision of these services mandatory for all WCAs for all households. The government has advised that this requirement must be implemented by 31 March 2025 for non household premises (eg schools, churches and specified charities), and by 31 March 2026 for all households. There are only very limited exemptions from this requirement, and none would be applicable in Southwark.
6. Providing these deadlines are achieved, the council is able to implement these requirements sooner if it wishes, and has powers to do so. In practice it would be difficult and costly to introduce a service for non household and household properties at different times, so the most cost effective approach would be to implement both changes at the same time. This will be the largest change to waste collection services for such a large number of properties since the rollout of recycling services in the 2010-12 period. The recommended time for services to be operational is by autumn 2024, with the timetable to be agreed and finalised when suppliers have confirmed available supply lead times for essential items such as vehicles and containers.
7. The government has announced that a total of £295m of funding has been made available to meet the capital costs of implementing food waste collections (including vehicles, containers etc). This funding will be distributed to councils in England (these are devolved matters in the other nations of the UK), and funding will be made available in respect of new services provided after 31 March 2023 (councils who have implemented food waste collections earlier would not be able to claim in respect of any previous expenditure).
8. The government has advised that this funding will be paid to councils in the current financial year. The funding provided to Southwark to cover capital expenditure for this service is roughly £1.316m. Officers have registered concerns with DEFRA to seek a review of the amount of this allocation, which falls short of the cost required to implement a service of reasonable quality. It is not known whether this request for review will successfully increase the funding available and at this time, the proposed expenditure does not assume additional funding being successfully obtained.
9. The formal decision to change services for all households and non household premises has been scheduled for consideration once the detailed terms for implementation of the new service have been agreed. This decision will include approval to vary the waste services contract to include the new statutory service requirements. At that point, more details of both costs and detailed service requirements are expected to be available, so that the overall cost impacts of the change will be known.
10. The council's existing policies and Waste Management Strategy already include a requirement to provide food waste collections throughout Southwark at the earliest available opportunity, and this decision is delegated to the Strategic Director in consultation with the Cabinet Member. This report is therefore only to confirm the urgent approval of expenditure that requires orders to be placed so that items will be available in time for service rollout during 2024.

KEY ISSUES FOR CONSIDERATION

11. The council will undertake the following service changes after detailed negotiation with Veolia over costs and terms, with the final package of changes included in a contract variation to be agreed through the council's usual processes:
 - 11.1. Provision of a separate weekly food waste collection to all qualifying properties, including all households and residential premises, schools churches and other similar premises now receiving a household waste collection.
 - 11.2. A split between food and garden waste collection services so that each waste stream is collected separately to comply with the new legal requirements, and can each be treated and managed in the most environmentally favourable and cost effective way.
 - 11.3. Provision of containers to all households to enable them to separate food waste within their homes and present it for collection or place into a communal food waste collection point according to current requirements for individual and communal collection services.
 - 11.4. Provision of appropriate communal food waste collection points with relevant infrastructure for housing developments including blocks, estates and clusters of flats. These are referred to throughout this report as Communal Food waste container units.
12. The detailed information about the effects and service changes for each property type is set out in Appendix 1.
13. The variation when it is presented for approval will also include technical changes to the contract requirement including apportionment of costs, treatment processes, performance requirements and other elements to ensure that the service is fully incorporated into the current contracted requirements in addition to the existing services.
14. To mitigate the costs of undertaking the change in service, the council proposes to make capital payments to Veolia for purchases required for implementing the service, using a combination of current service reserves that have been accrued for the purpose of meeting required service changes such as this, and funding provided by DEFRA for this purpose.
15. Without making this capital payment, the council would be required under the current contract to seek a contract change with Veolia that would require them to make the capital payments, with the council then repaying the cost through the contract payment mechanism. This would carry a higher overall cost, as the council would also have to pay contract margins and rates of return to Veolia under the contract as part of the repayment process.
16. Ongoing revenue costs for operating new services are expected to be contained within service budgets, including future funding streams from central government. This will be confirmed and costed in greater detail when the contract variation has been negotiated for agreement.
17. Any authorisation for capital spending would only be activated when key terms for the changes in service have been agreed for the overall contract variation to ensure that there is no risk of authorising expenditure before this happens.

