



**SCOTLAND  
EXCEL** 



**ENVIRONMENT CATEGORY  
STRATEGY DOCUMENT**

APRIL 2018



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## 1 Introduction

This Environment Category Strategy describes the current industry landscape, as well as providing an overview of relevant legislative and policy matters that will impact and drive the shape and development of waste related frameworks. It details Scotland Excel's plans for ongoing contract management and tendering activities, as well as detail on potential new framework developments and opportunities over the period 2018-2022.

The key strategic opportunities identified are:

- Continue to partner councils in meeting their legislative requirements and provide best value.
- Design contract models that align with Scottish Government policy and individual council strategies.
- Increase practices that deter serious and organised crime.
- Build upon existing relationships with external stakeholders to achieve improved sharing of information and support.
- Engage further with service providers and suppliers to reduce impact from market change.
- Strengthen Scotland Excels position as a vital stakeholder and influencer of policy on behalf of member councils.
- Encourage community benefits, ensure fair working practices and develop opportunities for the Third Sector.

## 2 Landscape

Scotland produces large quantities of waste. As recently as 2016, Scotland generated 2.5million tonnes of household waste, an increase compared to 2.47 million tonnes in 2015.<sup>1</sup> The Scotland Excel Environment Category portfolio currently consists of four frameworks that assist councils in delivering their statutory obligation to provide an essential waste management service that keeps Scotland's streets clean, population healthy and contributes to the Scottish Government's Circular Economy ambitions<sup>2</sup> and Zero Waste Plan.<sup>3</sup> Currently influenced by legislation at an EU, UK and national level and impacting locally, these frameworks assist with a highly visible and often political category area that remains a core council service, particularly in the eyes of the general public. This Category Strategy will attempt to outline the short, medium and longer term strategic options that will attempt to balance the need for continued support to our council members to deliver this service against rapidly evolving legislative and policy changes being driven at all levels of Government.

Overall, the frameworks within this category are performing well, with positive feedback from users and providers. The Environment Category is strongly supported by a large UIG group including senior council officers and procurement staff. It is common that UIGs are attended by around thirty-five to forty officers, representing councils and other stakeholders. Council participation across the category as a whole remains high and currently all 32 councils participate in at least one or more frameworks. It is expected that uptake will continue to increase over time as current council contract arrangements come to an end.

At the time of compiling this Strategy, the Environment Category has an advertised value of £203million, approximately 5% of Scotland Excel's entire contract portfolio value.

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<sup>1</sup> <http://www.gov.scot/Topics/Statistics/Browse/Environment/TrendHouseholdWaste>

<sup>2</sup> <http://www.gov.scot/Resource/0049/00494471.pdf>

<sup>3</sup> <http://www.gov.scot/Resource/0045/00458945.pdf>

### 3 Current Position

The following frameworks are currently available as part of the Environment Category portfolio (figures as per March 2018):

#### Treatment of Organic Waste (18:16) ends March 2020 with an option to extend until March 2021

Eleven service providers are available.

£48million potential overall value.

Performing in line with expectation, this second-generation framework continues to provide a service developed that was originally developed in response to Scottish Government legislation that required councils to offer all households that met particular criteria a food waste collection by 1<sup>st</sup> January 2016. It offers treatment options for organic materials, including separately collected food waste, garden waste and co-mingled (collected together as a mix) food and garden waste, generating electricity and compost.

#### Supply and Delivery of Recycle and Refuse Containers (01:17) ends November 2020 with an option to extend until November 2021

Twenty-one suppliers are available.

£50million potential overall value.

A third-generation framework, that is expected to be utilised by all thirty-two councils in Scotland, as was its predecessor. This framework facilitates the purchase and delivery of various wheeled bins, street bins, food waste caddies and liners catering for the individual service delivery models operated by Scottish councils. As well as purchasing options, councils can also use this framework to assist in major distribution projects as part of roll-outs of new service models that involve the purchase and delivery of bins to thousands of households, as well as bin refurbishments options and end of life/take back options.

#### Treatment of Recyclable and Residual Waste (14:13) ends May 2018

Thirty-four service providers are available.

£100million potential overall value.

The largest framework in this category, it offers a host of treatment options for various materials across twenty-three lots, including residual waste, glass, paper, textiles, metal, cans, street sweepings, bulky waste and a number of co-mingled mixed waste options. Via this framework councils can opt to purchase a treatment service and/or seek income for presenting their material, either by direct delivery to a provider's site, or via collection by the provider from an agreed bulking location. This framework expires in May 2018 and at the time of writing this strategy a new tender development is underway for its replacement.

