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**Decision Maker:** ENVIRONMENT PORTFOLIO HOLDER

**For pre-decision scrutiny by Environment PDS**

**Date:** Thursday 16 November 2023

**Decision Type:** Non-Urgent Executive Key

**Title:** VEOLIA ENVIRONMENTAL SERVICES CONTRACT STRATEGY

**Contact Officer:** Peter McCready, Assistant Director of Environment  
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**Chief Officer:** Director of Environment and Public Protection

**Ward:** (All Wards);

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1. Reason for decision/report and options

- 1.1 This report is seeking a decision in principle to extend the current Veolia Environmental Services Contracts beyond April 2027.
- 1.2 The financial size of the respective Environmental Services Contracts falls within the Council's CPR thresholds and are therefore subject to long publication and procurement lead-in times. A decision to re-tender or extend these contracts beyond March 2027 would require a decision by the Executive at the March 2024 meeting.
- 1.3 This report accompanies a Part 2 report also being considered on this agenda.

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2. **RECOMMENDATION(S)**

2.1 **Members of the Environment Policy Development & Scrutiny Committee provide the Environment Portfolio Holder with comments for consideration.**

2.2 **The Environment Portfolio Holder is asked to:**

- (i) **provide an early decision in principle to extend the Environmental Services Contracts with Veolia for a further 8 years (1<sup>st</sup> April 2027 to 31<sup>st</sup> March 2035),**
- (ii) **officers develop a package of efficiency and financial savings proposals for further consideration,**

- (ii) to note a formal decision report be presented for scrutiny by the Environment & Community Services PDS at the March 2024 Committee meeting, and for Members to provide their comments on the proposals for the extension of the Veolia Environmental Services Contracts, to the Executive at the March 2024 meeting.**

### Impact on Vulnerable Adults and Children

1. Summary of Impact: An Equality Impact Assessment indicated at contract commencement that it is not expected that there will be any adverse impact from commissioning the environment service on vulnerable adults or children and young people. Waste collection and street cleansing services affect all residents. Consideration of any additional impacts on particular groups of residents is taken into account when providing this service.
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### Transformation Policy

1. Policy Status: Existing Policy: Further Details
  2. Making Bromley Even Better Priority:
    - (4) For residents to live responsibly and prosper in a safe, clean and green environment great for today and a sustainable future.
    - (5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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### Financial

1. Cost of proposal: No Cost: None at this stage; subject to financial viability, business case assessment and affordability.
  2. Ongoing costs: Recurring Cost: within existing budgets
  3. Budget head/performance centre: Waste Management and Street Environment Services
  4. Total current budget for this head: £27M
  5. Source of funding: Existing revenue budget
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### Personnel

1. Number of staff (*current and additional*): No Bromley Council staff impacted
  2. If from existing staff resources, number of staff hours: N/A
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### Legal

1. Legal Requirement: Statutory Requirement Non-Statutory - Government Guidance
  2. Call-in: Not Applicable
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### Procurement

1. Summary of Procurement Implications: The contract extension identified in this report is provided for within the Council's Contract Procedure Rules
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### Property

1. Summary of Property Implications: None
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### Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: None
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### Impact on the Local Economy

1. Summary of Local Economy Implications: None
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### Impact on Health and Wellbeing

1. Summary of Health and Wellbeing Implications: None

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### Customer Impact

1. Estimated number of users or customers (*current and projected*): The Environmental Services Contracts covers activities and actions relating to waste management and street environment services that impact on all residents (145,000 households), businesses and visitors to the borough.

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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

### **3. COMMENTARY**

- 3.1 In April 2019, three Environmental Services Contracts were awarded to Veolia ES Ltd, a new household waste collection and recycling contract, waste disposal contract, and the street environment contract. The Executive agreed the decision (report no. ES18082) to award the contracts for a contract period of 8-years (2019 to 2027), with the option to extend for a further 8 years from 2027 until 2035, for a total contract sum of approximately £217Million (£434M over 16 years).
- 3.2 The combined purpose of these contracts is to provide a reliable waste collection service, manage waste sustainably and keep Bromley's streets clean. Collecting around 140,000 tonnes of recycling and waste from some 145,000 households and 600 local businesses as well as delivering a cleansing solution for over 500 miles of carriageway, 850 miles of footway, and 50 miles of footpath; these contracts support the Council's priorities within its corporate plan, Making Bromley Even Better and the Council's Reduction and Recycling Plan.
- 3.3 The contract payment mechanism is explicitly designed to incentivise Veolia to achieve the recycling rate and landfill diversion targets set by the Council. Where the contract targets are exceeded (by recycling or incinerating more than required) the saving is shared between the Council and the contractor.
- 3.4 With regards to the options for a contract re-letting strategy, the following options are considered in the Part 2 (exempt) report, in conjunction with commercial considerations:

