

**Chief Executives' Group – North Yorkshire and York
7 September 2017
York & North Yorkshire Waste Partnership (Y&NYWP) – Future waste collection
services**

1 Purpose of the Report

To seek approval for the development of a business case and options appraisal for the future configuration of waste collection services beyond 2020.

2 Background

- 2.1 A two day disruptive waste workshop was held in City of York Offices in February 2015 for Y&NYWP Senior Officers, facilitated by Ferrovial consultancy services. The basis of workshop was to creatively challenge current waste collection practice and organisation in order to identify issues and options for a more efficient and effective service. The outcome of the workshop was the identification of a short list of potential service changes including a single collection service across the partnership area.
- 2.2 Whilst the workshop identified issues and areas for improvement it was agreed to conduct a Soft Market Test to obtain a third party view regarding the issues arising from the creation of a single collection service and report back to the Chief Executives Group. The project mandate (appendix A) sets out in detail the market testing feedback from 2016.

3 Detail of report

- 3.1 The soft market testing identified a number of key messages for the partnership should it be decided to progress a single collection service that are set out below. The project mandate includes a more comprehensive list of feedback that are specific to the market testing questions but do not necessarily apply to a partnered service.
- Requirement for a legally binding partnership agreement
 - General approach to service take on was a phased basis
 - All respondents indicated a 10% to 15% efficiency saving
 - Timescale for implementation was 2 to 3 years
 - Move to a standardised recycling collection service
- 3.2 A draft of the soft market testing feedback was developed in 2016 but stalled due to changes of representation within the partnership and resolution of partnership management. The partnership has resolved partnership management to 2020 and agreed a new chair for the group. In developing a work programme for the partnership manager a key task is to develop a business case for formalised partnership working. It was agreed the first stage would be to re-draft the soft market

testing outcomes into a project mandate for approval by the Chief Executives Group to develop the business case and options appraisal. All members of the Y&NYWP group have agreed the project mandate appended to this paper.

- 3.3 The development of the business case would be a key task for the partnership manager and it is anticipated it can be delivered within existing partnership funding. It is also anticipated the business case will require a reality check from a third party prior to submission to the Chief executives Group. At this stage the cost of the reality check is unknown but is not anticipated to cost more than £5K and is likely to be contained within the partnership funding envelop subject to partner agreement.

The indicative timescale for development of the business case and submission to the Chief Executives Group is summarised below with a more comprehensive project plan contained in the project mandate.

- Sept 2017 Project Mandate to Chief Executives Group
- January 2018 Outline business case
- April 2018 Detailed business case
- May 2018 Detailed business case to Chief Executives Group

4 Recommendations

- 4.1 The Chief Executives Group endorse the content of this report and approve the development of the business case and options appraisal for a single collection service.

Name of officer - Keith Cadman

Job title - Head of Commissioning, Contracts and Procurement

Date 7 September 2017

Appendices

A. Project Mandate

Appendix A



Project Mandate	
Project name	Collection in Partnership
Project sponsor	The York and North Yorkshire Partnership
The mandate is the first document to complete and it should be done before any activity takes place on the project following the Discovery Phase. This is because the mandate is the document that triggers the permission for the project to go ahead. No further work should start on a project without an approved mandate.	

Project aim and objectives

Aim

To complete an in depth scoping/business case to assess the feasibility and potential efficiencies a formalised Waste Partnership could deliver. This would focus on developing a partnered service delivery model that would offer a 'menu of services' that Districts could access through service transfer. The primary options are summarised below:

- 1) Creating a 'partnered service delivery vehicle' for a “menu of services” including but not limited to waste collection service across York and North Yorkshire
- 2) An examination of the potential service delivery models which would also include but not limited to traditional outsourcing contract, local authority partnership, wholly owned local authority company, public / private joint venture company.

Both options will consider the options and outcomes of 'clustered' (smaller and local) Partnerships across the region. For example, a smaller partnership between 2-3 District Councils. The options will also recognise the potential requirement to grow the partnership as other local authorities join and or additional services are added.

- 3) For the outcome and decisions of the above work to inform and shape the objectives of the York and North Yorkshire Waste Partnership Strategy for the next 10 plus years.

Objectives

- 1) To provide the Chief Executive Group and the YNYWP group with evidence based information and data in relation to the varying partnering options. This would range from a full Partnership to smaller cluster partnerships and outline potential efficiencies.