18. While authority to incur some capital expenditure is both urgent and necessary, there are some uncertainties to final costs. This report set out the initial figures to which the council must commit for immediate purchase decisions following confirmation of the amount of funding from central government.
19. A core requirement of the new duty to provide food waste collections is that food waste would be collected separately from other waste types and sent for treatment via Anaerobic Digestion (AD). This generates both a compost product that can be used in agriculture (replacing fertilisers manufactured using fossil fuels), and methane which can be combusted to generate electricity or used as a gas fuel, both of these aspects represent positive environmental impacts from separate collection and are a requirement of the legislation.
20. Collections of separate food waste which is relatively liquid requires specialist food waste vehicles which are protected against degradation through corrosion due to food waste being more acidic than general waste, and which are designed to avoid spillage during collection and transport. These vehicles are smaller and more manoeuvrable than normal refuse collection vehicles and have a lower cost to operate and better fuel economy. This enables them to undertake many collections as part of a daily route, but where each collection is relatively small in volume whereas larger vehicles with high bulk capacity would be less suitable.
21. A suitable vehicle type has been estimated to cost roughly £121,000 each – prices would be confirmed according to specification at the time of ordering. These are 11 tonne Isuzu compact refuse vehicles with a 4.5 tonne payload. Because they are smaller and more manoeuvrable than standard vehicles, they are less likely to experience access issues due to narrow streets and parked vehicles – both of which can sometimes affect current collections on some estates.
22. Further details of this vehicle type and image appear in Appendix 2. These will collect food waste from all properties in Southwark, including taking over the existing collections from some blocks of flats and kerbside properties. A total of seven vehicles will be needed, including some contingency capacity to cover periods of scheduled maintenance and downtime and to add extra capacity in times of high demand. Table 1 below provides a summary of the cost of the separate food waste collection vehicles that are required.

Table 1 – Summary of separate food waste collection vehicle costs

Vehicle Type	Number required	Estimated cost per vehicle	Total Cost	Source of funding
11 Isuzu Compact RCV	7	£121 k approx	£850k approx	Existing service reserves which have been accrued for this purpose

23. While the number of bins, vehicles and most other capital requirements can be predicted with confidence in terms of both numbers required, and unit costs for each item, there is some uncertainty in the numbers of communal food waste container units that can be provided as part of the service expansion. Housing units are expected to be one of the largest items of expenditure, but the level of demand would be established during the rollout phases when engagement with property managers is undertaken. Uncertainties are particularly because:

- 23.1. Not all blocks of housing will have space for communal food waste container units, and some may not want to install one – possibly having a preference for uncontained wheeled bins which have greater mobility and flexibility compared to a fixed unit.
 - 23.2. Some developments may share a container unit between more than one block - eg where two or more blocks have a common access route, and want to reduce the number of installations. This is likely to be established at the survey and rollout stage.
 - 23.3. There is limited justification for providing container units at significant cost to small blocks where the cost per household would be high, and resources are limited. In the early stages of the service, it is only planned to consider blocks of 20 or more flats for provision of container units, although applications would be considered from smaller blocks if demand is low.
24. It is therefore proposed to make a budget allocation for the provision of container units of roughly £750k within the overall budget for containers. Based on indicative prices, this is likely to enable provision of around 1,500 container units for deployment across the borough. This number is expected to be less than the total demand if units are provided without cost or restriction, and because of this the council will need to provide units according to defined criteria. The proposed criteria are that:
- 24.1. Developments of 20 or more units as a minimum would qualify. Any of less than 20 units may be considered in any future rounds where funded container units were made available.
 - 24.2. For developments consisting of multiple blocks with a common management arrangement, container units would be available on a typical ratio of one per 40-50 homes.
 - 24.3. Property managers would be expected to arrange for installation at their own cost in an agreed collection location that is accessible for servicing, and co-operate with the council on provision of information to residents to help ensure the service is used correctly and communicated to residents. This would take the form of a short SLA to confirm terms of provision of container units.
 - 24.4. The council would install locations for public use to serve both flats above shops and to collect food litter in high street type locations. This would apply to clusters of properties – estimated at around 150 locations.
25. It is expected that the 1,500 container units would be allocated to approximately 650 private sector blocks; approximately 700 social landlord blocks including council housing; and approximately 150 on-street. This would include all significant blocks and estates having food waste bins contained within a fixed communal collection point with signage attached. Remaining blocks would either be able to have food waste communal bins within bin stores, could choose to buy communal food waste container units at their own cost, or could wait for possible future funding rounds. The council's planning guidelines would need to be updated to include recommendations to developers to ensure this provision was designed in for all new build blocks.
26. The council would not have a legal duty to provide Communal Food waste container units to all housing developments now or in future – although it would

