



Environmental Services Contract Succession Strategy Business Case





Contents

Responsibilities for waste collection	
Introduction / background	
<ul style="list-style-type: none"> • Statutory Services 	
<ul style="list-style-type: none"> • Local Government Reorganisation 	
<ul style="list-style-type: none"> • Resources & Waste Strategy 2018 	
Current service	
<ul style="list-style-type: none"> • Service Performance 	
<ul style="list-style-type: none"> • Fleet 	
<ul style="list-style-type: none"> • Current contractual arrangements 	
Soft Market Testing	
Contract Succession Options	
Options appraisal	
Conclusion	

Responsibilities for Waste Collection

Selby District Council (The Council) is a Waste Collection Authority (WCA) and under the Environmental Protection Act 1990 has a duty to collect household waste from residential properties. North Yorkshire County Council (NYCC) is a Waste Disposal Authority (WDA) and under the same act has a duty to provide disposal facilities for waste collected by a WCA.

Introduction / background

The Council introduced the domestic wheeled bin service in 1988/89 and for the first time, un-containerised waste was no longer generally collected. The move to a municipal wheeled bin service more than doubled the capacity at each residential property to 240 litres of residual waste per week. The current Environmental Services Contract commenced on 1st October 2009 for an initial period of 7.5 years which was subsequently extended for a further 7 years from 1st April 2017. A major change to the recycling service was subsequently agreed and implemented from April 2020 that included a new fleet of rear loading vehicles and move from kerbside box recycling to wheeled bin collections. The current contract is due to expire on 31st March 2024. The recognised timescale for any re-procurement is a minimum of two years with additional time for commissioning and market testing to inform the business case and options appraisal. Whilst no decision has been made regarding the future provision of this important service, this business case and options appraisal set out the options available for a preferred contract succession to ensure service continuity. This business case and options appraisal recognises the regional and national drivers for change including Local Government Reorganisation and Central Governments Resource and Waste Strategy 2018.

Statutory Services

Whilst WCA's and WDA's have certain powers to establish their own waste collection services they are also subject to government legislation which sets out what services must be provided. The table below sets out the services that the Council currently provides via the Environmental Service Contract, highlighting which are mandatory, which are discretionary and which elements can be determined by SDC.

Collection Service	Mandatory or Discretionary Service?	Container/s	Frequency of Collection / Service Provision	Can a Charge Be Levied?
Residual waste	Mandatory	WCA decision	WCA decision	No
Dry recyclates	Mandatory – minimum two materials*	WCA decision	WCA decision	No
Green waste	Discretionary	WCA decision	WCA decision	Collection only
Bulky waste	Discretionary	N/A	WCA decision	Collection only
Clinical waste	Mandatory where	Determined by waste type	WCA decision in agreement with	Collection only

	requested		customer	
Commercial waste	Mandatory where requested	Determined by amount / type of waste	Customer decision in agreement with WCA	Collection and disposal**
Street cleansing	Mandatory on relevant land***	Determined by amount / type of waste	WCA with reference to relevant legislation	N/A
Grounds maintenance	Mandatory on relevant land***	N/A	WCA	N/A

* The Council currently collects five dry recyclates – paper, cardboard, glass, cans and plastics

** Collection only charge for Schedule 2 premises including but not limited to waste from schools, charities, and caravan / camp sites

*** Relevant land means land maintained at public expense ie adopted highway, footway and verges, council car parks and public open spaces etc.

The only mandatory waste services that the Council must currently provide to all residents are residual waste collections and the collection of a minimum of two materials for recycling, although the Council can determine how and when it provides collections.

Local Government Reorganisation (LGR)

Currently local government across the geography of North Yorkshire is a two-tier system of a County Council and seven District / Borough Councils. The County is the WDA whilst the Districts and Boroughs are WCA's. Central Government announced in July 2021 that the County and Districts / Boroughs would be re-organised into a single unitary authority from April 2023.