- 2) To use the results from the 2015 soft Market test to establish a baseline for performance against the partnering option
- 3) To gain a more detailed insight into potential savings for outsourcing options.
- 4) To identify a delivery programme for the options' identifying a timetable and process
- 5) To identify the resources required to take this forward should the CE's wish.
- 6) To use the business case as the template to amend and set the future strategic options for the Waste Partnership over the next 10 years plus.

Project background

The York and North Yorkshire Waste Partnership (YNYWP) comprises representation from York City Council the 7 Districts of North Yorkshire and North Yorkshire County Council.

The existing YNYWP Municipal Waste Management Strategy is a 20 year strategy that commenced in 2006. It provides the strategic vision for managing waste and improving resource recovery in York and North Yorkshire. The strategy was developed in response to the significant challenges facing the management of municipal waste. These include local, national and international obligations, changing environmental targets and policies, and an increasing requirement to adopt more sustainable practices in the management of wastes.

The Strategy recognises that within the Partnership area there are a number of specific local challenges including a growing population, a predominance of rural areas and areas of low population density. Whilst focusing predominantly on municipal waste (that is, waste under the control of the local authorities), the Partnership is aiming towards an overall vision to:

'Work with the community and stakeholders of York and North Yorkshire to meet their waste needs and deliver a high quality, sustainable, customer-focussed and cost effective waste management service'.

In order to achieve this vision the Partnership identified the following strategic objectives:

- To reduce the amount of waste produced in York and North Yorkshire.
- To promote the value of waste as a natural and viable resource, by:
 - Re-using, recycling and composting the maximum practicable amount of household waste
 - Maximising opportunities for re-use of unwanted items and waste by working closely with community and other groups

- Maximising the recovery of materials and/or energy from waste that is not re-used, recycled or composted so as to further reduce the amount of waste sent to landfill

At the time the strategy was written the rates of composting and recycling had doubled across the Partnership area from 2001/02 to 2004/05 to the figure of 21%, however the amount of waste generated had also increased. This was and remains an area of concern. In order to meet the objectives of this Strategy and respond to legislative challenges, a number of targets and policies were set in the Strategy, focusing on reducing waste arisings and improving the reuse, recycling, composting and recovery of waste.

Whilst the overall vision of the Waste Partnership is still very much relevant, there has been an acceptance that the objectives required to meet this vision need revisiting. In the last 10 years all local authorities have been subject to significant budget cuts. Councils have been continually faced with the challenge of reducing costs whilst maintaining service levels to increasing numbers of households and ensuring that statutory obligations are met. As one of the largest areas of spend for a District / Borough council, waste collection has been a key area of transformation. The Partnership has worked together, sharing examples of good practise. This can be demonstrated by the successful implementation of a chargeable garden waste collection service across the majority of the County. For many Councils this has created significant savings. However as we look to the future, the options for significant saving opportunities are extremely limited. With all Councils facing the same responsibilities to collect waste, the next logical step is to look at how this service could be undertaken operationally on a wider partnership level with a leaner management team and the assistance of technology.

One of the key undertakings regardless of outcome is to fully understand the cost of undertaking the services as separate Councils. Not only will this help tease out existing elements of good practise but it will also give an idea of potential savings under a joint working option. This is a complex undertaking. Whilst each Council collects waste it does so under a variety of different models and with different geographic and socio-economic challenges. Some work has already been undertaken to gauge the overall costs and this is something that needs further detailed work to ensure accuracy.

In February 2015 a Disruptive Waste workshop held at City of York offices and facilitated by Ferrovia consultancy service was held. The two day workshop was attended by all Y&NYWP members who agreed a short list of potential service changes including a single collection service.

In order to explore the potential collection options and to provide a baseline for efficiency, the York and North Yorkshire Waste Partnership (Y&NYWP) agreed to conduct a soft market testing (SMT) exercise in 2015. This was to seek industry views on a number of matters relating to the scope and development of a potential service contract. Work was subsequently undertaken to develop the SMT documentation (Invitation letter, advertisement, Information pack and questionnaire). The documentation was completed during November 2015 and the SMT exercise commenced on 7th December 2015 with a SMT response date of 8th February 2016.

Soft Market Testing

The SMT questionnaire sought the market's views about a small number of high level matters including:

- service packaging
- service integration
- service efficiencies
- service mobilisation
- performance and contract management

Invitation letters were issued to 8 companies and an advert was placed in the CIWM periodical directing participants to a URL for downloading the documentation hosted by Ryedale District Council. Responses were received from 5 companies and subsequently assessed to identify common issues across the responses and matters requiring further clarification during the interview stage of the process. Interviews with individual respondents were conducted at Malton at the end of March 2016

The responses provided an independent and informed indication of the key considerations to developing a partnered county wide collection service. In addition to this it provided the information that would be required for scoping and designing an attractive contract package to the market place.

