

RECYCLATE PRICES

**An Examination of the Factors Affecting the Prices Obtained by
Scottish Local Authorities for Recyclable Materials**

A Report to

The Scottish Government

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Executive Summary

Prices for recyclate received by Scottish Councils appear to be lower than those obtained by English Authorities for glass, plastic and paper. The study has identified a number of factors which appear are inhibiting Councils from obtaining the best prices:-

- **Council Priorities:** recycling target tonnage rather than price driven.
- **Current Contract Arrangements:** length and variable terms of contracts with reprocessors.
- **Collection Schemes:** variation causing variation in material quality;
- **Infrastructure:** Operational efficiency of available MRFs.
- **Geography:** Scotland is relatively remote and issues relate to travel and distance to market.
- **Council Expertise:** inexperience in dealing with selling rather than service provision;
- **LA Organisational Structure:** complex structure of LAs can inhibit effective selling
- **Market Information:** lack of information and data on market prices.
- **Council Size:** The relatively small size of Scottish Councils gives limited influence on markets
- **Other Inhibitors:** funding mechanisms , i.e. Strategic Waste Fund / GAE

Council Priorities

Delivery of high recycling rates is a higher priority within Councils than obtaining better prices. Prices obtained by Councils for recyclate represent only a small proportion of the overall costs of providing a recycling service – i.e. a 50% change in income from the sale of recyclate represents only around 7% change in the overall costs for a typical dry recyclate kerbside collection service. Therefore improvements in prices for relatively small tonnages will have a limited impact on overall scheme costs. The largest financial contribution will come from improved efficiencies in staffing and vehicles rather than the rebate rate.

Current Contract Arrangements

The way in which contracts are currently written does not encourage improvements in MRF infrastructure and the amount of control Councils have on quality.

Length of contracts is also critical – they are often too short which inhibits investment in MRFs

Need to support contract development through the incorporation of proper quality specifications. Contracts also need to provide an audit trail and information provision to support continuous improvement in procurement.

Collection Schemes

There is a wide variation between collection schemes - both in terms of range of materials recovered and manner of collection i.e. mixed, segregated etc and this results in a lack of compatibility of combining individual LA recyclate streams. Increased recovery and recycling targets is resulting in a greater move towards mixed material collections (potential harmonisation of recovery) and hence greater reliance on MRFs.

Infrastructure/MRFs

With the move to greater use of MRFs Councils need more information on operational costs – impact of recyclate quality on MRF performance, profitability etc. We also found wide variation in MRF operational efficiency and data reporting to Councils.

There is often no incentive for LAs to improve quality of the recyclate they provide as it often doesn't have any impact on price, positive or negative! More like a pass/fail acceptance criteria. Harmonisation of recyclate streams between neighbouring authorities and longer contracts with MRFs would allow investment in technology.

Geography

Potential supply of recyclate materials from Scotland is small in the UK context. Although Scotland is relatively well served for glass recycling for the remaining materials (paper, cans, plastic) markets are outwith Scotland. This situation both limits the available facilities for Councils to utilise and results in materials having to be transported over long distances.

Council Expertise

Procurement / selling is a complex business involving several departments and expertise varies considerably between Councils. Local Authorities have had to make a large leap in terms of the type of waste management services they are now required to procure. They have never before had to deal with the sale of materials rather than traditional purchase.

The McLelland report recommendations seek to resolve these issues and improve efficiency through improvement in skills and greater joint working.

LA Organisational structure

With wide variation between Councils in procurement and selling procedures and with a relatively complex structure of Local Government often means that it can be difficult to change procedures or operate in a more commercially aggressive manner.

Market Information

Councils would like better information on prices in order to benchmark their contracts. Intelligence is improving across the UK from services such as WRAP's Material Pricing Report. However, Councils are far more interested in obtaining information from neighbouring authorities on the prices they receive. This is particularly relevant in Scotland where there are considerable differences between different geographical areas.

Council Size

The relatively small size of Scottish Councils and the tonnages they deliver gives them limited influence on markets to affect price or quality issues.

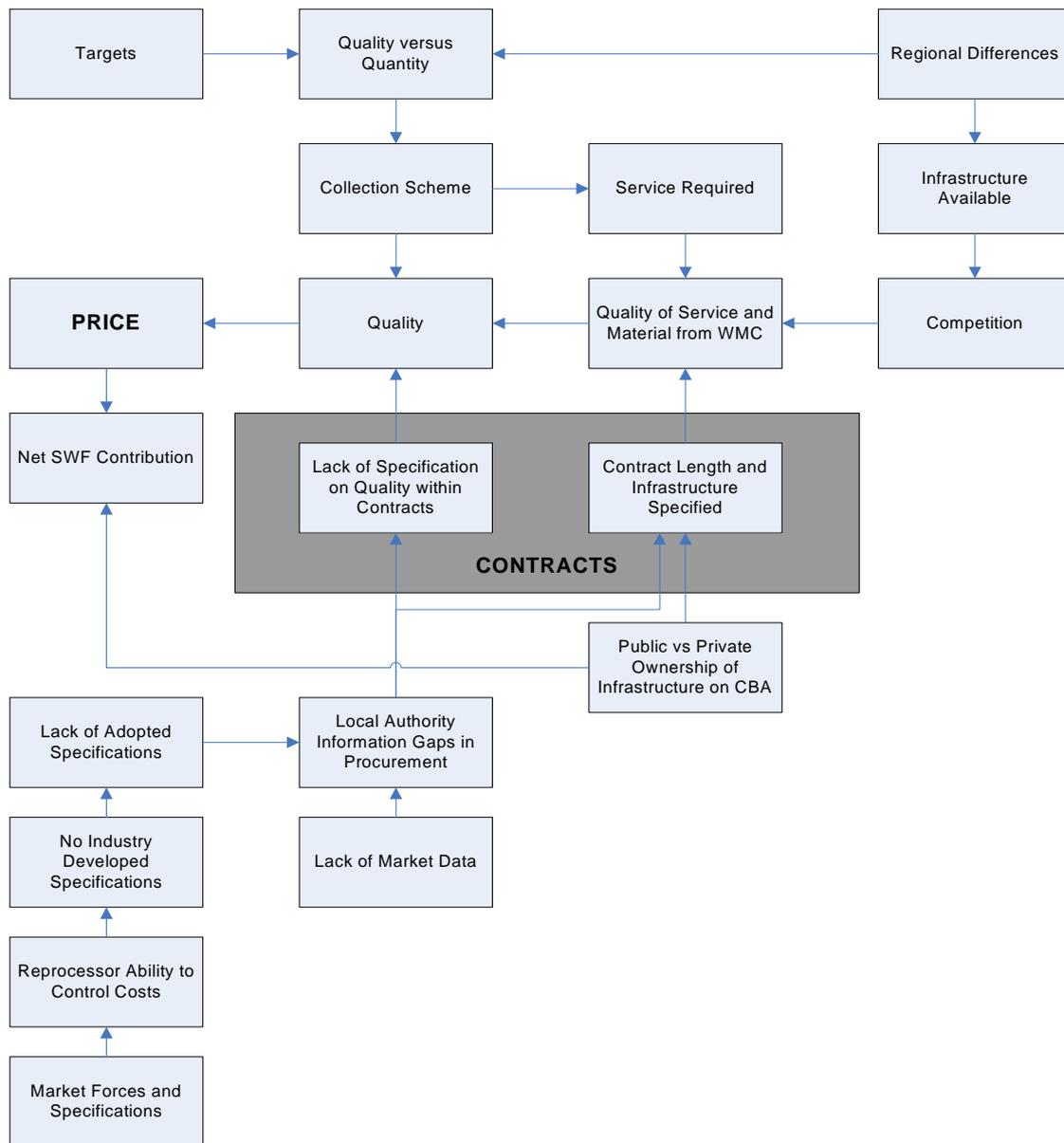
Other Inhibitors

The manner in which Councils are funded can have an influence on achieving best practices. Ring fenced funding such as delivered by the Strategic Waste Fund did not act as a driver to seek best prices. However with these funds now becoming embedded in GAE there is fewer guarantees that they will be available to the relevant departments although they may now act as an incentive to obtain higher returns for recyclate.

Summary

Complex interactions of different factors are acting on the quality of service and value that Councils are achieving for recyclates. The following diagram summaries the interactions and illustrates that improvements in contract specification and length are critical.

Summary of Barriers and Interactions affecting the recycle prices obtained by Scottish LAs



Future Outlook

Scotland will always be in a unique position compared to the rest of the UK with regional differences and the availability of materials limiting the potential locations of reprocessing facilities. On the other hand Councils are working towards making improvements that will have an impact in the future. Local Authorities are widening collection schemes and looking for ways to improve the services they deliver. Councils can look to deliver the best integrated collection and processing service to be able to achieve best quality and demand better prices. The McClelland report is leading to greater examination of procurement skills and joint working. Work by WRAP and others on the development of PAS documents and waste protocols may assist with Quality Specifications.

Recommendations

It has often been proposed that the solution to improving prices is the development of a Local Authority Selling Consortium. However the research identified that while this could have some role to play, contract specification and length have been identified as the factors most critical to enhancing prices.

The research identifies recommendations for improvements that are required to overcome some of the barriers in the status quo and to stimulate incentives for better prices. Foremost is providing support to local authorities in delivering fair contracts between themselves and the buyers of recycled materials. This needs to be supported with improvements in information provision and specification.

Contracts

- Support to Councils in contract development.
- Development of standardised Council contracts.
- Joint selling of recyclable materials by Councils.

Information

- Reliable information on prices obtained for material related to geographical location and quality of material.
- Information on MRF processing costs relating to the type of service being provided.

Specification

- Information on the type of collection scheme and processing that deliver highest recycling rates, quality and price.
- Support to Local Authorities in understanding issues to consider for infrastructure investment.

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1. Introduction

Local Authorities (LAs) in Scotland are responsible for achieving high recycling rates; this is being achieved in part through implementation of effective kerbside collection schemes. Although markets exist for the recyclable material streams collected, it is perceived that barriers exist which prevent Local Authorities as well as community sector bodies from obtaining the best prices from the marketplace in this process. The objective of this paper is to identify and discuss the barriers, highlight how these are likely to change in the future and to identify potential solutions.

This paper covers materials collected through kerbside collections with particular focus on aluminium, card, ferrous, glass, paper and plastic. Green waste and food waste collections are not considered. The paper draws on published material and relevant Remade reports.

Due to commercial confidentiality it is difficult to obtain firm data on all prices obtained in the marketplace for recyclable materials. In addition, Local Authorities have various mechanisms by which they contract reprocessing services. Therefore, it is not straightforward to identify conclusively whether Local Authorities are obtaining prices for recyclable materials below market value in the UK. *Table 1.1* presents recyclable material price data relating to 2005/06 collated for the Remade 'Market Development' report published in March 2007. The data sources for this information were as follows:

- Local Authority survey - 11 out of the 32 Local Authorities were able to provide data.
- WRAP Material Price Index - this data is freely available to organisations that collect recyclable materials from the UK waste stream and who are willing and able to share their transaction prices on a confidential basis. Limited access to this data set was provided to give a 'snapshot' of prices.
- Lets Recycle – this data is publicly available via the Lets Recycle web site.

Further price data is presented in *Table 1.2* from the Audit Scotland report on Sustainable Waste Management published in September 2007. The data presented in this report also relates to 2005/06. While the two data sets are not directly comparable due to the different material classifications used the following should be noted:

- The variance between the WRAP Materials Price Index and Lets Recycle data illustrates the range of market prices that are quoted for the same materials.
- The Audit Scotland data and research by Remade identified that Scottish Councils are obtaining lower prices than their English colleagues.

It is not possible to definitively identify the best price for a particular recyclate at any one time. The overall trend identified is that many Scottish Local Authorities are receiving lower prices for materials than the market rate. However, it is not possible to pinpoint to what extent Local Authorities are achieving prices for recyclable materials below the market average. This paper will discuss the potential barriers, recognising that these will not necessarily apply across the board.

Table 1.1 Price per Tonne Received for Recyclables (Remade, 2007)

Material	Lets Recycle (£/tonne)	WRAP Material Price Index (£/tonne)	REMADE Survey of Scottish Local Authorities (£/tonne)			Variance of Average Price from Lets Recycle Price (%)	Variance of Survey Average Price from WRAP Material Price Index (%)	Number of Responses	
			Average	High	Low				
Glass	Brown	£26.15	£28.00	£22.44	£27.00	£18.50	17%	25%	9
	Clear	£29.88	£30.00	£25.33	£30.00	£21.50	18%	18%	9
	Green	£11.85	£15.50	£15.00	£19.00	£11.50	-21%	3%	9
	Mixed	£12.12	£12.00	£6.67	£10.00	£5.00	82%	80%	3
Paper	Mixed Paper	£26.85	no data	£14.67	£30.00	£4.00	83%	-	3
	News & PAMS	£45.58	£51.00	£27.75	£39.00	£20.00	64%	84%	8
	KLS Card	£47.88	no data	£32.67	£45.00	£22.00	47%	-	6
Plastic	Mixed plastic (bottles)	£105.19	£115.00	£89.67	£150.00	£38.00	-	-	6
	PET	£139.04	no data	no data	no data	no data	-	-	0
	HDPE	£126.92	no data	£100.00	£100.00	£100.00	27%	-	1

Source: Remade Market Development Report, 2007

Table 1.2 Price per Tonne Received for Recyclables by Scottish Councils 2005/06 (Audit Scotland, 2007)

	Market Price	Average Price Received by Councils (£)	Range of Prices		Number of Councils	
			Upper Quartile	Lower Quartile		
Glass	Clean	£24	£11.90	£17.00	£5.25	21
	Mixed	£10	-£24.20	n/a	n/a	2
Paper	Clean	£54	£18.80	£20.50	£20.00	14
	Mixed	£34	£10.50	£15	-£4.00	13
Cardboard	Clean	£54	£16.60	£20.00	£0	16
	Mixed	-	£10.90	£12.00	£0	10
Plastic	Clean	-	£45.00	£39.95	£15.00	8
	Mixed	£90	£38.30	£6.25	-£17.50	8
Metal	Clean	-	£35.70	£30.75	£75.00	12
	Mixed	-	-£0.40	£2.50	-£17.50	8

Source: Sustainable Waste Management, Audit Scotland, September 2007

The rest of the paper is structured as follows:

- Section 2 outlines the way in which public sector procurement operates including outlining the type of services Local Authorities procure for recyclable materials.
- Sections 3-5 presents the aspects contributing to barriers to Local Authorities achieving best price covering Public Sector Operation, Procurement Specification and Market Conditions.
- Section 6 provides a discussion of the barriers and recommendations for overcoming them in the future.

2. Public Sector Procurement

This section describes how procurement operates within Scottish Local Authorities and the way in which collection and processing services for recyclable materials are currently organised.

Local Authorities are required to procure various services from external organisations in relation to the collection, sort, process and purchase of dry recyclates. The procurement process within individual Local Authorities is dictated by their Financial and/or other Standing Orders and EU public procurement rules. Financial Standing Orders are formally approved by the local Authority and apply to every member, officer or anyone acting on its behalf. Although these bind the Council to behave within the limits of the Local Government legislation, these cannot over-rule other legislation such as EU procurement.

If Local Authorities wish to procure goods/services above a specific threshold then they must, in accordance with the EC Public Procurement Directive, publish in the Official Journal of the European Union (OJEU). This is an official means of providing details of procurements thus giving interested parties an equal opportunity to express interest that they wish to tender.

Many Local Authorities have a dedicated procurement unit; the Remade report on sustainable procurement (Remade Scotland, 2006) found from a survey in 2006 that out of the 23 Authorities who participated in the survey, 23% had a centrally-controlled procurement system; 31% were mixed and 46% were completely devolved, where each department had control of budgets.

Where a service or asset(s) require to be procured, the initiating Service (Cleansing Services or Environmental Health in the case of waste services) will alert the procurement unit to the need for their assistance and a preliminary meeting will be held to establish whether the proposed contract is required to be advertised either under Financial Standing Orders or EU procedures. If EU procedures are required, the procurement unit will compile an advert alerting potential bidders to the forthcoming tendering process and how expressions of interest are to be lodged. The initiating service provides technical data such as nature of contract, contract length, quantities etc.

Timescales from publishing a notice to deadlines for tenders will depend on the procedure elected by the Local Authority (open, restricted, negotiated). During the statutory period of advertising, the procurement formulate the contract documents including specifications, payment methods, price reviews (egg how these would be calculated and at what periods), and how tenders would be evaluated.

In the case of waste services this is likely to take into account financial background, environmental policies, quality accreditations and in some instances will involve a site visit. Tender evaluation is set out with a number of parameters being 'loaded' in terms of importance to the contract. The initiating Service should be fully involved in this process, providing the technical input on the waste service required. Procurement's role is to ensure consistency with other procurement exercises

carried out by the Council as well as compliance with statutory procedures. Following receipt of tenders an evaluation process will be carried out.

Local Authorities in Scotland have procured a wide variety of independent contracts for reprocessing. In 2006, 3 Local Authorities used their own Material Recycling Facility (MRF), 2 had Public Private Partnerships (PPPs) in place and the remaining dealt with private MRFs, private collectors and reprocessors, merchants and Community groups.

This information is taken from the Remade Market Development report. The advantages and disadvantages of each model are highlighted. *Table 2.1* gives the average cost of these different supply chain models to Local Authorities. While integrated collection and processing is considerably more expensive, the Local Authorities will incur more direct costs for collection in the other supply chain models.

Table 2.1 Average Cost of Collection and Processing Services in Scotland

Supply Chain	Integrated Collection and Processing Supply Chain	Co-mingled Collection Schemes - The Single Transaction Supply Chain	Source Segregated Collections - The Multiple Transaction Supply Chain
Average Cost of Service/tonne	£97	£25	£33

Source: Local Authority Survey, Remade Market Development Report, 2007

*Of those who paid a gate fee as part of the service the average gross rate paid was £33. For all other participants there was no gate fee paid and rebates were offered of varying rates for varying classifications of material.

Table 2.2 sets out the existing contracts that Local Authorities have for recyclable material processing in 2006. It can be noted from this table that recovered paper and glass are subject to more contract arrangements as opposed to recovered plastics which are rarely contracted. In addition, the length of existing contracts is relatively short with an average duration of 3 years or less.

