

Environment Category Strategy April 2020



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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 2020-2024.

The key strategic opportunities identified are:

- Continue to partner with councils in meeting their legislative requirements and provide best value.
- Design contract models that align with Scottish Government policy and individual council strategies.
- Increase and implement more robust 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 and environmental impact.
- Strengthen Scotland Excel's 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 and various types of waste. As recently as 2018, Scotland generated 2.41million tonnes of household waste, a slight decrease compared to 2.46 million tonnes in 2017.¹

The Scotland Excel Environment Category portfolio currently consists of three frameworks and one dynamic purchasing system 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 ambitions² and Zero Waste Plan.³ Currently influenced by legislation at various governmental levels nationally and impacting locally, these contract arrangements assist with a highly visible and often political category area that remains a core council service to 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 service against rapidly evolving legislative and policy changes being driven at all levels of government.

Overall, the contract arrangements 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-forty officers, representing councils and other stakeholders. Council participation across the category remains high and currently all 32 councils participate in at least one or more arrangements available. It is expected that uptake will continue to increase over time as current council contract arrangements come to an end.

¹ [Official Statistics Publication for Scotland - Household waste summary, waste landfilled, waste incinerated \(Jan-Dec 2018\)](#)

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

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

At the time of compiling this Strategy, the Environment Category has an advertised contract value of £303million, which equates to approximately 5% of Scotland Excel's entire contract portfolio value.

3 Current Position

The following frameworks are currently available to our customers as part of the Environment Category portfolio (figures as per March 2020):

Treatment of Organic Waste (18:16) ends 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 that was originally developed in response to Scottish Government legislation that required councils to offer all households that met criteria, a food waste collection by 1st 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 2021

Twenty-one suppliers are available.

£50million potential overall value.

A third-generation framework, that is utilised by all thirty-two councils in Scotland. This framework facilitates the purchase and delivery of various wheeled bins, street bins 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.

Supply and Delivery of Waste Disposal Equipment (14:19) ends March 2024

Eight 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.

Dynamic Purchasing System (DPS) - Treatment of Recyclable and Residual Waste (27:17) ends February 2024 with option to extend until February 2026

Sixty-Two service providers are available (note: at time of writing - as a DPS new entrants can be appointed throughout its lifetime).

£200million potential overall value.

Currently the only dynamic purchasing system available within the Environment Category, it offers a host of treatment options for various materials across twenty-two lots, including residual waste, glass, paper, textiles, metal, cans, street sweepings, bulky waste and several co-mingled mixed material streams. Via this “DPS”, 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. The DPS is designed to allow individual councils to define their own specification and operational requirements.

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 Charter⁴, 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 Practice⁵ 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 dynamic purchasing system for the treatment and disposal of Recyclable and Residual Waste.

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

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

Deposit Return Scheme

The Scottish Government intends to introduce a deposit return scheme for drinks various common container type, including bottles and cans, to help improve quality and quantity of recycling, reduce litter and achieve climate change targets. Planned to go live during July 2022, Regulations governing the scheme were approved by Parliament during March 2020⁶.

It is unclear to what extent the deposit return scheme will impact the Scotland Excel Environment Category, however it is clear that a successful scheme as designed, could result in a significant reduction in material types such as glass, plastic and cans being presented within household collections in the volumes currently accepted as the norm. This in turn could influence council operational strategies and uptake on the DPS/volume and size of bins and kit required to be purchased via the Scotland Excel arrangements.

Brexit

Impacts in relation to Brexit have to date not been shown to be of major significance to the Category, with suppliers preparing for (what as at one point expected to be a hard-Brexit) from January 2020. Whilst at time of writing there is much negotiation to continue at a national level, anticipated impacts post full exit on January 2021 are expected to remain minimal. The situation will be monitored closely and responded to as appropriate.

Covid-19 Pandemic

At time of writing the UK and other nations across Europe and the world are reacting to the Covid-19 crisis. To date, the Environment Category has not experienced serious implications as councils continue to deliver frontline service and service providers/suppliers continue to supply whilst following governmental advice, whether identified as “key-workers” or otherwise. The situation will continue to be monitored and responded to as appropriate.

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, particularly in relation to the DPS and Residual Waste. The Waste Scotland Regulations 2012 banned the landfilling of biodegradable municipal waste by 1st January 2021⁷.