The eight authorities are currently developing mobilisation plans to integrate services into a single unitary authority and summarised below are some key stages and dates in the legal and governance process.

- New authority shadow political board set up - Autumn 2022
- Structural Change Order to constitute the new authority - February 2022
- Elections to new authority - May 2022
- New authority commences and current authorities cease - April 2023

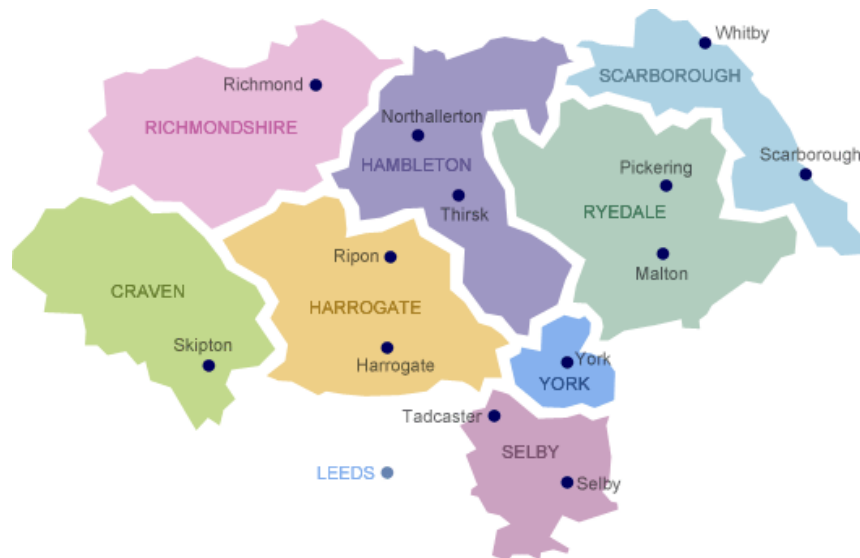
It is anticipated the new unitary authority will have an impact on services and how they are provided across such a large geographical area, but at the moment no decisions have been made or are known. It is clear that all statutory services to residents must be maintained, and any changes must be well planned and seamlessly delivered. Legacy contractual

arrangements such as Selby's Environmental Services Contract will be unaffected until natural expiry, but any replacement arrangements will need to be mindful of any known or anticipated future changes to service delivery.

With particular regard to waste and recycling collections, street cleansing and ground maintenance, Selby District Council is the only WCA in North Yorkshire that has a contracted service with the private sector. The remaining six Districts / Boroughs all provide these services directly to population of approximately 527,400 residents. In general, all residual waste collections are provided fortnightly using a wheeled bin. Garden waste is provided fortnightly using a wheeled bin and is a chargeable service for all WDA's with the exception of SDC where it is a free service. The dry recycling service is provided differently across all WCA's ranging from fortnightly fully co-mingled in Scarborough and Craven to kerbside sort using boxes and bags in Richmondshire and Ryedale. Street cleansing and ground maintenance services are also provided directly across the other six Districts / Boroughs with Harrogate and Scarborough providing a more extensive horticultural service due to the larger visitor economy of these Boroughs.

The new unitary authority has a boundary of the current NYCC which is England's largest County with a population of approximately 618,000, covering an area of about 8,000 square km. Much of the area is rural in nature with a population density of 0.1 person per hectare making it one of the most sparsely populated areas in England. Administratively the area currently consists of the five District Councils, two Borough Councils and a County Council. Waste collection is provided by the five Districts and two Boroughs, whilst disposal is provided by the County Council. The graphic below shows the current Districts / Borough and City of York. The City of York is not part of the new unitary authority but is included in the graphic as there are waste disposal facilities within its boundary that are used by some of the collection authorities.