#### Supply and Delivery of Waste Disposal Equipment (03:15) ends March 2019 with an option to extend until end March 2020

Twelve suppliers are available.

£5million potential overall value.

This framework offers supply and delivery options for waste related equipment including skips, containers, balers and other associated waste disposal kit. The equipment available via this framework assists councils in their attempts to collect materials for recycling, including providing suitable facilities at household waste

recycling centres for members of the public to segregate materials unsuitable for general household collections, as well as storage and preparation for further treatment.

#### 4 Potential Opportunities and Impacts

**Appendix 1 – Risk Register** features a risk register for the overall category consolidated from individual framework risk registers.

Key opportunities and impacts in the short, medium and longer term include the following:

##### Charter for Household Recycling

In November 2015, COSLA Leaders agreed a Household Recycling Charter<sup>4</sup>, aimed at bringing more consistency to recycling services. Launched in 2016, it facilitates commitment from local government aimed at achieving the following outcomes:

- To improve household waste and recycling services to maximise the capture of, and improve the quality of resources from the waste stream, recognising the variations in household types and geography to endeavour that services meet the needs of all citizens.
- To encourage citizens to participate in recycling and reuse services to ensure that they are fully utilised.
- To operate services so that staff are safe, competent and treated fairly with the skills required to deliver effective and efficient resource management on behalf of communities.

The associated Code of Practice<sup>5</sup> contains a detailed set of outcomes that will deliver these aspirations. The key outcomes are:

- To achieve high quantities of recycling and minimise non-recyclable waste
- To maximise high-quality materials
- To support cost effective services for local government
- To ensure services encourage participation from citizens
- To keep citizens, staff and contractors safe
- To deliver services that support employment

Scotland Excel can and has designed and developed frameworks that cater for the requirements linked to these ambitions, including the Recycle and Refuse Containers framework and the forthcoming Recyclable and Residual Waste renewal.

##### Scottish Materials Brokerage Service

Sponsored by the Scottish Government, the Scottish Materials Brokerage Service<sup>6</sup> is a partnership between Scottish Local Authorities, Zero Waste Scotland and Scottish Procurement. It has established a project team which pools expertise from Scottish Procurement and Zero Waste Scotland, along with Scottish local authorities and the wider public sector, including assistance from Scotland Excel throughout its development over the last 3-4 years.

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<sup>4</sup> <http://www.zerowastescotland.org.uk/sites/default/files/Charter%20for%20Household%20Recycling.pdf>

<sup>5</sup> <http://www.zerowastescotland.org.uk/sites/default/files/Household%20Recycling%20COP%20v2.pdf>

<sup>6</sup> <http://www.zerowastescotland.org.uk/brokerage>

A slightly different model to that offered by collaborative frameworks, this project could potentially increase individual council's options in terms of where best value can be achieved.

### Legislation

A significant feature of the Scottish Government's Zero Waste Plan<sup>7</sup> was the mandatory requirement for all councils to offer households that meet certain criteria, a food waste collection by the end of 2015. All 32 councils have met this requirement. As recently as 2014, data showed that Scottish households generate an estimated 600,000 tonnes of food (and drink) waste annually<sup>8</sup>. Further change linked to legislation and licensing requirements are expected over the next few years, delivered by the industry regulator, SEPA, (the Scottish Environmental Protection Agency), aimed at driving up the quality of both input material, and output produced via the various treatment methods currently available.

In addition, potential impacts of Brexit, in terms of cost and also policy direction at the time of writing this strategy are unknown. Policy levers ultimately directed at an EU level, are interpreted at member state level, and in the UK often can also fall within dissolved powers. Changes to structure and of course Government could affect longer term strategies.

Change may impact upon councils and treatment providers, potentially affecting price, or ability to service. Conversely, measures may also encourage growth within the sector.

### Long Term Collaborative Projects

A number of councils throughout Scotland are involved in projects that are likely to have an impact on the level of participation within some elements of the Environment Category Frameworks, such as the Clyde Valley Residual Waste Project<sup>9</sup> for example.

Clearly, involvement with projects of this type could mean less demand for particular treatment options via Scotland Excel. This and similar projects could see around a third of councils contracted beyond the lifetime of this strategy for a number of material streams, particularly residual waste.

