

Executive  
17 November 2020

**Title:** Waste Contract Renewal – Update Report  
**Lead Officer:** Julie Lewis, Head of Neighbourhood Services  
**Portfolio Holder:** Cllr Moira-Ann Grainger, Neighbourhood  
**Public report / Confidential report:** Public  
**Wards of the District directly affected:** All

Contrary to the policy framework: No  
 Contrary to the budgetary framework: No  
 Key Decision: Yes  
 Included within the Forward Plan: Yes, ref no 1152  
 Equality Impact Assessment Undertaken: Yes  
 Consultation & Community Engagement: n/a  
 Final Decision: Yes  
 Accessibility checked: Yes

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	20/10/20	Bill Hunt, Deputy Chief Executive
Head of Service		Julie Lewis - author
CMT	22/10/20	
Section 151 Officer	22/10/20	Mike Snow
Monitoring Officer	22/10/20	Andrew Jones
Finance	22/10/20	Dilip Dabasia
Portfolio Holder(s)	23/10/20	Cllr Moira-Ann Grainger

## **1. Summary**

- 1.1 The current Warwick District Council (WDC) waste collection contract ends on 31<sup>st</sup> March 2021. A tender process for a replacement contract was undertaken this year but, as reported to the 24<sup>th</sup> August Executive, the evaluation of the outcomes concluded that it was untenable to continue with the procurement process and re-let the contract. Officers were duly authorised to negotiate a contract extension with the incumbent contractor for a maximum 30-month period.
- 1.2 Members will be aware that the costs of the contract extension pose a significant challenge to the Council's finances and it is, therefore, preferable to minimise the period of the extension as much as practical. In making their decision to extend the existing contract Executive noted that it would be sensible to recommence the procurement process afresh and as soon as possible, having revisited the parameters upon which the process was launched to determine whether a less expensive long-term contract could be achieved. Councillors also agreed to use the contract extension period to explore options around changes to the collection regime, the use of the proposed sub-regional Materials Recovery Facility (MRF) to process dry recyclates collected within the district and the option of a joint waste collection contract with Stratford District Council (SDC).
- 1.3 This report proposes that a joint waste contract is procured with SDC, utilising a revised waste collection regime, which would allow the WDC contract extension to be terminated on 31<sup>st</sup> July 2022. A report elsewhere on the agenda makes recommendations in respect of the MRF.

## **2. Recommendations**

- 2.1 That the Executive note the options considered in Appendix One and agree to procure a joint waste contract with Stratford-on-Avon District Council (SDC) through an OJEU compliant process.
- 2.2 That the Executive agree that the current waste collection arrangements are changed to a '123+' waste collection model, as detailed at Appendix Two, and that the new joint contract is procured on this basis.
- 2.3 That the Executive note the indicative procurement timetable as set out at Appendix Three.
- 2.4 That the Executive note that the final tender specification will be agreed by a Joint WDC and SDC Project Board, co-chaired by the WDC Deputy Chief Executive (BH) and the SDC Deputy Chief Executive, and operating under a Memorandum of Understanding (MoU) signed by both authorities.
- 2.5 That the Executive delegate authority to the Deputy Chief Executive (BH) and the Head of Neighbourhood Services, in consultation with the Portfolio Holders for Neighbourhood, Finance and Housing & Property, to agree the final version of the MoU and, subsequently WDC's requirements for the specification, to be taken to the Project Board for agreement.

- 2.6 That the Executive note that the procurement process will allow for the exploration of a future introduction of electric or hydrogen powered vehicles and for other carbon reduction measures to support the Council's Climate Emergency Action Plan.
- 2.7 That the Executive delegate authority to the Head of Finance, in consultation with the Portfolio Holder for Finance, to determine whether it would be more advantageous for the Council to purchase the vehicles necessary to deliver the contract and that, if this is to be the case, the capital programme is amended accordingly and reported to a subsequent Executive Committee.
- 2.8 That the Executive note that the Finance Programme Advisory Board (PAB) will receive updates to allow it to monitor the progress and evaluation of the procurement process and the Neighbourhood PAB will subsequently receive updates on the implementation of the contract after it has been awarded.
- 2.9 That the Executive note that the cost of new recycling bins and food waste caddies, estimated at £1.4m, will be included in the Capital Programme and funded from Public Works Loan Board borrowing, as set out in section 5.

### **3. Reasons for the Recommendations**

#### **3.1 Recommendation 2.1**

- 3.1.1 In July 2020, WDC and SDC agreed a statement on a jointly commissioned review of local government across South Warwickshire and the wider county area and agreed to explore:
  - Sharing of senior management posts across the two authorities;
  - Shared contracts across the two authorities and;
  - A Joint Core Strategy/Local plan review.
- 3.1.2 Exploration of a shared waste collection contract is particularly pertinent to both Councils as WDC have entered into an extension of their current contract (for a maximum period of 30 months from April 2021) and the SDC contract is due to end on 31 July 2022, allowing the possibility of a new shared contract to be implemented from that date. Considerable work has, therefore, been undertaken on the potential for a joint waste collection contract.
- 3.1.3 Comprehensive soft market testing has suggested that there are considerable advantages to procuring one joint waste contract, with several contractors citing that such a contract would be attractive to the market due to its scale and size, hence the recommendation of a single contract operated by an external contractor.
- 3.1.4 WDC and SDC currently operate their waste collection services by an external contractor and this is considered to be the optimum delivery mechanism for the future. Appendix One details a number of alternative delivery options that were considered in making this decision and outlines the benefits of an outsourced service.

- 3.1.5 It is currently envisaged that the joint contract would be entered into by both authorities acting individually, with each being jointly and severally liable, rather than one Council being the lead authority. In this scenario, the Councils would sign a Memorandum of Understanding governing disputes relating to the contract prior to its award. However, further legal advice is being taken on the contract liabilities and will be considered by the joint Project Board referenced in section 3.4.
- 3.1.6 It is recommended that the Council adopts the EU procurement route of Competitive Procedure with Negotiation, due to the complex nature of the service requirements surrounding waste collection services, sustainability issues, and the collaboration arrangement being proposed. The Council is permitted to apply this procedure under the Public Contract Regulations 2015 (Chapter 2, section 3, item 26 (4) (iii)).