Table 2.2 Existing Number of Contracts for Recyclate Processing (2006)

Material	Number of Contracts	Average Term of Contract in
	Present	Years
Paper	8	3
Card	4	3
Plastics	0	n/a
Glass	7	3
Mixed/Unmixed Recyclate	7	2

Source: Remade Market Development Report, 2007

Local Authorities use a variety of supply chain models with regards to the way in which recyclable material collection and processing is organised. The procurement requirements for each will vary. The three main supply chain models in operation in Scotland are:-

1. The Direct Integrated Collection and Processing Supply Chain
2. Co-mingled Collection Schemes - The Single Transaction Supply Chain
3. Source Segregated Collections - The Multiple Transaction Supply Chain

2.1. The Direct Integrated Collection and Processing Supply Chain



The integrated collection and processing supply chain is operated by two Local Authorities. This is the least common arrangement in Scotland where a private sector contractor delivers all aspects of collection, materials processing and material sale. This is normally costed and invoiced at a unitary rate per tonne.

There are few companies in Scotland who undertake any municipal waste collections as the majority of Local Authorities provide the service. This has resulted in a lack of collection infrastructure available from private contractors within Scotland. The existing schemes are managed by contractors from England with a track record in supplying these services to English Authorities. For Scottish companies to compete, the term of the contract would need to be sufficient to allow the contractor to write down assets (additional vehicles) and make a necessary profit as well as gaining Return on Investment (ROI) and costing of risk.

The Local Authority is provided with a fully integrated and risk averse collection and processing scheme. Whilst there will be a continual interaction between parties, the onus is placed on the contractor to deliver the service that will assist the Authority in meeting targets within a “known” annual budget. This takes additional operational and exceptional costs such as H&SE, breakdown repair and vehicle hire, rises in fuel cost etc. out of the hands of the Authority and allows a direct “cost per tonne” assessment of their scheme performance.

The contractors engaged in this service provision are given the opportunity to establish and preserve a relationship between the manner in which materials are collected and the quality of those materials. This is of importance to the contractor to guarantee acceptance from reprocessors. This enables them to maximise revenue from materials collected and maximise its ROI. However, should the revenue be affected by market conditions or unacceptable materials, the profit to the contractor will be at risk. To this end, this supply chain can have a greater risk profile for contractors. Most contractors prefer to charge for the services provided and a share of materials revenue (see Supply Chain 3).

2.2. Supply Chain 2: Co-mingled Collection Schemes - The Single Transaction Supply Chain



Three Local Authorities in Scotland are engaged in this supply chain. The single transaction supply chain allows the Local Authority to retain elements of control over the recycling schemes collection system, and then discharges responsibility for the processing and sale of materials to a contractor (or in some cases a framework of contractors all providing the same service) at a unitary rate per tonne.

This supply chain is a risk averse approach to the supply of materials to the marketplace, as the Authority is only required to undertake the collection and delivery of materials arising from the scheme, with separation, processing and sales carried out by the contractor.

To an extent the utilisation of a single transaction supply chain has been welcomed by the private waste management sector; bidding and successfully winning contracts for this activity has provided opportunities to maximise the utilisation of existing facilities. Nevertheless the onus is on the contractor to maximise the revenue from the materials to make the service cost effective and competitive.

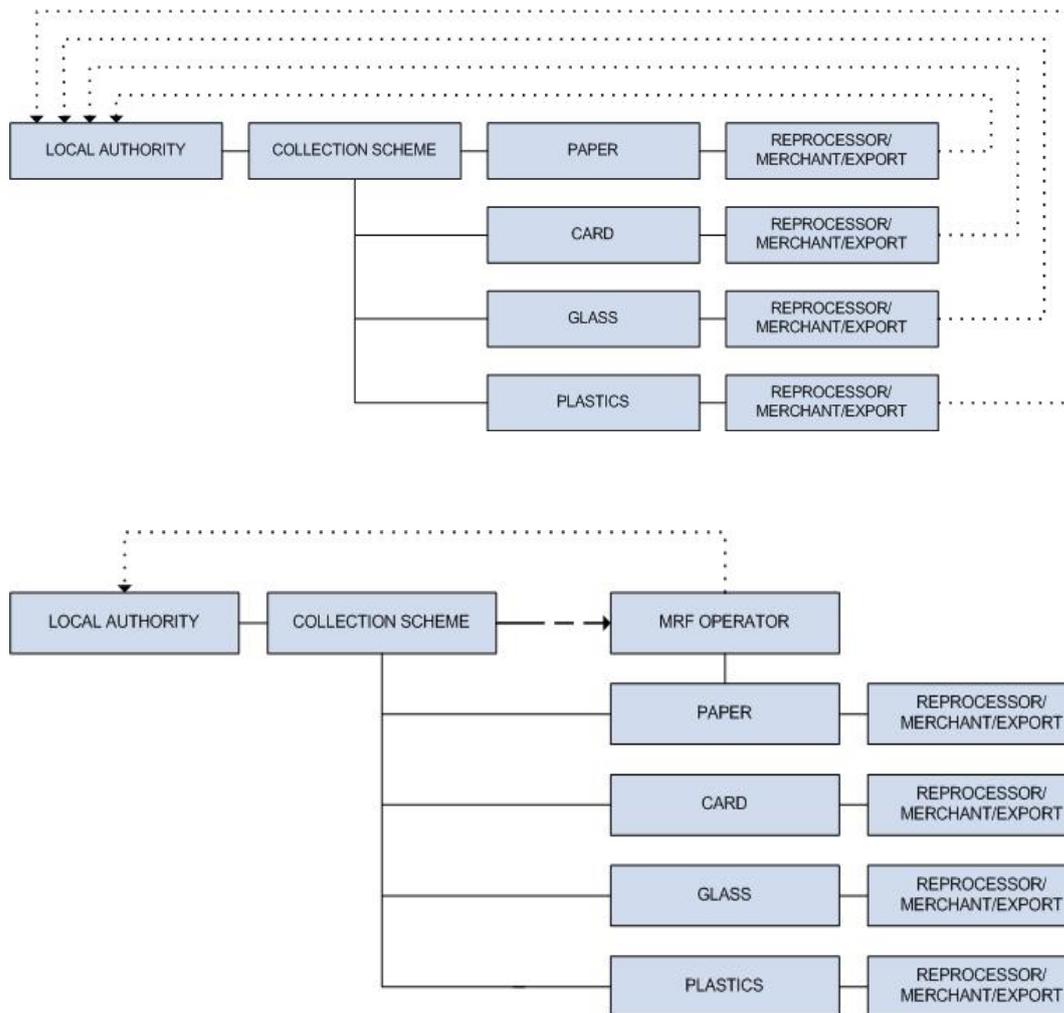
For the Local Authority there are benefits in utilising localised services that can be more reactive to needs, and having control over collection. In addition, competition for these services has provided Authorities the opportunity to “experiment” with a range of contractors under a framework agreement, as well as competition inevitably driving down gate fee rates.

There are only three MRFs that have been designed and built for the sole purpose of processing and selling high quality recyclable materials, all are owned and operated by Local Authorities. To date, no private sector organisation has designed and built a MRF solely for these materials. This is due to the lack of contracts put forward by the public sector that would support the investment required for the construction of a new facility or redevelopment of an existing site. The terms available in the present marketplace are only between 1 and 5 years. It is possible that both the required term of contract and the unitary rate required by the private sector may be problematic for Local Authorities at this stage.

Therefore the materials that are being accepted for processing and sale at private sector facilities may not benefit from the specialised plant and equipment or processing that is required to deliver the best quality possible, primarily because the facilities have been designed and constructed for the purposes of processing commercial and industrial wastes. Some facilities have been upgraded, but without significant investment opportunities it is unlikely that they shall be able to compete with the quality of materials delivered by specialised MRFs.

As a result, accepting that quality influences price paid, it is unlikely that gate fees presently being offered are delivering substantial profit to the private sector and hence unlikely that there will be any significant investment in plant and equipment.

2.3. Supply Chain 3: Source Segregated Collections - The Multiple Transaction Supply Chain



This is the most common supply chain currently adopted by Local Authorities in Scotland. The Local Authority still undertakes the collection aspects of the scheme and delivers either source segregated materials directly to end users (usually merchants/brokers rather than directly to reprocessors), and/or delivers commingled collections to MRF operators with a percentage rebate on sale of materials. These relationships can either be contracted, or based on the spot price system. At all stages there are multiple transactions related to the materials in terms of gate fees paid for segregation or transportation and rebates for materials directly back to the Local Authority. This supply chain is directly subject to the vagaries of the materials markets.

At any given point in time the spot price system gives the Local Authority access to the “market rate” for the materials they deliver. This gives the Authority the ability to change service providers and “play the market” to negotiate best price. Where Authorities utilise this supply chain in tandem with MRF service providers, it places the onus on the service provider to achieve the best quality and price they can, with a percentage of the revenue given back to the Authority – thus providing a “risk free” revenue stream. As with the single transaction supply chain, the same issues with regards to the investment in MRFs applies.

The stability and sustainability of this supply chain is driven by the materials market in terms of supply, demand, utilisation and market rates. An Authority that is directly supplying materials based on spot prices will feel any fluctuations in market price more acutely in terms of its overall scheme cost effectiveness than those “protected” through contract conditions. For those Authorities utilising contracts, both tonnages demanded and price paid will be variables for consideration as part of any contract review. As a result, these variables can only be regarded as “constants” for a maximum of the contract length and will almost certainly be subject to change at every contract review period.

Authorities who engage the utilisation of private sector owned MRFs will inevitably feel the fluctuations of the market in terms of the rebates for materials passed through the MRF operator. However, it is important to note that they will not be subject to fluctuations in terms of material tonnages demanded, as the MRF is contracted to accept all recyclate tonnage. In addition the minimum aspects of services will remain constant – only cost effectiveness will alter.

The Local Authority will therefore always have a level of exposure, most notably in prices paid and so scheme cost effectiveness. While this can be controlled to an extent through the use of contracts and security of “demand” at a minimum rate – it should be accepted that this will be subject to periodic change as part of the contract review process.

3. Public Sector Operation

This section discusses the barriers to best price that centre around the way in which the public sector operates and the objectives and targets that are driving this process.

3.1. Objectives and Targets

The McClelland Report which is largely being implemented by the Scottish Government identified three main elements to achieve improved public services:

- Improved efficiency and productivity – reducing unnecessary bureaucracy, embedding a culture of efficiency across public services, and strengthening leadership.
- The integration of services – joining up services across organisational boundaries, and sharing best practices;
- Strengthen accountability – moving power and resource to the front line, strengthening local responsibility and accountability and efficient and effective governance.

Many of the policies supporting reform and modernisation affect councils because of their key role in delivering local services.

In particular Local Authorities are being required to achieve greater efficiency in the use of public resources and achieve Best Value, which requires continuous improvement in council services, having regard to value for money and taking account of equalities and sustainability (Audit Scotland, 2007).

Local Authorities hold reserves to help deal with the effect of uneven cash flows, to build up funds for known and predicted costs and as a contingency for unforeseen expenditure. 2006 saw an overall fall in the council reserves (Audit Scotland, 2007). Audit Scotland highlight that the overall fall in reserves reflects the financial pressures on the councils; with these pressures likely to continue it is important that steps are taken to maintain reserves and ensure financial stability.

In parallel with cost considerations the aim of continuous improvement requires that services also meet the needs to communities and Authorities' priorities and objectives. Local Authorities are under a responsibility to meet challenging recycling and diversion of biodegradable waste from landfill. Recycling targets are 40% by 2010, 60 % by 2020 and 70% by 2025. These targets themselves have serious financial implications for Local Authorities. The penalty for Local Authorities and the Scottish Government if targets for biodegradable waste are not met may come in the form of large financial fines that could cost millions.

The majority of waste management expenditure (53%) is on disposal with 47% being spent on collection. This is funded through general council funds, previously the SWF (now via GAE) and from income generated from waste services and selling materials collected. The breakdown is shown below:

- General council funds - £194 million
- SWF - £89 million
- Income generated from waste services and sale of materials - £68 million (Audit Scotland 2007b)

Overall the largest variable expenditure for Local Authorities in financing the collection services will be vehicles, crew and staff. Efficiencies with vehicles and staff are areas where councils can achieve monetary savings. *Table 3.1* shows the split in costs for a theoretical collection scheme based on a typical service being implemented by Local Authorities in Scotland. This demonstrates that the income received from the sale of recyclates is a small compared to the cost of the overall scheme. The Remade model was used to assess the impact of material cost on overall recycling scheme costs. The results are presented in *Table 3.1*, with the assumptions used given in *Table 3.2*. The results demonstrate that price can potentially have a significant impact on overall costs. If UK market rates were achieved, then within this scenario a 22% reduction in costs would result. However, the likelihood of a Local Authority being able to work within the market to achieve best price will be dependant on the type of collection scheme which is being implemented:

- A segregated kerbside collection scheme- unlikely to be able to achieve market rates as materials will require further processing.
- Local Authority owned MRF – can control quality and work in market to obtain best price.
- Co-mingled collection and private MRF – if fixed fee then price has no impact on Local Authority. If rebate, Local Authority reliant on MRF operator to obtain best price as well as clear auditing procedures.

Market conditions will also act price such as costs for transport as discussed in *Section 5*. As a result it is unrealistic to expect Local Authorities in Scotland will be able to achieve the top market price. The results indicate that a 50% increase or decrease from the current average price achieved by Local Authorities would only result in a 7% change in overall costs. This is a small proportion and may require significant additional staff resources to achieve.

Table 3.1 Impact of Material Price on Overall Recycling Scheme Costs

	% Increase / Decrease in Costs
Option 1 - Scotland LA Average	n/a
Option 2 - UK Market Rate	-22%
Option 3 - 50% Increase	-7%
Option 4 - 50% Decrease	7%

Table 3.2 Assumptions

The scenario established within the model was for a typical Local Authority segregated collection scheme.

Price data was taken from the report 'Sustainable Waste Management' by Audit Scotland (2007).

The Audit Scotland report does not contain market price data for metals. A fixed rate of £20/tonne was used across all the scenarios for metals. The price used for 'plastic – dense' was an average of the clean and mixed figure quoted. The price used for 'glass' was the clean figure quoted.

	Option 1 - Audit Scotland (Averages)	Option 2 - UK Market Rate	Option 3 - 50% increase from average	Option 4 - 50% decrease from average
Dry recycle				
Paper - News	-18.8	-54	-28.20	-9.40
Paper- Card	-13.75	-54	-20.63	-6.88
Paper - Mixed	-10.5	-34	-15.75	-5.25
Plastic - Dense	-41.65	-90	-62.48	-20.83
Plastic - Film	0	0	0	0
Non Ferrous	-20	-20	-20	-20
Ferrous	-20	-20	-20	-20
Glass	-11.9	-17	-17.85	-5.95

Increases in prices received for recyclates will assist in funding council collection schemes and achieve greater efficiency in the use of public funds. However, as shown by the worked examples, the changes in income received from the sale of recyclates makes a relatively small contribution to the overall costs of running a collection scheme. Efficiencies can be made in other areas requiring fewer staff resources such as staff and vehicles.

Meanwhile the Local Authority waste management staff are under a huge pressure to deliver both recycling and biodegradable waste diversion targets. In addition, a lower price received for recyclates may be acceptable if other aspects of service are taken into consideration. For instance, risk and stability are also very important when Local Authorities determine how to deliver their recycling services. Further, the way in which the SWF funding was delivered further compounded this situation. This is discussed in *Section 3.4*. Therefore in the balance of priorities, achieving better prices for recyclates is not acting as a driver within Local Authorities.

3.2. Collection scheme

Table 3.3 sets out the arrangements that are in place for kerbside collections in the Waste Strategy Group areas and how these were likely to change in the future as a result of the Strategic Outline Cases. Although this will not now be the case, the main point to note is that there is an increasing shift from kerbside sort to multi material collections which will subsequently require additional MRF or sorting facilities.

There is likely to be increasing continuity and standardisation of service by Local Authority areas, and hence consistency of recyclable materials collected.

The move to co-mingled collection is driven by the Local Authorities' objective to achieve national recycling rates through their collection schemes. It has been found that higher recycling rates are achieved from co-mingled collections. The Remade kerbside best practice report found that multi-material schemes with four or more materials produce 139% more material than single material collection schemes (Remade Scotland, 2007a).

It is broadly accepted that better quality recyclable materials achieve a higher price in the marketplace. The Audit Scotland report on Sustainable Waste Management asserted that materials which have been collected using co-mingled system are often of lower quality and more contaminated than materials which have been segregated earlier. *Table 1.2* demonstrates that Local Authorities who collect clean paper receive a higher price on average than those which collect paper using a mixed system.

Table 3.3 Kerbside Collection of Recycled Materials: 2006

Area Waste Group	Waste Plan Area	Councils within Waste Plan Area	Recycled Material Collection Schemes		Future infrastructure
			2006	Future	
1	Orkney and Shetland	Orkney and Shetland	Shetland – segregated Orkney – co-mingled	Expand collection	-
2	Western Isles	Western Isles	Segregated kerbside	Expand collection.	-
3, 4	Highland and North East	Highland, Aberdeen City, Aberdeenshire and Moray Council	Segregated kerbside collection scheme.	Segregated kerbside collection scheme.	MRF x 2
5	Tayside	Angus, Dundee City, Perth and Kinross	Segregated kerbside collection	Segregated kerbside collection	MRF x 1
6	Forth Valley	Stirling, Clackmannanshire, Falkirk	Disparate schemes: Falkirk co-mingled. Others source segregated	Common kerbside commingled collection scheme	MRF x 1
7	Fife	Fife	Segregated kerbside collection scheme.	Segregated kerbside collection scheme.	MRF x 1
8	Lothian and Borders	Edinburgh, East Lothian, Midlothian, West Lothian, Scottish Borders	Disparate schemes. Mixture of segregated and co-mingled. 4 segregated schemes, 1 co-mingled.	Expand collection	-
9	Ayrshire, Dumfries and Galloway	North Ayrshire, East Ayrshire, South Ayrshire, Dumfries and Galloway	All operating source segregated kerbside collection schemes.	North Ayrshire to move to co-mingled kerbside collection	MRF x 2 Continued use of East Ayrshire MRF
10	Glasgow and Clyde Valley	East Dunbartonshire, East Renfrewshire, Glasgow City Council, Inverclyde, North Lanarkshire, South Lanarkshire and West Dunbartonshire	Disparate schemes. Mixture of segregated and co-mingled. In some cases differing systems in operation within councils.	Extension of segregated collection at kerbside.	MRF x 2-3
11	Argyll and Bute	Argyll and Bute	Mixture of area specific co-mingled schemes. Some private sector some community sector.	Expand collection	MRF x 1

Source: AWP, SOCs Key: SOC = Strategic Outline Case; MRF = Materials Recycling Facility,

3.3. Infrastructure

Where existing contracts are in place it will be difficult for Local Authorities to renegotiate. Discussions with Local Authorities suggest that attempts to renegotiate contracts are rarely successful. Therefore Local Authorities are limited in the actions they can take towards improving operations until contracts come for renewal. However, as demonstrated in *Table 2.2* existing contracts within Scotland are short in length not exceeding three years.

