

**Re-procurement of the Council's Waste & Recycling Service**

<b>Final Decision-Maker</b>	Communities, Housing and Environment Committee
<b>Lead Head of Service</b>	William Cornall, Director of Regeneration and Place
<b>Lead Officer and Report Author</b>	Graham Gosden, Waste Manager
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

The report allows Members the opportunity to consider the options in providing the waste and recycling collection services beyond the end of the current contract that ends in October 2023.

There are three areas for consideration and decision.

1. Preferred recycling collection specification.
2. Alternatives for service delivery approach; Direct Labour Organisation, (DLO), Local Authority Trading Company (LATC) or by an external contractor.
3. To remain part of the mid-Kent partnership alongside, Kent County Council, Ashford, and Swale Borough Councils, or pursue an independent approach.

Officers would refer Members to an earlier options report submitted (30 June 2019) where the initial back-ground considerations to the future of waste services were highlighted, and the subsequent Member briefing.

Since that report, our Consultants have continued to work within the partnership and in negotiation with Kent County Council. Summary opinions of the financial and practical implications of each decision are provided at section 2 and 3, with the full report provided as background papers in section 9.

**Purpose of Report**

For decision.

### **This report recommends that the Committee**

1. Agree to continue to collect its recycling as a commingled stream.
2. Agree to retain street cleansing services as an In-House service and re-tender the waste collection contract in preference to developing either a Direct Labour Organisation or Local Authority Training Company.
3. Agree to remain within the Mid Kent Waste Partnership.

### **Timetable**

<b>Meeting</b>	<b>Date</b>
Corporate Leadership Team	16/02/2021
Communities, Housing and Environment Committee	02/03/2021

## **Waste Services Update**

### **1. CROSS-CUTTING ISSUES AND IMPLICATIONS**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"><li>• Embracing Growth and Enabling Infrastructure</li><li>• Safe, Clean and Green</li><li>• Homes and Communities</li><li>• A Thriving Place</li></ul> <p>The report looks to confirm the recycling specification and the procurement method to be used to provide future public services.</p> <p>Waste and recycling services are a core service critical to the Safe Clean and Green agenda, supporting local communities enabling a thriving economy.</p>	Waste Manager
<b>Cross Cutting Objectives</b>	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"><li>• Heritage is Respected</li><li>• Health Inequalities are Addressed and Reduced</li><li>• Deprivation and Social Mobility is Improved</li><li>• Biodiversity and Environmental Sustainability is respected</li></ul>	Waste Manager

	<p>Recycling collections are a critical part of the Councils contribution to managing environmental sustainability and reducing overall carbon output. The proposed specification would maintain that contribution and allow residents the opportunity to recycle most of their domestic waste in a simple manner.</p>	
<b>Risk Management</b>	<p>The waste &amp; recycling collection services are a statutory requirement placed on the Authority. This report seeks confirmation of the Members preferred routes in providing them post 2023. Decisions on this report will allow Officers to proceed with that process, so ensuring that services are commissioned within required timeframe.</p>	<p>Head of Environment and Public Realm</p>
<b>Financial</b>	<p>Beyond 2023 the final financial implications will vary according to decision and any future contractors' tender price (should that be the method selected). The consultant's opinions regarding the cost implications of the various options are detailed within the body of the report and support the recommendations.</p>	<p>Section 151 Officer &amp; Finance Team</p>
<b>Staffing</b>	<p>Adopting a DLO type approach would increase the Council's staffing headcount.</p>	<p>Director of Regeneration and Place</p>
<b>Legal</b>	<p>No legal implications.</p>	<p>Contracts and Commissioning Team Leader</p>
<b>Privacy and Data Protection</b>	<p>Data protection will be considered as part of the procurement and tender process and contract arrangements.</p>	<p>Policy and Information Team</p>
<b>Equalities</b>	<p>The existing standards to ensure services are accessible to all residents will remain in place, regardless of the actual service provider. These include assisted collections for residents that require that support.</p>	<p>Equalities and Corporate Policy Officer</p>
<b>Public Health</b>	<p>High quality waste collection services are a prerequisite to maintaining the wider public health. Provided the collection regime specified is to the level required by the Environmental Protection Act 1990 – no impacts are expected.</p>	<p>Director of Regeneration and Place</p>