### 3.2 **Recommendation 2.2**

- 3.2.1 It is highly likely that both Councils will face major cost increases in a new waste collection contract, mainly due to national living wage increases, changes and volatility in the recycling market, and other risks that currently sit with the existing contractors. A 123+ service design is being proposed in order to reduce the extent to which the costs will rise and will be the most effective system in minimising residual waste and maximising recycling. If efficiencies of scale and competitive bids are to be gained for a joint waste contract, the service design needs to be the same across WDC and SDC.
- 3.2.2 The proposed 123+ service design is detailed in Appendix Two. The main benefits of the service are as follows:
- a) An easier system for residents to follow – recycling can be mixed in a wheeled bin; there is no requirement to sort recycling into different containers; reduced risk of recycling not being collected due to it not being presented in the right way, etc.
  - b) Increased recycling rates – anticipated increase of up to 10% (according to a study carried out by WRAP in 2019 for WDC).
  - c) Allows more capacity for recycling within a new wheeled bin.
  - d) Reduced litter and spillages as recycling is contained within a lidded wheeled bin.
  - e) Allows additional items to be recycled such as juice cartons and large cardboard.
  - f) Reduced complaints about loss or damage of recycling boxes and bags.
  - g) Reduced manual handling risks for collection operatives.

### 3.3 **Recommendation 2.3**

- 3.3.1. An indicative timeline for procurement is shown at Appendix Three. This is a tight but realistic programme as a number of work streams have already been established and considerable work has already been undertaken on document preparation that can be tweaked following consideration by Council and sign-off by the Project Board.

**3.4 Recommendation 2.4**

- 3.4.1 A joint Project Board was established in October 2020 to ensure joint delivery of the contract and to individually ensure the interests of each Council is best represented. It consists of officers from both Councils and has two joint sponsors, Deputy CE's from each Council who alternatively chair the Board.
- 3.4.2 The Board will operate in accordance with a formal Memorandum of Understanding (MoU) between the two authorities. The current draft of the MoU is set out at Appendix Four, and is in the process of being finalised after both Councils have considered legal advice. It is, therefore, proposed that the final MoU is agreed under the delegated authority proposed in recommendation 2.5.
- 3.4.3 The membership of the Board is set out in the MoU and ensures that appropriate officers from both Councils are involved in the contract re-letting and implementation, with responsibilities for specific themes being shared on an equitable basis. This group of experienced officers have the necessary expert knowledge to deliver the proposed joint contract and are best placed to agree the specification for the contract. Julie Lewis, as the shared Head of Service of Neighbourhood Services (WDC) / Community & Operational Services (SDC) will be the operational project lead providing expert advice and driving individual work streams to ensure key decisions are brought to the Board for resolution and timescales are adhered to.

**3.5 Recommendation 2.5**

- 3.5.1 An existing Member Working Group (MWG) consisting of Portfolio Holders for Culture & Neighbourhood, Finance & Business and Housing & Property has been overseeing the contract extension process. It is proposed that this group continues to provide guidance to officers so that WDC interests are fully understood and best represented in the Project Board discussions.

**3.6 Recommendation 2.6**

- 3.6.1 With regard to the introduction of low emission vehicles it is not possible to commit to a specific solution or timescale at this stage as there remain significant uncertainties regarding feasibility, technology development, infrastructure provision and cost, although the contract specification will ensure that future implementation is provided for.
- 3.6.2 The development of this element of the contract specification will need to take account of the parallel work being undertaken as a priority for the Climate Emergency Action Programme. This is exploring the feasibility of introducing electric and/or hydrogen infrastructure in to the District to support a range of vehicles including municipal vehicles. In addition, work is continuing with electric vehicle providers to explore issues around vehicle range and costs taking account of the need for the service to operate over the whole of south Warwickshire. It should be noted that technology for the provision of alternate fuel vehicles is in its infancy with regard to those required for waste collection.

**3.7 Recommendation 2.7**

3.7.1 When considering the detail of bids received for the waste collection contract, it may be the case that if the Council was to finance the purchase of vehicles there could be a cost saving. Should the Council go down this route then there would need to be up-front capital financing. As the extent of any such potential financing is not known at this point, it is recommended that authority is delegated to the Head of Finance, in consultation with the Portfolio Holder for Finance, to determine whether it is appropriate and if so amend the capital programme accordingly with Executive updated in a subsequent report.

**3.8 Recommendation 2.8**

3.8.1 In developing the proposals contained in this report briefings have been provided to Executive and Leadership Co-ordination Group (LCG), in addition to the oversight provided by the MWG as set out in paragraph 3.5.1. Subject to the recommendations being it is proposed that further member input and guidance is provided through the Finance and Neighbourhood Project Advisory Boards (PABs).

3.8.2 In particular it is proposed that in providing guidance on the implementation of a new contract the Neighbourhood PAB undertakes a crucial role in helping to create waste champions and community involvement in areas such as waste reduction and recycling.

**3.9 Recommendation 2.9**

3.9.1 To accommodate the change in collection methods, new recycling waste bins and food waste caddies will be required, estimated to cost £1.4m. It is proposed that these will be funded from PWLB borrowing, with the costs included within the Capital Programme. Further information on this funding requirement is included within section 5 and the section report on the MRF, elsewhere on this agenda.

**4. Policy Framework**

**4.1 Fit for the Future (FFF)**

4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects and this is one of the Council's Key projects.

**4.2 FFF Strands**

**4.2.1 External impacts of proposal(s)**

**People - Health, Homes, Communities** – The household waste collection service impacts on every single household in the district. The proposal is made with the intention of improving lifestyles by reducing the carbon footprint impacted by the service. It is intended to encourage residents to reduce, reuse and recycle waste according to the waste hierarchy and to create community involvement in tackling waste. The

proposal could assist with the attainment of the Council's objectives across all its policy priorities.

- 2.10 **Services - Green, Clean, Safe** – The proposal to reduce waste collections to three weekly will greatly reduce vehicle movement throughout the district and will contribute to the reduction of carbon emissions. It will also help to reduce general household waste by encouraging people to recycle more thus reducing the amount of waste that goes to landfill. This in turn will support the Council's ambitions for a carbon neutral District by 2030. Further, recommendation 2.6 sets out a way forward to explore the possibility of the use of electric or hydrogen powered vehicles in the future and for other carbon reduction measures to support the Council's Climate Emergency Action Plan.

