



**East of England** | **Talent Bank**  
Local Government Association

**Tendring**  
District Council



**Waste / Recycling Collection and Street Cleansing Services**

**Outline Business Case supporting Contract Re-Procurement**

**Produced with support from EELGA Talent Bank Associates  
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## 1. Executive Summary

Over the last year the Council has explored the various options available to deliver Waste/Recycling and Street Cleansing Services from 2026, when the two key commercial contracts with the current market provider (Veolia) end. The Council has engaged East of England LGA ('EELGA') to provide experience and expertise to support officers through its associate 'Talent Bank' with the initial Options Appraisal and now the further development of the Outline Business Case for the future delivery model for these services. Essex County Council is retained to provide procurement services.

The approach to this work draws on the HM Treasury 'Five Case' model for developing business cases, which has been widely used across the public sector for over 10 years. Using this approach the business case is continually developed, initially assessing the strategic case, then the outline business case (this stage) before moving to full case and implementation (see Appendix A).

This Outline Business Case builds on an initial Options Appraisal, which considered five potential delivery models:

1. Retender Waste/Recycling and Street Cleansing Services as a single contract
2. In-house delivery, excluding as a LATCo
3. Tended Waste/Recycling Services, in-house Street Cleansing Services
4. Outsourcing (peer to peer Joint Venture (JV) with Norse)
5. Shared service (discounted by Officers based on initial conversations with neighbouring authorities)

Strictly speaking, no 'do nothing' option was considered – although currently these services are the subject of two contracts, they are delivered with understood cost efficiencies by one commercial provider. As such, option 1 (retender existing services as a single contract) is most comparable to the current arrangement.

This report includes the Options Evaluation. The Evaluation Matrix was designed to enable the Council to assess the merits of each option. It does not present a definitive ranked assessment of the options. Rather, it presents a quantitative view of the relative merits to help indicate the potential 'fit' of each option, reflecting the breadth of the Council's requirements/expectations.

The Evaluation Matrix strongly indicates that Option 1 (Re-tender both services as a single contract) would be most advantageous to the Council as the preferred option for future delivery of the in-scope services; it is the recommended option

This outline business case includes the emerging contract principles, and an explanation of the procurement stages. A decision on these recommendations is required to progress with this approach to delivering these services beyond 2025.

## 2. Introduction

This Outline Business Case has been developed with Tendring District Council ('Tendring DC', or 'the Council') to allow it to make appropriate and prudent preparations in relation to the future delivery of Waste/Recycling and Street Cleansing services, most of which are currently provided by Veolia Ltd.

The Council has engaged East of England Local Government Association (EELGA) to support the production of this report; input has also been contributed by Essex County Council in relation to procurement services.

The Council requested that this case be delivered such that:

- The work builds on previous assessment and information already collated by Council Officers.
- The Officers and Elected members have adequate time to properly consider the future delivery options at the Council's disposal.
- Sufficient time is allowed for reports to advance through the Council's governance and decision-making arrangements – providing appropriate oversight, scrutiny and transparency.
- The Council is provided with the sufficient time to prepare for an orderly transition to any new or adapted delivery arrangements.

Working closely with key internal stakeholders has been important to ensure that this Outline Business Case is 'joined up' and takes into account the wider organisational changes ongoing, and the impacts of this process on the Council's operation. Key information sources drawn upon in developing this work include the Council's own data and internal information, data supplied by Veolia, dialogue with Officers (supported by site visits), information from Essex County Council procurement team, the Norse Group and East of England LGA expertise and background research.

A process of analysis has been undertaken in order to:

- Understand the current ways of working and operation of existing contracts and the market and geography in which they operate.
- Identify the key challenges facing both the Council and any delivery agent in this context.
- Ensure the Council is fully sighted on the operational, financial, governance and commercial opportunities and risks that may impact on the Council in the immediate and medium term.

- Offer observations on the opportunities this process affords for improvement in service delivery, both in advance of and as part of a new contract arrangement.

### 3. Report purpose and format

In line with Treasury guidance the 5-case approach includes a number of decision-making ‘gateways’, which can be set in the context of the governance processes the Council operates:

- Gateway 1 – ‘Business Justification’ prior the detailed planning phase. This is a straightforward case – the Council has no procurement extension option, the services covered are a core part of the ongoing business critical operational requirements of the Council, including statutory services. Overseen by the Waste Project Board, officers have a clear remit to progress appraisal of options for delivering these services.
- Gateway 2 – ‘Delivery Strategy’ prior to the procurement phase – **for Cabinet approval**. This Outline Business Case is now presented for agreement to the delivery strategy - the route to ensuring services are delivered beyond 2025.

The ongoing programme of work to deliver these services is overseen by Damian Williams, Corporate Director Operations and Delivery, and will in due course lead to further gateway stages, decisions determined by the scheme of delegation:

- Gateway 3 – ‘Investment Decision’ prior to contract signature.
- Gateway 4 – ‘Readiness for Service’ prior to ‘going live’ and implementation of the scheme.
- Gateway 5 – ‘Operational Review and Benefits Realisation’ following delivery of the project, establishment and/or decommissioning of the service.

The format of this Outline Business Case follows the Five Case model, examining:

**Strategic Case:** demonstrating the need for change, and how the in-scope services align with the Council’s corporate objectives and strategic priorities.

