

AGENDA SUPPLEMENT (1)

Meeting: Environment Select Committee
Place: Council Chamber - Council Offices, Monkton Park, Chippenham, SN15 1ER
Date: Thursday 18 July 2013
Time: 10.30 am

The Agenda for the above meeting was published on 11 July 2013 and indicated that the report detailed below would be to follow. This is now available and is attached to this Agenda Supplement.

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This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

5 Future Service Delivery Model for Waste Management_ (Pages 1 - 54)

To scrutinise the Future Service Delivery Model for Waste Management Report prior to its determination by Cabinet on 23 July 2013.

Appendix 1 – Wiltshire Municipal Waste Management Strategy 2012 (Pages 29-42)

Appendix 2 – Understanding the Market (Pages 43-44)

Appendix 3 – Collection Method for Dry Recyclable Materials (Pages 45-47)

Appendix 4 – Assessment of Non-financial Factors (Page 48)

Appendix 5 – Communications (Pages 49-50)

Appendix 6 – Leveraging Social Value and Public Services (Social Value) Act, 2012 (Pages 51-52)

Appendix 7 – TUPE Issues (Pages 53-54)

DATE OF PUBLICATION: 15 July 2013

Wiltshire Council

Cabinet

23 July 2013

Subject: Future Service Delivery Model for Waste Management

Cabinet Member: Councillor Toby Sturgis – Strategic Planning, Development Management, Strategic Housing, Waste

Key Decision: Yes

Executive Summary

As reported to Cabinet on 6 November 2012, considerable progress has been made on delivery of the Wiltshire Municipal Waste Management Strategy. A harmonised service of waste and recycling collection which will enable the council to achieve 50% recycling by 2014 is operating county-wide. Contracts awarded for the treatment of non-recycled waste at the Lakeside energy from waste plant and the mechanical biological treatment plant in Westbury, currently being commissioned, will enable the Council to reduce the waste sent to landfill to less than 25%.

The contract for collection of non-recycled waste, plastic bottles and cardboard and garden waste for the west Wiltshire area could terminate in 2014 or be extended by up to seven years. The contract for the collection of glass, paper, cans and textiles, the provision of landfill capacity, the provision of material recovery facilities and markets for dry recyclable materials, waste transfer stations, composting facilities, treatment of wood waste and management of the household recycling centres and mini recycling centres will terminate in 2016 with no option to extend.

It continues to prove difficult to obtain robust financial data to inform a decision about whether the collection service would be delivered more cost effectively in-house or by the private sector. Almost every collection service has some unique local issue which it has been designed to address making it difficult to benchmark our costs against those of other councils, regardless of whether the service is delivered in-house or by a contractor.

Further work remains to be done with Finance to decide which overheads should be added to the cost of the service. If costs are included that would not be saved if the service were to be outsourced, then the possible savings would be misrepresented. In any event, if the council decides capital investment would be needed from the private sector this would be key to informing this decision. Given the cost of borrowing for the private sector compared to the public sector, such a decision would help inform the length of contract periods to make the service as affordable as possible, given the increasing pressure on the revenue budget.

Landfill is now a much smaller and reducing area of the council's waste management service. The quantity of waste sent to landfill should continue to reduce. This is a specialist area of waste management. The ability to provide landfill capacity might prohibit some potential contractors from tendering for other service areas, thus limiting competition for delivery of wider waste management services.

Given the geography and nature of Wiltshire it may be possible to develop a network of smaller, open windrow composting facilities. The garden waste collected in the south of the county has been successfully managed in this way for several years. There is an opportunity to build on this experience and, should this prove feasible, reduce the distances over which our garden waste is transported.

Provision of a materials recovery facility continues to be difficult to specify at present. The level of sophistication required (and therefore the cost) varies depending on the method used to collect dry recyclable materials. If the recycling is separated at the kerbside, relatively little processing is required before the materials are bulked up and sent to re-processors. If the materials are co-mingled when collected, any materials recovery facility would have to achieve adequate separation of the recycling to ensure the council could deliver materials of an acceptable quality to the re-processors. Defra is currently consulting on a materials recovery facility code of practice which will set quality standards for the materials produced, but this is not yet available. Guidance should be issued to councils later this year. Further work to inform this decision is therefore required.

The location of transfer stations is key to the efficient delivery of the collection service which will increasingly focus on recyclable materials as well as residual waste. A facility is also required for chipping and bulking up wood waste for onward transportation to ensure we continue to keep this biodegradable waste stream out of landfill.

Servicing the household recycling centres and mini recycling sites also underpins our recycling performance so these elements of the service are working to deliver a common purpose.

In recent years the markets for recyclable materials have been relatively stable. Historically the council has transferred the risk for such markets to our contractor and taken less income for the sale of recyclables as a consequence (£800k for paper and £895k for other materials in 2012-13). The benefit has been that as recently as 2007 the council maintained its recycling performance when some other authorities without secure long term contracts had to landfill recyclable materials. Given the stability of the markets tenders could be invited for providing a service at a gate fee to be paid by the council with a percentage share of the income generated from the sale of recyclables. This would build on the approach taken under the existing contract and reflect that taken under the contract for the mechanical biological treatment plant being commissioned in Westbury.

In light of the above, decisions are sought from Cabinet on the delivery of the waste and recycling collection service and to invite tenders for those elements of the wider waste management service identified above.

Proposals

- (i) That Cabinet resolves to either:
 - (a) deliver the waste and recycling collection service in-house
 - or
 - (b) invite tenders for the delivery of the waste and recycling collection service (including the chargeable waste collection service) for two options:
 - 1. to include provision of a co-mingled collection of dry recyclable material with separate collection of glass
 - 2. to include provision of a kerbside sort collection of dry recyclable material.
- (ii) Should Cabinet resolve to deliver the waste and recycling collection service in-house (proposal (i) (a) above), that Cabinet subsequently resolves to:
 - (a) deliver the chargeable waste collection service in-house
 - or
 - (b) invite tenders for the delivery of the chargeable waste collection service (excluding second garden waste bins).
- (iii) That Cabinet resolves to invite tenders for the following waste management services as three lots (at the same time as inviting tenders for the relevant collection service should Cabinet resolve to implement proposal (i) (b) or proposal (ii) (b)):
 - (a) landfill capacity or landfill diversion capacity for residual waste (excluding the treatment of residual waste under the contracts with Hills Waste Solutions for diversion of waste from landfill to the Lakeside Energy from Waste plant and the Northacre mechanical biological treatment plant)
 - (b) garden waste composting capacity
 - (c) transfer stations, wood waste treatment, servicing household recycling centres and materials (including plastic) recovery facility capacity for two options:
 - 1. the sorting of co-mingled dry recyclable material
 - 2. the sorting of co-mingled plastic and the bulking of other dry recyclable materials(to include a percentage share of income from the sale of recyclable materials).

Reason for Proposals

To enable the council to maintain service delivery for residents and chargeable waste customers, to comply with its statutory duties to collect and dispose of waste and to continue to progress towards achieving statutory targets once existing contracts expire.

Tracy Carter

Service Director – Waste Management Services

Wiltshire Council

Cabinet

23 July 2013

Subject: Future Service Delivery Model for Waste Management

Cabinet Member: Councillor Toby Sturgis – Strategic Planning, Development Management, Strategic Housing, Waste

Key Decision: Yes

Purpose of Report

1. To:
 - (i) Seek a decision from Cabinet on whether to:
 - (a) deliver the waste and recycling collection service in-house
 - or
 - (b) invite tenders for the delivery of the waste and recycling collection service (including the chargeable waste collection service) for two options:
 1. to include provision of a co-mingled collection of dry recyclable material with separate collection of glass
 2. to include provision of a kerbside sort collection of dry recyclable material.
 - (ii) Should Cabinet resolve to deliver the waste and recycling collection service in-house (proposal (i) (a) above), to seek a subsequent decision from Cabinet to:
 - (a) deliver the chargeable waste collection service in-house
 - or
 - (b) invite tenders for the delivery of the chargeable waste collection service (excluding second garden waste bins).
 - (iii) To seek Cabinet approval to invite tenders for the following waste management services as three lots (at the same time as inviting tenders

for the relevant collection service should Cabinet decide to implement proposal (i) (b) or proposal (ii) (b)):

- (a) landfill capacity or landfill diversion capacity for residual waste (excluding the treatment of residual waste under the contracts with Hills Waste Solutions for diversion of waste from landfill to the Lakeside Energy from Waste plant and the Northacre mechanical biological treatment plant)
- (b) garden waste composting capacity
- (c) transfer stations, wood waste treatment, servicing household recycling centres and materials (including plastic) recovery facility capacity for two options:
 - 1. the sorting of co-mingled dry recyclable material
 - 2. the sorting of co-mingled plastic and the bulking of other dry recyclable materials

(to include a percentage share of income from the sale of recyclable materials).

Background

- 2. The collection service previously delivered by West Wiltshire District Council was first outsourced on 1 July 1991 following the award of a contract to Waste Management (who became UK Waste). At the end of this contract, following a procurement exercise, the service was brought back in-house. The service was again outsourced under a contract awarded to Cleanaway which ran from 1 February 2002 until 31 March 2007. During this period the non-chargeable garden waste service and alternate weekly collections of residual waste were introduced in phases between 2004 and 2006. The contract with Focsa Services (UK) Ltd. runs from 1 April 2007 until 31 March 2014 with provision for an extension to the contract period. Focsa Services became FCC Environment, part of the FCC Group, in 2012.
- 3. In 1996 Wiltshire County Council commenced delivery of waste management services through a contract with Hills Waste Solutions. This contract covers landfill, waste transfer station and materials recovery facility operations, kerbside collection of dry recycling, composting facilities, household recycling centres, mini recycling sites and sale of dry recyclable materials. This contract ends on 31 July 2016, with no option for a contract extension.
- 4. In 2004 Wiltshire County Council commenced a procurement process for the diversion of residual (non-recycled) waste from landfill. This resulted in the award of two contracts. The first was awarded to Hills Waste Solutions for the delivery of 50,000 tonnes per year of residual waste to the Lakeside Energy from Waste facility at Colnbrook, Slough. The council delivers residual waste for this contract to waste transfer stations at Amesbury and Lower Compton. Waste is then bulked and hauled to Lakeside by Hills Waste Solutions. The contract commenced on 1 February 2009 and runs for 25 years.

5. A second 25 year diversion contract with Hills Waste Solutions was signed in April 2011 for the treatment of 60,000 tonnes of residual waste per year in Wiltshire's first mechanical biological treatment plant. The facility at Northacre Park, Westbury is currently being commissioned and should be fully operational by September 2013. It is expected that the majority of the residual waste to be treated at this plant will be delivered directly by refuse collection vehicles operating in the west of the county, with any balance coming from waste transfer stations.
6. On 1 April 2009 Wiltshire Council inherited four different waste collection services from the former district councils. Since 1 April 2012 a harmonised waste collection service has been in operation across the county. This comprises fortnightly collections of:
 - (i) Residual waste (in a wheeled bin);
 - (ii) Plastic bottles and cardboard (co-mingled in a wheeled bin);
 - (iii) Paper, glass, cans, foil and textiles (kerbside sort in a black box);
 - (iv) Garden waste (opt-in, non-chargeable service in a wheeled bin).
7. At a meeting held on 19 October 2010, Cabinet resolved to introduce a non-chargeable garden waste collection service. Composition surveys suggested that 12,000 tonnes each year of garden waste were being landfilled. This material is 100% biodegradable and, when landfilled, attracts Landfill Tax which in 2013-14 is £72 per tonne. Charges to households for garden waste collection services were approximately £30 per annum in 2009-10 except in west Wiltshire where there was no charge for this service. The council incurs the costs of producing and sending invoices to residents who sign up for chargeable schemes. Costs are also incurred for processing payments and, in the event of failure to pay, sending further letters to remind residents that payment remains outstanding. The EU and Defra are considering further landfill bans and have indicated this would focus on biodegradable materials. The provision of a non-chargeable garden waste service enables the council to implement such a ban in Wiltshire. The service was already in place in west Wiltshire and the council did not want to remove it.
8. Collection services are provided through a combination of in-house and contracted out service delivery. Hills Waste Solutions delivers the black box service countywide, under the contract described in paragraph 3 above. In the east, north and south of the county the residual waste, plastic bottle and cardboard and garden waste collection services are delivered by the Wiltshire Council in-house service.
9. In the west of the county, residual waste, plastic bottles and cardboard and garden waste are collected by FCC Environment (formerly Focsa) under the collection contract referred to in paragraph 2 above, which runs until 31 March 2014, with the option of extending by up to seven years.

