

JOINT WASTE COLLECTION SERVICES CONTRACT RE-TENDER

Meeting: **Executive**

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Will the decision be open for call in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1.0 Purpose of Report

- 1.1 Woking Borough Council has a statutory duty to arrange for the collection of household waste. The current contract which was let in partnership with Elmbridge Borough Council, Surrey Heath Borough Council and Mole Valley District Council expires on 5 June 2027. AT the request of the four partnering authorities Joint Waste Solutions commissioned a specialist advisor to evaluate the commissioning options for the service. These are a). bring the service in-house, b). establish a local authority trading company, or c). reprocure.
- 1.2 Having evaluated the benefits, risks and modelled financial implications for each of the options, the recommendation is to reprocure. Reprocuring is modelled as posing the least financial and commercial risk to the Councils, as well as sharing the upfront costs of undertaking the procurement across four authorities.
- 1.3 Therefore, this report seeks approval to reprocure the household waste collection service in partnership with Elmbridge Borough Council, Mole Valley District Council and Surrey Heath Borough Council, with contract management continuing to be delegated to a single client team under a new Inter Authority Agreement. It is proposed that, in consultation with the Portfolio Holder, Officers will develop the tender specification and evaluation model. The specification will be based on the current range of services, but allow for variations which reflect new regulations to reduce waste, increase recycling and decarbonise operations. The procurement and its outcome will be the subject of a separate report to the Executive.

2.0 Recommendations

2.1 The Executive is requested to:

RECOMMEND TO COUNCIL THAT

- i. **The procurement and contract strategy for waste collection and street cleaning services be approved:**
 - a. **To reprocure a joint contract with Mole Valley District Council, Elmbridge Borough Council and Surrey Heath Borough Council based on the current baseline service specification (outlined in 6.1 of the report) for waste collection with an initial term of seven years commencing on expiry of the current contract in 2027 and expiring in 2034, with two further options to extend up to a maximum of fourteen years.**
 - b. **The contract management function will continue to be delegated by the four authorities to one client team.**
- ii. **Authority be delegated to the Head of Environmental Services in consultation with the Strategic Director - Place, Director of Legal and Democratic Services, Section 151 Officer and the Portfolio Holder with responsibility for Waste as a member of the Joint Waste Collection Services to take all actions necessary to give effect to the decision in (i) including but not limited to;**
 - a. **The final specification.**
 - b. **The price/quality split and the detailed evaluation criteria and weightings.**

Reason for Decision

2.2 The Council has a statutory duty to arrange for the collection of household waste (Environmental Protection Act 1990). A strategic review of the options for succeeding the existing contract, concludes that reprocurement offers the best value at least risk.

3.0 Proposal and Outcome

3.1 Having evaluated the benefits, risks and modelled financial implications for each of the options, the recommendation is to reprocure a joint contract for waste collection and in partnership with the other three authorities, EBC, SHBC and MVDC. Street Cleaning in WBC is delivered via a separate contract so will not form part of the reprocured contract.

3.2 The new service specification should allow for the current services (including the range of materials collected, frequency of collection and container sizes) but also include options for variations to services, either at the start of or during the contract period, to reflect new duties and other opportunities to reduce waste, increase recycling and decarbonise operations as well as wider social value considerations.

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3.3 As the base service configuration does not involve any automatic service changes for residents, impact assessment and consultation on any future changes can be done as a separate workstream.

4.0 Background

4.1 Woking Borough Council has a statutory duty to arrange for the collection of household waste. In 2017 Woking Borough Council (WBC), Elmbridge Borough Council (EBC), Mole Valley District Council (MVDC), and Surrey Heath Borough Council (SHBC) (“the Councils”) entered into a 10 year joint contract with Amey LG Limited (Amey) for waste collection services and, for all bar WBC, street cleaning services.

4.2 The contract management and administration is undertaken by a shared client team set up for the joint contract known as Joint Waste Solutions (JWS), administered by SHBC.

4.3 The initial term of the joint contract expires on 5 June 2027. The joint contract provides an option to extend the contract for a further period not exceeding seven years. However any request to extend the joint contract requires not less than eighteen months’ notice to be given to Amey and Amey has a short period of time to either accept or reject the requested extension. It is our understanding that Amey does not wish to extend the joint contract.

