



LOCAL PARTNERSHIPS



IDENTIFYING AND DELIVERING EFFICIENCIES IN WASTE

Case study – The Hertfordshire Waste Partnership
'Consortia for Recycling Materials'

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HERTFORDSHIRE WASTE PARTNERSHIP

Hertfordshire waste authorities – the challenge and the approach

Hertfordshire Waste Partnership (HWP) is made up of 10 Waste Collection Authorities (WCA) and the County Council. Nearly ten years ago the Partnership adopted a strategic approach in pursuit of better market values for its collected recyclables as a result of being better placed to manage market risk.

The HWP is one of the largest and most diverse local authority consortia in England and with the reduction in funding following the last Comprehensive Spreading Review (CSR), many more authorities are exploring their innovative approach to securing additional income by enhancing the value of their collected recyclables.

Background

In 1992, five Hertfordshire WCAs joined forces to address operational issues being experienced with the emptying of glass recycling banks. This process allowed them to secure better prices for their glass, demonstrating for the first time the added value that could be achieved through partnership working. The lead borough for this contract was Welwyn Hatfield who received a fee from the other partner authorities for managing the contract. Soon other contracts sprang from this method of working including abandoned vehicle collection and mixed can collection from bring banks.

Since its first procurement, the HWP has continued its consortia strategy, securing contracts for paper, packaging, including a variety of plastics contracts, and textiles all of which have ended up generating significant additional income for the partnership on the basis of joint working. Over the past three and a half years alone HWP consortia has delivered approximately £7.7 million of additional income for the partner authorities using this approach.

OPTIONS

In each option appraisal for HWP recyclables, the Partnership considered who was in the best position to take the risk to secure a stable and lucrative market for that material, including whether it was the private sector or the authorities themselves. Current, past and future markets were assessed and in each case the HWP, after considering the various options, decided to secure the markets themselves.

This collective approach not only secured enhanced revenue streams but also secured greater stability in the market itself. In turn through developing a system of 'lots' the HWP was able to achieve the above whilst at the same time providing 'greater choice' to its partner authorities reflecting the needs of individual authorities based on their specific collection methods.

This flexible approach also supported the development of new markets for materials such as mixed plastics.

The Paper Consortium

In preparation for possible joint procurement, in early 2008, officers began detailed tracking of paper prices which indicated that putting together tonnages from 11 authorities was highly likely to result in significant additional income being offered to the Partnership as opposed to prices that might be obtained by authorities going it alone. Paper is collected separately from other materials at the kerbside in all 10 WCAs in Hertfordshire and is also well catered for at the County Council's network of Household Waste & Recycling Centres. However, early on in the process it was recognised that one of the first barriers to a local authority consortium arrangement for selling recyclables was the variation in the differing termination dates of existing contracts. To cater for these differing arrangements, a proposal was put together for a consortium contract that would enable individual authorities to opt-in, based on phased start dates that would allow authorities to join the consortium when their existing contracts came to an end.

The next challenge was the procurement process, as the HWP is not a legal entity and cannot contract on behalf of the Hertfordshire authorities. To address this, Welwyn Hatfield Borough Council, again agreed to act as lead authority to manage the procurement process and be the contracting authority. At the same time, the HWP remained fully involved in facilitating the establishment of consortia contracts and actively contributes to their overall management and strategic development.

The tender was put out on behalf of the Partnership and attracted significant interest from the industry. Again, the HWP respected the local wishes of each authority, as the WCAs were not obliged to sell via the consortium. Indeed some were only able to offer up bring scheme tonnage due to existing contracts for kerbside sourced material, which ran beyond the anticipated length of the consortium contract.

Back to back service level agreements exist between each authority and Welwyn Hatfield Borough Council. Prices paid to the Consortium partners as a result of this competitive process were, and for the most part, remain significantly higher than prevailing rates. The paper contract was awarded to Newport Paper and launched in December 2008. Newport collects paper from each WCA's depot, as a bulking

infrastructure is fundamental to the success of the contract, and the arrangements for this are made directly between the WCA and the paper merchant.

The contract is not dependent on a minimum tonnage, with monthly reporting to HWP to minimise the risk of significant differences between tendered amounts and tonnages collected. The initial contract ran for a period of three years ending in November 2011. However, following a soft market test in the spring of 2011 the HWP agreed to extend the contract by a further 12 months taking advantage of an upturn in the markets which for the 12 month period ending in November 2012 is set to deliver an additional £1 million over and above the rates already enjoyed through the consortium.

The Packaging Consortium

In the summer of 2009, following the success of the Paper Consortium, the HWP investigated the possibility of establishing a similar consortium to sell cans, plastics and glass.

A key objective identified early on by the partner authorities was to try and use the procurement to develop the range of plastics that could be recycled in Hertfordshire. In turn, following extensive discussions during the competitive dialogue phase of the procurement the range of plastics that can be accepted for recycling was expanded to include most hard and soft plastics and as such is one of most wide-ranging in the country. This in turn has enabled the partner authorities to address a demand from the local residents with respect to being able to recycle more plastics.

Specification 1 plastics are for collection at the kerbside and importantly can include Tetra Paks with specific 'lots' designed to cope with their inclusion or not. Specification 2 plastics cater for the type of plastics typically collected for recycling at Household Waste & Recycling Centres. In response, the HWRCs operated by the County Council as well as the kerbside recycling collections offered by East Herts, Hertsmere, Three Rivers, Watford Borough and Welwyn Hatfield councils have been adapted to collect the expanded range of plastics thus taking advantage of the market opportunity created by the consortium.

A variety of collection methods are used by the 10 WCAs with some materials collected separately and others mixed. In order to offer each WCA flexibility, the team drew up 25 'lots' on which to base a competitive dialogue tender process e.g. aluminium and steel cans plus plastic bottles, aluminium and steel cans plus plastic bottles plus mixed glass, colour separated glass and so on so far. Each WCA is then able to select the lots which work best with the format in which they are able to present their materials and in essence allows each individual authority to decide on the degree of separation they wish to achieve before presenting their materials for sale through the consortium.

11 of the 25 'lots' are currently active with all 11 authorities involved to a greater or lesser extent based on the materials committed via the tendering process. The Packaging Consortium allows the constituent authorities to swap between 'lots' based on a minimum notice period so as to maintain flexibility. However, as with the paper consortium once an authority's tonnage has been committed they cannot then opt to leave the consortium until the contract comes to an end. This requirement is reflected in the service level agreements each authority has to sign before entering each consortium.

Two tenderers, Pearce Recycling and Berrymans, were selected on the basis of price and logistics to collect the materials. Berrymans was awarded all separate glass tonnages which represents approximately 25,300 tonnes out of the Consortium's 40,400 tonnes with the balance being handled by Pearce Recycling. This includes some glass which is co-mingled by one WCA as part of an enhanced alternate weekly collection service rolled out in the autumn of 2010.

The materials are either collected from each WCA's bulking facility / depot or are delivered direct depending on which option fits best operationally and financially for each partner. To reflect this level of choice most of the 'lots' have varying income rates depending on whether tonnage is delivered or collected. The prices for each 'lot' were initially fixed for the main term of the contract which runs from February 2010 to January 2012.

However, following a soft market test in the summer of 2011 better prices were offered by Pearce Recycling for the tonnages they handled from the consortium. In turn taking advantage of timescales detailed in the original procurement this part of the consortium was extended to January 2014 with the enhanced prices coming online in October 2011 in anticipation of a need to mitigate reductions in the income from separated glass tonnages due to take effect from February 2012.

Textiles

In the summer of 2010 an initial study was carried out which highlighted that only two of the 11 authorities in the HWP had textile contracts with the rest being served through various informal charity based arrangements. Initial scoping indicated that it should be possible to secure £160,000 of additional income through a joint contract for the sale of this material.

Following initial scoping additional work was undertaken to examine how such a consortium might operate. Key to its design was the ability for the successful contractor to charge for servicing textile banks. Charges were introduced to create a framework under which Partner authorities would be encouraged to optimise their individual networks with the objective being to collect the maximum tonnage for the minimum number of lifts. Charges would be netted off the income generated. This also prevents the distribution of banks which simply divert material from existing collections instead of generating additional material.

During the tender process the HWP received bids significantly in excess of that originally anticipated with additional income forecast to reach £800,000 per annum and £2.4 million over the life of the contract. Following evaluation of the bids the contract was awarded to Cookstown Textile Recycling and commenced in April 2011. Welwyn Hatfield again acted as lead authority for procurement and contract management processes.

The contract has been let for an initial period of three years. Prior to the end of the third year soft market testing will be carried out to examine the income being received compared to prevailing market rates.

The results of this process will then be used to determine whether or not the contract is extended or a new procurement exercise is initiated. Any decision to reprocure will also include extension of the consortium outside of Hertfordshire.

Currently 10 of the HWP's partner authorities are in the consortium with the eleventh and final partner due to join in 2012 when their current contract comes to an end.

Prior to the HWP agreeing to initiate the new procurement concerns were raised by a number of charities with respect to the potential impact of the new consortium on their existing operations. To address this as part of pre-tender work the HWP wrote to all charities operating textile recycling banks in Hertfordshire alerting them to the commercial opportunity represented by the tender.