10. The in-house service collects residual waste from commercial waste producers across the county. Over 3,000 customers use the service at the current time. There is an ongoing review of this service which resulted in an increase in fees and charges for the current financial year. This was to ensure that council tax payers are not subsidising delivery of this service. There are limited trials of commercial recycling in parts of the county which are being operated as pilot schemes. The council also has a number of customers who produce household waste for which there are powers to charge for collection only (and not disposal). These are collectively referred to as chargeable waste services.
11. The council also provides the following collection services:
 - (i) A free of charge collection of clinical waste from domestic households, including sharps boxes and sacks of clinical waste;
 - (ii) A charged bulky waste collection of items from domestic households.
12. Wiltshire Council's recycling rate achieved in 2012/13 is 46.85%. Measures to improve this figure were implemented during 2012/13, including the continuation of the rollout of communal recycling facilities to flats and further phases in our rollout of non-chargeable garden waste bins. However, it should be noted that the Environment Agency has advised councils they can no longer include composted street sweepings in national recycling performance but instead count them only as land-filled waste. As the council required a baseline for assessment of the impact of service changes, the same method of measurement as previously used was maintained during 2012-13. As the full effects of the service changes are realised, together with the mechanical biological treatment plant coming on-line during 2013-14, this will drive further improvement and should lead to the achievement of the council's target of 50% recycling.
13. The percentage of local authority collected solid waste sent to landfill in 2012/13 was 31.68%. As above, when the mechanical biological treatment plant in Westbury is operational, our performance will improve further with waste to landfill forecast to reduce to about 20% per year. At the very least, by 2014 we expect our waste to landfill to reduce to 25%, reflecting the council's commitment to this target in its corporate plan.
14. The council's future service must enable us to meet both national and local targets. Any model of service delivery will be evaluated against how it will contribute to achieving the targets set out below.

Table 1

Target	Source
Reducing waste to landfill to 25% of the total collected by 2014	Wiltshire Council Business Plan 2011-15
Increase recycling to 50% by 2014	Wiltshire Council Business Plan 2011-15 (modifying the target in the Waste Framework Directive)

Reduce biodegradable municipal waste to landfill to 35% of 1995 levels by 2020	EU Landfill Directive
Maintain separate collections of at least the following materials from the household waste stream: paper, metal, plastic and glass	EU revised Waste Framework Directive and the Waste (England and Wales) (Amendment) Regulations 2012

The council also has a particular interest in encouraging waste prevention. A history of working closely with the Wiltshire Wildlife Trust to promote messages about reducing garden and food waste in particular, to spread waste prevention and recycling messages in schools and to promote council recycling services has evolved into the current joint venture arrangement. This enables council and Wiltshire Wildlife Trust staff to work closely together to an agreed business plan and annual work programme, funded in part by the council and partly by grants secured by the Wiltshire Wildlife Trust.

15. The council's approach to managing food waste to date has been to work with residents and the voluntary and community sector to encourage prevention and reduction. The council currently offers residents the opportunity to purchase subsidised food waste digesters to treat cooked and uncooked food waste at home. There is significant potential to manage food waste in this way in Wiltshire as a high proportion of households have access to a garden. There are financial benefits for residents as well as the council in preventing food waste. The government's Waste and Resources Action Programme (WRAP) suggests that a typical household could save on average £50 per month by reducing the food waste it produces. In October 2010 Cabinet agreed the introduction of the current waste and recycling collection service. At that time the council reviewed an option which included provision of a separate collection of food waste. It was recognised that this would improve the council's recycling performance but would cost significantly more and require provision of a facility to manage this waste. However WRAP suggests that by March 2013, 55% of UK local authorities were collecting household food waste, an increase of 8% since May 2011.
16. In a previous report to Cabinet on 6 November 2012 on Future Delivery of the Waste Management Service the following points were noted:
- (i) While there are no proposals to change the collection service or the materials that residents separate for recycling at present, this provides an opportunity to review these services and the way in which they are delivered. To inform the review the strategy should be updated to reflect progress and confirm targets. Approval was sought of the draft Wiltshire Council Waste Management Strategy 2012, attached at **Appendix 1**.
 - (ii) More work should be done with Finance to decide which overheads should be added to the cost of the service. If costs are included that would not be saved if the service were to be outsourced, then the possible savings would be misrepresented. In any event, if the council decides capital investment would be needed from the private sector, this would be key to informing this decision. Such a decision would help inform the length of contract periods to make the service as affordable as possible, given the increasing pressure on the revenue budget.

- (iii) Having a single provider of waste and recycling collection services enables the delivery of an efficient and cost-effective service. This removes any artificial geographical boundaries and offers the service provider the greatest flexibility for deployment of fleet and crews. This view was strongly supported by the early engagement with private sector suppliers who noted that the current mixed economy of collection service provision is a weakness in Wiltshire's current delivery model.
17. At the meeting Cabinet resolved to approve:
- (i) The draft, updated Wiltshire Council Waste Management Strategy 2012.
 - (ii) The commencement of formal consultation with staff, and relevant trade unions, on the adoption of new working patterns for the waste collection service.
 - (iii) Development of a business case for the waste collection service for:
 - (a) In-house service delivery
 - (b) An out-sourced service
 - (iv) Development of a business case for:
 - (a) Terminating the FCC Environment waste collection contract in 2014
 - (b) Extending the FCC Environment contract to be co-terminus with the Hills contract in 2016
 - (v) Use of a single service provider to deliver an integrated collection service from 2016.
 - (vi) Development of the detailed business case to tender the provision of the following waste management services as three lots:
 - (a) Landfill capacity
 - (b) Garden waste composting facility
 - (c) Materials recovery facility, transfer stations, wood waste and servicing household recycling centres (rates to be invited for tender and a percentage share of income from sale of recyclable materials).
18. Resolutions (ii) and (iv) will be addressed by later reports to Cabinet. An update on resolutions (iii) and (vi) will be provided within this report.
19. To improve our knowledge and understanding of the wider waste management industry a service delivery review was carried out in June and July of 2012. The review took the form of a series of individual meetings with a range of local, national and international service suppliers, together with an online questionnaire that could secure responses from a wider audience. This was supplemented by a further exercise carried out during April 2013. A comprehensive questionnaire was published online. To ensure the market was aware of the consultation over 50 suppliers of waste services were directly notified of the opportunity to

contribute to the exercise. In addition, over 15 local and national voluntary and community sector organisations were contacted directly about the consultation. This generated a significant amount of detailed information from the waste management market, which could be used to shape procurement and specification documents. Details of these exercises and their findings are set out in **Appendix 2**.

Main Considerations for the Council

Waste Management Strategy

20. The Wiltshire Council Waste Management Strategy 2012, (attached at **Appendix 1**), highlights four guiding principles to pursue in order to achieve continuous service improvement. These guiding principles, together with related policies and targets, cover a wide range of sustainable waste management practices with the overall aim of managing more waste towards the top of the waste hierarchy and prioritising waste prevention, re-use, recycling and composting.
21. The key principles identified in the updated strategy are set out below
 - (i) Waste prevention and re-use - To provide advice, education and where possible incentives to encourage waste prevention and re-use by Wiltshire's residents. The council will pursue a target of reducing waste after recycling and composting from 606 kilos per household achieved in 2011-12 to 545 kilos per household by 2015-16.
 - (ii) Recycling and composting – To carry out the separate collection of recyclable and compostable waste materials from all accessible households, supported by comprehensive communications campaigns to encourage the use of these services by householders to achieve a recycling rate of 50% of household waste by 2014.
 - (iii) Further diversion from landfill – To recover energy or otherwise divert from landfill sufficient tonnage of Local Authority Collected Municipal Waste in addition to that diverted by recycling and composting to achieve
 - a landfill rate of 25% or less of total Local Authority Collected Municipal Waste by 2014
 - a landfill rate equivalent to less than 35% of the biodegradable municipal waste tonnage landfilled in 1995 by 2019-20.
 - (iv) Waste Treatment Capacity – To monitor available capacity for diversion of Local Authority Collected Municipal Waste from landfill and, subject to the requirements of planning policies and procedures, to support any additional proposals required to meet targets and policies for landfill reduction.
22. In the longer term, the council will pursue the goal of zero untreated waste to landfill and reduction of the environmental impact of waste treatment, by continuous improvement to waste collection and treatment services.

23. The EU revised Waste Framework Directive and the Waste (England and Wales) (Amendment) Regulations 2012 include a requirement by 2015 to maintain separate collections of at least the following materials from the household waste stream: paper, metal, plastic and glass. This requirement is reflected in the Wiltshire Council Waste Management Strategy. In respect of plastic, at present Wiltshire Council collects plastic bottles only at the kerbside and other rigid plastics at the household recycling centres. There is a requirement for the council to provide a collection of a wider range of plastics beyond 2015. In recent years there have been significant developments in the technology available for sorting a wide range of plastics. This procurement process provides Wiltshire Council with the opportunity to extend the range of plastics collected at the kerbside, utilising the blue lidded bins, in order to comply with the requirements of the revised Waste Framework Directive.
24. Any new contracts resulting from changes to the delivery of waste collection and management services will reflect the overall aims and key principles highlighted in the updated Waste Strategy (2012). There are, however, elements of the strategy which will not be included within the scope of new contracts, including the existing landfill diversion contracts (energy from waste and mechanical biological treatment) and the council's work on waste prevention.
25. Article 29 of the revised Waste Framework Directive (2008/98/EC) highlights the importance of waste prevention activities, by introducing an obligation for all member states to develop a comprehensive national waste prevention programme by 2013. The Government is planning to consult on the development of a national prevention programme over the summer. It is not yet understood what implications this programme will have for the council; however, it is anticipated that councils will have a role in delivering local waste prevention plans. This current uncertainty, along with the success of the council's current waste prevention joint venture, suggests that the delivery of waste prevention activities should continue to be a service delivered direct by the council.

Collection Service

26. The waste collection service encompasses the following:
- Household (kerbside) recycling collections (spanning the co-mingled collection of mixed rigid plastic packaging¹ and cardboard and the current kerbside sort black box service)
 - Household (kerbside) garden waste collections
 - Household (kerbside) residual waste collections²
 - Household clinical waste collection and disposal
 - Household bulky waste collections
 - Container procurement, delivery, repair and retrieval

¹The term 'mixed rigid plastic packaging' includes the following plastic containers (as set out in the WRAP report 'Collection and Sorting of Household Rigid Plastic Packaging – May 2012'): bottles, tubs (e.g. margarine), trays (meat, ready meals, fruit and bakery goods), containers for household cleaning items and pots (yoghurt, sauce, fruit, spread).

² This will not include any streetscene services such as litter bin collection and fly tipping collection because these functions are the responsibility of the local highways and streetscene team.