have a general duty to provide food waste collection services to meet the legal requirement. However, where the council chooses to provide these units it must do so according to fair criteria for allocation of these resources to avoid challenge. Provision of these units is likely to be key to delivering a level of service quality that encourages high levels of participation by residents, but universal provision of container units to all developments is not affordable to the council at this time. This approach therefore balances the need to manage the use of limited resources, with the need to ensure that food waste collection points are widely available in the larger developments to benefit the greatest possible number of residents.

27. Urgent decisions are needed to purchase these containers and associated requirements as there is concern that a delay would result in greatly extended periods for supply. Many councils throughout England will be making similar purchases to roll out new services in their areas to comply with the new legislation. This is likely to create a supply bottleneck with long waits as manufacturers would struggle to keep pace with demand. This gives rise to the risk that the council would not receive the required containers in time, and it would be necessary to defer the rollout of the service.

Reasons for Purchase

28. The total container requirements are set out in Table 2 below including assumptions about numbers required and overall cost expected. Actual prices when orders are placed may be slightly different, but are not likely to exceed the prices shown here. These purchases equal the funding received from DEFRA, with no budget expansion required to fund the change, although the overall expenditure also requires some use of reserves to complete the purchases required. In the event of an underspend, the service intends to allocate unspent funds to increase the budget for communal food waste container units where overall demand is likely to exceed the current budget allocation (see paras 23-24). Any overspend would be managed within existing budget provision. More details of the container types are shown at Appendix 2 including images and householders who would receive them

Table 2 – Type, number and cost of food waste containers and container units

Item	Unit cost (£) (Delivered)	Number required	Total items cost	Comments
Food Waste Caddy - 5 litres	£4.00	100000	£400k	One provided per property
Food Waste bins – 23 litres	£7.00	12000	£84k	Provision for restock for current kerbside users
Communal food waste container units	£500.00	1500	£750k	See paras 22-24 above
Communal Food waste bins 240 litre	£22.00	2300	£51k	Roughly 1 bin per 40-50 properties
Storage, spares & Miscellaneous costs			£31k	Estimated
Total container expenditure – funded from DEFRA funding allocated to the council – no internal budget is used			£1,316	This allocates all DEFRA funding received

29. The current service, which undertakes co-collection of food and garden waste, would not be able to continue as the legislation ([Environment Act 2021, s57](#)) requires separate collection of six specific waste types, with food and garden waste appearing as two separate categories. A separate food waste collection service is therefore being developed to enable the council to comply with the new statutory requirements.
30. The separate collection of food waste has been assessed to have a substantially lower environmental impact in comparison to current collection services where food waste is mixed with garden waste or collected within mixed general waste for treatment. The rollout of food waste collection services throughout Southwark has the potential to significantly reduce the environmental impact of Southwark's waste, and Southwark overall carbon footprint.
31. The service has initially projected that the rollout in food waste collection services would result in an additional tonnage diverted into recycling of roughly 3,600 tonnes. This is equivalent to around a 3% improvement in the council's recycling rate which, alongside other service performance improvements, is likely to restore the council household waste recycling performance to corporate target levels. With continued promotion of the food waste service, and sustained communications, there is the scope for higher participation by residents to divert a much higher level of waste than this.

Future Proposals for this Service

32. After the initial capital investment, the council will be responsible for maintaining the new service in line with the statutory requirement to provide food waste collections to relevant properties. This will be funded in future by way of:

- 32.1. Savings in waste disposal and treatment costs for general waste resulting from food waste being diverted into separate collections carrying a lower treatment cost.
- 32.2. Existing budgets and resources, including where appropriate reducing capacity in refuse collection services to take account of lower tonnage demand due to higher recycling of food and other waste.
- 32.3. 'New burdens funding' provided by DEFRA from central government funds. The amount for this is currently not known, and for planning purposes, the service has made plans to deliver this additional service within existing budgets after the initial capital investment.