Option 1 - Retender the contracts

Option 2 - Extend the contracts at renewal for a further 8 years (2027-35)

#### **Contract Performance**

- 3.5 The Veolia Annual Contract Performance Reports, which have been reported to the Environment & Community Services Policy Development & Scrutiny Committee have confirmed, since contract commencement, the contractor is performing well across a wide range of key performance indicators with targets being met highlighting the holistic nature of the collection and disposal services. Examples include recycling and energy recovery targets, and landfill diversion targets, which have ensured that Bromley is ranked the highest in London for recycling (2021/22) and sends zero waste to landfill.
- 3.6 The last Veolia Annual Contract Performance Report (report no.ES20305) was reported to the Environment & Community Services PDS Committee on 7<sup>th</sup> September 2023. This report included a mid-term contract report as an Appendix, setting out the progress and achievements of the service since contract commencement in 2019.
- 3.7 Cleanliness standards have remained high throughout the current contract period. This is also reflected in the high level of resident satisfaction with street cleansing.
- 3.8 Veolia have successfully negotiated favourable reprocessing contracts in order to push materials up the waste hierarchy and provide savings to Bromley.
- 3.9 Significant engagement and communication work has seen the garden waste service grow year on year, and overall increases in the quality and quantity of recycling collected.

### **4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

- 4.1 An Equality Impact Assessment indicated at contract commencement that it is not expected that there will be any adverse impact from commissioning the environment service on vulnerable adults

or children and young people. Waste collection and street cleansing services affect all residents. Consideration of any additional impacts on particular groups of residents is taken into account when providing this service.

## **5. TRANSFORMATION/POLICY IMPLICATIONS**

- 5.1 The Environmental Services Contracts support a number of ambitions expressed in Making Bromley Even Better, including: 'For residents to live responsibly and prosper in a safe, clean and green environment great for today and a sustainable future'.
- 5.2 In view of the sustainability and carbon impact issues surrounding waste management, the need to manage Bromley's waste responsibly is an integral element of this MBEB priority. The Council's policies and aims revolve around minimising the overall tonnage of waste, whilst performing our statutory duty to collect household waste. Where possible this will be carried out in line with the targets and goals described in the Government's Resources and Waste Strategy (2018) and the Mayor of London's published London Environment Strategy (2018). These aims of diverting waste from landfill / incineration to recycling / composting will also help the Council to constrain costs.
- 5.3 Making Bromley Even Better also contains commitments to further improve our recycling outcomes and to work with the public to minimise the rate of increase in waste generated, which are included in the Council's Reduction and Recycling Plan.
- 5.4 Improved street scene services are also a key outcome for the Environment Portfolio and link with the Council's policy and priorities to provide a quality environment, vibrant town centres, and supporting independence and safer communities.
- 5.5 Bromley continues to demonstrate general conformity with objectives and targets within specific waste management objectives set by Government policy and guidance. It has a long tradition of providing a high performing waste management service and has consistently been one of the top performers in the London Recycling League Table

## **6. FINANCIAL IMPLICATIONS**

- 6.1 Please see Part 2 (exempt) report for further details.

## **7. LEGAL IMPLICATIONS**

- 7.1 The Council has a duty of care to provide a reliable waste collection Service, to manage waste sustainably and to keep Bromley's streets clean. This duty is related to waste management and street environment services that impact all residents, businesses and visitors to the Borough. This is generally echoed under the Council's priorities within its corporate plan i.e. 'Making Bromley Even Better' and the Council's 'Reduction and Recycling Plan' as stated in clause 3.2 of the Report.
- 7.2 The Council also has both an implied and a specific power under section 111 of the Local Government Act.1972 to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.
- 7.3 This Report seeks approval to extend the current Veolia Environmental Service Contract for an 8-year extension, utilising the formal extension options built into the contract. This report also indicates that the Council has an existing contractual right to extend this contract in the manner described. The decision to re-tender or extend these contracts beyond March 2027, however, would require an Executive decision to be made at the March 2024 meeting.