Map of North Yorkshire Districts / Boroughs and City of York



The timeline for LGR including the structural change order in February 2022, and election to the new Council in May 2022, means that any decisions regarding the future provision of Environmental Services for the new Council may not be made until late 2022 or after that point. The LGR timing and the Selby contract expiry in March 2024 places a requirement on Selby to have an agreed contract succession strategy that has been implemented to a key decision stage at the point of commencement of the new council.

Resource and Waste Strategy 2018 (R&WS)

The R&WS contained potential impacts on waste collection and disposal. Chapters one to three contain the issues and potential plans if implemented that will affect collection and disposal services. The three themes of these chapters are: -

- Extended Producer Responsibility - EPR (Chapter One)
- Deposit Return Schemes - DRS (Chapter Two)
- Consistency of Collections – CoC (Chapter Three)

The initial consultations were in the spring of 2019 and findings of the consultations published in summer of 2019. Secondary consultations were issued in the spring of 2021, and it is anticipated the results and findings will be issued early 2022.

The secondary consultations contain key milestones and phased implementations in the documents but may change subject to consultation results.

The consultations provide a good indication of the future of waste management nationally and locally, it is therefore incumbent on us to plan for this now. The consultations contain a

phased implementation from as early as 2023 with transitional arrangements during the implementation but are as yet undefined.

Summarised below are the key issues contained within the consultations for EPR, DRS and CoC.

Extended Producer Responsibility – consultation closed 4th June 2021

Key issues

- Mandatory recycling labelling
- Disposable cup take back / deposit
- Producer packaging fees to reflect recyclability of material
- Plastic film and packaging to be recycled by 2026/27
- Payments to LA's for collecting and processing packaging waste – *“Only local authorities which operate efficient and effective systems will have their full net costs recovered via a modelled approach based on the tonnage collected.”*
- Producer payments for littered waste
- Phased introduction 2023 to 2030

Deposit Return Scheme - consultation closed 4th June 2021

Key Issues

- Four options under consideration
 - Do Nothing
 - All in (drinks containers up to 3 litres)
 - On the go (drinks containers under 750ml)
 - All in without glass
- 90% collection rate by a newly created deposit management organisation within 3 years
- Mandatory labelling
- Payments to LA's for material recovered through collection and street cleansing
- Phased introduction late 2024 to 2030

Consistency of Collection – consultation closed 4th July 2021

Key Issues

- LA's to collect consistent set of core materials for recycling
- Core materials include steel and aluminium cans, plastic pots, tubs and trays, plastic bottles, paper and cardboard, glass bottles and containers.
- Expansion of core set of materials to include cartons and plastic film
- Free weekly food waste collection
- Free garden waste collections

- Separate collection of recyclable materials where feasible
- Statutory guidance on minimum service standards
- Transparency on end destinations for materials
- Non-binding performance indicators
- Alternatives to weight-based metrics
- Joint working between local authorities
- Segregation and recycling of business waste
- Segregation of business food waste

Planning For Change

It is clear the R&WS will impact municipal waste management services of collection and disposal and as such the potential impacts must be factored into any road map for service integration arising from LGR. However, Selby also has to plan for the potential impacts of R&WS as part of any contract succession strategy as well as recognising any requirements of service integration arising from LGR.

The anticipated impacts and changes of the R&WS have been consulted on as part of the Soft Market Testing (SMT) exercise undertaken during October / November 2021 and have been reflected in this business case to ensure the recommended preferred option provides flexibility for change and any arising changes are well planned.

Current Service

The current waste and recycling service has been in place since April 2020.

Authority	*Area (ha)	**Domestic Properties	***Population	Highway Length (km)	Area of maintained land (ha)
Selby	59,900	40,340	90,620	Approx. 940	Approx. 48.5

*Source: ONS census 2011 (Table QS102UK)

**Source: VOA March 2020

***Source: ONS Midyear estimates 2019

Service	Containment	Frequency of Collection	Collections Per Annum
Residual waste	240 litre grey bin*	Fortnightly	1,048,840

Dry recycling	240 litre brown bin – paper/card 240 litre blue bin – glass/cans/plastic	Four weekly on alternating fortnights	1,048,840
Green waste	240 litre green bin	Fortnightly	856,525

Bulky waste

Chargeable service for the collection of up to 5 items**. Current annual volume approx. 580 collections.