Contracts have the advantage that they provide long term security and stability to all parties. Conversely, long term contracts do not allow Local Authorities to take advantage of competition in the market or enable them to renegotiate or seek improved prices. In recent years the waste management industry in Scotland has seen increased competition for Local Authority waste management and dry recycling contracts as a number of “owner – operator” and new start firms entered the market to compete with the more established companies to provide new services demanded by Local Authorities. The fact that there has been no clear leader in the provision in recycling services, has encouraged Authorities to demonstrate flexibility and undertake a number of trials and short term arrangements to ensure that they are receiving the best service provision possible.

As demonstrated in *Section 2* this has resulted in Local Authorities adopting a number of supply chain models for the delivery of their collection and reprocessing services. There is an interaction between the type and length of contract being offered by Local Authorities and the implications on quality and price of recyclates. The potential implications of short-contract lengths are dependant on the type of service being contracted.

There is currently a lack of infrastructure within Scotland to privately deliver Integrated Collection and Processing Supply Chains. As a result contracts need to be of sufficient length to allow for investment in infrastructure and with sufficient time for return. To date contracts offered have not allowed local contractors to be competitive for this kind of service and contracts have been won by English companies who have established services. Only two Local Authorities this supply chain set up despite being low risk. In addition, it allows contractors to establish and preserve a relationship between the manner in which materials are collected and the quality of those materials enabling them to maximise revenue from materials collected.

Three Local Authorities are engaged in Single Transaction Supply Chains where all material from collection schemes is sent to a private MRF for reprocessing. Competition for these services has provided Authorities the opportunity to “experiment” with a range of contractors under a framework agreement. However, the competition means that the gate fees being obtained by the service provider do not allow for significant investment in plant and equipment and quality of the materials processed is likely to be lower. Tendering for a new or significantly upgraded MRF will be very expensive when viewed over a short term contract due to the investment that needs to be recovered over a short time scale. So, while a short

term contract will deliver what appears to be competitive price quality is likely to suffer and may not be offering best value in the long term.

Single Transaction Supply Chains are likely to become more common in the future as Local Authorities move towards more co-mingled collection schemes

Multi-transaction Supply Chains are most prevalent within Scottish Local Authorities. Spot prices enable the local Authorities to change service providers and access the “market rate” for materials. Therefore in this situation it is the Local Authorities procurement skills, knowledge of the market and access to the market which will act on the price obtained as well as the quality of the product offered. Spot prices can most commonly be utilised where single material collection schemes are in place. Most commonly this type of supply chain will involve a MRF, with a percentage of the revenue given back to the Authority via rebates. Not many local Authorities operate contracts that give rebates. This places an onus on the service provider to achieve the best quality and price they can. The greater to price they obtain the more profit they receive. However, this benefit is not necessarily passed onto Local Authorities. In consultation it was found that Local Authorities prefer fixed rebate values for materials because it is easier to manage budgets. Therefore any improved price obtained by service provider will not be fed back to Local Authority (correct?). If recyclers are getting fixed rebate values for materials they prefer short term contracts. Similarly, MRFs contracted by Local Authorities under Multi-transaction supply chains suffer as in single-transaction supply chains from lack of investment and hence the quality of the product suffers.

Generally Local Authorities have tended to have a short term vision related to the need to deliver on targets, gain knowledge of the services available and take advantage of competition in the market. Local Authorities are also risk averse and are reluctant to take ownership of materials. Local Authorities could benefit from having greater longevity in the way in which they develop and assess tenders and award contracts. Conversely however, if long contract terms were offered it potentially would make better financial sense for the Local Authority to provide the process and sort service as well as the collection service. There are advantages to Local Authorities developing publicly owned MRF materials where they would have control over the quality of output and deal directly with reprocessors (see *Section 4.4*). However, unless a long term view is taken this option will not look favourable in a Cost Benefit Analysis and will involve greater risk.

Investment in better facilities required to improve the quality of the service and hence the product. Services provided have to deliver return on investment to the service provider. This direction needs to come from the Local Authorities. As highlighted in *Table 3.3* a number of MRFs are required to deal with increasing amount of materials collected in the future. This provides an opportunity for Local Authorities to improve the service that they procure in the future.

3.4. SWF Contribution

The SWF provided funding for Local Authorities to implement collection and processing schemes. The bids made by Local Authorities were assessed according to

Value for Money in terms of Cost per Tonne and funding was modelled to 2019/2020. To ensure bids were robust each bid was evaluated using a cost model and only bids where costs fell below a benchmark level were funded. The SWF award funding became part of the GAE from the commencement of the new financial year, April 2008.

Previously SWF paid for the net cost to councils. Net cost consists of Capex (bins, vehicles and other equipment) and Opex (vehicle running costs, gate fees, incomes for materials with rates stated) minus Council Contribution (landfill tax and gate fee avoidance).

The way this operated encouraged Local Authorities to seek best price for materials in the following ways:

- No inflation is costed into bids other than through the predicted increase in waste growth. Local Authorities will have to continue to provide services for same price in the future as they are delivering now.
- Commercial and industrial waste was not covered by SWF funding therefore any mixed services costs have to be covered by the Local Authority.
- The Scottish Government has knowledge of what price/tonne should be obtained for materials and will question bids where prices are low.

Aspects which did not encourage Local Authorities to pursue best price were:

- Guaranteed money to fund any scheme approved.
- Local Authorities cannot bank any profit on their services during the year giving no driver to improve on the price stated in the award.
- If Local Authorities achieved a significantly better price the Scottish Government would expect to receive a rebate on the funding given. This does not provide an incentive to Local Authorities to put more resources into obtaining better price.
- The SWF did not accept a bid over a certain benchmark. This limited the scope to pay for investment in new infrastructure which could deliver material of a better quality.

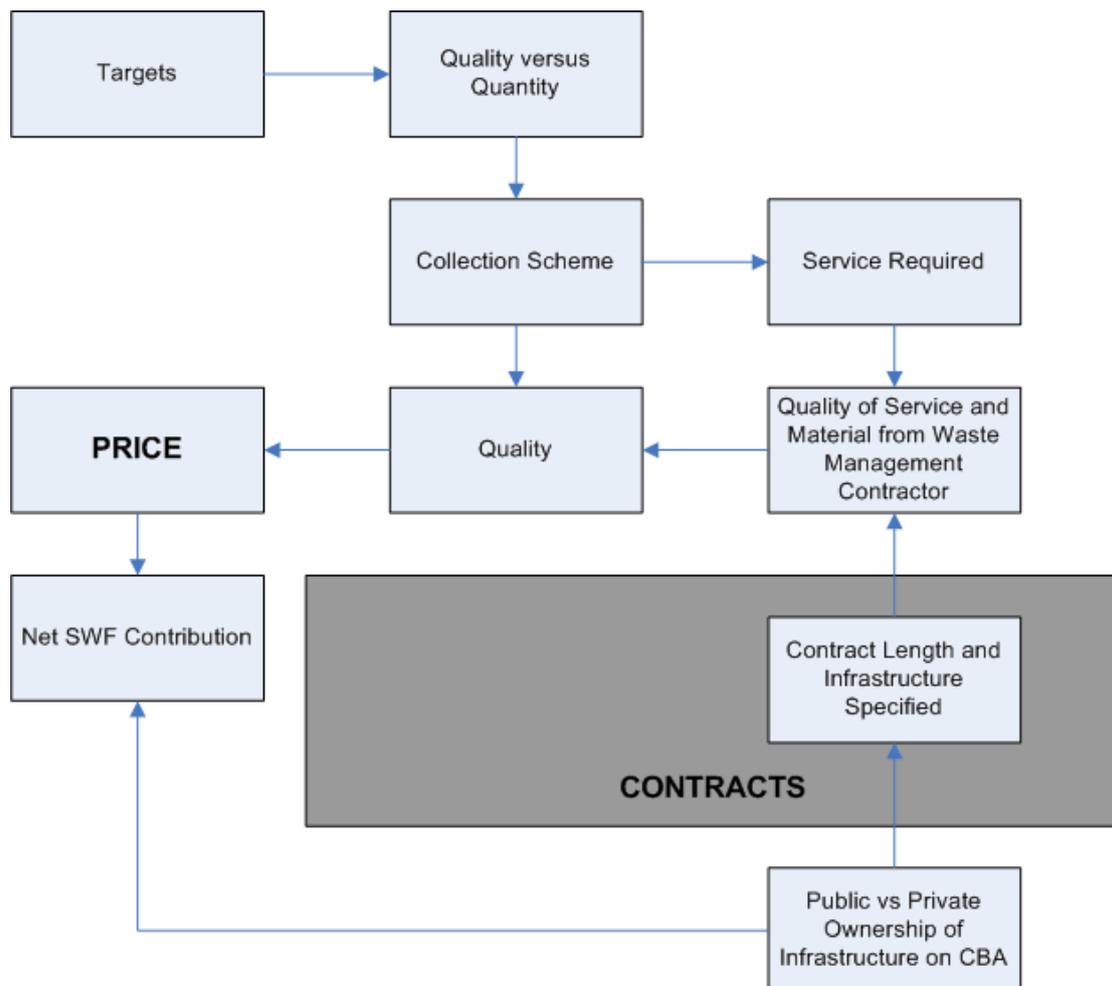
Overall the SWF did not act as a driver for Local Authorities to put resources into obtaining higher prices for recyclable materials.

3.5. Summary

The flow chart presented in *Figure 3.1* highlights the relationship between the issues discussed above. Public sector barriers focus on the quality of the recyclate that is delivered by the collection and sorting services and the way in which contracts for these services are developed. They can be summarised as:

- Deliver of high recycling rates is a higher priority within Local Authorities than obtaining best price for materials. Currently achieving better price for materials would have only a small impact on the overall cost of collection and sorting schemes, although the balance may alter in the future as increasing amounts of material are collected. The focus is on quantity rather than quality.
- Pressure the deliver high recycling rates results in an emphasis on the quantity of material collected. As a result collection services may not deliver the best quality materials and hence achieve best price.
- Local Authorities are risk averse due to potential implications on financial budgets and have focused on short term contracts. This short term vision does not encourage investment in new infrastructure which would deliver more high quality materials and better value for money in the long term.
- The way in which the SWF operated.

Figure 3.1 Public Sector Barriers and Relationships.



4. Procurement Specification

This section focuses on the barriers to best price that exist as a result of issues to do with procurement skills and information gaps.

4.1. Procurement Skills and Practices

The Efficient Government Initiative requires public bodies to consider e-procurement and review their procurement practice. The McClelland Report found that there have been significant improvements in the public sector but that skills and procurement practices need to be upgraded and consideration given to advancing procurement (Audit Scotland, 2007a).

A Public Procurement Reform Board has been formed to drive forward reforms across Scotland's public services as a result of McClelland Report through the Public Procurement Reform Programme.

The Programme's Vision is the implementation of structures, capability and processes to provide continuous improvement in procurement across the Scottish Public Sector in order to deliver Value For Money improvements and support increased efficiency.

The McClelland report made several recommendations around organisational structure. It was recommended the all organisations should have a central procurement department and Chief Procurement Officer. Contractual commitments on behalf of all organisations should be executed by a "Procurement Officer". The Procurement Officer should have the sole Authority to make these legal commitments on behalf of the organisation (McClelland, 2006).

The report highlighted that procurement practices and are not anywhere near the high standards required to deliver Best Value. Actions being taken forward in this area are:

- Assist organisations across the Public Sector in improving their procurement practices through provision of tools, techniques and advice.
- Produce and roll out a 'toolkit' to guide organisations through procurement processes. (McClelland, 2006)

The report identified that generally the level of procurement people and skills within the Public Sector fall short of the Private Sector. Actions being taken by the Programme in this area are:

- Liaise with professional bodies to develop an appropriate framework of training and certification;
- Design and implement EU procurement training;
- Lead/ facilitate the establishment of a national collaborative procurement training framework; and

- Provide advice and guidance to other projects regarding skills assessment, job descriptions and competencies. (McClelland, 2006)

The strength of any Council's procurement process is down to individual management arrangements and the involvement (or otherwise) of their legal service. Lack of procurement skills will have an impact on the quality of waste services obtained and hence the price achieved for materials collected.

Consultation was conducted with Local Authorities and results indicated that there were gaps in information which could impact on the effectiveness of the procurement process. Local Authorities were interested in obtaining information on market price for materials and prices for operating MRF. In particular, they were interested in obtaining information for neighbouring Local Authorities. This indicates that there needs to be greater communication and information sharing between Authorities. Therefore gaps in information within in waste departments as well as lack of skills in procurement department.

4.2. Joint Working in Local Authorities

The McClelland report highlighted collaborative procurement as one of the most significant opportunities for improvement in procurement. The report highlighted the following as the most important advantages:

- Better utilisation of scarce procurement resources and skills;
- Aggregation of spend to create greater purchasing power which will in return result in improved cost savings;
- A more efficient and less complex interface to suppliers utilising the efficiency of systems and other refinements of e-trading; and
- Spread of best practice including sharing of market intelligence.
(McClelland, 2006)

Audit Scotland's Sustainable Waste Management report highlighted that currently all Scottish Local Authorities sell their recyclables individually. Only 12 Local Authorities have considered joint contracts with other Local Authorities to sell recyclables. The report went onto recommend that Local Authorities should consider working together if markets for recyclables are to be secured at the most advantageous price. It was suggested that this should possibly be on a material to material basis to achieve economies of scale (Audit Scotland, 2007b).

Certainly there are examples of Local Authorities working together in waste management services. The 3 Forth Valley Local Authorities have signed a Joint Buying Agreement and intend to work in partnership where possible. Currently they jointly contract support from SWAG, Falkirk operates a Management Contract on behalf of all 3 Local Authorities for a community group to recycle mattresses, Stirling and Clackmannanshire have a joint agreement for a compost pad and transfer station and Clackmannanshire are also party to a MRF contract with Falkirk. The

effectiveness of the procurement department can have an influence on how easily joint working can be achieved. For example South Ayrshire procured new “kerbsider” vehicles for all three Ayrshire Authorities but this involved the waste officers from all three Authorities agreeing on a standard specification.

Audit Scotland highlighted this year that Local Authorities are reviewing their procurement strategies and policies. Most are involved in collaborative purchasing with other organisations and are considering whether this can be extended. More needs to be done to consider and develop centralised procurement (Audit Scotland, 2007a).

The McClelland report recommended the establishment of Centres of Expertise on a commodity by commodity basis to manage collaborative procurement activities at the national and sectoral level in order to increase efficiency and improve value for money. Commodities managed at national (Category A), sectoral (Category B) and local/ local collaboration (Category C/ C1) levels, with effective linkages and co-ordination between these levels. These COEs are currently being established by the programme. The report highlighted that the type of item that may be classified as Type B could include refuse services and equipment for Local Authorities. These Centres of Expertise are currently being developed.

Consultation by Scottish Government for Transforming Public Services (Scottish Government, 2007a) demonstrated a wide consensus that services need to join up better than they do at present. As part of the programme the Scottish Government are working to identify, and consider possibilities for removing barriers to joint working and integrated service delivery. They have commissioned a report which aims to identify:

- Legal issues which affect, and to varying degrees inhibit, joint working in the public sector, and
- The extent to which front line and back office service integration is possible across Scotland’s public service, with current legal frameworks.

Shared Services is one of the five work streams within the Building a Better Scotland – Efficient Government Plan and is a key driver for the delivery of the 2010 efficiency targets set out in the plan. The opportunities for shared services cover support functions such as procurement. The consultation on a shared service strategy for Scotland’s public service highlighted some common concerns from Local Authorities:

- Lack of capacity/expertise within public sector organisation to deliver change seen as most significant risk, followed by concerns about reductions in service quality/customer focus, and financial projections not being met;
- The potential loss of jobs in rural areas and a loss of local control and democratic accountabilities;

- A lack of available guidance/clarity on EU procurement rules and the implications of these rules on the different models for shared services;
- Local suppliers may be excluded from opportunities and large UK and Global companies may dominate.

Following the consultation, the Scottish Government are taking forward a range of practical measures to create the framework for the widespread, sustainable adoption of a shared service approach across public services.

The consultation response agreed with the importance of putting in place effective governance arrangements to co-ordinate shared service implementation across the public sector. A number of sector based governance arrangements are now in place, including the Local Government National Shared Services Board and the National Procurement Transformation Board. Consideration is now being given to creating a framework that can link these into an effective national governance structure for public service reform.

The need for further guidance on the different models for shared service delivery and the implications of these in relation to legal, procurement, governance and funding etc was highlighted in the consultation. Work will be undertaken to bring together information on these issues, which will be linked to a library of case studies which illustrate the different approaches open to organisations considering a shared service initiatives.

The Scottish Government is also working with the Enterprise Network and private sector sponsors to create a Scottish Shared services forum. This will create a shared service community of interest in Scotland, linking staff from both public and private sector organisations involved in the delivery of shared services and business improvement activity. (Scottish Government, 2007b).

In relation to waste services there is a degree of which Local Authorities are wary of losing the gains they have in developing successful infrastructure through joint working. Mechanisms aiming to engender greater joint working would need to ensure this is taken into account. In some case the Scottish Government have used the funding mechanism to persuade Local Authorities to work collaboratively.

4.3. Contract Specification

While the procurement skills within Local Authorities are undoubtedly an issue this is an area that is receiving considerable focus for improvement. In addition, the quality of the contracts that are developed by procurement departments and hence the effectiveness of the contracts in delivering best value, is not only a factor of the effectiveness of the procurement department. Arguably the most important element is the quality with which the waste services are specified.

