



# Harlow District Council

## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

February 2017



The Pavilion, Botleigh Grange Office Campus, Hedge End, Southampton, SO30 2AF

Tel: 02382 022 800

Email: [waste.enquiries@wyg.com](mailto:waste.enquiries@wyg.com)

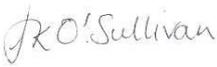


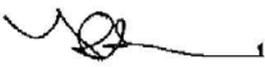
## Document Control

Project: Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services  
Client: Harlow District Council  
Job Number: A099013  
File Origin: A099013/R-1 Feb 17

Document Checking:

Prepared by: Len Attrill	Signed: 
--------------------------	--

Checked by: Joanne O'Sullivan	Signed: 
-------------------------------	---

Verified by: Len Attrill	Signed: 
--------------------------	---

Issue	Date	Status
1	January 2017	Final Draft
2	January 2017	Final
3	February 2017	Final with edits
4		



## Contents Page

1.0	INTRODUCTION & BACKGROUND .....	1
1.1	General Background .....	1
1.2	Objectives of this Study .....	2
1.3	The Legislative Background.....	3
1.4	Essex CC .....	5
2.0	EXECUTIVE SUMMARY OF FINDINGS.....	6
2.1	Systems for Waste Collection .....	6
2.2	Options for Changes to the Service.....	6
2.3	Options for Changes to the Method of Service Delivery.....	8
2.4	Other Observations .....	9
3.0	CURRENT PERFORMANCE.....	11
3.1	Overall Recycling / Composting Performance .....	11
3.2	Kerbside Collection Performance for Harlow, its Nearest Neighbours and Essex Authorities .....	13
3.3	Garden Waste Service .....	19
3.4	Bulky Waste Service .....	22
4.0	FUTURE OPTIONS: SERVICE DESIGN .....	26
4.1	Residual Waste .....	26
4.2	Garden Waste.....	29
4.3	Bulky Waste .....	29



4.4	Dry Recycling.....	30
4.5	Greater use of Communal Collection Points .....	31
4.6	Food waste.....	32
5.0	FUTURE OPTIONS: MEANS OF SERVICE DELIVERY .....	33
5.1	Overview of Options.....	33
5.2	Delivery In-House or through a LACC.....	35
5.3	Contracted-Out Service.....	41
5.4	Risk Analysis.....	43
6.0	ADDITIONAL MATTERS FOR CONSIDERATION .....	47
6.1	Four-Day Working .....	47
6.2	Model.....	49
6.3	Modelled Resources.....	49
6.4	Provision of Capital.....	51
6.5	ICT .....	53
6.6	Contract Period .....	54
6.7	Procurement Process .....	55



## Table Contents

<b>Table 1: Recycling/Composting (%) for Harlow, its Nearest Neighbours and Essex Authorities (2015/16) .....</b>	<b>12</b>
<b>Table 2: Kerbside Yields (kg/hh/yr) for Harlow and its Nearest Neighbours .....</b>	<b>14</b>
<b>Table 3: Kerbside Yields (kg/hh/yr) for Harlow and Essex Authorities .....</b>	<b>16</b>
<b>Table 4: Garden Waste Collections in Harlow, its Nearest Neighbours and other Essex Authorities .....</b>	<b>21</b>
<b>Table 5: Bulky Waste Charges in Harlow and its Nearest Neighbours .....</b>	<b>24</b>
<b>Table 6: Bulky Waste Charges in Harlow and Essex Authorities .....</b>	<b>25</b>

## Appendix Contents

Appendix A – Detailed Risk Analysis



# Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

## 1.0 INTRODUCTION & BACKGROUND

### 1.1 General Background

1.1.1 WYG has been engaged by Harlow District Council (HDC) to assist with the re-procurement of its contract for waste collection, recycling and allied services. The current contract, which is held by Veolia Environmental Services (VES) expires at the end of June 2018.

1.1.2 HDC is a Waste Collection Authority (WCA) with Essex; and Essex CC is the Waste Disposal Authority (WDA). HDC delivers its residual waste and compostable waste to Essex CC; but, as further explained in 1.4 below, HDC retains the ownership of, and is responsible for the treatment of, dry recyclables collected (in accordance with Section 48 of the Environmental Protection Act 1990 (EPA)). Through this latter arrangement, HDC is paid recycling credits by the WDA.

1.1.3 The system design for collecting waste is as follows:

- Residual waste collected fortnightly from a 180-litre wheeled-bin;
- Dry mixed recyclables (DMR) collected fortnightly, co-mingled including glass, from a 240-litre wheeled-bin;
- Garden waste collected fortnightly from a 240-litre wheeled-bin or via a bookable bag service, both on a chargeable basis; and
- Food waste collected weekly from food waste containers and from flats in 140-litre wheeled-bins.

1.1.4 In addition, HDC operates a chargeable bulky waste service (which we discuss more fully in 3.4); and a collection service for nappies and associated hygiene products (AHP collections). There are currently ca. 80 customers who use this weekly collection service: entitlement is calculated according to the amount of such waste generated, with collections provided to those households which produce three or more bags of such waste each week.



## 1.2 Objectives of this Study

- 1.2.1 The objectives of this study are to undertake an options appraisal that will examine and recommend a preferred methodology for the services that will form part of the replacement contract. In this report we review the current methodology and its costs, performance, risks and whether it is delivering value for money; and we also consider other methodology options for possible replacement services and their likely costs, performance, risks and assessment of value for money, culminating in a recommended preferred methodology for the replacement service.
- 1.2.2 The Council has, in the brief, identified that the options for the methodology of the replacement service should include but not to be confined to the following:
- a) Refinement of existing methodology to optimise net cost of collection and disposal of DMR [e.g. revise materials collected, provide separate collection of paper, glass etc.]
  - b) Introduction of 3-weekly residual waste collection
  - c) Introduction of 4-weekly residual waste collection
  - d) Introduction of 4-day working
  - e) Maximisation of "green" waste collection
  - f) Introduction of Communal Waste and recycling containers for low-rise housing
- 1.2.3 Further, the brief states that the Council expects options for how the service should be delivered to include but not to be confined to the following:
- a) Competitive Procurement from within existing commercial market.
  - b) Shared service with a neighbouring authority.
  - c) "In-house" provision [for example through Teckal-compliant trading company].
  - d) Where appropriate consideration of optimum contract duration.
- 1.2.4 Finally, the brief requires that the replacement service must satisfy the following key requirements:
- a) The lowest net cost to Harlow District Council.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- b) Deliverable in the context of the Waste Disposal Authority.
- c) Complies with the provisions of the IAA.
- d) Delivers top quartile environmental performance.
- e) Compliant with the Council's statutory responsibilities including Waste England and Wales Regulations 2011 ["TEEP" requirements].
- f) Minimises the Council's exposure to significant risk from market conditions or service failure.
- g) Capable of being procured within the resources and time available.
- h) Sustainable collection methodology that will remain fit for purpose until 2025.

1.2.5 We were required to submit a report by the start of January 2017 and we have met with this timescale. We would like to thank the Officers of HDC for the provision of information in a timely fashion that has enabled this deadline to be met.

### 1.3 The Legislative Background

1.3.1 Much of the current legislation surrounding waste is EU-based: however, a good deal of this has been transposed into UK strategies and, in some cases, into UK regulations. It is too early to say whether the result of the referendum of June 2016, when the UK voted to leave the EU, will have very much effect on UK waste policies: although, clearly, once the UK formally leaves the EU there is no basis for the EU to fine the UK for not achieving targets.

1.3.2 At present there are no statutory local targets much less targets for individual local authorities. Overall, the Government's most recent aims which affect HDC are set out in Waste Strategy 2007 and commented on in DEFRA's Waste Management Plan for England published in December 2013.

1.3.3 Waste Strategy 2007 set out the following aims:

- To reduce waste: to 225kg per person by 2020;
- To increase recycling: to 40% by 2010, to 45% by 2015 and to 50% by 2020; and
- To achieve recovery of Municipal Waste: at 75% by 2020.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- 1.3.4 HDC has to abide by the Waste (England & Wales) Regulations 2011. These enshrine the principles of the Waste Hierarchy, whereby waste prevention is given the highest priority; then re-use; then recycling; then recovery; and disposal (landfill and incineration without energy recovery) which is seen as the worst option.
- 1.3.5 These Waste Regulations were amended in 2012 including adding Regulation 13 regarding the collection of glass, metal, paper and plastic for recycling; and the amendment was subsequently the subject of a judicial review. The requirement of Regulation 13 is that these materials (i.e. glass, metal, paper and plastic for recycling) should be collected separately; but may be collected on a different basis in certain circumstances where it can be shown that it is not technically, economically or environmentally practicable (TEEP). WYG assisted HDC in October 2014 in undertaking a TEEP assessment to ensure compliance.
- 1.3.6 Waste Regulation 13 is commonly misunderstood. It does not mean that these materials cannot be co-mingled: but if they are, then a test needs to be carried out to compare the technical, economic and environmental practicabilities of not collecting them separately in comparison to the methodology chosen. In late April 2014 WRAP published the Waste Regulations Route Map to carry out such tests: and since its publication WYG has carried out over 30 such tests for local authorities that do not collect these materials separately; and all have passed this test using this methodology.
- 1.3.7 As far as recovery is concerned, DEFRA states that the landfill tax is '*the key driver to divert waste from landfill to ensure that we meet EU targets under the Landfill Directive*'. For now, we assume that Landfill Tax will continue and will be increased in line with inflation, but probably no more, in the future.
- 1.3.8 DEFRA also notes that the 'waste producer and the waste holder should manage waste in a way that guarantees a high level of protection of the environment and human health. In accordance with the polluter-pays principle, the costs of waste management shall be borne by the original waste producer or by the current or previous waste holders'.
- 1.3.9 In addition to the legal constraints described above, HDC is subject to the Inter-Authority Agreement that operates between Essex CC and its constituent WCAs which we now go on to describe.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

### 1.4 Essex CC

1.4.1 Essex CC is, as mentioned earlier, the Waste Disposal Authority for HDC.

1.4.2 As WDA, Essex CC provides tipping facilities for each WCA: and where these are not proximate to the WCA pays 'tipping away' payments to that WCA in accordance with the EPA.

1.4.3 Essex CC does not provide tipping facilities for dry recyclables, unless charged for. This is in accordance with the arrangement described in Section 45 of the EPA whereby WCAs retain ownership of the recycle; and under this arrangement Essex CC pays the WCA recycling credits (on a 'per tonne' basis).

1.4.4 Essex CC has an Inter Authority Agreements with the WCAs and also makes payments in respect of residual waste diversion by the collection of food waste.

1.4.5 It is worth noting at this stage that HDC's current service design fits with the general strategic thrust of the WDA. A number of Essex WCAs collect waste differently: and the WDA has concerns regarding:

- WCAs that collect food waste and garden waste co-mingled: since this means that the total waste stream has to be treated as if it were food waste, whereas if they were separate then the garden waste could be windrow composted, which is a much cheaper process; and
- WCAs that do not take effective action to minimise waste by restricting the capacity: a number of Essex WCAs still collect residual waste weekly.

1.4.6 In considering options for the future HDC would need to continue to keep separate food waste collections and to ensure that total waste arisings are minimised. We examine HDC's achievements to date in terms of waste minimisation as well as its general performance in Section 3.



## 2.0 EXECUTIVE SUMMARY OF FINDINGS

### 2.1 Systems for Waste Collection

- 2.1.1 HDC's current system for waste collection delivers good results which in some matters are excellent.
- 2.1.2 The system was assessed as compliant with Waste Regulation 15 (TEEP): and given continued performance, it continues to be compliant. In particular, its capture rate for dry recycling is such that its rate of 31.9% places it amongst the top ten authorities in England (8<sup>th</sup> from 228 WCAs reported in 2015/16); and it achieves the highest diversion compared to its Nearest Neighbours and other Essex authorities.
- 2.1.3 As far as food waste is concerned, HDC has the 2<sup>nd</sup> highest yield for separate food waste collection among its 'nearest neighbour' group. Garden waste performance is however somewhat lower than for other comparable authorities.
- 2.1.4 More generally, analysis of the most recent data confirms that Harlow's overall performance in 2015/16 for recycling/composting (at 44.9%) is above average compared to other English waste collection authorities (placed 104<sup>th</sup> from 228 WCAs reported 2015/16; excluding unitary and disposal authorities).
- 2.1.5 HDC's system for waste collection does much to minimise overall waste arisings: it has the lowest overall level within its 'nearest neighbours' group and the level is well below the average level for Essex authorities.
- 2.1.6 HDC's system for waste collection fits entirely within the general aims of the Waste Disposal Authority, Essex CC. Performance enables significant financial contributions from Essex CC.

### 2.2 Options for Changes to the Service

- 2.2.1 We are asked to consider options which could deliver savings: we have not examined changes which would add cost, either in collection costs or in terms of lower performance which could threaten the income stream from Essex CC.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- 2.2.2 HDC could move to a system of collecting residual waste every three weeks instead of every fortnight: such a change could deliver savings of ca. £170,000 per annum in collection costs. However, such a change is likely to be controversial and lead to adverse public reaction: thus far, only a few English waste collection authorities have made such a move. Further, there would be a need for most households to have a larger residual waste bin than at present, which incur a one-off cost of ca. £600,000; and taking into account the costs of publicity etc., the effective annual saving over the next contract period might be only £100,000 per annum or so.
- 2.2.3 HDC could change the way in which garden waste is collected and move to a wheeled-bin subscription service. We estimate that there would be cost improvement of ca. £100,000 per annum and it could be popular amongst some residents who currently pay for a premium service, and possibly more generally.
- 2.2.4 We have looked at the option of collecting glass as a separate stream as several other Essex authorities do: but can see no reason to recommend such a change.
- 2.2.5 We believe that there should be a review of bulky waste charges: on a benchmarking basis they are relatively low. The bulky waste service is discretionary and few councils operate on a 'break-even' basis. Although increases in charge may influence demand, the benchmarking suggests that a relatively small increase which brings them into line with other councils should reduce the net cost.
- 2.2.6 We believe that the option of collecting residual waste from communal collection points will raise many challenges and will incur significant one-off costs to introduce. Taking these into account then the cost benefit is uncertain, given that the quantity and quality of recycle is likely to fall, affecting treatment costs and income from Essex CC.
- 2.2.7 It may be appropriate for the option of not collecting food waste from flats could be explored as part of the re-procurement, given that the current external funding for this service of ca. £270k per annum will disappear in 2018: we understand that the capture rate from flats is (perhaps predictably) lower than that from individual properties. The question as to what the saving might be would need to be considered alongside the principle of equal access to services.



# Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

## 2.3 Options for Changes to the Method of Service Delivery

2.3.1 In accordance with the brief, we have considered three options – in-house, Teckal / LACC and contracted-out (the latter being the current method for service delivery).

2.3.2 We have identified a number of risks with the first two options which do not exist in the latter.

2.3.3 We have undertaken a detailed Risk Assessment which gives the following results:

	Number of factors assessed as:			Total Risk Points
	Green	Amber	Red	
<b>Contracted-out service</b>	9	3	0	44
<b>Bring the services in-house</b>	7	3	2	62
<b>Deliver through a Teckal arrangement</b>	5	7	0	60

2.3.4 This shows that on our current risk scores:

- The option for an in-house service has the highest overall risk and two Red risks;
- The Teckal option has the second highest overall risk but with no Red risks (though the scores could be mitigated in the longer term through experience gained from HTS);
- The option to re-tender carries the lowest overall risk, and has no Red risks;
- The differential between the three options is not great: but the Red risks make the in-house option the least attractive (in our view);
- The Amber risks within the other two options could be ‘managed out’ but more effort would be required in the case of the Teckal option, particularly in this early stage of its development.

2.3.5 The contracted-out option, essentially the status quo option, offers the lowest risk. The challenge to this proposal may be to identify the potential rewards, since some would argue that simply avoiding risks is not a compelling argument. The evidence of the current market



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

for tendered services indicates that benefits can be had without aggregating demand. Confirmation from potential suppliers that the combined contract package remains attractive and (from Veolia) that the contract does not lose money are important pieces of evidence that inform our assessments.

2.3.6 On that basis we recommend the contracted-out option to replace the current Veolia contract: but that this be re-examined in the future taking into account the Council's experiences with the LACC/Teckal company it is establishing (HTS).

2.3.7 We understand that the Council has ambitions to work with the third sector. We believe that it is entirely possible to get a contractor to arrange this, particularly for services such as bulky waste (which may then be re-used). Having the contractor arrange this means that the contractor can deal with legal compliance, including Health & Safety etc.; and we have seen successful arrangements elsewhere.

### **2.4 Other Observations**

2.4.1 We believe that there is no clear-cut answer as to whether collecting over a four-day week offers any significant savings compared to a five-day week: but in a tendering exercise we believe that tenderers could be asked to tender on either or both scenarios.

2.4.2 We believe that savings could be gained by the Council financing capital purchases (vehicles) although the precise level would depend upon the particular circumstances of a winning contractor – savings between ca. £37,000 and ca. £80,000 per annum could be possible.

2.4.3 We believe that since the last procurement there have been advances in the ICT systems used in the industry: and that in any procurement the Council should seek to exploit these advances to the benefit of itself and its customers.

2.4.4 We believe that the appropriate procedure for procuring a replacement contract is the Competitive Procedure with Negotiation (CPN).

2.4.5 In terms of overall costs in the future, at the time that the extension was agreed Veolia's costs were considered representative of the market. The options appraisal provides evidence that the service is now close to being optimal for the district; if the service remains essentially



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

unchanged, intelligence from recent tendering exercises would suggest that it might be possible to make some savings, particularly if the Council can provide capital. However, we should point out that some areas of cost remain volatile: e.g. the cost of fuel is higher now than at the time the extension was agreed.

- 2.4.6 We would expect any contractor to use a modern ICT system using in-cab technology which would either interface directly with HDC's systems or give direct access to HDC staff to assist in dealing with customer queries etc.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

### 3.0 CURRENT PERFORMANCE

#### 3.1 Overall Recycling / Composting Performance

- 3.1.1 In October 2014 WYG carried out a TEEP analysis of Harlow's kerbside waste collection scheme which concluded that "the current system has been chosen because it is seen as more technically practicable, environmental and economic than collecting the four materials separately". The system was assessed against WRAP's Waste Regulations Route Map and found to be TEEP compliant as per Regulation 13 of the Waste (England and Wales) Regulations 2011. At the time we considered Harlow's overall recycling/composting performance and kerbside diversion for different waste streams. This section revisits and updates this information using the most recent publically available data and relevant benchmarks. At the time of our analysis the 2015/16 datasets for local authority collected waste in England had been published by DEFRA (15.12.16) providing an indication of overall recycling/composing performance; however, detailed data for 2015/16 was not available on WasteDataFlow and so our kerbside analysis is limited to 2014/15 data.
- 3.1.2 Harlow DC achieved an overall recycling/composting diversion of 44.9% in 2015/16, a slight decrease in performance compared to 2014/15 and 2013/14 (45.9% and 47% respectively). This mirrors the national picture in England which has seen a 0.9% decrease in the recycling/composting rate in 2015 (43.9%) compared to 2014 (44.8%). DEFRA notes that *"This is the first time the rate has fallen since it began in 2010, though the 2015 figure still represents the second highest annual value on record."* DEFRA suggests that a decrease in organic waste for composting may have contributed to this fall in overall performance; however WYG believes that another significant factor is the change in reading habits, meaning that there are fewer newspapers and magazines in the waste stream for recycling. Analysis of the most recent data confirms that Harlow's overall performance in 2015/16 is above average compared to other English waste collection authorities (placed 104<sup>th</sup> from 228 WCAs reported 2015/16; excluding unitary and disposal authorities).
- 3.1.3 Table 1 compares Harlow's performance in 2015/16 with its CIPFA Nearest Neighbours (NN), listed in order of socio-demographic similarity to Harlow, and with other Essex authorities. This indicates that Harlow's overall performance is the fifth highest compared with its Nearest Neighbours, ranging from 49.1% (Basildon) to 25.9% (Rushmoor), but is the third lowest compared with other Essex authorities (66% in Rochford to 26.2% in Tendring). It is worth



# Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

noting that Essex's top performing authority, Rochford, is also the second highest performing council in England for recycling/composting diversion.

**Table 1: Recycling/Composting (%) for Harlow, its Nearest Neighbours and Essex Authorities (2015/16)**

NN	Authority	Recycling %	Composting %	Total %
<b>(0)</b>	<b>Harlow</b>	<b>31.9</b>	<b>13.0</b>	<b>44.9</b>
(1)	Stevenage	19.9	19.6	39.4
(2)	Ipswich	22.9	17.9	40.8
(3)	Redditch	29.6	1.9	31.5
(4)	Basildon	24.4	24.7	49.1
(5)	Corby	24.7	18.0	42.7
(6)	Tamworth	26.9	18.8	45.7
(7)	Rushmoor	19.4	6.5	25.9
(8)	Gravesham	20.1	14.8	35.0
(9)	Welwyn Hatfield	21.5	27.1	48.5
(10)	Crawley	23.3	4.3	27.6
(11)	Chesterfield	22.3	23.2	45.5
(12)	Preston	23.1	15.0	38.1
(13)	Lincoln	19.9	15.8	35.8
(14)	Wellingborough	23.2	17.7	40.8
(15)	Gloucester	18.7	18.5	37.3
<i>Average NN</i>		<i>23.2</i>	<i>16.0</i>	<i>39.3</i>
<b>Essex</b>	<b>Harlow</b>	<b>31.9</b>	<b>13.0</b>	<b>44.9</b>
Essex	Basildon	24.4	24.7	49.1
Essex	Braintree	24.4	28.0	52.4
Essex	Brentwood	28.9	17.0	45.9
Essex	Castle Point	24.1	23.3	47.5
Essex	Chelmsford	15.2	26.4	41.6
Essex	Colchester	28.3	19.3	47.6
Essex	Epping Forest	27.8	30.0	57.7
Essex	Maldon	21.9	25.1	47.0
Essex	Rochford	27.1	38.9	66.0



# Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

Essex	Tendring	19.4	6.8	26.2
Essex	Uttlesford	31.3	18.9	50.2
<i>Average Essex</i>		<i>24.1</i>	<i>20.4</i>	<i>44.5</i>

3.1.4 The Council is to be commended for its dry recycling diversion performance: its rate of 31.9% places it amongst the top ten authorities in England (8<sup>th</sup> from 228 WCAs reported in 2015/16) and it achieves the highest diversion compared to its Nearest Neighbours and other Essex authorities.

3.1.5 Harlow collects much less compostable waste than other authorities: its composting rate is 13%, which is lower quartile performance in England (at 169<sup>th</sup> amongst 228 collection authorities). Compared to its Nearest Neighbours, Harlow collects the fourth lowest amount of compostable material (Redditch diverts the least at 1.9%) and, amongst the Essex authorities, the second lowest (Tendring diverts the least at 6.8%). This is entirely understandable given that, although Harlow collects food waste on a weekly basis, the Council operates a chargeable garden waste service. We discuss this in more detail in 3.3.

## 3.2 Kerbside Collection Performance for Harlow, its Nearest Neighbours and Essex Authorities

3.2.1 Table 2 overleaf shows Harlow’s kerbside collection performance in kg per household per year (kg/hh/yr) in 2014/15 (as noted the latest available year for which detailed data for all English authorities is publicly available). It compares Harlow’s performance with its CIPFA Nearest Neighbours (NN), listed in order of socio-demographic similarity to Harlow. The kerbside streams are: dry non-bulky recycling (net of rejects), food waste, garden/mixed composting waste and residual waste with rejects from kerbside recycling included. A total is also shown for these kerbside streams.

3.2.2 Compared with its Nearest Neighbours, Harlow has (along with Corby) the 4<sup>th</sup> highest yield in kg/hh/yr for kerbside dry recycling (above the average of 176kg/hh/yr), the 2<sup>nd</sup> highest yield for separate food waste collection, the lowest yield for kerbside garden waste (or mixed composting) – excluding Redditch which does not collect garden waste, the 2<sup>nd</sup> lowest yield for kerbside residual waste including rejects (below average) and the second lowest yield for



# Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

total kerbside waste (Crawley has the lowest, but only by 1kg/hh/yr at 674kg; while Basildon has the highest at 940kg/hh/yr).

**Table 2: Kerbside Yields (kg/hh/yr) for Harlow and its Nearest Neighbours**

NN	Authority	Recycling (exc. rejects)	Food	Garden/Mixed	Residual + rejects	Total
<b>(0)</b>	<b>Harlow</b>	207	<b>87</b>	15	366	675
(1)	Stevenage	157	#	172 <sup>#</sup>	451	781
(2)	Ipswich	138	#	170	494	801
(3)	Redditch	215	0	0	543	758
(4)	Basildon	233	#	249 <sup>#</sup>	458	940
(5)	Corby	207	27	151	490	875
(6)	Tamworth	240	0	132	464	836
(7)	Rushmoor	143	0	49	542	734
(8)	Gravesham	131	59	42	459	690
(9)	Welwyn Hatfield	176	#	260 <sup>#</sup>	355	791
(10)	Crawley	156	0	31	487	674
(11)	Chesterfield	163	#	189 <sup>#</sup>	433	785
(12)	Preston±	160	5	127	465	757
(13)	Lincoln	177	129	137	466	909
(14)	Wellingborough	191	0	161	499	852
(15)	Gloucester	121	0	109	484	753
	<i>Average</i>	<i>176</i>	<i>58</i>	<i>125</i>	<i>466</i>	<i>788</i>

# Food and garden waste collected together so reported as combined kg/hh

± Preston - rejects stated as minus figure in DEFRA stats, Q100 in WDF suggests 189 tonnes

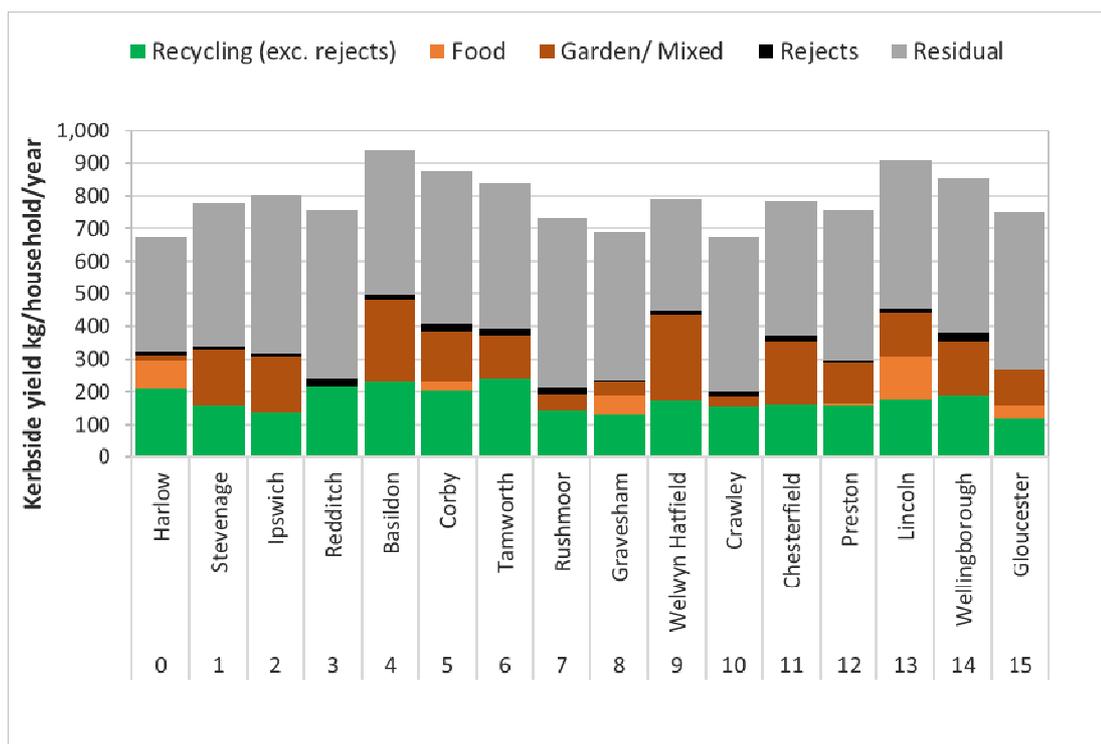
Note: Basildon, Gravesham, Stevenage, Ipswich, Tamworth, Welwyn Hatfield, Lincoln - rejects from DEFRA published statistics



# Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

3.2.3 These kerbside yields are illustrated in Figure 1 below.

**Figure 1: Kerbside Yields (kg/hh/yr) for Harlow and its Nearest Neighbours**



3.2.4 A similar analysis has been carried out to compare Harlow's performance against its neighbouring Essex authorities. Table 3 details the kerbside yields for each of the waste streams and also notes each authority's Index of Multiple Deprivation (IMD) – the lower the IMD, the more affluent the authority.

