

# Delivering Socio-economic Benefits from Municipal Waste Management Contracts - A Toolkit

JJ Charitable Trust and Mark Leonard Trust

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## Executive Summary

This toolkit presented in report format has been developed to assist local authorities, bidders/contractors and third sector partners to deliver social and economic benefits from municipal waste management contracts. The Green Best Practice indicator Boxes can be considered separately and for subsequent dissemination.

It provides a checklist of benefits to consider and also to look for in preparing tenders and bids, as well as delivering contracts.

The examples and the guidance have been developed through consultation with a range of organisations and individuals. These have included different types of local authority, bidders, contractors, third sector organisations and wider stakeholders such as Defra. A Steering Group including representatives from the above groups also provided valuable support to the process. This was supplemented by desk research and a

review of a wide range of procurements already underway or completed.

Whilst it is best to consider these aspects as early as possible in a procurement process (preferably prior to the Outline Business Case), examples presented show that benefits can be developed even after a contract is operational.

The type of waste contract being procured (collection, HWRC (Household Waste Recycling Centre), reuse/recycling, treatment) is important to what type of benefits can be delivered.

The type of social and economic benefits considered include:

- Employment
- Education and skills
- Economic regeneration
- Resources for the community
- Inclusion
- Third sector participation
- Partnership working

## EXECUTIVE SUMMARY

- Charitable support induced
- Communications

The scale of the procurement taking place (running into billions across England) is reviewed. Legal and procurement issues can arise but examples and guidance are given that demonstrate that these issues are not insurmountable.

Delivering maximum social and economic benefits from a waste management contract is largely down to the procuring authority. Enlightened bidders and an active third sector can present the opportunities but it is the authority that ultimately decides what goes into a contract.



Project Manager

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Colin Burford, Daniel Instone, Caroline Lee-Smith, Leo Trinick, Rob Dustan, Jo Temple, Adrian Poller and Kit Strange

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# CONTENTS

Executive Summary .....	i
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## Toolkit Content:

1 What is this Toolkit About? .....	1
1.1 What is it for? .....	1
1.2 Who is this Toolkit For? .....	1
1.3 Why use it? .....	1
1.4 What the Toolkit Doesn't Do .....	3
2 Introduction.....	4
2.1 An overview .....	4
2.2 Developing the Toolkit .....	6
2.3 What do we mean by socio-economic benefits? .....	9
3 Background .....	11
3.1 UK Waste PFI Market as at June 2009.....	11
3.2 Policies and Targets .....	12
3.3 Municipal Waste Management Contracts .....	15
3.4 Legal Background.....	17
4 Understanding the Procurement Process.....	19
5 Key Stakeholders .....	25
6 Examples of Socio-economic Benefits .....	27
6.1 Employment Outcomes .....	27
6.2 Education and Skills .....	30
6.3 Economic Regeneration .....	33
6.4 Facilities and resources for the community .....	37
6.5 Inclusion Programmes.....	39
6.6 Third sector .....	42
6.7 Charitable Support Induced.....	44
6.8 Communications and Partnership Working .....	45

# 1 What is this Toolkit About?

## 1.1 What is it for?

This toolkit applies to large-scale long term municipal waste management contracts and seeks to:

- Identify and classify social and economic benefits pre-existing in a particular solution
- Identify approaches to enhance these integrated benefits
- Suggest ways to introduce social and economic benefits into significant municipal waste management services
- Provide an overview of the policy and legal background, the procurement process and the key stakeholders involved in/affected by the process

## 1.2 Who is this Toolkit For?

This toolkit is designed to be useful to:

- Local authority officers responsible for procuring and delivering municipal waste management services
- Organisations and consortia bidding for contracts and delivering services (including the private sector and third sector)
- Policy makers, representative bodies, networks and wider stakeholders

Some of the content may be familiar to tendering local authorities or bidders alike but is included here for those less experienced, to provide a context and to provide an overall usable toolkit.