**Economic Case:** presenting an analysis of how the options considered meet the requirements of Economy, Efficiency and Effectiveness – at this stage a shorter list of options may emerge.

**Commercial Case:** examining how the in-scope services interact with the market, highlighting opportunities for income generation and considering procurement strategy.

**Financial Case:** providing a comparative cost profile and understanding of financial risk for each of the options under consideration.

**Management Case:** a review of the operational arrangements and risks attached to each option.

This case:

- assesses five potential delivery models for the future provision of Waste/Recycling and Street Cleansing Services; and
- provides an outline business case supporting a specific recommendation as to a preferred solution for Member consideration.

As delivery of these services currently accounts for around 30% of General Fund revenue expenditure, incorporates statutory duties and directly affects every resident and visitor experience, they are clearly linked to the Council's aims, objectives and strategic aspirations.

The contracts were last procured in 2011, services started in 2012 for an initial seven-year period, and in 2019 were extended by a further seven years. Efficiency savings and service variations have both featured in this time. Notably an entirely new garden waste service has been introduced. The Waste and Recycling contract has an end date of 31<sup>st</sup> January 2026; the Street Cleansing contract has an end date of 31<sup>st</sup> December 2025.

The five potential approaches to delivering these services can be summarised as:

#### Option 1: Re-tender Waste/Recycling and Streets services as a single contract.

This will require the contract to be substantially amended to reflect the existing variations and necessary updates for legislative requirements. The case for continuity with, where viable, marginal improvements to the current operating model provides the financial 'baseline' against which other options can be compared. If this option is then developed, other changes can be considered as part of the specification/negotiation process to bring additional benefits or risk reduction (for example asset ownership, recyclate sales, trade waste service development). More active contract management and monitoring would be required on an ongoing basis. As the service commissioner, the Council needs to be certain that the capacity and capability exists in the market to meet its needs on a viable financial basis. It is already being delivered by Veolia. It is considered likely to attract additional tenders from others given location, other operators in the area and the likely scope of the contract.

#### Option 2: In-house delivery (not a LATCo).

Delivering the services through DSO or 'in house' arrangements; this eliminates external profit and contract procurement costs but increases other costs such as pensions, support services staff, IT provision. This typically involves TUPE of affected staff from the current contractor to the Council (noting differences in terms and conditions), ownership and operation of transition arrangements and fleet assets. There is more direct control of the service being delivered and future changes in scope. This option still requires active outcome management and monitoring of services delivered. The exclusion of Local Authority Trading Company (LATCo) arrangements is at the request of the Council and reflects no appetite to operate these arrangements due to previous experience of them. However, it is observed that similar level of involved and dedicated governance, risk management and approach to business management is required to operate a Joint Venture successfully and if 'in-house' delivery is felt a preferred option then it is suggested the relative merits of operating those 100% council owned arrangements as a LATCo could be further investigated at that point. The differences are considered unlikely to change the outcome of the Options Evaluation.

#### Option 3: Tendered Waste/Recycling Services, In-house Street Cleansing

This option would involve the tender of Waste/Recycling services in an updated specification to the current contract, and the bringing in-house of the Street Cleansing services. This would reduce the efficiencies of scale and operational flexibility offered to a commercial company tendering for the work. This would eliminate external profit and increase the flexibility and control of street cleansing by the Council. However it also increases costs such as pensions,

support services staff, IT provision. This typically involves TUPE of affected staff from the current contractor to the Council (noting differences in terms and conditions), ownership and operation of transition arrangements and fleet assets.

#### Option 4: Outsourcing (peer to peer Joint Venture (JV) with Norse)

This option would see the setup of a joint venture company co-owned by Tendring and Norse Commercial services, which is part of the Norse group (a Local Authority Trading Company owned by Norfolk County Council). This partnership would involve co-management of the new company and provide a profit share arrangement. Staff would TUPE to the new company. This would provide more control to the Council over the services delivered, and variations would be managed by partnership agreement rather than contractual changes. It would require short-term legal and finance input to establish the company and ongoing governance support (provision of company directors; active partnership input). The Council has engaged in talks with Norse and has received a partnership proposal (Sept 2023) which has fed into this Outline Business Case. This proposal excludes provision of fleet; this is reflected in the finance analysis section.

#### Option 5: Shared service

Operating a service in partnership with another local collection authority has previously been discussed by Tendring. This typically requires a 'lead' authority to operate the service on behalf of another, with an Agreement for provision of services and a recharge arrangement. Whilst there is ongoing discussion across Essex authorities about the principle of future sharing of services, there are no active discussions on options for Shared Waste and Streets services. Given the timescales and certainty required for a known outcome by mid 2025 this is not recommended for further assessment. After discussion with officers, this option is being discounted at this stage.



## 4. Options Appraisal – Summary Outcome

The Evaluation Matrix below is intended to enable the Council to assess the merits of each alternative service delivery option when compared to the current delivery model by assessing each option against a standard set of criteria.