3.2.5 Compared with the other Essex authorities, Harlow's kerbside dry recycling yield is above average (the highest yield is achieved by Uttlesford at 248kg/hh/yr); the joint highest yield for separate food waste collection (with Uttlesford); the second lowest yield for kerbside garden waste (or mixed composting); and the 2<sup>nd</sup> lowest yield for kerbside residual waste including rejects and for total kerbside waste. Total kerbside waste is well below the average in Essex and, as we noted in the TEEP report, many other districts report much higher figures e.g. Chelmsford 957kg; Rochford 951kg; Basildon 940kg; Epping Forest 930kg.



Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

**Table 3: Kerbside Yields (kg/hh/yr) for Harlow and Essex Authorities**

IMD	Authority	Recycling (exc. rejects)	Food	Garden/ Mixed	Residual + rejects	Total
23.7	<b>Harlow</b>	207	87	15	366	675
20.6	Basildon	233	#	249 <sup>#</sup>	458	940
14	Braintree	157	70	200	411	838
9.6	Brentwood	221	31	124	430	807
14.9	Castle Point	236	#	204 <sup>#</sup>	409	849
9.6	Chelmsford	168	51	229	509	957
14.8	Colchester	166	0	118	407	691
14.5	Epping Forest	240	0	295	395	930
12.7	Maldon	168	45	165	455	833
9.4	Rochford	245	#	371 <sup>#</sup>	335	951
24.6	Tendring	91	28	8	486	613
7.9	Uttlesford	248	87	28	414	777
	<i>Average</i>	<i>198</i>	<i>57</i>	<i>167</i>	<i>423</i>	<i>822</i>

# Food and garden waste collected together so reported as combined kg/hh NB Castle Point no longer collects these streams together.

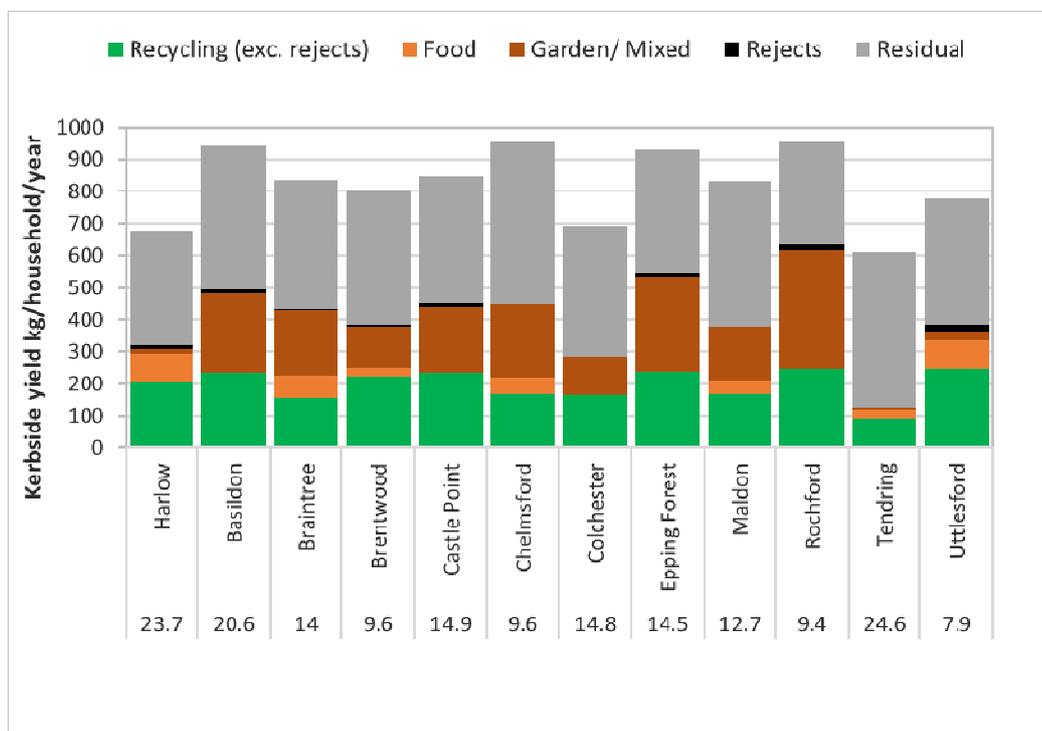
Note: Basildon, Braintree, Brentwood, Maldon - rejects from DEFRA published statistics

3.2.6 These kerbside yields are illustrated in Figure 2 below.



Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

Figure 2: Kerbside Yields (kg/hh/yr) for Harlow and Essex Authorities

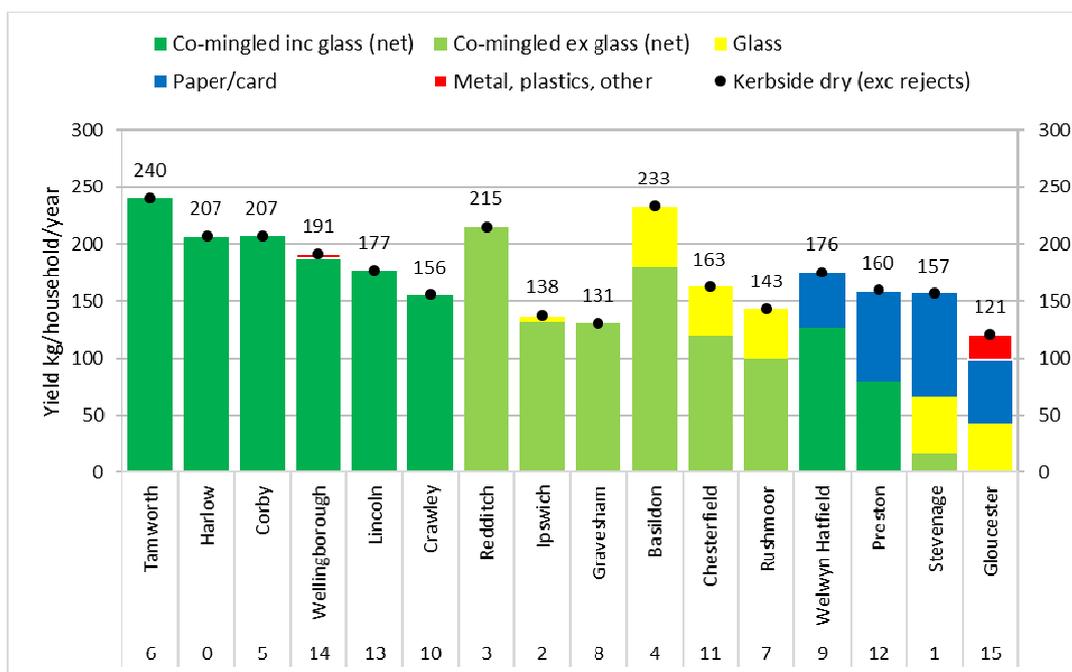


3.2.7 Figure 3 focuses on the kerbside dry recycling yields for Harlow and its Nearest Neighbours, sorted by collection type and then by decreasing yields. Authorities that collect fully co-mingled including glass (which includes Harlow) tend to collect more than authorities with different collection types; however, while the three best performing authorities in the NN group (Tamworth, Basildon and Redditch) all collect co-mingled one collects glass separate (Basildon) and one does not collect glass at all in the co-mingled mix (Redditch). The lowest-performing authority, Gloucester, collects materials separately (NB new service being introduced January 2017).



Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

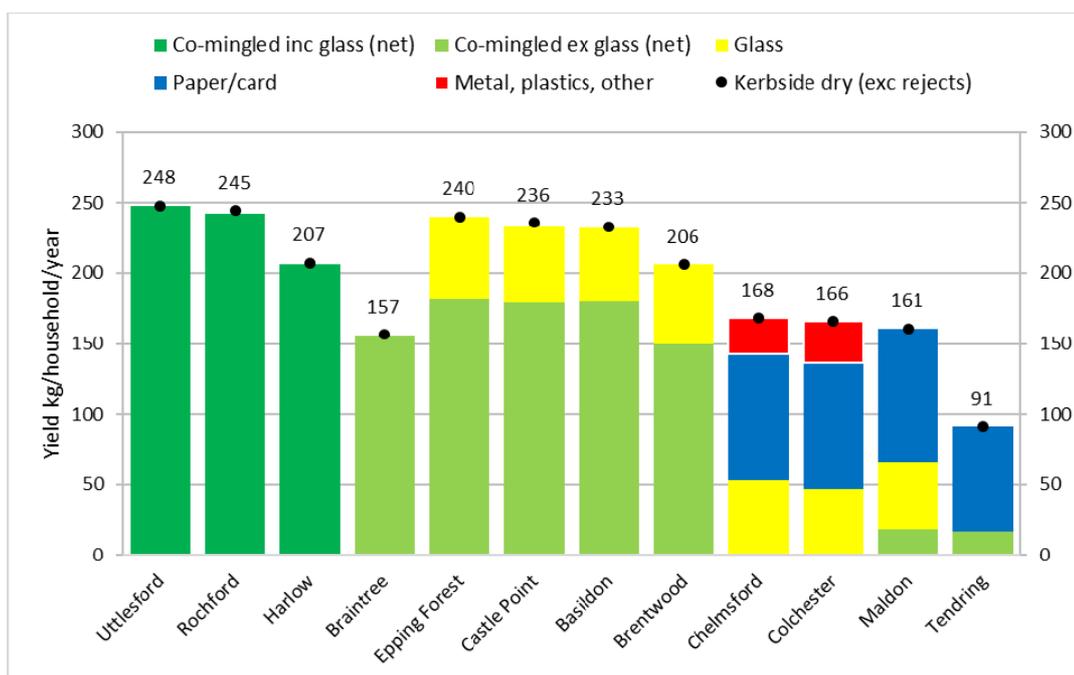
**Figure 3: Kerbside Dry Recycling Yields (kg/hh/yr) for Harlow and its Nearest Neighbours**



3.2.8 Conducting the same analysis for the Essex authorities, including Harlow, demonstrates a similar picture (see Figure 4): authorities that collect fully co-mingled including glass tend to collect more than those with different collection types (e.g. Uttlesford and Rochford). However, some of those authorities that collect recycle co-mingled but with glass separate have captured a greater amount of material than Harlow; up to 33kg/hh/year more than Harlow achieved in 2014/15 (using Epping Forest). If we consider Basildon, which is also one of Harlow's Nearest Neighbours, it can be seen that the authority captured an additional 26kg/hh/year compared to Harlow: but one should also consider that Basildon has higher waste arisings in any case and collects recycle weekly.



**Figure 4: Kerbside Dry Recycling Yields (kg/hh/yr) for Harlow and Essex Authorities**



### 3.3 Garden Waste Service

3.3.1 As previously noted, Harlow DC operates a chargeable collection service for garden waste and there are 598 customers using the Premium Service (fortnightly wheeled-bin) which represents under 2% of total households. The charge is £96 per household for the calendar year (April 2016 to March 2017) and this decreases by £8 per month for those that chose to subscribe part way through the year (e.g. £88 for 11 months, from May, and £8 for March only). Alternatively, residents can book a bagged green waste collection, either using pre-paid bags available from the Council (£20 for 17 bags) or by using their own bags (collection cost 85p per bag).

3.3.2 Annual income this year is expected to be around £75,000 of which, based on the number of customers noted above, £57,408 is attributed to customer payments for the Premium Service and the balance to those using the pre-paid bag service (so almost 21,000 sacks sold at 85p each). The service is resourced by use one dedicated vehicle operating three days per week



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- so 100% of the cost of a vehicle and 60% of a crew and fuel – which we estimate would cost between £125,000 and £130,000 per annum.

- 3.3.3 Table 4 shows garden waste collection details for Harlow, its nearest neighbours and Essex authorities using waste tonnage data from 2014/15 (Redditch is not included as it does not provide a free or chargeable service for the collection of garden waste). The Nearest Neighbour number is shown: the lower the number, the more it is like Harlow. The table is sorted by whether the collections are free or there is an annual charge, then by the index of multiple deprivation (IMD); the lower the IMD, the more affluent the authority. The table also shows the frequency of collections; the main containers provided; the annual charge (blank if free); the initial charge per container and for delivery and setting up the subscription; the percentage of households; the kg per household for all households in the authority; and the kg per household with the service.
- 3.3.4 Out of Harlow's fifteen Nearest Neighbours and the twelve authorities in Essex, totalling 26 authorities (as Basildon is a Nearest Neighbours and an Essex authority), 10 have annual subscriptions for garden waste. Harlow charges the highest annual fee at £96 (for a premium service) while both Lincoln and Preston charge the least amount at £30.
- 3.3.5 Three of these authorities also have an initial charge to cover containers, delivery and setting up the subscription: £25 for Tendring; £20 for Uttlesford and £12 for Lincoln. Lincoln residents are also given the option of subscribing to additional bins, up to a limit of four, and this is charged at £12 per bin per annum.
- 3.3.6 The majority (eight) of the annual subscription authorities operate fortnightly collections while only Maldon operates a weekly service, although collections reduce to fortnightly between December and February. Wheeled-bins are the preferred method of collection for the majority of authorities (including Harlow), while Rushmoor provides reusable sacks. Harlow is the only authority that enables residents to book their collections on a chosen day, the others allocate a regular day per household (which, for economic reasons, is not generally the same day as for other waste collections).



# Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

**Table 4: Garden Waste Collections in Harlow, its Nearest Neighbours and other Essex Authorities**

Authority	Nearest Neighbour	Essex	IMD	Frequency	Main container	Annual charge	Initial charge per container	Food included?	% hh with service	kg/hh (all)	kg/ hh with service
<b>Free</b>											
Rochford		Y	9.4	Weekly	Wheeled-bin			Y	99%	371	375
Chelmsford		Y	9.6	Fortnightly	Wheeled-bin				99%	229	231
Welwyn Hatfield <sup>1</sup>	9		12.4	Fortnightly	Wheeled-bin			Y	87%	260	299
Braintree		Y	14.0	Weekly	Wheeled-bin/sacks				86%	200	233
Epping Forest		Y	14.5	Weekly	Wheeled-bin			Y	90%	295	327
Colchester <sup>2</sup>		Y	14.8	Fortnightly	Sacks	<sup>2</sup>	£3.70 <sup>2</sup>		91%	118	129
Castle Point		Y	14.9	Weekly	Sacks				100%	204	204
Stevenage	1		16.8	Fortnightly	Wheeled-bin			Y	100%	172	172
Tamworth	6		19.7	Fortnightly	Wheeled-bin			<sup>3</sup>	95%	132	139
Wellingborough <sup>4</sup>	14		20.5	Fortnightly <sup>4</sup>	Wheeled-bin				100%	161	161
Basildon	4	Y	20.6	Weekly	Wheeled-bin			Y	86%	249	289
Chesterfield	11		24.3	Fortnightly	Wheeled-bin			Y	91%	189	208
Ipswich	2		24.8	Fortnightly	Wheeled-bin			Y	77%	170	202
Corby	5		27.3	Fortnightly	Wheeled-bin				92%	151	164
<b>Annual charge</b>											
Uttlesford		Y	7.9	Fortnightly	Wheeled-bin	£40	£20.00		13%	28	218
Brentwood <sup>5</sup>		Y	9.6	Fortnightly	Wheeled-bin/sacks	£41	£0.26 <sup>5</sup>		84%	124	149
Rushmoor	7		12.3	Fortnightly	Reusable sacks	£39			18%	96	271
Maldon <sup>5</sup>		Y	12.7	Weekly <sup>6</sup>	Wheeled-bin/sacks	£32	£1.00 <sup>5</sup>		100%	165	165
Crawley <sup>7</sup>	10		16.9	Fortnightly	Wheeled-bin	<sup>7</sup>			11%	31	317
Gravesham*	8		19.5	Fortnightly	Wheeled-bin	£35			12%	42	353
Gloucester*	15		20.9	Fortnightly	Wheeled-bin	£36			33%	109	334
<b>Harlow<sup>5</sup></b>	<b>0</b>	<b>Y</b>	<b>23.7</b>	<b>Fortnightly</b>	<b>Wheeled-bin/sacks</b>	<b>£96</b>	<b>£0.85<sup>5</sup></b>		<b>100%</b>	<b>15</b>	<b>15</b>
Tendring		Y	24.6	Fortnightly	Wheeled-bin	£50	£25.00		3%	8	242
Lincoln	13		27.2	Fortnightly	Wheeled-bin	£30	£12.00		37%	137	375
Preston <sup>8</sup>	12		29.4	Fortnightly	Wheeled-bin	£30			<sup>8</sup>	<sup>8</sup>	<sup>8</sup>

<sup>1</sup> Welwyn Hatfield: Currently a free service including food waste, but the Council is considering moving to a chargeable service of garden waste only (and no longer collecting food waste).

<sup>2</sup> Colchester: garden waste sacks are £3.70 each, but annual collections are free of charge.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

<sup>3</sup> Tamworth: figures include some food waste which was collected with garden waste during the 2014/15 period.

<sup>4</sup> Wellingborough: Collections are fortnightly with no service during the winter months, restarting March 2017.

<sup>5</sup> Brentwood, Maldon and Harlow: In addition to the annual subscription scheme, sacks are also available on a pay-as-you-go basis (PAYG), making customer numbers and kg per customer unreliable, hence why 100% is used for % of households using the service is used. The price per PAYG sack is shown under initial charge per container.

<sup>6</sup> Maldon: Collections are fortnightly December to February and weekly the rest of the year.

<sup>7</sup> Crawley: Service is currently full so no detail on cost, operates 9 months per year (March to November).

<sup>8</sup> Preston: no data yet available as new chargeable service since June 2016, no longer collect food waste.

3.3.7 The reported percentage of customers subscribing to the schemes ranges between 3% (Tendring: pilot scheme only in 2014/15) and 37% (Lincoln).

3.3.8 Brentwood, Maldon and Harlow allow purchase of sacks on a pay-as-you-go (PAYG) basis in addition to the subscription scheme and Brentwood (with 84%) and Harlow (with 100%) appear to include all households eligible to participate in the scheme in their customer numbers (according to data available on WasteDataFlow).

### 3.4 Bulky Waste Service

3.4.1 The Council operates a collection service for bulky household waste including fridges and freezers. Residents can book a collection at a cost of £15 for up to five items or £22.50 for six to eight items. Electrical items, including fridges and freezers, are collected free of charge as these can be recycled.

3.4.2 Table 5 shows bulky waste charges in Harlow and for its Nearest Neighbours, including their indices of multiple deprivation (IMD). A similar table is provided to illustrate bulky waste charges for Harlow compared to other Essex authorities. Neither Lincoln nor Tendring have been included in the following analysis as they do not provide a standard bulky waste collection service. Lincoln offers a free collection for those who receive a pension or benefits, or those with a disability, and all other residents are directed to Biffa to request a quote. Tendring District Council directs residents to a local reuse charity or to contact Veolia for a quote.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- 3.4.3 Examining the data for the benchmarking group in more detail indicates that the minimum charge for one collection ranges from £8 (Redditch) to £60 (Stevenage). The average cost to the customer is £24.78 with Harlow charging less than this at £15. Looking at an equivalent cost per item indicates a range from £2 (Basildon) to £25 (Crawley), with an average of £8.84. Harlow's equivalent cost per item is below this average at £3.
- 3.4.4 Similarly, comparing the Essex authorities bulky waste charges with those levied in Harlow (Table 6) indicates that the Council charges a lower than average fee (£23.36 average cost, ranging from £10 in Basildon to £41.41 in Colchester). The average equivalent cost per item is slightly lower than the benchmark group at £7.77, but Harlow is still below this average.
- 3.4.5 Those authorities with an IMD score within two points of Harlow charge anywhere from £8 (Redditch – for one item only) to £27 (Ipswich – for five items); while Harlow charges £15 for a standard collection, slightly below the average of £16.15. On the basis of this benchmarking data we would suggest that there may be merit in considering an increase in bulky waste charges at Harlow.



Table 5: Bulky Waste Charges in Harlow and its Nearest Neighbours

NN	Authority	IMD	Standard charge			Additional items		Fridge/ freezers	Max. items	
			Standard charge for 1 collection	Max. number of items covered by standard charge	Equivalent charge per item (standard charge)	Charge for additional items	Number of items covered by each additional charge	Minimum charge	Max. charge	Max. number of items collected per booking
0	Harlow	23.7	£15.00	5	£3.00	£22.50	8	£0.00	£22.50	8
1	Stevenage	16.8	£60.00	6	£10.00	£60.00	6	£60.00		
2	Ipswich	24.8	£27.00	5	£5.40	£27.00	5	£27.00	£81.00	15
3	Redditch	21.8	£8.00	1	£8.00	£8.00 <sup>1</sup>	1	£14.00	will quote	4+
4	Basildon	20.6	£10.00	5	£2.00			£10.00	£10.00	5
5	Corby	27.3	£22.50	10	£2.25			£22.50	£22.50	10
6	Tamworth	19.7	£16.00	1	£16.00	£6.60	1	£16.00	£35.80	4
7	Rushmoor	12.3	£38.00	3	£12.67	£38.00	3	£38.00	£114.00	9
8	Gravesham	19.5	£25.00 <sup>1</sup>	6	£4.17			£15.00 <sup>1</sup>	£25.00	6
9	Welwyn Hatfield	12.4	£31.98	4	£8.00			£31.98	£31.98	4
10	Crawley	16.9	£25.00	1	£25.00	£25.00	1	£27.50		
11	Chesterfield	24.3	£14.60	1	£14.60	£7.60	4	£14.60	£29.40 <sup>2</sup>	10
12	Preston	29.4	£19.00	3	£6.33	£6.80	1	£19.00	£39.40	6
13	Lincoln	27.2	Free <sup>3</sup>							
14	Wellingborough	20.5	£35.60	5	£7.12			£35.60	£35.60	5
15	Gloucester	20.9	£24.00	3	£8.00	£8	1	£24.00	unlimited	unlimited

<sup>1</sup> £10 for up to 3 'metal' items e.g. cookers, washing machine, microwaves etc; charge for fridge/freezers covers up to 3 items

<sup>2</sup> £22.20 for 2-5 items; £29.40 for 6-10 items; ring for quote (based on hourly rate) for 10+ items or larger loads

<sup>3</sup> Free collections if receive pension, benefits or have a disability; otherwise Council advises residents to contact Biffa for a quote



**Table 6: Bulky Waste Charges in Harlow and Essex Authorities**

Authority	IMD	Standard charge			Additional items		Fridge/ freezers	Max. items	
		Standard charge for 1 collection	Max. number of items covered by standard charge	Equivalent charge per item (standard charge)	Charge for additional items	Number of items covered by each additional charge	Minimum charge	Max. charge	Max. number of items collected per booking
Harlow	23.7	<b>£15.00</b>	<b>5</b>	<b>£3.00</b>	<b>£22.50</b>	3	<b>£15.00</b>	<b>£37.50</b>	<b>8</b>
Basildon	20.6	<b>£10.00</b>	5	£2.00			<b>£10.00</b>	<b>£10.00</b>	5
Braintree	14.0	<b>£36.00</b>	6	£6.00	<b>£27.00</b>	5	<b>£36.00</b>		
Brentwood	9.6	<b>£20.00</b>	2	£10.00	<b>£10.00</b>	1	<b>£20.00</b>		
Castle Point	16.8	<b>£30.00</b>	3	£10.00	<b>£5.00</b>	1	<b>£30.00</b>	<b>£65.00</b>	10
Chelmsford	9.6	<b>£27.00</b>	3	£9.00	<b>£7.00<sup>1</sup></b>	3	<b>£27.00</b>	<b>£54.00<sup>1</sup></b>	10+
Colchester	14.9	<b>£41.41<sup>2</sup></b>	6	£6.90	<b>£66.46</b>	12	<b>£22.45</b>	<b>£66.46</b>	12
Epping Forest	14.5	<b>£24.00</b>	3	£8.00	<b>£36.00<sup>3</sup></b>	7	<b>£24.00</b>	<b>£60.00</b>	15
Maldon	12.7	<b>£22.00</b>	3	£7.22	<b>£22.00</b>	3	<b>£22.00</b>	<b>£88.00</b>	12
Rochford	9.4	<b>£15.00</b>	1	£15.00	<b>£7.00</b>	1	<b>£15.00</b>		
Tendring <sup>4</sup>	24.6								
Uttlesford	7.9	<b>£16.50</b>	2	£8.25	<b>£8.25</b>	1	<b>£16.50</b>		

<sup>1</sup> £34 for 4-6 items; £40 for 7-10 items; hourly rate £71 for large loads, BUT charges to be revised 1.1.17 to £12 for one item, £6 for up to 8 additional items

<sup>2</sup> £12.12 for electrical items (per item)

<sup>3</sup> Charges banded according to number of items - £36 for 4-7 items; £47 for 8-10 items; £60 for 11-15 items

<sup>4</sup> Tendring does not provide a bulky waste collection service but advises residents to contact local reuse organisation or Veolia direct



## 4.0 FUTURE OPTIONS: SERVICE DESIGN

### 4.1 Residual Waste

4.1.1 As stated, at present HDC collects residual household waste every fortnight: but a few councils have implemented collections every three weeks, while some others are actively considering such a move.

4.1.2 Our detailed analysis (for which we have started to research such data as there is: the number of authorities from whom data can be gathered is small) will be the subject of a future report which we intend to publish. For now, we can simply note that:

- None of these benchmarks appears to have an exceptionally high recycling/composting rate;
- All have reduced the frequency of collection with a view to reducing costs, not to improving performance;
- The lower frequency of collecting residual waste is not at all suitable for some properties (particularly flats and HMOs);
- Even with food waste removed, there are resident concerns regarding hygiene waste (e.g. nappies); and
- The lower frequency of collecting residual waste appears to result in higher contamination of the recyclable / compostable waste streams.

4.1.3 As stated only a few councils have reduced the frequency of collecting residual waste from fortnightly to three-weekly. Therefore there are only a few case studies and caution needs to be taken in using the data for this reason. One might expect there to be an effect on the capture rate for food waste (where this is a feature of the collection system) and for dry recycling from a reduction in the frequency of collecting residual waste: as supporting evidence it is worth noting that the vast majority of the high performers for dry recycling collect residual waste fortnightly rather than weekly. The move to collecting every three weeks appears to have had a very significant impact upon the capture rate for food waste in those authorities that have made this change; and some impact (but arguably not significant) upon the capture rate for dry recyclables. There is some evidence that overall waste has reduced but the evidence appears patchy and the reduction is certainly less than was widely expected to be the case.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- 4.1.4 Specifically, Falkirk have experienced a 75% increase in food waste capture whilst this increase was 45% in Somerset and 35% in Gwynedd. Clearly, there are many councils which operate fortnightly collections of residual waste but who offer no food waste collection service: and from this one might deduce that many households can cope with a fortnightly residual waste service without needing to participate in a food waste collection scheme (as is the case at Swindon). With a reduction to residual waste collections every three weeks there may be a greater need to dispose of food waste outside of the residual waste service.
- 4.1.5 At Bury the food waste is co-mingled with garden waste and WasteDataFlow shows that this increased 12% in October-December 2014 and January-March 2015 compared with the same periods in the previous years, equivalent to 15 kg/hh/yr, after roll-out of three-weekly residual and recycling collections in October 2014, with mixed food and garden waste remaining fortnightly.
- 4.1.6 For dry recycling the only council reporting a very significant increase in capture rates is Somerset with a 28% increase: but their new scheme collects a wider range of materials and this explains much of the increase. At Bury dry recyclables increased 9% on average in three quarters from October 2014 compared with the same period in the previous year: but the service changed from paper and cardboard every four weeks, and co-mingled glass, plastic bottles, cans, aerosols and foil every four weeks to every three weeks – i.e. 13 collections a year for each container to 17 collections a year for each container. More realistically, Falkirk reported a 6% increase in dry recycling in the target areas in early trials: but this was from a relatively low base and indeed residual waste dropped by just 2kg per household per week.
- 4.1.7 Turning back to this option as it might affect HDC, then, a change from fortnightly to three-weekly collections is likely to lead to a small increase in the amount of dry recycling captured (but not so great as to require any additional collection resource for dry recycling); a saving in costs for collecting residual waste; and, despite having a separate food waste collection service, lead to an adverse public reaction, particularly since a number of other Essex authorities currently retain a weekly residual waste collection service (at the time of writing: we understand there may be changes at e.g. Basildon and Chelmsford soon).
- 4.1.8 In broad-brush terms, a three-weekly service would mean that the weekly activity would be to collect ca. 800 tonnes of residual waste from just over 12,000 properties. We believe that the number of rounds could be reduced; but not by more than one, since the additional tonnes collected per property would fill the vehicles up faster. The likely saving (in terms of payments to



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

the collection contractor) could therefore be in the order of £170,000 per annum. However, to effect such a change it is likely that almost all residents would require a larger capacity wheeled-bin than at present (excepting those using communal facilities and some single-person household): and allowing for the replacement of ca. 30,000 bins, including distribution and collecting the smaller bins) is likely to incur a one-off cost of ca. £600,000. In addition, there would be the costs of publicity etc. and the effective annual saving over the next contract period might be only £100,000 per annum or so.