Alternative options considered for service delivery

33. The current service, which undertakes co-collection of food and garden waste together, would not be able to continue, as the legislation ([Environment Act 2021, s57](#)) requires separate collection of six specific waste types, with food and garden waste appearing as two separate categories. It is only possible to mix two or more waste streams together where the council undertakes an assessment that demonstrates it is not '...technically or economically practicable...' or where collecting separately '...has no significant environmental benefit...' (these two processes are together known the Technical, Economic, Environmental and Practical processes – 'TEEP Assessment'). Neither of these conditions could be met because:

- The additional cost of a service with mixed garden and food waste would be around £814k annually, because of much higher treatment costs for processing mixed organic waste than for Anaerobic Digestion (AD). This has already been established as part of the process of estimating costs of contract changes with Veolia, which showed that separate collection to enable separate treatment is much cheaper than any other option. There is no possible option in which co-collection could be in any way comparable in cost to separate collection – it would necessarily cost much more - so a detailed assessment would not add any value to the decision making process.
- Energy generation from AD gives a considerable environmental benefit when compared to all other treatment options. This the primary reason for AD being the DEFRA 'preferred' method for treatment of separately collected food waste, which is confirmed in [longstanding DEFRA Strategy](#); appears in [DEFRA guidance](#) on treatment options for different waste types; and is recommended by the [Government Office for Science](#). Because AD produces both a compost product for use in agriculture, and a significant quantity of renewable energy, there is no possible option in which treatment through other methods could provide equal or greater environmental benefits. A detailed assessment would therefore not add any value to the decision making process.
- It is possible to undertake a full TEEP Assessment on the possible co-collection of food and garden waste, but the required format for undertaking such an assessment will not be known until the secondary legislation and guidance is confirmed by Parliament, so this could not even be started immediately. This full assessment is not recommended for the following reasons:

- This would delay any further progress on implementing food waste collections. By the time the council could complete a full TEEP Assessment, it is also likely that the lead times for vehicles and other essential requirements for service rollout would have substantially increased, as a result of councils throughout the UK starting to implement the new requirements in their own areas. The likely delay would therefore include not only the time taken to produce and approve the assessment, but the additional waiting time due to high demand resulting in delays in supply of capital equipment.
- There is no plausible scenario in which a TEEP Assessment could result in a different conclusion on the best method for collection and treatment of food waste, on either cost or environmental grounds. The exemptions on separate collection and treatment of food waste are narrowly drawn, as a result of the extensive, longstanding body of evidence produced at national level which demonstrate that separate collection with treatment via AD is the best option in cost and environmental terms.

It has therefore been concluded that there is no realistic service method that would enable food waste to be collected mixed with another waste type, and for the council to still comply with its legal obligations. The information we already have also confirms with very high confidence that separate collection of food waste with subsequent treatment via AD is much cheaper than any alternative options.

34. It is possible in theory to undertake collections of more than one waste type on a single vehicle in the same collection visit, whilst keeping both waste types separate using a vehicle with more than one rear loading compartment. This is only applicable for kerbside properties using wheeled bins where two separate bin lifts at the rear of the vehicle can feed into two separate compartments. However, this does result in some operational inefficiencies, including:

- Compartments do not commonly fill at a consistent rate, and the collection operation ceases when either compartment is full – resulting in more unloading trips and loss of productive time. This significantly reduces collection efficiency, and typically only offers advantages in areas such as high street zones where collection of two waste types in a single pass is a higher priority than collection efficiency. All the current single compartment household waste collection vehicles operate on the basis of collecting two full loads daily, with unloading when the vehicle is full. Using twin compartment vehicles would be very likely to result in *partially* full vehicles needing to unload (each unloading operation can typically take up to 45 minutes) because one compartment has filled. This certainly would be a loss of current service efficiency, and is likely to increase vehicle mileage and associated traffic impacts.
- Food waste will be a weekly service as a statutory requirement, whilst other collections are mainly fortnightly. Recyclable collections and refuse collections are carried out by different vehicles, with more refuse and recyclable vehicles used because of the higher load weights and capacity requirements for refuse. Twin compartment vehicles could only be used for food and another waste type if the current service was altered to make a single vehicle responsible for refuse, recycling and food waste for each area, so that it collected food plus the relevant waste collection for that week (either refuse or recycling). This would require at least two more full sized RCVs (possibly more if loss of loading efficiency resulted from twin

compartment vehicles) as well as the replacement of all 7 of the current kerbside single compartment vehicles.