- Commercial waste and non-domestic household waste collections, including recycling options (referred to as the chargeable waste service in paragraphs 40 to 42 below).
27. The council's Business Plan 2011-2015 states that our direction of travel is to become a smaller, more strategic commissioning body, working with a multiplicity of providers in Wiltshire – enabling and facilitating, with fewer staff and more providers. The new Business Plan will look at doing things differently for less, which means fundamentally rethinking all the services we provide. The draft medium term financial strategy 2013-14 to 2018-19 sets out the need to save £124 million based on current projections of growth and central government spending reductions. There will be challenges for specific services which will impact on how we operate. Wiltshire County Council's highways service was outsourced in 1998 and Wiltshire Council's street scene service was outsourced in June 2013 suggesting a direction of travel for the organisation.
 28. The council's capital programme set out in the draft Business Plan 2013-17 at present does not include any funding for a vehicle replacement programme. The draft fleet strategy refers to creating a smaller, more holistic fleet service and substantially reducing the size of the vehicle asset. There is capital funding identified for a new replacement depot but not for short term investment in smaller scale improvements and expansion to the current depots. This would be required to enable the council to bring the FCC and Hills collection services in-house. The council would need to review corporate priorities for capital investment to achieve this. Outsourcing the service would ensure private sector capital investment and would enable better and more flexible management of vehicles to the benefit of the service.
 29. Following guidance received from Strategic Property, there are no near-term changes proposed to the availability of suitable depots for the waste collection service. If the decision is made to outsource waste collection, the guidance received is that current depot locations can be offered to a future service supplier. Any contract would contain a requirement that the successful contractor engage with the council during the life of the contract to explore the options for rationalising depots as part of the council's transformation programme. The service has highlighted to Strategic Property the enhanced requirement for depot space from 2016 to accommodate vehicles for the collection of dry recyclable materials, irrespective of whether that service will be delivered in-house or outsourced.
 30. As mentioned above, the EU revised Waste Framework Directive and the Waste (England and Wales) (Amendment) Regulations 2012 include a requirement by 2015 to maintain separate collections of at least the following materials from the household waste stream: paper, metal, plastic and glass. There are two types of collection system for dry recyclable materials. A co-mingled collection is the collection of mixed recyclable materials collected in one bin, emptied into the back of a refuse collection vehicle with subsequent separation at a materials recovery facility with a high technical specification. This system does not meet the requirement for separate collections. A collection of recyclable materials from a box with separation of the materials at the kerbside with each material placed in a separate compartment of a specially designed vehicle does meet the definition of separate collection. This may suggest that the council's current

black box system for collection of recyclable materials should continue. However, there are qualifications to the requirement for separate collection. If the necessary quality of dry recyclable materials can be achieved from a co-mingled collection system then separate collection is not required. In addition, the separate collection has to be technically, environmentally and economically practicable.

31. Work has been done to assess the financial implications and review the options for collecting dry recyclables using a kerbside sort (black box) system and a co-mingled (wheeled bin) system. This has been inconclusive in terms of cost and performance. If the decision is made to invite tenders for the waste collection service, asking contractors to price specifications for both kerbside sort and co-mingled systems would enable us to determine what the market would charge for each collection system. This information, coupled with the cost of providing a materials recovery facility with a sufficiently high technical specification to either separate all dry recyclable materials or to separate mixed plastics and enable the bulking up of other dry recyclable materials, would enable the council to evaluate which system would provide best value. Defra has advised that it appears to be common ground that glass is a well-recognised potential contaminant. In particular, paper and glass should be kept apart. However, industry is divided on this issue, with half of the organisations surveyed by Defra stating that they could sort glass collected in a co-mingled system and produce high quality recyclable materials. There are health and safety concerns about the noise levels generated when emptying glass from a box into a separate compartment on a vehicle collecting recyclable materials.
32. Defra was subject to a judicial review in 2012 over the way in which the government had transposed the requirements of the revised Waste Framework Directive into UK law. This was brought by a group, including some of the major UK re-processors of recyclable material, on the basis that co-mingled collections do not deliver the highest quality recyclable materials.
33. The judicial process was deferred to enable Defra to lay new regulations which removed reference to co-mingled collections and more closely reflect the wording of the revised Waste Framework Directive. As a consequence, the challenge was not upheld. Defra has said that it hopes to minimise the risk of councils being challenged over the use of co-mingled systems. It is currently consulting on a code of practice for materials recovery facilities and intends to issue guidance to councils later this year on the meaning of 'technically, environmentally and economically practicable'. This service, and the way in which it should be delivered, may therefore be subject to further change.
34. There is a risk of judicial review against this council if we change the service from a kerbside sort system to a co-mingled collection. Legal advice is that the likelihood of this is low. Inviting tenders through the Official Journal of the European Union would prompt such a challenge at an early stage. Inviting tenders for two options, one based on a co-mingled system and one on kerbside sort, would enable the council to progress the procurement process and ensure that arrangements are in place for 2016 should further developments result in a decision that a co-mingled system in Wiltshire would not enable the council to comply with its obligations. Further detail on both collection methods and on the judicial review are set out in **Appendix 3**.

35. Further consideration should be given to the introduction of food waste collection. A national waste composition analysis produced by Defra in 2009 shows an average of 17% of food waste in household waste. This would equate to 37,000 tonnes of food waste generated each year by households in Wiltshire. National trials carried out by the government's Waste and Resources Action Programme suggest that 38% of this food waste would be captured by a separate food waste collection, which equates to 14,000 tonnes per annum. Anaerobic digestion is the treatment of organic waste in a controlled environment to ensure that the waste is stabilised and fermented. In order to treat collected food waste the council would need to procure capacity at an anaerobic digestion plant. The process produces biogas which can be used to generate electricity to power the plant with any surplus distributed via the national grid. On average, the weight of the waste reduces by 7% to 10% through the production of biogas. Depending on the source of the waste 20% to 50% of the weight of input waste remains as a digestate for which a market must be found. In order to provide the council with the flexibility to introduce such a service part way through a contract period, tenderers could be invited to submit prices for implementing this change. If the collection service is delivered in-house capital investment would be required in the collection fleet to enable food waste collections to be introduced.
36. If the decision is made to outsource the service, the contract specification would contain defined performance standards. Over 40% of the council's collection service is delivered by private sector contractors, Hills and FCC. As at present, any contract would specify the branding for the service (vehicles and uniforms for staff employed) so the public would still perceive that the service is delivered by the council. The specification would include the council's behaviours framework to define performance standards for the culture of the contractor's organisation and the behaviour expected of the staff employed in delivering services in Wiltshire. The contract would have flexibility to enable it to be varied to meet new challenges facing the service in future. Such flexibility may require the council to compensate the contractor for any additional costs incurred. There would also be flexibility to redirect the contractor's staff in the event of bad weather or other emergency. The council would retain a small client team to manage the contract and ensure that services would be delivered to the required standards. This would be necessary to ensure that performance standards are maintained and improved, protecting and enhancing the council's reputation. Systems would be put in place by any contractor to enable the council to monitor performance. Details of key terms and conditions, specification and performance measures, as well as the principles of proposed tender evaluation models, would be reported to Cabinet before the council issues invitations to tender for the services concerned.
37. Should the council decide to outsource the collection service, the procurement should be carried out at the same time as that for other waste management services. This would enable the council to make a better informed decision about the costs of the collection and management of dry recyclable materials. To do this, information is needed about the total cost of collecting mixed recyclable materials from a wheeled bin and sorting them at a materials recovery facility with a high technical specification. Inviting tenders for a collection of recyclable materials from a box with separation of the materials at the kerbside and collection of mixed plastic from a wheeled bin as well as provision of a

plastic recovery facility to sort the plastic would enable the council to directly compare the costs of both systems. Carrying out the procurement processes at the same time would enable larger companies to tender for all four contracts and demonstrate any efficiencies of scale this would provide.

38. The council commissioned independent technical advice and support in this work from Improvement and Efficiency Social Enterprise, a local government owned organisation in receipt of government funding to provide assistance to local authorities undertaking service reviews. Initial research showed there was no straightforward, direct comparison available between in-house and outsourced service delivery. Case studies are available in favour of both models and many claimed savings were the result of a change in specification and not the mere fact of outsourcing.
39. Improvement and Efficiency Social Enterprise acted as the council's critical friend and used its industry knowledge to help identify those aspects of service delivery that would be more cost-effectively delivered by either the private sector or an in-house organisation. It also identified the non-financial factors that serve to differentiate in-house and outsourced delivery of waste collection services. As part of this Improvement and Efficiency Social Enterprise independently facilitated workshop sessions that captured informed opinions from a wide range of staff, both within the Waste Management Service, and in other internal service areas such as Finance, Fleet Management, Strategic Property, Legal, and Procurement. A summary of the process and an overview of the results of this work are set out in **Appendix 4**.

Chargeable Waste and Recycling Collection Services

40. Household waste collections are carried out on a fortnightly cycle. The majority of the council's chargeable waste customers require more frequent collections than could be provided using the domestic household waste collection rounds. In addition, to minimise the risk of commercial waste abuse of the household waste collection service and to provide accurate information about the tonnes of waste collected, the commercial waste service is delivered by separate crews and vehicles to those used for household collections.
41. At present, the council provides commercial waste services in accordance with its statutory duty. This needs to be reviewed in the context of the council's plans with regard to delivery of traded services. There is no reference in the draft Wiltshire Council Business Plan 2013-17 to expanding or developing traded services. During 2012-13 income to the service was £300,000 less than the original budget requirement. The council has been operating two pilot schemes for the collection of commercial recyclable material. Since the introduction of charges for these services a considerable number of customers, who had previously received these services free of charge from the ex-district councils, have chosen not to renew their contracts with the council. The council's policy on setting fees and charges is to ensure that reasonable costs are recovered. As the costs of waste management continue to rise, this suggests that the council's chargeable waste service is not sustainable.

42. A private sector company would be able to expand the range of services offered and market these services, providing greater choice for the local business community. The council would still have an obligation to make arrangements for the collection of commercial waste where requested to do so. This could be delivered through a contract which would contain a cap on fees and charges to protect those businesses which seek a service from the council because there is no affordable alternative. A contract would also include a mechanism for the council to share in any profits made by a contractor as a consequence of expanding the commercial waste service. Such a contract would include commercial waste and household waste for which charges can be applied except for the collection of garden waste from second, chargeable garden waste bins.

Extension of the FCC Collection Contract for west Wiltshire

43. FCC has offered a discount on the price of its contract in return for extending the contract until 31 July 2016, the date until which the Hills Waste Solutions contract will run. This would offset some contract inflation and would enable the council to avoid the capital costs of new vehicles and additional depot space which would be incurred if the service was brought in-house from 1 April 2014. It would also enable the council to invite tenders for an integrated collection service to be delivered by a single service provider from 1 August 2016.
44. Performance by FCC under this contract is comparable with the performance standards achieved by the in-house service. There was the flexibility under the contract to introduce the new plastic bottle and cardboard collection service in west Wiltshire during 2011-12. FCC has agreed that it will work with the council to identify further savings, where possible, from changing the delivery point for its residual waste from the landfill site at Lower Compton to the mechanical biological treatment plant being commissioned at Westbury. FCC has also agreed to work with the council on the rounds redesign project to identify savings arising from the removal of the west Wiltshire district boundary as a constraint to designing more efficient collection rounds.
45. Extending this contract would enable the council to avoid the need to acquire vehicles and additional depot space and to transfer FCC staff into the council at a time when new collection rounds would be introduced, reducing the risk of any short-term fall in performance standards arising from the changes. The decision on whether to extend the contract will be the subject of a report to Cabinet on 24 September 2013.