In general the proposal could assist with the attainment of the Council's objectives across all its environmental policy priorities.

**Money- Infrastructure, Enterprise, Employment** – The proposed service changes are intended to minimize the cost of the waste collection service thus enabling Council resources to be used on other services. The provision of the service provides several local employment opportunities and supports the local economy. The proposal could assist with the attainment of the Council's objectives across all its policy priorities.

#### 4.2.2 **Internal impacts of the proposal(s)**

**People - Effective Staff** – The proposal is to outsource the service but all internal staff will be properly trained with regard to processes and procedures and will be consulted via working groups to help shape these procedures.

#### **Services - Improve Services -**

The collection of household waste is a statutory service and these proposals are made to ensure continuity of service provision with minimum disruption. In addressing people and finance issues, it will enable the Council to better maintain or improve services.

**Money - Firm Financial Footing over the Longer Term** – Working together with SDC and the proposed waste service changes would help the Council to address the unfolding financial issue arising from the Covid-19 emergency on top of the underlying pressures. It will also help to minimise increases in the cost of the waste collection service.

#### 4.3 **Supporting Strategies**

- 4.3.1 Each strand of the FFF strategy has a number of supporting Strategies. The impact of the recommendations within this report seek to protect the Council's financial position while protecting a valuable public asset in the long term. None of the supporting strategies are significant to waste collection services.

#### 4.4 **Changes to Existing Policies**

4.4.1 The proposed service design change is different to the existing service and will alter the existing policy determining waste collection services.

### 4.5 **Impact Assessments**

4.5.1 An impact assessment has been completed and is available on request. This has not raised anything significant as there are no changes to existing policies such as assisted collections and bin provision for large families.

## 5. **Budgetary Framework**

5.1 Ahead of the recent tender process for the waste, street cleansing and grounds maintenance contracts, and additional £2m was included in the Council's Medium Term Financial Strategy (MTFS) from 2021/22 to accommodate the anticipated increased costs from these contract. As reported to members at August 2020 Executive, a further recurring £1.863m was allocated to the waste contract budget within the MTFS on the back of the tender prices received. Taking into account an estimated income of £315k from the sale of recyclables, the net cost to the Council of the waste contract in the budget is currently £5.507m but it is hoped that this amount will be reduced.

5.2 The proposals within this report and the separate report on the Materials Recycling Facility (MRF) are believed to present the best net financial position to the Council when the new contract is let. The revenue Budget of £5.507m will need to accommodate the following revenue costs of both sets of recommendations in the two linked reports. A summary of the costs that will need to be covered as a result of the recommendations in both reports is therefore set out in each report. The requirements will cover:

- WDC's share of the annual cost of the new joint waste collection contract, as determined from the tender process;
- Debt charges from the PWLB borrowing requirement for new recycling bins and food caddies;
- Debt charges from the PWLB borrowing to cover the MRF advance costs;
- Debt charges from the PWLB borrowing to cover the Council's loan advance, less the value of the interest received from the AssetCo;
- MRF costs charged to the Council, notably gate fees; and
- Subject to any use of the delegation set out in recommendation 2.7 of this report, debt charges from PWLB borrowing for vehicles and plant to be supplied to the new contractor, if this is the most financially beneficial option available to the Council.

5.3 Subject to the proposals in the two linked reports being approved there will be more certainty over these figures over the course of next year, as the MRF project reaches financial close in March 2021 and the outcomes of the tender returns from the waste contract procurement process are evaluated in late summer/early autumn 2021. However, the feasibility

work jointly commissioned by WDC and SDC to review waste collection options concluded that the recommendations in this report and the linked MRF report present the most financially advantageous options for the Council and provide the potential for substantial savings to be achieved against the allocated budget in due course.

### **6 Risks**

- 6.1 A continued risk associated with waste collection services is the volatility of the market for recyclable materials. If WDC agrees to progress with investment in the new MRF, considered elsewhere on this agenda, this risk will be removed from the process.
- 6.2 There is clearly a risk that the money and effort expended on the joint work with SDC may fail. This is best mitigated by ensuring an effective scope of work and separate decisions by both Councils to commit to procuring a joint waste contract given that the benefits are clearly identifiable, quantifiable and deliverable. SDC will be seeking formal approval for the joint working arrangement at their Council meeting on 14<sup>th</sup> December 2020.
- 6.3 Subject to the proposals for the joint waste contract being approved by both Councils, the risk remains until contract award. At that point, both Councils would be legally committed to the new contract regardless of the status of their relationship. However, were the relationship to fail prior to contract award WDC would need to undertake a new procurement exercise for contract based solely on its geography, which is likely to require a further extension to the current contract.
- 6.4 In December 2018, DEFRA published 'Our Waste, Our Resources: A Strategy for England' (Resources and Waste Strategy). This was followed by a series of consultations across the country with the outcome expected in spring 2022. In terms of the impact on Council waste collection services, leading industry experts believe that:
- Separate weekly food waste collections will become compulsory;
  - Separate garden waste collections will not be imposed as a free statutory service; and
  - The frequency of residual collections (general waste) will not be dictated.
- 6.5 The proposed 123+ waste collection design has been designed to mitigate as far as possible the likely outcomes of the future strategy on the Council's statutory responsibilities.

### **7. Alternative Option(s) considered**

- 7.1 The option of pursuing an alternative to an external tender process is not recommended for the reasons set out in section 3.1 and Appendix One.

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- 7.2 The option of pursuing a WDC only contract rather than a joint contract is not recommended because of the desire to work together with SDC and because of the efficiencies saved by procuring one joint contract.
- 7.3 The option of a start date later than 1<sup>st</sup> August 2022 is not recommended as the extension to the current WDC contract is very expensive and needs to be kept to an absolute minimum.
- 7.4 The option of a start date of 1<sup>st</sup> April 2022, at the end of the initial 12 month extension period has been discounted as the procurement timelines make this extremely difficult to achieve and alignment with the end of the SDC contract on 31<sup>st</sup> July 2022 is the preferred solution that would make commencement of one new joint contract more operationally and financially effective.