- If food waste and garden waste were included in a single split back vehicle with separate compartments, there would be an imbalance between the number of garden waste collections (around 12,000 weekly), and food waste collections (around 48,000 weekly), leading to considerable loading inefficiencies.
 - Food waste loaded into standard RCV compartments is a much more liquid waste than other types and subject to greater risk of spillage of leachate liquid. This is why specialist food waste carrying vehicles (with sealed 'bucket' type bodies) has been proposed, instead of using standard RCVs, which are designed for low loading of mainly dry wastes.
 - For both kerbside and communal services, collection currently take place using a fleet which is relatively new (up to two years), with remaining older vehicles already due for replacement and new vehicles already on order. To move on any significant scale towards other vehicle types would therefore require the current fleet to be wholly replaced with substantial cost write-down losses, which would not represent good value. This could conceivably be considered at the next fleet replacement in the late 2020s (which would apply after the current contract expires), although there is no reason to think that the disadvantages of multi-compartment vehicles would outweigh the advantages.
 - This leaves only one realistic option for adding food waste collection services throughout Southwark to comply with the new statutory requirements - the purchase of specialist smaller food waste collection vehicles. This would result in all food waste collections throughout Southwark being subsumed into a new service, operating on a weekly collection schedule, and routed for maximum operating efficiency and least travelled mileage to achieve the most favourable environmental impacts.
 - Any options appraisal for more fundamental changes to collection methods, including vehicle and container types would need to be planned over a longer timescale to align with the next expected fleet replacement timetable. This would be undertaken during the commissioning process for the next waste services contract, to follow the expiry of the current contract in 2033.
35. While it is potentially possible to undertake a complete contract variation for all aspects of the new service prior to making purchase of fleet and containers, the legal and other preparatory work to complete and agree a variation would take some significant additional time. This would not only result in longer delays to the actual purchase of the necessary vehicles and containers, but would also risk that the service change might not be possible to implement to comply with the statutory deadline.

Identified risks for the Variation

36. The identified risks for issuing letters of intent and how they will be managed are set out in Table 3 below.

Table 3 – Risks for issuing letters of intent

	Risk	Risk level	Mitigation
1	Supply chain delays	Medium	Early placing of orders for key procured elements will help ensure that the council secures essential supplies during peak demand. A delay in placing orders, may result in much longer supply times if many other councils all seek to buy at the same time increasing the risks below. This will result in a greatly delayed implementation of the service changes and the benefits that would accrue from having the service in place.
2	Risk of central government 'New Burdens' funding being less than expected	Low	The sum has now been confirmed, and expenditure has been adjusted to meet available funding. We are also proposing to use existing reserves to plug the gaps, while lobbying for more funding.
3	Project implementation risks	Low	The ideal time to commence new service delivery is in summer and autumn. This allows good weather for operational changes and installations, and is the period with the least disruption in supply chains. Providing orders are placed in time for essential items such as bins and vehicles, this timetable appears achievable.
4	Achievement of statutory deadlines for implementation	Low	Providing the council starts the implementation process as soon as possible, the key initial deadline of 31 March 2025 will be met, and the later deadline for household services on 31 March 2026 will be met well ahead of the requirement.
5	Risk of future cost increases in the provision of the services	Medium	This is not a wholly new risk, as future cost risks would generally already apply to existing services. The significant operational cost uncertainty that is new is the cost per tonne of processing food waste via anaerobic digestion. In the short to medium term, the cost per tonne may rise, as there is likely to be an increased generation of food waste requiring treatment, and the capacity of the treatment sector may take some time to catch up with this demand. The assessment that operating costs can be contained within current budget already includes cautious estimates in this respect. There is a reasonable possibility that in the long term the food waste service costs less than current service provision, resulting in budget savings.
6	Risk that the contract variation is not agreed and the council must take delivery of	Low	There is a contract requirement to implement service changes to comply with changes in law and an established process for both determining the terms and cost of contract changes, and for resolving disputes in the event that they arise. In addition, a written estimate for the change has been provided and

	Risk	Risk level	Mitigation
	the purchased items		this commits Veolia to completing the change on terms that are broadly agreed at the outset. The impact of any minor items that are not agreed will therefore be low, and would be insufficient to prevent an agreed resolution of the variation terms.