Despite delaying full compliance with the ban until 2025, Government has made clear that it expects progress from those councils yet to secure a solution that is compliant with the ban. Scotland Excel will support member councils in meeting their statutory duty, including if opting to source a solution out-with the available options currently available within Scotland Excels contract portfolio.

Waste Crime

The Scottish Government’s Serious Organised Crime Strategy⁸, 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 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.

Scotland Excel will continue to contribute to this workstream on behalf of its members and continue to help safeguard local authorities and their communities, as well as financial and regulatory compliance.

⁶ <http://www.legislation.gov.uk/sdsi/2020/9780111044681/contents>

⁷ <https://www.legislation.gov.uk/sdsi/2012/9780111016657/contents>

⁸ <http://www.gov.scot/Resource/0047/00479632.pdf>

Market Conditions

Market volatility is an ongoing risk across all frameworks within this category. At the time of writing the market for material streams are depressed in comparison with previous years, partly due to tighter restrictions on quality of import material from China and other “traditional end destinations”. The paper market has experienced a particularly severe dip, also linked to quality and as well as a general reduction in demand. Costs of exporting refuse derived fuel primarily sourced from residual waste materials, has increased, in part due to increased tax levies imposed by countries where material from the UK is typically shipped.

Impacts of Brexit post January 2021 and the Covid-19 pandemic remain to be seen at time of writing. Scotland Excel will continue to proactively monitor market fluctuations and engage with stakeholders and service providers to mitigate any adverse conditions as appropriate.

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 support the Household Recycling Charter and associated Code of Practice, can utilise our Supply and Delivery of Recycle and Refuse Containers framework and Treatment and Disposal of Recyclable and Residual Waste dynamic purchasing system, 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 1st 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, both currently and as they evolve.

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 the category. 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 contract performance and potential costs 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 several 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:

“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 rollouts 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.

“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.

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 2020/21 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, the type and mix of materials they collect, the equipment they use to collect it, where it is sent for treatment and how it is treated. 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 manner and must navigate change as and when it occurs. Scotland Excel is perfectly positioned to develop existing arrangements or design new agreements that can assist our council members in meeting such 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 arrangements, as well as potential