Council Objectives and aspirations	Observations
<p><b>Strategic alignment</b></p> <ul style="list-style-type: none"> <li>• Pride in our area and services to residents.</li> <li>• Raising aspirations and creating opportunities.</li> <li>• Championing our local environment.</li> <li>• Working with partners to improve quality of life.</li> <li>• Promoting our heritage offer, attracting visitors and encouraging them to stay longer</li> <li>• Financial sustainability and openness.</li> </ul>	<p>The Council will wish to ensure that any future delivery model balances financial benefit against a wider range of strategic objectives.</p>
<p><b>Council control (improvement over current)</b></p> <ul style="list-style-type: none"> <li>• Driving Efficiency/Improvement</li> <li>• Responding to Change: Development/Innovation</li> </ul>	<p>It is anticipated that a new delivery model will offer the Council an increased amount of influence and control over this service portfolio. The Council wishes to be more directive in terms of how these services develop and are performance managed in terms of KPIs and outcomes.</p>
<p><b>Financial impact</b></p> <ul style="list-style-type: none"> <li>• Net Operating Cost (medium term and future)</li> <li>• Transition Investment Cost</li> <li>• Client-side Development Costs</li> </ul>	<p>The Council wishes to demonstrate cost-effectiveness and an overall recurrent reduction in net operating costs. However, there is a recognition that with this type of transition, there is an investment cost/opportunity cost to be borne due to the change and transition period. In addition, the Council will wish to, as far as is practicable mitigate the additional costs of increased legislative burdens (Environment Act 2021).</p>
<p><b>Deliverability and risk</b></p> <ul style="list-style-type: none"> <li>• Commercial Impact (Customers/Value)</li> <li>• Complexity/Potential Disruption</li> <li>• Change Management Requirement</li> <li>• Familiarity with new operating model</li> </ul>	<p>The Council understands the risk of disruption that change can present and the importance of resourcing change in an appropriate way. It also recognises that service quality and effectiveness must be maintained during transition.</p>
<p><b>Service quality</b></p> <ul style="list-style-type: none"> <li>• Customer Perspective – Stability</li> </ul>	<p>Being customer facing, these services are of a critical nature and there is a need to ensure that the perceived quality of delivery is not adversely impacted by the introduction and operation of a new delivery model.</p>

## Evaluation criteria

The following table is not provided as a definitive ranked assessment of the options. Rather, it presents a quantitative view of the relative merits of each option in relation to the criteria listed in the table below. The scoring helps to indicate the potential ‘fit’ of each option, reflecting the breadth of the Council’s requirements/expectations.

		<b>Option 1</b> Contract out all services	<b>Option 2</b> Bring all services in-house (not via a LATCo)	<b>Option 3</b> Waste & Recycling contracted out, Street Cleansing in-house (not via a LATCo)	<b>Option 4</b> Outsource (peer to peer Joint Venture (JV) with Norse or similar)
<b>Criteria</b>	<b>Weighting</b>				
Strategic alignment	4	3	4	3	2
Degree of Council control	3	4	5	3	2
Financial impact	5	5	2	2	3
Deliverability and risk	2	3	2	2	4
Service quality	3	4	4	3	3
<b>Total (Weighted)</b>		<b>67</b>	<b>57</b>	<b>44</b>	<b>46</b>

### Explanatory Notes

1. The Weighting of the criteria reflects their relative importance to TDC
2. The individual scoring of criteria are as detailed in the table below.

<b>Scoring</b>	<b>Impact compared to current</b>
5	Significant additional advantage to TDC
4	Marginally favourable to TDC
3	Neutral
2	Marginally disadvantageous to TDC
1	Significant negative impact on TDC

The scoring presented above is not intended to be the sole basis for a ‘stop/go’ decision but the outcome does provide a clear perspective to support the recommendation to take forward Option 1: Contract out all services (i.e. re-tender Waste/Recycling and Streets services as a single contract) as the preferred option.

The remainder of this Report constitutes the Outline Business Case (OBC) for that Option.

## 5. Strategic Case

This section focusses on illustrating how the preferred future delivery option of re-procurement aligns with the Council’s vision and strategic plan, and with changing legislative requirements which impact this work.

**Corporate Plan** – the new plan was adopted in November 2023, with initial highlight priorities agreed in Scrutiny Committee in January 2024. With a cross-cutting theme of putting community leadership at the heart of everything it does, the Council’s vision is focussed around five emerging themes. The table below illustrates how the in-scope services support these, including **2024/5 priorities**:

Pride in our area and services to residents	
Put residents first, promoting clean and tidy communities	These services directly affect every resident and will help maintain and improve the local environment
Getting the basics right on our services	The waste and street cleansing services are a key basic service delivered by the council and review of their provision gives an opportunity to improve and optimise them.
Promote pride in our communities	A clean and well serviced environment is one residents are proud of. <b>The 2024/5 priority for this area includes delivering the Options Appraisal for waste and street cleaning strategy.</b>
Harness the power of digital delivery of services while ensuring that no resident is left behind.	These services can be continually improved - both behind the scenes and to support customers’ increasing use of digital technology to engage with the council.
Raising aspirations and creating opportunities	
Allow businesses to thrive in our District	Businesses linked to tourism benefit from a well-maintained District
Encourage responsible tourism, develop our cultural sector and economic growth	Tourism can be supported by a well-maintained District; the local economy depends in part on tourism
Championing our local environment	
We believe our environment is special.... and therefore, deserves protection.	Services provide for maintaining and improving the look of the District and reducing the environmental impact of litter
We want to maintain spaces for leisure, wellbeing and active lifestyles	Residents and visitors enjoy environments which are well maintained and managed
We will be tough on those who do not respect our environment	<b>Enhancing capacity to be tough on those that litter and fly-tip on land for which the Council is responsible.</b>
Working with partners to improve quality of life	
Build on joint working... to improve the quality of life for our residents	These services, however delivered, will involve working with community groups and businesses to support and deliver a well maintained environment, key for a good quality of life