Policy framework implications

37. There are several relevant policies and strategies that affects delivery of waste services, including food waste collections in Southwark. These include:
- London Environment Strategy (2018)
 - 25 Year Environment Plan (2018)
 - Resources and Waste Strategy for England (2018)
 - Integrated Waste Management Contract (2008 – 2033)
 - Southwark Climate Change Strategy, Southwark 2030 and target to be carbon neutral by 2030
 - Southwark Waste Management Strategy – Extension to 2025
38. However, the main factor which is driving implementation for food waste collections in Southwark is the Environment Act 2021 which sets out the requirements to collect food waste separately. This requirement reflects the aims of the other strategies and policies, and achieving the statutory requirements also meets or exceeds the various policies and strategies.

Contract management and monitoring

39. The food waste collection services will fall within the existing contract management arrangements that are in place for the management of the Waste PFI contract for delivery of the council responsibilities as Waste Collection Authority and Waste Disposal Authority.

Community, equalities (including socio-economic) and health impacts

40. Because the service will be universally provided to all households and other relevant premises, and given that no charge is made for the provision of the service itself, there are no direct implications in equalities terms. When communicating the requirements of the service to service users, the waste management service will work with the council's communication team to ensure that information is provided to all sections of the community to ensure that access to and use of the service is available to all stakeholders.

Community Impact Statement

41. The food waste collection service will directly affect all householders in Southwark as it becomes a new statutory service. However, the impact only includes the requirement to place food waste into a separate container with both the service and the cost met in full by the council as part of the provision of the waste collection service.

Equalities (including socio-economic) impact statement

42. An Equality Impact Assessment has been undertaken in relation to the Waste Management Strategy - Extension to 2025 to determine whether protected groups could be adversely and/or disproportionately impacted. Based on this assessment there are no negative equalities impacts arising from the proposal.

Health impact statement

43. There are no negative health implications associated with the provision of food waste collections to all properties in Southwark.

Climate change implications

44. In March 2019, the Council declared a Climate Emergency. This declaration included the intention for the council to “do all it can to make the Borough carbon neutral by 2030”. It also committed the council to ‘develop a strategy, working with local stakeholders’.
45. Carbon emissions from the treatment and disposal of waste are a contributor towards climate change. The separate collection of food waste for separate treatment through anaerobic digestion has been assessed at a national level to provide the most environmentally favourable outcome in terms of carbon impacts, and this is the basis in national policy for the statutory requirement to collect food waste separately. While the council does not have discretion over the provision of food waste collection services, this provision will deliver reductions in the carbon impacts of managing Southwark’s waste.

Social Value considerations

46. The waste collection contractor, Veolia, provides social value through the contract in a number of ways, for example;
- Veolia is a member of Business in the Community which is a business-led organisation dedicated to creating a skilled inclusive workforce, building communities in which to live and work, and innovating to repair and sustain the planet;
 - Operating a recycling fund where community organisations undertaking activities that focus on protecting the environment and encouraging people to do the right thing with their waste can receive financial support of up to £2k;
 - ensuring employee training, protection and career development, notably via Veolia's training and development centre;
 - holding community liaison group meetings to provide residents local to the waste facility with the opportunity to meet, listen and talk to facility managers; and
 - participation in the annual Open House event every autumn where around 1,000 residents can visit the waste facility, have tours of the site and get involved in fun activities that promote sustainable initiatives.

Economic considerations

47. None.

Social considerations

48. The Waste PFI contractor, Veolia, is committed to employing staff locally and undertakes a programme training and apprenticeships for its staff, this will continue. The change in services to add food waste collection will result in around 12 new job being created directly within the collection operation in Southwark, and there is a likelihood of additional future jobs in the wider supply chains, although not necessarily within Southwark.
49. The Waste PFI contract was tendered before the council adopted the policy for London Living Wage to be paid to its employees and to relevant employees of contractors to the council. However, following an agreement with the council to make a contribution to the cost of paying London Living Wage, Veolia has adopted the policy and now pays London Living Wage to employees in the Southwark contract.

Environmental/Sustainability considerations

50. The provision of the food waste service would significantly contribute to reducing the environmental impact of Southwark's waste. Because food waste would be used for generating biogas, which displaces conventional fossil energy sources there are carbon reduction implications which offset other impacts of the overall waste collection services such as transport and waste disposals. The actual amount of carbon reduction is dependent on the level of participation by householders and the amount of food waste collected for processing. This quantity is not knowable at this stage, and as the service change is a statutory requirement with a fixed deadline, there is little added value from seeking to model behaviours and participation levels to estimate future tonnages of food waste. This will be actively monitored and reported as part of the council's future service performance monitoring.