While it is not possible to include details of tender documents sent out by Local Authorities there is evidence that a very small portion of the document is dedicated

to specifying the waste services required. Contract documents tend to be poorly specified, unspecific and lacking in information.

Particular issues that have been noted from existing contracts are:

- Scope is limited to ensuring diversion of the appropriate level of material, the management of the recyclate/waste material. No detail is given on the quality of material that is to be delivered.
- Existing specifications focus on provision of **service** for '**recovery/recycle and disposal**'. There are a number of issues when using such ambiguous terminology. For example, recovery/recycle may involve an initial sort of the materials into individual streams. The contract does not request information on final recovery/resale/export.
- Auditing and checking procedures tend to be loosely defined. The Local Authorities may request that the successful company keeps a documented audit trail. However, there is no specific guidance however on what information is required in this document.
- No formal mechanisms introduced for formal reporting on contamination.

It can be argued that some of these issues could be down to a gap in procurement skills. Procurement departments are focused on buying in goods and services not selling. In addition, while waste officers are experienced and knowledgeable, their main priority (as discussed in *Section 3.1*) is to achieve diversion rates. However, the main issue is lack of resources by which to benchmark the quality of the service being delivered.

Recognising the importance of good contracts between buyers and sellers WRAP have developed model contracts for collection services, organics and paper (WRAP, 2007). Organics is not relevant to this piece of work and will not be discussed further.

The Collection Services Model contract is not material specific. It is a general contract covering the different options for the collection and initial processing of waste. The contract does include detailed schedules covering "the services" and "price". The schedule on "the services" covers bring bank services and kerbside collection. It includes a section on "Quality of Material" which allows that the supplier shall use "reasonable endeavours" relating to the condition of the material and to ensure that it meets stated specifications. This is a loose enforcement of quality. No advice is given on specifications that should be used beyond the PAS documents. The schedule also requires the supplier to monitor on quantity and quality. It does not appear to require reporting on where the materials are being sent to.

The Paper Model Contract is a paper supply contract, to assist organisations who collect waste paper to reach agreement with those who reprocess it. The contract contains a section "Quality" stating that the customer will test the material in

accordance with Schedule 2 “Quality Testing Method” and provide report to the Supplier on average quality statistics. However, no details are provided under Schedule with regards to specifying how the tests should be carried out or the content of the feedback reporting.

Despite these model contracts being developed with stakeholders from waste suppliers and waste reprocessors they still do not adequately address the issue of quality and benchmarking.

Issues with regard to quality specification within the model contracts aside; those model contracts currently available do cover the scope of services currently supplied to Local Authorities in Scotland. Referring back to the supply chain arrangements highlighted in *Section 2*; for the most part separated or commingled recyclates are delivered by the Local Authority to a service provider for process, sort and sale to reprocessor.

In summary, through better contract specification the Local Authorities would be able to provide a push towards improved quality of service and therefore influence price. Currently Local Authorities do not have the tools by which to take this forward.

4.4. Scotland Excel

Although not evaluated in this report a further initiative which could help in acting as a consortium is the Scotland Excel project. This is a new initiative which aims to:

- Reduce cost and increase the quality of service from suppliers through collaborative procurement initiatives. Scotland Excel will act as the delivery agency for local government and partner organisations for category ‘B’ (sectoral) commodities. It will also play a role in the category ‘A’ (national) commodities and category ‘C’ (local) commodities, acting as the main point of contact for national initiatives and supporting the development of council procurement initiatives and facilitating cluster initiatives at local level.
- Facilitate more effective dialogue between procurement professionals and partner services departments by creating a customer-orientated organisation.
- Increase the level of expertise and capacity in local authority procurement by developing a comprehensive coaching, mentoring, training and development framework, aimed at all relevant staff in all functions.
- Deliver business benefits within the supply chain community by fostering innovation and effective partnerships with key suppliers, small and medium-sized enterprises (SMEs), trade associations, and other public and private bodies, at all levels.
- Develop an approach that is scalable for all Scottish local authorities.
- Manage the transition to the Centre of Expertise, in line with the McClelland recommendations and timescales.

Several workstreams are currently under way to gather and analyse information to meet these objectives and Scotland Excel is working with local authorities to deliver a Centre of Procurement Expertise in line with the McClelland vision, staffed appropriately and fit to best meet procurement expectations and needs for the 21st century.

4.5. Quality Specifications

As discussed supply chains in Scotland often result in Local Authorities delivering their collected materials to MRF facilities run by waste management contractors and merchants/brokers rather than directly to material reprocessors. The reprocessors deal directly with merchants/brokers they are not aware of the direct source of materials. As a result there is a lack of feedback on quality between the reprocessor and the Local Authority. The implication of this is that Local Authorities will not receive the necessary information to assess how well their collection services are performing and hence improve their services in order to improve quality and hence price.

One potential way in which to address quality issues is to incorporate quality specifications within contracts. Currently there are no legally binding quality specifications for recyclates in the UK. To date the principal approach to quality of recovered materials has been the development of new publicly available specifications (PAS), delivered by WRAP and British Standards Institute (BSI), in partnership with relevant stakeholders.

A PAS is a standards document that is sponsored by single or multiple stakeholders that can cover a wide range of products or processes. The finished PAS is a document that informs stakeholders of the required standards for operating within a certain industry. By sponsoring the PAS process stakeholders put down a marker to state what the acceptable standards are for operating within specific recovered material streams.

There have been four key PAS documents presented by WRAP and BSI for dry recyclates:

- PAS 101 for Recovered Glass
- PAS 102 for Recovered Glass Use in Alternate Applications
- PAS 103 for Waste Plastics Packaging
- PAS 105 for Recovered Paper and Board

The PAS documents make recommendations for, and give guidance on, good practice for the collection, handling and processing of recovered materials intended for recycling within UK end markets. They are applicable to materials collected by local Authorities, local Authority contractors, community groups and charities, households and other commercial establishments.

Table 4.1 PAS Overview

PAS	Description of Content
PAS 101	<p>PAS 101 attempted to harmonize various independent specifications to provide a comprehensive specification for all raw container glass collected in the UK for recycling.</p> <p>It introduces a four tier grading system for raw cullet quality, grades A to D, according to the degree of colour separation, contamination and particle size.</p> <p>PAS 101 also detailed test methods which may be used to verify that the required quality is met for each specified grade in the event of a dispute.</p>
PAS 102	<p>PAS 102 was developed to provide quality requirements for recycled glass suitable for the following secondary markets:</p> <ul style="list-style-type: none"> • glass in ceramic sanitary ware production • glass as a fluxing agent in brick manufacture • glass in sports turf and related applications (e.g. as a top dressing, root zone material, or golf bunker sand) • glass as water filtration media (e.g. in applications for waste water treatment) • glass as an abrasive <p>Colour, contamination limits and particle size requirements of processed glass are specified for each secondary market and test methods are detailed as appropriate.</p>
PAS 103	<p>The PAS 103 is a classification and grading system for recycling waste plastics packaging materials which aimed to increase the value of the materials in the market.</p> <p>The interface for the specification is set between collection and trading operations and the waste plastics processing stages and ancillary processes. The classification system, which is carried out by visual inspection, involves:</p> <ul style="list-style-type: none"> • the initial recording of the batches and their source and other details • the specification of the quality of the waste and its grading (original application, polymer types, main colour, contaminants) • the classification of the original or intended application (bottles, bags, films) <p>PAS 103 also covers test methods and good practice in the collection, storage and delivery of waste plastics packaging.</p> <p>The quality of the waste is then specified, and the waste graded, according to the following categories:</p> <ul style="list-style-type: none"> • Main original application of the waste; • Main polymer type(s) present; • Main colour; • Contaminants <p>In each category the type and percentage by weight is assessed visually and</p>

	reported. The surface water content and any additional information on the batch of waste may also be provided.
PAS 105	<p>The main aim of PAS 105 is to explain the key factors that influence the efficient recovery of recovered paper in order to promote best practice at all stages. The PAS makes recommendations for, and gives guidance on, good practice for collection of recovered paper intended for recycling. It is applicable to household sourced paper.</p> <p>PAS 105 covers a number of different areas on the collection and consigning of recovered paper, such as:</p> <ul style="list-style-type: none"> • Recovered paper collection • Transportation, handling, storage and delivery. • Collection systems to mill. • Making recycled paper. • Quality of the recovered paper. • Communication. • Training. <p>Under PAS 105 paper for reprocessing should, ideally, be graded and quality focused.</p> <p>Each grade is given both a positive and prescriptive definition. The positive definition gives detail of the types of paper which are acceptable within this grade. The prescriptive definition describes a more technical definition of what is, and is not, acceptable, and indicates levels of tolerance. Predominantly PAS 105 operates as a “good practice guide” and there are few benchmarked quality standards across the main topic areas. PAS utilises a “do’s and don’ts” approach to collection. One key area of the PAS is that the quality parameters it suggests are not “absolute” in terms of contamination. Whilst the PAS makes reference to minimum and maximum criteria for the content of the recovered materials, the prescriptive definition makes allowances for a percentage of contamination that can be expected despite the “best practice” approach.</p>

Ultimately the success of any PAS can be determined by the relative up take of the standards among the target audience. In the case of the PAS schemes for dry recycle this would require a significant proportion of the municipal solid waste sector, including local Authorities, waste managers, merchants and reprocessors to be utilising the PAS specifications in order to demonstrate compliance with a known and recognised “quality” oriented regime.

Unfortunately, despite the extensive and in depth development and promotion work undertaken by WRAP with involvement of stakeholders and established trade bodies, there appears to be little evidence to suggest that a large number of organisations are operating to the guideline specifications produced. The specifications are voluntary and not legally binding and there are a number of potential reasons why they have not been more widely adopted.

A key element of any PAS is the requirement to undertake routine sampling and testing of recyclates against the specifications, not only to ensure compliance with end users, but also to ensure that existing and planned procedures and plant are effective in meeting those specifications. A local Authority or waste manager handling dry recyclates would require the knowledge, techniques and resources to conduct this sampling and testing. As such, it is suggested that the adoption of, and commitment to, attaining the PAS guidance for dry recyclates can often be seen as onerous and resource intensive.

There is also little evidence to suggest that, PAS specifications have been utilised to establish the price that can be achieved in the marketplace. This is not to suggest that following the specifications of a PAS to deliver a higher quality of recyclate material would not yield a higher price for those materials. As such it is perhaps problematic for stakeholders both Local Authorities and the reprocessing industry to ascertain the direct cost benefits in employing the regime.

The research conducted for the Remade Market Development report involved discussions and interviews with key reprocessing and merchant stakeholders. When quality of supplied materials was discussed there was no reference made to the utilisation of the PAS specifications, rather, the majority of interviewees made reference to an internal company/facility based specification for material “quality”.

Reprocessors and manufacturers seem to welcome the move towards greater specification and higher quality but specific companies are reluctant to accept any specifications as the “uniform standard” for their particular and specific needs. Certainly wider adoption of the specifications would result in a more controlled market. Reprocessors may fear that specifications will lead to greater uniformity of product being delivered with all Local Authorities seeking highest quality and hence highest price. With the export market strong, reprocessors may also fear that the specifications will result in a greater proportion of materials being exported. In addition, merchants and brokers are able to have a degree of control on the market at present and bring together material from several sources. The wider adoption of specifications could remove this flexibility. Specifications would also require a degree of investment from both the reprocessors and brokers in order to implement testing procedures.

China and Sweden currently have quality specifications in place and the indications are that other countries will follow. The degree to which export markets are considered secure in the future will depend on our ability to control quality in the future. The European Commission believes that EU standards for recycling and recovery are required. As such there is a possibility going forward into the new Waste Framework era that the major decisions on acceptable quality of recovered recyclate shall be taken out of the hands of the reprocessing community – and placed firmly at the heart of EU Waste and Recycling Policy (Remade, 2007b).

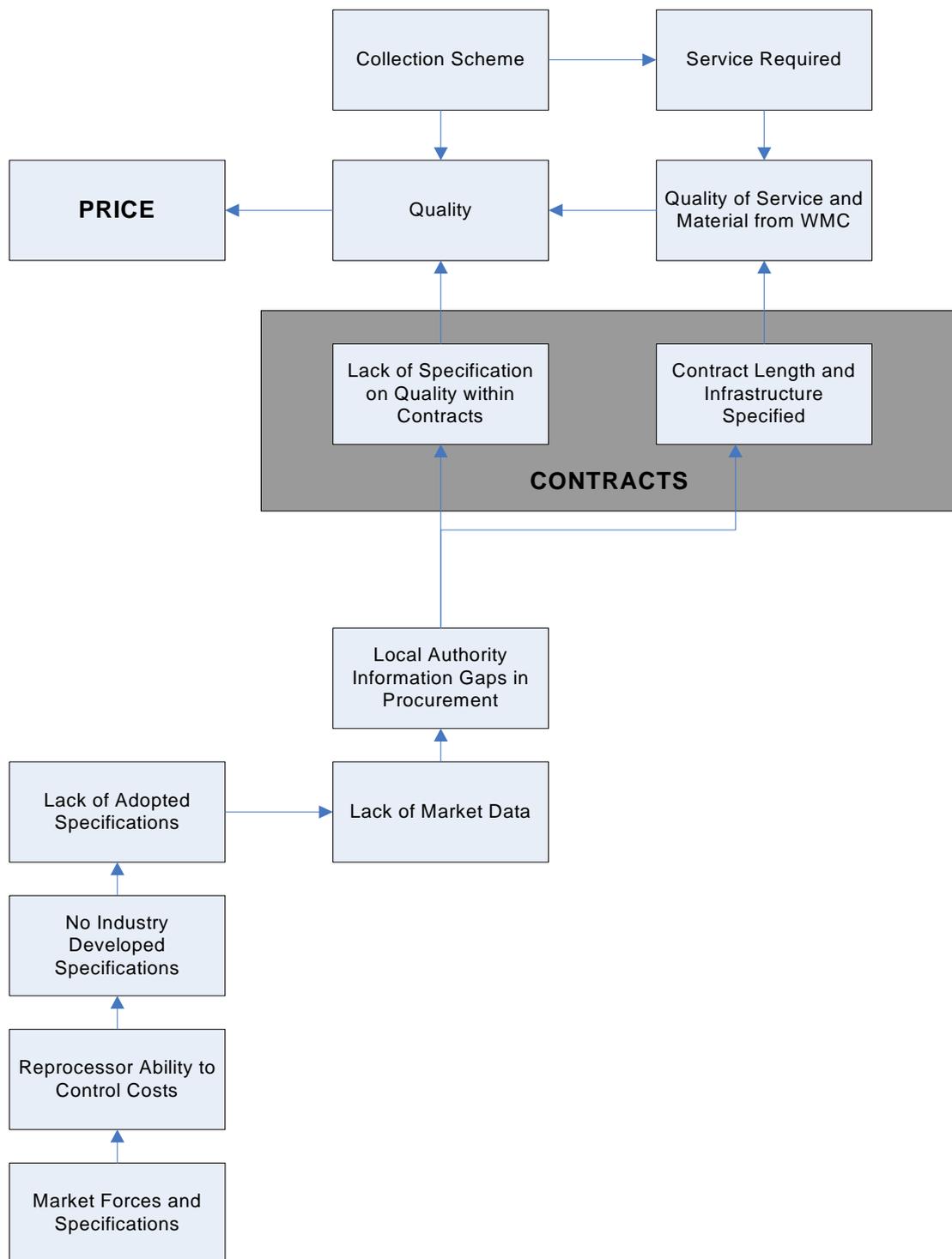
4.6. Summary

Figure 4.1 highlights the relationship between the issues discussed above and the related procurement issues discussed in *Section 3*. Procurement specification

barriers focus on the available skills within Local Authority procurement departments, the ability of Local Authorities to work jointly and the ability of Local Authorities to control the quality of the materials they collect once they are delivered to the reprocessor. They can be summarised as:

- The McClelland report has identified the areas in which Local authority procurement arrangements need to be improved. Certainly the more effective a Local Authorities procurement department the better the services they obtain for waste management services. Local Authorities have had to make a large leap in terms of the type of waste management services they are now required to procure. They have never before had to deal with the sale of materials rather than the traditional purchase. As well as the recommendations made by the McClelland report procurement could be assisted if Local Authorities had greater information and knowledge about the markets they are dealing with.
- Work by the Scottish Government on transforming public services and improving efficiency in government has highlighted joint working as a key opportunity. Currently Local Authorities while considering the development of residual waste management facilities on an Area Waste plan level have not contracted together for the sale of recyclables. Certainly there are currently barriers to joint working that are being examined. Joint working presents opportunities to secure better prices for recyclable materials.
- Related to the issue of procurement skills is that contract development. Two issues have been identified as barriers in relation to contracts that are currently developed for waste management services. Firstly, there is a problem regarding the way in which contracts are specified in terms of the contract length and infrastructure. Necessary to support this is the incorporation of proper quality specifications. Contracts also need to provide the basis of an audit trail and information provision to support continuous improvement in procurement.

Figure 4.1 Procurement Barriers and Relationships.



5. Market Conditions

This section discusses the barriers to best price that arise as a result of existing market conditions in Scotland; these largely relate to the localised and geographical issues that are specific for Scotland.

5.1. Material Availability

Table 5.1 summarises the dry recycled materials collected by Local Authorities in Scotland in from 2003/04 to 2005/06. This data illustrates that glass and paper account for the largest tonnages. In comparison, tonnages for cans and plastic are low.

Table 5.1 Dry Recyclates Collected from Households, Bring Sites and Commercial Properties (tonnes) 2004/05

	2003/04	2004/05	2005/06
Glass	46,669	59,457	74,563
Paper	66,016	83,903	111,756
Card	11,729	14,128	20,055
Mixed Paper & Card	13,661	32,278	60,005
Steel Cans	410	765	1,083
Aluminium Cans	326	171	336
Mixed Cans	867	2,400	4,844
Plastic	627	3,939	7,963
Total	140,305	197,041	280,605

Source: Waste Data Digests 5, 6 and 7, SEPA

While the overall trend illustrated by *Table 5.1* is that increasing amount of the recyclates are being collected in Scotland, within the UK market the quantity of recyclates collected in Scotland is small (see *Table 5.2* and *Table 5.3*).