## **Appendix One**

# **Waste Options Analysis Progress Report**

## **Introduction**

Both SDC and WDC currently operate their waste services by external contractors. Waste collection services are one of our highest profile and expensive services that impact on every household in the districts. When these arrangements end in 2022, a number of different options are available but in looking at the future delivery of the services, a number of factors have to be taken into consideration.

These include:

1. Working together - SDC and WDC joint waste collection service.
2. The Government's Resources and Waste Strategy – published in December 2018 – pending finalisation.
3. Recycling performance/climate change.
4. Service costs and value for money.
5. Quality of service.
6. Long-term sustainability.

There are two aspects to waste collections at this point, the design of the actual service in terms of waste stream and collection frequency, and the way the service is actually delivered. A separate work stream is currently being undertaken with regards to the service design whilst this report concentrates on the way the service is delivered.

The recommendations made are based on previous evidence of workings from both Councils and reports previously produced by Frith Ltd and Eunomia. In summary, it is recommended that the Councils proceed with an external contractor delivery, as on balance this provides the optimal solution taking into account the above factors.

## **Delivery Options**

Both Councils currently operate the waste services by an external contractor. A number of options for future service delivery exist. These include:

- 1) In-house service delivery.
- 2) Teckal in-house service delivery (a company controlled by one or both of the Councils).

- 3) Joint venture (JV) service provider.
- 4) External contractor(s).

All of the options, of course, are subject to numerous sub-options, qualifications and variations. Appendix 1 shows the advantages and disadvantages of each option summarised below.

Descriptions of service delivery options are as follows:

### **In-house service delivery**

Both Councils have operated in-house service delivery previously. It is therefore clearly possible albeit this was a long time ago and the waste industry has changed significantly since then. However, to do so would require considerable outlay in terms of capital revenue and recurrent capital costs. TUPE would apply to all existing staff from the two contracts making it a costly and laborious exercise, with the potential of having to take on staff that may not be the most motivated. Other costs to bear in mind with an in house bid is the cost of employment terms, in particular sick pay, with up to 6 months' full pay and under these circumstances the sick pay and cover pay would have to be met by the Councils. In-house pension on cost is 19.6% whilst the minimum required to be paid by an external employer is 3%. This would effectively burden the in house bid with an extra 16.6% on the wage bill.

Additionally, it exposes the Councils to higher risk, and will be substantially more expensive in terms of employee costs. Both Councils chose to outsource the service many years earlier due to removing risk and exposure and due to the specialist expertise required to run the service. When costed previously by SDC and WDC it was not seen as a cost effective option. This has been supported by Eunomia and Frith reports.

An in-house operation would naturally be subject to a high degree of control, and should be able to achieve any desired level of quality, subject to resources being available.

### **Teckal in-house service delivery**

The Teckal exemption originally arose in European Union case law, where the courts recognised that an entity which was effectively controlled by public bodies and which did little trade other than with them should be treated as if it was part of them. This meant there was no requirement to competitively procure the goods, works or services in question. The exemption is now embodied Regulation 12 of the Public Contracts Regulations 2015, but it remains convenient to refer to it as the Teckal exemption.

The main differences between this and the in-house option are the reduction in pension and employee related costs and the addition of costs inherent in establishing and operating a company, such as audit and legal. Overall, the costs are considerably lower than full in-house operation. As a worked example, 4 crews with 1 driver and 2 operatives each, 12 in total would equate as follows.

Number	salary	cost	Pension rate	Pension cost	
8	20000	160000	3.0%	7800	
4	25000	100000	19.6%	50960	
12	<b>Total</b>	260000	16.6%	43160	Difference

Both control and quality should be very similar to a fully in-house operation. However, establishing new Teckal company will require considerable time and resources and it is not viable in the current timeframe.

### **Joint venture service provider**

There are some entities that currently seek to provide environmental services in a JV type arrangement, relying on the Teckal exemption to enable a direct appointment justified by shared ownership and control. These entities include Ubico, Norse and Coventry City. Ubico is a company owned by six district, and one county, Councils in the southwest Midlands. Norse is ultimately owned by Norfolk County Council and has 12 service provision JVs with Councils, mainly but not exclusively in East Anglia. The closest are Daventry and Wellingborough. Norse JV's are considered able to rely on the Teckel exemption because of the joint ownership and practical level of control exercised by the partner Councils, and the fact that the entire company is ultimately owned by the public sector (a very similar set of considerations justified the provision of services by LGSS [Local Government Shared Services] to Northampton Borough Council). Again, these take considerable time to set up and currently no possible JV partner has been identified.

### **External contractor(s)**

Commercial procurement of contractors for service provision is well known and indeed reflects the current situation of both Councils. There are many advantages to outsourcing including better buying power, head office support, specialist expertise and ability to call on other contracts for support. It is suggested that they also produce higher recycling results (Eunomia, 2019). Additionally, Eunomia reported:

"Authorities that contracted out their services achieved a lower cost of service per household per percentage point of recycling achieved than those who did not. The average annual difference was 10%. On this measure, it appears that contracted services deliver better value for money."

They go on to say, "Subjecting services to competition is likely to be one of the ways in which producers' can be reassured regarding value for money."

If this option was taken forward, it would be proposed to use the open or restricted procedure (or a single stage procurement if below the EU tender thresholds) for tendering, based on a predefined set of contract terms and specification.