Key messages from the market:

- The market remains very interested - regardless of potential uptake between District partners - however geography, scale and scope need to be evaluated. Clearly York was seen by many as a major factor regarding attractiveness of the contract.
- All focused on the requirement for a partnership agreement to be in place and fully resolved prior to commencement of the procurement process, expanding on issues such as service levels, appetite for risk, governance and cost share. A number stated that they would not tender if they felt this was not robust.
- The market recognised that the process was, of necessity, time consuming to reduce risk of contract failure. All felt that the earliest contract mobilisation start date would be April 2018 assuming the procurement started in April 2016. Some felt this could be later depending on timescale to deliver a partner agreement.
- All recognised that there was not a one size fits all. Concepts of 'smarter neighbourhoods' cleansing were discussed i.e. evidenced based and done when required and needed. Also from experience many were sensitive towards political/member issues and management of these issues, balancing delivery and demand where needed.
- There were mixed views on approach, depending on potential size and scale. Some favoured 'big bang' approach others a more organic approach to change.

- All felt 10 - 15% savings to be realistic and achievable from depot rationalisation, fleet rationalisation, management savings, uniformity of co-stream collection systems - a potential saving of £2.25 - £3.38M. Much centred around Districts' appetite for risk and the potential of strategic partnering i.e. the balance between sharing of risk and risk reward. The timescale for delivery of savings would depend on the quantity and quality of information supplied as part of the tender process to assess timescales and practicalities associated with depot and vehicle leases, ownership, staff consultation etc etc.
- Most of the contractors would consider replacing the fleet - as required - to facilitate joint collection systems and maintenance. Due to their size and scale they would absorb older vehicles into their existing operations.
- Most would maintain the fleet in house and all were interested in prudential borrowing as a way of unlocking cheaper finance - the lead in for replacement vehicles being around 6 - 9 months with an expected life span of 9-10 years assuming the use of transfer stations.
- In general the favoured collection systems for recycling were 'twin stream' with separation of either paper and card or glass, the remainder being placed in the second bin. This system was felt to give the balance between value from the material collected and efficiency regarding collection.
- As would be expected all favoured longer term contracts in order to recover investment, 9-10 years being the minimum generally favoured, some mentioning 20 year contracts if infrastructure investment was required regarding depots.
- Incab technology was widely used in the private sector and seen as critical by most to assess performance and giving the ability to manage remotely.

Whilst the key messages from the Soft Market Test exercise should come as no surprise they are an independent viewpoint and of most interest is the consistent message for a legally binding partnership agreement. This issue is equally relevant should some or all of the collection authorities decide to progress a shared / partnered collection service.

Such an agreement would almost certainly take time to construct and agree. Should there be a willingness to progress a formalised partnership the agreement would need to cover such matters as are set out below and whilst the list is long it is not exhaustive.

A legally binding partnership agreement should cover such matters as:-

- The service delivery vehicle
- Scope of services
- The partner Authorities
- Service specification / outcomes
- Mechanism for efficiency rebate
- Mechanism for dealing with inflation

- Mechanism for accommodating property growth
- Partners service, financial and asset commitment
- Partnership governance
- Transfer of services and functions
- Minimum duration, review and extension mechanism
- Notice of termination and associated exit arrangements
- Delivery milestones
- Performance measures
- Staff transfers (TUPE)
- Asset transfers
- Vehicle & plant lease assignment
- Depot leases
- Pensions including triennial revaluation implications

In advance of preparing a partnership agreement there may also be a number of principles which all partners would need to commit to notwithstanding senior management and political approvals such as:

- The Y&NYWP waste collection Authorities are committed to joint service provision.
- All partners understand the long term nature of the project and associated delivery of efficiencies may not be realised immediately. Reality check
- Each partner will fully fund the transfer of service (revenue & capital) at point of transfer to form the partnership funding envelope.
- Funding for constituting the partnership is made available.

Partnership Working

Whilst partnership authorities are currently committed to maintaining the Y&NYWP to at least 2020, the Partnership is at a crossroads with regard to the direction of the partnership for the next three years. Clearly there is more work required to further develop joint working and in particular develop a business case that either supports a formally constituted partnered collection service or not, together with a full options appraisal and the approach to achieving a partnered collection service.