Financial Implications

51. The total value of the purchases set out in this report is a one-off payment of up to £2.16m, of which £1.316m has been provided for this purpose by DEFRA, with the balance to be met from existing funds within the service including reserves that have been accrued for this purpose.
52. When negotiations are completed on the details of the contract variation, this will be approved through the council's normal processes. This will set out the full financial implications of the change.
53. The total budgeted expenditure under these proposals would be as shown in Table 4 below.

Table 4 – Cost of fleet, containers and container units for separate food waste collection service

Item	Unit cost (£) (Delivered)	Number required	Total items cost	Source of funding
Food waste collection vehicles	£121,000	7	£847k	Funded from existing reserves within the waste management service

Food Waste Caddy 5 litre	£4	100000	£400k	Funded from DEFRA funding allocation provided to council
Food Waste bins 23 litre	£7	12000	£84k	
Communal food waste container units	£500	1500	£750k	
Food waste bins	£22	2300	£51k	
Storage, spares & Miscellaneous costs			£31k	
Total proposed expenditure			£2,163m	

54. Overall revenue implications will be confirmed in a further report seeking authority to agree the contract variation. The contractor's initial estimate suggests that once the capital cost of purchases is funded, as set out in this report, the cost of provision of current services should be roughly equivalent to the cost of current services plus the added food waste collections. In the short to medium term there will be only limited new cost burdens for the continued provision of food waste collections after implementation, and officers believe that any such cost can be contained within current budget provision.
55. In the medium term, there is an industry expectation that the cost of food waste treatment through AD will reduce in real terms, so that the cost of providing a food waste collection becomes lower in total than not providing food waste collections, with all operational costs met by savings achieved in overall treatment costs. This is largely because the production of methane through AD processing provides energy benefits, when the value of energy is high and expected to increase in future years
56. However, rather than being a reduction in the actual price of services compared to the present (ie a budget saving), this is likely to be a case of avoiding cost increases that the council would otherwise have to fund. While the level of cost has not yet been established, table 5 below sets out the key areas of savings and cost that are expected to apply to the change.

Table 5 - Operational cost and savings items for separate food waste collections

Additional operational costs	Expected operational savings and income
Cost for up to 7 extra crews – up to 21 additional operatives	Savings on waste disposal costs in respect of reduction in general waste due to food waste being collected separately
Operating costs for 7 extra vehicles – fuel maintenance etc	Potential long term savings in collection vehicles for reduced disposals

Possible future increases in food waste processing costs.	Reduce processing costs for garden waste compared to mixed food and garden waste
	Potential income from processing of food waste (ie payment for clean food waste taken for AD treatment)
	Annual revenue funding provided from central government to support ongoing provision of food waste collection – this will both pay for capital renewals, and support revenue spending for the provision of the service

Legal Implications

57. The introduction of food waste collections to all households is a requirement of the Environment Act 2021. This must be completed, with all household receiving the service before 31 March 2026.

Consultation

58. The provision of food waste collections is not open for consultation as it is a statutory requirement that must be implemented. The details of implementation will be a matter for consultation in a number of ways:

58.1. Consultation with individual property managers on the location of infrastructure such as food waste container units within the space that they manage. They would be able to seek agreement on locations of units and some details of service delivery, or opt for receipt of the service on a statutory basis where the council provides containers for placement in their waste storage areas for use by their residents.

58.2. Consultations with key service groups such as schools on specific of service delivery. There is already a schools consultation exercise planned for changes in overall collection services.

58.3. Consultation with RSL estate managers including council housing staff over locations of food waste container units. Property managers would need to undertake any engagement required with residents/tenants.

Other implications or issues

59. None.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance (ENG24/023)

60. This report requests delegated authority from the Cabinet Member for Climate Change, Streets and Clean Air, for the Director of Environment to issue Letters of Intent to Veolia ES Southwark Limited (Veolia) authorising essential and urgent expenditure for food waste collection service rollout, to enable orders to be placed for the purchase of vehicles, waste collection bins and containers ahead of the required “go-live” date for the implementation of the new central government regulations for food waste collection.