The Remade Market Development Report (Remade, 2007b) identified that Scotland does not have a quantity of recyclates that would allow a shift in prices in the marketplace through contraction and extension of supply. Scotland's demography and geography makes it a "price taker" as opposed to a "price maker" in the marketplace. The output of recyclate into the global marketplace is so small that any changes in supply are unlikely to have any affect on the market equilibrium price.

The Remade report makes predictions on the proportion of recyclate that Scotland will be able to supply to UK manufacturing based on the assumption that trade conditions and domestic production remains consistent from 2005.

Table 5.2 demonstrates that for paper and board Scottish local Authorities will be able to supply less than 5% of the total tonnage absorbed by the domestic market, excluding the demands of the export markets.

Table 5.2 Scottish Market Share of UK Paper and Board Recyclate Supply

	2004/05	2009/10	2014/15	2019/20
Paper and Board from Scottish Local Authorities	130,233	143,448	155,401	167,517
UK Recovered Paper and Board Utilisation	3,748,220	3,748,220	3,748,220	3,748,220
% Contribution	3.47%	3.83%	4.15%	4.47%

Source: Market Development Report, Remade, 2007b

Table 5.3 illustrates that for glass, where trade variables such as exports and imports are at a lower level than in either paper or plastics, Scotland would supply up to 8% of the total material utilised domestic manufacturing of container glass, not forgoing any involvement in alternate applications.

Table 5.3 Scottish Market Share of UK Glass Recyclate Supply

	2004/05	2009/10	2014/15	2019/20
Glass from Scottish Local Authorities	59,435	65,404	70,816	76,253
UK Recovered Glass Utilisation	1,016,560	1,016,560	1,016,560	1,016,560
% Contribution	5.85%	6.43%	6.97%	7.50%

Source: Market Development Report, Remade, 2007b

As Scotland sells its materials through 32 different Local Authorities, this reduces even further the market share influence on price through selling power.

The Remade Market Development report goes on to comment that due to the export market for recyclates (largely in the US and China) increases in supply from Scotland or even the UK are unlikely to have any impact on prices in the global market.

5.2. Location of Reprocessing Facilities

In Scotland, locations of waste management facilities are strongly influenced by geography and settlement distribution. There is a well developed transport infrastructure in the cities and surrounding areas however distance in the more rural areas can limit access to service providers. Geographic location can therefore act as a barrier to the development of privately owned large scale facilities that realise economies of scale.

Figure 5.1 indicates the locations of existing reprocessing facilities that are utilised by Scottish Local Authorities. This illustrates that the majority of the reprocessing facilities located in Scotland are centred within the central belt. North of the Central belt reprocessing facilities only exist for glass. Merchants are in place for other materials. Currently the lack of facilities within Scotland for some materials, notably metals, means that materials have to be transported south of the border.

The following table gives a breakdown of the type of organisation used by Local Authorities in Scotland to collect, transfer and process dry recycled materials and includes the proportion of these organisations located outside of Scotland. No overseas companies are used directly by the LAs. This table illustrates that within certain parts of the supply chain a heavy reliance on English merchants and reprocessors is in place. This data is subject to change as many Local Authorities are not contracted to one individual company.

Table 5.4 Breakdown of Organisations used to Collect and Transfer Dry Recyclates in Scotland (2006)

<i>Supply Chain Participant</i>	<i>Number of Organisations</i>	<i>Number Located Outside of Scotland</i>	<i>% Located Outside of Scotland</i>
Metal Merchant	8	0	0
Metal Reprocessor	2	2	100
Paper/Card Merchant	7	0	0
Paper Reprocessor	1	1	100
Private MRF	8	1	12.5
Plastic Merchant	6	3	50
Plastic Reprocessor	2	1	50
Glass Reprocessor	3	0	0
Glass Merchant	2	0	0
Private Collectors and Processors	2	2	100
Multi-material Merchant	4	1	25
Community Group	4	0	0
Local Authority MRF	3	0	0

Source: Local Authority Survey (32/32 responded)

Table 5.5 Mileages to Private/LA MRFs per AWG

<i>Area Waste Group</i>	<i>Average number of miles to MRF/AWG</i>
6	14
8	147
9	13
10	11

Source: Analysis of LA Survey Data

Figure 5.1 Location of Reprocessing Facilities Located in UK Used by Scottish Local Authorities

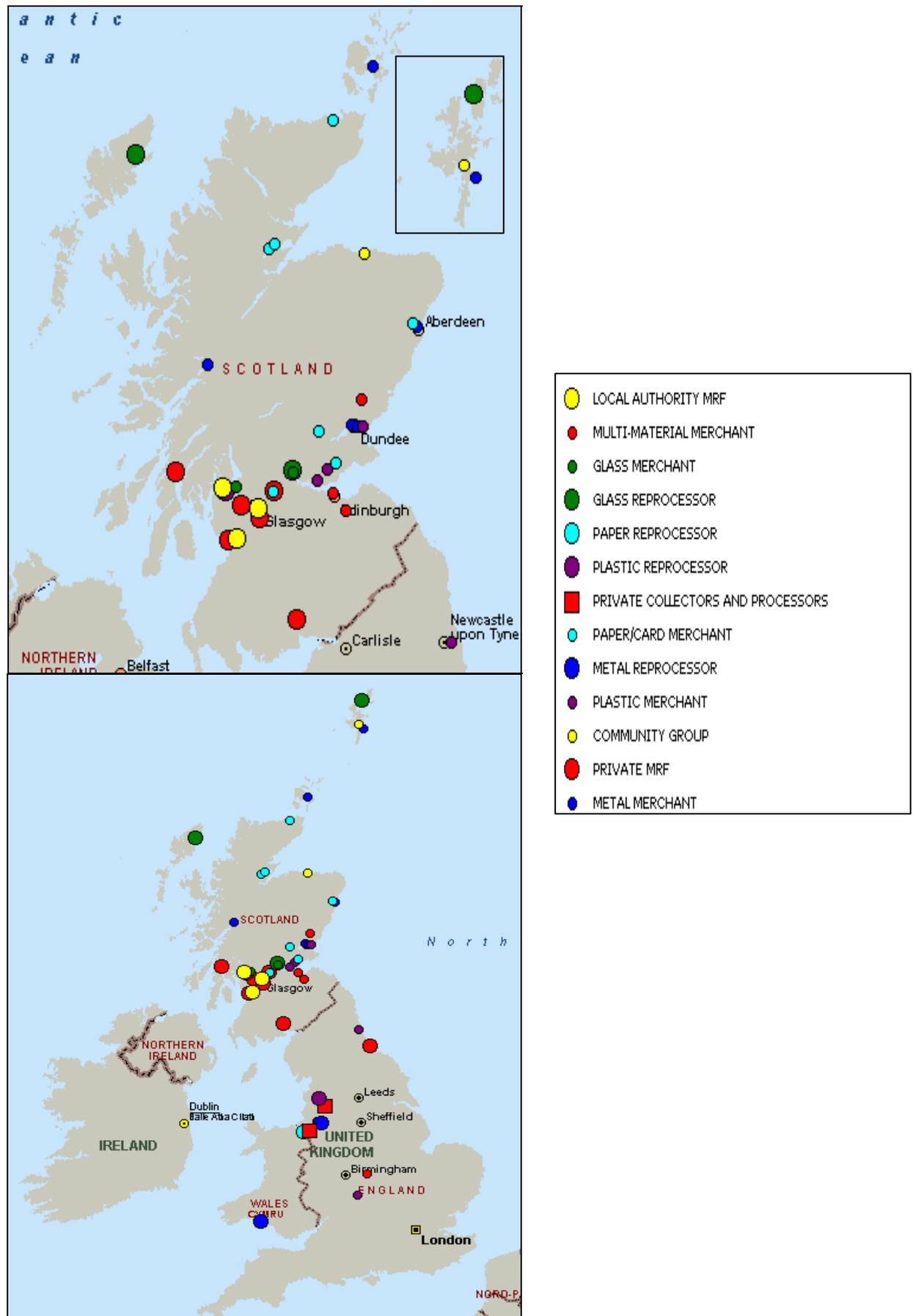


Table 5.6 Average Distance Travelled per Material, per AWG

Area Waste Group	Aluminium (miles)	Card (miles)	Ferrous (miles)	Glass (miles)	Paper (miles)	Plastic (miles)
1	<1	157	<1	25	157	X
2	208	X	208	X	216	216
3	373	49	177	167	172	X
4	281	143	63	136	224	341
5	167	41	34	58	230	71
6	<1	X	16	19	23	10
7	21	13	21	40	13	24
8	2	13	2	2	13	13
9	X	X	X	X	X	X
10	55	82	37	49	84	20
11	X	X	X	X	X	X

Source: Analysis of LA Survey Data

Table 5.5 illustrates that the majority of materials that are sent to Local Authority or private MRFs travel small distances initially. The exception to this is AWG 8 in which the majority of private reprocessors and MRFs utilised are over 100 miles away from the Local Authority. However, materials can be transported significant distances for final reprocessing (see Table 5.6).

- The highest mileages in AWG 1 (Orkney and Shetland) are for the transport of paper and card. All other materials are collected or processed locally (with the exception of plastic which they do not collect) keeping transport to a minimum.
- AWG 2 (Eilian Siar) has high mileages associated with all the materials it sends for processing. This is due to lack of processing facilities available to deal with the materials.
- Both AWG 3 & 4 (Highland and Aberdeen City, Aberdeenshire and Moray) have large catchment areas with few reprocessing facilities. As a result materials are travelling long distances as many facilities used to process the materials are located around the central belt.
- AWG 5,6,7,8,9,10 and 11 have lower mileages associated with their materials. This is due to the proximity of the Local Authorities to or within the Central Belt where the majority of facilities are located.

While direct data is not available for comparison it is likely that Local Authorities that have to transport their recyclates over a longer distance achieve lower prices per tonne as a result as a result of the higher transport costs involved.

In the majority of cases where facilities are being used outside of Scotland it is due to a lack of facilities within the country e.g. metal and paper reprocessors (based on information provided). However, in some cases materials are being sent south of border where facilities exist within Scotland to deal with material:

- 1 private MRF;
- 1 plastic reprocessor; and
- 1 multi-material reprocessor.

There are examples of Local Authorities located in the same AWG, separately sending material to a single organisation located some distance away. For instance this is occurring in the case of metals and paper where reprocessors are located outside of Scotland. It should be noted that where Local Authorities use a private MRF it is not possible to trace the reprocessors subsequently used.

With the increasing amounts of material being collected year on year potentially new facilities are likely to become economically feasible for Scotland. However, the reality is that due to the geographical location of some Local Authorities it is unlikely that specialist facilities will ever be developed within their boundaries.

In summary, the conditions in Scotland in relation to available reprocessors means that Local Authorities have to transport all or some materials over long distances to be reprocessed. This is likely to continue to be the case in the future. There is potential to reduce transport costs and the environmental impact of transport if the materials were aggregated for haulage. In addition, were materials to be aggregated they may be able to command a higher price from the reprocessor. This could be achieved through greater joint working between Local Authorities. There is also evidence that Local Authorities are occasionally utilising MRF and reprocessing facilities in England where facilities are available within Scotland. It may also be beneficially to encourage information sharing between Local Authorities regarding available facilities for reprocessing.

5.3. Quality of Infrastructure

As highlighted in *Section 3.3* the current standard of MRF infrastructure in Scotland does not necessarily deliver the best service and hence the best quality of material onto the market.

The majority of MRFs in Scotland have been developed by commercial private operators, who have historically utilised “recycling” primarily as a means of residual waste weight reduction with financial benefits in reduced disposal fees. The highest value material reclaimed from the majority of these facilities is often scrap metals, although the major constituent of weight reduction is often fines, inerts and other construction waste such as wood. There has also been a limited number of MRF developments that focus exclusively on sorting dry recyclable wastes – in particular John W Hannay and Eden Waste Recycling (both recently purchased by Shanks), William Tracey, and Snowie (recently purchased by the Oran Group) to recover higher value commodities such as paper, card and plastics.

Private MRF developments are often designed and built to process wastes arising from the commercial business they service – although a limited number have made

investment to include processes and technologies that can segregate Local Authority derived dry recyclates.

There have been two major recycling infrastructure developments for internal local Authority service provision with Glasgow City Councils Polmadie MRF, and East Ayrshire Councils facility at Kilmarnock. These have been specifically designed and built to process dry recyclable wastes arising from council collections.

To our knowledge, there has only been one specific dry recyclate MRF that has been developed from a competitive tendering procedure – the Inverclyde Council facility at Ingleston Park in Greenock operated as a not for profit partnership with Greenlight Recycling.

5.4. Competition

Section 5.2 highlighted the regional availability of recycling infrastructure. This regional availability is likely to impact on competition for Local Authority collection and processing services within some areas of Scotland.

Competition is a crucial element in the provision of innovative and service focussed recycling infrastructure. Competitive tendering is aimed primarily at ensuring that objectives are met within a framework where investment and innovation is rewarded, and clear cost benefits are accrued by the contracting party.

The Remade Market Development Report identified that there are presently no significant opportunities to invest in recycling infrastructure in Scotland. This means that companies with large parent organisations and venture capital partners are likely to look elsewhere for opportunities to invest. In addition, the report highlighted that in order to create the environment to promote investment in infrastructure from the larger waste management companies', opportunities may need to be presented to the marketplace as a faster pace than has been experienced to date. The following discussion is based on analysis presented in the Remade Market Development Report.

The plans put forward by area waste groups have indicated that there will be a need for more waste management facilities across Scotland. A crucial element in the development of facilities, in light of the pattern of present provision, is whether they are to be sourced from competitive tendering by the private sector or developed internally by Local Authorities.

If the right services are not put forward for competitive tender then in certain areas there are likely to be a limited number of companies putting forward tenders limiting the choice which Local Authorities have and therefore restricting their ability to select based on best price.

The Market Development report highlighted that as there has been little MRF development resulting from competitive tendering more knowledge on the pertinent issues surrounding market competition and the ability to provide is

required in assessing whether it is likely that effective recycling infrastructure will be developed, and what can be done to stimulate higher quality provision.

The report had the following analysis based on the points made in the Kelly Report and the OFT report on “More Competition – Less Waste” (OFT, 2006). Firstly, if waste services are regional – and the ability to compete is based upon maximising efficiencies of existing facilities - then regions where there is little integrated waste management infrastructure may need to provide more attractive contract terms to ensure that the private sector can justify any new investments. In Scotland, this will always be more pertinent in regions out with the central belt.

Second, there is, and continues to be, a fundamental issue in the manner in which our “market intelligence” is collated and distributed to the marketplace. To this end there may be a fundamental barrier to entry in the market as new entrants cannot accurately forecast projections against the combined public/private waste opportunities that are required to create support for investment in infrastructure without employing third parties to ascertain the relevant data, entailing occasionally high sunken costs.

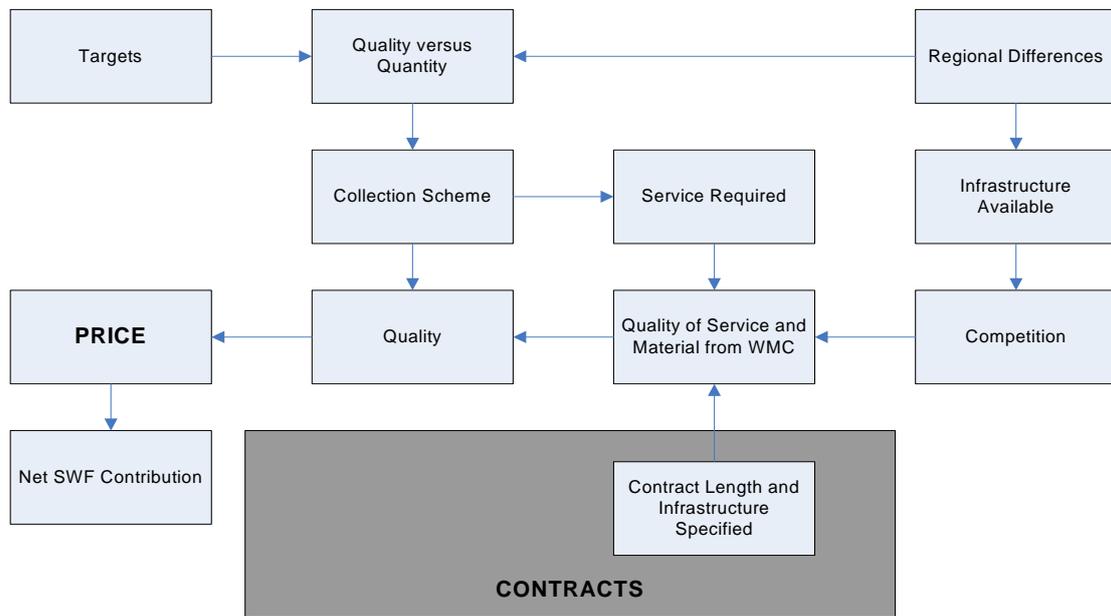
From both Kelly Report and the OFT report a key aspect of ensuring that “best value” and competition for provision are promoted is the specification, terms and “attractiveness” of contracts. Contract lengths, input/output specifications, NPV and contracted tonnage are all crucial aspects of ensuring a level of competition where contractors can promote progressive solutions with a manageable level of risk. This is consistent with the discussion given in Section 4 on contract specification.

5.5. Summary

The flow chart presented in *Figure 5.2* highlights the relationship between the issues discussed above. Market condition barriers focus those that have arisen as a result of the unique characteristics of Scotland. They can be summarised as:

- The potential supply of recyclable materials from Scotland is small in the context of both UK and world supply. Therefore Local Authorities in Scotland can have a limited impact on markets and price for these materials.
- The limited volume of recyclable materials in Scotland results in a limited number of reprocessing facilities being located in some areas of Scotland, with some facilities only located in the rest of the UK. As a result materials have to be transported over longer distances impacting on price.
- This lack of available infrastructure also impacts on competition. Some Local Authorities may have little choice over the facilities which they use giving them little opportunity to negotiate on price and in turn may not have access to the best quality infrastructure which in turn impacts on price.

Figure 5.2 Market Conditions Barriers and Relationships



6. Discussion and Recommendations

6.1. Assessment of Barriers

The previous three sections have set out and discussed the barriers to Local Authorities in Scotland achieving better prices for the recyclates they collect.