- 4.1.9 As stated, we would expect adverse public reaction. The most obvious case to examine here is Bury, since the three-weekly collections are well-established here. Bury had a majority of political support for the transition as demonstrated by defeat of a motion in October 2014 calling for the decision to move to three weekly collection be referred back to the Cabinet Member for consideration (11 for the motion and 34 against). Public reaction is rather different. Householders in Bury submitted petitions and set up social media sites (such as a Facebook page) to protest about the change, and 75% of people polled for the Bury Times were not happy with the change.
- 4.1.10 However, Bury found no increase in side waste, street cleansing waste, fly-tipping or arisings at the HWRCs in the Council area in the 12 month period after the introduction of three-weekly collections compared with the 12 months prior to the change. Waste audits were carried out at 370 households where residents had concerns about the new service.
- 4.1.11 Relatively recently there has been reported adverse public reaction in Northampton / Daventry where changes to a three-weekly service have been proposed as a cost saving measure; whilst the move to three-weekly collections in Wales has led to some councils having to introduce a separate collection service for nappies and similar projects (on top of a weekly food waste collection service), with some dispute as to householder entitlement for this service.
- 4.1.12 It is not for us to make a judgement as to whether it is appropriate to make this change: but some might see an effective saving of ca. £100,000 per annum as relatively small given the likely adverse public reaction: certainly our recommendations regarding garden waste (discussed below) appear much less controversial.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

### 4.2 Garden Waste

- 4.2.1 At present the garden waste service involves contractor collection costs of ca. £125,000 to £130,000 per annum and generates ca. £75,000 of income per annum (see 3.3.2 above). This means, excluding administrative costs, a net cost of between £50,000 and £55,000 per annum.
- 4.2.2 From the benchmarking data, a more common methodology is to establish a chargeable garden waste service where an annual charge is made and collections are made fortnightly using wheeled bins. Take-up and charges vary considerably among the benchmarking group: but we believe an annual charge of £30 could lead to a take-up of around 20% in Harlow. What this could mean is that the number of customers would be such that they could be serviced by one round (with a cost of ca. £170,000 per annum); but would also be such to generate an annual income of over £220,000 per annum. This means, excluding administrative costs, a net income of over £50,000: a cost improvement of over £100,000 per annum compared to the current system.
- 4.2.3 We appreciate that wheeled-bins would need to be purchased: but our benchmarking shows that several authorities make a one-off charge to cover this cost. We appreciate also that there would need to be a new administrative system: but many councils pass this function to their contractor and HDC could choose to do this in a 'contracted out' scenario.
- 4.2.4 It should be clear that in making such a change HDC would be following a path that many other councils (including several in Essex) have chosen: and although there are bound to be some complaints, the change is relatively non-controversial (compared e.g. to reducing frequencies for collecting residual waste).

### 4.3 Bulky Waste

- 4.3.1 Our benchmarking suggests that bulky waste charges could be increased. This is not likely to make a very serious impact on the net cost of services but it would have some impact and would bring HDC more in line with its benchmark group and with several other Essex authorities.
- 4.3.2 We understand that the Council has ambitions to work with the third sector. We believe that it is entirely possible to get a contractor to arrange this, particularly for services such as bulky waste (which may then be re-used). Having the contractor arrange this means that the contractor can



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

deal with legal compliance, including Health & Safety etc.; and we have seen successful arrangements elsewhere.

### 4.4 Dry Recycling

4.4.1 One of the key points in favour of the current system for dry recycling by HDC is that it has been found to pass a TEEP test and is therefore compliant with Waste Regulation 13.

4.4.2 We believe that this position still holds: our benchmarking shows high yields for dry recycling in Harlow, and in particular much higher yields than for similar authorities collecting using kerbside sort methodologies. Further, the collection resources used remain cheaper, even after considering material values.

4.4.3 We noted in the TEEP test that HDC could consider collecting glass as a separate stream, as practiced by a number of other Essex authorities.

4.4.4 The advantages of such a change might be:

- That the glass would have a value albeit a low one;
- That the glass would not have to be treated by the MRF; and
- That this might give a greater choice as to MRFs.

4.4.5 The disadvantages of such a change might be:

- That there would be additional collection costs;
- That a communications campaign would be needed, incurring one-off costs;
- That additional containers would be required, incurring costs and not always convenient for customers; and
- That some glass would remain in the co-mingled mix and would be treated as a non-target material or contaminant.

4.4.6 To try and quantify these points, we would first estimate that the volume of glass might amount to ca. 1,900 tonnes: and that separating this from the co-mingled stream might generate a saving in



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

MRF costs plus a small income stream, to give a financial benefit of up to £95,000 per annum. On the other hand, HDC would need to purchase additional containers costing the equivalent of £2,500 per annum; and there would be also additional collection costs (in terms of additional loaders per round and additional costs for each vehicle, using split-backs). Taking these into account, together with the costs of a one-off campaign, we believe the costs would wipe out the financial saving.

- 4.4.7 On balance we consider HDC's current dry recycling system performs well and we see no reason to change.

### **4.5 Greater use of Communal Collection Points**

- 4.5.1 In the brief we are asked to consider the option of making greater use of communal collection points, rather than collecting bins etc. from individual households.

- 4.5.2 Under the Environmental Protection Act 1990 (EPA) this is perfectly feasible: but it does require a positive action by the Council in the form of serving notices to make such a change, since the EPA states '*...the authority may, by notice served on him, require the occupier to place the waste for collection in receptacles of a kind and number specified*'.

- 4.5.3 There are other challenges too: one would be to find enough suitable communal points; another would be the likely fall-off in recycling / composting rates with consequent reductions in income from Essex CC, since in our experience participation in recycling/composting (particularly for food waste but also for dry recycling) is lower when communal facilities are used. At the same time, contamination is higher, particularly for dry recycling, which will affect the costs of treatment. Additionally, there would be a one-off cost for creating such communal sites; and an on-going cost for maintaining such sites, including regular cleansing.

- 4.5.4 Other questions which come to mind: for example, whether these sites be locked so only a specified number of residents could use them, since if not, there could be a problem with excess waste and/or fly-tipping; and how would the Council determine how many households per communal storage area would be needed. We believe that it would be a significant job in itself to survey properties in the borough to work out how many storage areas are required/where to locate them etc.; and we think it would be very unpopular with residents.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

4.5.5 Although there would be some saving in collection costs, we think that this could be outweighed by the one-off costs and potential reductions in income and increases for recycle treatment.

### **4.6 Food waste**

4.6.1 We have noted that, overall and on a benchmarking basis, HDC collects 87 kg of food waste per household; and no council in the benchmarking group, or in Essex, collects more than this.

4.6.2 We understand that, at present, the Council receives funding of ca. £270k per annum for the collection of food waste from flats: but that this funding will cease in 2018.

4.6.3 It may be appropriate for the option of not collecting food waste from flats could be explored as part of the re-procurement: we understand that the capture rate from flats is (perhaps predictably) lower than that from individual properties. The question as to what the saving might be would need to be considered alongside the principle of equal access to services.



## 5.0 FUTURE OPTIONS: MEANS OF SERVICE DELIVERY

### 5.1 Overview of Options

- 5.1.1 The options that are considered in this report – a continuation of the current contracted-out arrangement; delivery in-house; and delivery through a Teckal arrangement (also termed a Local Authority Controlled Company or LACC) – are clearly identified in the brief. We have added the joint venture option since this is one that we have explored with some of our clients and one that exists elsewhere.
- 5.1.2 The first option – to continue to contract-out the service – needs little explanation since it is a continuation of the current arrangement. The contractor's role is to employ the staff, procure and manage the vehicle fleet etc. and to manage the delivery of the service in accordance with the terms and conditions of the contract and the specification. The Council's role is to act as a 'client' and to engage with the public in terms of engagement, management of customer enquiries etc. The contracting out of services such as these is well-established in England and there are several specialist companies which deliver these services for councils. This is the second most common arrangement for waste collection and related services in the UK.
- 5.1.3 The second option – in-house delivery – also needs little explanation since it is how services are delivered at many councils including locally at e.g. Brentwood, Basildon and Uttlesford. Here all staff are employed and managed by the council and the council manages the vehicle fleet and organises the workload etc. as well as undertaking the 'client' role and engaging with the public. With some in-house arrangements a 'client / contractor' split exists to clarify roles; but this is not essential and, particularly for a small council, this can add costs. This is – still – the most common arrangement for waste collection and related services in the UK. It is worth noting that a few councils have returned previously outsourced operations to an in-house service: most recently at LB Islington and previously at e.g. Chelmsford, Teignbridge and Thanet.
- 5.1.4 The Teckal arrangement is a relatively recent phenomenon and there are therefore only a few case studies for these services to draw upon. A Teckal company (*from the case Teckal s.r.l v the Commune of Viano C-107/98*) is one where a public body (or in certain circumstances, public bodies jointly) exercises over an entity a control which is similar to that which it exercises over its own departments *and, at the same time*, that person carries out the essential part of its activities



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

with the controlling local authority or authorities. In such a case the award of a contract to such an entity is excluded from the Procurement Directives. The ruling in the Teckal case gives rise to two tests for determining whether the exception applies:

- (i) the “control” test (whether the contracting authority “exercises over the person concerned a control which is similar to that which it exercises over its own departments”); and
- (ii) the “function” test (whether the tenderer “carries out the essential part of its activities with the controlling local authority or authorities”).

5.1.5 A key difference between the Teckal arrangement and the in-house arrangement is – potentially and in theory at least – in regard to the terms and conditions on which staff are employed. In general, local authority staff usually enjoy more favourable terms and conditions of employment than the private sector as well as a final salary pension scheme. The Teckal arrangement could (potentially) be set up on the basis of different terms and conditions for staff than exist more widely in HDC.

5.1.6 Following the meeting on 7 December, we understand that the a Teckal company is to be established at HDC to deliver the functions of street cleansing, housing maintenance etc. currently delivered through an arrangement involving Kier (entitled Kier Harlow). This Teckal company is likely to have its own terms and conditions: and the Teckal company might need to have admitted body status to the Local Government Pension Scheme (LGPS) to accommodate any staff currently part of this pension scheme: but the Teckal company could otherwise have its own pension scheme and staff not already in the LGPS would then not be able to join it.

5.1.7 In terms of detail, we understand that HDC has established a Teckal-compliant Group, (HTS); and at the moment a single subsidiary HTS (Property and Environment) which will be the “successor” to Kier Harlow. There are in principle options to tease out and clarify:

- The domestic waste services might be assigned to a new Teckal Company in the HTS group. That company would not have on its own, even using TUPE transferred assets, the capacity to operate vehicles and manage a specialised service like waste collection and it could not “buy-in” these services from the Council. Adding that capacity as an overhead would make it very inefficient.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- HTS (P&E) has more capacity, it will have an “O” licence, it does have some waste industry connections (enough to run a small waste transfer station) and it will have a little more strength in its management team: so a slightly better argument might be made for the work to be added to their remit. However it does not have genuine waste collection industry expertise; it does not have the back office resources of a national/multinational company to draw on; and it is now tackling the challenges of establishing a new company without the support of Kier Group that Kier Harlow Ltd. could rely on where needed.
- The risks noted of equal pay claims escalating costs would clearly apply if the waste collection service were taken on by HTS (P&E); and adding waste collection could put at risk the other services, which are vital. Separating them reduces risk.

5.1.8 In our risk assessment, then, we have assumed that any Teckal company for waste collection services would be a separate subsidiary under the HTS Group.

5.1.9 A Joint Venture arrangement is one whereby a special arrangement (a Joint Venture company) is established which is governed by the council and another organisation, typically a private sector company, but occasionally involving another council. This is not a common arrangement for the delivery of such services: one of the difficulties can be persuading an external organisation that this is a better arrangement than for a simple contract.

5.1.10 It should be noted that both the Teckal and Joint Venture arrangements require a separate governance structure than that which would exist for either of the other two options.

5.1.11 For the contracted-out option and the Joint Venture, resources such as labour, supervisory and managerial resources etc. would be provided by a contractor or partner: typically the Council would supply the depot and might (as discussed later) also provide capital. In the case of the in-house or Teckal option, the Council or Teckal company (respectively) would provide all of the ‘contractor’ resources, including the management of risks associated with those resources.

## 5.2 Delivery In-House or through a LACC

5.2.1 As explained earlier, WYG has considerable knowledge of in-house service delivery: indeed, just over half of WYG’s local authority clients deliver services in this way (reflecting the general national picture). We have also worked with councils who provide services through a separate arms-length



management organisation, though mainly for streetscene operations: there are not many which cover waste collections, although Tewkesbury BC and Havant BC, for whom WYG has worked extensively, have moved to such an arrangement.

- 5.2.2 Additionally, WYG has assisted one council (Thanet DC) in taking a previously outsourced operation back in-house and therefore understands the challenges in doing so. In setting up an in-house or a Teckal arrangement, HDC needs to consider carefully how it, or the Teckal company, will supply all of the services provided by the contractor (Veolia) who provides resources in the form of labour, vehicles and infrastructure. We consider the various challenges under these three headings.

### **Labour**

- 5.2.3 HDC does not have a significant manual workforce (if any at all); if working alone it could therefore face a considerable challenge in terms of setting up an in-house arrangement for these services (compared to some other authorities that have retained some manual services in-house) since it does not have HR procedures and policies, including gradings and a job evaluation system, that reflect the needs of a manual workforce. For the Teckal option, given the over-arching HTS and the subsidiary HTS (P&E), there would be HR procedures and policies, including gradings and a job evaluation system, that reflect the needs of a manual workforce: but these would need to be amended within the separate company to deal with waste related jobs and to mitigate cost increases, implying a workload to be undertaken in amending them.
- 5.2.4 We have been unable to obtain precise details of the terms and conditions under which Veolia's employees are engaged; neither do we have precise details of the remuneration package for each level of employee. But, from the data that we had in relation to negotiating an extension, it is likely that the costs of employment in-house would be greater than the present level of costs. That said, the National Living Wage is likely to narrow this difference in future years.
- 5.2.5 We have noted earlier that one of the advantages of the Teckal arrangement is that it could employ staff under different terms to the local authority: but the challenge then would be to develop such a set of terms and conditions.
- 5.2.6 The final factor that should be considered in terms of employee costs and risks is in terms of the management of sickness absence. In general, private sector waste collection operations achieve a lower level of sickness absence than in-house organisations do (although there are some



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

honourable exceptions, including locally at Basildon). We are currently working with an in-house organisation where we believe that the additional cost of sickness absence is in excess of £1 per household: and this is not the worst performer we have encountered.