In developing a business case the approach to achieving a partnered service will be critical and will probably reflect the views of the market place with regard to how the service would be mobilised. Based on consistent feedback the market's approach was incremental with regard to each partner rather than a big bang approach. With regard to a partnered service the approach may be to share and rationalise the management, support and back office services of each partner as the initial phase prior to rationalising the collection services. This also mirrors the markets approach to achieving initial service efficiencies.

A fundamental requirement for the business case will be the quality and auditability of the evidence gathered to support the outcome and recommendations of the business case. Each member collection authority's commitment to the development of the business case is essential.

Whatever the recommendations of the business case it will be subject to close scrutiny and associated challenge from a number of audiences and therefore must be evidence based.

Scope

The Y&NYWP agree the mandate for developing a partnered delivery organisation model for the delivery of some front line services. The service offer will be on a “menu basis” to provide each local authority a ‘flexibility of choice’ when joining the partnership and for future transfer. The detailed business case will clearly articulate the options for a partnered service including the preferred core services together with service options “the menu”. Whilst the collection services for each partner is the largest service stream some partners may wish to include other street scene services such as street cleansing and grounds maintenance as disaggregation may not be a practicable or efficient option.

- Finalise Project Mandate August 2017
- Y&NYWP members decide if the business case is to be a key task of the new partnership manager
- Y&NYWP members submit project mandate and summary paper with their respective Chief Executives
- Issue project mandate to Chief Executives Group for approval to develop a business case
- Set out indicative timeline for the completion of the business case and subsequent approvals including reference to local and national elections. (indicative timeline is set out at appendix A)

Project approach and governance

- The YNYWP would instruct the Waste Partnership Manager to undertake the detailed scoping and development of the business case. It is likely that this may require some specialist input which would be funded by the using the existing YNYWP budget. The project would be governed by the Partnership group with clear objectives and timescales set.
- The CE group would act as the project sponsors.
- Escalation of issues would be fed into the Waste Partnership Group and then into The CE's Group if deemed appropriate.

Project timescales

<u>Date</u>	<u>Task</u>
Sept 2017	Project Mandate to Chief Executives Group
January 2018	Outline Business case
April 2018	Detailed Business case
May 2018	Business Case to CEX group
Sept 2018	CEX consult elected members
Mar 2019	Draft Legal Partnering Agreement
May 2019	Local Elections
June 2019	Draft Partnership constitution and governance
July 2019	Draft initial mobilisation plan and phasing
Sept 2019	Authority approvals
Dec 2019	Amend mobilisation plan and phasing (authority approvals)
Jan 2020	Partnership constituted
Jan 2020	Set up mobilisation team
April 2020	Commence mobilisation phase 1 (Management etc)
Sept 2020	Performance review and business plan
March 2021	Reality check
April 2021	Phase 2

Benefits

- Based on feedback from the soft market testing it is anticipated that that by working collectively 10-15% savings per annum is achievable on gross expenditure.
- In addition to the financial incentives it is anticipated that vehicle harmonisation would provide greater resilience to the Districts/Boroughs. Reducing vehicle downtime and providing a more efficient servicing schedule
- Performance data would become more compatible and readily available across the Partnership allowing more accurate scrutiny of performance.
- Using technology such as Incab, vehicle tracking and mobile working would provide the platform for a more streamlined management team.
- Residents would still be provided with a high quality service across the County.
- Harmonisation of services would provide equality in service provision across the County

Resources

- To be driven by the Waste Partnership Manager with support from the Chair of the Partnership. Expertise would be drawn from within the Waste Partnership. Additional expertise may need to be commissioned. In such a case the cost and threshold would be agreed by the Waste Partnership group.
- Existing knowledge will be updated by contacting other Waste Partnerships such as the [Dorset Waste Partnership](#) and any other Partnership of its kind deemed relevant.

Funding

The funding for the scoping/business case would be paid from the YNYWP partnership budget

Risks

- Y&NYWP support
- CEX support
- Political will
- Conflicting partner priorities
- Local elections in 2019 and timescales
- Council sovereignty of service
- Staff resistance to change
- Managing expectations of individual partners
- Funding for business case

Dependencies

- The business case is supported by the Chief Executives
- The work requires the Waste Partnership Manager to develop the business case

Completed by	Suzanne Dewsnap / Keith Cadman	Date	09/08/17
Approved by		Date	