Clearly there is a complex interaction of different forces acting on the quality of service and value for money that Local Authorities are achieving for recyclates. *Figure 6.1* brings together all of the barriers identified to show these interactions. This section attempts to pull together the issues discussed above in order to highlight those which are most crucial and where most benefit would be gained from addressing. *Table 6.1* sets out an assessment of the ability of Scottish Government and industry to address the barriers.

Of the issues identified it is felt that the barriers as a result of regional differences are most difficult to address. Scotland has a limited place in the UK market for recyclates and as such is always likely to suffer in terms of reprocessing infrastructure available and it will be necessary to transport material over longer distances, particularly from more remote Authority areas.

With regards to procurement skills and joint working in general it is clear that much work is already being taken forward as a result of the McClelland report and will result in improvements in the future.

The common thread identified within many of the barriers discussed was the importance of contracts, the way in which they are specified and the information available to Local Authorities to enable them to develop and incorporate information within contracts. The issue of contracts impacts on quality of material collected and quality of service provided to Local Authorities.

Figure 6.1 Summary of Barriers and Interactions

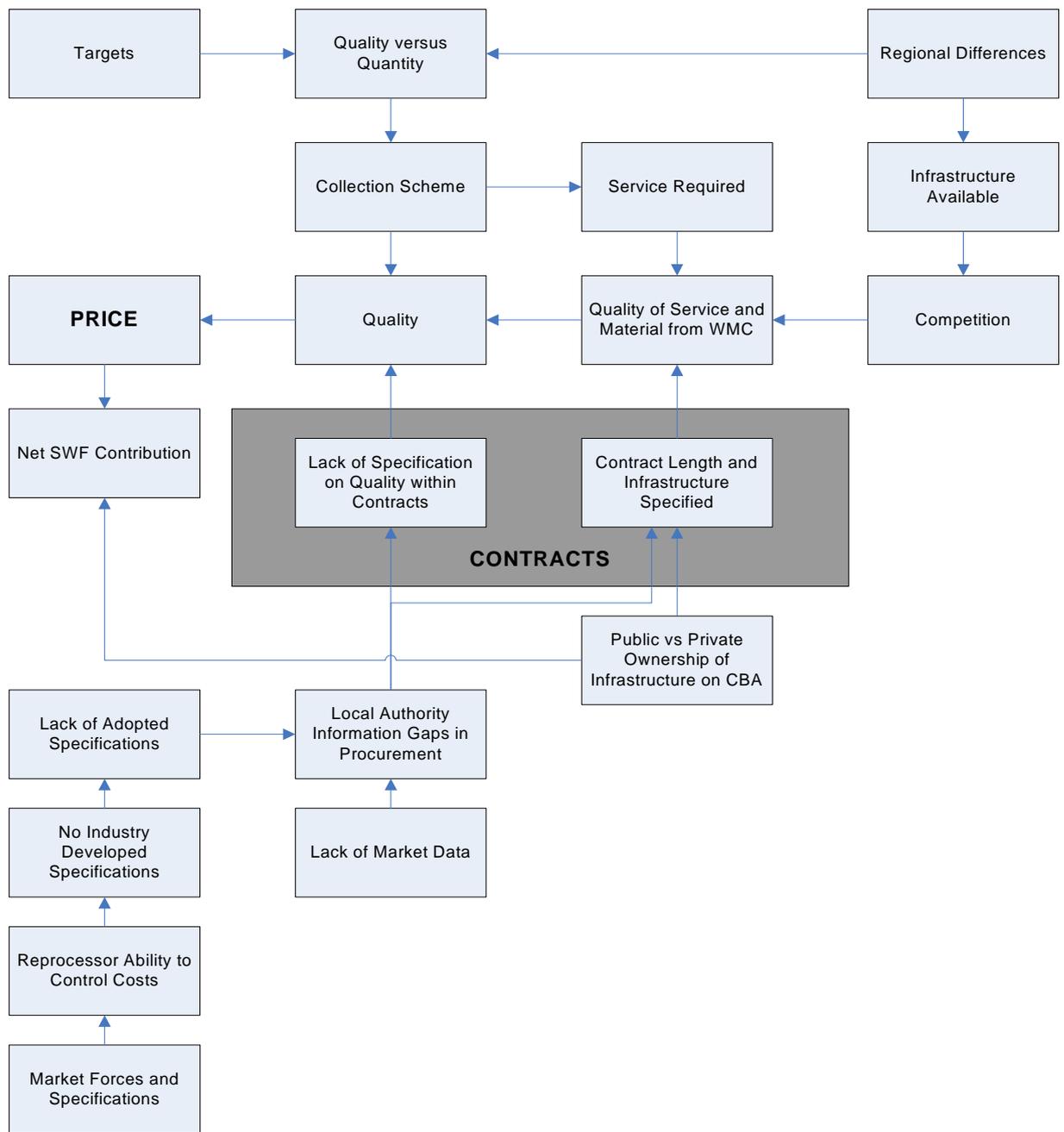


Table 6.1 Assessment of Ability to Address Barriers

	Barrier – Public Sector Operation	Barrier – Procurement Specification	Barrier - Market Conditions
Future changes	<p>Higher targets for recycling.</p> <p>Potential changes following SWF and funding available to and utilised by Local Authorities.</p> <p>Changes in Government waste policy.</p> <p>Focus will increasingly be on residual waste management as well as optimising recyclable material collection.</p> <p>More widespread co-mingled kerbside collection schemes in order to increase quantity of recyclable material collected.</p>	<p>Implementation of McClelland report recommendations and continuation of Efficient Government.</p>	<p>Increasing recycling rates – higher recycling targets and roll out of more extensive collection schemes will result in improved recycling rates.</p>
Unable to address	<p>Local Authority focus on achieving targets – it is necessary for Local Authorities to deliver targets for recycling.</p> <p>Level of funding is already established for many collection schemes.</p>		<p>Regional differences – the specific geographical attributes of Scotland and the impact of this on material availability, location of reprocessing facilities and transport distances.</p> <p>Material availability – the amount of recyclable material available will ultimately be limited by the population in Scotland.</p> <p>Location of reprocessing facilities – availability of materials will continue to limit the potential locations of reprocessing facilities.</p>

			Competition??
Being Addressed	Collection schemes – Local Authorities widening collection schemes and looking for ways in which to improve service.	Procurement skills - McClelland report recommendations being taken forward. Joint working – McClelland report and Efficient Government programme. Quality specifications – development of PAS and waste protocols. Market data gaps – market data available to Local Authorities via the WRAP Material Price Index.	Material availability – Local Authorities aim to maximise the amount of material collected.
Potential to address	Infrastructure – issues relating to investment in both public and private infrastructure. Contracts – specifically issues around the appropriate contract term and infrastructure that should be included. Quality of service from waste management contractors – related to contract issue above. Collection scheme – Authorities can look to deliver the best integrated collection and processing service to deliver best quality and price.	Market data gaps - data and information provision to Local Authorities to aid decision making. Joint working – need for Local Authorities to explore potential opportunities that could arise from joint working. Contract specification – lack of specification of quality within contracts and audit trail. Quality specification – to assist in contract specification in delivery of high quality materials.	Material availability – through combining material from more than one Authority. Location of reprocessing facilities – the location of MRFs. Quality of infrastructure – can be influenced by Local Authorities through contracts. Infrastructure available – can be influenced by Local Authorities through contracts.

6.2. Addressing Barriers

Table 6.2 sets out the barriers on which action can be taken within both the Scottish national and local government. These are set out together with recommendations on ways in which they could be addressed. The potential solutions outlined in *Table 6.2* are consistent with the three factors outlined by WRAP that are required for an open and transparent market for recycled materials:

- access to reliable information on prices;
- clear definitions and specification of products (standards) and services; and
- fair contracts between the buyers and sellers of recycled materials.

An explanation of each recommendation is given below divided by these three key headings.

Access to reliable information on prices

1. *Information sharing between Local Authorities (prices obtained for materials and MRF processing costs).* While information on prices is available via Lets Recycle and the WRAP Material Price Index it is felt that this is not necessary accurately representing the prices which Local Authorities receive. Local Authorities in Scotland have indicated that they would find it useful to receive information on the prices which neighbouring Authorities are receiving. This would inform the development and assessment of contracts and place Authorities in a better position to negotiate price. Provision of this information would be most useful if it could be accurately linked to the quality of the material produced and the way in which the recyclable materials were delivered. This links with recommendations below relating to contract specification and quality specifications. Local Authorities would also benefit from having greater access to information on MRF processing costs, again relating to the type of service that is being provided.

Clear definitions and specification of products (standards) and services

2. *Information on the types of collection scheme and processing that deliver highest recycling rates, quality and price – factors for success.* Local Authorities require clear guidance on the types of service that deliver best value for money. This requires audited datasets on recovered materials from a collection scheme and output materials from a sorting facility or transfer station. This can be achieved through research of existing schemes but also through requirements set in contracts.
3. *Support to Local Authorities in understanding issues to consider in determining whether to invest in public infrastructure.* To date there has been very limited development of publicly owned recycling infrastructure. Ownership of MRF facilities provides advantages such as direct control over the prices received for materials and direct control over quality. It is thought

that Local Authorities are not encouraged to take this approach due to the risk involved. Provision of support to Local Authorities in this area could encourage the development in more high quality recycling infrastructure in Scotland.

4. *Information provision to Local Authorities – processing technology.* In relation to the recommendation 1 and 2 it would assist Local Authorities in the specification of services to deliver best quality if they had access to clear information on the best available processing technology and an associated costs benefit analysis.
5. *Encourage adoption of quality specifications within contracts.* WRAP and industry have developed PAS documents for certain recyclable materials, although they do not currently cover the full range of materials recovered. It is necessary that the existing documents are more widely adopted and further documents developed to cover remaining materials with buy in from the whole supply chain. A set of standard specifications for output materials that is complicit with reprocessors' requirements and a minimum output quality criteria for materials is required to ensure that services provided are led by both cost effectiveness and quality. It is felt that the wider adoption of specifications could be encouraged by their wider adoption into contracts. Local Authorities could be given support as to the best way in which to do this.
6. *Provide Local Authorities with resources to undertake testing procedures necessary when adopting quality specifications.*

Fair contracts between the buyers and sellers of recycled materials.

7. *Support to Local Authorities in contract development.* Contract specification has been identified as a key barrier preventing Local Authorities from achieving best value from their collection and processing services. Provision for support in contract development would therefore be advantageous. This should include details relating to quality specification, infrastructure required, length of contract, to include details on final recovery and resale. Currently the majority of contracts do not trace materials to the end market; as there is no requirement to do so. Enter into negotiation with reprocessors on behalf of the consortium to secure the best deals and provide standardised contracts.
8. *Development of standardised Local Authority contracts.* Directly related to recommendation 6, development of standardised contracts would be one way to support Local Authorities in contract development. The WRAP model contracts are available but gaps have been identified and they are not necessarily appropriate to the way in which services are organised in a Scottish context.
9. *Support for Local Authorities in developing opportunities for joint working.* In order to ensure a better quality of recycle from municipal sources it is clear that there needs to be some element of co-ordination and partnership

between Local Authorities, particularly in terms of contracting and procuring services and infrastructure. Some joint working already occurs informally and through councils within Area Waste Groups however more formal procedures may be required to encourage greater joint working in the future. This joint working could take a variety of forms from information sharing to joint selling of recyclables.

10. *Joint selling of recyclable materials by Local Authorities.* Directly related to recommendation 9, joint selling of recyclable materials is one way in which Local Authorities could work jointly. This aggregation of resources could place Local Authorities in a better position to negotiate over contracts and material price.

Table 6.2 Solutions to Barriers

	Barrier - Market Conditions	Barrier – Public Sector Operation	Barrier – Supply Chain
Potential to address	<p>Infrastructure – issues relating to investment in both public and private infrastructure.</p> <p>Contracts – specifically issues around the appropriate contract term and infrastructure that should be included.</p> <p>Quality of service from waste management contractors – related to contract issue above.</p> <p>Collection scheme – Authorities can look to deliver the best integrated collection and processing service to deliver best quality and price.</p>	<p>Market data gaps - data and information provision to Local Authorities to aid decision making.</p> <p>Joint working – need for Local Authorities to explore potential opportunities that could arise from joint working.</p> <p>Contract specification – lack of specification of quality within contracts and audit trail.</p> <p>Quality specification – to assist in contract specification in delivery of high quality materials.</p>	<p>Material availability – through combining material from more than one Authority.</p> <p>Location of reprocessing facilities – the location of MRFs.</p> <p>Quality of infrastructure – can be influenced by Local Authorities through contracts.</p> <p>Infrastructure available – can be influenced by Local Authorities through contracts.</p>

Potential Solutions	<p>Support to Local Authorities in understanding issues to consider in determining whether to invest in public infrastructure.</p> <p>Support to Local Authorities in contract development.</p> <p>Development of standardised Local Authority contracts.</p> <p>Information on the types of collection scheme and processing that deliver highest recycling rates, quality and price – factors for success.</p>	<p>Information sharing between Local Authorities:</p> <ul style="list-style-type: none"> - Prices obtained for materials. - MRF processing costs. <p>Information provision to Local Authorities:</p> <ul style="list-style-type: none"> - Processing technology <p>Support for Local Authorities in developing opportunities for joint working.</p> <p>Support to Local Authorities in contract development.</p> <p>Development of standardised Local Authority contracts.</p> <p>Encourage adoption of quality specifications within contracts.</p> <p>Provide Local Authorities with resources to undertake testing procedures necessary when adopting quality specifications.</p>	<p>Joint selling of recyclable materials by Local Authorities.</p> <p>Support to Local Authorities in understanding issues to consider in determining whether to invest in public infrastructure.</p> <p>Support to Local Authorities in contract development.</p> <p>Development of standardised Local Authority contracts.</p>
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6.3. Addressing Barriers through Consortium Working

One way in which the recommendations outlined above could be implemented would be through the establishment of a consortium of Scottish Local Authorities. In a consortium, a group of two or more agencies that enter into a cooperative agreement share information and provide a combined service. This agreement benefits each member since working individually they would have spent more money, time or it would have been even impossible. Participating members or groups may pool their individual fiscal, human, and material resources to take advantage of economies of scale or arrange to share staff or technical expertise and experience.

The main areas of operation of consortia involved in waste management services are included below:

- Develop materials resource management strategies that provide structures for regional or cross-boundary reprocessing, rather than current county district or borough arrangements.
- Integrated waste management systems: composting of green waste, processing dry recyclables and energy recovery of residual waste
- Recyclate markets: Sales of recyclate material.
- Infrastructure: Waste collection and disposal
- Publicity and promotion of recycling

There is a wide spectrum of types of LA consortia, which range from a full-time resourced organization to a virtual arrangement. Although consortia can be categorised in various ways, the main divisions are between joint committees and collaborations.

- **Joint committee consortia:** LAs join their procurement activities in a joint committee under section 101 (5) of the Local Government Act 1972. The joint committee sets policy and oversees the operations of the officers carrying out the pooled work. Joint committees comprise elected members which are involved in the supervision of the joint committee consortia. For example, in Scotland there is ABC (the Authorities Buying Consortium), a joint committee consortium formed after the demise of Strathclyde regional council, whose members now include the Western Isles. Other example of joint committee consortia, Arc21, is described in the chapter 2.2.
- **Collaboration without a statutory joint committee:** LAs agree to collaborate according to agreed protocols covering the scope of collaboration, exceptions, and sharing risks. Protocols and mutual agreements are equivalent to the constitution of a joint committee. For any particular service, a lead Authority may sign the contract, or each Authority may adopt the contract made on their behalf

Other types of consortia are:

- **Single Local Authority stores trading beyond its boundaries:** There are some examples in England of this type of consortia. For example Birmingham City Council and Hertfordshire County Council, which are both also members of CBC and Devon County Supplies, which is not associated with any other consortium. Cumbria County Council has links with CBC through Hertfordshire.
- **Cooperative basis:** LAAP (Local Authority Purchasing Partnership) is an example of consortia organised on a cooperative basis. One Authority undertakes to administer a number of contracts on behalf of the other participating Authorities. The specific elements of the contracts are developed by sub-committees, which consist of officers from the relevant user departments of the member Authorities
- **Federation basis:** CBC (Central Buying Consortium) is an example of federation based organization. They are 17 members and the contracts are organised on a shared responsibility basis through:
 - Management Committee, which acts as a strategic board. Each member Authority has one senior head of purchasing and supply responsible for policy and the production of an annual business plan.
 - Executive Committee of nine of the Authorities, tasked to deliver the business plan actions.
 - 18 groups covering product areas and generic functions such as environment and communications.

Apart from consortia there are other types of partnership in the UK between Local Authorities and local government. The main ones found in England are described above:

Local Area Agreements (LAAs): It is a three year agreement, based on local sustainable community strategies, that sets out the priorities for local area. The agreement is made between central government, represented by the Government Office (GO), and a local area, represented by the lead Local Authority and other key partners through Local Strategic Partnerships (LSPs). LAAs set out the priorities for a local area agreed between central government and local area. LAAs simplify some central funding, help join up public services more effectively and allow greater flexibility for local solutions to local circumstances and improving relations between central and local governments. LAAs are structured around four policy fields: children and young people, safer and stronger communities, healthier communities and older people and economic development and enterprise. LAAs are developed and driven by LSPs.

Local Strategic Partnerships (LSPs): They are community groups working together in a specific area. They could be community groups, the council, police and fire & rescue services, charity groups, businesses, schools, health bodies and more.

A full member of a consortium has access to the consortium contracts and processes. Some LAs can be associated members to the consortia, enjoying greater benefits than non-members customers, but fewer benefits than full members.

There are currently about 22 organizations of Local Authorities across the UK. These organizations comprise a wide range of different levels of partnership, from loose agreements to proper consortia. Among the 20 organizations, 19 are based in England whereas 1 is nationwide (OGC), 2 are based in Wales, 1 is based in Scotland (ABC) and 1 is based in Northern Ireland (Arc21).

The number and size of consortia are related to the circumstances of their foundation. Joint committee tend to be organised around old boundaries with populations of varying sizes. Collaboration consortia may be organised according to common interests and, in some cases, geographical logic.

Size is an important characteristic of the consortia in order to obtain bigger discounts and to be able to offer greater stock and service availability. But for some services, such as fuel, timing and technique is also important. The best indicators of size are populations of member Authorities and value of business.