Landfill and Recycling Service

46. The report to Cabinet on 6 November 2012 contained the following paragraphs:

'Given the success of the Council's strategy, landfill is now a much smaller and reducing area of the waste management service. The quantity of waste we send to landfill should continue to reduce. This is a specialist area of waste management. The ability to provide landfill capacity might prohibit some potential contractors from tendering for other service areas, thus limiting competition for delivery of wider waste management services.'

'Given the geography and nature of Wiltshire it may be possible to develop a network of smaller, open windrow composting facilities. The garden waste collected in the south of the county has been successfully managed in this way for several years. There is an opportunity to build on this experience and, should this prove feasible, reduce the distances over which our garden waste is transported.'

47. These arguments served to highlight some potential advantages in separating these elements of service delivery from those requiring the provision of infrastructure for the management of recyclable materials (transfer stations, materials recovery facility, household recycling centres and mini-recycling sites). The proposal is to invite tenders for these services as three separate contracts rather than one single waste management contract. Further work has been carried out to better understand the options available to the council.

Option 1

48. This would be to invite tenders for all elements of the services listed in the paragraph above under one contract. The main requirements would be based on those provided under the existing Hills contract with the exception of delivery of the kerbside sort service for the collection of dry recyclable materials. Another significant difference would be that this option would not prescribe landfill as the only solution for the treatment of the remaining non-recycled waste, but would extend the scope to include other non-landfill residual waste treatment processes, either from 2016 or at a future date. Given the nature of certain wastes it is likely that there would still be a requirement for some landfill capacity. There would be no guarantee of a minimum quantity of waste to be delivered under the contract. The intention would be to seek to further reduce the waste sent to landfill during the contract period, subject to this being cost effective and technically feasible.

Option 2

49. This option is to invite separate tenders with the potential to award three contracts for delivery of these services. The first proposed contract would be for recycling and transfer services and would include:
- The provision and operation of household recycling centres (including those owned by Wiltshire Council)
 - The provision and operation of waste and recycling transfer stations
 - The provision and operation of a materials recovery facility (to include capacity for recovery of mixed plastic) (MRF)
 - Operation of mini recycling sites
 - Sale of recyclable materials.

50. It should be noted that the sale of recyclable materials may be better managed by the collection service. This would provide an incentive for the collection contractor to minimise the quantity of contamination of dry recyclable materials collected, provided the contract contained a mechanism for the sharing of income between the council and the contractor. The decision on whether it should be the collection contractor or the materials recovery facility contractor which provides this service would be informed by the decision on whether the collection of dry recyclables should be carried out using a co-mingled (wheeled bin) or a kerbside sort (black box) collection system.
51. The second proposed contract would be for composting services and would include:
- The provision and operation of a site or sites for composting of garden waste
 - Sale of compost.
52. The third proposed contract would be for the treatment and disposal of residual waste and would include:
- Treatment and disposal of non-hazardous and inert residual waste, including the use of exempt sites for inert materials
 - Treatment and disposal of hazardous waste.
53. An exercise was carried out within the waste management service during 2012 to identify the key elements of the service and their strongest inter-dependencies. The results of that exercise indicate that both options for procurement would be viable.
54. The key benefit of Option 1 may be efficiencies arising from the integrated management of a range of services and simplified contract management responsibilities for the client.
55. The key benefit of Option 2 would be that specialist providers of recycling and/or composting services would not be precluded from tendering due to a lack of landfill or other residual waste treatment experience or capacity.
56. Option 2 would not preclude contractors from submitting tenders for all three proposed contracts and, if successful, being offered a single contract by the council, should such an integrated tender prove to be the most economically advantageous. Option 1 would preclude the approach outlined under Option 2.
57. Therefore, Option 2 offers greater opportunity to explore a wider scope for service delivery, efficiencies and savings, although the costs associated with an increased client role to manage the interface between a number of contracts would need to be assessed against any potential savings.

58. The current contract with Hills offers the council limited income from the sale of recyclable materials. The contract commenced in 1996 when recycling levels were very low, the council had two household recycling centres compared to the eleven centres which are operated today, the recycling market was much less mature and the risks related to the sale of materials perceived as much greater. Although income from the sale of recyclables under the contract is limited, the current payment mechanism provides a level of financial certainty which has benefited the council in its budget forecasting and management.
59. As the recycling market has developed, the ability to secure longer term materials re-processing sub-contracts has increased, which has provided greater stability for some material streams, for example paper. However, areas of the market remain more volatile (such as those for low grade plastic) making it more difficult to secure long-term re-processing arrangements.
60. Increasingly, local authority collected waste management contracts include mechanisms where councils share in the net proceeds of income from contractors selling recyclable materials. This approach will be fully explored as part of any new waste management contract, ensuring that the council's exposure to volatility within the recycling market is minimised. It is likely that any arrangement where income forms part of the contract payment mechanism would result in a greater role for the client in terms of forecasting and auditing the sale of recyclable materials. The opportunity to generate a higher income stream would have to be considered in the context of client contract management costs and the risk to the council of a reduction in the certainty of income budget forecast and management purposes.
61. Under the existing contract with Hills Waste Solutions the network of eleven household recycling centres is managed and operated by the contractor. Two of the sites are owned by Hills. The cost of operating the network of eleven sites is estimated at £3.08 million each year. In 2012-13, there were over 61,000 tonnes of material delivered to these sites, of which almost 48,000 tonnes were diverted from landfill. If the council had to pay Landfill Tax, in order to landfill this diverted waste, the cost would be £3.455 million during 2013-14, with Landfill Tax at £72 per tonne. 39,000 tonnes of material delivered to the household recycling centres were recycled in 2012-13. This represents 39% of the total recycling of household waste achieved last year. If this proportion is applied to the income from the sale of recyclables which the council benefitted from in 2012-13, the value would be £0.661 million.
62. If the decision is taken to operate waste collection services in-house, there is potential to explore an alternative service delivery model. One approach would be for the in-house service to provide the frontline delivery of the service and a contractor to manage the over-arching regulatory aspects of the sites, including compliance with environmental and planning consents, together with providing transport for transferring materials off site for re-processing. The interface between the two roles would need to be clearly specified and managed to ensure a seamless service to the public, but may provide the council with greater control of service delivery. This would not preclude the involvement of voluntary and community sector organisations in delivering this service with a main contractor in a similar way. There may also be scope to replicate this approach in the operation of waste transfer stations. For these reasons the services have

- been described as operation and provision of service so that this remains a delivery option.
63. Inviting tenders for the services as set out in Option 2 would provide the greatest opportunity for a more diverse range of service providers of different sizes and with different technical expertise to engage with the council under this process. As a consequence, Option 2 is likely to generate greater market interest than Option 1. Seeking tenders based on three separate contracts would provide greater transparency of costs for each element of the service. It would not exclude the scope for a single contractor to tender a discounted price in the event of being awarded a single, integrated contract for providing the services under all three tenders, reflecting any economies of scale such an approach may deliver.

Environmental and Climate Change Considerations

64. The council's Energy Change and Opportunity Strategy (2011-2020) identifies waste as a key theme for action and highlights that in order to combat climate change, it is essential that we reduce the amount of waste produced in Wiltshire and that sustainable disposal and transport methods are used to minimise environmental impacts.
65. Land is currently being lost through landfill provision and we need to mitigate this by prioritising those activities that generate the greatest environmental benefits, including waste prevention, re-use, recycling and composting.
66. The updated waste management strategy further reinforces the council's commitment to prioritise sustainable waste management practices with the overall aim to reduce the waste sent to landfill and encourage further progression up the waste hierarchy.
67. Reducing the carbon impact of waste is essential for managing the environmental impacts of waste management. Preventing, re-using or recycling waste resources can achieve significant carbon savings over landfill alternatives. Waste prevention has the greatest potential for carbon savings as this avoids the carbon produced in manufacturing, distribution and waste disposal. Table 2 highlights a number of materials that are currently managed in the council's waste stream and the carbon impact of waste prevention and recycling.

Table 2

	Carbon Savings – Kg carbon per tonne of waste diverted	
Material	Carbon savings of waste prevention	Carbon savings from recycling (over landfill alternative)
Textiles	22,310	14,069
Aluminium Cans and Foil	9,844	9,267
Plastics (including bottles)	3,281	1,204

68. The key operational decision within this report with potential to have environmental impacts is whether the council collects recyclable materials using aco-mingled (wheeled bin) or a kerbside sort (black box) method. A co-mingled option will result in fewer vehicles required to deliver the service and therefore a reduction in transport emissions. However, this option will require further sorting of the recyclable materials using a materials recovery facility built to a high technical specification. Although more vehicles are required to implement a kerbside sort service, the need to further sort the recyclable materials is reduced

significantly as the majority of sorting is undertaken by the resident and the collection crew at the kerbside.

69. There is very little evidence to suggest which method of collection has the greatest environmental benefits. Key decisions within this report focus on service providers, rather than the materials collected, therefore environmental impacts of any decision will be limited. The service provider, whether the council or an external provider, will be required to work within the principles set out in the council's Waste Management Strategy and the council's Energy Change and Opportunity Strategy. These prioritise sustainable waste management practices with the greatest potential to achieve carbon savings and environmental benefits.

Equalities Impact of the Proposal

70. There are no specific equalities impacts arising from the proposals. However, in procuring services the requirements of the Public Sector Equality Duty (PSED) will need to be taken into account as the council is classified as a relevant public body as defined in Schedule 19 of the Equality Act 2010. These can be contractually specified and apply equally, irrespective of whether the service is delivered by council staff or outsourced to the private sector.

Risk Assessment

71. Specific risks are highlighted under main considerations above. Each option has some risk attached, so none of the options presented can be considered as risk free.
72. A considerable risk to service provision and business continuity is that if decisions are not taken now in accordance with the proposals, the council would not have replacement arrangements in place when current contracts expire. To enable them to submit competitive tenders, waste management contractors would need the certainty of a two year mobilisation period to deliver the required infrastructure. A successful procurement process is therefore predicated on the need to protect a two year mobilisation period. If decisions are deferred, that period is under serious threat.
73. In order to manage risks associated with changes to the way in which services are delivered, a comprehensive communications programme will be delivered. Details of the proposed programme are provided in **Appendix 5**.

Financial Implications

74. There are no financial implications arising directly from the recommendations contained in this report. Financial information would only be available following return of tenders and their subsequent evaluation.
75. The current waste collection contractor (FCC) has offered a discount on the price of its contract in return for extending the contract until 31 July 2016, the date until which the Hills Waste Solutions contract will run. This would offset some contract inflation and would enable the council to avoid the capital costs of new vehicles and additional depot space which would be incurred if the service was brought in-house from 1 April 2014. It would also enable the council to invite tenders for an integrated collection service to be delivered by a single service provider from 1 August 2016. Negotiations are ongoing in accordance with Wiltshire Council's

Financial Regulations. Any decision to extend the contract would be made in accordance with Wiltshire Council's Procurement and Contract Rules.

76. The proposed contracts would be awarded in 2014 to commence on 1 August 2016. The decision to award contracts would be the subject of a future cabinet paper which would include the full financial tender evaluations. Further work will be done to identify the centrally managed costs which should be allocated to the service and to identify which of these costs would be saved if the collection service was to be outsourced
77. The following is a summary of the net cost of the waste collection service in 2012/13 (not including chargeable waste services) as set out in the council's accounts and revenue outturn.

OUTSOURCED ELEMENTS:	
West Wiltshire Waste Collection contract (FCC)	£3.337m
Additional associated in-house costs	£0.016m
Recycling Collections Service (Hills Waste Solutions)	£3.219m
IN HOUSE PROVISION:	
Direct Costs and income within Waste Services	
Operational	£5.151m
Management	£0.858m
Income (from garden and bulky waste)	(£0.176m)
Direct Costs Managed Centrally:	
Fleet Recharges (direct net costs)	£1.526m
Depot & Buildings Recharges	£1.200m
Depreciation (vehicles, plant and equipment)	£1.959m
Central Support Costs (including those from fleet)	£2.381m
COST OF WASTE COLLECTION SERVICE	£19.471m

78. The following is a summary of the net cost of the chargeable waste service in 2012/13 excluding the income from the bulky household waste service and second garden waste bins. This does not include any allocation for management costs.