<b>Crime and Disorder</b>	No impact identified.	Waste Manager
<b>Procurement</b>	<p>Waste &amp; Recycling are critical public services. The actual procurement route will depend on the Members decisions on this report. However, we have started some preparatory work with a draft procurement plan as attached (Appendix ONE) and several conversations have taken place concerning:</p> <p>The possible future relationship with KCC and improving the specification in some targeted areas. These have been reflected within this report.</p> <p>A key part of this decision is the enabling payment received from the WDA and specification to be agreed with that.</p> <p>It is important to note here that MBC are responsible for collecting the material, however the responsibility for ongoing treatment lies with Kent County Council. To maintain services across the County there must be some level of similarity between collection Authorities. There are two main streaming options as detailed within the body of the report and these lead to a critical decision regarding the future collection method.</p> <p>The Mid-Kent legal team will be involved in checking the conditions of contract regardless of service vehicle selected.</p> <p>Procurement responsibility is subject to this decision – with a partnership approach being one option, should Members decide to continue with the current partnership arrangements.</p>	Waste Manager

## **2. INTRODUCTION AND BACKGROUND**

- 2.1 In 2013, Maidstone Borough Council entered into partnership with neighbouring authorities Ashford and Swale Borough Councils, Kent County Council and Biffa Municipal Ltd to deliver a Mid Kent Waste Contract. This provided consistency of service across the three Boroughs, delivered significant cost savings and improved recycling rates. The Partnership was supported by Kent County Council as the Waste Disposal Authority through reinvestment of disposal savings brought about by the increased recycling rates, into the services.
- 2.2 The Councils Inter Authority Agreement (IAA) and the contract with Biffa will both terminate in October 2023. This report considers options for

commissioning services beyond that date. The key elements for decision are as follows:

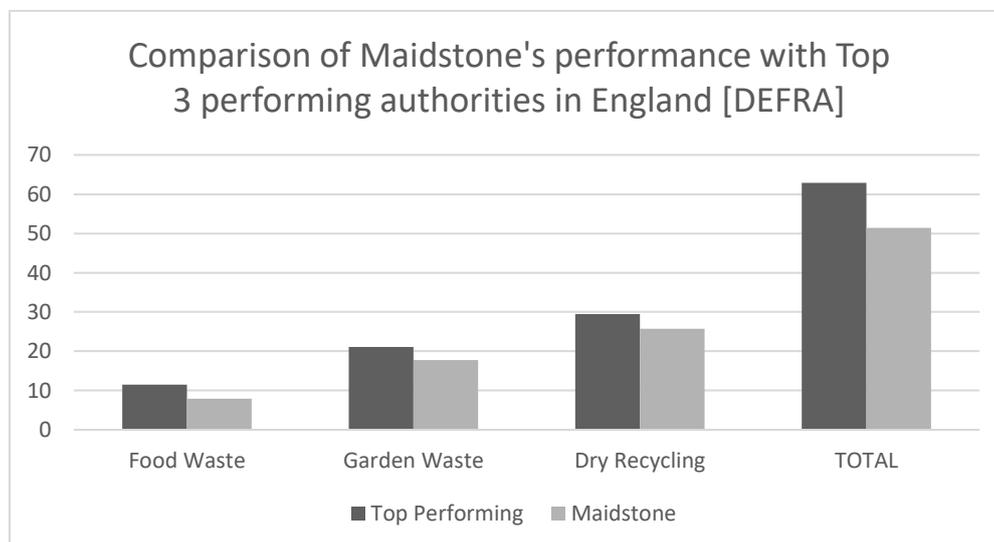
- Consideration of any changes to the Councils collection methodology;
- How best to deliver future waste services – Contracted Out, Direct Labour Organisation or Local Authority Trading Company.
- Whether to continue working in partnership with Ashford Borough Council and Swale Borough Council.

## 2.3 **Future Collection Methodology**

2.3.1 All the Mid Kent Boroughs have seen considerable improvement in recycling performance since the current contract commenced in 2013. The joint contract delivered the step change in performance by collecting waste as follows:

- a weekly food waste collection service,
- a fortnightly fully commingled collection, where all recycling is collected within a wheeled bin,
- a fortnightly residual collection service to encourage residents to recycle, and
- a charged for fortnightly garden waste service.