4.4 In May 2024 the Councils began a process to review options for succeeding the existing contract, including the evaluation of service delivery models and viable commissioning routes. At the request of the four authorities, JWS commissioned a specialist consultant, Eunomia Research and Consulting (Eunomia), to evaluate the following key lines of enquiry:

- i. Appetite for continued joint working amongst the four authorities, and whether any other authorities wished to participate;
- ii. Service scope and whether any variations should be considered;
- iii. Commissioning options for the service;
 - a. bring in-house;
 - b. establish a local authority trading company (**LATCo**);
 - c. reprocure;
- iv. Opportunities to improve the future service, reduce risk and increase resilience.

4.5 The methodology, principal findings, options appraisal and improvement opportunities are explained in detail in the Strategic Options Appraisal at Annexe 1.

4.6 Having evaluated the benefits, risks and modelled financial implications for each of the options, the recommendation is to procure a joint contract for waste collection in partnership with the other three authorities, EBC, MVDC and SHBC.

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- 4.7 The value of the contract, coupled with the lead in times for ordering new vehicles and transitioning to a new service provider, means that the procurement process would need to commence from July 2025.
- 4.8 The outcome of the procurement will be the subject of a separate report to Executive with a recommendation to award or not, as the case may be, the contract and to approve a revised or new Inter Authority Agreement (**IAA**). The IAA will regulate the relationship between the authorities in relation to the discharge of functions via a joint committee, the cost-sharing principles and the role of a centralised client team in managing the contract on behalf of the four authorities during its term. Where the IAA requires any consequential changes to the Constitution, these will need approval by Full Council.
- 4.9 Key Lines of Enquiry
- 4.10 These were:
- i. Do the four authorities wish to continue working together – and are any other Surrey district and borough councils interested in joining the options appraisal process?
 - ii. What should be in scope for a future service and what variations should be considered?
 - iii. How should the service be commissioned, and
 - iv. What lessons can be learned from the existing arrangements to improve the future service, reduce risk, and increase resilience?
- 4.11 Methodology
- 4.12 The approach taken was to;
- i. Set up a Project Team under an Interim Project Director with significant relevant high-level experience in commissioning and delivering in-scope services in a partnership context.
 - ii. Set out the planned process to the other Surrey district and borough councils and invite participation.
 - iii. Convene an informal Member Board consisting of the Environment Portfolio holder for each of the four authorities to oversee the process.
 - iv. Convene a Director and Leader Officer Group to support the Member Board and project team.
 - v. Convene specialist subject matter officer groups for key areas such as finance, procurement, communications and to coordinate the formal governance process across the four Councils.
 - vi. Identify the key drivers, duties, constraints, and risks associated with future service delivery.

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- vii. Commission Eunomia as highly experienced consultants in the field to model various collections (the “what”) and commissioning options (the “who”) to give indicative comparative costs and associated qualitative risk analyses.
- viii. Review relevant work previously undertaken by external agencies for the partners, particularly work undertaken by Eunomia in 2023 around setting up a LATCo and a report by Ricardo for Surrey County Council (**SCC** – here the Waste Disposal Authority (**WDA**)) in 2021 around performance and cost implications of various collection systems.
- ix. Consult internal stakeholders about what lessons could be learned from the existing arrangements.
- x. During the process it became clear that the process should also consider the impact of expected local government reorganisation and a potential scenario where Woking BC could not follow the consensus of the other three regarding commissioning route. Both generated a further round of financial modelling to understand the potential impacts.
- xi. The working assumption was that the councils would wish to continue working together but under a revised Inter Authority Agreement.

4.13 Principal Findings

Joint Working

- 4.14 Despite recognition at Chief Executive and Leader level that there was a clear rationale to work together on recycling and waste, and some initial interest from three other councils, none decided to participate.
- 4.15 The existing four authorities have a positive view of JWS and the benefits of working in partnership but were also very wary of any risk of replicating the current situation whereby service quality was inconsistent.