Commercial Waste

Collection of residual and recycling waste from approx. 870 customers from a range of bins at a range of frequencies.

*The standard size of residual waste bin was reduced from 240 litres to 180 litres from 1 April 2020. All new and replacement bins issued are now 180 litres.

**A bed base, mattress and headboard would be a single item as would a three-piece suite, or dining table and chairs

Current Performance

Total Number of Justified Missed Collections (includes residual waste, dry recycling and green waste)

	Q1	Q2	Q3	Q4
2019/20	243	270	247	253
2020/21	564*	199	254	349
2021/22	170	188	TBC	N/A

*This quarter coincided with the introduction of the new wheeled bin recycling service including new collection rounds, and also the start of the Covid pandemic and national lockdown

<u>Total Dry Recycling Tonnage</u>	Q1	Q2	Q3	Q4
2019/20	1473	1423	1547	1510
2020/21	2002	2151	2039	2157
2021/22	2012	1989	TBC	N/A

Total Recycling Rate (full year data only)

2019/20 – 42.70%

2020/21 – 44.81%

Waste Collection Fleet

The approval to change the recycling service in September 2019 to be implemented from April 2020 included Selby District Council funding a replacement fleet which was to be funded over a 9 year period. The contract for the purchase of the new fleet was awarded in October 2019, with an anticipated minimum build period of 6 months. However, due to a combination of large orders being placed before Selby order and the coronavirus pandemic the new fleet was delivered for operational use between September 2020 to November 2020.

The delay in delivery of new vehicles did not impact the start of the new service but it does mean that at current contract expiry the fleet will have a remaining operational life of approximately 5 and a half years, possibly extending to 6 years maximum. Traditionally waste contract duration has been linked to maximum lease period for refuse vehicles being 7 years as reflected in the current contract period. More recently due to a combination of improved vehicle quality and vehicles not having to dispose of waste on landfill sites, contract periods have increased to 9 years. The soft market testing feedback on contract duration was consistent regarding a contract length of 9 years. However, as Selby own the fleet with a residual life of 5 to 6 years this does present an option for a shorter contract duration that maybe more aligned to the new operational model for waste by the new Council.

Summary of current contract and subcontract arrangements

The current contract and in particular the new recycling service requires the main contractor (Urbaser) to manage the flow of dry recyclates from point of collection to re-processing of the materials. This requires Urbaser to procure and manage a small number of sub contract arrangements for bulking of materials, Haulage to re-processors, Sorting and re-processing.

The variation to the contract for the new recycling service reflects this material management. It includes a payment mechanism that reflects the costs incurred by Urbaser net of income from the sale of the materials. Whilst Urbaser do not make any profit from this arrangement, they bear no risk arising from volatile income rates for sale of materials or changing volumes of materials collected. There is also a review mechanism that ensures as far as possible income is maximised and sub contracts are managed for the benefit of Selby.

This arrangement has helped manage the significant increases in material volumes due to the pandemic over the last two years as well as benefitting from increases in income rates for paper and card that has reduced net cost of material handling.

Soft Market Testing (SMT)

The purpose of conducting an SMT exercise is not only best procurement practice for long term service contracts but additionally has two primary purposes. The SMT advises the market place of a future tender opportunity and so promotes market interest and good competition. It also enables the Council to test aspects of a future tender and allows the market to influence tender packaging.

The SMT exercise was conducted between October and November 2021 with subsequent interviews with responding organisations immediately prior to Christmas. A copy of the SMT questionnaire is attached at appendix A for information.

A total of 8 SMT questionnaires were issued and 5 responses received. The companies who did not respond advised that they were either currently being acquired by one of the respondents, had recently sold the business or had too many other projects at the moment.