Promoting our heritage offer, attracting visitors and encouraging them to stay longer	
We want to boost our tourism by attracting more visitors to the 36 miles of sunshine coast	Residents and visitors enjoy environments which are well maintained and managed
We will support our unique heritage, work with our partners, run events and promote the district for the benefit of our residents and to encourage visitors to come and to stay for longer	These services can include scope for post event cleaning/ enhanced cleaning and collections around the time of events.
Financial sustainability and openness	
Carefully planning what we do, managing capacity and prioritising what we focus our time, money and assets on.	These services account for a significant part of the Council's budget and ensuring they are optimised and delivered efficiently is critical; some are statutory and therefore a priority.
Tough decisions will not be shied away from, but will be taken transparently, be well-informed and based on engagement with our residents.	<b>Carefully plan the Council's budget and taking appropriate action to respond to liabilities / costs pressures.</b> There are many options on how to deliver waste collection and street cleansing and the Council is challenged by finite budgets and the extensive demands of urban and rural areas and seasonal variations in visitor numbers – reviewing these services will involve engagement and negotiation

The draft corporate plan consultation process included specific questions on waste and recycling, and street cleansing and litter, and key feedback from residents and businesses has recently been reported (Mackman Research, draft report August 2023):

- In summary, residents share the view that areas appear unpleasant due to the build-up of household waste in front gardens. This, alongside litter and dog foul in local streets, make towns appear neglected and uncared for to visitors. Respondents have suggested that alongside increased street cleaning and rubbish collection, repercussions should also be in place for perpetrators, such as fines exacted as a penalty.
- Asked 'If the Council could afford to expand waste and recycling services, what would you like to be added to the current service?', 43% of respondents said kerbside glass collection, 30% raise the range of items to be recycled, and for a recycling service for flats.
- Asked 'If the Council had to reduce the service, what would you be happy to see change or reduce?', 72% said no change. Mackman Research state 'An overwhelming 340 respondents at a district wide level specifically commented for no reduction in existing services. Currently they describe the service as the "bare minimum" and there are fears of increased fly tipping otherwise.'
- Asked 'If the Council could afford to expand the street cleaning service, what would you wish to see added to the current service?', 73% of respondents said better standards and increasing the frequency of cleans.

- Asked 'If the Council had to reduce the service, what would you be happy to see change or reduce?', 95% said there should be no reduction - residents are unable to foresee a scope in reducing waste and street sweeping services.

[Waste Strategies](#) – the Council is part of the Essex Waste Partnership which is currently consulting on a Joint Municipal Waste Management Strategy (JMWMS) covering the period up to 2054. The partnership's vision is to be a zero-waste county, and the draft strategy *'brings a new focus on how we will deliver an effective, efficient and sustainable service for the future. Following the Environment Act 2021, national policy and the findings of the Essex Climate Action Commission 2020, the new strategy updates the EWP's approach to reducing the impact that waste management has on climate change.'*

The four priorities in the draft are to move to a circular economy, deliver the waste hierarchy, collaborate and innovate, and educate and engage. With detailed stated aims, such as:

- To reuse, recycle or compost at least 70% of waste by 2030
- To ensure that all Essex residents have access to comprehensive recycling services for plastic, paper and card, metal, glass, food and garden waste, by 2026

it is clear that the Council's contribution to the partnership will be intrinsically linked to the waste and street cleaning services under consideration here.

[Essex County Council \(ECC\) Waste Disposal Strategy](#) – the County Council has responsibility for disposal and aims for no waste to landfill by 2030. Any changes to local disposal arrangements have significant impact on the operation and costs of Tendring District's contract for collection; ECC is currently procuring solutions for disposal and there will be greater clarity later this year. Ideally this will involve using the Waste Transfer Station at Ardleigh (A120); contracts for food/garden waste disposal will also be under review by 2028.

[Council Waste Strategy](#) – the Council does not currently have a waste strategy; this may follow from the corporate plan and the agreement of a final Essex Waste Partnership Strategy.

[Legislative requirements](#) - this is a key area for consideration for these services at this time. While the current statutory requirements for the Council are well known, and there is considerable flexibility in how domestic and commercial waste collection and street cleansing duties are discharged, there are changes contained in the Environment Act 2021 (EA21). The EA21 represents a fundamental change in how waste management services nationally will need to be delivered and how they will be paid for. These include statutory changes and incentives - the potential impact of these changes may be significant and will certainly bring changes up to and beyond 2026. As a result, any delivery method needs to ensure flexibility and accounts for these risks to be accommodated.