Scope

- 4.16 It is proposed that street cleaning services for SHBC, MVDC and EBC will, as currently, be included in the procurement. Woking Borough Council will continue to have separate arrangements for the street cleaning service. Our new Grounds Maintenance and Street Cleaning Contract commences on 1 April 2025.
- 4.17 The detailed specification of the future service, and any variations to frequencies, KPIs will form part of the next phase of work.

Lessons Learned

- 4.18 The process of engagement with stakeholders including operational officers, directors and service leads and the Member Board led to a register of over 40 key issues and risks being identified, which will need to be considered as part of the next phase of the process.

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Scope – Recycling and Waste

- 4.19 The current service is compliant with the “Simpler Recycling” requirements under the Environment Act 2021 and continuing with a co-mingled collection system for dry recyclables is compatible with the Waste Disposal Authority’s strategic approach.
- 4.20 Variations to residual waste collection frequencies or residual waste bin size could drive improvements to recycling rates but not simultaneously reduce costs to the Councils as collection authorities. Options for optimal and cost effective recycling will be included in the procurement process.
- 4.21 There would potentially be system wide savings which would accrue to the WDA through avoided residual waste disposal costs. At the current time, there is no existing inter authority payment mechanism to share such savings between the WCAs and the WDA, although this would be worth further exploration.
- 4.22 There appears to be a natural ceiling to the combined recycling rate of around 61% without adding additional materials. This would still represent a 5-6% improvement over existing performance.

5.0 Options Considered

- 5.1 There are three main service commissioning options:
 - i. Bringing the services in-house (which would effectively mean disbanding the joint service arrangements).
 - ii. Jointly setting up a LATCo.
 - iii. Procurement.
- 5.2 Financial Modelling Results
- 5.3 The financial modelling work by Eunomia concluded that:
- 5.4 The combined cost of the service across all four authorities was likely to rise by at least 25% for the partners under any commissioning option.
- 5.5 The in-house option would be the most expensive option largely because of the cost of replicating service management structures in each authority and the higher pension costs incurred through staff employed by Amey currently becoming eligible to join the Local Government Pension Scheme (**LGPS**).
- 5.6 Procurement was modelled to be the lowest cost option although this was only slightly less than the LATCo.
- 5.7 These figures are indicative, based on 2023/24 baseline costs not inflated and should not be used for budgeting purposes. The actual costs of the new contract would depend on running the full process, the scope of the services included in the joint contract and the apportionment between the four authorities.
- 5.8 These figures exclude up to £2m pa of further costs associated with vehicle capital financing. Those additional costs do not change the ranking of the three options.

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However, they slightly increase the differential between procurement and LATCo, on the basis that an existing waste collection contractor is likely to have improved purchasing power for vehicles than a LATCo.

5.9 Qualitative / Risk Assessment

5.10 The evaluation of risks concluded that the authorities were most exposed to risks around:

- i. the capacity to mobilise and manage a smooth transition from the existing contract;
- ii. exposure to unbudgeted financial risk arising from variations in service costs outside of any annual inflationary adjustments;
- iii. the ability to control and change the service mid-cycle; and
- iv. overall service quality

5.11 In respect of the first two, procurement scored highly. The LATCo / In-house options scored better in relation to service control and change.

5.12 None of the options have any inherent advantages in terms of service quality, this being a function of the quality of the specification, the level of resourcing and the experience/culture of the service provider.

5.13 Overall, from a maximum of 100%, procurement scored 73%, in-house scored 55% and LATCo scored 51%. The lower LATCo score reflects that while it has more inherent flexibility and ability to control than a procured service, operating as a separate, jointly owned company gives it less flexibility to the in-house option.

5.14 Marginal adjustments to scoring or weighting of assessment criteria did not change the rank order outcome, procurement remained ahead in terms of minimising overall risk.

5.15 The options are categorised under two headings below;

5.16 **Option 1 – approve the recommendations in this report (Recommended)**

The strategy to reprocure a joint contract for waste collection and street cleaning services provides WBC the opportunity to secure the delivery of the service by a new contractor. Whilst the costs of each of the three options are expected to exceed the current contract costs to WBC, this procurement is modelled as posing the least financial and commercial risk to WBC, as well as sharing the upfront costs of undertaking the procurement across four authorities. Outsourcing, compared to an in-house service, gives less control to SHBC over the service, as it provides a degree of separation between SHBC as client and the service provider and requires negotiation.