Function	Advantages	Disadvantages	Comments
<p>1. In- house service delivery-waste and possibly street cleansing</p>	<ol style="list-style-type: none"> <li>1. Flexibility of the operational staff and the ability to adjust the service workloads to meet peaks and troughs</li> <li>2. Flexibility to deal with issues/customer complaints/missed bins etc. directly and quickly thus reducing time spent dealing with complaints and issues and making the customers more satisfied.</li> <li>3. Ability to review service budgets or reduce spending without threat of contractual claims</li> <li>4. Able to introduce new waste collections / recycling schemes without having to re-negotiate contract terms and conditions / payment schedules</li> <li>5. Opportunities to look at future shared service agreements with surrounding LA's either as the lead partner or joint partner</li> <li>6. Employment opportunities and training opportunities for local workforce.</li> </ol>	<ol style="list-style-type: none"> <li>1. No recent experience as a service provider and would therefore be starting the service as a newcomer to a competitive industry.</li> <li>2. More expensive than external contractor.</li> <li>3. Ageing workforce of Districts</li> <li>4. Potential increase in labour costs / term and conditions –due to transferring staff from the private sector back into the public sector as TUPE would apply.</li> <li>5. Risk of accidents/costs increasing lies completely with the Councils.</li> <li>6. Less buying power for recyclates and vehicles as smaller organisation, less economies of scale.</li> </ol>	

Function	Advantages	Disadvantages	Comments
	<p>7. Do not have to go out to tender saving considerable time and cost on procurement.</p> <p>8. Not as detailed specification required.</p> <p>9. Complete flexibility and control over the service.</p> <p>10.No need to make a profit.</p>	<p>7. All of previous waste experts removed from WDC/SDC employment so starting from scratch.</p> <p>8. If anything goes wrong, it is entirely our fault.</p> <p>9. Would require all NOPs and associated documents and processes to be written and developed from scratch, requiring specialist knowledge and expertise.</p> <p>10.Considerable time and expenditure needed to establish as in house workforce.</p> <p>11.Would TUPE over existing managers and supervisors who may not be good employees.</p> <p>12.No back up vehicles, staff, procedures from other contracts.</p> <p>13.Would require support from other existing departments i.e.</p>	

Function	Advantages	Disadvantages	Comments
		<p>HR, legal, health and safety, placing extra burden on current departments.</p> <p>14. Education budgets likely cut as not statutory.</p> <p>15. Full/true costs not always clear and potentially more expensive than an external contractor.</p> <p>16. Lower recycling rates.</p> <p>17. Less control of below the line costs.</p>	
<p>2. Teckal in-house service delivery-</p>	<p>As above plus</p> <ol style="list-style-type: none"> <li>1. No need to have the same T&amp;Cs as SDC/WDC, including no local government pensions except for transferred staff), so considerable savings from option.</li> <li>2. Slightly removes risk from SDC/WDC in terms of fatalities.</li> <li>3. Cheaper than in-house.</li> </ol>	<ol style="list-style-type: none"> <li>1. Potential trade union issues with staff on different terms and conditions to SDC/WDC whilst being a trading operation of SDC and WDC.</li> <li>2. Would take time and resources to set up.</li> <li>3. Requires Director and legal resources.</li> <li>4. Potentially more expensive than external contractor.</li> </ol>	

Function	Advantages	Disadvantages	Comments
<p>3. Joint venture service provider (Norse / Ubico)</p>	<p>As 1 plus</p> <ol style="list-style-type: none"> <li>1. Potentially a secure option as joint venture would be a shared partnership and the risk of failure from the under-priced private sector bid would be lower</li> <li>2. Option of making profit from other joint venture schemes</li> <li>3. Potentially easier to negotiate any service or budget reductions compared to an external provider as a shared partnership arrangement</li> <li>4. Options for surrounding local authorities to join the joint venture with potential savings to reduce operating overheads</li> <li>5. Experience of running other waste services elsewhere including Wellingborough.</li> <li>6. Shared risk</li> </ol>	<ol style="list-style-type: none"> <li>1. Operating costs may be higher than private sector competitors through a tender exercise.</li> <li>2. Takes time to establish.</li> <li>3. Need to source a current JV partner.</li> <li>4. Potentially more expensive than external contractor due to ongoing commitments and support needed for board administration.</li> <li>5. No default mechanism.</li> </ol>	
<p>4. External contractor – as one contract across the two Councils.</p>	<ol style="list-style-type: none"> <li>1. Experienced at running waste services, including health and safety.</li> <li>2. Shared risk/reward in some areas.</li> </ol>	<ol style="list-style-type: none"> <li>1. Risk of contractor not “caring” as much about the service.</li> <li>2. Less direct control over the service i.e. for missed</li> </ol>	

Function	Advantages	Disadvantages	Comments
	<ul style="list-style-type: none"> <li>3. Better buying power for vehicles etc.</li> <li>4. May utilise other existing staff and resources.</li> <li>5. Agreed and known timetables so achievable.</li> <li>6. Fixed costs.</li> <li>7. Significantly reduced staff costs due to different terms and conditions.</li> <li>8. The process of competition may drive efficiencies that are otherwise more difficult to achieve and helps to evidence value for money.</li> <li>9. Deliver better value for money.</li> <li>10. Higher recycling performance.</li> <li>11. Better monitoring and recording of performance.</li> <li>12. Can include performance incentives.</li> <li>13. Lower rates of missed collections</li> </ul>	<ul style="list-style-type: none"> <li>bins, complaints etc.</li> <li>3. Detailed specification needed.</li> <li>4. Risk of contractor going bust.</li> <li>5. Will include a profit margin.</li> </ul>	

## **Appendix Two**

### **Proposed 123+ service design**

The proposed 123+ waste collection service is as follows:

- 1 Separate weekly food waste collection
- 2 Fortnightly co-mingled (mixed) recycling collection in a wheeled bin
- 3 3-weekly residual (general) waste collection in a wheeled bin
- + Fortnightly garden waste collections in a wheeled bin

#### Separate weekly food waste collection

WDC currently provides a mixed garden and food waste collection using a green wheeled bin. As part of the proposed 123+ service, WDC would provide a separate weekly food waste collection in line with the anticipated statutory requirements of the Resources and Waste Strategy, with the added aim of increasing recycling rates. Households would be provided with a small food caddy for use inside the house and a larger food caddy to present for collection. A study carried out by WRAP in 2019 for WDC indicated an increase of 5% to the recycling rate by the introduction of a separate food waste collection.

A separate food collection service provides greater flexibility in sourcing recycling/composting facilities. There are a limited number of facilities that will accept garden waste combined with food waste and these tend to be more expensive than facilities that recycle/compost them as separate material streams.

The provision of an aerobic digestion facility county-wide is being explored.