Direct Costs and income	
Operational costs	£0.485m
Disposal costs including landfill tax	£1.440m
Income	(£2.210m)
Direct Costs Managed Centrally	
Estimated fleet costs	£0.328m
Depreciation (vehicles)	£0.298m
Central Support Costs	£0.212m
TOTAL COST OF CHARGEABLE WASTE SERVICE	£0.550m

The following is a summary of the net cost of waste disposal paid for through the contract with Hills Waste Solutions for landfill and recycling services in 2012/13.

Direct Costs and Income	
Management	£0.269m
Disposal costs MSW (not including chargeable waste element)	£7.560m
Disposal costs associated with recycling and wood waste	£1.128m
Income from recyclables (part of disposal contract)	(£1.695m)
Landfill tax	£4.120m

Hazardous waste	£0.041m
Clinical waste	£0.007m
Depreciation	£0.332m
Central Support Costs	£0.652m
TOTAL COST OF LANDFILL AND RECYCLING SERVICE	£12.414m

In addition to the above the council spent £5.605 million under the contract with Hills Waste Solutions for the delivery of 50,000 tonnes of residual waste to the Lakeside energy from waste plant.

Legal Implications

Leveraging Social Value

79. In 2012 The Public Service (Social Value) Act received royal assent, and was brought fully into force on 31 January 2013. The Act places a new requirement on commissioners to consider the economic, environmental and social benefits of their approaches to procurement before the process starts. They also have to consider whether they should consult on these issues. The Act applies to the pre-procurement stage of contracts for services because that is where social value can be considered to greatest effect. The council is therefore mindful of the requirements of the Act and the service has carefully considered the impacts of the Act accordingly. Further detail is provided in **Appendix 6**.

In-house Tender

80. It is unlikely that it would be technically possible for an in-house team to submit a formal tender as part of a procurement process. An in-house team would not be separate from the council. Full involvement in a tender process is only possible where the in-house team has already been established as a legal entity, such as an arm's length company, that could submit a tender and enter into an agreement with the council. Such a tender would not be comparable to tenders from external organisations because it would be based on capital investment direct from the council. Evaluating such tenders is difficult and may leave the council open to challenge by an unsuccessful external contractor based on equality of treatment. It is possible to set out the costs of retaining the service in-house rather than inviting an in-house team to tender. If the council decided that the in-house option would provide best value, it could abandon the tender process and retain the service in-house, provided the tender documents make it clear that it could do this.

TUPE

81. TUPE is the Transfer of Undertakings (Protection of Employment) Regulations 2006. The purpose of TUPE is to protect employees if the business in which they are employed changes hands. It preserves an employee's continuity of employment and terms and conditions of service. An employee has the legal right to transfer to the new employer on their existing terms and conditions of employment and with all their existing employment rights and liabilities. Decisions made on the model for delivery of the collection service will inform the TUPE implications for the staff employed by the council and its current contractors.

82. There are three types of TUPE transfer which might apply to this project:

- Outsourcing – Should the decision be taken to outsource the waste collection service post 2016, employees currently working for the council whose principal purpose is delivering waste collection services would be transferred to a contractor and would be subject to TUPE
- In-sourcing – Should the decision be taken for the council to deliver waste collection services in-house, staff currently working for contractors whose principal purpose is delivering existing collection services would be transferred to the council and would be subject to TUPE
- Contractor to Contractor – Where contractors currently deliver waste collection and waste management services and the council decides to continue to contract out those services, employees whose principal purpose is delivering those services would be transferred to the successful contractor and would be subject to TUPE. This would not be the case if an existing contractor were to be the successful tenderer for a new contract.

83. Given the number and range of people impacted by changes to the waste management service, communication with all parties will be important. Details of proposals are set out in **Appendix 5**. Further details of TUPE issues are set out in **Appendix 7**.

Procurement method

84. The procurement process will be carried out in accordance with the Public Contracts Regulations 2006 and Wiltshire Council Contract Regulations, using the restricted procedure.

Safeguarding Considerations

85. There are no safeguarding considerations arising directly from the recommendations in this report. However, recent discussions have taken place with the Corporate Director with responsibility for Children's Services and the Service Director for Adult Care and Housing Operations. These have resulted in agreement to develop awareness training for staff working within the waste management service, including drivers and loaders, of safeguarding children and vulnerable adults. This would include specific examples and advice on appropriate actions. If the decision is made to invite tenders for delivery of the waste and recycling collection service, this awareness training would be included in the specification for the contract.

Public Health Implications

86. The Control of Pollution Act (COPA) 1974 is usually referred to as the starting point of present day waste management legislation, although there are earlier Acts including the Public Health Acts of 1848 and 1936. The COPA 1974 was

the first statute to regulate the disposal of waste to land and the discharge of effluent to water courses. The aim of the COPA 1974 is to deal with waste disposal, water pollution, noise, atmospheric pollution and public health. Much of Part 1 of the COPA on waste was superseded by Part 2 of the Environmental Protection Act (EPA) 1990, which provides the current framework for waste management legislation. There would be significant public health implications should the council fail to comply with its statutory duties to collect and dispose of waste.

Options Considered

87. The options considered are set out under main considerations in the body of the report above.

Conclusions

88. Subject to the decisions made by Cabinet in respect of the proposals, the next key actions are set out in the table below:

Place Official Journal of the European Union notice and issue PQQs upon request	July-August 2013
Report on extending FCC contract to 2016	September 2013
Select suppliers to be invited to submit tenders (report to Cabinet)	November 2013
Award contract(s) to successful tenderer(s)	Summer 2014
Commence new contracts	1 August 2016

89. Members should note that there are considerable risks associated with deferring decisions relating to arrangements for the replacement of the existing contract with Hills Waste Solutions for landfill and recycling services. Information provided by contractors supports the evidence already available to the service that a period of not less than two years will be required between award and start of contracts. This is necessary to allow for an incoming contractor to, where necessary, identify and purchase appropriate sites for waste transfer stations and other required infrastructure, obtain planning permissions and Environment Agency licences, and build and commission facilities to ensure continuity of service beyond 31 July 2016. This is essential as there is no provision to extend the current contract with Hills. Given the proposal that tenders are invited for all contracts at the same time, any delay in issuing one invitation to tender could impact on the timetable for all. If decisions are subject to delay any significant impact on the overall timetable may not be recoverable.

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The following unpublished documents have been relied on in the preparation of this Report:

Report of a service delivery review
Report of a soft market testing exercise

Appendices:

Appendix 1 – Wiltshire Municipal Waste Management Strategy 2012
Appendix 2 – Understanding the Market
Appendix 3 – Collection Method for Dry Recyclable Materials
Appendix 4 – Assessment of Non-financial Factors
Appendix 5 – Communications
Appendix 6 – Leveraging Social Value and Public Services (Social Value) Act, 2012
Appendix 7 – TUPE Issues

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Wiltshire Municipal Waste Management Strategy 2012

(updating the Joint Municipal Waste Management
Strategy 2006)

Foreword

Society now recognises that there is not an infinite supply of raw materials and the environment is not an indestructible sink for emissions, pollution and waste.

EU and government policy, backed by high and increasing taxation levels, seeks a rapid move away from landfill towards more use of waste as a resource.

In Wiltshire very considerable progress has been made in the diversion of municipal waste from landfill and in reducing waste arisings. Residents may shortly achieve 50% recycling of household waste and we have the prospect of reducing landfill to less than 25% of all waste collected by the council, compared with 80% about 10 years ago. Total collection tonnage has declined a little in recent years.

Despite this, each household in Wiltshire continues to produce on average more than one tonne of waste annually.

We therefore need to continue our radical rethink of how to reduce the amount of waste we produce, and put more of our waste to productive use (resource efficiency). The more waste we prevent, reduce, reuse and recycle, the fewer waste treatment facilities will be required. Our recent progress shows that together we can make a difference.

The more that we can do to divert non-recycled waste to energy production, the less landfill we will need.

Whilst the advantages of local treatment can only be realised where the waste industry is willing to provide facilities, there are benefits – to the local economy and community as well as the environment – of seeking local re-use and treatment. In the longer term, these industries may become an important source of local employment.

In 2006 Wiltshire's former local authorities recognised these issues and took steps to minimise the impact on the county by adopting a Joint Municipal Waste Management Strategy (JMWMS).

Significant progress has been made towards the targets set in the JMWMS. Also, the creation of Wiltshire Council from the 5 former authorities in April 2009 included the formation of a single waste authority. These major changes, together with changes in EU and government guidance and forecast waste arisings, require the strategy to be updated.

The updated strategy provides guidelines for the commissioning of waste services as existing contracts come to an end and sets targets for waste management until about 2020. Whilst longer term plans cannot be made in detail, it is also necessary for the updated strategy to provide some guidance about priorities beyond 2020, to assist in planning services.

T.R. Sturgis

Cabinet Member for Waste, Property, Environment and Development Control Services

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Executive Summary

1. Wiltshire's Municipal Waste Management Strategy (WMWMS) 2012 needs to take account of major developments in waste services locally and nationally. Particular drivers include the Landfill Tax, which aims to greatly reduce the landfilling of municipal solid waste (MSW), and the Council's targets to increase recycling to 50% by 2014 and reduce landfilling to less than 25% by the same date¹.
2. The Council will use the updated WMWMS to guide the development of waste collection and disposal services.
3. At the time when the original strategy was prepared Wiltshire was experiencing a rapid growth in municipal solid waste (MSW), rising at a rate above the national average. The updated WMWMS 2012 needs to take account of the recent, widespread reduction in waste tonnages and a forecast of more modest growth. However, the council has set new targets, to encourage continued waste reduction. This is the most beneficial action in both waste management and carbon reduction terms and will encourage further benefits of more efficient resource use.
4. Wiltshire continues to make good progress in providing new recycling and composting services for MSW. At the time when the original strategy was adopted, the recycling rate had doubled over the previous 5 years, to reach 31.5% in 2005/06. Since then, improvements have been made, to reach a recycling rate of 42.9% during 2011-12. Further substantial development of recycling and composting services identified in the original strategy was very largely completed during 2011-12, with results now beginning to show.
5. In addition, the forecast need for substantial secondary recovery capacity has been largely secured, with commencement of the Lakeside Energy from waste contract in June 2009 and the signing of a contract in April 2011 for a Mechanical Biological Treatment (MBT) plant at Westbury. The MBT plant is under construction and is expected to start treating waste during 2013.
6. These developments, plus the reduction in waste growth, have enabled the council to work well within its Landfill Allowances and Trading Scheme (LATS) and greatly reduce tonnage subject to Landfill Tax in recent years. The council now also expects to meet its Business Plan 2011-15 targets to increase recycling to 50% by 2014 and reduce landfilling to less than 25% by the same date. These targets are more demanding than those set by EU and government policy, and will therefore ensure that Wiltshire meets the underlying Landfill Directive target to reduce biodegradable waste landfilling to 35% of the 1995 total by 2020.
7. The WMWMS 2012 continues to be based upon key principles, reflecting the Waste Hierarchy, which seeks to optimise the use of the most beneficial methods of landfill reduction. The Waste Hierarchy, as set out in the EU Revised Waste Framework Directive 2010, is
 - i. Prevention;
 - ii. Preparing for reuse;
 - iii. Recycling;
 - iv. Other recovery - including energy recovery;
 - v. Disposal.
8. Due to the emphasis in the Revised Waste Framework Directive upon waste prevention and re-use, the council's major service changes, and new contracts and developments achieved to date, there is a shift in emphasis in the updated strategy towards the upper

¹ As currently set out in the Business Plan 2011-15

levels of the Waste Hierarchy and working with Wiltshire residents to continue success to date in waste reduction, recycling and composting.