### Waste Crime

The Scottish Government's Serious Organised Crime Strategy<sup>10</sup>, identifies the waste industry as a business sector that Serious Organised Crime Groups have tried to infiltrate. Divided into targeted workstreams, Scotland Excel supports the "Deter" workstream, taking part in a dedicated working group alongside colleagues from Police Scotland, Local Authorities, SEPA and the Scottish Government, the aim of which is to deter criminal organisations from targeting the waste sector by supporting private, public and third sector organisations to protect themselves and each other, including via procurement methods.

There is an opportunity for Scotland Excel, on behalf of its members, to continue to contribute to this workstream in an attempt to safeguard local authorities and their community's reputation, as well as financial and regulatory compliance.

### Market Conditions

Market volatility is an ongoing risk across all frameworks within this category. At the time of writing, there is particular concern on the potential impacts of policy introduced by China, aimed at addressing the quality of

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<sup>7</sup> <http://www.gov.scot/Resource/0045/00458945.pdf>

<sup>8</sup> <http://www.zerowastescotland.org.uk/sites/default/files/Household%20Food%20and%20Drink%20Waste%20Estimates%202014%20Final%20v2.pdf>

<sup>9</sup> <http://www.northlanarkshire.gov.uk/article/26675/Clyde-valley-residual-waste-project>

<sup>10</sup> <http://www.gov.scot/Resource/0047/00479632.pdf>

material exported there by other countries, including the UK. There is growing concern among the industry that a significant percentage of the UK's waste shipment export market could be affected, impacting both directly and indirectly on potentially thousands of tonnes of material, particularly paper and plastic.

Should end markets become frustrated; this could have an impact on service provider feedstock requirements and in turn, pricing and income generation, potentially influencing individual council strategies in terms of seeking best value.

## **5 Future Plans**

### Category Development

Current policy developments present an excellent opportunity for Scotland Excel to assist councils in meeting their related commitments. For example, those that choose to sign up and support the Household Recycling Charter and associated Code of Practice, can utilise our Supply and Delivery of Recycle and Refuse Containers and Treatment of Recyclable and Residual Waste Frameworks, already offering a suite of products and services that fall under the scope of service collection and treatment options that the Charter promotes. Scotland Excel has a proven track record of designing, awarding and managing frameworks that assist councils in meeting their policy related obligations, such as our Treatment for Organic Waste Framework, developed in response to the obligation placed upon councils to offer a food waste collection to all households in Scotland (minus rural exemptions) by 1<sup>st</sup> January 2016. Next generation frameworks could be further aligned with policy expectation and outcomes going forward, giving due consideration to likely future developments, including dedicated lots that cater specifically for the proposed collection systems and preferred treatment methods that are included within the Charter.

Scotland Excel will continue to engage with and where appropriate increase engagement with stakeholders, including bodies such as Zero Waste Scotland, Scottish Procurement, Scottish Government, the CIWM, Police Scotland and SEPA, in order to create the conditions where Scotland Excel can tackle and influence the risks and threats identified in this report, positioning the organisation as an partner and enabler to those driving policy designed to deliver targeted positive outcomes in the local government landscape. Partnership working could include developing robust, measurable, formal relationships and information sharing protocols, the benefits of which may include the reduction and deterring of serious and organised crime, reducing reputational risk as well as other associated benefits of crime reduction among communities.

Legislation change continues to impact frameworks. A greater alignment with Scottish Government policy makers may allow Scotland Excel a greater influence on the shape, scale and timing of policy change and at the very least allow for a higher level of future proofing/planning and development in advance of proposed change, whilst taking into account the likely impact on framework performance and potential cost to councils.

Market conditions continue to be a key driver in influencing the sector. Examination of alternative pricing mechanisms and other innovative solutions may help alleviate associated risks alongside ongoing increased awareness and knowledge of this sector overall.

Whilst a number of long term collaborative projects are underway between councils in this sector, this could be further developed should councils opt to "cluster together" and award contracts jointly, particularly when purchasing similar products or where collection methods and quality of material presented for collection for treatment and recycling align.

### Potential New Framework Opportunities

Although currently already offering a suite of frameworks that cover a number of elements required by councils to deliver an efficient, cost effective waste treatment service, the UIG has identified other areas that could potentially provide a valuable collaborative opportunity and may in the future warrant closer examination. In brief, they are:

“Skip Hire”, the hire of various sized skips (and possibly the transport of and disposal of contents) which could potentially link to the existing Waste Disposal Equipment Framework, that enables the purchase of skips, but not hire.