#### Co-mingled (mixed) recycling collection

WDC currently provide a kerbside sort recycling collection where residents present their recycling in boxes and bags and the materials are sorted during collection. As part of the proposed 123+ service, WDC would move to a co-mingled recycling service. Households would be provided with a new blue-lidded wheeled bin. Bespoke solutions will be found for households currently on a sack collection system due to storage or access restraints. The experience of neighbouring authorities suggests that this system has been very popular with residents with the following benefits:

- a. An easier system for residents to follow
- b. Increased recycling rates
- c. Allows more capacity for recycling
- d. Reduced litter and spillages as recycling is contained within the bin

- e. Allows additional items to be recycled such as juice cartons and large cardboard
- f. Reduced complaints about loss or damage of recycling boxes and bags
- g. Reduced manual handling risks for collection operatives

### 3-weekly residual (general) waste collection

3-weekly residual (general) waste collections are becoming more popular across the country, expedited by the incredibly successful implementation of the 123+ service by Daventry DC in 2018. This led to a significant rise in dry recycling in the first year, and the highest fall in residual waste across the country of 13%. WRAP suggests that reducing residual collection frequency provides the highest recycling rates and reduces costs compared to fortnightly collections.

As part of the proposed 123+ service, WDC would move from a fortnightly collection of residual (general) waste to a 3-weekly collection. Households would retain their grey-wheeled bin. Additional capacity would be provided to larger households or households with particular medical needs, etc. Bespoke solutions will be found for households currently on a sack collection system due to storage or access restraints.

A study carried out by WRAP in 2019 for WDC indicated an increase of 3% to the recycling rate by the introduction of a 3-weekly residual scheme along with an additional saving of approximately £170k per annum compared to fortnightly collections.

4-weekly collections have been considered but it is thought this may be a step too far from the current service and may fall foul of future legislation.

### Garden waste collections

SDC has committed to introducing a chargeable garden waste scheme in April 2021. Households will be invited to opt into the service at a charge of £40 per bin per year.

As part of the proposed 123+ service, WDC has the option to continue to provide a free garden waste service or introduce a chargeable service in line with SDC. Efficiencies of scale and competitiveness are likely to be gained by having the same service design across WDC and SDC.

A study carried out by WRAP in 2019 for WDC indicated that circa £900k revenue could be generated through a chargeable garden waste scheme (based on 50% of households opting into the scheme). However, the move from a free service to a chargeable one will inevitably impact on participation and therefore recycling rates. WRAP anticipated a reduction in the current recycling rate of between 4-6%.

## Existing service



### Medium black bin 180L

- ◆ Rubbish which cannot be recycled
- ◆ Collected two-weekly



### Recycling bag

- ◆ Plastic bottles / pots / tubs / trays and cardboard
- ◆ Collected two-weekly



### Red recycling box

- ◆ Paper, glass and cans
- ◆ Collected two-weekly



### Large cardboard

- ◆ cut up and placed next to red box / bag



### Large green bin 240L

- ◆ Garden waste
- ◆ Food waste
- ◆ Collected two-weekly

## Proposed 1-2-3+



### Medium black bin 180L

- ◆ Rubbish which cannot be recycled
- ◆ Collected three-weekly



### Large wheelie bin 240L

- ◆ All recycling, including large cardboard
- ◆ Collected two-weekly



### Food waste collection

- ◆ All food waste (cooked and uncooked)
- ◆ Small caddy for use in kitchen and large caddy for collection



### Garden waste options

- ◆ Put in black bin
- ◆ Home compost
- ◆ Pay for additional large bin (equivalent of 87p per week)

## Appendix Three

## Indicative Procurement Timetable

Stage / Activity		Target Date
1.	Procurement Documentation	October 2020 – January 2021
2.	Soft Market Testing Report	22 October 2020
3.	Issue PIN Notice	15 December 2020
4.	Issue OJEU Notice (and Procurement Documentation)	January 2021
5.	Issue Supplier Selection Questionnaire (SSQ)	January 2021
6.	Market Interest Day	January 2021
7.	Deadline for SSQ clarification requests	February 2021
8.	SSQ Submissions	February 2021
9.	SSQ Evaluation and Shortlisting	February 2021
10.	Invitation to Submit Initial Tender (ISIT) for selected bidders	March 2021
11.	Deadline for ISIT clarification requests	May 2021
12.	ISIT Submissions	June 2021
13.	ISIT Evaluation and Shortlisting	June 2021
14.	Bidder Negotiation Meetings (if required)	July 2021
15.	Invitation to Submit Revised Tender (ISRT) for selected bidders	July 2021
16.	ISRT Submissions	September 2021
17.	ISRT Evaluation	September 2021
18.	Contract Award Decision	October 2021
19.	Alcatel (Standstill) Period	October 2021
20.	Contract Award Notice	October 2021
21.	Contract Mobilisation	October 2021 – July 2022
22.	Contract Start Date	1 August 2022

Appendix Four

**DRAFT MEMORANDUM OF UNDERSTANDING – JOINT WASTE BOARD**

**DATED**

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**MEMORANDUM OF UNDERSTANDING**

between

**STRATFORD-ON-AVON DISTRICT COUNCIL**

and

**WARWICK DISTRICT COUNCIL**

relating to

**THE JOINT PROCUREMENT OF A WASTE COLLECTION CONTRACTOR**

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**PARTIES**

- (1) **Stratford-on-Avon District Council** of Elizabeth House, Church Street, Stratford-upon-Avon, Warwickshire CV37 6HX, United Kingdom (**Stratford**); and
- (2) **Warwick District Council** of Riverside House, Milverton Hill, Leamington Spa, Warwickshire CV32 5HZ, United Kingdom (**Warwick**).