9. However, the need for further major waste treatment needs to be kept under review, given the uncertainties of any forecasts of waste growth, the possibility that further reductions in landfill may be required and opportunities to achieve broader benefits such as more local conversion of waste to resources.
10. The first 3 principles in the WMWMS 2012 are focused on the Waste Hierarchy. Principles 4 and 5 in the original strategy have been combined, to reflect the need for close integration of planning new capacity with the continuing aim of treating waste as close to source as is practicable.

Summary of Progress

11. Since preparation of the Wiltshire JMWMS during the period 2004 – 06, Wiltshire has achieved or experienced the following :-

- A significant slowing in the rate of growth of municipal solid waste (MSW), until 2011
- Growing public support for waste minimisation, composting and recycling, supported by the efforts of the local authority and the Wiltshire Wildlife Trust, and the work of voluntary or local groups
- Sale of over 5000 council-subsidised food waste digesters to Wiltshire residents
- Implementation of key changes in waste and recycling collections, to achieve harmonised services across the whole of Wiltshire, based on alternate weekly collections and more kerbside recycling and garden waste collections
- Significant increases in the proportion of household waste that is recycled or composted, from about 31.5% to about 43%.
- Commencement of a contract to divert 50,000 tonnes a year of Wiltshire's non-recycled waste from landfill to energy from waste incineration (2009) and the signing of a further contract to treat up to 60,000 tonnes a year to produce refuse derived fuel (2011).
- A reduction in the proportion of waste sent to landfill from 60.4% in 2006-07 (and over 80% in 2003-04) to 36.6% in 2011-12.

Wiltshire Municipal Waste Management Strategy (WMWMS 2012)

(updating the Joint Municipal Waste Management Strategy 2006)

Aim

The council will seek further improvement in waste management by pursuing the 4 principles in the updated WMWMS 2012 and the related policies and targets.

In the longer term, beyond 2020, the council will seek continuous improvement in services and performance, with an emphasis upon waste prevention, recycling and composting.

The council believes that waste management cannot be treated in isolation from other activities, and will promote improved links between waste management responsibilities and :-

- Use of waste materials as resources
- Other council objectives, such those set out in the Energy Change and Opportunity Strategy 2012 and strategies and policies to reduce carbon footprint
- Working with the local economy to achieve more re-use and re-processing
- Development of resilient communities.

Principle 1 – waste prevention and re-use

The council will provide advice, education and where possible incentives to encourage waste prevention and re-use by Wiltshire's residents.

The council will pursue a target of reducing waste after recycling and composting from 606 kilos per household achieved in 2011-12 to 545 kilos per household ² by 2015-16.

In the longer term, including beyond 2020, the council will seek to achieve further reduction in waste per household after recycling and composting, by continuous improvement to services and co-operative work with residents and partners.

The council will seek to lead by example, extending waste prevention, re-use and recycling to all premises and procurement of supplies, and will provide information and encouragement to local business, to enable the commercial sector to meet its responsibilities for waste treatment.

Notes

12. Council forecasts indicate that the target reduction in waste per household can be achieved, provided that residents continue to support waste minimisation and make good use of kerbside recycling services, which were much improved during 2011-12.

² Performance will be measured using the established methodology for National Indicator (NI) 191, which is still widely used for performance assessment and comparison

Policies – Principle 1 – Waste Prevention

P1.1 The council will continue to work with the community and voluntary sector partners to encourage prevention, re-use and reduction of waste, with an emphasis upon:-

- i. biodegradable materials such as garden and food waste
- ii. working with “hard to reach” sectors of the community
- iii. a combined approach to waste prevention, re-use, reduction and recycling issues (See also Principle 2)
- iv. working in areas where recycling rates appear to be low
- v. working with any community area boards that wish to prioritise waste prevention and re-use and / or recycling and composting, for example through neighbourhood and community plans.

These principles are set out in the current “Recycle for Wiltshire” Joint Venture Business Plan, and should be retained in any future arrangements to deliver waste prevention, re-use, reduction and recycling.

P1.2 The council will seek funding for schemes to incentivise waste re-use and reduction by residents, with a particular emphasis upon biodegradable waste.

P1.3 The council will continue to work with schools, to encourage education about waste re-use, reduction and recycling, and the prevention and recycling of schools waste.

P1.4 The council will continue to resist commercial use of household recycling centres (HRCs), which is illegal and increases the cost of waste management to the council tax payer, for example by the current system of trade waste disclaimer forms and follow up action.

P1.5 The council will support action by local business to re-use and reduce commercial waste, principally by providing information.

P1.6 The council will provide leadership by example to local residents and the private sector by extending waste prevention, re-use, reduction and recycling facilities throughout its own premises.

P1.7 The council will work with government to produce a Waste Prevention Plan by December 2013, as required by government to meet the requirements of the EU Revised Waste Framework Directive.

P1.8 The council will continue to ask DEFRA to recognise the effects of local action to reduce the biodegradability of household waste, by encouraging residents to minimise their food and garden waste.

Revised Forecasts of Waste Growth

13. The council's current forecast of municipal waste tonnages is set out in Table 1. The council will use this forecast as guidance but will not hesitate to revise forecasts as new information becomes available. For example the recent introduction of a new definition of municipal waste and "local authority collected municipal waste (LACMW)" will require adjustment to tonnage figures. Updates to forecasts are not expected to normally require review of the Strategy.

Table 1: Revised Forecasts of Municipal Solid Waste, December 2011

	MSW tonnage	
2001/02	233,900	
2005/06	259,700	
2011/12	245,200	
	Forecast at 1% per annum (HIGH)	Forecast effects of AWC (LOW)
2012/13	247,600	244,600
2013/14	250,100	246,100
2014/15	252,600	248,600
2015/16	255,100	251,100
2019/20	265,500	261,200

Source: Waste Service for 2013-14

Notes :Values are rounded.

Budget forecasts are likely to require some amendment, due the change in definitions made in 2011 and introduction of the term "local authority collected municipal waste" (LACMW) to differentiate this from municipal waste collected by the private sector. In future separately collected construction and demolition waste (as collected at household recycling centres) will be excluded from the definition.

AWC = alternating weekly collection.

Principle 2 – Recycling and Composting

The council will carry out the separate collection of recyclable and compostable waste materials from all accessible households, supported by publicity campaigns to encourage the use of these services by householders, to achieve a recycling rate of 50% of household waste by 2014.

The council will carry out recycling and residual waste collections on a fortnightly cycle, to encourage residents to make best use of recycling services.

In the longer term, including beyond 2020, the council will seek to achieve further increases in recycling and composting of household waste, by continuous improvement and adoption of viable step-changes to services.

Notes

14. The target to achieve 50% recycling by 2014 reflects the commitment in the council business plan 2011-2015. Maintenance of this performance will be required, to ensure compliance with Revised EU Waste Framework Directive target of 50% recycling by 2020.
15. Improvements to waste and recycling collections completed by April 2012 are forecast to lead to an increase in recycling rate to about 50% by 2013-14.
16. Provision of kerbside recycling collection services to flats is programmed for Summer 2012. At this point the Council will be likely to have met the commitment to provide collections to all accessible households and will have exceeded the original JMWMS target of 95%. Further development will be needed to serve areas of new housing.
17. The council collects the following materials at kerbside :
 - a. Glass (colour separated)
 - b. Metal cans
 - c. Paper
 - d. Aluminium foil
 - e. Textiles and shoes
 - f. Plastic bottles
 - g. Cardboard.
18. The Revised EU Waste Framework Directive requires separate collection of at least paper, metal, plastic and glass by 2015. The council is now compliant with this requirement, subject to acceptance that the plastic bottles and card collection can be effectively separated for recycling, and that other plastics cannot be collected economically at kerbside. To date, separation of these materials at the MRF has been effective. Recent guidance issued by WRAP provides strong support for confining kerbside collection of plastics to plastic bottles only. The government is currently finalising guidance based on the Revised EU Waste Framework Directive, to clarify conditions in which collection of comingled recyclates may be appropriate.

Policies – Principle 2 – Recycling and Composting

P2.1 The council will continue to use guidelines for National Indicator (NI) 192 to assess recycling performance, to enable this to be compared with previous levels and with performance achieved by other local authorities. This is a measure of recycling and composting performance combined.

P2.2 The council will also continue to monitor recycling (of dry materials) and composting (of garden waste) separately.

P2.3 The council will seek efficiencies in the kerbside collection of dry recyclates, subject to final government guidance on conditions in which comingling will be acceptable and standards to be met in sorting comingled materials, and subject to cost and quality assessments of alternative services.

P2.4 the council will continue to promote collection of garden waste to achieve diversion of biodegradable tonnage from landfill. This is well established in Wiltshire and is the most cost effective way of diverting biodegradable waste from landfill.

P2.5 The council will not seek to establish separate collections of food waste, but will

pursue established measures – waste prevention and energy from waste - to divert more of this material from landfill.

This policy will be reviewed if required by changes to government legislation or financial factors.

P2.6 To ensure that best use is made of recycling opportunities by residents, the council will continue to promote local services, in conjunction with work on waste reduction. (See also Principle 1). The council will also promote provision for collections to take place safely and efficiently in the design of areas of new development.

P2.7 The council will maintain and seek to expand the network of household recycling centres (HRCs). There are currently 11 HRCs, located at :-

Amesbury, Devizes, Everleigh (near Pewsey), Lower Compton (near Calne), Marlborough, Melksham, Purton, Salisbury, Stanton St Quintin (near Chippenham), Trowbridge and Warminster.

P2.8 The council has identified the following settlements as priority locations for additional HRCs, subject to sites and funding being made available:

Lyneham, Ludgershall / Tidworth, Mere / Tisbury and Westbury.

In the case of Lyneham, the council will take into account the effects on local demand of the proposed changes to use of the airbase.

P2.9 The council will seek to increase the range of recyclates collected at HRCs, where it is feasible and economic to do so, with a focus upon biodegradable and hazardous wastes and service to residents.

P2.10 The council will seek to extend the scope of community re-use activities based at HRCs, provided these can be achieved safely and legally.

P2.11 The council will seek to promote the development of licensed and permitted recycling centres for business waste, and to prevent illegal use of household recycling centres (see also P1.4).

P2.12 The council will monitor the performance of mini recycling (local bring) sites, following major review the network during 2012, to respond to reduced use by residents and the major development of kerbside recycling collections. The intention will be to maintain a consistent local service backing up the expanded kerbside collections.

P2.13 The council will review its trade waste collection, to ensure that this :-

- a) Is based on an approved business case, which takes account of identified demand and all identifiable revenue and capital costs, including those arising from waste disposal
- b) provides accurate tonnage figures, preferably by separate collection, or alternatively by updated and regular test-weighting of bins
- c) if feasible, includes a significant recycling element, that prioritises biodegradable materials such as paper, card, green waste or food waste, subject to the availability of treatment facilities, and the need to give priority to treatment of household waste tonnage
- d) Makes a sufficient financial contribution to the Council's disposal,

treatment and Landfill Tax costs, to avoid being cross-subsidised by council tax payers.

P2.14 The council will apply a similar approach to provision of services to other paying customers (formerly identified as “Schedule 2” customers under the now-updated Controlled Waste Regulations), recognising that these customers should have access to a multi-material recycling collection.

