

**Report of:** Executive Director City Services

**To:** City Executive Board

**Date:** 15<sup>th</sup> December 2009

**Item No:**

**Title of Report :** FUNDAMENTAL SERVICE REVIEW, WASTE AND RECYCLING SCHEME

### **Summary and Recommendations**

**Purpose of report:** To report progress on the Fundamental Service Review of Recycling and Waste Services. To confirm the preferred waste and recycling collection methodology and management models to be included in the final round of the Competitive Dialogue.

**Key decision:** Yes

**Risk:** Low

**Portfolio Holder:** Councillor John Tanner, Cleaner Greener Oxford

**Scrutiny Responsibility:** Value and Performance Scrutiny Committee

**Ward(s) affected:** All

**Report Approved by:**  
Penny Gardner (Finance)  
Lindsay Cane (Legal)

**Policy Framework:** Corporate Plan,  
Oxfordshire Waste Partnership Waste Strategy

**Recommendation(s):**

**The Board is recommended to:**

**1. Resolve that the basis of the service specification for the Waste and Recycling service at Best and Final Offer (BAFO) stage of the Fundamental Service Review to be:-**

**a) Weekly food waste recycling collection**

**b) Continuation of the free “Hessian” sack based collection scheme, limited to 2 sacks collected per household, supplemented by a subscription service based on wheeled bins**

**c) Fortnightly collection of co-mingled dry recyclables as set out in Appendix A collected from either recycling boxes or wheeled bins**

**d) Fortnightly collection of residual waste.**

**2. That Best and Final Offers are invited for fully outsourced and managed service options for evaluation against the in house comparator**

## **1.0 Introduction**

In early 2009, a Fundamental Service Review (FSR) of Waste & Recycling Services was commenced. The objectives of the FSR are to achieve:-

- The recycling targets agreed under the Oxfordshire Waste Partnership of 45% by 2012 and 55% by 2020
- Reduce costs by at least £300k p.a. from 2010/11
- Increased public satisfaction by 2011 to be similar to those experienced in top performing similar areas
- Aim to reduce the carbon footprint of the service by 5%
- Reduced amounts of waste sent to landfill – reflecting increased recycling and waste minimisation exercises.

The review has been managed under four main strands. Headline progress against each strand is shown below:-

1. **Council Requirements** – The objective of this strand is to identify the requirements of the Council that are to be met by the service and the service provider, whoever that may be. This includes the Council's preferred collection methodology, what will be collected, collection policies such as containment and where bins and boxes should be positioned as well as 'commercial' issues such as terms and conditions of staff, pensions, and what management arrangements would be acceptable. The collection policies have been reviewed by the cross party Members' Waste Advisory Group and no changes are proposed other than those highlighted in this report. Staffing issues have been confirmed as being as agreed with trade unions during the leisure market testing exercise as the preferred approach to market testing services. That provides a framework for protection of staff terms and conditions through a "TUPE plus" arrangement and the continued provision of access to the Local Government Pension Scheme. The other major commercial issues relate to depot and vehicles. The proposed approach is to offer an appropriate area of the depot on licence at a "pepper corn" rent and essentially bear the cost as a client side cost. In respect of vehicles it is proposed to charge those out at the Council's calculated hire rate.
2. **In-house proposal** – The focus of this strand has been to make the in-house offer fit for purpose ensuring that it forms a good reliable benchmark against which private sector bids can be measured. Significant progress has been made over 2009 in improving efficiency

and productivity, human resource management as well as project and risk management. A comprehensive base budget review has also been completed across the entire recycling, waste and trade waste, depot and transportation services.

3. **Procurement of disposal for dry recyclates** – The County Council as the Waste Disposal Authority makes arrangements for the disposal of all Municipal Waste other than dry recyclables. This procurement exercise is intended to provide a cost effective disposal arrangement which is complementary to the collection methodology selected. As well as cost, carbon impact, primarily associated with distances travelled is an important part of the assessment. This procurement will enable a wider range of materials to be collected. (see Appendix 1). All collection modelling has been based on this wider range of materials.
4. **Collection Market Testing** – This will provide a market alternative to the in-house comparator to ensure that the Council understands and can demonstrate good value for money in the collection of waste and recycling which is a key cost to the authority. We are currently in stage 2 of a 3 stage competitive dialogue process. In the final round, we need to be very clear about the Council's requirements to ensure that we can compare bids and the in-house comparator on a like-for-like basis and deliver good value for money.