There are a wide variety of sizes in the existing consortia in the UK. Black Country Purchasing Consortia (BCPC) is the smallest consortia comprising 4 Local Authorities. They work on contracts worth £14 million per annum. On the other side, the CBC, with 17 major LA members, is the Britain’s largest LA purchasing consortium, influencing approximately £750 million of spend each year. YPO (Yorkshire Purchasing Organization) is other very large consortia, with 330 full-time staff and an annual turnover in excess of £350 million. 70% of its activities are based in the educational sector.

The range of potential roles that could be undertaken by a consortia are synthesised in *Table 6.3*. Examples are given of existing consortia that provide these roles. Two examples of existing consortia involved with waste management activities are given in *Table 6.4* and *Table 6.5*. A summary of all current waste consortia in the UK is given in *Table 6.6*. Further details of these consortia and other non-waste related consortia are given in the appendices.

Table 6.3 Potential Consortia Functions

Service	Scope	Examples
Infrastructure	<ul style="list-style-type: none"> providing access to infrastructure Provision of joint infrastructure 	Recap, Project Integra
Contracts	<ul style="list-style-type: none"> Improve contract specification Develop model contracts Negotiate with reprocessors and waste management contractors 	Midlands Recycling Consortium, Regional Glass Recycling South East Wales Consortium, Tayside Contracts

Joint working	<ul style="list-style-type: none"> enhancing and reinforcing collective working 	Shropshire Waste Partnership, Waste Aware Hertfordshire Partnership, Tayside Contracts
Risk	<ul style="list-style-type: none"> Manage and reduce market risk to Local Authorities e.g. share income and risks from the sale of recyclables. 	Project Integra
Advice and Information	<ul style="list-style-type: none"> Provide advice and information on the recyclate market, types of prices and deals on offer and provide transparency on contracts and feedback from reprocessors on material specifications and quality control. 	Regional Glass Recycling South East Wales Consortium
Audit trail and information	<ul style="list-style-type: none"> Improve tracking of materials collected. For example, issuing standardised forms for audit trail; include recovery/recycle, resale/export and disposal. This would help in closing the recycling loop. 	British Retail Consortium
Sampling and testing	<ul style="list-style-type: none"> Conduct sampling and testing as required by quality specifications. 	WRAP, PAS
Research	<ul style="list-style-type: none"> Connect with Local Authorities, regulatory bodies and the waste management industry in defining research needs and priorities, carrying out projects and implementing research results. 	British Retail Consortium (BRC), Regional Glass Recycling South East Wales Consortium
Communication, education and awareness	<ul style="list-style-type: none"> promote communication, education and awareness Help to the Local Authorities to gain the best possible value for money procurement by supporting initiatives that encourage better supplier relations, sustainable procurement and the benefits of utilising smaller suppliers and the potential of eProcurement. These are some of the functions of OGC and BCPC. Create briefings and guidance notes 	Project Integra, Recap, Waste Aware Hertfordshire Partnership

Table 6.4 Case Study: Midlands Recycling Consortium (MRC)

MRC is a consortium between the Local Authorities to sell recyclable materials. The MRC brings together Warwickshire, Leicestershire and Northamptonshire county councils, Daventry and Warwick district councils and the boroughs of Kettering and North Warwickshire. The aim is to take advantage of economies of scale and put members in a stronger position when seeking contracts with paper mills and other recyclers. The main contractors are for paper with Shotton Paper and for glass with Midland glass. The products are dry materials and green waste.

Developing the MRC took one year for all member Local Authority legal departments to scrutinise and accept the Constitution. The initial meetings were facilitated by Chris Davey of WRAP. MRC are linked to the **Eastern Shires Purchasing Organisation (ESPO)** who led in developing the constitution on behalf of the consortium.

ESPO do all of the tendering on behalf of **MRC**. They started with one priority material - **paper** and the contract had up to 7 variables. For paper all Local Authorities got the same price of £50; at that time one member was only receiving £25. Daventry Council received an additional £60k income as a result of the contract. The contract had a trigger level of 12Kt at which the price increased to £55.

The MRC works on the basis of simplicity whereby each participant is a member of the 'Board' and their Authority may choose to opt in to any contracts arranged or not as they determine. Each Council has their own **individual contract** with the successful re-processor and payments are made direct. The contracts are organised by one of the Local Authority Buying Organisations and the costs of tendering are recovered post contract as a levy on the income received by each Local Authority until the costs are covered.

ESPO recover their costs as a 1% levy on contract use until cost is repaid. There is no up front payment to ESPO. It appears that using their purchasing acumen ESPO got the contractor to pay for all of the costs of set up and tendering.

As the arrangement is one of **selling** and not purchasing the conventional EU purchasing legislation does not apply. However, most Local Authorities have financial regulations which would have to be complied with.

The Consortium started out with paper as a priority material and then moved on to glass. By way of re-enforcing the issue of keeping it simple, MRC found that subsequent attempts to let more complex multi material contracts experienced some problems.

The Consortium is open to all Local Authorities and public bodies within a defined area of the midlands. It operates as an unincorporated association and is not a partnership or Company limited by guarantee. One establishment from the Prison Service has become a member.

The Consortium Management Board operates on the basis on a lead member on a rotational basis for a maximum of two years to provide day to day management of the Consortium. The Board meets twice a year or as required and is attended by Officers. It is up to each Authority to determine who attends on their behalf.

A major benefit of following the MRC Model, at least in the first instance, is that their Constitution/Heads of Agreement has been vetted and approved by the legal services in

each of the several constituent Authorities.

Table 6.5 Case Study: ArC 21

Arc 21 is a local government body comprising of a collaboration of 11 councils located along the eastern region of Northern Ireland. They cover 57% of the population and 54% of the national municipal waste arising. The eleven constituent councils of Arc21 are: Antrim Borough Council, Ards Borough Council, Ballymena Borough Council, Belfast City Council, Castlereagh Borough Council, Carrickfergus Borough Council, Down District Council, Larne Borough Council, Lisburn City Council, Newtownabbey Borough Council and North Down Borough Council.

Arc 21's main functions are the production and implementation of the Waste Management Plan, set up the treatment and disposal of the waste collected in the eleven member councils and provide general support and advice to them. They have contracts with Glasdon Recycling, Whitemountain Quarries Ltd and Biffa Waste Services.

The **Joint Committee** is the formal decision making body and is made up of 2 elected members from each of the member councils. At the present time the 2 councils that form the Joint Committee are Antrim Borough and Ballymena Borough.

Arc 21 **staff** are responsible for the day to day functional activities of the organization

The **Steering Group** comprises senior officers from each of the member councils and is the key vehicle for discussion and recommendations being prepared for the Joint Committee.

Working Groups have been established to provide support to the implementation of the Waste Management Plan. There are a number of working groups created to provide an appropriate of technical and operational expertise in support of the specific waste policies being implemented.

6.4. Development of a Consortium

A consortium involving Local Authorities is likely to consist of the Local Authorities and other procuring organisations. If a consortium were to be developed, Local Authorities will need a clear vision of the outcomes they are seeking to achieve and the appropriate form of partnership arrangement that they need to develop.

Each member retains its separate legal status; the consortium's control over each member is limited to activities involving the joint effort, particularly the division of profits.

Decisions will need to be taken about the level of "engagement" for each partnership, such a representation from each Authority; possibly voting rights on a board or "virtual Authority".

According to Strategic Partnering Taskforce (ODPM, 2004), leadership is crucial in Local Authorities forming consortia. Leadership qualities are essential and need to be supported by a decision-making structure. Leadership is especially important because many of the projects are taking place in an environment of changing local political control. Projects need to be driven apart from changes in the

administration. Excellent communication and consultation between all parties is also very important.

Local Authority consortia can vary considerably in scope. A study carried out by the University of Bath¹ classifies the existing consortia in the UK in 4 'stages', depending of their level of development. They describe the current consortia in the UK as an evolution from the stage 1 to the 4. It is not clear the motivation and mechanism by which consortia evolve from stage 1 to stage 4, and not all consortia evolve through the 4 levels. The document says that there is evidence of some of the smaller consortia do not want to grow beyond their current state. These 4 stages are described below:

1. Loose, collaborative arrangements between a few Authorities, usually sub-regional. One partner leads on a given procurement, freeing capacity for the others to benefit from increased economies of scale without excessive administrative support. These consortia include Black Country Purchasing Consortium (BCPC), the Strategic Procurement Partnership for Oxfordshire (SPPO) and the Thames Valley Procurement Group (TVPG).
2. The second 'stage' described in the cited document comprise loose collaborative arrangement but on a larger scale. They do not form joint committees but are receptive to other organizations joining in for mutual benefit. One Authority acts as lead in a specific procurement exercise. Examples of these consortia are Kent Buying Consortia (KBC) and the Local Authority Purchasing Partnership (LAPP).
3. The document describes in the third 'stage' bigger consortia that need more formal governance agreements and management boards usually comprising a member from each member Local Authority. Examples in this stage are Yorkshire Purchasing Organization (YPO) and North East Purchasing Organization (NEPO)
4. In the last 'stage' are include consortia that have formal joint committee structures and also direct employees. Frequently, they look to trade beyond the current boundary of the consortium. An example cited in the document in this category is The Consortium, originally a collaboration of Local Authorities in the Wiltshire area. At the present, they operate as a limited company, becoming in a sense supplier rather than a collaborative enabler.

Consortia arrange three main types of contract:

- stock - for delivery from a consortium warehouse;
- direct delivery - for delivery by the supplier;
- call-off and bespoke contracts (for a specific period)

¹ University of Bath (2005). *Efficiency through collaborative procurement in local government*. Developing Supply Strategy, Centre for Research in Purchasing and Supply, School of Management, University of Bath, November 2005.

Other types of contracts used by the Local Authority Purchasing Partnership (LAPP) include:

- One-off purchases.
- Long term services contracts.
- Framework contracts where a number of businesses have met required standards.

6.5. Possible Barriers in Consortia for Scotland

Forming consortia is a complex and time consuming process, especially for pioneers as Scotland, that only have a couple of consortia currently in operation (Authorities Buying Consortium –ABC- and NHS). Looking at the barriers that other consortia in the UK have had, the main barriers which Scotland might face include:

- Difficulties and complexities of establishing, and practicalities of working together in partnerships at all levels including establishing shared objectives and effective communication across partnerships.
- Closer working may mean loss of political, financial and operational control; this concern needs to be addressed as partnership is developed.
- Low profile and awareness of the relevant waste issues and different drivers across Local Authority boundaries at the relevant level and across relevant professional disciplines within organisations.
- Difficulties in building trust between Authorities and elected member and officer capacity to tackle the different drivers for change and to support partnerships.
- Local Authority cultures: different levels of performance and service delivery and lack of cohesion and standardisation in the way things are done even where best practice or frameworks exist.
- Complexity of financing arrangements and the pressure on individual Authorities to optimise their financial position
- Uncertainty over future infrastructure and sources, both within and outside Local Authority control.
- Lack of guidance and knowledge in the following fields:
 - Governance structures, partnership formulation and scrutiny arrangements. Poor baseline data and lack of agreement or common understanding on terminologies and definitions that creates additional difficulties in building effective partnerships.
 - Strategies and policies for meeting future legislation or to deliver operational changes.

- Lack of trained and qualified staff in the LAs capable to develop procurement methods in waste management. The most important abilities in procurement are in market analysis, selection of the most effective suppliers and development and management of new forms or procurement.
- Consultation with Local Authorities found that they are interested in the idea of consortia in principle but are concerned about knock on impacts e.g. better prices but higher transport costs.

6.6. Benefits in the establishment of consortia

The main positive aspects of the consortia in waste management contracts include:

- Strengthening the contractual position of individual organisations by securing better and more favourable prices and tonnages.
- Reduces time spent within each organisation negotiating individually with reprocessors/merchants and allows more time to be directed towards schemes which increase tonnage. Legal arrangements for major contracts are complex. Sharing of existing information will assist and promote a more open and consistent approach to PFI, and reduce the resource needs for others.
- Strengthens partnerships between organisations supporting the development of more sustainable waste management in Scotland.
- Will provide better information of recycled tonnages, thus encouraging commitment to deliver tonnage. It also will improve recycled rates.
- Economies of scale to allow collection of higher grades of paper i.e. use of paper sort technologies
- Banding tonnage would be better placed to guarantee a minimum tonnage and to meet any growth clauses in the new contracts.
- Allow more rural areas of Scotland to be less disadvantaged by higher transport costs
- Share best practices in procurement and project management. This can help especially smaller Authorities (possibly without procurement resources of their own) by providing procurement advice.
- Publicise information on bidding opportunities.
- Improve service quality and generating employment or securing existing jobs.
- Local Authorities can benefit from a diverse and competitive marketplace and help to realise the objectives set out in their community strategies including economic development, social inclusion and regeneration.

- Improve relationships with the private sector and promotes cooperation with neighbour Local Authorities
- Consortia attempt to show savings by comparison their costs with the costs that the constituent members might incur by acting separately. According to Innovation Forum (2006) joint working can deliver savings of 10-15% in collection arrangements and a further 5% can be saved potentially by bringing together collection and disposal activities. Another 5% can be saved in administrative costs.

6.7. Disbenefits in the establishment of consortia

The main negative aspects of the consortia in waste management contracts include:

- A consortium places an obligation on individual organisations to deliver agreed tonnages of an agreed specification at agreed times.
- It may sacrifice best spot practices for long term and diverse markets.
- It may create difficulties through a perceived transfer of local decision making from individual organisations.
- It may not fit the long term future of LAs disposal contracts which will contain set targets for recycling. It may also change the way of operation of the waste services and contractors.
- With no statutory standing, a consortium may not have the Authority and standing to fulfil contractual commitments.
- The demand for the recycled products has to come from the customer. A consortium do not have the remit to introduce new products in the market (commercial risk), it needs to be confident that customers will order them.
- In the case of the smaller LAs sharing consortia with other ones they might be underestimated by the biggest ones
- Bigger contracts will freeze out smaller groups; may lose focus on local jobs
- There could be no guarantee that consortia would obtain better prices for recyclable materials.
- If materials were being bulked from different Local Authorities for sale there would need to be a system of quality control. Any Local Authorities providing contaminated material would need to be penalised.

Table 6.6 Waste Consortia Case Studies

CHARACTERIST ICS	CONSORTIA CASE STUDIES						
	Integra project	MRC	YPO	LAPP	ABC	ARC 21	WPC
Area covered	Hampshire, Portsmouth and Southampton	Midlands area with Warwickshire County Council	Yorkshire and Lancashire	Greater Manchester	Scotland	Eastern Region of Northern Ireland	South-east Wales
Number of LAs	13	11	13	9	12 (2.3 million people)	11 (54% of population)	12
Lead Authority	Hampshire	Warwickshire County Council	--	--	Renfrewshire Council	Antrim Borough Council	--
Consortia type	--	--	Joint committee	Cooperative Basis	Joint committee	Joint committee	Joint Committee
Areas of operation	Waste minimisation Composting Recycling Anaerobic digestion	Recyclates	--	Community and social services Development services Maintenance housing	--	Waste management	Office products Construction materials Cleaning supplies Catering services
Main objective	Introduction of an integrated waste management strategy	To secure an advantageous position in the sale of recyclable material	Provide a professional and cost effective purchasing and supply service	Negotiate contracts for supplies and services	Environment as a key strategic issue for the suppliers in the area	Implementation of the Waste Management Plan	--
Contractors	Veolia Environmental	Midland Glass and Shotton Paper	A wide variety	Approximately 90 contracts	A wide variety	Glassdon Recycling Whitemountain Quarries Ltd Biffa Waste Services	Approximately 100 framework contracts
Material-Products	Green waste Dry recyclables Energy recovery Commercial and confidential waste	Dry materials Green waste (636,000 tonnes in 2003/04)	Recycled copies paper and tissue paper	--	Recycled copier paper	All waste streams	Paper, office furniture, blocks, boards, aggregates, fencing
Product labelling	--	--	Green ticks within the catalogue-environmental benefits associated to the product	Recycled content labelling: Three symbol-minimum 50% recycled content	Label includes percentages of post-consumer waste	--	2 labels: "Recycled products" "Environmentally friendly products"

Benefits	--	--	£160 million	--	£130 million	--	--
Investments	--	--	--	£34 million	--	--	£90 million

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WRAP Model Contracts,

http://www.wrap.org.uk/businesses/buying_and_selling_recycled_materials/model_contracts.html, accessed 27th September 2007.

Appendix 1 - Legal Status of Consortia in the UK

The main pieces of legislation that affect to the consortia and public procurement are set out below.

Legislation Relating to Consortia

- European Union:
 - Directive 2004/18/EC on the coordination of procedures for the award of public work contracts, public supply contracts and public service contracts.
- United Kingdom:
 - Local Government (Goods and services) Act 1970. In the section 1 Local Authorities are empowered to form consortia. Section 1 also enables Authorities to maintain stores of any goods or materials
 - Public Works Contracts Regulations 1991
 - Public Services Contracts Regulations 1993
 - Public Supply Contracts Regulations 1995.
 - National Procurement Strategy for Local Government: Recommend councils to make best use of purchasing consortia by making intelligent framework agreements for getting best value for money.
- Scottish laws: The following acts require Local Authorities to consider environmental risk factors when allocating their contracts.
 - Public Procurement –The Public contracts (Scotland) Regulations 2006
 - Public Procurement –The Utilities Contracts (Scotland) Regulations 2006.

Monopoly is defined as a business or inter-related group of businesses which controls much of the production or sale of a product to control the market, including prices and distribution. In the UK monopolies may exist only in exceptional situations.

For instance, public utilities such as electric, gas and water companies may hold a monopoly in a particular geographic area since it is the only practical way to provide the public service. In these cases they are regulated by state public utility commissions. Every other situation in which a monopoly operates or might be expected to operate against the public interest is controlled and regulated under British law.

The Enterprise act came into force on June 2003 granting to the Office of Fair Trading (OFT) a power to make monopoly references to the Competition Commission (CC). Following a monopoly reference, the CC is asked to undertake an investigation and determine whether a monopoly situation exist and, if so, whether it operated or might be expected to operate against the public interest. The CC reports to the Secretary of State for Trade and Industry, who is responsible for deciding what steps, if any, should be taken to remedy any problems found.