Comprehensive responses were received from Biffa, FCC, Serco, Veolia and Urbaser and whilst the responses covered most of the questions raised it was clear that clarification meetings with each respondent would further assist the Council to analyse the responses.

In summary all respondents were happy to replicate the current recycling arrangement for material handling including a level of material income share should the council wish to include this in the tender. All respondents advised their preference was for a contract duration of 9 years but were not keen on the inclusion of an early contract termination clause unless the Council was willing to underwrite any exit costs. However, during interviews with respondents it became clear that vehicle ownership was a key issue for contract duration and respondents would be interested in a shorter contract linked to any residual vehicle life of say 6 years.

With regard to LGR all respondents considered this larger opportunity to be attractive but with significant risks in terms of scale and certainty. All respondents advised any implementation would be on a phased basis based on current collection authority boundaries. However, it is unlikely the level of detailed information required would be available to issue with the tender documents in September 2022 or indeed that any decisions regarding the new operating model for waste will have been made. This does not preclude a broader package in the future but would likely have to be transferred into the contract by negotiation post contract award for Selby.

It was clear from the interviews that the marketplace prefers contract certainty in terms of a scope and duration that minimises the pricing of risk and therefore produces keener bid pricing. LGR and associated uncertainty increases risk and therefore a larger package may either reduce interest and or increase risk pricing. From Officers experience of merging

services and / or implementing service improvements, such exercises are best delivered internally to maximise the financial and operational benefits to the Council. Managing such largescale changes internally is the most flexible way of achieving improvements and efficiency rather than the market maximising profit from such exercises.

The Resources and Waste Strategy implementation was also considered as part of the SMT and all respondents are aware of the potential implications for collection services but as with LGR it also brings uncertainty. The common issue raised by respondents was the implementation of food waste collections and whilst this is not certain, respondents demonstrated experience of implementing such services. During the interviews it was clear that the time required to implement a new food collection service would be greater than 12 months due to increasing vehicle build times (Covid supply chain related) and container purchase (kitchen caddies and food waste bins). Drivers for vehicles appeared to be less of an issue but is a consideration.

All respondents provided comprehensive service mobilisation plans and agreed the draft procurement timetable allowed for effective service mobilisation of 12 months. During the interviews and after discussion of vehicle ownership, some respondents agreed a shorter mobilisation of a minimum of 6 months could be achieved should the procurement timetable slip to allow for LGR decisions. This is a risk for a seamless service transition but may provide time for strategic decisions regarding the future operating model for this service and associated mobilisation plans.

Contract Succession Options

- Cease all Services
- Extend Current Contract for a year (to allow for LGR decision on new service)
- Bring in-house – Selby District Service
- Re-Package and tender
- Re-Tender current service scope

Options Appraisal

Option 1 – Cease all Services

Pro's	Con's
<ul style="list-style-type: none"> • Financial savings • Reduction in CO2 emissions from fleet and plant 	<ul style="list-style-type: none"> • Statutory Service - Not a legally compliant decision

Option 2 – Extend Current contract for a year

Pro's	Con's
<ul style="list-style-type: none"> • Would allow time for alignment of service into new operating model. • Maintain service provision and mobilisation of any service change to new operating model. 	<ul style="list-style-type: none"> • Current contract has been extended to maximum allowed within the contract terms. • Public contract regulations 2015 (PCR) do allow for contract extensions provided that extension value is below PCR threshold of £213,000. A 1 year extension would cost approx. £4 million. • Further extension not lawfull

