

EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of Recycling and Waste Partnership Board held at online via zoom on 20 September 2023

Attendance list at end of document

The meeting started at 2.00 pm and ended at 2.35 pm

11 Declarations of interest

Declarations of interest.

Councillor Geoff Jung, Affects Non-registerable Interest, Ward member for Woodbury and Lympstone which includes Greendale Business Park.

12 Recycling and Waste Contract Extension

The Assistant Director – Street Scene introduced and outlined the contract extension report to those present. He explained that it would be considered by Cabinet on 10 October 2023 and thanked all the officers involved for the huge amount of work that had gone into the final proposal. The Board's role was to review and consider the contents of the report before it went to Cabinet.

The report outlined the terms of the EDDC/SUEZ Recycling & Waste contract extension and explained why it was required, along with the due diligence that had been undertaken to assure that the terms were commensurate with the changing sector and the commercial pressures that were present, as well as the legal advice that had been taken on the contract extension terms. Agreement in principle to take the 3-year extension available in the contract was approved by Cabinet in March 2022. Subsequently negotiations on the specifics had been undertaken with Suez from April 2023 until June 2023 (following the submission of their first proposal in March 2023), which then necessitated an interim-extension agreement with Suez under an officer delegation to allow time to finalise the outstanding points and complete the report to seek Cabinet agreement.

The recycling and waste sector was entering a lengthy period of transformation which was complex. This complexity was reflected in the details of the contract extension negotiations and subsequent terms of the extension. The detail was included in the full report and in the SUEZ document which set out in detail what was entailed within the contract extension.

Approval of the EDDC/SUEZ contract extension terms would allow the successful EDDC/SUEZ partnership to remain in place for the full available contract term of ten years taking it up to June 2026. It would also provide continuity to allow the Recycling & Waste team to continue to appraise the forthcoming changes to the recycling and waste sector as DEFRA issued more information and thus prepare EDDC for implementation of the changes from 2025 onwards, along with scoping and building a clearer specification for contract replacement in 2026. In response to a question from the Board the Assistant Director explained that EDDC did not have to continue with SUEZ for the extension period when the issue was considered in March 2022, but that due to uncertainty in the industry EDDC wanted to take the three years available in the contract to understand the guidance and reduce risk being priced into the contract if it had gone to market. The current contract was run with a strong partnership ethos, with the EDDC recycling team and the SUEZ operational team working closely to jointly deliver the service and deliver

performance. The joint working approach had enabled the team to become one of the best performers in the country. It was a strong desire of both partners to complete the contract extension term with the same ethic, which had proven to be advantageous to both organisations.

The Assistant Director – Streetscene explained the two tipping points in the contract at which additional resources were committed to the collection rounds to manage the increase in households. These were set at 70,000 households and 73,000 households. Tipping point 2, of 73,000 households, was reached in autumn 2022 and prior to this a plan for additional resources was agreed in the form of the 'bridging solution' and approved by Cabinet on 30 March 2022. The bridging solution was devised to provide resources to manage projected property growth up until the fully extended contract term. Projected property growth up to June 2026 was estimated at 76,400 households. The decision to enter into the contract extension was incorporated with the bridging solution agreement to enable the continuity required across the partnership team to implement and bed in resource changes needed. The Assistant Director's report was looking at the detail of that extension and terms of the agreement. The second phase of the bridging solution was planned for implementation from October 2023.

As part of the bridging solution negotiations both partners (EDDC & SUEZ) expressed that they wanted to enter into the full contract extension period. However, against a background of a rapidly developing sector with a high degree of uncertainty both partners had to be mindful of achieving their respective desired positions during what would be an unpredictable period ahead. SUEZ wished to complete the contract extension term without incurring financial losses by moving to a more secure pay mechanism and return a 5% profit in the contract extension period. This would increase the month-on-month uncertainty for EDDC with the likelihood that there would be an overall cost increase, along with a level of uncertainty and unpredictability. EDDC would take on the full risk of the volatility of the materials market, meaning 100% of any income but also 100% of any losses against forecast budget. The report explained the ways that the financial risks to EDDC were mitigated. The financial modelling using SUEZ actual profit and loss information from 2022/23 showed a range from £80,000 improved position for EDDC, to a reasonably likely scenario of £124,000 over current budgets, to a reasonable worst of slightly more than £500,000 over current budgets. In the medium-term financial plan work for 2024/25 a potential worst-case scenario of £600,000 above current market estimates was shown due to the level of risk and uncertainty in the materials market and possible inflationary movements in SUEZ's costs. These figures would be planned for and managed going forward.

Overall the risk levels of the contract extension were assessed as medium, with operational risk low. The contract extension terms were built up as an iterative process by the working group, with the operational aspects considered at each stage. There was a strong and embedded partnership ethos and both parties approached the negotiations in good faith, keen to protect the good reputation of the service and service provider. Risk was being managed through a period of uncertainty.

It was recognised that the recycling and waste sector was embarking on a period of fundamental change, largely driven by new legislation. The legislation was part of the Government's ambition to produce a green economy with one key component being the development of a circular economy which was much more resource efficient. The legislation was still in development by DEFRA with a great deal of information still to be released, causing uncertainty in the sector with little clarity currently. There was frustration over the lack of information and timescales being pushed back. Consultations seemed to be focussed on the producers, with little input from the collectors. There was

likely to be an impact on the composition and volume of material collected, but that would not be known for sure until the changes had taken effect.

On behalf of the Board the Chair thanked the SUEZ officers for their services over the past seven years. He commented that it had been a very successful team effort and was pleased that it was continuing for another three years. The Assistant Director asked the Recycling and Waste Partnership Board whether they were satisfied with the report's content and proposals. This was received positively, and the Board agreed with the recommendations contained in the report to Cabinet. Members endorsed the recommendations in the report and recommended that Cabinet should approve them.

RESOLVED: that the Board support and endorse the Cabinet report.

Attendance List

Board Members:

Councillors present:

G Jung (Chair)

M Rixson

Officers present:

G Bourton, Recycling and Waste Contract Manager

A Hancock, Assistant Director StreetScene

Suez present:

N Tandy, Principal Commercial Manager

J Gatter, Contract Manager

Councillors also present (for some or all the meeting)

P Arnott

J Brown

P Faithfull

P Fernley

E Rylance

Officers in attendance:

Alethea Thompson, Democratic Services Officer

Suez representatives in attendance:

Board Member apologies:

James Pike, Regional Director

Councillor Steve Gazzard

Tracy Hendren, Director - Housing, Health and Environment

Councillor Todd Olive

Chair

Date: