

Waste Management Service: Briefing Note – Service Delivery Review (SDR)

1. Purpose

- 1.1 To report the outcomes of the service delivery review (SDR) undertaken as part of phase 1 of the future service delivery model (FSDM) project and to seek member support to pursue the range of service delivery models proposed.

2. Background

- 2.1 The SDR sought to gain an understanding of the attitudes and thoughts of the waste management industry as to how the waste services being reviewed could be managed to achieve the FSDM project objectives. By gaining the views of waste management industry experts at an early stage of the project any subsequent procurement process should be more focused and efficient.
- 2.2 The SDR did not form part of regulated procurement and therefore was not subject to any detailed procedures or rules. The SDR focused on suppliers as a whole, rather than the merits of individual suppliers and did not commit either the council or contributing parties to any further actions or involvement.

3. SDR format

- 3.1 The SDR sought views on the following:

- The effectiveness of current service delivery model and what other models could be considered
- Waste management best practice
- Future industry developments
- How services could be packaged to achieve the optimum service format for the council
- How value for money might be demonstrated
- Identifying opportunities for savings and efficiencies.

- 3.2 The format of the SDR was as follows:

- A series of meetings between with individual suppliers selected on the basis of the criteria in Appendix A.
- An electronic questionnaire (Appendix B) published on the council's contract opportunities portal Supplying the South West (<https://www.supplyingthesouthwest.org.uk>) and the e-bulletin for GROW (the support service for voluntary and community groups in Wiltshire). In both cases the adverts were clearly noted as being a 'request for information' and not a 'call for competition'.
- A summary of the council's existing waste management services (Appendix E) was provided to suppliers in advance of meeting and published with questionnaires.

4. Results

- 4.1 With the exception of Cory Environmental, all the selected suppliers took up the invitation to meet with the council. Meetings with suppliers were held between 7 June and 19 June and were undertaken by the waste service director (TC) and the waste contracts and development officer (JR).
- 4.2 The suppliers meetings were productive and provided a valuable source of detailed discussions. Appendix C summarises the key points from those meetings.

4.3 Questionnaires were available to interested parties to respond to between 14 and 29 June on Supplying the South West and between 19 June and 8 July via the GROW e-bulletin.

4.4 In response to the advert on Supplying the South West 7 questionnaires were returned, of which 3 were completed by suppliers who had contributed to the SDR supplier meetings. One response was received as a result of the GROW e-bulletin, although this did not follow the questionnaire format. Appendix D summaries the additional key points from the responses.

5. Conclusions:

5.1 The SDR results demonstrate a wide range of potential service delivery models, including many that differ from the existing waste management delivery model within Wiltshire.

5.2 The outcomes identify a number of areas where waste management service providers propose that the council can make efficiency savings and improve the service to the householder. They also highlight areas of risk that the council needs to consider in recommending a delivery model beyond the term of the existing service contracts and arrangements.

6. Recommendations:

6.1 That members support the FSDM project continuing to research and evaluate the full range of service delivery models proposed through the SDR.

Jo Riley
July 2012

Appendix A: Waste Management Review: Supplier meetings – selection criteria

Criteria:

1. Existing Wiltshire Council waste contractors
2. Suppliers who have proven experience of delivering LA waste management services
3. Suppliers who have experience of delivering LA waste management services for a unitary authority (ie the complete collection/disposal service)
4. Suppliers who provide LA waste management services within the region (broadly SW)

Supplier:	Criteria 1	Criteria 2	Criteria 3	Criteria 4	Comments
Hills Waste Solutions Ltd	Y	Y	Y	Y	Existing contractor
FCC Environment	Y	Y	Y	Y	Existing contractor
Viridor	N	Y	Y	Y	Somerset WP, Dorset WP, Devon, Chester East (UA), Cheshire West & Chester (UA)
May Gurney	N	Y	Y	Y	Bristol CC, Somerset WP, B&NES (UA)
Veolia Environmental Services UK	N	Y	Y	Y	Dorset WP, Hampshire, W Berkshire (UA), Shropshire (UA)
Sita UK	N	Y	Y	Y	S Glos. (UA), Dorset WP
Cory Environmental	N	Y	Y	Y	Cornwall (UA), North Somerset (UA)

Appendix B: Waste Management Review - Questionnaire

1. Service delivery model

- What do you think are the strengths of Wiltshire's existing delivery model?
- What do you think are the weaknesses of Wiltshire's existing delivery model?
- Describe the waste services delivery model that you believe is deliverable and most applicable, in a shire unitary council like Wiltshire.
- Describe the benefits of your ideal delivery compared with Wiltshire's existing arrangements.

2. Opportunities for efficiencies and savings

- Identify the areas of Wiltshire's delivery model which you believe represent the greatest opportunity for the council to realise increased efficiencies and savings.
- Please give the reasons for your selection.

3. Innovation

- Describe any innovative waste services or delivery methods you have experience of introducing or working with.
- Based on the information given above, describe the benefits realised from the innovation/s.

4. Risk

- Describe what you believe to be the major risks in the waste services market.
- Where and how do you believe these risks are best managed ie. with the commercial or public sector?

5. Relationships and business models

- The council is keen to explore what opportunities there are for delivering waste management services using different business models, such as partnerships, joint ventures, social enterprise, staff mutuals and incorporation.
- Please provide information of any examples of waste services, (from operational through to education and advice) that you have considered or delivered using any of these approaches.
- Based on the information given above, describe the strengths and weaknesses of using this delivery model.

Appendix C: Summary of key points from meetings with suppliers

<p>1. Waste and recycling collections:</p> <ul style="list-style-type: none"> • All collection services to be delivered by one organisation to realise maximum efficiencies and avoid inconsistencies in service delivery policies. • Noted the efficiencies to be gained through optimisation of routes, depot locations and tipping points, together with cross boundary (ex district council) working. •
<p>2. Kerbside recycling collections:</p> <ul style="list-style-type: none"> • Although all the suppliers had experience of delivering both kerbside sort and co-mingled kerbside recycling collections, five of the six suppliers advised that maximum efficiencies and public acceptance would be gained by adopting co-mingled kerbside recycling collections supported by a modern MRF operating to low (<5%) reject rates and the MRF code of practice. • It was considered that the significant recent investment in wheeled bins by the council would suggest that these would form part of any future collection solution. • A co-mingled collection with bin inserts (or using existing black boxes) for either glass or paper was proposed as a model. It was suggested that keeping the glass or paper separate would keep the material quality and values higher than if completely co-mingled. • It was noted that the majority of top local authorities for recycling performance operate co-mingled collections¹. • Several suppliers noted the H&S risks of kerbside sort collections, in respect of manual handling, off-side loading and high noise levels from tipping separated glass. • Opinions on the likely impact of the impending judicial review into recycling collection systems was mixed and needs to be considered in any future collection arrangements. • The collection of small WEEE (waste electrical and electronic equipment) as an additional material was suggested on the basis that, despite changes in legislation, this material is often disposed of via the household residual waste stream.
<p>3. Food waste:</p> <ul style="list-style-type: none"> • Separate kerbside collections of food waste were recommended, but only where this material could be collected separately on the same collection vehicle at the same time as other recyclables.
<p>4. Bring sites:</p> <ul style="list-style-type: none"> • If bring sites form part of the council's future waste management solution the service should mirror the kerbside recycling collections ie banks should be co-mingled if kerbside services are co-mingled. • Co-mingled bring sites would realise transport efficiencies if combined with a modern MRF (See kerbside collections). • If the council operates a weekly co-mingled kerbside recycling it was suggested that bring sites would be unnecessary and could be removed with minimal resistance.
<p>5. Commercial waste:</p> <ul style="list-style-type: none"> • Commercial recycling collections were considered to be valuable income stream to the council and should be improved/extended. • Provision of 'HRCs' for commercial waste were proposed as a potential income stream and

¹ Review of Kerbside Recycling Collection Schemes in the UK in 2010/11, WYG, 2012.

way of reducing trade waste 'abuse' on the householder sites.

- Visibility of commercial service costs was highlighted as an important factor for the council.
- It was recommended that the council includes the commercial waste/recycling collection services in any procurement as this will be attractive to potential suppliers.
- Several suppliers proposed partnering/joint venture (with profit share) with the council to run the entire commercial collection service on the council's behalf, including back office and sales/marketing services.
- The potential for providing financial discounts to the council was noted where a supplier was able to expand their commercial activities on the back of contract waste infrastructure.

6. Working patterns:

- Double-shifting was considered unrealistic, given the additional requirements for extended opening hours at tipping points.
- Late evening collections are considered to be publically unacceptable and operationally more difficult eg parked cars.
- 4-day working, with Monday as the non-working day, was considered a more realistic proposal that was believed to be popular with staff and residents.
- Staggered starts and shift working were noted as a useful solution in urban areas.
- Alternative options of annualised hours, 7 day working and suspension/transfer of services in January to residual/recycling collections, were proposed for garden waste collections to reflect the seasonal nature of the service.
- It was recommended that the council end any 'task and finish' arrangements and be certain that the current resources are being operated to their maximum efficiency within the current working arrangements before making significant changes to other working patterns.
- The concept of 'earliest finish' combined with completion of all tasks using a 'buddy' system to provide team support was proposed. This approach requires good in-cab technology and supervision.