**Background**

- 4.2 **Stratford and Warwick (the Councils) are each a waste collection authority for their respective areas under section 30(3) of the Environmental Protection Act 1990.**
- 4.3 **The Councils have agreed to work together to jointly procure a waste collection contractor to provide waste collection services across the districts of Stratford-on-Avon and Warwick (Project).**
- 4.4 **The Councils wish to record the basis on which they will collaborate with each other on the Project.**
- 4.5 **This Memorandum of Understanding (the Agreement) sets out the key objective of the Project, the principles of collaboration, the governance structures that the Councils will put in place, and the respective roles and responsibilities that the Councils will have during the Project.**
- 4.6 **The Councils wish to enter this Agreement and implement the Project pursuant to the powers conferred on them by section 45 of the Environmental Protection Act 1990, section 9EA of the Local Government Act 2000 and all other enabling powers.**

**Key Objective**

- 4.7 **The Councils shall undertake the Project to appoint a new waste collection contractor to provide waste collection services commencing on 1 August 2022.**
- 4.8 **The Councils will conduct the Project in such a way as to meet the following indicative timescales:**

**finalisation of the specification in January 2021;**  
**publication of an OJEU notice in January 2021;**  
**publication of a standard selection questionnaire in January 2021;**  
**publication of invitations to tender in March 2021;**  
**evaluation of bids in August 2021; and**  
**award of the waste contract in October 2021.**

### **Principles of collaboration**

**4.9 The Councils agree to adopt the following principles when carrying out the Project:**

**Collaborate and Co-operate.**

**Establish and adhere to the governance structure set out in this Agreement to ensure that activities are delivered and actions taken as required;**

**Be Accountable.**

**Take on, manage and account to each other for performance of the respective roles and responsibilities set out in this Agreement;**

**Be Open.**

**Communicate openly about major concerns, issues or opportunities relating to the Project;**

**Learn, develop and seek to achieve full potential.**

**Share information, experience, materials and skills to learn from each other and develop effective working practices, work collaboratively to identify solutions, eliminate duplication of effort, mitigate risk and reduce cost;**

**Adopt a positive outlook.**

**Behave in a positive, proactive manner;**

**Adhere to statutory requirements and best practice.**

**Comply with applicable laws and standards including EU procurement rules, data protection and freedom of information legislation;**

**Act in a timely manner.**

**Recognise the time-critical nature of the Project and respond accordingly to requests for support;**

**Relationship management.**

**Manage stakeholders effectively;**

**Deploy appropriate resources.**

**Ensure sufficient and appropriately qualified resources are available and authorised to fulfil the responsibilities set out in this Agreement; and**

**Good faith**

**act in good faith to support achievement of the Key Objective and compliance with these principles.**

#### **Project governance**

**4.10 The governance structure defined below provides a structure for the development and delivery of the Project.**

**4.11 The following guiding principles are agreed. The Project's governance will:**

**provide strategic oversight and direction;**

**be based on clearly defined roles and responsibilities at organisation, group and, where necessary, individual level;**

**align decision-making authority with the criticality of the decisions required;**

**be aligned with Project scope and each Project stage (and may therefore require changes over time);**

**leverage existing organisational, group and user interfaces;**

**provide coherent, timely and efficient decision-making; and**

**correspond with the key features of the Project governance arrangements set out in this Agreement.**

**4.12 The Sponsors will provide overall strategic oversight and direction to the Project. The Sponsors are:**

<b>Stratford</b>	<b>Tony Perks, Deputy Chief Executive</b>
<b>Warwick</b>	<b>Bill Hunt, Deputy Chief Executive</b>

**4.13 The Project Board will provide strategic management at Project and work stream level. It will ensure that the Key Objective is being met and that the Project is performing within the boundaries set by the Sponsors.**

**4.14 The Project Board shall meet weekly and each meeting will be chaired by the Sponsors in turn.**

**4.15 Meetings of the Project Board may be held physically at either of the Councils' offices or digitally via telephone or video conference (or by some combination of the two).**

**4.16 The Project Board consists of representatives from each of the Councils. The Project Board shall have responsibility for the creation and execution of the project plan and deliverables, and therefore it can draw technical, commercial, legal and communications resources as appropriate into the Project Board. The core Project Board members are:**

Stratford	Hannah Heath, Project Manager
	Craig Bourne, Community Operations Manager
	Beverley Hemming, Corporate Communications Manager
	Richard Burrell, Chief Accountant

	Matthew Collins, Solicitor
Warwick	Zoe Court, Contract Services Manager  Rebecca Reading, Senior Procurement Business Partner  Nicki Curwood, Marketing and Communications Manager  Dilip Dabasia, Principal Accountant
Both	Julie Lewis, Head of Community and Operational Services (at Stratford) and Head of Neighbourhood Services (at Warwick)

- 4.17 **Each Council shall be entitled from time to time to appoint deputies or substitutes for its Sponsors and its respective representatives on the Project Board.**
- 4.18 **Decisions of the Project Board shall be made by agreement between the Sponsors (or their duly appointed deputies / substitutes respectively).**
- 4.19 **Minutes and actions will be recorded for each Project Board meeting. Any additional reporting requirement shall be at the discretion of the Project Board.**
- 4.20 **The Project Board members shall be responsible for drafting reports into their respective sponsoring organisation as required for review by the Project Board before being issued.**

**Roles and responsibilities**

**4.21 The Councils shall undertake the following roles and responsibilities to deliver the Project:**

<b>Activity</b>	<b>Stratford</b>	<b>Warwick</b>
Manage and administer to the Project Board	SDC	
Prepare the specification for the waste contract	SDC	
Prepare the waste contract	SDC	WDC
Prepare all other procurement documents		WDC
Publish procurement documents		WDC
Administering invoicing and payment arrangements	TBD	TBD

**4.22 For the purpose of the table above:**

**Lead: The Council that has principal responsibility for undertaking the particular task, and that will be authorised to determine how to undertake the task. The Lead must act in compliance with the Objectives and the principles set out in this Agreement at all times, and consult with the other Council in advance if they are identified as having a role to Assure the relevant activity;**

**Assure: The Council that will defer to the Lead on a particular task, but will have the opportunity to review and provide input to the Lead before they take a final decision on any activity. All assurance must be provided in a timely manner. Any derogations raised must be limited to raising issues that relate to specific needs that have not been adequately addressed by the Lead and/or concerns regarding compliance with the Key Objective and principles set out in this Agreement.**

**4.23 For the avoidance of doubt, the Councils will work together to develop and produce the procurement documentation, and all procurement documentation shall be approved by the Project Board.**

## **Escalation**

- 4.24 **If either Council has any issues, concerns or complaints about the Project, or any matter in this Agreement, that Council shall notify the other Council and the Councils shall then seek to resolve the issue by a process of consultation. If the issue cannot be resolved within a reasonable period of time, the matter shall be escalated to the Project Board, which shall decide on the appropriate course of action to take. If the matter cannot be resolved by the Project Board within seven days, the matter may be escalated to the Sponsors for resolution.**
- 4.25 **If either Council receives any formal inquiry, complaint, claim or threat of action from a third party (including, but not limited to, claims made by a supplier or requests for information made under the Freedom of Information Act 2000) in relation to the Project, the matter shall be promptly referred to the Project Board (or its nominated representatives). No action shall be taken in response to any such inquiry, complaint, claim or action, to the extent that such response would adversely affect the Project, without the prior approval of the Project Board (or its nominated representatives).**