2.3.2 As a result of the change Maidstone achieved the 2020 National Target of 50% (set by the EU for the UK to achieve in the calendar year to 31 December 2019). However, with a national target of 65% recycling by 2035 as set out in the Government's Waste Strategy, Maidstone has some room for improvement in the next 15 years. With waste contracts typically lasting 7/8 years there is time to do this. It is worth noting however, the three top performing authorities in England - South Oxfordshire, Three Rivers and Vale of White Horse – are all achieving over 62% with the same collection method as Mid Kent. Whilst some of that difference is accounted for by garden waste both food waste and dry recycling rates are also higher. The introduction of better IT systems is seen as a key driver in driving up performance with real time reporting from crews available to call centres, more data to identify low set out/poor performing areas and improved reporting on contamination issues.



2.3.3 Kent County Council, as the disposal authority, recently advised that its preference was for Boroughs to collect recyclables as a twin-stream, whereby paper and cardboard are collected separately to the other recycling, plastic bottles and tubs, glass, and cans. This system is currently operated in East and South West Kent and was considered by Maidstone in 2013. At that time, it was discounted as commingled collection services:

- generally achieved higher recycling rates than twin stream collections,
- were easier for the residents to accommodate and use,
- and were cheaper to provide than twin stream collections.

2.3.3 This report examines the impact of changing commingled to split stream collections.

## **2.4 Waste Service Delivery**

2.4.1 As referenced in the June 2020 Report whilst the waste collection service is currently outsourced to a private company, this is not the only delivery option. There are four options for Maidstone to consider for the provision of waste and street cleansing services post 2023:

- Contracted waste collection and in-house street cleansing service (as is)
- Contracted waste and street cleansing service
- In-house waste and street cleansing service (DLO)
- Local Authority Trading Company to operate waste and street cleansing services (LATCo)

2.4.2 This report looks at the modelled cost differences arising from the differing approaches and the member feedback derived from member briefing sessions.

## **2.5 The Mid Kent Waste Partnership**

2.5.1 Since 2013, Maidstone Borough Council has been part of the Mid Kent Partnership with Ashford and Swale Borough Councils. This followed the creation of the East Kent Partnership and has since been followed by South West Kent.

2.5.2 The Council will need to decide whether to continue as part of Mid Kent or to consider working alone in future or partnering with other authorities. This will also have a bearing on how the future relationship with Kent County Council as the disposal authority develops.

## **3. AVAILABLE OPTIONS**

### **3.1 Future Collection Methodology**

3.1.1 A cost review undertaken by Waste Consulting LLP in 2020 identified that collection service costs were expected to rise with the next contract by nearly

£600k per annum at current rates. However, costs would rise by a further £293kp.a. if the Council changed to split-stream collections as detailed in the table below:

Description	Contracted Out	
	Comingled	Twin Stream
Collection Operational Staff Cost	£1,392,069	£1,541,226
Collection Management Cost	£162,000	£162,000
Total Collection Staff Cost	£1,554,069	£1,703,226
Fleet Cost	£1,357,150	£1,400,900
Collection Equipment Cost	£231,977	£306,580
<b>Sub Total Collection Costs</b>	<b>£3,143,195</b>	<b>£3,410,706</b>
Depot	£95,000	£95,000
Corporate Overhead/LA Corporate Overhead	£209,822	£221,860
Profit Margin	£243,626	£257,604
<b>Total Contract Cost</b>	<b>£3,691,644</b>	<b>£3,985,170</b>
<b>Difference in Cost</b>		<b>£293,526</b>

The change to twin streaming would require households to be provided with additional containment, commonly a lidded recycling box to individual households or separate wheeled containers to houses in multiple occupation and flats. The cost to provide these is estimated at £302k.

- 3.1.2 Across the Mid Kent Partnership costs would rise by £760k p.a. to implement a twin stream collection. As the primary benefit of twin streaming is a reduction in waste disposal process costs the partnership approached KCC to establish whether the rise in collection costs could be offset against disposal savings. KCC has advised that if Mid Kent chose to go to twin stream then it would recommend to KCC Members sharing financial benefits equally between our Authorities, the initial figure was just over £180k per Borough plus any other haulage savings and increases realised by additional recycling. The offer however is subject to movement in processing costs and material prices and could not be guaranteed. At the time of writing KCC have advised that if the Boroughs choose to retain commingled collections then existing enabling payments would be retained. It is understood that this would be coupled with a sharing mechanism where disposal benefits arising from increasing recycling rates above that achieved at the end of the current IAA would be shared with the Boroughs. This is not finalised yet, and the benefits very much determined by future markets rates for haulage, processing, and material values. This would be formalised in a new IAA in the coming months prior to any potential procurement.
- 3.1.3 At the time of writing KCC was undertaking a soft market investigation into the provision of Material Recycling Facilities for Kent which would include Commingled and Twin Stream collection methodologies. KCC would continue to engage with the Mid Kent partners as the results of this investigation were made available.
- 3.1.4 Feedback from Members at the time of the first report and during subsequent Member engagement sessions highlighted that the current system is working well and expressed concern that changing to twin stream would be:

- problematic for many households with limited storage capacity,
- potentially give rise to littering issues from unlidged or overfull paper boxes,
- be more prone to contamination if residents mixed the waste streams particularly in flatted properties, and
- could result in a drop in recycling performance at a time when the Borough was looking to increase performance.

## 3.2 Waste Service Delivery

3.2.1 To assess the impact of differing service delivery methods models of service costs were developed using current resource data to ensure they accurately captured the Authorities likely contract costs. The modelling flagged that the Authorities existing resource costs exceeded its contract costs and as a consequence Maidstone's service costs could reasonably be expected to rise by an additional £626k per year if they continued as a contracted-out service in accordance with the current specification. By 2023 this would increase further as it would need to incorporate property growth and indexation to reflect changes to resource costs i.e., fuel prices, salary costs, CPI and could reasonably have grown to £670k.

Service	2020 Estimated Cost ex Income £	2023 Estimated Cost ex Income £
Current Service Cost (Existing Contracted Collection/DLO Streets)	4,490,000	4,770,000
Forecast Service Cost (Newly Contracted Out Collection + DLO Streets)	5,116,153	5,435,200
Difference	626,153	665,200

Therefore, without making any changes to the services, performance standards or delivery method, the Council will need to budget a significant increase in collection costs.

3.2.2 The modelling considered the comparative costs for delivering the service as Mixed Economy/Fully Contracted out, DLO or a LATCo. The table below summarises the different model outcomes:

Service	Waste	Cleansing	Total
Contacted out Collection/DSO Streets	£3,560,956	£1,555,530	£5,116,486
Fully Contracted Out	£3,515,956	£1,600,197	£5,116,153
DSO	£3,329,327	£1,495,182	£4,824,509
LATCO	£3,540,616	£1,599,533	£5,140,149

3.2.3 The table below details some of the advantages and disadvantages associated with the delivery model:

Delivery Model	Advantages	Disadvantages
Mixed Economy View Collection contacted out/DLO	<ul style="list-style-type: none"> <li>- Flexible street cleansing service</li> <li>- Fully supported waste collection service i.e., national back-up/Performance Management systems</li> </ul>	<ul style="list-style-type: none"> <li>- Higher pension costs for cleansing staff</li> </ul>

Streets	- No competition between Waste and Street Cleansing for resources	
Fully Contracted Out	- More resilience due to the vast corporate and national resources Performance Management systems - greater support and knowledge e.g., H&S - reduced HR requirement	- Low flexibility - Hidden or additional costs - Lower staff morale - Staff terms and conditions - Waste likely to take priority over street cleansing for resources
In-house Collection and Cleansing (DLO)	- Fully flexible service - Higher level of staff buy-in / morale	- High pension costs for Collection staff - Highest overall cost - Less resilience Waste likely to take priority over street cleansing for resources
LATCo Collection and Cleansing	- Council retains full control - Cheapest option - Flexible service	- Possibility of lower staff morale due to different terms and conditions to Council employees - Less resilience Waste likely to take priority over street cleansing for resources

3.2.4 The table shows the LATCo has the lowest cost for the following primary reasons:

- it retains the lower cost pension provision common in the private sector (c.3%) compared to the typical LGPS Provision of 18%+ so is cheaper than the DLO by £315k; and
- it does not have the profit margin and contractors overhead included within the contracted-out view so is £295k cheaper than contracting out.

There are some additional costs in relation to the LATCo in respect of its management and governance structure and it would not have the buying power of a major waste service provider but these differences are included within the modelling assessment.

3.2.5 However, this view is predicated on offering the minimum pension contribution and reviews of some established LATCo's has indicated that many have offered higher pension contributions than the minimum in order to improve staff morale and buy in to the new LATCo arrangements. In these circumstances the savings differential to both In-House and contracting out is quickly eroded. It is worth noting that given the existing terms and conditions for In House streets employees would transfer to a LATCO or a contracted-out service, there would be no reduction in streets service cost to be gained in the short term as pension provision would be protected.