### **Vehicles**

- 5.2.7 In this area, HDC could be said to have a distinct disadvantage in terms of setting up an in-house arrangement for these services, since the Council has no sizeable vehicle fleet, holds no Operator's Licence and has inadequate arrangements in place for maintenance, licensing, insurance etc. for an operation of this kind. This is a serious matter in terms of bringing an operation such as this in-house; although contractual arrangements could be set up for maintenance etc., with no named individual with a Certificate of Professional Competence the Council could not get an Operator's Licence and therefore could not (by law) operate these functions. As noted, there would be some expertise within HTS (P&E); but given waste would be within a separate company, the challenge would remain: and the size of the waste fleet is significant.
- 5.2.8 In either case (in-house or Teckal) the Operator's Licence would need to be secured before the vehicles were purchased: and the timescale for purchase would require an OJEU notice for procuring the vehicles to be placed in the late autumn of 2017.
- 5.2.9 Although there is evidence that contractors can purchase the required specialist vehicles more cheaply than local authorities can (chiefly because of discounts offered to the private sector because of the higher volumes each purchases), there is also evidence that, in terms of overall costs, this is negated because local authorities can borrow money more cheaply than private sector waste companies can (or, in the case of contract hire arrangements, they receive preferential terms through their 'blue chip' status). That said, as explained in 6.2 below a number of councils are now providing capital in the case of out-sourced contracts.
- 5.2.10 We see no major risks associated with this element in terms of unit costs, but there is a major risk in terms of compliance unless the required management infrastructure can be quickly put in place.

### **Infrastructure**

- 5.2.11 In terms of infrastructure, HDC has one key advantage that would not apply to many other authorities considering bringing back services in-house, but compared to others it has some disadvantages. It has retained its depot, but as mentioned, it has no significant manual operational



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

services currently delivered in-house; and it does not have a vehicle fleet with an associated 'O' Licence, nor a sufficient maintenance contract.

- 5.2.12 We are unsure as to whether there would be sufficient capacity within some parts of the Council (or in the newly-established Teckal company) to deal with the needs of an enlarged workforce, meaning that additional on-going staff resources might be needed in this regard. If these services are brought in house, there will be impacts on the workloads in HR, health and safety, procurement, payroll, finance, insurance, and ICT to name the obvious support services. In the most optimistic scenario, all of the support services can provide the marginal additional service to the operation; but in the most pessimistic scenario, each of the support service managers has to recruit extra staff to meet the additional demands, and the costs will be significant. It is extremely unlikely that any support staff would transfer from Veolia.
- 5.2.13 We see Health and Safety as a major concern; in particular, the waste industry is increasingly the subject of enforcement attention from HSE and others. It is now one of the highest risk sectors, with reportable incidents and fatalities both running at four times national averages; and in terms of deaths per employee it is currently the second highest scoring industry (after agriculture). Day-to-day waste collection operations carry an inherent level of risk – from the machinery used, from the weather conditions, and from having to work on the highway – as in the Glasgow case which has received much media attention. Health & Safety management is a major consideration when contemplating returning operations such as these in-house, and HDC would incur some one-off costs in putting new processes into place for new operations (e.g. risk assessments).
- 5.2.14 If the Teckal option is chosen, one of the key decisions is to where the ultimate responsibility for Health & Safety sits. In the case of the in-house option this would be with the head of the paid service: but it is not at all clear that this would be appropriate for a Teckal company, in which case the decision must be carefully made.
- 5.2.15 The difficulty of achieving and maintaining acceptable performance in this area should not be underestimated. The appropriate mitigating actions involve focussing specialist advice on detailed operational matters, and ensuring appropriate senior management attention. These actions will incur costs.
- 5.2.16 Although Veolia employs a Manager who would almost certainly appear on the TUPE list, industry experience is that this person is highly unlikely to leave Veolia in the event of a TUPE transfer. The



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

successful delivery of these services depends on having a good quality manager: if there was a need to recruit, then we would assess this is a significant risk, as there is not guaranteed to be a strong pool of field of candidates competing for such a job.

5.2.17 Service Resilience is another potential area of concern; as a newly-established arrangement, the support networks within HDC to cope with operational challenges such as extreme weather, legislative change, staff turnover, and mechanical or technical difficulties would be tested. We assess this as a potential risk not only to the service itself, but also to the wider reputation of HDC. The public treat the reliability of their refuse and recycling collection services as an indicator of the overall performance of the Council, and so any interruption of normal service can have consequences far beyond the severity of the original problem.

5.2.18 The Council's Organisational Culture should be examined also: HDC's recent experience has been to secure large-scale operational services via contracts, and so the current culture in this area is one of contract management, not operational management. A successful organisation (whether in-house or Teckal) will have to have good arrangements for managing staff absence, and be backed up in this by corporate processes in Occupational Health, Industrial Relations and Human Resources; and until these are in place there remains a potential risk that the organisation will not be sympathetic to the needs of the new operation. As mentioned above, the appropriate senior management attention to Health and Safety matters will extend beyond the operational management of the waste collection service, and Officers will have to be attuned to the nuances of maintaining high standards of Health and Safety. It is also worth noting that a Teckal arrangement will need to act differently than a traditional DSO (in terms of accountability etc.); and there is also a risk that in the Teckal arrangement the Teckal company develops its own culture which runs contra to the ethos that is required.

5.2.19 All of this points to the need for significant one-off support during any set-up, which (in our experience) is likely to cost more than for support in a procurement.

### **Benefits**

5.2.20 One major benefit in having the services delivered in-house could be in terms of direct control and thereby improved standards through this process. However, it is not the case that in-house operations always deliver higher standards (some of the lowest recycling/composting rates are achieved by councils using DSOs); and at HDC the general service standards are good and in some



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

cases excellent, so this benefit might be in relation to particular aspects of service delivery, not generally.

- 5.2.21 Although a contracted-out service will always have some provisions for making changes (e.g. a variation mechanism), there is no doubt that there is greater control over such changes if the organisation is directly controlled: to that extent, the in-house service has greater flexibility than the other options (and the Teckal arrangement would have potentially more flexibility than a contracted-out service). Clearly, this factor might not come into play during a contract period (e.g. the services, as reviewed in this report, might be of a design that would be appropriate for the entire period of the contract): but it is a point to consider nonetheless.
- 5.2.22 Another key benefit of having an in-house organisation is that any surpluses generated in the form of budget underspends would be retained by the Council as opposed to being taken as contractor profits. The converse of this is that any losses or overspends must be funded by the Council as opposed to being the contractor's risk.
- 5.2.23 Given the high level of labour costs, the increased costs for infrastructure and the one-off costs, together with normal (i.e. at no less than the private sector would incur) running costs for transport and materials etc., we cannot see any obvious financial benefits in terms of an in-house operation; and we see some potential risks to the reputation of the Council also.
- 5.2.24 The key advantages of the Teckal arrangement (as opposed to a 'simple' in-house DSO) are: first, that the organisation can (to a point) determine its own terms and conditions for employees, including pay levels (thereby avoiding any additional costs in this area as discussed above); and, second, that there is a separate arms-length governance process, meaning that decisions can be taken within the Teckal company that are more akin to decisions that might be taken in a (responsible) private sector company, thereby giving the Teckal company a commercial edge (as compared to a DSO). Apart from these differences, the situation is similar as for a DSO.
- 5.2.25 The key disadvantages of a Teckal arrangement (at least, as far as HDC is concerned) are:
- First, the Teckal option raises many of the same questions in terms of a suitable management infrastructure that a DSO does (but these could be less significant in the longer term given the work involved in establishing HTS (P&E));



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- Second, there would be a need to set up not only the infrastructure within the Teckal company but the need to set up an infrastructure to manage the Teckal company, which would add further cost to this option: and these costs, associated with setting up the structure, recruiting/transferring staff, establishing systems etc. would need to be in place before any operational work associated with service delivery could commence. Again, there is some mitigation given that a structure for managing HTS and HTS (P&E) is being established.
- Third, the very fact that management of the service would be through a Teckal arrangement means that there is less direct control than with an in-house service; indeed, some would argue that a well-structured contract can give a similar level of control.

### 5.3 Contracted-Out Service

5.3.1 Clearly this is the option which is the current means of service delivery: and in the sense that it currently performs well and that the necessary structures and support mechanisms are in place, it is a low-risk option.

5.3.2 One risk might be that there would be insufficient market interest in the contract: to assess whether this might be the case, WYG has consulted with a number of commercial operators to ascertain the appetite for a contract at HDC.

5.3.3 The market for these services has changed somewhat since the last procurement, as a result of takeovers and consolidation. That said, there are still a good number of operators that offer these services to local authorities.

5.3.4 Whilst we were not able to have lengthy discussions with all of the operators, we can give the following feedback:

- We believe that the HDC contract is too small to be attractive to two operators, Amey and Kier (the first of which acquired Enterprise recently and the second of which is bidding for very few contracts currently following its acquisition of May Gurney). There is the added complication for Kier regarding the contract which is being terminated in relation to street cleansing and housing maintenance.
- We think it likely that the contract would be of interest to Serco, largely through a combination of the size of the contract and its location. Serco was the under-bidder for the Epping Forest



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

contract. It would also be of interest to Biffa (who have recently acquired Cory, who operate in Epping Forest and who have a MRF at Edmonton); to Veolia (as incumbent); to Suez (formerly branded as Sita, recent winners of the Maldon contract. It would probably be attractive to FCC and Urbaser too.

- Only one operator (Norse) showed any interest in a Joint Venture: but the location and history of the HDC contract makes this not particularly attractive to them.
- All stressed that they are very busy in terms of bidding: and that they would therefore look for a simple process for what they see as a relatively small contract. They would also hope for a sensible timetable (around three months for tendering, at least a six-month mobilisation period) and would be looking for the Council to provide a depot. They would also hope for as large a contract as possible and feel that they could deliver all of the services covered by the HDC contract.
- All are concerned as to risk exposure from recycle values and would require separate indexation for this activity, given that the treatment and marketing activity be included in the contract. They could see the logic for continuing to include this activity in the contract as separating it means little or no interest from the collection contractor in managing contamination etc.
- All welcomed the option of the Council providing capital (as described in 6.2) for vehicle purchase.
- All said that they would prefer to have discussions with the Council as part of the procurement process: they recognised however the higher costs (to them and to the Council) that a process such as Competitive Dialogue (CD) brings; and that CD may not be appropriate to this case. There was greater enthusiasm for the new Competitive Procedure with Negotiation (CPN) than for the standard Restricted Procedure.

5.3.5 We consider procurement options in 6.5 below.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

### 5.4 Risk Analysis

5.4.1 We have used Risk Analysis to evaluate HDC's options against a range of criteria that are relevant to the achievement of the policy objective, which we have taken to be securing high quality services at competitive prices.

5.4.2 Risk Analysis:

- helps to understand the nature and likelihood of any problems which may arise with the implementation of each option; and
- attempts to quantify the relative 'riskiness' of each option.

5.4.3 Risk Analysis does not:

- predict the success or failure of each option; or
- guess at the likely quality or price associated with each option.

5.4.4 The Risk Analysis examines the three main options for securing the waste collection and recycling treatment service for HDC. They are:

- Continue with a contracted-out model;
- Bring the services in-house; and
- Deliver through a Teckal arrangement.

5.4.5 The identification of the best option for HDC should turn on the evidence available. We should make it clear that we hold no brief for or against any of the options above. Our approach is to support the Council in taking whatever decision the evidence suggests is best for them. For other clients, we have recommended in-house operations be retained and also that they be subject to competitive market testing; we have recommended joint tendering and also that solo tenders be sought. We have considered bringing services in-house and prepared dummy bids on behalf of potential in-house operations. In each case, we have relied on the evidence and our best analysis of that evidence.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

5.4.6 A weakness of Risk Analysis is that it has a heavy focus on things that might go wrong, and it is difficult to express the more optimistic analysis of things that might go right in the same table. We have tried to bring out this positive element in the column headed 'opportunity'.

### Methodology

5.4.7 The same 12 risks have been analysed for each option and a 5x5 risk scoring approach has been used as described in the table below. Each risk is given a score out five for 'Likelihood of Occurrence'; and another score out of five for 'Severity of Impact'. The two numbers are then multiplied together to give an overall risk score. These are then allocated to three categories Green (1-4 points: low risk), Amber (5-10 points: medium risk) or Red (11-25 points: high risk). Table 1 below shows the general principles.

### GENERAL PRINCIPLES OF RISK ASSESSMENT

		Severity of Impact				
		1 Low impact, negligible consequences	2 Minor impact with some consequences at an operational level	3 Noticeable impact with measurable consequences	4 Major impact which could disrupt finances and/or services	5 Severe impact in damage to life and limb, cash and/or reputation
Likelihood	1 Rarely, if ever occurs	1	2	3	4	5
	2 Weak likelihood of occurrence	2	4	6	8	10
	3 More likely than not to occur	3	6	9	12	15
	4 Strong likelihood of occurrence; needs to be anticipated	4	8	12	16	20
	5 Highly likely, almost certain to occur	5	10	15	20	25



# Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

## Results of the Risk Analysis

5.4.8 In the detailed Risk Analysis which is included in Appendix A, each risk is described, and possible mitigating actions are suggested. An assessment of the opportunity presented by each factor is given. The scores represent our assessment of the risk factor before mitigation. This assessment is necessarily subjective, but represents our best conclusion on the basis of the evidence available to us at this point in time.

5.4.9 A summary of the three analyses shows the number of red, amber and green risks for each option. This table should be read with caution, as receipt of further and better particulars about the in-house and Teckal options might reduce the risks as currently assessed (particularly as regards the potential use of skills and resources from the new Teckal arrangement which will replace Kier Harlow). It does not reflect the opportunities, nor does it assess which option might lead to the best benefits for HDC.