## **Intellectual property**

- 4.26 **The Councils intend that any intellectual property rights created in the course of the Project shall vest in the Council whose employee created them (or in the case of any intellectual property rights created jointly by employees of both Councils in the Council that is lead Council noted in clause 0 above for the part of the project that the intellectual property right relates to).**
- 4.27 **Where any intellectual property right vests in either Council in accordance with the intention set out in clause 4.26 above, that Council shall grant an irrevocable licence to the other Council to use that intellectual property for the purposes of the Project.**

**Term and termination**

- 4.28 **This Agreement shall commence on the date of signature by both Councils, and shall expire on the earlier of the following dates –**
- the date on which the Councils agree unanimously to abandon the Project;**
  - the date of completion of the waste contract; or**
  - the date of expiration of notice given in accordance with clause 4.29.**
- 4.29 **Either Council may terminate this Agreement by giving at least three months' notice in writing to the other Council at any time.**

**Variation**

- 4.30 **This Agreement may be varied by written agreement of the Sponsors.**

**Charges and liabilities**

- 4.31 **Except as otherwise provided, the Councils shall each bear their own costs and expenses incurred in complying with their obligations under this Agreement.**
- 4.32 **The Councils agree to share the external costs and expenses arising in respect of the Project, which are agreed by the Project Board, between them in equal proportions.**
- 4.33 **Both Councils shall remain liable for any losses or liabilities incurred due to their own or their employee's actions and neither Council intends that the other Council shall be liable for any loss it suffers as a result of this Agreement.**
- 4.34 **Each Council shall in relation to this Agreement, use its reasonable endeavours not to put the other Council in breach of any of its statutory or contractual obligations.**

**Confidentiality and announcements**

- 4.35 **Each Council shall, both during the term of this Agreement and at all times following its termination or expiry, keep private and confidential and shall not use or disclose any confidential information which has come to its attention as a result of or in connection with the Project or this Agreement.**
- 4.36 **The obligation set out in clause 4.35 shall not relate to information which –**
- is in or subsequently comes into the public domain (other than through default on the part of a Council or any other person to whom that Council is permitted to disclose such information under this Agreement);**
  - is required to be disclosed by law or regulation having force of law (including, for the avoidance of doubt, the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIR));**
  - was already in the possession of a Council without restrictions as to its use on the date of receipt;**
  - is required or recommended by the rules of any governmental or regulatory body to be disclosed including any guidance from time to time as to openness and disclosure of information by public bodies;**
  - is disclosed to a Council’s employees, officers or other representatives on a need-to-know basis in order to support that Council with the Project; or**
  - is necessary to be disclosed to provide relevant information to a professional adviser in connection with obtaining advice in respect of this Agreement.**
- 4.37 **Where disclosure is permitted under clauses 4.36 (d), (e) or (f) above, the disclosing Council shall ensure that the recipient is aware of the confidential nature of the information and shall procure that the recipient of the information is subject to the same obligations of confidentiality as that contained in this clause 0.**
- 4.38 **The provisions of this clause 0 shall continue to apply to each Council following termination of this Agreement for any reason.**

- 4.39 **No Council shall make any public statement or issue any press release or publish any other public document relating, connected with or arising out of this Agreement without the prior agreement of the Sponsors.**

**Freedom of Information**

- 4.40 **Each Council acknowledges that the other Council is subject to the requirements of the FOIA and the EIR and each Council shall where reasonable assist and cooperate with the other Council (at its own expense) to enable the other Council to comply with these information disclosure obligations.**
- 4.41 **Where a Council receives a request for information under with the FOIA or the EIR in relation to information which it is holding on behalf of the other Council in relation to the Project, it shall:**
- transfer the request for information to the other Council as soon as practicable after receipt and in any event within two business days of receiving a request for information;**
  - provide the other Council with a copy of all information in its possession or power in the form that the Council reasonably requires within 10 business days of the Council requesting that information; and**
  - provide all necessary assistance as reasonably requested by the other Council to enable the Council to respond to a request for information within the time for compliance set out in the FOIA or EIR;**
- 4.42 **Where a Council receives a request for information under the FOIA or the EIR which relates to this Agreement or the Project, it shall inform the other Councils of the request for information as soon as practicable after receipt and in any event at least two business days before disclosure and shall use all reasonable endeavours to consult with the other Council prior to disclosure and shall consider all representations made by the other Council in relation to the decision whether or not to disclose the information requested.**
- 4.43 **The Councils shall be responsible for determining in their absolute discretion whether any information requested under the FOIA or the EIR is exempt from disclosure under those laws or is to be disclosed in response to a request for information.**

- 4.44 **Each Council acknowledges that the other Council may be obliged under the FOIA or the EIR to disclose information without consulting with the other Council where it has not been practicable to achieve such consultation or following consultation with the other Council and having taken their views into account.**

**Status**

- 4.45 **This Agreement is not intended to be legally binding, and no legal obligations or legal rights shall arise between the Councils from this Agreement. The Councils enter into the Agreement intending to honour all their obligations.**
- 4.46 **Nothing in this Agreement is intended to, or shall be deemed to, establish any partnership or joint venture between the Councils, constitute either Council as the agent of the other Council, nor authorise either of the Councils to make or enter into any commitments for or on behalf of the other Council.**
- 4.47 **Notwithstanding anything apparently to the contrary in this Agreement, in carrying out their statutory duties, the discretion of any Council shall not be fettered or otherwise affected by the terms of this Agreement.**

**Governing law and jurisdiction**

- 4.48 **This Agreement shall be governed by and construed in accordance with English law and, without affecting the escalation procedure set out in clause 0, each Council agrees to submit to the exclusive jurisdiction of the courts of England and Wales.**

Signed on behalf of Stratford-on-Avon District Council

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Signed on behalf of Warwick District Council

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