Government had previously said it wants to standardise waste collection in England, leading to recyclables and residual waste having to be separated (potentially into different bins). More recently, Government has re-committed to UK Net Zero by 2050 and revealed its 'Simpler Recycling' plans for England – in summary:

- By 31st March 2026 all Authorities must collect food waste weekly from “most” households and recyclable waste in glass, metal, plastic, paper and card and garden waste. Significantly, dry recyclable materials can now be co-mingled for collection, reducing the number of bins required;
- after much sector lobbying, garden waste will remain chargeable;
- Residual waste is expected to be collected “at least fortnightly” in line with the perceived issue of ‘smelly bins’;
- Further changes will follow - recyclable plastic film and flexible packaging is to be collected for recycling from households and businesses by 31 March 2027.

Whilst the ‘what’ and ‘when’ of collections has become clearer, there remain big open questions, especially around future funding, including:

- how much material will no longer need to be collected consequent to the Deposit Return Scheme (specifically in terms of household glass);
- how Authorities will be compensated for consequential additional costs / loss of pre-existing income (noting this has been promised but may not cover full cost given wider austerity pressures and historic track-record);
- on what basis the packaging industry will fund the collection of recyclable materials under the new Extended Producer Responsibility (EPR) obligations.

The last point warrants specific comment – EPR represents a major cost transfer from Government to industry in the order of £2.7 Billion per annum. The packaging industry will pay collection authorities on the basis of what it assesses to be an ‘efficient and effective collection’ system by reference to a specific peer group of similarly positioned authorities. Government will also monitor the position in pursuit of the national target and may penalise under-performing authorities.

If an authority is considered a relative under-performer, then it may only receive around 80% of the payments it otherwise would – this, along with the recycling credits currently foregone, could have a material, direct financial impact on the Council.

The table below shows the Council’s recycling performance alongside that of similar authorities noting that this is not the grouping that will be applied for EPR payment purposes.

Peer Group - Relative Performance (2021/22)				
Authority	Total Household Waste Collected (Tonnes)	Residual household waste per household (kg/household) (Ex NI191)	Percentage of household waste sent for reuse, recycling or composting (Ex NI192)	Household Waste Recycling % (Dry Waste excl. Composting)
East Lindsey District Council	57,499	487.2	40.5%	18.2%
<b>Tendring District Council</b>	<b>52,857</b>	<b>435.9</b>	<b>40.4%</b>	<b>20.3%</b>
Great Yarmouth Borough Council	40,122	569.2	31.0%	20.5%
North Norfolk District Council	45,507	472.9	42.3%	21.2%
North Devon District Council	39,138	427.0	48.2%	21.2%
Thanet District Council	52,829	510.4	34.4%	21.4%
Scarborough Borough Council	45,807	506.5	35.9%	22.2%
Torridge District Council	25,056	349.3	53.9%	22.8%
Arun District Council	60,061	451.6	42.6%	24.7%
Fylde Borough Council	33,093	459.0	44.4%	25.9%
Teignbridge District Council	51,379	359.3	55.6%	26.2%
Dover District Council	41,672	436.0	43.7%	26.3%
Wyre Borough Council	44,030	447.2	45.7%	28.1%
Waverley Borough Council	47,147	353.0	58.9%	30.5%

The % household waste recycling is the key value; it shows Tendring as being a lowest quartile performer and this is likely to have an impact on future income (EPR payments) under the new arrangements. This is therefore a matter under the control of the Council and promotes an invest to gain rationale when determining the specification of the materials and methods of collection regardless of delivery model.

The current dry recycling collection system is based on twin boxes, with one box type collected each week along with food waste. That system typically produces good quality tradeable materials (due to improved segregation at source) and this is in Veolia's interest as the current contractor as they retain the resulting commodity product value.

Many other authorities choose to co-mingle recyclable materials in a wheelie bin and collect it on a fortnightly basis because it is simpler for residents (less containers), more cost effective in operating terms and can capture more material but with a lower quality / product value i.e. there is a degree of trade-off.

Previously, increased segregation of recyclable materials at the point of collection was the nationally set direction of travel but 'Simpler Recycling' effectively makes co-mingled collection the default solution. That solution would logically be adopted locally – in turn:

- the new contract specification under development will need to reflect the change of waste collection system (which retaining as much flexibility as practicable to respond to future / uncertain legislative developments); and
- as part of the wider programme of work discussed in Section 5 below, an assessment is underway to quantify:
  - the foreseeable impact on recycling rate / tonnage; and
  - potential impact on EPR / recycling payments – initial estimate is a financial risk of up to £275k per annum