3.2.6 The feedback from members consultation on the options presented was as follows:

- Members highlighted the ability of the current contractor to respond to the pandemic and the national expertise that could be drawn on to facilitate that,
- Concern that there were significant risks associated with both procuring the right fleet and ensuring services were efficiently operated that could also result in substantial cost increases,
- That they would not want to be offering the lowest pension provision within a Collection LATCo,
- Overall that the level of saving was low and possibly non-existent for the risk that the Council would be taking on.

**Cleansing In or Out?**

3.2.7 An internal review of street cleansing was carried out in 2019 which included speaking with residents, businesses, Councillors and Parish Councils. The feedback was very mixed and in some places contradictory. Whilst most residents described their local area as clean, this varied significantly by area along with residents’ expectations of what is ‘clean’. Residents main areas of concern were littering and street sweeping as well as maintenance of grass verges. However, Members’ and Parish Council concerns were primarily focused on fly tipping, although only 13% of residents agreed with this.

	<b>Advantages</b>	<b>Disadvantages</b>
Cleansing operated alongside Waste Collection	<ul style="list-style-type: none"> <li>- reduced service management costs</li> <li>- Ability to have greater coordination between services</li> <li>- Reduced vehicle maintenance costs due to increased scale</li> <li>- Multi-tasking / skilling of staff</li> </ul>	<ul style="list-style-type: none"> <li>- Less flexibility</li> <li>- Waste likely to take priority over street cleansing for resources</li> <li>- Cleansing standards often compromised due to focus on waste collection</li> </ul>
Cleansing remain separate to Waste Collection	<ul style="list-style-type: none"> <li>- No competition for resources</li> <li>- Fully flexible and responsive service</li> <li>- Higher Staff morale</li> </ul>	<ul style="list-style-type: none"> <li>- Usually higher cost</li> <li>- Services operate separately so low levels of coordination</li> </ul>

3.2.8 The cleansing review concludes that further investment may be needed in the service to improve resident perception, as well as improving the visibility of the service through published schedules.

3.2.9 Feedback from the member engagement on the issue of street cleansing indicated a preference for retaining the service as a Direct Labour Organisation on the basis that it provided the Authority with flexibility to revise service provision to reflect Council priorities and budget availability. This would be more difficult as a contracted-out service and there was little or no financial benefit to changing to a LATCo for streets in the short term. The retention of the In-House Service would also give the authority a mixed economy in waste service provision which provides flexibility in streets services and contracts out the risks of operating collection services.

### 3.3 The Mid Kent Waste Partnership

3.3.1 The table below highlights the key advantages and disadvantages associated with each option:

	<b>Advantages</b>	<b>Disadvantages</b>
<b>Mid Kent Partnership</b>	<ul style="list-style-type: none"> <li>- More attractive to potential bidders</li> <li>- more competitive procurement process and lower price</li> <li>- Strong partnership already developed</li> <li>- Provides greater support to each authority</li> <li>- Opportunities to have combined client team to reduce costs</li> <li>- Cross-boundary services offer cost savings</li> <li>- Greater collective weight to renegotiate with KCC on the Inter-Authority Agreement</li> </ul>	<ul style="list-style-type: none"> <li>- Administration is more complex</li> <li>- Requires partnership to maintain consistency which can make decision-making process more difficult</li> </ul>
<b>Alternative Authorities</b>	<ul style="list-style-type: none"> <li>- Provides support to partnering authorities</li> <li>- Procurement savings from re-tending joint contract</li> </ul>	<ul style="list-style-type: none"> <li>- Very few authorities in Kent not already in Partnership or contract</li> <li>- Requires close geography to generate cost savings</li> <li>- Takes time to develop working relationship</li> </ul>
<b>Single Authority</b>	<ul style="list-style-type: none"> <li>- Independency, ability to make quicker decisions</li> <li>- Able to focus solely on Maidstone's objectives</li> </ul>	<ul style="list-style-type: none"> <li>- Less support particularly in times of disagreement with contractor</li> <li>- Higher procurement and contract cost due to overheads not being shared</li> </ul>

3.3.2 Feedback from member engagement sessions was supportive of remaining within the Mid Kent Partnership. The breadth of the Partnership was better placed to engage with KCC to develop a new cost sharing model. The partners were also better able to argue their case for retaining commingled collections. They would also be jointly able to supply a considerable and consistent recycle stream to KCC enabling it to get better rates for material processing costs and potentially share the benefits with the partners.