[\(http://www.oft.gov.uk/\)](http://www.oft.gov.uk/)

It is generally accepted that a market can become monopolistic when a single firm or a merger controls more than 25% of the market output. Yet, market share rules may be tailored to the type of trading activity. Therefore, the control of less than 25% of the total market output may be considered monopoly under specific circumstances.

The UK market of recyclables is a national market. In addition, the UK is part of the global market which, through the forces of offer and demand, has a strong influence on UK recyclable prices.

If a consortium were to be set up in Scotland it could potentially include all the 32 Local Authorities. Yet, to become a monopoly this consortium should be dominating a significant fraction of the national market. The table provides the quantity of glass and fibre (tonnes) collected for recycling in the UK during 2004/05, the quantity collected in Scotland for the same period and the contribution (as a percentage) of Scotland to the national arising.

Material	UK (tonnes)	Scotland (tonnes)	% Scotland collection
Glass	1,259,450	59,456	4.70%
Paper, Mixed Paper & Card	4,472,280	130,283	2.91%

Therefore, data for the year 2004/05 indicates that a consortium including all Scottish Local Authorities would manage to control less than 5% of the market for recyclable glass and less than 3% of the market for paper, mixed paper & card. This low market share, and the fact that the UK is now part of a global market where prices are heavily influenced by bigger nations such as China or the USA, gives the consortium little control over national prices or material distribution.

Additional information about the threshold size for a consortium to become a monopoly can be obtained from an already existing consortium. The Midland Recycling Consortium (MRC) is an English consortium including 11 Local Authorities. The main aim of the MRC is to achieve best value for money through the selling of recyclable materials collected by Local Authorities' kerbside collection.

When MRC started to operate and the first tender was made available to private merchants and reprocessors, some considered that the newly formed consortium was acting as a monopoly and complained to the Office of Fair Trading. Remade Scotland contacted senior officers from the leading Local Authority at the time. They gave feedback that the OFT considered that they could not be considered a monopoly as the MRC market share was below 12% of the total market output.

It also should be noticed that the targets and objectives of the proposed consortium do not match with the objectives characteristically found in monopolies (control of prices and distribution). The consortium of Local Authorities tries to obtain better deals from the reprocessing industry through the tendering process and, therefore, deliver best value for money. This approach would meet key targets set in the Efficiency Program for the public sector. The Efficiency Program tries to coordinate the implementation of the Government's 2004 efficiency review.

The Office of Government Commerce (OGC) leads the drive to achieve better value for money across the public sector through a collaborative approach to markets and

by encouraging public sector organisations to work together to act as a better coordinated and joined-up client.(<http://www.ogc.gov.uk>).

To sum up, the size of a consortium in Scotland would be too small to be able to operate as a monopoly. In addition, the consortium main target is to deliver best value for taxpayer money through a more efficient tendering process in which both industry and public sector will be able to benefit from longer and more secure bids.

Appendix 2 - Waste Consortia

For Arc 21 and MRC see main report.

Integra Project

Integra is a partnership of Local Authorities and a private contractor, Veolia Environmental Services, to provide solutions on waste management in the area. The consortia consist of thirteen Local Authorities, which included the eleven district councils in Hampshire, the unitary Authorities of Portsmouth and Southampton and Hampshire County Council, which is the lead Local Authority. The main objective of this partnership is to achieve an integrated waste management strategy in the region, operating mainly in the following areas: waste minimization and public campaigns, composting, recycling, anaerobic digestion, recovering technologies and waste processing facilities such as MRFs, centralised composting sites, transfer stations, household waste recycling centres and energy recovery incinerators. The products that they offer include compost, dry recyclates, energy recovery and commercial and confidential waste management.

The mechanics and principles for the joint working arrangements are established in the following ways:

- A joint memorandum of understanding setting out the principles of the respective Local Authorities' responsibilities and obligations supported by all Project Integra partners.
- A tri-partite contract management agreement between Hampshire County Council and the two unitary Authorities of Portsmouth and Southampton.
- A formal meeting structure to include representation by all Project Integra partners at officer and elected member level.
- A proposal for a formal agreement to share income and risks from the sale of recyclables.
- A 'Project Integra' joint service plan agreement setting out detailed objectives and responsibilities for the next year.
- A joint waste volume planning process establishing service needs and aspirations for the next five years.
- A joint promotional campaign focusing on waste minimisation and recycling.

The Recycling in Cambridgeshire and Peterborough (RECAP) Partnership

RECAP is a district partnership in the Cambridgeshire and Peterborough area that seeks to improve the recycling performance of their 7 Council members. Cambridge City; Cambridgeshire County Council; East Cambridgeshire, Fenland; Huntingdonshire; Peterborough City and South Cambridgeshire together with the

Environmental Agency have been working jointly since 1999. They prepared a Joint Waste Management Strategy in 2005 and they are currently preparing another Waste Strategy document that will be available in autumn 2007.

The partnership has been granted Beacon Council Status for Waste and Recycling 2006/07. The Partnership has achieved notable results in waste reduction to landfill and increasing recycling and composting to 42% of the waste in 2005/06. The Councils have worked together in diverse activities with a focus on waste minimization, reuse and recycling. They have mounted public campaigns in order to aware the population about the waste recycling, composting, nappies and community recycling initiatives.

Cambridgeshire Council is the lead Authority for delivery of a waste PFI project with the company Donarbon Ltd. The contract will include the expansion of composting facilities and a new Mechanical Biological Treatment for non-recyclables. The project also includes the design, construction and management of new Household Waste Recycling Centres in the area. Peterborough City Council is the only Council of RECAP that will not be involved in this PFI project.

Waste Aware Hertfordshire Partnership

The members are Hertfordshire County Council and the ten Hertfordshire District and Borough Councils: Broxbourne Borough Council; Dacorum Borough Council; East Herts District Council; Hertsmere Borough Council; North Hertfordshire District Council; City and District Council; Stevenage Borough Council; Three Rivers District Council; Watford Council and Welwyn Hatfield Council. They have been working together since 1997 and they share the responsibility for the collection, recycling and disposal the household waste. The partnership recycled and composted 18% of the waste produced in 2002/03. The District and Borough Councils provide refuse collection services, whilst the County Council provides the household waste recycling centres and arranges for the disposal of all county's municipal waste.

They published the Joint Municipal Waste Management Strategy for household waste in Hertfordshire for the period 2002-2024. The strategy identifies the need to secure suitable markets for the materials collected and recycled. It also intends to create a wider range of local outlets for these materials even setting up markets with neighbours such as Bedfordshire and Cambridgeshire, to strengthen existing markets and find alternative markets for recycled materials.

Shropshire Waste Partnership (SWP)

The SWP was formed in 2003 with the aim to provide waste collection, recycling, recovery and disposal of all municipal waste on behalf of its members. The Local Authorities that form the partnership are Shropshire County Council; Bridgnorth District Council; North Shropshire District Council; South Shropshire District Council and Oswestry Borough Council. The last two years the partnership received over £2.3 million of government funding which were used in the development of recycling facilities. SWP has also been granted £35.8 million Private Finance Initiative (PFI)

credits to provide the waste management infrastructure, equipment and vehicles needed to deliver recycling, composting and treatment of the waste within Shropshire.

SWP signed the Shropshire Waste Strategy 2000-2020 that sets the targets for municipal waste recycling, composting and recovery. The strategy identifies a potential for developing local markets for recyclable materials which would minimise transport distances and support local economy. The Strategy also foresees the establishment procurement of new services by the constitution of a Joint Committee that coordinates Local Authorities in working together on developing and securing markets for processing material collected for recycling. In addition, new markets will be explored jointly with neighbouring regional Authorities and through WRAP.

Regional Glass Recycling South East Wales Consortium

The area started to segregate the glass at the bring sites and civic amenity sites in the 1990s. After several problems with their respective contractors, the five Authorities in South East Wales (Blaenau Gwent, Caerphilly, Merthyr Tydfil, Monmouthshire and Torfaen) decided to develop a regional contract for waste collection services. From 2002 till 2006, they worked together in a 4-year project pilot scheme in order to promote and improve glass recycling. They received funding from GrantScape under the Landfill Tax Credit Scheme.

The Regional Glass Coordinator undertook research in various alternative market routes for glass. The areas of research included various activities that were demonstrated best practice within Europe, such as filtration through silica in swimming pools.

Appendix 3 - Local Authority Buying Consortia

Tayside Contracts

Tayside Contracts is a commercially based Local Authority contracting organisation providing catering, cleaning, roads, maintenance, vehicle maintenance and winter maintenance throughout the Tayside area of Scotland.

They are the commercial trading arm of the Councils of Angus, Dundee City and Perth and Kinross and employ approximately 2500 people operating out of in excess of 300 establishments. Tayside Contracts operates under a Joint Committee comprising of elected members from each constituent council (<http://www.tayside-contracts.co.uk/aboutus.cfm>).

Authorities Buying Consortium (ABC)

Made up by twelve Scottish Local Authorities and working as a joint committee where Renfrewshire Council is the lead Authority, ABC serves the buying needs of the public sector, charities and voluntary organisations in Scotland, covering 2.3 million people. Environment constitutes the key strategic issue for the suppliers in the area. They have a wide variety of contractors. One of the products that they provide is recycled copier paper. They produce a stationary catalogue where the labels in their products include percentages of post-consumer waste.

Yorkshire Purchasing Organisation (YPO)

YPO is the one of the largest formally constituted Local Authority purchasing consortium in the UK. At the present there are thirteen members including Barnsley Metropolitan Borough Council, Bolton Metropolitan Borough Council, Knowsley Metropolitan Borough Council, North Yorkshire County Council and St. Helens Metropolitan Borough Council.

Working as a joint committee, it was established in 1974 and, with an annual turnover of £200 million, relies heavily on its IT infrastructure that works having access to a help desk run by the company Phoenix. Therefore, Phoenix consultants give remote assistance in order to solve possible incidents. They have a wide variety of contractors and in their products catalogue they show the environmental benefits associated to the product.

Local Authority Purchasing Partnership (LAPP)

LAPP is a consortia of Local Authorities that have joined together to negotiate contracts for supplies and services. The member councils are: Tameside Metropolitan Borough Council, Bolton Metropolitan Borough Council, Oldham Metropolitan Borough Council, Stockport Metropolitan Borough Council, Trafford Metropolitan Borough Council, Warrington Metropolitan Borough Council, Salford City Council, Greater Manchester Police and Greater Manchester Fire and Civil Defence Authority. Operating as a cooperative basis, they work in community social services and develop services of housing maintenance. They have approximately 90

contracts and investments around £34 million. LAPP produces an annual catalogue which is available to all buyers within the member councils. The products in the catalogue have a recycled content label with the percentage of recycled content of the product.

Welsh Purchasing Consortium (WPC)

Operating in the south-east of Wales region and comprising 12 Local Authorities, WPC works as a joint committee and the areas of operation include office products, construction materials, cleaning supplies and catering services. At the moment the consortium runs approximately 100 framework contracts that involves a variety of products such as paper, office furniture, block, boards, aggregates or fencing. They have two different kinds of labels, a large clear green mobius loop for “recycled product” and a yellow sun symbol with the small strap-line “environmentally friendly products”.

North Eastern Purchasing Organization (NEPO)

NEPO is a purchasing and contracting consortium covering an area from the Scottish borders through Tyneside, Wearside, County Durham and Teesside. It comprises twelve members in addition to thirteen associate members. They work as a joint committee being Gateshead Council the lead Authority, which has strong internal environmental policies. The main objectives of this consortium are aggregating contracts, pooling purchasing knowledge and expertise and get best value for money. The label that they use in their catalogues is a world symbol. NEPO gets benefits of £70 million per annum.

Authorities within NEPO have equal status and act in accordance with a joint agreement. Each Authority is represented by three elected members with every Authority having a vote at the joint committee meetings. The joint committee meets four times per year to consider NEPO business and accept tenders invited for joint contracts. The Chairman and Vice-Chairman are elected annually and can not be from the same Authority. The position alternates between the members.

Each member Authority nominates a liaison officer. Their main tasks include:

- To meet at least every month
- To select commodities or services which are suitable for joint contracting, consider tenders received, agree recommendations and discuss all matters relating to purchasing

To develop partnership working amongst all NEPO members delivering tangible and measurable benefits for each of the member councils.

Black County Purchasing Consortia (BCPC)

BCPC operates in the West Midlands area and bring together 4 Local Authorities. They operate as a management committee. Their main objective is to deliver

improved value for money for its members. They work on contracts worth £14 million per annum. Although they have a recycled label in their products catalogue, it does not quantify the recycled content of the products.

Central Buying Consortia (CBC)

CBC was formed in 1991 and since then seventeen Local Authorities have joined it. It operates as a management committee and covers an area from the midlands to the south-east, outside London.

Its main objective is to use collective strength, coordinate purchasing to deliver best value goods and services to customers. It runs 170 framework contracts and its main products are library books, PC's software, energy, stationery, mobiles, photocopies and furniture.

Kent Buying Consortium (KBC)

KBC is a group comprising the fourteen main Local Authorities in Kent, Medway Council and the Kent and Medway Fire and Rescue Service. Their main objective is the procurement of supplies and services, mainly consumables.

They work through collaborative agreements in a federation basis with a very loose lead Authority. Main products include stationery, envelopes, printing and graphic design, garden products such as bark, compost and garden furniture and hygiene products such as refuse sacks. Their contracts are worth £11.3 million per annum. The KBC catalogue uses a very large mobius loop symbol in their products.

Office of Government of Commerce (OGC)

OGC works nationwide with the public sector organizations to gain the best possible value for money from procurement. It is an independent office of HM treasury that supports initiatives to encourage better supplier relations, sustainable procurement, the use of smaller suppliers and the eProcurement.

The organization has a supervisory board and a procurement advisory group (CEPAG), made up of procurement experts. They work with the local government in the procurement efficiency programme. Some of the contracts that they have include vehicles, temporary staff, energy, telecoms, office consumables and local government.

Eastern Shires Purchasing Organisation (ESPO)

ESPO is a joint committee of Local Authorities and operates as a purchasing agent for its member Authorities and other customers and providing a professional cost effective procurement and supply service. The annual turnover exceeds £400 million and the main objective is to achieve overall cost savings for the customer as well as get competitive prices on environmentally-friendly products.

Several symbols appear in the catalogues, which include: Low polluting; Recycled; Ozone friendly; Energy efficient; Reusable; Biodegradable; Not tested on animals.

Appendix 4 - Other Consortia

British Retail Consortium

The British Retail Consortium (BRC) is a trade association representing the retailers of the UK. The BRC works closely with government on all campaigning and policy issues on behalf of its members, and have a relationship with all the governmental departments such as DTI, DEFRA, Scottish Government and European Union.

The Scottish Retail Consortium (SRC) was launched in 1999 to represent the retailers in Scotland. SRC works with its member's stakeholders to maintain the political and industry profile of the retail sector in Scotland, through information sharing, research activity and developing links with key sector partners including the Scottish Government and Scottish Parliament.

Proc-HE and Proc-SNI

Proc-HE is the body responsible for developing and implementing the procurement strategy for UK Higher Education. Proc-SNI is the purchasing consortium representing the higher education and research communities in Scotland and Northern Ireland. Proc-SNI provides a service to its member institutions by actively seeking better value for money arrangements through collaboration in the procurement of specific commodities, through commodity groups. It also maintains a watching brief over wider procurement issues with a view to influencing the direction of purchasing interests and development of new ideas within the consortium that might require to be considered. They work as a joint committee and the main objective is to work together to promote understanding and use of best procurement practice in high education institutions.

National Procurement: NHS, National Services in Scotland

The Best Procurement Implementation (BPI) Programme was launched in 2003 with the aim of achieving cost savings and service improvements within NHS Scotland through improved collaborative working across all NHS Boards. National Procurement aims to acquire, store and deliver goods and services utilising best practice processes and methodologies underpinned with use of IT.

National Procurement has links with the other UK nations' procurement organizations to share best practice and to ensure consistency with issues such as terms and conditions, EU procurement regulations and supplier engagement. Links are also established with procurement work in other public sector organizations in Scotland.

eProcurement Scotland

ePS enables the Scottish Public Sector (central and local government and NHS) to participate in eProcurement. ePS was procured by the Scottish Government for the whole of the public sector in Scotland to use. ePS plays a key role in making Scotland the best and easiest place for suppliers to do business with the public sector. The

service has been fully operational since 2002, and growing as more public sector organisations and their suppliers join. It continues to stimulate the transformation of Public Sector procurement in Scotland for the benefit of all participants.

Appendix 5 – Consultation Responses

Consultation with Council Procurement Teams

Procurement has been under the spotlight recently with a focus on sustainability issues. Drivers such as Public Procurement – The Public Contracts (Scotland) Regulations 2006 were incorporated into Scots Law on 31st January 2006. These regulations require Local Authorities to consider environmental risk factors when allocating contracts. With these changes being placed upon LA procurement departments would they want to further increase their load by becoming involved in a selling consortium?

32 LAs were contacted. 19 responded and only 13 provided useable data as 6 had decentralised departments; which could potentially lead to significant difficulties in data collection and auditing.

As expected many of the procurement departments were part of a buying consortium. None were involved in a selling consortium, 62% however, did believe that it would be advantageous. 46% of LAs questioned believed it would require a significant change in procedure but in the long term would help in reducing costs - others were unsure. 38% did see quality specifications as a potential problem however the remainder were again unsure.

Consultation with Private Waste Management Companies

5 reprocessors/merchants were willing to discuss their perceptions of a public sector consortium. None of the reprocessors/merchants are involved in a selling consortium. The majority were unsure if a single selling/trading agent such as a consortium would cut costs; actually stating that they believed that a trading agent would result in reduction in income for them. None were particularly interested in a single selling/trading agent.

Consultation with Not for Profit and Community Groups

Many Community/Not for profit group's work in conjunction with Local Authorities. For the purpose of this report those community groups involved in collecting and managing waste and recyclates were contacted. . 7 responded.

The main concerns seemed to be that they did not have sufficient manpower available to seek out economically beneficial prices. Current tonnage did not influence reprocessors' prices or contracts. The majority of community groups are already familiar with meeting quality criteria and those contacted sell their materials direct to the reprocessor. They believed that despite a possible reduction in price/tonne a single selling agent would be of interest. Community Groups realise that advantage could be taken of economies of scale thus maximising price.