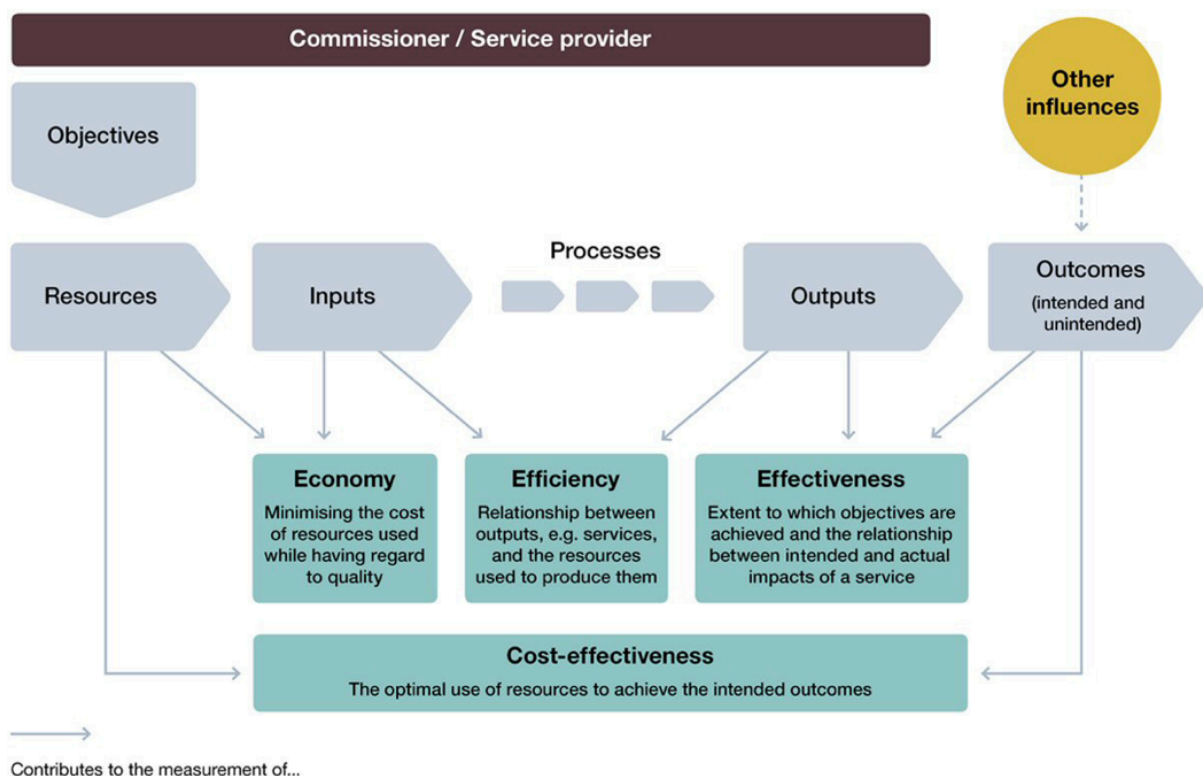
This is not the only significant change envisaged in contract specification. Specifically, street cleaning is currently operated on the basis of a set schedule of frequencies i.e. what is generally termed an input-based specification. Market practice, supported by greatly improved ICT management and monitoring solutions since the original contract was let, is to specify the quality of sweeping instead i.e. to have an outcome-based specification. Again, it is recommended Tending following this standard path, which transfers the quality obligation to the contractor, tends to be more cost effective in terms of delivery resources and minimises the level of contract monitoring resource deployed on the part of the Council.

Determining the optimum level and type of service that the Council will seek to deliver is imperative as this will improve the accuracy of likely costs and risks. A statement of contract principles has been developed – this is a ‘live’ document that will be amended in response to the developing legislative framework and the feedback of contractors in the soft market testing process. The current version agreed at the Waste Project Board 27/02/24 is in Appendix B.

## 6. Economic Case

As the National Audit Office diagram below illustrates, VfM is not merely concerned with achieving the lowest price or cost but is firmly anchored in the linkage between Objectives and Outcomes. Therefore, to establish that a particular solution delivers VfM, it must show that it meets three key criteria:

- Economy: spending less - minimising cost, but not sacrificing quality.
- Efficiency: spending well – to support the delivery of anticipated outcomes.
- Effectiveness: spending wisely – intended and actual impact.





### Economy: spending less- minimising cost, not sacrificing quality

These services are resident-facing and business-facing services and have a direct impact on visitors to the District. The quality of delivery is clearly noticed by residents and the Council recognises that, in changing any of its delivery arrangements, it wishes to ensure that the perceived service quality is at least maintained at current levels (insofar as is affordable).

The Council has an opportunity through the re-procurement process to secure demonstrable value-for-money, ensure maximum control over future costs and realise the opportunity to invest in improvements that will impact on service quality and how residents perceive this.

### Efficiency; spending well- to support the delivery of outcomes

The re-procurement option will realise efficiency potential and maximise effectiveness in the delivery of the service portfolio.

Current arrangements have been in place for many years. In the intervening period, the regulatory landscape has changed but also market practice has moved on with greatly enhanced ICT solutions etc. As such, it is timely and appropriate not just to review the service specification but to ensure there is 'joined up' organisational approach to such wider aspects as digital strategy / customer interface. An ongoing programme of business improvement is also being proposed and delivered – see section 9.

### Effectiveness: spending wisely – intended and actual impact

Delivery of the future waste / recycling and street cleansing services is not solely focussed on saving money and sustaining income. The Council wishes to ensure that its future delivery model can support the Council's wider strategic priorities and adapt to changing legislative guidance and drivers. Regardless of the delivery model, there is an opportunity to design and implement improved performance management and monitoring, which members and officers are keen to deliver.

### Capital cost considerations and opportunities

This project acts as a prompt for the Council to consider its future approach to the capital funding of environmental service assets regardless of the delivery method adopted. For many years, such operating assets (typically refuse vehicles, waste containers and street sweepers) have been supplied and expensed by the contractor (Veolia) meaning the Council was relieved of the direct capital expenditure burden but charged for the provision of those fleet assets through the annual contract charge – this is therefore recurring General Fund revenue expenditure. Options for alternative financing of these assets have been explored under the Business Improvement Plan (BIP).