A LATCo will remain the fallback option should the procurement opportunity not be attractive to the market or otherwise fails or to mitigate any break in service delivery.

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In-house service delivery is the most expensive of the three commissioning options, and whilst it provides maximum direct control over the service, it is modelled as the most expensive of the three options, and carries the most degree of risk, financially and operationally, particularly in recruiting the relevant specialist expertise.

5.17 Option 2 – do not approve the recommendations in this report (Not Recommended)

This would put additional pressure on the time available to secure an alternative option to deliver a successor to the joint contract from June 2027.

WBC is arguably more constrained with progressing the other two commissioning options as these are modelled to be more expensive and carry greater risk. If the other three authorities opted for a different commissioning option, the impact of Woking going down its own procurement route is estimated to add £1m pa to the overall cost of service for the four councils, £0.58m of this falling to WBC.

6.0 Decision Type/Scope

- 6.1 Selecting a route to market for the Council's household waste collection services is a key decision. The current scope (baseline) of collection services for Woking includes fortnightly kerbside collections of waste and dry mixed recyclables, weekly collections of food waste, small electricals and textiles, an opt in service for clinical waste, chargeable services for garden waste (fortnightly) and bulky waste (on request). A procurement strategy will be developed to ensure the Council remains compliant with regulation and includes options for varying the services to reflect new duties, opportunities to reduce waste, increase recycling, decarbonise operations and wider social value considerations. If Full Council agrees to reprocure the contract, the outcome of the procurement and revised Inter Authority Agreement will be the subject of a separate report to the Executive.

7.0 Implications

Legal

- 7.1 The value of the contract means that it is fully regulated by the public procurement legislation. New procurement legislation, in the form of the Procurement Act 2023 are planned to be in effect on 24 February 2025 and will therefore apply to the reprocurement of this contract.
- 7.2 In the event that Full Council approves the reprocurement this will require specialist external legal support and advice in relation to both the conduct of the procurement itself and in relation to the terms of the contract and the associated inter-authority agreement. That external support will itself need to be appointed so as to demonstrate value for money and through a compliant procurement process. The costs will be shared across the four authorities.
- 7.3 With any procurement, there is always a risk of legal challenge to the outcome. In this case, given that the incumbent service provider has signalled that it is unlikely to participate in the procurement process, this reduces the risk that the market perceive that there is not a level playing field.

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Resources (including finance)

- 7.4 Participating in any procurement process has resource implications. This is a critical contract for services and is the mechanism by which WBC would discharge its statutory duty to arrange for the collection of household waste (section 30 Environmental Protection Act 1990).
- 7.5 Whilst the resource implications of designing and running a procurement will be shared across the four authorities there will still be a need for WBC office resource from a range of services, including but not limited to Environment, Asset management, Legal, Finance, ICT, Customer Services and Communications. On completion of the procurement process, the emphasis will be on planning for exiting the current contract and mobilizing for the new contract.
- 7.6 The financial implications of each of the three options for service delivery are set out in the accompanying Strategic Options Appraisal at section 5.0. The financial modelling in the Strategic Options Appraisal is based on the scope of the current joint contract, which includes waste collection for all four authorities, and street cleaning for EBC, MVDC and SHBC.
- 7.7 Taking the year ending 31 March 2024, being the most recent full financial year as the baseline, each of the three options has been modelled as likely to result in an increased cost of service to WDC compared to the baseline. The in-house option was modelled as being comparatively the most expensive, with a LATCO being the second most expensive than a reprocured contract modelled. This is shown in Table 5 of the Strategic Options Appraisal (Annexe 1).
- 7.8 The model assumes that as today, WBC would purchase the vehicles required to deliver the service through its own capital programme.
- 7.9 It is important to note that those modelled annual costs are not a forecast of the future cost of the service; they are designed to provide a comparative cost analysis of the three options and a tool to inform the commissioning decision.
- 7.10 What is clear is that even the most financially favourable commissioning option is likely to be more expensive than the current contract. This is not unexpected and has been factored into the Medium Term Financial Plan.
- 7.11 There may be opportunities to introduce efficiency savings against the modelled position through investment or leveraging the expertise of the specialist service providers and that will undoubtedly form part of the procurement focus and evaluation.
- 7.12 The costs of implementing each of the options is set out at Table 4 of section 5.0 of the Strategic Options Appraisal. The reprocurement also represents the lowest cost option compared to the other two options. The cost of the reprocurement, transition and mobilisation is estimated at circa £650,000 which would be divided between the four authorities.