- 7.4 Apart from Members of the Environment Policy Development and Scrutiny Committee providing the Environment Portfolio Holder for Sustainability, Green Spaces and Open Spaces with comments for consideration, this Report also asks the Portfolio Holder for Sustainability, Green Services and Open Spaces to provide an early decision to extend the Environmental Services Contracts with Veolia for a further 8-year period i.e., from 1<sup>st</sup> April 2027 to 31<sup>st</sup> March 2035. The Portfolio Holder is also asked for officers to develop a package of efficiency and financial savings proposals for further consideration and also to note a formal decision report to be presented for scrutiny by the Environment and Community Services PDS at the March 2024 Committee meeting. Members are also asked to provide their comments on the proposals for the extension of the Veolia Environmental Services Contracts to the Executive at the March 2024 meeting.
- 7.5 Under the Council's Contract Procedure Rules (CPR's), the Councils requirement for authorisation of a formal extension to a Contract, is in accordance with CPR 23.6 and 13.1.
- 7.6 Generally speaking, (after relevant internal approvals), Officers must comply with any and all formal requirements in the contract regarding the exercise of these extension rights. They may wish to consult with colleagues in Legal Services if they have questions or otherwise require help on this issue or if they require any assistance with the formalities to exercise this right to extend (e.g., change of control notice requirements etc) but this should not be difficult.
- 7.7 The Contract can be awarded in accordance with the Council's Contract Procedure Rules.

## **8. PROCUREMENT IMPLICATIONS**

- 8.1 This report seeks an 8-year extension to the contract with Veolia Environmental Services, utilising the formal extension options built into the contract, the value of which is provided for within Part 2 (exempt).
- 8.2 The Council's requirements for authorising an extension are covered in CPR 23.6 and 13.1. For an extension of this value, the Approval of the Executive, following Agreement by the Portfolio Holder, Chief Officer, the Assistant Director Governance & Contracts, the Director of Corporate Services and the Director of Finance must be obtained. In accordance with CPR 2.1.2, Officers must take all necessary professional advice.
- 8.3 Following Approval, the extension must be applied via a suitable Change Control Notice, or similar, as specified in the contract.
- 8.4 The actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

## **9. CARBON REDUCTION/SOCIAL VALUE IMPLICATIONS**

- 9.1 Over the term of the contract Veolia have demonstrated their environmental sustainability is a key part of their business model. Examples during the 2022/23 financial year include the following:
- Local employment is central to Veolia's working practise, with 52.24% of their workforce residing in Bromley. As a company Veolia are committed to employing 10% of staff from marginalised groups including ex-offenders, ex-service personnel and long term unemployed. Currently, Bromley has two apprentices working on the Bromley contract.
  - Veolia's Sustainability Fund provided funding for ten environmental projects including Crofton Infant School food waste project and St Peter and St Paul Catholic Primary School bird sanctuary.

- In 2022 Veolia launched a national orchard scheme. The project partners with local schools to provide them with a range of resources including trees and compost. So far, six Bromley schools have received thirty free trees.
- Veolia continues to manage the Street Friends Network on Bromley’s behalf. The team welcomed 195 new members in 2022/23, with the number of Street Friends exceeding 2,000. This is positively higher than the Portfolio Plan target of 1,350 members. This network has been an asset in reporting littering and assisting with clean up’s in 2022/23.
- 200,780 tonnes of carbon dioxide were produced from the haulage and disposal of non-recyclable refuse over the last 12 months. This is 10% lower than last year due to the increased diversion of non-recyclable refuse from landfill. The primary non-recyclable refuse facilities are within London, reducing the fuel used to transport waste.
- Veolia continues to support the Council in encouraging residents to waste less and recycle more. Veolia works to ensure that the outlets for all of Bromley’s recyclable materials are secure and, go to socially and environmentally sustainable outlets. Wherever possible, these markets will be within the UK facilities and will enable closed loop recycling.
- Through the environmental contracts Veolia support the local economy in Bromley through the purchase of goods and services from local companies, wherever possible. In 2022/23 Veolia spent approximately £200,125 with local companies in Bromley.

## **10. IMPACT ON THE LOCAL ECONOMY**

10.1 Through the environmental contracts Veolia support the local economy in Bromley through the purchase of goods and services from local companies, wherever possible. In 2022/23 Veolia spent approximately £200,125 with local companies in Bromley.

## **11. IMPACT ON HEALTH AND WELLBEING**

11.1 Dirty streets and local environments can have a negative impact on residents’ health and wellbeing. The contracts deliver street cleansing services that ensure streets are free of litter and fly tips and graffiti are dealt with in an effective manner. This contributes to the council’s ambition for residents to live responsibly and prosper in a safe, clean and green environment.

## **12. CUSTOMER IMPACT**

12.1 The environmental services provided by these contracts are frontline customer facing services which impact all residents, businesses and communities in the borough. The Veolia contracts are designed to provide a reliable waste collection service, manage waste sustainably and keep Bromley’s streets clean. Effective delivery and management of these services ensures that customers are not negatively impacted.

12.2 The Council recognises good service provider-customer relationships rely upon well managed service experiences and a long-term contract (with contract extension) provides the opportunity to develop and improve customer satisfaction.

<b>Non-Applicable Headings:</b>	Personnel Implications, Property Implications, Ward Councillor Views
Background Documents: (Access via Contact Officer)	