new contract opportunities will be taken in consultation with the UIG as well as other Scotland Excel category teams, ensuring compatibility with individual council strategies and 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 can be changed/influenced at EU level, UK level and/or Scot Gov level. The regulator SEPA (Scottish Environment Protection Agency) can also have an impact from a regulatory perspective.	4 - High	3 - Medium	12	Apr-20	Keep abreast of legislation change, and communicate with relevant industry bodies such as Zero Waste Scotland and the Chartered Institute of Waste Management, plus Scottish Government on pending change and possible impacts, and react as necessary.	Ongoing
2	Brexit	Potential for impacts on exports resulting in storage issues post completion of UK transition exit from the EU, which could impact operation of service and/or lead to additional costs considerations.	4 - High	3 - Medium	12	Apr-20	Scotland Excel to monitor outcome of ongoing UK/EU governmental negotiation process and should impacts on pricing arise, or issues in relation to conformance, Scotland Excel will manage in line with terms and conditions.	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 in terms of overall participation.	4 - High	3 - Medium	12	Apr-20	Ensure requirements for all councils are captured, continue to communicate benefits of the arrangements available, 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 projects being developed outwith the current contract portfolio where appropriate to do so.	Ongoing
4	Cross Sector Collaboration	Ongoing collaborative projects could prove to be a risk should councils choose to operate outwith.	4 - High	3 - Medium	12	Apr-20	Relationship management targeted in the main to the UIG group will encourage uptake, and appropriate measure of assistance will be offered to councils in terms of how to best utilise the arrangements available under the current contract portfolio.	Ongoing
5	Market Failure (Fluctuation)	Material streams catered for involves a number of volatile market areas, the value of which can fluctuate greatly and could potentially "fail".	4 - Medium	3 - Medium	12	Apr-20	Monitor market conditions, keep abreast of change, including legislation, world events and political influences and be ready to react as appropriate.	Ongoing
6	Contamination	Quality of material and particularly contamination (non-target material included within delivered loads) is an ongoing challenge for councils and providers. Should conflict arise and fail to be resolved there is a risk that contracts could become frustrated and/or the council or provider suffer financially.	3 - Medium	3 - Medium	9	Apr-20	Scotland Excel will recommend to councils that where applicable, when conducting call-offs that they consider appropriate price banding and fixed pricing periods that best suit their material type, increasing the chances of receiving offers that are realistic and appropriate, reducing the risk of contracts becoming frustrated.	Ongoing as required
7	Management Information	Council Members have a legal requirement to fulfill waste data flow and other reporting obligations. Failure to acquire accurate MI could become a risk in terms of delivering customer need and could adversely affect accuracy of reporting. In addition, a lack of accurate MI may result in a misrepresentation of spend and uptake.	3 - Medium	3 - Medium	9	Apr-20	Service Providers will be encouraged to submit Management Information either via a combination of terms and conditions (including template terms) and relationship management as required.	Quarterly
8	Service Provider/Contract Management	Large number of service providers, frequency of engagement could prove a risk in terms of time allocation against other priorities.	3 - Medium	2 - Low	6	Apr-20	Diary in advance where appropriate, build relationship with service providers on an ongoing basis, encouraging regular engagement as and when required.	Ongoing
9	Waste Crime	The waste sector is identified as an area of risk to crime, ranging from environmental regulation breaches to serious organised crime including fraud. There is a reputational (and potentially financial) risk to councils contracting with providers that are found to be involved in such activities.	1 - Very Low	2 - Low	2	Apr-20	Scotland Excel is involved in the "deter" workstream, alongside partners including Police Scotland, NHS and North Lanarkshire Council, plus others that as a group aim to deter Serious and Organised Crime as part of a wider Scottish Government Strategy chaired by the Justice Minister. Work includes investigating ways procurement processes can discourage and prevent Serious and Organised Crime as well as an intention to develop inter-stakeholder information sharing.	Ongoing as develops
10	Health and Safety	As a industry sector, waste management is considered a concern in that the level of accidents that occur on an annual basis are of a high level in comparison to other industry sectors.	2 - Low	1 - Very Low	2	Apr-20	Minimum legally required Health and Safety certification is a standard requirement across all category arrangements. Scotland Excel will continue to engage with relevant sector bodies including SWITCH in order to keep abreast of key risk areas.	Ongoing
11	Capacity	The capacity for infrastructure to cope with tonnage available through the Scotland Excel arrangements could in theory reach a ceiling, which in turn could create a situation where council members are unable to have their waste processed easily via the Scotland Excel route which may lead to councils seeking alternative routes.	1 - Very Low	1 - Very Low	1	Apr-20	Scotland Excel arrangements continue to be designed to maximising the volume of available capacity. Through relationship management, and management information, available capacity will be monitored on an ongoing basis.	Quarterly (minimum)
12	Administration/Liquidation	A number of providers across the environment category in general have failed in recent years, entering administration or liquidation.	1 - Very Low	1 - Very Low	1	Apr-20	Scotland Excel's data team will monitor the general financial health of providers and alert as required.	Ongoing
13	GDPR data control/protection	GDPR process creates a risk that failure to comply adequately could lead to court action and subsequent fines, as well as reputational damage to the Scotland Excel and/or councils.	1 - Very Low	1 - Very Low	1	Apr-20	Scotland Excel will ensure the entire team are fully aware of and compliant with GDPR process, ensuring that all data is handled, stored and distributed appropriately at all times.	Ongoing

9 Appendix 2 – Strategy Planner

Contract (Short Title)	Start Date	End Date	Ext: End Date	Financial Year 2020/21				Financial Year 2021/22				Financial Year 2022/23				Financial Year 2023/24				Financial Year 2024/25			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Organic Waste	Aug-17	Mar-20	Mar-21		Development	Development	Tender	Award					Annual Report			Extension					Development	Development	Tender
Recycle and Refuse Containers	Nov-17	Nov-20	Nov-21				Development	Development	Tender	Award					Annual Report			Extension					Development
Waste Disposal Equipment	Apr-20	Mar-24	-	Award					Annual Report				Annual Report				Development	Development	Tender	Award			
Recyclable and Residual Waste	Feb-19	Feb-24	Feb-26	Annual Report				Annual Report				Annual Report			Extension				Extension				