Risks and Mitigation

- 7.13 The risk implications attached to each of the three commissioning options is set out in the attached Strategic Options Appraisal at section 4.0.

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- 7.14 Arguably, the biggest risk is to defer taking a decision. As explained in section 6.0 of the Strategic Options Appraisal, with the existing contract expiring in June 2027, a quoted minimum 12 month lead in time for new vehicles together with the other necessary activities required to mobilise a contract of this size and geographical extent, a new contract needs to have been awarded no later than June 2026.
- 7.15 There are other significant and attractive waste and street cleaning contract opportunities likely to be going to the market at the same time as the joint procurement for WBC, MVDC, EBC, and SHBC. Whilst the joint contract is judged to give the four authorities the best chance of securing a new contractor, there is a risk that the process is unsuccessful. For this reason, JWS will continue to develop as a contingency option the LATCo model in parallel with the procurement.
- 7.16 The proposals set out in the white paper published on 16 December 2024 signals a high probability of local authority reorganization in Surrey, potentially as early as 1 April 2028 (with a shadow authority from 1 April 2027). This should not delay or alter the objective of taking steps now to ensure that WBC (in common with the other partner authorities) has secured service delivery beyond June 2027 for this key statutory function. It is prudent however to ensure that the discretion of the authorities (and any successor authority) is not unduly fettered and this is why the initial term proposed is limited to seven years (which also corresponds with the capital investment associated with the vehicles). Options to extend will also be included so as to maximise the attractiveness of the opportunity to the market.

Consultation, Equality Impact Assessments

- 7.17 There are no direct equalities implications arising from this report. Any equality screening and impact assessment requirements will be factored into the contract requirements.
- 7.18 There has been no external consultation on this exercise to date, but the recommendations in this report have been developed in consultation with the four authorities who are members of the Joint Waste Collection Services Committee.
- 7.19 At this stage there are no direct communication implications. A press release will be issued to accompany this report.

Environment and Climate Change

- 7.20 Irrespective of the service delivery strategy, the nature of the service provides a number of opportunities to contribute towards WBC's own climate change strategy and 2030 net zero target. These include:
- 7.21 **Environmental:** Reducing waste directly translates to lower greenhouse gas emissions from landfills, conserves valuable resources, and minimises pollution. It reduces the amount of land required to accommodate landfill which given the competing pressures on land for other uses, including but not limited to housing, is a key consideration.
- 7.22 **Economic:** Waste prevention reduces collection and processing costs, freeing up resources for service improvements. Furthermore, supporting recycling and reuse stimulates local economies and creates jobs.

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- 7.23 **Social:** Proactive waste reduction initiatives enhance community engagement in sustainable practices, fostering a sense of shared responsibility. This leads to improved public health, cleaner environments, and an enhanced quality of life for residents.
- 7.24 Depending on the specification for the service, vehicle and depot strategy and investment available to the four authorities, there are opportunities to reduce WBC's carbon emissions through route optimisation so as to reduce miles travelled, investment in vehicles including alternative fuels to reduce the carbon emitted per mile travelled and investment in depots to comply with minimum energy efficiency standards which are targeting an EPC of C by 2027 and an EPC rating of B by 2030, which in turn provides opportunities to save carbon.

8.0 Supporting Documents

Appendices

- 8.1 Strategic Options Appraisal (SOA). Due to the commercially sensitive information contained in the SOA, the confidential document is provided under Part 2 of the agenda.

Supporting Documents

- 8.2 None.

Report Ends