The next stage will be to ask for Best and Final Offers following a final dialogue stage and the completion of the in-house comparator. It is intended that the outcome will be reported to CEB in early 2010.

## 2.0 Which collection methodology?

In May 2009, the Council through the WRAP programme, engaged Eunomia Consulting to carry out modelling of options to optimise recycling in the city. *WRAP (Waste & Resources Acting Programme) works with local authorities, businesses and households to prevent waste, increase recycling and develop markets for recycled and develop markets for recycled and sustainable products.* [www.wrap.org.uk](http://www.wrap.org.uk)

This report which has now been published <http://www.oxford.gov.uk/Direct/Oxfordcitycounciloptionsappraisal.pdf> concluded that:-

- To reach the OWP recycling targets weekly food recycling should be included
- The current garden waste collection scheme is inefficient and should be replaced
- Either a comingled dry recycling or kerbside sort scheme should optimise recycling rates and that their modelling showed that in theory, kerbside sort would be the most cost effective due to the value of materials sold
- Alternative weekly collection of residual waste should be maintained

Following a Member's Waste Advisory Group which considered the options, the in-house team and the four external bidders were requested to submit proposals and indicative costings reflecting the findings in the Eunomia report. Three bidders have submitted proposals.

Whilst WRAP and the Eunomia report favour as a starting point kerbside sort, they do acknowledge that this methodology has its limitations.

In their report "*Choosing the right recycling collection scheme*" "*There is no simple answer, and certainly no one-size-fits-all solution. Local authorities have to make choices that are right for their local circumstances.*

*Provision for recycling needs to be considered alongside requirements for refuse, garden and increasingly food waste and taking account of factors such as the physical characteristics of collection areas and property types.*" (Page 1, 2nd paragraph of WRAP report).

They go on to say that "*Ultimately, the choice of collection system remains a matter for local authorities to decide...co-mingled collections may be appropriate in circumstances where other options are impractical. These might be the densest urban areas where on-street parking and heavy traffic require fast loading...for high density flats, transient areas and multi-occupied properties.*" (Final page "Conclusion" running the opening paragraph into the penultimate paragraph).

These words of caution about the kerbside approach are clearly of relevance in the Oxford context and we have been carefully testing co-mingled and kerbside sort methodologies through the competitive dialogue stage and our own modelling building the in-house comparator.

### **3.0 What does the market say?**

The market response to the second round of Competitive Dialogue has been:-

- Both recycling options are significantly less expensive than the existing scheme
- Co-mingled is favoured and likely to prove more predictable and reliable in the City due to the socio-economics of the area, the tight and congested road network and the rate of change of households in the City
- Co-mingled based on the indicative figures and combined with the disposal procurement is less expensive by a margin of £200,000-£300,000 less than kerbside
- That a recycling rate of around 55% could be anticipated from co-mingled recycling service combined with weekly food and improvements to the garden waste scheme.

#### **4.0 What does the in-house team say?**

The in-house team prefer comingled due to:-

- Simpler and easier to operate in city environment
- Less congestion as fewer vehicle movements
- City Works has more experience and capacity to manage comingled service
- Much simpler to introduce and manage in flats
- Co-mingled approach could be extended to street cleansing operations in litter bins
- Gives choice of containment to householders for recyclable storage either boxes, bins or sacks
- Estimate that co-mingled would be cheaper than kerbside by around £200,000 p.a including disposal costs

#### **5.0 Environmental Assessment**

A detailed assessment of the environmental impact of the service options is being prepared. This will be reported to the meeting. We expect that it will show that in terms of the Council's carbon footprint that the comingled scheme is the best of the two options and that both are an improvement on the existing scheme. However we also expect that the assessment will say that in overall full cycle analysis suggests that the kerbside sort scheme may have advantages linked to enhanced closed loop recycling opportunities sometimes found with that type of scheme.