Principle 3 – Further Diversion from Landfill

The council will recover energy or otherwise divert from landfill sufficient tonnage of Municipal Solid Waste (MSW), in addition to that diverted by recycling and composting, to achieve

- a landfill rate of 25% or less of total MSW by 2014
- a landfill rate equivalent to less than 35% of the biodegradable municipal waste tonnage landfilled at 1995 by 2019-20.

In the longer term, beyond 2020, the council will seek further measures to reduce landfill, as set out in principle 4.

Notes

19. To meet its share of the EU Landfill Directive target for 2020, Wiltshire must reduce landfilling of biodegradable MSW to 35% of the tonnage landfilled in 1995. Although LATS allowances are to be abandoned by the government after 2012-13, these are based on the Landfill directive targets and are therefore a useful guide to necessary performance. The allowance for Wiltshire in 2019-20 is equivalent to a total landfill tonnage (including non biodegradable waste)³ of about 64,000 tonnes.
20. The landfill target of 25% or less by 2014 is in the council’s business plan 2011-15. On current forecasts of MSW tonnage, a continued achievement of this target will be equivalent to landfilling no more than 65,000 to 66,000 tonnes of MSW at 2019-20 (See Table 2).
21. The council’s target and that implied by the landfill directive are therefore forecast to exert very similar requirements at 2019-20, namely a landfill total of less than about 65,000 tonnes. However this will be dependent upon actual MSW tonnages and will need to be monitored. The local target requires action by 2014, but provision has been made to achieve this.

³ UK LATS allowances were based on assumption that MSW is about 68% biodegradable. Composition surveys have indicated that Wiltshire’s waste is similar to this average.

Table 2: Wiltshire's Landfill and Reduction Targets

	MSW Landfill %	Council Target %	MSW Landfill Tonnage	Forecast of Council Target as Tonnage
2006/07	60.4%		158,600	
2007/08	61.5%		158,700	
2008/09	56.4%		141,600	
2009/10	47.21%		115,600	
2010/11	37.47%		91,000	
2011/12	36.6%		89,900	
2012/13				
2013/14		<25%		61,500 to 65,500
2015/16		<25%		62,800 to 63,800
2019/20		<25%		65,300 to 66,400

Notes: The council target % is as set out in the Business Plan 2011-2015 (page 58). The forecast tonnage compliant with this target is based on the forecasts of MSW in Table 1

22. Currently about 37% of MSW is landfilled (2011-12). The council anticipates that increased diversion of waste to recycling and composting, following kerbside collection service improvements during 2011-12 (cross ref) and operation of the Westbury Mechanical Biological Treatment (MBT) plant from 2013 is likely to achieve these targets, as follows:

Need:

Additional landfill tonnage required to achieve and maintain less than 25% MSW to landfill (from Table 2) 24,000 to 28,000 tonnes approx.

Provision:

Forecast MSW reduction and additional recycling and composting tonnage following kerbside collection improvements 21000 tonnes

and
Forecast tonnage diversion from landfill from MBT project 37,800 tonnes

However, these changes have not yet been achieved and their progress must be monitored.

Policies – Principle 3 – Further Diversion from Landfill

P3.1 The council will continue to monitor performance in landfill diversion and update forecasts of MSW and diversion tonnages regularly, to ensure that the targets set out in Principle 3 are met.

P3.2 The council will support further measures to reduce municipal waste sent to landfill, where the proposals comply with the Waste Hierarchy and achieve the Aims of the WMWMS 2012.

P3.3 The council will consider the scope for partnership with local business to achieve landfill reductions for commercial and household waste.

P3.4 The council will promote local use of the solid recovered fuel to be manufactured at the Westbury MBT plant.

Principle 4 – Waste Treatment Capacity

The Council will monitor available capacity for diversion of Municipal Solid Waste from landfill and, subject to the requirements of planning policies and procedures, will support any additional proposals required to meet targets and policies for landfill reduction (as set out in Principle 3), and to address the following:

- i. The scope for developing re-use, recycling, composting and other treatment industries in Wiltshire, to avoid creating waste or convert it to resources, and to encourage treatment of waste at higher levels in the waste hierarchy
- ii. The scope for community-based action and/or public and private sector partnership action to convert waste to resources
- iii. The scope for local use of resources produced by local waste treatment, such as refuse derived fuel
- iv. Opportunities to develop additional landfill diversion capacity in the south and west of Wiltshire
- v. identified gaps in the household recycling centre network
- vi. the scope to improve the carbon efficiency of waste collection, handling and treatment facilities.

In the longer term, the council will pursue the goal of zero waste to landfill and reduction of the environmental impact of waste treatment, by continuous improvement to waste collection and treatment services.

Notes

23. The concentration of landfill, MRF and composting capacity in the north of the County is being reduced under current contracts by developments at Amesbury (WTS) and Westbury (MBT plant), plus the renewed use of the Grateley on-farm composting site. However, decisions about provision from 2016 onwards may require new facilities. Also, there is growing interest in reducing the climate change impact of Council services. The development of additional landfill diversion capacity in the south and west of Wiltshire is likely to assist in reduction of waste miles.

Policies

P4.1 The council will ensure that waste management, economic development and land use planning policies are coordinated, to encourage local action to increase resource efficiency and treatment of waste to produce new “raw materials” or energy.

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Understanding the market

Service Delivery Review

1. To gain a better understanding of the views and attitudes of the wider waste management industry, a service delivery review was undertaken by the waste service in June and July 2012. The review took the form of a series of individual meetings with a range of local, national and international service suppliers, together with an online questionnaire that could secure responses from a wider audience. The review collated views on:
 - a. The effectiveness of the current service delivery model and what other models could be considered by the Council
 - b. Waste management best practice
 - c. Future industry developments
 - d. How services could be packaged to achieve the optimum service format for the Council
 - e. How value for money might be demonstrated
 - f. Identifying opportunities for savings and efficiencies.

2. Key conclusions from the review

- One of the weaknesses of Wiltshire's current delivery model was the mixed economy of in-house and contracted-out waste and recycling collection services. The efficiencies to be gained through optimisation of routes, depot locations and tipping points, together with cross boundary (ex-district council) working were consistently highlighted.
- Where the service options and risks are well understood and specified suppliers recommended using the restricted tender procurement process.
- There was very little appetite for an integrated contract, i.e. bundling all collection and disposal services together. Suppliers were very keen on services being packaged into 'lots' that had commercial and operational synergies, as this was likely to 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 service.

Soft Market Testing

3. During April 2013 the waste service undertook another waste industry market consultation, or soft market test. The scope and structure of the exercise was designed in conjunction with the Corporate Procurement Unit (CPU) with the purpose of gaining a greater understanding of how the supply market operates, so that any subsequent procurement exercise was designed in a way that encourages a broad range of potential suppliers.

4. A comprehensive questionnaire was published online via the Council's Pro-contract procurement portal (<https://www.supplyingthesouthwest.org.uk/>). To ensure the market was aware of the consultation over 50 suppliers of waste services were directly notified of the opportunity to contribute to the exercise. In addition, over 15 local and national voluntary and community service organisations were contacted directly about the consultation.
5. In total, 12 questionnaires were returned; eight from national and international companies (including a wholly social enterprise provider of recycling services). The remaining four suppliers consisted of two smaller voluntary and community sector organisations (in terms of the elements of service provision they are interested in, as opposed to the scale of the organisation), a logistics company and a consultancy. The consultation generated a significant volume of detailed information from the supply market, which can be used to shape procurement and specification documents. Importantly, the responses also confirmed the views of the service about key aspects of any future service delivery.

Key Conclusions from the Consultation

6. Clarity of the service required by the Council was repeatedly emphasised, as were good communications at all stages of the process. Other key attributes of a good tendering exercise cited by suppliers included:
 - a. Opportunity for innovation and submission of variant tenders
 - b. No fixed method of service delivery
 - c. Clear evaluation criteria
 - d. Transparency of process
 - e. Sufficient time to prepare tenders
 - f. Clear timetable
 - g. Clear political alignment
 - h. Provision of accurate service data
7. In terms of the procurement route, the eight large suppliers had experience of both restricted tender and competitive dialogue, but only one specifically expressed a preference for the competitive dialogue route. This reinforced the messages received during the previous service delivery review.
8. In addition, surveys of selected neighbouring councils and those with similar characteristics (in terms of size, rurality and collection services) to Wiltshire Council were undertaken in March and April 2013. The surveys sought service delivery, performance and financial data against which our own services could potentially be benchmarked. It also sought to identify any potential partnering arrangements with other councils and/or infrastructure capacity that might be beneficial to Wiltshire's service delivery. The limited responses received showed that direct cost comparisons are difficult to assess and establish conclusions from. The information provided some useful contacts and identified some waste transfer station and materials recovery facility capacity in a neighbouring authority.

Collection Method for Dry Recyclable Materials

1. Currently, the Council operates a system with features of both a co-mingled model (plastic bottle and card), and kerbside sort (the 'black box' collections). A proposal to move to a wholly co-mingled model has been considered but this is not without risks. It was noted in the previous report to Cabinet in November 2012 that there was a judicial review that had been ongoing to determine the legality of the way in which DEFRA had transposed the wording of the EU revised Waste Framework Directive into UK law on the subject of separate collection of recyclable materials. This appeared to permit co-mingled collections as a viable option. This action against DEFRA, brought by members of the reprocessing sector, prompted changes to the wording of the UK legislation following which the judicial review was recently dismissed in a UK court. The claimants have subsequently indicated that they would mount no further challenge to DEFRA's interpretation and transposition of the revised Waste Framework Directive into UK law. However, there remains the risk that action could still be brought against individual local authorities seeking to move away from a kerbside sort model (where the quality of dry recyclable material is generally higher and hence of greater value) toward co-mingled collections. Legal advice is that this risk is low.
2. To help evaluate both systems Improvement and Efficiency Social Enterprise were commissioned to carry out a high level financial comparison of the two waste collection methods, together with an assessment of their relative performance and respective benefits and risks.
3. Whilst the results of this analysis suggested that a co-mingled method would deliver a cheaper service, largely due to projected savings in vehicles and crews, many of the conclusions were based upon estimated costs and other data. One of the report's conclusions was that there is very limited publicly available data. Other conclusions are listed below.
 - a. A commonly held advantage of a kerbside sort model is the higher prices received for recyclable materials. In building a financial model this is an important variable. Due to a lack of information Improvement and Efficiency Social Enterprise assumed a 5% reduction in the value of material collected using a co-mingled system. It is not possible to robustly test this assumption due to the commercial sensitivity of the rates paid for recyclable materials.
 - b. Another commonly held advantage of the co-mingled method is an increase in the quantity of material collected. This method requires less deliberation on the part of residents as all dry recyclable materials are placed in one bin. This results in greater levels of separation of recyclable materials from the household waste. This in turn increases performance and income levels. However, limited data has resulted in an assumed 5% increase in quantity of material collected using a co-mingled method. Some anecdotal evidence would suggest a greater increase should be attributed, but Improvement and Efficiency Social Enterprise, in the absence of hard data, have adopted prudent estimates.