	Number of factors assessed as:			Total Risk Points
	Green	Amber	Red	
<b>Contracted-out service</b>	9	3	0	44
<b>Bring the services in-house</b>	7	3	2	62
<b>Deliver through a Teckal arrangement</b>	5	7	0	60

5.4.10 This table shows that on the current risk scores:

- The option for an in-house service has the highest overall risk and two Red risks;
- The Teckal option has the second highest overall risk but with no Red risks (though the scores could be mitigated further in the longer term through synergies with HTS);
- The option to re-tender carries the lowest overall risk, and has no Red risks;
- The differential between the three options is not great: but the Red risks make the in-house option the least attractive (in our view);
- The Amber risks within the other two options could be 'managed out' but more effort would be required in the case of the Teckal option, particularly in this early stage of its development.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- 5.4.11 The contracted-out option, essentially the status quo option, offers the lowest risk. The challenge to this proposal may be to identify the potential rewards, since some would argue that simply avoiding risks is not a compelling argument. The evidence of the current market for tendered services indicates that benefits can be had without aggregating demand. Confirmation from potential suppliers that the combined contract package remains attractive and (from Veolia) that the contract does not lose money are important pieces of evidence that inform our assessments.
- 5.4.12 We see the other options as more risky, although the amber risks could be managed out; and particularly in the case of the in-house option potentially more expensive.



## 6.0 ADDITIONAL MATTERS FOR CONSIDERATION

### 6.1 Four-Day Working

- 6.1.1 The general principle behind four-day working (which is practiced by a number of authorities) is first to avoid Bank Holiday collections and also 'slipped-day' arrangements for catching up Bank Holidays as far as possible; but also to use a longer working day on the days that waste is collected.
- 6.1.2 The position regarding Bank Holidays differs (significantly!) from council to council.
- Some councils prefer to collect on some Bank Holidays if tipping facilities are available (collecting on Good Friday is the most common);
  - Some councils collect on all Bank Holidays except those in the Christmas / New Year period: for those councils the advantages of moving to four-day collections are therefore less obvious; and
  - Some councils are hampered as to what decisions they can make since no tipping facilities are available on Bank Holidays (chiefly because of planning permission).
- 6.1.3 Councils that operate slipped-day arrangements incur costs in publicising them; and may incur costs in e.g. opening the call centre on such days (although some do not open the call centre on those days). Equally, those councils collecting on Bank Holidays may incur costs in e.g. opening the call centre on such days. Four-day working reduces these costs (though they may still exist for e.g. Good Friday and for the Christmas / New Year period).
- 6.1.4 Whether there are economies in collection through a longer working day depends upon a number of factors. The most economic practice for standard five-day working is (usually) to try and collect two full loads and tip them over an eight hour day (sometimes 7.4 or 7.5 hours). However, there are situations where the tipping point is so distant from the collection area, or where the properties are geographically spread out, that it is not possible to tip twice per day; or where volumes are such that the second load is a partial load.
- 6.1.5 WYG has worked with a number of such authorities and has found that it is often possible to collect two full loads over a longer than standard day – and these have then introduced a longer working day (which would e.g. be a 10-hour working day where the standard working week is 40 hours).



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

In some cases this has meant a four-day working week (so the staff work Tuesday to Friday, four days working and three days off). This is popular with the staff and often results in lower absenteeism. A good example local to HDC is at Uttlesford DC. In some other (but fewer) cases there is still working on five days, but the staff individually work four days on and three days off by rota (which is much less popular with the staff).

- 6.1.6 In the first case additional payments for Bank Holidays are much less; and servicing, plating etc. can be phased so that a lot of work is done on the Monday, so it can be possible to reduce the cost of spare vehicles. In the second case, the vehicles collect ten loads per week rather than eight, so fewer vehicles tend to be needed than for a four-day working week (though obviously this depends upon the tonnages and property numbers etc.).
- 6.1.7 In some cases where the client chooses a four-day week, the operation uses 32-tonne vehicles, meaning that the loads collected over these longer working days are significantly increased. This is almost certainly impractical in HDC.
- 6.1.8 In some cases the move to a four-day week offers no significant savings to the council: but does provide an impetus for change (particularly the case for in-house operations: but this is irrelevant to this case).
- 6.1.9 It has to be said however that in some cases four-day working simply doesn't offer economies at all. One of the reasons that it may not is due to the tonnages that need to be picked up: moving to a four-day week reduces the maximum collection capacity by 20%. The first test that we would undertake is to see if this is a problem. A second reason is related to the locations of properties, depot(s) and tipping point(s): but if the first test fails, this is largely irrelevant.
- 6.1.10 Whether there are economies in collection through a longer working day depends upon a number of factors. The most economic practice for standard five-day working is (usually) to try and collect two full loads and tip them over an eight hour day (sometimes 7.4 or 7.5 hours in the case of DSOs). However, there are situations where the tipping point is so distant from the collection area, or where the properties are geographically spread out, that it is not possible to tip twice per day; or where volumes are such that the second load is a partial load.



# Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

## 6.2 Model

### Household numbers

6.2.1 For this calculation we are working on a figure of 39,000 households. Which is what we are advised could become the number during a contract period. In our calculation we therefore allow for 18,500 collections per week for residual waste and dry recycling; and 37,000 collections per week for food waste.

### Tonnages

6.2.2 Current arisings in terms of kg / hh / year are as set out below:

Current arisings kg/hh/year	HDC
Residual waste	366
Recycling	207
Food	87

6.2.3 This results in the following annual tonnages collected if we allow for 37,000 properties:

Current arisings tonnes/year	HDC
Residual waste	13,542
Recycling	7,659
Food	3,219

## 6.3 Modelled Resources

6.3.1 The daily workload on a five-day week is such that:

- There is a requirement to collect 54.17 tonnes of residual waste from 3,700 properties;
- There is a requirement to collect 29.46 tonnes of recycling from 3,700 properties; and



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- There is a requirement to collect 12.38 tonnes of food waste from 7,400 properties.

6.3.2 The front-line resources that we estimate are required are three rounds for residual waste and four for recycling (the latter have a further distance to the disposal point. We believe that between three and four rounds would be required to collect food waste.

### **Re-model for the four-day week**

6.3.3 The daily workload on a five-day week is such that:

- There is a requirement to collect 67.71 tonnes of residual waste from 4,625 properties;
- There is a requirement to collect 36.82 tonnes of recycling from 4,625 properties; and
- There is a requirement to collect 15.48 tonnes of food waste from 9,250 properties.

6.3.4 In terms of resources, we believe that four rounds for residual waste would be a more likely resource, since using three implies more than two tips per vehicle per day; and that four rounds for recycling would be quite tight. We do not see how a four-day week offers greater savings than the current five-day design.

6.3.5 That said, a contractor might find a design whereby a four-day option could work: one answer might be to use 32-tonne vehicles on some of the rounds to give greater capacity: whilst we are sure that this might be feasible in some areas, in others it would not.

### **Conclusion**

6.3.6 At this stage we feel that the Council should not prescribe a four-day week collection pattern as part of its specification.

6.3.7 It may be appropriate to allow bidders to tender on the basis of either a four-day week or a five-day week (but with households retaining the same collection day, meaning a hybrid approach is not appropriate), according to their choice as to which is the most economic: but if a four-day week is chosen as the bid that is offered, then we believe that:

- First, the Council should insist on a thorough worked model to be supplied so that they can be satisfied that the proposals are robust;



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- Second, if larger-than-standard RCVs are proposed then evidence should be submitted to show that their use has been properly tested for the areas where they are proposed;
- Third, the introduction of a four-day week will incur significant one-off costs to the Councils in terms of communicating a day change and our experience is that these are higher than for a simple day change in a standard week, since they will almost certainly be more significant. This should be factored into the evaluation model.

6.3.8 We advise in 6.5 that the Council should consider using the Competitive Procedure with Negotiation to procure its contract. The use of this Procedure would allow detailed discussion on the points above.

### **6.4 Provision of Capital**

6.4.1 Over the years we have been able to reduce the costs of waste services to our local authority clients by using council-provided capital for vehicle purchase (including recently at Epping Forest DC). This sub-section explains the principles behind this action.

6.4.2 We should first emphasise that we are not accountants, nor are we financial advisers. Further, we know that the financial circumstances of each council that we deal with in this regard is subtly different e.g. some have large cash reserves which at present earn very little interest whilst others have no such reserves but do have the capacity to borrow. When councils do decide to provide capital in this way, the precise methodology for so doing is therefore different; and the precise accounting arrangements are also different. Should HDC believe that there could be savings through this action, more precise financial advice should be sought.

6.4.3 If HDC were to actually procure the vehicles themselves, then our understanding is that they would have to do so using an OJEU process: it might be that a compliant framework arrangement could be used but even so there would be a cost incurred for such a process and the timetable would need to be considered carefully. We are, of course, aware that the UK has recently voted to leave the EU: but this will not be effected before this contract is due to be re-procured.

6.4.4 Following this through, at the time of such a procurement HDC would need to know precisely how many vehicles of what type were required: and although our estimate might give some guidelines it is possible that the contractor who offers the most economically advantageous tender might use a slightly different configuration either in terms of numbers or vehicle types. What we are saying



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

here is that if HDC were to purchase the vehicles then they would need to know the precise resources that the contractor would wish to use. This implies awarding the contract for waste collection and then procuring the vehicles; or alternatively HDC deciding on the level of resource that it will provide and lose the opportunity of contractor innovation by way of service design.

- 6.4.5 There is an added complication were HDC to procure the vehicles themselves: they might end up with a result which is subtly different to that which the contractor would prefer: for example, the contractor might prefer a certain configuration of chassis and body or a particular type of bin-lift. It is the nature of OJEU-compliant procedures that they be open and are not anti-competitive and therefore cannot be restricted to such requirements and so it is not possible for the HDC to specify requirements in the way that a private sector company can. This could lead to the complication, if HDC purchased the vehicles, where during the later years of the contract the contractor complains that the vehicles are not fit for purpose and claims for costs against HDC.
- 6.4.6 For these reasons we believe that it is more appropriate for the contractor to purchase and own the vehicles: but many of the waste companies cannot borrow money as cheaply as local authorities can; and in the case where the local authority in question has cash balances, the loss of interest (in the current market) on those balances would be very much less than the borrowing costs of a contractor.
- 6.4.7 We estimate the capital cost for the vehicle resource at HDC to be up to £2.5 million, including for spare vehicles. Our understanding is that typically waste companies will depreciate their main fleet over a period of seven years: we further understand that this is the case even if the contract period is somewhat longer.
- 6.4.8 Clearly the borrowing costs for each individual contractor will vary: we are assuming for this model that they might range from 4% to 7%. Using a purchase value of £2.5 million, a repayment period of seven years and an interest rate of 4%, the annual repayment would be £410,064; and if the interest rate was 7% the annual repayment would be £452,780.
- 6.4.9 As stated, we are not accountants or finance experts: but we understand that HDC could borrow from the PWLB at a rate of ca. 1.2%. If HDC were to borrow £2.5 million over seven years at this rate the annual repayment would be £372,531 – a saving of £37,533 per annum over the 4% calculation and a saving of £80,249 per annum over the 7% calculation. If, instead of borrowing



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

the £2.5 million some or all of it could be financed from reserves then the potential annual savings would be even greater.

6.4.10 As far as the mechanics of such a transaction are concerned, we have seen two methods used:

- An up-front payment is made (but only paid when the vehicles are delivered and in the ownership of the contractor). The contractor then reduces the monthly invoice; as a security the council has a lien over the vehicles (this was the method used by Epping Forest DC).
- A loan is made to the contractor which the contractor repays each month by means of a deduction from the monthly invoice. There is a separate legal agreement to cover the loan; and it generally involves some interest being charged. Again, as a security the council has a lien over the vehicles.

6.4.11 We recommend that, having reviewed the principles as set out in this report, HDC seeks financial advice to see which approach best suits their overall financial position e.g. use of reserves, prudential borrowing etc. If, having done this the matter is still of interest, WYG can advise on how this should be dealt with in the contract documentation, including (if appropriate and required) provision of a draft loan agreement.

## 6.5 ICT

6.5.1 All waste collection contractors have developed their own ICT systems which are used (for their own purposes) to track the collection vehicles, record collection activities (access difficulties, bins not presented or not collected for a technical reason) etc. and which involve in-cab technology.

6.5.2 Some councils have their own systems for capturing data which can be used to liaise with customers who might make enquiries or complaints e.g. in relation to missed collections.

6.5.3 Councils with very sophisticated internal systems often require their waste collection contractor to build interfaces between the contractor's system and their own system. Sometimes this adds cost or complication to the exchange of information. An alternative approach, particularly if a council's systems are less sophisticated, is for the council to have access to the contractor's system and receive reports from it.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

- 6.5.4 Whichever choice is made, we believe that there can be difficulties in understanding precisely what the contractor's system does and how it works. In Competitive Dialogue (CD) procedures it is normal for at least one session to involve the tenderers demonstrating their system; this is also possible using CPN but not under Restricted Procedure.
- 6.5.5 Whichever choice is made, provided there is clarity as to what is required and how and when it will be delivered there can be great benefit to the customer in terms of better quality information as well as faster and more economic communication between the council and the contractor.
- 6.5.6 In terms of specifying requirements, it is generally best for the council to specify outcomes and outputs, whilst describing its current methodology and systems, and invite the contractor to explain how they can deliver an optimised solution. We would advise that the contract documentation should say that HDC expects any contractor to use a modern ICT system using in-cab technology which would either interface directly with HDC's systems or give direct access to HDC staff to assist in dealing with customer queries etc. working in real-time; and we could describe this in greater detail (e.g. giving details of HDC's precise systems, security etc.) in any contract documentation. Consideration could also be given to making access to this information more generally.

### **6.6 Contract Period**

- 6.6.1 There is some disagreement as to what the optimum contract period should be. In the past a period of seven years was generally used, since this was (historically) the period over which the major assets (vehicles) were depreciated.
- 6.6.2 With many fewer deliveries to landfill sites, plus improvements in vehicle design, contractors find that they can deliver a contract most economically over a ten-year period. WYG has recently tested different contract periods through Competitive Dialogue procurements: and the answer at both (at Epping Forest and at Rushmoor) was that 10 years was the optimum period.
- 6.6.3 The argument against a 10-year contract period is that changes may be required during the contract term which cannot be foreseen. If HDC were sure that no such changes were likely then a 10-year period is most likely to deliver the most economic contract.
- 6.6.4 One way of testing this would be to ask for different submissions, although this can be difficult if the Restricted Procedure is used for procurement.