## 1.3 Why use it?

There is a big push from government to deliver social benefits through public procurement and this provides a context for purchasing authorities and bidders alike.

**Social Issues in Public Procurement (2008)**  
**Foreword by Angela Eagle, Exchequer Secretary to the Treasury**

“The Government has a responsibility to create a fairer society for everyone, support those with a disadvantage and improve people’s well being and we also have a responsibility to use taxpayers’ money wisely. These responsibilities aren’t mutually exclusive and somewhere they can work in tandem is in public procurement. Around a third of public spending goes on purchasing goods and services, so it is important that considering social outcomes and achieving value for money fit together. We shouldn’t forget that the very principle of buying on a value for money basis isn’t about buying the cheapest, it is about taking account of the whole-life cost and wider factors such as social considerations.”

This toolkit intends to support this direction along with various other central government strategies relating to the third sector and social benefits. Similarly, the toolkit can support delivery against social and economic targets set in the Waste Strategy for England 2007.

Specific reasons to use the toolkit are suggested below:

## **Local Authority Officers**

- At a minimum the toolkit provides a way of identifying and describing social and economic benefits in a procurement/service
- Provides an ideas bank for procurement and delivery of services
- Local authorities have a duty under Local Area Agreements and Comprehensive Area Assessments to maximise these benefits where possible
- The benefits support the activities of other departments in the council such as regeneration or social services
- It contributes to assessing the quality of bids
- It can help in promoting and engaging the procurement process and service with members, senior officers and others
- It is a way of supporting wider council and community strategies
- It can help identify opportunities to support and develop the third sector
- The toolkit can support regeneration through waste management services
- It can help ensure Best Local Value from procurements

## **Bidders and service providers**

- The toolkit provides a way of identifying and describing social and economic benefits in a proposal/service
- It adds value by providing a range of ideas for possible inclusion in bids or existing operations
- The benefits can be used to promote a proposal/service internally with staff and externally with the customer/community
- It can link to the organisation's volunteering and corporate social responsibility (CSR)

## **Third Sector Organisations**

- The toolkit provides an ideas bank for possible new service delivery
- It offers a way of identifying and describing social and economic benefits from third sector involvement in a proposal/service
- It suggests ways the third sector can retain/develop business from waste management services

- The toolkit provides ways the third sector can support the delivery of central government strategies to deliver social benefits from public procurement

### 1.4 What the Toolkit Doesn't Do

The toolkit doesn't:

- Quantify the value of the benefits identified\*
- Provide a fully referenced academic or review paper
- Substitute for local and specific idea generation and opportunity identification

The toolkit might be of use to other groups not involved in municipal waste management directly, such as social services or regeneration departments or different types of procurement (NHS, prison service, housing etc.). Similarly it might be of use to community representatives to suggest what might be expected in a particular service delivery/procurement. However, it is not specifically directed towards these audiences.

A report on the 'Benefits of Third Sector Involvement in Waste Management' was released in the winter of 2009<sup>1</sup>. This report, prepared for Defra by Resources for Change in partnership with the New Economics Foundation, Resource Futures and the Community Environment Associates, uses SROI (Social Return On Investment) methodology to quantify the social and economic added value gained through a variety of third sector case studies. It also compares them to the private sector, in municipal waste management.