61. The Strategic Director of Finance (SDF) notes that funding has been secured from central government (£1.3m) to facilitate the capital expenditure purchases, and that pending the results of further lobbying for top-up funding to cover all capital costs, the service will be using earmarked reserves to fund the balance of capital expenditure required (£850k) – in part required to ensure that the implementation of the new regulation does not trigger any potential pest infestation issues.
62. The SDF also notes that a separate report will be brought at a later date to cover the operational implications of the new regulations, but that the current report is to ensure that the Council moves at pace to procure the necessary infrastructure as the requirements of this new legislation affects all councils and could affect our ability to deliver on time and on budget if we delay.
63. The SDF notes that this new regulation and its cost implications are not expected to have adverse cost implications for the Council and any new requirements will be met from within existing budgets, with the central government also expected to contribute towards the costs of operating this disaggregated service (details expected in the report that covers operational implications).
64. The SDF notes that all the staffing costs and professional fees incurred in enabling compliance with this new regulation will be covered from within existing service budgets.

Head of Procurement

65. This report seeks approval of the Cabinet Member for Climate Emergency, Clean Air & Streets to authorise the Director of Environment to issue Letters of Intent to Veolia ES Southwark Limited (Veolia) allowing essential and urgent expenditure for food waste collection service rollout, to enable orders to be placed for the purchase of items as detailed within paragraphs 1.1 and 1.2. The report also requests noting of succeeding recommendations contained at paragraphs 2 and 3 in regard to formalisation of a future variation in a Gateway 3 report and source of funding / use of reserves. Background to, and rationale for, the intended approach is detailed within paragraphs 4 – 10.
66. Alternative options considered are detailed within paragraphs 33 – 35. Risks associated are contained within table at the end of paragraph 36.
67. Alignment with the Fairer Future Procurement Framework (FFPF) is evidenced, within the content of paragraphs 40 – 50 generally, and specifically via reference to Social Value metrics referenced at paragraph 46. Confirmation of London Living Wage (LLW) payment is detailed at preceding paragraph 49.
68. Proposed methodology for performance/contract monitoring is detailed within paragraph 39, and confirms that the new services will fall within the existing contract management arrangements that are in place for the management of the Waste PFI contract for delivery of the council responsibilities as Waste Collection Authority and Waste Disposal Authority.
69. The Community, Equalities and Health Impact Statements are set out in paragraphs 41 – 43.
70. The Climate Change, Social Value, Economic and Environmental / Sustainability statements are set out in paragraphs 44 – 50.

Assistant Chief Executive – Governance and Assurance (Con/KM/20240418)

71. This report seeks the approval of the Cabinet Member to authorise the Director of Environment to issue letters of intent to Veolia in relation to urgent purchases needed for the food waste collection service rollout, pending approval of a formal variation to the waste PFI contract to introduce this new service.
72. As noted in this report, the introduction of food waste collections to all households is a requirement of the Environment Act 2021, and there are deadlines for introduction. The council has received funding from DEFRA in relation to this service rollout and will be in negotiations with Veolia to agree the change in service, and gateway 3 approval will be sought once those negotiations conclude.
73. To ensure that the council can meet the required implementation dates, and to protect against delays if orders cannot be quickly placed by Veolia, the council wishes to authorise Veolia to place orders for the vehicles and equipment noted in paragraph 1. Those letters of intent will strictly limit the council's financial commitment to the sums set out in this report pending approval of the variation to the contract.
74. Officers from legal services (Governance & Assurance) will continue to give advice on the food waste collection service rollout, and specifically on the letters of intent to the Director of Environment before they are issued to Veolia.

BACKGROUND PAPERS

Background Papers	Held At	Contact
Environment Act 2021	Environment, Neighbourhoods and Growth, Southwark Council 160 Tooley Street London SE1 2QH	Mike Greenhalf Michael.Greenhalf@southwark.gov.uk
The legal requirement to collect six waste types separately – included in Environment Act 2021, s57		

APPENDICES

No	Title
Appendix 1	Service delivery by property types
Appendix 2	Resources required

AUDIT TRAIL

Lead Officer	Matt Clubb - Director of Environment	
Report Author	Mike Greenhalf – Waste Contract & Strategy Manager	
Version	Final	
Dated	14.5.24	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive – Governance and Assurance	Yes	Yes
Cabinet Member	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	No	No
Corporate Contract Review Board	Yes	No
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		16 May 2024