#### **6.0 Public Satisfaction**

The Place Survey, developed by the Department for Communities & Local Government to assess levels of public satisfaction with local services, included questions on waste and recycling. The Place Survey has been.

The Place Survey fieldwork took place between September and December 2008 via a postal survey that was sent to a random sample of households across the city.

Finalised results have only recently been published. The 'Place Survey' put public satisfaction with waste collection and recycling services in the city at 60% and 64% respectively. These are relatively low scores compared with some of the other growth conurbations in the South East.

<b>LOCAL AUTHORITY</b>	<b>refuse collection (%)</b>	<b>doorstep recycling (%)</b>
Basingstoke and Deane Borough Council	85.7	70.6
Brighton and Hove City Council	70.2	67.8
Crawley Borough Council	81.0	74.1
Medway Council	82.4	79.3
Milton Keynes Council	85.1	81.8
<b>Oxford City Council</b>	<b>60.2</b>	<b>64.0</b>
Portsmouth City Council	82.0	72.5
Reading Borough Council	63.1	63.4
Slough Borough Council	77.1	66.6
Southampton City Council	78.4	65.4

We have studied the higher performing areas and have identified that they all operate a weekly residual waste collection service and mostly have a recycling rate lower than that currently being achieved by this authority and certainly not approaching the demanding targets that we have set ourselves. Therefore to a great extent Oxford City Council is leading the way in driving recycling rates in complex urban environments. That is certainly the case around the introduction of recycling at flats. We shall therefore have to rely on our own local intelligence from public involvement exercises to ascertain what would drive inspired public satisfaction.

The Council has carried out a number of consultation exercises to ascertain what drives people's satisfaction with waste and recycling services and what options might work best in the City.

The views received have been mixed most likely reflecting the diverse nature of the properties and households across the city. For example householders felt that they had insufficient storage space for recyclables but at the same time many felt that they did not have space to store a second or third wheeled bin.

In November 2008 26% of the Talkback panel found the current system complex, mainly relating to which items could be recycled on which days. There was also confusion around which items could be recycled together and which recyclables needed to go into which boxes. This supported the view that there is a need to simplify the current system which can be achieved

by placing all recyclables into a single or similar receptacles. At that time 65% of respondents said they would prefer to have a single receptacle for all dry recycling however residents were split about their ability to store further wheeled bins at their premises.

In November 2009, 38.5% of the Talkback panel said they would prefer to put all recycling materials in to one container while only 34% said they would prefer to separate their recycling and 27% said they did not mind which system they had.

The top ranked priorities for respondents were more frequent collection for waste that could cause sanitation issues and a greater range of items that could be recycled.

This sanitation issue would partly be resolved with the introduction of a food caddy where all food waste will be collected on a weekly basis. The range of materials that can be recycled will be expanded by the current procurement exercise.

Satisfaction with the waste and recycling service depends on many things for residents but the most popular are the environmental impact of the service, simplicity and the cost of the service to the tax payer.

There is no clear favourite between boxes and wheeled bins for storing recyclables with residents split broadly 50/50 on the matter.

Around 80% preferred a wheeled bin for residual waste and 60% preferring the current "hessian" sacks for garden waste. This latter view being despite the fact that many residents cited a problem with the service being that these sacks blew away or became lost.

Some 18% of residents would like the opportunity to have a wheeled bin for the storage of garden waste whilst 23% would like plastic sacks. The latter however, would be likely to prevent recycling of the garden waste and prove costly.

The consultation exercises demonstrate that there is no one ideal solution for the storage and collection of waste and recycling across the city. However, key ingredients can be identified that should drive increased satisfaction:-

- A system that is relatively simple with a wide range of materials that can be recycled
- The weekly collection of food waste
- choice over the wheeled bins, boxes or sacks for recyclables
- choice over whether wheeled bins or sacks are used for residual waste, and
- Whilst hessian sacks for garden waste are preferred by the majority a significant section of the population would like the opportunity to have wheeled bin storage.

We intend to repeat the “Place Survey” locally on an annual basis to track public satisfaction with these services and measure the impact of the changes that we are proposing.