At the same time the issues around charities and textiles were raised internally with senior officers and Members with the decision over whether or not to join the consortium left to individual Partners to decide. This allowed for appropriate advanced scrutiny of the proposals to ensure that as far as possible issues around the potential fallout from the charity sector were considered in advance by each Partner authority with a common position agreed in preparation for any enquiries or complaints received following implementation of the new service.

In addition it should be considered that during initial scoping 170 sites across Hertfordshire were identified as being applicable to the consortium. However, after further consideration any sites which were not wholly controlled by a Partner authority were rejected. This process resulted in approximately 30 sites being removed from the potential network many of which were at prime locations with high foot fall supporting the continued operation of charity banks on such sites.

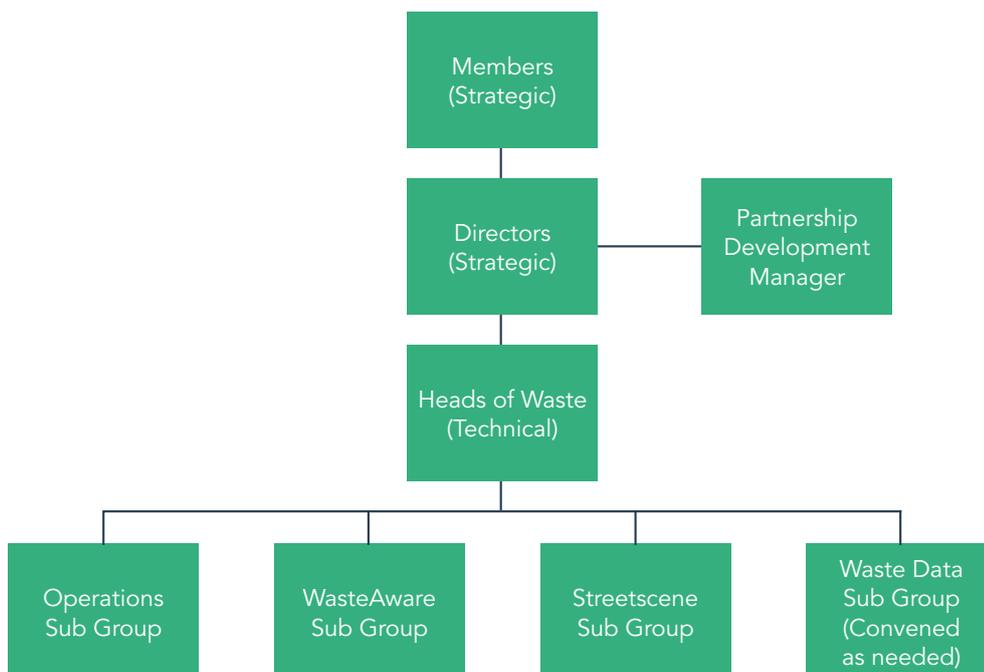
GOVERNANCE

In each of the examples detailed above initial scoping and conceptualisation takes place in the HWP's Heads of Waste group (see Figure 1) and will include aspects such clarifying current arrangements, identifying key objectives for a new procurement, agreeing the principles on which a procurement will be based as well as managing the process itself.

Once a proposal has been agreed it is presented to the HWP's Directors and Members' groups for additional scrutiny and consultation especially where there are potential policy implications.

Assuming the proposal passes these stages the HoWG is normally authorised to proceed with the procurement with further reports included as part of a quarterly update on all consortiums presented to Directors and Members. In circumstances where the results of procurement are materially different to that anticipated during scoping and scrutiny further reports are presented as necessary especially where policy issues may become relevant.

Figure 1: HWP Structure



TIMETABLE

	Timescale	Who
Packaging (Phase 1)	February 2010 – January 2012	Pearce Recycling and Berrymans
Packaging (Phase 2)	February 2012 – January 2014	Pearce Recycling (extended)
Glass Only (Phase 2)	February 2012 – January 2014	Being tendered
Textiles	2011 – 2014	Cookstown Textile Recycling

EFFICIENCIES AND IMPROVED PERFORMANCE

The table below summarises the additional which has been or is projected to be generated through each of the consortiums operated by the HWP.

	Paper		Packaging		Textiles	
	Tonnage	Extra Income	Tonnage	Extra Income	Tonnage	Extra Income
2008/09	4,107	£263,411	-	-	-	-
2009/10	25,346	£1,435,841	-	-	-	-
2010/11	31,974	£1,818,556	33,400	£555,000	-	-
2011/12	32,822	£2,226,387	40,400	£648,900	2,360	£812,000



IMPROVEMENTS IN OVERALL PERFORMANCE

The paper, packaging and textile consortia have offered flexibility to the partner authorities in that each authority can decide whether to sell materials via a consortium at the prices agreed with the selected contractors or whether to organise their own outlets for materials. With 10 WCAs and 1 WDA in the partnership, there are many local circumstances to take into consideration as well as different collection and sorting methods. Setting out different 'lots' in the tender documentation meant that each WCA could select the material streams that best fitted their collection methods both now and in the future. The use of phased starts where needed has facilitated the smooth transition between existing contracts and entry into the consortia for individual partners. Key to this was ensuring that the tender documents highlighted the different start dates so that the bidders could properly assess the prices they offered.