7. Working with voluntary and community sector (VCS)

- Bulky waste collections and operation of HRCs were considered to be the most appropriate services for VCS input.
- Advised that the council should transfer this risk to the main contractor to manage, noting concerns about H&S and management of site permits.
- Suggested free bulky collections if items were re-usable. This encourages householders to present items in good condition ie not leave sofas outside for several days.
- The use of a community group running a HRC in Devon using the revenues stream to discount operating costs was noted as a successful example of VSC working arrangements.
- Provision of pro-bono management support for VCS and access to council/company's fleet workshops were also noted as ways of supporting VSC operations within the waste service.
- The importance of getting the communications/PR of working with VCS right was highlighted, to ensure the benefits to all parties are clear and no-one is perceived to be being taken advantage of.

8. Procurement / Form of contract:

- It was proposed that the FCC contract be extended to be co-terminus with the HWS contract in 2016.
- A key message from suppliers was to keep any procurement process simple where the service options and risks are well understood and specified ie. use of restricted procurement and limited use of external advisors .

- There was very little appetite for an integrated contract ie bundling all collection and disposal services together. Suppliers were very keen on services being packaged into 'lots' that had commercial and operational synergies eg. keeping collection, ownership, management and sale of recyclates together as this will be the most attractive option to the market.
- Offering small packages as opposed to large integrated contracts can encourage involvement of smaller, local businesses, as either the main or sub contractor, and provide better visibility of costs. This route was considered to result in a better value contract.
- The potential negative impact on tender prices if TUPE pension issues are not dealt with and set out clearly for suppliers was highlighted. The council was advised to deal with this issue as early as possible eg ring-fence accrued benefits, to ensure a level playing field and realistic tender prices.
- There was concern that an in-house bid would negatively affect the interest of suppliers and that the bid evaluation process needs to be able to demonstrate a level playing field if an in-house bid is included.
- A 'thin client' and self-managing contracts were recommended, together with a warning against the temptation of the council duplicating contractor roles within its own client structure.
- Contract models, which relied too heavily on financial penalties and a large client management structure, were noted as being unattractive.
- The option of the supplier buying/building a depot and securing a longer term collection contract to offset the capital investment was proposed. The depot could revert to the council at the end of the contract. This would release council depots for other uses.
- IT/Data: The council was advised very strongly that it needs to be clear about any specification related to IT as this is often an area of confusion in tendering that can lead to additional costs.

Appendix D: Summary of responses to the questionnaire

1. Service delivery model

What do you think are the strengths of Wiltshire's existing delivery model?

- The consistency of approach created through unitary authority status, together with recent harmonisation of the 4 district council waste collection systems.
- Security of the existing contracts to meet statutory landfill diversion targets, providing a 'safety net' for pursuit of other initiatives
- The potential to achieve economies through service delivery over a wider area – there is a trend for cross LA boundary working eg. East Hants / Winchester, South Oxon / Vale of White Horse, Babergh / Mid Suffolk, Hambleton / Richmondshire etc. to achieve savings and improve services.
- In-house service delivery can provide several benefits, not least:
 - Retains internal expertise, capacity and agility to deliver services around user needs
 - Highly visible services promote local accountability and resident engagement
 - Added value in terms of council reputation as well as contributing to the authority's wider responsibilities and social responsibilities.

What do you think are the weaknesses of Wiltshire's existing delivery model?

- A mixture of in-house / contracted out collection service provision.
- Misalignment of Hills Waste and FCC Environment collection contract renewal dates
- How to ensure continued best value throughout long contracts.
- Opt-in garden waste scheme
- 2 separate containers and collection systems for recyclable materials
- Not using third sector organisations for the delivery of waste management services.
- The current system of collecting five streams with five containers, undertaken by two different suppliers demands a multiple of vehicles, increasing fuel and carbon. It also increases congestion and inconvenience.
- The use of multiple containers can lead to congested footways, presenting hazards to staff, customers and pedestrians. The manual handling of boxes also presents a hazard to all concerned. The use of wheeled containers will significantly reduce risk of injury and harm; in addition it will reduce street littering, protect commodity values, and prevent issues associated with pests, vermin and wildlife.

Describe the waste services delivery model that you believe is deliverable and most applicable, in a shire unitary council like Wiltshire.