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## **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

### **4.1 Future Collection Methodology Recommendation:**

Option 1 - It is recommended that the Authority continue to collect its recycling as a commingled stream and investigate ways in which:

- a) current performance could be enhanced through better use of real time IT solutions.
- b) the carbon footprint of the service can be reduced to help the Council meet its Carbon commitment.

This is recommended as it will:

- Build on the success of the existing service,
- Keep collection service simple for residents to use,
- Maximise the quantity of material captured,
- Not require additional containerisation,
- Provide a secure means of recycle containment protecting the street environment,
- be compliant with the one of the three WRAP collection methodologies proposed within their consistency report and
- the alternative would cost an additional £290k of collection costs on top of what is already expected substantial increase in service cost with no guarantee that it will be offset by disposal savings from KCC.

The alternative would be to introduce a twin stream recycling regime.

### **4.2 Waste Service Delivery Recommendation**

It is recommended that the Authority retains street cleansing services as a Direct Labour Organisation and re-tenders the waste collection contract in preference to developing either a DLO or LATCo as this will:

- Minimise the Authorities exposure to financial risks associated with operating a waste collection service.
- Provides flexibility in the management of streets services to respond to changing service priorities and financial pressures.
- Provides a robust performance framework in which collection service standards can be driven.
- Enables the Authority to utilise the advanced performance software that contractors can bring to the collection service.

- Draw on the contractor's expertise to introduce effective carbon reducing measures and bare risks in respect of fleet procurement.

The alternatives would be to pursue either a DLO or LATco for waste collection.

#### 4.3 **Mid Kent Waste Partnership**

It is recommended that the Authority remains within the Mid Kent Partnership as it will:

- Be more attractive to bidders in the waste service marketplace in a three Borough contract, encouraging more competition and lower pricing,
- Provide the Authority with a stronger negotiating position with KCC to retain commingled collections and enable KCC to secure better processing/haulage costs,
- Allow any future service provider access to a wider support network,
- Permit some advantages of scale to be applied across the service, for the benefit of all Authorities involved.

The alternative would be to pursue a new service delivery arrangement in isolation from Ashford Borough Council and Swale Borough Council. There are no other Council consortiums that Maidstone could join at the present time.

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## **5 RISK**

- 5.1 Costs could well be even higher with changes in pay rates, inflation on fuel costs, growth in waste tonnages and higher risk awareness arising from the current pandemic.
  - 5.2 The collection methodology assumes KCC will be able to secure a local market for commingled recycling. KCC has indicated that arrangements with current contractors will come to an end and new arrangements will need to be secured. This should be addressed within a new Inter Authority Agreement with KCC, but this has not yet been finalised.
  - 5.3 The Government is also out to consultation on a range of changes in waste policy which could impact on local authority collection services including the Deposit Return Scheme. A commingled collection stream as seen as more resilient to changes in waste presentation by residents than twin stream and multi stream collections.
  - 5.4 Improvements in the waste industry to reduce carbon emissions are still being developed and relatively few electric collection vehicles are available. Those that are available are very expensive and have not been in operation for long and their lifespan is not tested.
  - 5.5 The contractor operates the collection service from the Councils depot at Bircholt Road. The depot has limited room for expansion and any significant changes in fleet requirement is likely to exceed the available space.
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## **6 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 This report follows on from the original options report as presented 30<sup>th</sup> June 2019. On that occasion Members considered the initial views and instructed officers to undertake a workshop to explore the options in greater detail. This was carried out on 1 September 2020. The views and discussions obtained through this workshop and the initial report have been incorporated into the recommendations within this report.
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## **7 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 Officers will advise the other partners within the Mid Kent Waste Partnership of this decision and take that relationship forward in accordance with Members wishes.
- 7.2 The dry mix collection specification will be confirmed or amended as decided, prior to obtaining costs/tenders for future services.
- 7.3 Officers will seek to obtain formal prices/costs/tenders for the provision of future services via the selected method. It is also suggested that Officers provide a quarterly update on progress to Members for their information.
- 7.4 In the event of members agreement to re-tendering the collection service ABC will lead on Procurement and the legal lead will be Mid Kent Legal Services (i.e., MBC & SBC).
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## **8 REPORT APPENDICES**

- 8.1 **Appendix 1** - Waste and Street Cleansing – Future Provision
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## **9 BACKGROUND PAPERS**

- 9.1 None.