## 7. Commercial Case

### Is this service viable; is there a supplier to meet needs?

With a contractor currently delivering the broad services required there is assurance that there is at least one actively interested provider which can meet the Council's business needs. The Council is in a good position to secure a value for money delivery method as it

has access to industry and transformation expertise as well as advice on procurement (through Essex County Council).

#### Can we develop a more commercial approach?

There are opportunities to improve income through this process, for example looking at the ownership of recyclates, basis of asset provision etc. However, these are limited, likely to be small components of the overall budget and may be dwarfed by the relative impacts of reduced income from future EPR payment and changes to disposal costs, which remain large uncertainties.

#### Procurement strategy and route

The Council has engaged Essex County Council as its procurement partner. In March, ECC issued a Prior Information (PIN) notice seeking information from potential service providers. The request for information closed during the week commencing 25 March and will provide the Council with useful information to inform the next stages of the procurement process.

The working contract principles agreed by the Waste Contract Board and shown in Appendix B will aid the Council in developing a service specification.

The broad indicative procurement timescales are as follows:

- April 2024 – completion of soft market engagement undertaken via the Prior Information Notice
- August 2024 – report to Environment Portfolio Holder setting out the service specification that will be used in the contract documentation sent out for tender as part of the procurement process. Tender exercise launched.
- August / September 2024 - Tender process commences
- July - September 2025 – contract award

These timescales will be further refined once the PIN notice responses are assessed.

## 8. Financial Case

### Financial Baseline & Information Sources

The baseline for the financial appraisal is FY23/24 given that this represents the most reliable, current information available. The service budget indicates aggregate contract payments to Veolia of approximately £6.8m per annum. As an observation, that figure needs to be set in the context of the £22.4m General Fund net cost of all services - the optimum waste solution is crucial to corporate financial resilience. The current contract payments can be split as follows:

- waste collection: £4.0m
- street cleaning: £2.1m
- green waste collection: £0.7m

Legislative uncertainty applies to all future delivery options and it is not possible to provide a definitive statement as to the future financial envelope. As such, the options appraisal was predicated on a largely a subjective assessment of the relative cost and financial risk of the various variable options to assist the Council in making an informed decision as to its preferred future delivery option.

To summarise, the re-tendering option is considered advantageous from a financial perspective because:

- internalisation would be unaffordable primarily courtesy of the need to fund LGPS which would exceed any benefit from internalisation of current contractor profit;
- shared service arrangements are not practicable / have high delivery risk versus the timeline required to procure and instigate new delivery arrangements;
- the JV model is not credible and does not present any material financial advantage over straight-forward market provision;
- market providers have developed a suite of proven, cost-effective operating solutions that can also provide assurance in terms of regulatory compliance / response; and
- active market engagement together with a well-managed competitive procurement process will assure the best value outcome.

### Does the current contract provide value for money?

This is relevant in terms of the potential to improve current efficiency and effectiveness to reduce baseline net cost to the Council. EELGA has not conducted a detailed VFM review, which would be a costly exercise requiring significant data sets, but there are several reference points that assist in forming a view as to the current service and the potential to improve. These are the White, Young Green (WYG) report commissioned by the Council in 2019, the Norse Group JV proposal with initial costings, and a basic assessment of operational productivity. Given the commercial sensitivity of some data, it is not presented here, but as an overall subjective assessment, the efficiency of the current operation could be improved. A release in resources could then be used to reduce the impact of previous cuts in provision (specifically in terms of street cleaning). This conclusion informs the approach to business improvement, to be captured in a formal, joint BIP.

## 9. Management Case

The purpose of the Management Case is to consider whether robust arrangements are in place for the delivery, monitoring and evaluation of the proposal under consideration including in relation to change and contract management, benefits realisation and risk management.

There are two key actions which are within the control of the Council, being:

- robust business planning, transition management and performance management; and
- the deployment of sufficient and appropriate resource to assure the delivery of the targeted financial and strategic outcomes.

When the Council has determined its preferred option and ratified the Outline Business Case, a fully detailed Business Plan will be required. Currently, the following key non-financial risks for management are identified below:

Risk area	Assessment
Capacity - operational	Low: Closest to 'business as usual'. If the contractor changes, likely that most staff will TUPE, although not guaranteed for manager roles. Recruitment of operational staff likely achievable. Flexibility across services can ensure core operations delivered.
Capacity – leadership	Low: Requires short term increased leadership input during procurement and possible contract change period. Part of current roles.
Capacity – support services	Low: Services such as HR and IT unlikely to be impacted significantly. If contractor changes, integration of systems and assets may be required, but likely supported by contractor transition team. Legal and projects /procurement services involved through to contract award; currently planned for. Potential for teams to support fleet and depot solutions.
Cultural change	Low: Operational staff remain employees of contractor and Council staff retain contract management roles although with move to increase contract management and monitoring.
Operational resources (assets)	Low: Fleet and depot changes could be managed with little direct impact – part of contract negotiation and liaison between contractors as necessary.
Control over services, including flexibility	Medium: Contract provisions for variation will need to be negotiated in light of changing legislation and ongoing uncertainty.