Option 3 – Bring in House Selby District Service

Pro's	Con's
<ul style="list-style-type: none"> • No procurement costs incurred • Aligns service provision with all other WCA's across North Yorkshire 	<ul style="list-style-type: none"> • Will need additional senior management support and central services such as payroll, HR etc. • Increased pension cost of over 100 staff transferring into Local Government Pension Scheme • May not align with future North Yorkshire operating model for this service • Procurement of Material Recycling Facility (MRF) contract • Procurement of bulking facility and haulage contract • Procurement of paper/card materials processing contract • Procurement of other third-party support contracts such as vehicle maintenance • Significant service mobilisation costs in addition to service integration costs arising from LGR • Fleet operator licence required • Transfer date may not match LGR service integration plans • Possible reduction in service quality • Loss of corporate support from a national company such as vehicle routing and collection round optimisation • Additional cost of IT systems such as in cab reporting

Option 4 – Repackage and Tender

Pro's	Con's
<ul style="list-style-type: none"> • Would provide discrete contracts for waste, street cleansing and grounds maintenance that allows for earlier transfer and integration of services for new Council 	<ul style="list-style-type: none"> • Cost of undertaking three service procurements simultaneously • Is contrary to decision taken in 2008 to procure an integrated contract • Will increase costs due to no shared management and support • May require additional depots for three services at additional cost • Loss of flexibility to move staff from one service to another at times of need • Increased contract management and IT interfaces required

Option 5 – Retender current Service Scope

Pro's	Con's
<ul style="list-style-type: none"> • Procurement timeline allows for alternative decision at point of contract award in spring of 2023 should LGR integration plans be formulated • SMT feedback indicated a later decision may be an option to allow for a shorter 6-month mobilisation period reflecting vehicle ownership • Work on procurement and tender docs will be needed for service integration planning under LGR • Provides a plan B for service continuity at expiry of current contract in March 2024 • SMT feedback indicates market accepts a min contract length of 5 or 6 years linked to residual fleet life • SMT indicates good market interest in current service package • No increased pension costs due to workforce maintaining their current pensions provision 	<ul style="list-style-type: none"> • Contract length may not align with LGR service integration plans • Cost of procurement • Procurement cost may be abortive if future decision is to integrate in-house • SMT feedback was not positive towards an early termination of the contract without compensation

<ul style="list-style-type: none"> • No requirement for separate procurements of material sorting and processing, bulking, haulage etc • Maintains single contractual interface • May align with new Council's strategy regarding direct service provision and associated phased integration plans 	
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Conclusion

Selby District Council has not directly provided a waste, recycling, grounds and street cleansing service for over 20 years and the current contract is due to expire at the end of March 2024, 12 months after the vesting day of the new North Yorkshire Council. SDC and indeed the new Council have to make strategic decisions regarding the contract succession plan for this statutory and important service set against a context of a number of unknowns such as LGR and R&WS implications. Implementing any changes to such an important service does take considerable time and effort to minimise service disruption, hence a two-year period to re-procure a new contract, even on a like for like basis with no service changes.

It is anticipated any changes arising from a new operating model for waste across North Yorkshire will take considerably longer to implement as it will involve several workforces, fleet, policies, collection systems and third-party contracts. Any implementation will almost certainly be phased over a period of time that will need to recognise third party contract duration and fleet replacement timescales that could take several years to achieve a consistent service requiring altered and or new disposal arrangements. Whilst planning is underway for waste it is in its infancy, and it is anticipated any outline mobilisation plans may not be available until late 2022 or later.

The above leaves SDC in a position that it has no option to plan for what is known, but to include within those plans key decision dates whereby plans can be amended or altered to reflect wider LGR decisions. The options appraisal within this business case has been structured around planning for what is known to ensure a robust contract succession plan is in place but includes the flexibility to be altered as more information and decisions regarding future service provision is available.

It is therefore recommended that SDC commence a re-procurement exercise for the current service scope to achieve the selection of a preferred contractor by March 2023. It should be noted that commencing a procurement exercise does not commit a contracting authority to award a contract and therefore provides the flexibility to terminate a procurement at any stage up to contract award.

Included within the project plan will be options to delay selection of a contractor until possibly September 2023 should this time be needed to align contract award or otherwise with LGR mobilisation plans.