- c. One of the key differentiating factors between kerbside sort and co-mingled methods has been the reject rate from the materials recovery facilities which receive and sort the recyclable materials. Materials recovery facilities supporting kerbside sort collections are often quite basic and relatively inexpensive to finance. They receive pre-sorted materials and so ensure a low reject rate. The quality of the materials results in higher income. In Wiltshire, the reject rate for kerbside sort dry recyclables is less than 2%. This compares with 5-6% for the co-mingled plastic bottle and cardboard. This reject rate could rise considerably with the addition of other materials and rates of 15% and above are not uncommon. This would render such a system financially unviable. To support a fully co-mingled stream a much higher specification materials recovery facility would be required. This would either be built in Wiltshire or capacity at a nearby commercial facility could be procured. Modern materials recovery facilities built to high technical specifications claim reject rates as low as 2-3% and are capable of accepting a wider range of materials than currently collected within Wiltshire. Such low reject rates have not been demonstrated consistently in existing plants. Some newer plants have achieved this but only on a relatively short term basis. The reject rate reflects the quality of the material delivered to the plant as well. On this basis, Improvement and Efficiency Social Enterprise assumed a 4% reject rate for financial comparisons. Operating costs for a facility are also estimated as these are commercially sensitive.
 - d. Improvement and Efficiency Social Enterprise's analysis also suggests a significant reduction in staffing, and consequently vehicles, associated with a co-mingled service. However, this comparison was undertaken from a current baseline and makes no allowance for the impact of the proposed re-modelling of collection rounds to be implemented in 2014-15. This will reduce the apparent differences in cost. The extent of this is as yet not known and the full year savings of remodelling rounds won't be confirmed until the end of 2013.
4. When estimating the differences in costs, taking both collection and treatment processes into account, the analysis concluded that a kerbside sort option would be around 16% more expensive than a co-mingled service. On that basis it concluded that there is the potential for savings if the council adopts a co-mingled model.
5. Other potential advantages associated with a co-mingled model include:
 - (i) Greater public acceptance, arising from greater simplicity, fewer bins, and fewer collection vehicles in total causing less congestion
 - (ii) Fewer vehicles producing less carbon emissions.
6. Given the data inadequacies described and the lack of evidence available, whilst the work done appears to favour a co-mingled collection method, the results are not sufficiently robust to properly inform a decision at this time.

7. There is an ongoing national drive to improve the quality of recyclable materials and provide for flexibility and choice of collection system by improving the performance of materials recovery facilities and so reduce reject rates.
8. The Government recognise that in order that the apparent choice in the interpretation of the revised Waste Framework Directive is really available to local authorities, materials recovery facilities must be able to produce recyclable materials which meet the quality specifications of the re-processing industry. If quality levels can be raised, greater income from the sale of recyclable materials would be available. Re-processors generally considered the quality of materials from co-mingled systems to be lower than that from kerbside sort collections. This resulted in the judicial review referred to in paragraph 1 above. However, data is limited with many materials recovery facilities neither assessing nor reporting on quality. DEFRA has now committed to an action plan that will legislate for:
 - Consistent performance data from materials recovery facilities to be provided through the national reporting system Waste Data Flow – which would therefore be available to local authorities
 - Quality management systems to be mandatory for all materials recovery facilities
 - Mandatory minimum technical specifications for all large scale materials recovery facilities
 - Standard quality grades for recyclable paper, plastics, metals and glass.
9. The outcome of these changes, which are expected to be in place by the end of 2014, should be reliable, consistent and transparent information on the performance of materials recovery materials facilities and the quality of recyclable materials being delivered to re-processors. This evidence is not yet available to inform the council in making a decision on the choice of collection method for recyclable materials at this time.

Assessment of Non-financial Factors

1. Each factor was weighted according to its importance in the context of service delivery. Scores were allocated to reflect whether each factor would be better managed by an in-house service or private sector provider. If the view was that an in-house service and private sector contractor could manage the factor equally well, a neutral score of zero was given. Scores were subsequently aggregated to generate a recommendation. The results of this exercise indicated a recommendation to outsource the collection service, based upon a qualitative analysis.
2. There is an assumption built into some responses that the Council will have already identified and extracted some significant efficiency savings prior to 2016, largely resulting from a fundamental redesign of collection rounds which is due to be implemented in 2014-15. Results from the Council's soft market testing exercise show that this is the most often cited means by which a contractor would seek to introduce innovation and generate efficiency savings from an outsourced model.
3. Whilst some of the scores suggested a wide disparity between in-house and outsourced services, in reality the outcome was often quite finely balanced with material factors being identified that could support either option. One example is the provision of depots where the case for outsourcing was made. There was recognition that there will be a need for greater depot space in the future, owing to the current reliance on Hills Waste Solutions for depot space for the kerbside sort vehicles as the current provider of the 'black box' dry recyclables service. In addition, FCC has provided additional depot space for the vehicles for the plastic bottle and cardboard collections in the west. The Council's current depot strategy is unlikely to result in the provision of new facilities by 2016. At present there is no funding in the Council's capital programme for the provision of the additional depot space required.
4. In a number of cases, scores which favoured an outsourcing model were based upon perceptions of the likely availability of future funding, particularly capital. Whilst it was recognised that councils could borrow at a cheaper rate than the private sector, final scores also reflected the Council's priorities for capital investment.

Communications

1. Internal communications and stakeholder engagement will be an integral part of the success of this project. The broad nature of the project and potential sensitivities regarding the future delivery of waste services require a comprehensive communication strategy to support the council in engaging with a wide range of stakeholders in a timely manner.
2. Robust and extensive internal communications are essential in order to communicate effectively to internal waste operational and back office staff, unions and staff working for current contractors. Any decisions made will have significant implications for many staff and it is therefore essential that messages are timely and are communicated in an open and transparent manner.
3. A communication and stakeholder engagement strategy has been developed to support the rollout of this project, the principal aims of which are:
 - To deliver clear and tailored messages to project stakeholders in a timely manner, using appropriate communication channels
 - To respond promptly and accurately to any concerns and anxieties
 - To ensure all project communications are consistent with the corporate communication protocols, branding and guidelines.
4. Key stakeholders identified include:
 - Wiltshire Council waste management staff
 - Current contractors (Hills Waste Solutions and FCC)
 - Trades Union representatives
 - Other Council services
 - Local media
 - Community partners
5. There are a number of key communications issues throughout this project, predominantly regarding maintaining service continuity and reducing any reputational risk to the Council. The following key principles will be integral to the communications programme in order to manage these:
 - Advise staff of the outcome of this and other Cabinet decisions in a timely manner, and provide additional information which is relevant to the decision made.
 - Where necessary, communicate, guide and support staff through any TUPE implications and arrangements over an extended period of time. Ensure that there is regular and timely contact between HR and waste management staff.
 - Provide staff with consistent and detailed information about any changes in policies and operational practices that may affect their role.

- Work effectively with key personnel from our current contractors to provide consistent messages to their staff about decisions made and the implications of those decisions.
- Ensure that all staff have access to reliable and timely information in order to respond to rumours, concerns and anxieties.
- Work effectively with trades union representatives throughout the project to ensure that they have an opportunity to contribute to and understand the implications of decisions made.
- Engage with community partners and local media at key milestones during the project.

Leveraging Social Value and Public Services (Social Value) Act, 2012

1. In order to progress the new aims and principles raised under the Act, we have adopted the principles of the Wiltshire Compact to guide the procurement work undertaken so far. These include addressing the promises of building stronger, more resilient communities in Wiltshire; promoting, supporting and encouraging the work of community groups and volunteering in Wiltshire; and recognising and promoting the importance of equality, diversity and human rights to ensure an inclusive approach in the creation of stronger, more resilient communities. We have engaged the Compact in reaching out to the voluntary and community sector in Wiltshire to enable these organisations to become fully engaged in the pre-procurement process in a timely manner.
2. The Waste Re-use Forum was set up in 2012, with the aim of actively promoting engagement with the voluntary and community sector to consider joint ways of working, including conducting trials which explore ways of achieving this, such as identifying items suitable for re-use from the household recycling centres, exploring ways of working more closely to deliver the bulky household waste collection service whilst achieving a higher rate for re-use than is secured currently, and producing a service information leaflet about this service and the importance of engaging with the voluntary and community sector.
3. Building on the relationships forged through this forum, pre-procurement engagement began in February 2013 by highlighting and distributing our market testing exercise to all voluntary and community sector organisations involved in the Waste Re-use Forum, the Wiltshire Compact, and broader international, national and local organisations that we were otherwise aware of. This included engaging with broader umbrella voluntary and community sector organisations such as the Furniture Re-use Network and the Charity Retail Association. Three of those organisations positively responded to the exercise.
4. We now understand that some voluntary and community sector organisations have the capability to deliver the whole waste collection service by contracting with the Council directly. In contrast, other voluntary and community sector organisations are able to deliver discrete elements of the service, such as delivering the bulky household collection service, which could be achieved through sub contracting to either the Council or a private contractor. The organisations who are able to do this, deliver their services on a national scale. All of these options present opportunities for the Council to develop the social value of the waste collection service from where it currently stands.
5. Whether the collection service is delivered in-house, by a private contractor or by a voluntary and community sector organisation, working with the voluntary and community sector can be specified as a service requirement and can be achieved through a partnership approach, service level agreement or by formal contract arrangement in each scenario.

6. Private contractor respondents to the market consultation exercise carried out by the Council confirmed that contractors already either directly employ or sub-contract out elements of their waste collection contracts to the voluntary and community sector, most by using the voluntary and community sector to deliver the bulky household waste collection service. On a local level, voluntary and community sector organisations have limited capacity to expand their working practices, although they have all previously expressed interest in closer working with the Council's broader waste management service.
7. There is an opportunity to further develop the role of drivers and loaders in the waste collection service to effectively become part of the 'eyes and ears' of the Council and other public agencies on the ground. This could have distinct advantages for services such as adult care, public health, and consumer protection. Further consideration will be given to this and any training required.

Public Services (Social Value) Act, 2012

8. There are some practical considerations related to The Public Service (Social Value) Act 2013 and these are set out below.
 - (i) Whilst larger waste contractors are national or international in scale, the majority of the workforce is likely to be recruited locally. The need for skilled and experienced management means that senior posts are likely to be recruited nationally, by both a contractor and an in-house provider.
 - (ii) As set out in paragraph 5 above, working with the voluntary and community sector can be specified as a service requirement whether the service is delivered in-house or through a contract. Working with the voluntary and community sector can be achieved through a partnership approach, under a service level agreement or by formal contract arrangements in either scenario.
 - (iii) As set out in paragraph 6 above, respondents to the market consultation exercise carried out by the Council confirmed that contractors already either directly employ or sub-contract out elements of the waste collection contract to the voluntary and community sector. This mainly involves using the voluntary and community sector to deliver the bulky household waste collection service.
 - (iv) Involving the voluntary and community sector in delivering the waste management service demonstrates that the Council is delivering the Wiltshire Compact promises of building stronger, more resilient communities in Wiltshire; promoting, supporting and encouraging the work of community groups and volunteering in Wiltshire; and recognising and promoting the importance of equality, diversity and human rights to ensure an inclusive approach in the creation of stronger, more resilient communities.

TUPE issues

1. Issues include, but are not limited to:
 - (i) Pensions liabilities
 - (ii) Loss of key staff leading to potential service disruption
 - (iii) Industrial unrest
 - (iv) Inadequate mobilisation period
 - (v) Inflated tender pricing
 - (vi) Lack of comprehensive and timely employment data

2. From engagement with the market it is clear that the most significant risk relates to pension liabilities. Most suppliers cited this as a key area of concern and appear to focus on inherited liabilities. This would potentially arise with staff transferred from the Council to a contractor when the new supplier applied for Admitted Body Status to the Local Government Pension Scheme and the terms for funding any additional liabilities resulting from, for example, national changes in employer contribution rates were not fully resolved in the contract. This in turn could attract a risk inflated price if there was not a mechanism in place to deal with resulting liabilities.

Project Group and Communications

3. In line with Council TUPE guidance, a project group will be established to manage the TUPE issues and subsequent communications with staff. This group will have representatives from finance, human resources, legal, waste management, and trades unions to ensure that all options and proposals are considered and the TUPE process is managed in accordance with all legal requirements.

4. It is essential that timely communications are delivered to those staff potentially affected by TUPE arrangements and the project group will work with the communications project team and representatives from current and future contractors to prepare and deliver information on any decisions made, the implications of the decision and in response to questions, rumours and concerns.

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