Current arrangements have been in place for an extended period and it is timely to conduct a systematic review to ensure the new arrangements are future proofed, affordable and 'joined up' in wider organisational terms. EELGA is working alongside the in-house team as an expert critical friend on a number of interlined business improvement work-streams, which can be summarised as follows:

- Development of the core new contract principles
- Improving understanding and operational efficiency
- Improving understanding of future financial position
- Determining the optimum solution in terms of future asset provision

- Interface with the wider Council organisation (customer service etc)
- Getting ready to go to market

Development of a Business Improvement Plan (BIP) forms a key component of this wider programme delivery plan, for which the Senior Responsible Officer (SRO) is accountable. This plan is live – it adds to ongoing improvements already in progress, aims to enhance the management arrangements for the current contract and introduces new items to support both the procurement of and transition to the new contract, regardless of the operator.

Recommendations are grouped in four areas:

- Data
- Performance management
- Operational improvements (of the contracted services)
- Operational changes (within the council)

The output of this work will be reported regularly to the Waste Contract Board and inform the wider programme delivery plan.

The overall programme is overseen by Damian Williams as Corporate Director with Tim Clarke, Assistant Director leading the project delivery. Jonathan Hamlet as Waste & Recycling Manager is leading the development of the specification, liaising with ECC procurement and will lead the roll out of the new service in 2026.

A strategic outcomes document will be prepared setting out who is responsible for each aspect of the project including who is responsible, accountable, who will be consulted and who will be informed of decision at each stage. It is understood that this document has already been drafted in respect of the procurement phases.

A report due to be considered by the Council's Cabinet on 19 April seeks approval to progress with Option 1 and go out to tender along with various delegations so that key decisions required prior to contract award can be made by the Corporate Director.

### [Legal considerations](#)

The re-procurement option does not present any significant legal challenges – typically advice and support could be needed on employment transition, partnership agreement and landholdings / leasing, transport licensing and data management.

The Council is advised to secure support from specialist legal, accounting and treasury advisors. This is understood to be readily available through framework arrangements already in place and broad costings are estimated by TDC legal at £15-20,000. However the scope and full cost of any legal commission will be highly dependent on the procurement route and specification.

## 10. Recommendations

This outline Business Case provides initial ranked options and further develops the case for Option 1 – contract out all services; it is recommended that the Council adopts this Option.

The outline contract principles agreed at the Waste Project Board 27/02/24 (and contained in Appendix B) will inform the next stages of procurement and development of the contract specification activity and will in turn be updated as informed by those processes.

It is recommended that a formal decision is now made to proceed with Option 1 with the governance route set out in the Management Case section above.

The final decision in respect of any contract award and setting of a service budget will be made by the Council's Cabinet followed by approval at Full Council.

### Appendices:

Appendix A: Extract from 'Guide to developing the project business case' HM Treasury 2018

Appendix B: Statement of contract principles agreed at Waste Project Board 27/02/24

## Appendix A

Extract from 'Guide to developing the project business case' HM Treasury 2018

[www.assets.publishing.service.gov.uk](http://www.assets.publishing.service.gov.uk)

### **Determining the strategic context and undertaking the Strategic Assessment**

Step 1: determining the strategic context

Gateway 0: strategic assessment

### **Stage 1 – Scoping the scheme and preparing the Strategic Outline Case (SOC)**

Step 2: making the case for change

Step 3: exploring the preferred way forward

Gateway 1: business justification

### **Stage 2 – Planning the scheme and preparing the Outline Business Case (OBC)**

Step 4: determining potential Value for Money (VfM)

Step 5: preparing for the potential Deal

Step 6: ascertaining affordability and funding requirement

Step 7: planning for successful delivery

Gateway 2: delivery strategy

### **Stage 3 – Procuring the solution and preparing the Full Business Case (FBC)**

Step 8: procuring the VfM solution

Step 9: contracting for the Deal

Step 10: ensuring successful delivery

Gateway 3: investment decision

### **Implementation and monitoring**

Gateway 4: readiness for service

### **Evaluation and feedback**

Gateway 5: operations review and benefits realisation

## Appendix B

### TDC Waste and Street Cleansing contract principles

The waste Project Board has agreed a set of broad service principles, summarised as:

- A single contract for all services in scope.
- Expected procurement method is Competitive Procedure with Negotiation.
- Outcomes-based contract for all recurring work. Schedule of rates for irregular / ad-hoc work.
- Street cleaning work to be based on the standard Environmental Protection Act 1990 standards applied on a local zoning system.
- Waste collection must comply with the Environment Act 2021 requirements.
- Aspiration to improve recycling rate.
- Future contractor expected to largely self-monitor and report on its delivery and performance.
- Future contractor to act as a single point of contact for the management and resolution of resident and business customer issues.
- Contractor to take full advantage of ICT in its operations and is proactive in engaging in the delivery of the Council's digital aspirations.
- The current spending of £4m on waste & recycling collection, £2.1m on street cleansing and £0.7M on garden waste collection to be the starting point financial envelope.
- Preferred contract term to be discussed with the market.
- The Council is willing in principle to finance the purchase of waste vehicles but with full responsibility for their management to rest with the contractor.
- Current depot at Fowler Road to be offered at a peppercorn rent.

Members of the administration have indicated their desire for the Council to continue with a fortnightly residual waste collection from wheeled bins (weekly for black sacks) as opposed to moving to a three-weekly schedule. This leaves those submitting bids to run the service to determine the most effective means by which to collect recyclable material in order to comply with the Environmental Act 2021.