## 6.7 Procurement Process

- 6.7.1 We note from this report that there are several matters on which the Council could be unsure and could be asking for different submissions from any tenderers. These might include the option for the four-day or five-day service or for different contract periods (as described above) as well as the potential provision of capital and use of ICT systems.
- 6.7.2 There are other matters where we are sure that tenderers would wish for some discussion: these would certainly include processes for dealing with the changing values and composition for the co-mingled dry recyclables.
- 6.7.3 We believe that the best way of making the most of these options would be to use the new Competitive Procedure with Negotiation (CPN) which was introduced under the Public Contracts Regulations 2015.
- 6.7.4 Under this procedure, contract documents are published with the Contract Notice as with all other procedures. Tenders are invited whereby the participants are required to submit some variant scenarios, and may choose to submit others. In this particular case, we might expect tenderers to describe options for four-day and five-day collection services; different prices for different contract periods (e.g. ranging from an initial seven to 10 years); to clarify the discount they would give if the Council provided the capital, and clarifying the amount of capital required; and to comment upon some specific terms and conditions.
- 6.7.5 Tenders are then evaluated. Under the CPN it should always be possible to award the contract without negotiation: and if the same tenderer offers the best tender in any scenario with no amendments required to the terms and conditions then that would indeed be possible. Where this is not the case then the Council would invite the highest scoring tenderers (using set criteria to determine how many etc.) to separate negotiation meetings, which might include e.g. a demonstration of the contractor's ICT system. Following these meetings the Council would fine-tune its requirements and invite those who have participated in the negotiations to re-tender: and then re-evaluate the submissions. The fine-tuned requirements would need to be such so that there is a clear winner.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

6.7.6 By these means the Council can evaluate variants and award the contract with low risk attached to the process. This would not be possible using Restricted Procedure: and we believe that CD would be too cumbersome (and expensive) for variants such as these.

6.7.7 The key stages in a CPN process might be as follows:

- Development of contract documentation To March 2017
- Placing of contract notice March / April 2017
- Shortlisting from questionnaires May 2017
- Inviting tenderers May 2017
- Receiving initial tenderers August / September 2017
- Evaluating initial tenders September 2017
- Negotiations October 2017
- Inviting final tenders Late October 2017
- Evaluating final tenders November 2017
- Contract award December 2017

6.7.8 The contract award date allows six months for mobilisation, essential for vehicle deliveries and for ICT configuration. We believe this to be entirely achievable.

Report Regarding the Procurement of a Contract for Domestic Waste and  
Recycling Collection and Allied Services



## Appendices



## Appendix A – Detailed Risk Analysis



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

### **DETAILED RISK ANALYSIS**

#### **Option 1 – Continue with a contracted-out service**

Introduction to HDC re-tender for a contracted-out service

In order to analyse the risks for HDC associated with re-tendering, we have had to make a number of assumptions about the detail of the proposal. The main assumptions are listed below. The analysis is necessarily a preliminary one, and could need revisiting as and when further and better particulars become available. The main point to make here is that this option essentially proposes to continue with the status quo, which is inherently contains fewer risks than those options proposing radical change. In general terms, the strength or weakness of the status quo option depends on the relative quality and merit of the current arrangements. Change for change's sake can be a costly aberration. On the other hand, complacent defence of a mediocre and/or costly service can be equally damaging.

#### Assumptions

We have assumed that if HDC re-tenders alone, it will be for:

- a combined waste collection and recycling treatment contract;
- to be let as one contract to a single contractor;
- to be let on HDC contractual conditions;
- with HDC specifications;
- and managed by the existing client team.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

	Topic	Risk	Mitigation	Opportunity	Likelihood	Impact	Risk Score
1.	Costs - Affordability	The contract may be unattractive to contractors who would have little interest in bidding; or might attract uncompetitive bids	WYG's discussions with the market have identified that, provided certain aspects of the contract are favourable, there is interest in this contract	Use of capital could reduce costs	2	2	4
2.	Management of savings and/or overruns	By choosing this option, HDC will have to live with the result and costs could increase	WYG's discussions with Veolia when assisting with the current extension suggest that, although tight, the contract does better than break-even: and by sharing risk on recycle values and providing capital the cost may be similar to current	Evidence may show that HDC could gain more from re-tendering than by any other arrangement	2	2	4
3.	TUPE transfers	HDC currently does not have in-house services that are proposed for externalisation. The TUPE implications of changed contractors are not expensive	None necessary	None	2	1	2
4.	Contractual arrangement	HDC can use contract clauses and specification conditions that reflect the existing service patterns	Need to assess the extent to which the current conditions and specifications add unnecessarily to the contractors costs	Cost improvements are possible if HDC is willing to relax some conditions, or share risks with the contractor	2	2	4
5.	Response to unsatisfactory Contractor performance	HDC has to be confident that it has resourced its client team sufficiently to be able gain and hold the contractor's attention should performance deteriorate	Need to understand the extent to which the existing client arrangements are efficient and economic	Cost improvements are possible if HDC feels that further reductions in the client team can be made. This is considered unlikely though improved ICT should aid effectiveness and efficiency	2	1	2
6.	Client Arrangements	HDC has to be confident that it has resourced its client team sufficiently to be able gain and hold the contractor's	Need to understand the extent to which the existing client arrangements are efficient and	Cost improvements are possible if HDC feels that further reductions in the client team can be made. This is considered	2	1	2



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

	Topic	Risk	Mitigation	Opportunity	Likelihood	Impact	Risk Score
		attention should performance deteriorate	economic	unlikely though improved ICT should aid effectiveness and efficiency			
7.	Links to Customer Strategy	HDC has to review its current arrangements to satisfy itself that the current configuration of customer contact strategy and these services is efficient and effective	Need to understand the extent HDC could gain from further business process improvements	Cost improvements are possible if further streamlining of processes can be achieved. This is considered unlikely though improved ICT should aid effectiveness and efficiency.	2	1	2
8.	Cost of Co-operation	Not applicable in this option	Not applicable in this option	None	1	1	1
9.	Economies of Scale	HDC may fail to access economies of scale available to larger operations	Need to benchmark current costs to understand the extent to which the current scale of operation is uneconomic	None	2	3 (or lower if evidence is produced)	6
10.	Sovereignty and control	That the contractor will not be responsive to requests for change	Include strong variations clause in the contract	None	2	3	6
11.	Links between services	The current configuration of an integrated contract may be less efficient than appointing specialist contractors in each field	Need to benchmark current costs to understand the extent to which the current arrangement is uneconomic – although evidence from extension and from WYG consultation is that an integrated arrangement was best	None	2	3 (or lower if evidence is produced)	6
12.	Regulatory risks – transport, waste, H&S	HDC will have to review its current arrangements and satisfy itself that these risks are appropriately and efficiently managed	Need to benchmark current arrangements to gain evidence of their suitability: but risks are mostly transferred to the contractor	None	2	2	4



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

### Option 2 – Bring operations in-house

#### Introduction to in-house risk analysis

In order to analyse the risks for HDC associated with an in-house service, we have had to make a number of assumptions about the detail of the proposal. The main assumptions are listed below. The analysis is necessarily a preliminary one, and may need revisiting as and when further and better particulars become available. The main point to make here is that this option could have far reaching implications for the remainder of HDC, and it is very difficult to understand the extent to which central services such as payroll, health and safety, procurement etc. are ready willing and able to provide responsive central services to a newly formed DSO at the price a competitive service would want to pay.

#### Assumptions

We have assumed that if the in-house option is chosen, it will cover:

- a combined waste collection and recycling treatment service though with the latter outsourced;
- it will buy central services from the main departments of HDC;
- it will incorporate client and contractor functions;
- it will deliver to HDC specifications.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

	Topic	Risk	Mitigation	Opportunity	Likelihood	Impact	Risk Score
1.	Costs - Affordability	That equal pay for work of equal value considerations will drive up labour costs as HDC will fit DSO staff into the job evaluation scheme. That vehicle and sundry supply contracts for a single service operator will be more expensive than private contractors can achieve	Need to understand the extent to which improved pay and conditions will control turnover and promote productivity Need to research collaborative buying arrangements available through public sector purchasing consortia and use SHDC skills and processes	It is extremely unlikely that this option will be the cheapest.	3	4	12
2.	Management of savings and/or overruns	In this scenario, HDC will have to live within its means and absorb cost overruns, or enjoy the full benefit of any savings	Need to assess whether this presents any problems beyond the capacity of HDC's financial management, especially as there is no contractual limit that can be applied to a DSO	None	3	4	12
3.	TUPE transfers	See 1 above. TUPE transfer of staff into HDC is not expensive, it is the equal pay obligation that will raise costs	See 1 above	None	2	2	4
4.	Contractual arrangement	Not applicable in this option except for the recycle treatment contract (which may bring a new challenge not assessed)	Not applicable in this option except for the recycle treatment contract (which may bring a new challenge not assessed)	None	1	1	1
5.	Response to unsatisfactory Contractor performance	HDC has to be confident that its own management team will be capable of tackling and remedying any defects in its own staff's performance	None	None	2	2	4



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

	Topic	Risk	Mitigation	Opportunity	Likelihood	Impact	Risk Score
6.	Client Arrangements	Not applicable in this option	Not applicable in this option	None	1	1	1
7.	Links to Customer Strategy	HDC has to review its current arrangements to satisfy itself that the current configuration of customer contact strategy and these services is efficient and effective	Need to understand the extent HDC could gain from further business process improvements	Cost improvements are possible if further streamlining of processes can be achieved. This is considered unlikely.	2	1	2
8.	Cost of Co-operation	Not applicable in this option	Not applicable in this option	None	1	1	1
9.	Economies of Scale	By bringing the services in-house, HDC may fail to access economies of scale available to larger operations	Need to benchmark proposed costs to understand the extent to which the proposed scale of operation is uneconomic	None	2	3 (or lower if evidence is produced)	6
10.	Sovereignty & control	Not applicable in this option	Not applicable in this option	None	1	1	1
11.	Links between services	The current configuration of an integrated arrangement may be less efficient than separate arrangements	Need to benchmark current costs to understand the extent to which the current arrangement is uneconomic	None	3 (or lower if evidence is produced)	3 (or lower if evidence is produced)	9
12.	Regulatory risks – transport, waste, H&S	HDC will have to carry these risks directly, most notably for the Heavy Vehicle O Licence, for Health and Safety of the staff and for Environment Agency Waste Management	Not clear	None	3	3	9



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

### **Option 3 – Delivery through a Teckal arrangement**

#### Introduction to Teckal arrangement risk analysis

In order to analyse the risks for HDC associated with delivery through a Teckal arrangement, we have had to make a number of assumptions about the detail of the proposal. The main assumptions are listed below. The analysis is necessarily a preliminary one, and will need revisiting as and when further and better particulars become available. The main point to make here is that this option will have far reaching implications for the remainder of HDC, and it is very difficult to understand the extent to which central services such as payroll, health and safety, procurement etc. are ready willing and able to provide responsive central services to a newly formed organisation at the price a competitive service would want to pay. Additionally, the timetable in terms of setting up such an arrangement is relatively short.

#### Assumptions

We have assumed that if the Teckal option is chosen, it will cover:

- a combined waste collection and recycling treatment service operating in one Teckal company (with the latter outsourced);
- It will operate within the HTS structure but separately from HTS (P&E);
- it will buy central services from the main departments of HDC or from HTS;
- it will incorporate contractor functions only, with a separate client structure;
- it will deliver to HDC specifications.



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

	Topic	Risk	Mitigation	Opportunity	Likelihood	Impact	Risk Score
1.	Costs - Affordability	That equal pay for work of equal value considerations will drive up labour costs. That vehicle and sundry supply contracts for a single service operator will be more expensive than private contractors can achieve	Need to understand the extent to which improved pay and conditions will control turnover and promote productivity Need to research collaborative buying arrangements available through public sector purchasing consortia  In the longer term the HTS arrangement could help: but the timetable is such that this is likely to pose challenges just now.	It is possible to develop a separate set of terms and conditions that are less expensive than for a DSO.	3	2	6
2.	Management of savings and/or overruns	Under this arrangement, the Teckal company will have to absorb cost overruns, or enjoy the benefit of any savings. There will be costs in setting up and running the company	Need to assess whether this presents any problems beyond the capacity of the company's financial management: Teckal ultimately underpinned by Council(s)	Within the Teckal company there may be other services which are delivered on a basis that generates a surplus, enabling costs to be absorbed	3	3	9
3.	TUPE transfers	See 1 above. TUPE transfer of staff into the Teckal company is not expensive, it is the equal pay obligation that will raise costs	See 1 above	None	2	2	4
4.	Contractual arrangement	Not applicable in this option	Not applicable in this option	None	1	1	1
5.	Response to unsatisfactory Contractor performance	HDC has to be confident that the management team will be capable of tackling and remedying any defects in (effectively) its own staff's performance	Not clear	None	2	3	6



## Report Regarding the Procurement of a Contract for Domestic Waste and Recycling Collection and Allied Services

	Topic	Risk	Mitigation	Opportunity	Likelihood	Impact	Risk Score
6.	Client Arrangements	Not applicable in this option	Not applicable in this option	None	1	1	1
7.	Links to Customer Strategy	HDC has to review its current arrangements to satisfy itself that the current configuration of customer contact strategy and these services is efficient and effective	Need to understand the extent HDC could gain from further business process improvements	Cost improvements are possible if further streamlining of processes can be achieved. This is considered unlikely.	2	1	2
8.	Cost of Co-operation	Not applicable in this option	Not applicable in this option	None	1	1	1
9.	Economies of Scale	By bringing the services into a small company HDC may fail to access economies of scale	Need to benchmark proposed costs to understand the extent to which the proposed scale of operation is uneconomic	None	2	3	6
10.	Sovereignty & control	That the Teckal company develops its own culture which does not fit with HDC culture	Strong governance structures need to be developed	None	2	3	6
11.	Links between services	The current configuration of an integrated arrangement may be less efficient than separate arrangements	Need to benchmark current costs to understand the extent to which the current arrangement is uneconomic	None	2	3	9
12.	Regulatory risks – transport, waste, H&S	The Teckal company will have to carry these risks directly, most notably for the Heavy Vehicle O Licence, for Health and Safety of the staff and for Environment Agency Waste Management	Not clear	None	3	3	9