The contracts have some flexibility in terms of length and price too. For instance, if the market for recycled materials is strong, the contracts can each be extended for a further year. If the market price for a material increases above the price stated in the consortia contract, the consortium can negotiate a higher price for its material.

As detailed above from December 2008 to March 2012 the HWP's consortia contracts are set to deliver £7.7 million of additional income, the table below models the current recycling performance across all eleven waste authorities:

Partner Authority	Recycling performance for 2010/11	Recycling performance for 2011/12 (projected)
Broxbourne	39.3%	42.0%
Dacorum	47.7%	47.8%
East Herts	48.3%	48.5%
Hertsmere	42.5%	46.0%
North Herts	50.0%	49.7%
St Albans	50.2%	50.3%
Stevenage	39.1%	40.9%
Three Rivers	50.9%	58.3%
Watford	40.2%	41.3%
Welwyn	36.5%	50.7%
Herts CC	48.0%*	68.27%
HWP	48.3%	50.7%
*Note Herts CC HWRC	69.2%	

LESSONS LEARNT (NOVEMBER 2011)

HWP recognises that the flexibility built into the tender process may lead to increased complexity due to diversity of options. This may not always have led to optimum prices being offered for the materials spread across a number of different areas, as multiple 'lots' were requested as part of the packaging consortium to cover the different collection and sorting options in place across the WCAs. In addition, the possibility of a WCA not joining the consortium once tender prices have been received is a risk to tenderers who may find it difficult to predict the tonnage of materials available and will therefore price accordingly.

However, there continues to be a healthy competitive interest from bidders as the amount of materials offered by the consortia is always greater than that offered by an individual authority which makes such opportunities more attractive to the market when considered from a perspective of the amount of tonnage a bidder is potentially able to secure per tender process.

HWP will continue to reflect the needs of each member authority, but as more authorities develop their services, further synergies may evolve or the number of 'lots' may be reduced and therefore income to each authority increased further.

Key factors leading to success

The key success factor is that the HWP consortia approach is based on the implementation of Hertfordshire's joint municipal waste management strategy; its Intermediate Inter-Authority Agreement and Hertfordshire Waste Partnership Agreement. This strategic approach secures the essential political support of members for the HWP consortia.

Flexibility for individual WCAs has been a key factor in encouraging them to join consortia arrangements. Each authority opts into the consortia, when it is deemed more profitable than finding their own solution.

HWP proactively interacts with the market, developing a clear understanding of market trends. Softmarketing has been essential to explain what the authorities within HWP require and to encourage innovation leading to new markets.

A core element was the Welwyn Hatfield approach of taking the lead to surmount procurement issues and highlighting this "leadership" as assisting the beneficial outcome for the HWP as a whole.

Other key objectives of the strategy include promoting joint working, simplifying contractor and client relationships and in some cases creating 'critical mass' contracts that stimulate market interest. This also establishes a collective responsibility approach, which helps develop further avenues for partnership working to deliver services to local residents and businesses.

NEXT STEPS

The HWP strategy aims to cut waste by 50% by 2012 in line with the landfill allowances trading scheme and is well on target to do so.

The HWP will continue to concentrate on the development of their consortia contracts and is currently working on a new consortium for separated glass tonnages following an unfavourable soft market test earlier in the year which indicated the potential for significant losses compared to current incomes rates when the existing contract comes to an end in January 2012.

As part of this latest venture the HWP is also considering how best to offer the benefits of this procurement to authorities outside of Hertfordshire with a view to extending joint working across the region. To date expressions of interest have been received from a number of authorities across the eastern region who are keen to explore the implications of a possible tie up with the HWP subject to their own price comparisons.

The HWP has a joint strategy recycling and composting target of 50% by 2012 which it is on course to achieve. As of April 2010, all the WCAs had been given access to an In-vessel Composting facility so food waste can be collected across all of Hertfordshire, most via alternate weekly collections with at least one borough council now offering a weekly organics service.

In addition to the above the HWP wishes to engage with other local authority groups with a view to assisting them in putting together their own consortiums. Longer term there is even mention of joining up consortiums on a regional basis with a view to commanding real influence in the market place.

Whilst the HWP's procurement team recognise this is a somewhat lofty ambition they remain resolute that it represents the next logical step in the development of consortium contracts of the type described above.

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