## **7.0 Equalities issues**

An Equalities Impact Assessment has been carried out of waste and recycling services. This highlights potential areas of discrimination for two equality groups: age (older people) and people with disabilities in respect of their ability to handle the waste receptacles and put them at the collection point. The potential discrimination is essentially the same for the existing service and the two options being considered. However, wheeled bins, where they can be used, are generally easier for people to handle and deal with potentially heavy waste.

The council provides an Assisted Collection Scheme for residents who are unable to handle their waste receptacles. Essentially this means that the collectors collect the waste receptacle from wherever it is stored at the premises and then returns it to the same place removing the necessity for handling by the disabled or infirm. The Council also provides a clinical waste service to collect and appropriately dispose of biohazard waste from households. There are currently 1,100 registered users on the assisted scheme and 150 on the clinical waste collection list.

The impact assessment has highlighted the need to overhaul and update the assisted collection scheme and make sure that it is widely communicated and available to those with disabilities or who may be infirm. An Action Plan has been prepared and it is proposed to consult with the users of these services to mitigate the impact of any changes to the service.

## **8.0 Views of workforce and trade unions**

The workforce and the recognised trade unions support the comingled option, believing that it will provide a better service in the city and present fewer risks in respect of health and safety.

## **9.0 Overview of the service**

### **Dry Recyclables**

Both kerbside sort and comingled provide a simplified service with no pre-sorting by the householder of recyclable waste. The detailed house survey that have been carried out and the consultation exercise demonstrated that wheeled bin storage is more suitable at some properties in the city and boxes at others. Only the comingled service can cope with the collection of both wheeled bins and boxes giving residents choice over what storage method is appropriate for them and their property.

Co-mingled is also easier to implement at flats which is a key issue as there are 15,000 in the City.



Bidders are predicting a recycling rate between 50-55% using this service specification. Based on a recent waste arisings analysis, individual households could recycle up to 60% *by weight of their waste* by fully utilising either scheme. Residents could potentially go further by adapting their purchasing habits and through enhanced access to reuse and return schemes. The challenge for the City Council would be to decrease further the waste stream and increase participation and capture rates and thereby increase recycling further from this base. This could be addressed by ensuring that we have sufficient education and enforcement staff to support the scheme. However, there is a net cost per tonne of recycling and points of step changes in costs as vehicle configurations have to change. Therefore longer term changes would have to be carefully modelled and monitored.

*At the end of the seven year period it is likely that the City Council will achieve a recycling rate considerably higher than 55%. Any in house arrangement or contract should demonstrate how recycling rates might reach higher levels as the arrangement/contract proceeds.*

### **Food Waste Recycling**

The first phase of food waste recycling is due to commence in the second week of December 2009. This is based on the separate weekly collection of food waste in caddies in dedicated smaller waste collection vehicles. Weekly collection of food will be required to reach the recycling target. There is limited data available for City areas collected on dedicated vehicles or in pods on waste and recycling vehicles.

Whilst pod vehicles reduce the total number of vehicle movements, they are only efficient if the disposal points are co-located or close. In addition, selecting the size of the pod and the vehicle that carries it is crucial to overall effectiveness and efficiency.

The first phase will provide essential local data. This combined with the final round of the procurement will decide whether the optimum route would be separate or pod collections. However, at this stage, we can say with certainty that the collection methodology should include weekly food recycling collected from the curtilage of properties.

### **Garden Waste**

Most councils now run a subscription based service for garden waste. This means that the collection vehicle only has to visit those households in the scheme. This enables more targeted and efficient round design and typically raises an income of around £3-4,00K p.a. The City's current scheme where any or all households could put garden waste out for collection means that our rounds have to cover all domestic non-flat premises once every two weeks.

Members of the Waste Advisory Group were not persuaded that the City should switch from a free to a subscription service. Subsequently, Eunomia

modelled a free service available to all households with an option subscription service utilising wheeled bins for those households who choose to join in.

The modelling was based on 8000 households joining the subscription service.

This produced an income of around £240,000 p.a. (excluding initial bin purchase and set up costs) and therefore reduced the overall cost of the service. In a recent Talkback survey, 17.5% of households in the City expressed a preference to be able to dispose of their garden waste via a wheeled bin. Officers recommended that this forms part of the service specification for the BAFO stage and that the free sack based collection service be limited to two sacks collected per household.