“Provision of Resource and Waste Management Temporary Staff”, the provision of waste management staff of various levels of expertise to assist councils in the delivery of new strategies and roll-outs of service. Significant service change requires a great deal of time and resources, placing extreme pressure on service departments that are already under increased pressures linked to the wider economic crisis suffered by the UK in recent years. The Waste Managers Network and UIG have indicated that a framework of this type may prove attractive.

In addition, next generation frameworks/contracts should be developed and designed with consideration of ongoing policy developments that may affect their performance and relevance over the framework lifetime.

## **6 Contract Strategy**

Taking account of the main threats, risks and importantly opportunities that will shape direction, **Appendix 2 – Strategy Planner**, outlines an updated Environment Category Strategy Planner for 2018/19 onwards.

## **7 Conclusion**

The Environment Category continues to offer councils a suite of options that assist in the delivery of a vital frontline service. Its future direction and evolution will be guided primarily by the UIG and Environment Category Team within the context of legislative policy and ongoing developments in market conditions, both of which have a significant impact on how councils collect waste materials, what materials they collect, the equipment they use to collect it, where it is sent for treatment and how it is treated. Increasingly, materials once considered as waste now hold value, this coupled with the legislative drive to increase reuse and recycling has influenced this sector in recent years and is likely to continue to do so. Councils have a statutory obligation to collect, handle and dispose of such material in a legal and environmentally compliant way and must navigate any change as and when it occurs. Scotland Excel is perfectly positioned to develop existing frameworks or design new agreements that can assist our council members in meeting these requirements within a context of ever increasing pressures on financial budgets and resource. Although there appears to be hope at Government level that councils will opt to adopt much similar waste service systems than they currently have, at the moment and in the immediate future this category continues to lend itself to Category B collaborative opportunities. Consideration of the design and content of next generation frameworks or similar models, as well as potential new framework opportunities will be taken in consultation with the UIG as well as other Scotland Excel category teams, ensuring compatibility with individual council strategies as well as alignment with linked frameworks such as those within the Scotland Excel fleet category.



At a time when policy at an EU, national and local level appears to be focused upon the waste sector, viewing it as a key area in relation to its Circular Economy ambitions, Scotland Excel can be a key resource and essential option for its members. As an organisation and at a category level, Scotland Excel has strong support from UIG members, has a suite of frameworks already in place or in planning, has a proven track record of delivering frameworks that assist councils in meeting their unique individual requirements, are experienced in working with waste industry suppliers/service providers and have a team that has a growing knowledge of the sector in general and significant experience of partnership working. As such, it can be strongly argued that Scotland Excel is positioned to continue to assist councils in meeting their Environmental Category related needs. This Category Strategy should enable that position to not only remain but also to develop to an even greater level.

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## 8 Appendix 1 – Risk Register