- Councils and their partners are uniquely placed to lead transformation on behalf of their local communities, provided they are supported by an effective framework, sound governance structure and robust finances.
- It is considered that the recycling element of collections could be more effectively delivered as a single co-mingled service, including glass. Co-mingled recycling would be sorted in a MRF specifically calibrated to separate the waste to achieve high quality material with a good market value.
- 3 bin system : Residual waste, commingled recycling (with option of keeping soft mix or glass separate) and garden waste
- Increased promotion of home composting supported by a self-funding 'chargeable garden waste' service run by local Community Interest Company.
- To either divert from landfill or, to treat prior to disposal to landfill, all of Wiltshire's residual waste ie 100% untreated waste to landfill.

- More third sector engagement

Describe the benefits of your ideal delivery compared with Wiltshire's existing arrangements.

- Simplifying the customer experience, increasing participation and satisfaction
- Greater standardisation of collection fleet
- Require less vehicles, less fuel and less CO₂
- Reduce congestion, both by a reduction in vehicles and reduced time at the kerbside
- Maximising materials revenue (if soft mix separate)
- Improved recycling rates and limited exposure to landfill tax.
- Increased third sector engagement complements all of the above benefits, as well as providing potential outlets for other materials not otherwise considered commercially and/or practically viable.
- Better support Community Strategies

2. Opportunities for efficiencies and savings

- Provision of a single commingled recycling service, which is considered to be the cheapest method of collection.
- 4 day week working to reduce overtime and bank holiday working costs
- Increasing income from commercial waste streams. Retendering collection service contracts would provide up-to-date assessment of viable commercial waste opportunities and associated need to up- or down-scale in-house and external resources.
- Reduction in infrastructure requirements through consolidation of depots, ICT, workshops etc.
- Simplifying kerbside arrangements and increasing capacity has also been shown to reduce reliance on household recycling centres and the number and complexity of local recycling sites, saving costs and opening land for development. Where practical, these could potentially be converted to serve new/complementary third sector activities and/or community initiatives that target the identified hard-to-reach groups
- Achieving 100% landfill diversion/treatment would shield the Council from the inflationary effects of the Landfill Tax accelerator, which combined with the recent significant tightening of the application of the Qualifying Materials rules has rendered landfill an increasingly expensive option.

3. Innovation and benefits

- Twin pack/split-bodied vehicles for various waste streams, enabling 'one pass' operations.
- 4 day working to reduce disruption from Bank holiday working.
- Zonal working of collection crews. This improves team approach of crews, improves missed bin performance and helps to address day to day problems e.g. vehicle breakdown
- Engaging third sector groups as part of a wider waste management service evolution to create jobs and training, often within difficult to reach groups.
- Redevelopment of closed landfill sites to reduce environmental liability and landfill aftercare/management costs, plus potential revenue streams associated with site redevelopments
- Establishing an "agency" which would directly employ staff who could then be deployed on waste collection activities or to third parties would allow increased flexibility to cope with the peaks and troughs experienced by a waste collection service provider.
- Greater economy through cross LA boundary collection rounds leading to lower management and operational costs.

4. Key risks

Describe what you believe to be the major risks in the waste services market.

- Recycling commodity prices and the market volatility
- Dependence on materials prices, to offset operating costs
- Fuel increases and impact on running costs
- Changes in policy, law and legislation
- Future bans on various materials going to landfill
- The ability to deliver new non-landfill treatment/diversion capacity (especially in terms of planning permission).
- Contractual terms, including pension risk
- Mobilisation and project management
- Complacency, and agility to meet change
- Risk management and commercial rigour
- Localism
- Attracting investment

5. Relationships and business models

- A formalised partnership for the provision of services, which is based on:
 - Need and available budgets.
 - A flexible approach with shared risk based on open book accounting.
 - Profit sharing, where the share is re-invested in services. This is a considered a flexible approach which fits well with uncertain economic times.
 - Strong relationships and trust where there must be total buy in and commitment from all stakeholders including elected members, council officers and contractors.
- From the authority's perspective, great benefit can be derived from by:
 - Being clear in terms of its objectives
 - Being consistent in terms of its plans and initiatives
 - Being realistic in terms of its requirements and expectations
 - Understanding the potential interactions of various schemes on the authority's overall waste management arrangements and performance.
- Potential areas of weakness typically revolve around:
 - Anticipated feedstock tonnage and composition
 - Need for flexibility to accommodate future changes
 - Means of managing poor performance (by either party) and robustness of mechanisms for improving such poor performance in a timely and cost-effective manner
- A shared revenue scheme, involving both contract partners sharing benefit of revenue generated from the sale of recyclables, although the Council would need to consider that service providers may seek to recover lost income elsewhere to cover base cost.
- A Joint Venture would only seem appropriate if the Council wishes to retain some strategic control over the "inputs" into the service delivery model (including workforce issues) or wishes to engage in more "commercial" activities, in which case there would be a strong element of risk and reward.

Appendix E: Waste Management Review - Summary of services