### *Conclusion for collection methodology*

The detailed analysis of the options and the service review which has proceeded, leads the officers to recommend that the basis of the service specification for the Waste & Recycling service at Best and Final offer (BAFO) stage of the Fundamental Service Review be:-

- a) Weekly food waste recycling collection
- b) Continuation of the free "Hessian" sack based collection scheme, limited to 2 sacks per household collected, supplemented by a subscription service based on wheeled bins
- c) Fortnightly collection of co-mingled dry recyclables as set out in Appendix A collected from either recycling boxes and wheeled bins
- d) Fortnightly collection of residual waste

### **Management Arrangements**

As part of the Competitive Dialogue options other than a straight forward outsourcing arrangement have been discussed with potential providers. This was prompted by risks identified around loss of control by the Council, complications around disaggregating the waste and recycling service from the remainder of City Works and the Council, a desire to retain benefits associated with an in-house service and the desire to explore sharing risks and rewards with the provider.

Subsequently, discussions have focussed on two models; the Managed Service model and a Joint Venture model.

With the Managed Service model, the service essentially remains in-house with the staff remaining employees of the Council and the Council retaining the assets. Private sector expertise is brought in to supplement the in-house management to introduce new technology and ways of working and provide assurance around delivery of the service for the price quoted and to seek out further efficiencies.

As the Council ultimately makes all of the decisions, bidders will be reluctant to guarantee success. However there are examples where managed services have successfully improved in-house services.

With a joint venture, decision making is shared between the parties through the formation of a new legal identity. Usually the majority owner is the private sector partner due to onerous restrictions on public sector companies. However, balancing provisions regarding voting rights and vetoes can be written into the articles of the Joint Venture to protect the interests of the Council.

There have been many successful joint ventures. However, due to the complexity and therefore cost and time taken in setting these up and monitoring them, they tend to be for much larger scale contracts than just the City's waste and recycling service.

The Council has taken specialist legal and commercial advice on these matters and a summary of the position in respect of the options is set out in Appendix 2.

It is proposed that any outsourced model would be required to have a non-executive "partnership board" which would be used to inform and steer the contract and partnership work around minimising waste and increasing recycling.

In view of the analysis and advice, officers recommend that a managed service solution is sought along with a traditional outsource with "Partnership Board" in the BAFO stage of this procurement.

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**Background papers: None**

**MATERIALS TO BE COLLECTED AND RECYCLED**

- Newspaper, magazines, junk mail (EWC 20 01 01)
- Office paper, white and coloured (EWC 20 01 01)
- Other paper including clean paper bags (EWC 20 01 01)
- Greeting cards (EWC 20 01 01)
- Envelopes including window type (EWC 20 01 01)
- Telephone directories including Yellow Pages (EWC 20 01 01)
- Wrapping paper (EWC 20 01 01)
- Junk mail (EWC 20 01 01)
- Cardboard (EWC 20 01 01)
- Egg boxes card based (EWC 20 01 01)
- Cans (steel and aluminium) (EWC20 01 40)
- Aluminium Foil (EWC20 01 40)
- **Textiles (EWC 20 01 10 & 20 01 11)**
- **Aerosols (EWC20 01 40)**
- Plastics (bottles and **plastic tubs, food trays, toiletries and cleaning materials bottles, yoghurt pots, etc) including plastic tops** (EWC 20 01 39)
- Glass – Mixed (EWC 20 01 02)
- **Household Batteries (EWC 20 01 33)**
- **Cartons (Tetra Pak) (20 01 99)**

**Bold indicates materials additional to existing service.**

Appendix 2:

**ANALYSIS OF MANAGEMENT OPTIONS**

	In-house	Managed service	Joint venture	Outsource informal partnership
Council retains control	+++	++	+	-
Council transfers risk	-	-	+	++
Potential for cost saving beyond in-house	-	+	++	++
Speed & efficiency to set up	++	+	-	++
Avoiding disruption and uncertainty due to impact on other areas/activities of the Council	+++	++	+	-