ID No.	ID	Description	Probability	Impact	P X I Result	Date of ASSESSMENT	Mitigation Actions	Review Date
			e.g. Very Low, Low, Medium, High, Very High					
1	Legislation Change	Legislation change in this sector can be fast paced with far reaching impact. Legislation and policy can be influenced/implemented at EU, UK or Devolved administration levels. The Regulator SEPA can also have an impact in their own interpretation of legislation and regulatory responsibilities.	5	3	15	Mar-18	Maintaining up to date awareness of legislative changes, communicating with relevant bodies such as Zero Waste Scotland on pending change and potential associated impacts.	Ongoing
2	Market Failure (Fluctuation)	Currently the waste market is experiencing a period of uncertainty. Traditionally a fairly volatile area, recent developments in end markets are causing concern, particularly for service providers regarding certainty of end markets. Impacts may be experienced by councils in relation to quality requirements and costs.	5	3	15	Mar-18	Keep abreast of market conditions, influence Government and others where relevant and ensure framework terms are designed to balance the need to protect councils whilst taking account of industry/market realities.	Ongoing
3	Local Authority Participation	A number of councils have long term arrangements in place or are involved in ongoing projects that could potentially have a negative impact on uptake on at least one of the current frameworks.	4	3	12	Mar-18	Ensure requirements for all councils are captured, continue to communicate benefits of the frameworks, ensuring waste departments and procurement colleagues are fully aware of what Scotland Excel can offer. Where relevant ascertain if and how Scotland Excel could compliment or assist perhaps as an interim to projects being developed outwith the frameworks themselves.	Ongoing
4	Contamination	Council members are at risk of becoming involved in dispute with providers/suppliers. Contamination versus non-target materials/target materials can be a contentious issue and often influenced directly by market conditions at any given time.	2	1	2	Mar-18	Tenders designed to minimise this risk, including price banding for various quality materials, price linked indexation based upon market conditions, and as terms and conditions intended to allow mitigation, discussion and flexibility where required, as well as options for disagreement resolution.	Ongoing
5	Capacity	Capacity for existing infrastructure to cope with often increasing tonnage and/or demand for supply, could impact on pricing and options accessible via the Category Frameworks.	2	3	6	Mar-18	Communication with service providers on an ongoing basis of capacity to treat/discussion with suppliers at contract management over lead in delivery times and ability to manufacture.	Ongoing
6	Waste Crime	The waste industry has been identified as an area where serious organised criminals have attempted to infiltrate.	3	2	6	Mar-18	Continue to support the Scottish Governments "Deter" Workstream, aimed at protecting public sector organisations and contracts from SOC.	Ongoing
7	Management Information	Inaccurate or lack of management information may result in a misrepresentation of spend, performance, uptake and tonnage treated.	3	2	6	Mar-18	A requirement of framework terms, returns of MI will be monitored and reviewed. Inaccuracy or lack of return will be questioned in order to ensure as accurate data as possible.	Ongoing
8	Contract Management	Volume of providers/suppliers awarded to frameworks within this Category balanced with need for effective contract management may prove a risk to resource and time, particularly given the nature of service related frameworks that often result in unforeseen issues and challenges.	3	1	3	Mar-18	Manage diaries accordingly, build and maintain relationship with providers/suppliers, encouraging a working relationship that is not over reliant on formal contact management meetings, particularly in relation to service focused frameworks.	Ongoing
9	Supplier Conflict	Competitions between suppliers/providers can be fierce and there is a risk councils may be subject to misinformation regarding competitors or face queries regarding procurement decisions.	3	1	3	Mar-18	Ensure via information guides that councils are aware of processes on how to award from the framework, including conducting mini-competitions or direct awards. Continue to communicate via the UIG any specific concerns regarding particular framework suppliers/providers.	Ongoing
10	Insurances	Handling and storage of waste materials can be hazardous. The industry in general is statistically one of the most dangerous to work in. The volume of reported injuries as well as a number of high profile fires across the sector may impact upon overall insurance costs.	2	1	2	Mar-18	Live insurance certification a requirement of framework award in this Category. Health and Safety a key feature of tenders, including processes and declaration of incidents/convictions/recommendations. Potential cross sector working with groups such as "WISH", "Waste Industry and Safety and Health Forum" may facilitate further innovative approaches.	Ongoing
11	Spend Threshold	Risk that spend on frameworks exceed expectation and result in returning to the market earlier than planned.	1	2	2	Mar-18	Monitor framework spends closely, anticipating policy changes that could impact.	Ongoing
12	Administration/Liquidation	A relatively volatile sector, there is a risk a number of awarded suppliers may fail over the course of framework lifetimes.	2	1	2	Mar-18	Continue to ensure that adequate coverage and choice is delivered when awarding frameworks, and continue to monitor the financial health of suppliers/providers via Equifax or equivalent throughout framework lifetimes.	Ongoing
13	Supply Chain	Third party supply chains can pose a risk, for example a reliance on manufacture and shipments from abroad being delivered within agreed timescales.	1	1	1	Mar-18	Via ongoing contract management, ensure that suppliers are maintaining control of their supply chain and have suitable alternatives in place if required.	Ongoing

## 9 Appendix 2 – Strategy Planner

Framework	Start Date	End Date	Extension End Date	Financial Year 2018/19				Financial Year 2019/20				Financial Year 2020/21				Financial Year 2021/22				Financial Year 2022/23					
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Recyclable and Residual Waste*	Aug-18	Jul-21	Jun-22	Tender	Award			Annual Report					Annual Report				Extension		Development	Development	Tender	Award			
Waste Disposal Equipment	Apr-16	Mar-19	Mar-20	Annual Report			Extension	Development	Development	Tender	Award						Contract/Mng				Annual Report				
Organic Waste	Aug-17	Mar-20	Mar-21		Annual Report			Annual Report			Extension	Development	Development	Tender	Award						Annual Report				
Recycle and Refuse Containers	Nov-17	Nov-20	Nov-21			Annual Report			Annual Report			Extension		Development	Development	Tender	Award				Annual Report				

\* At time of writing this report, preferred route to market under consideration.