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<sup>1</sup> [http://randd.defra.gov.uk/Document.aspx?Document=WR0506\\_8336\\_EXE.pdf](http://randd.defra.gov.uk/Document.aspx?Document=WR0506_8336_EXE.pdf)

## 2 Introduction

### 2.1 An overview

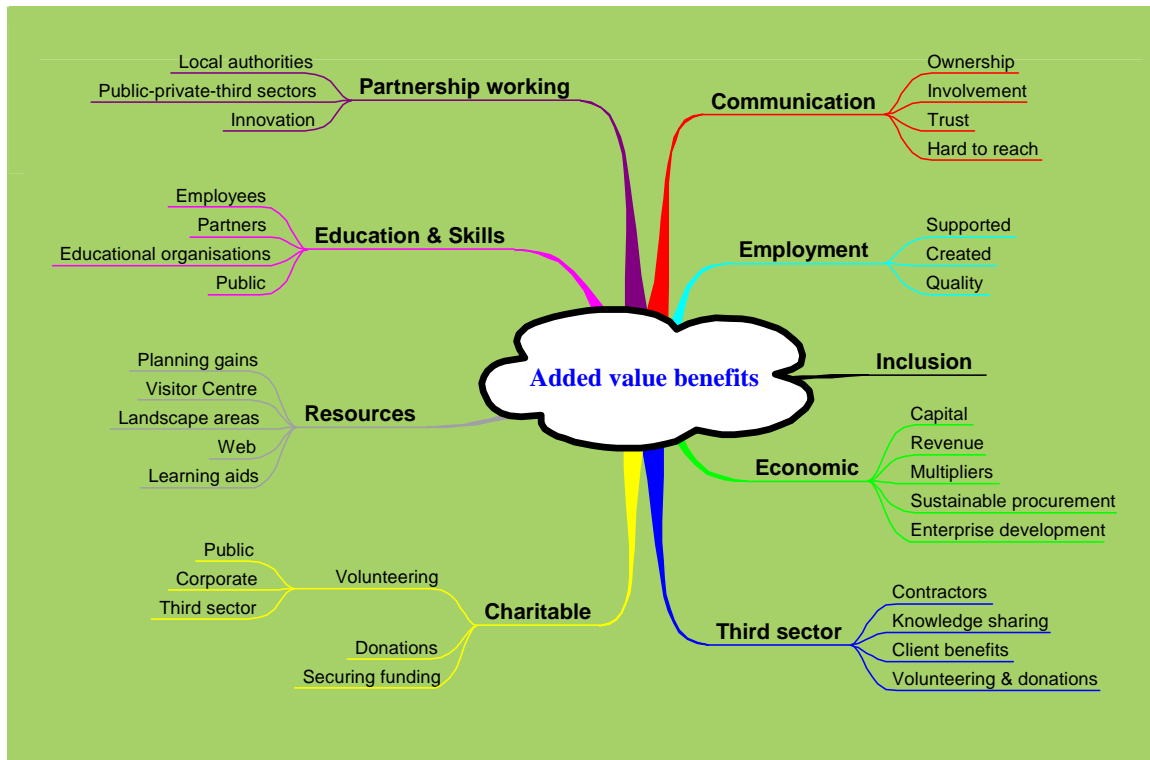
Municipal waste management contracts can produce significant economic, environmental and social benefits, in addition to dealing with effective waste management. Local Government has a great potential in the market place to deliver these wider benefits through partnerships, the tender process and how it approaches service delivery.

A number of contracts are being tendered through the PFI (Private Finance Initiative) process which is now up to Wave 4. The solutions being proposed include high technology processes including energy recovery, automatic segregation of recyclables, mechanical biological treatments and complex logistics management. Up to now tenders have asked bidders to identify potential wider benefits to communities from their proposed technological solution and how these might be delivered.

With a number of PFI contracts now complete, the opportunity has arisen to review and pull together key examples of these benefits in the form of a toolkit. This approach should be of interest to the public, private and third sectors, in applying this knowledge to other PFI activity in municipal waste management and other sectors.

Figure 1 illustrates the range of benefits covered.

Figure 1 Range of Benefits



Whilst it is better to consider social and economic benefits as early as possible in a procurement or bid it is important to remember that beneficial approaches and activities can be employed at any stage.

“

**Issue: Potential benefit not considered early enough?**

In one area an international swimming pool was completed in October 2007 whilst the Outline business Case was submitted to Defra for a waste treatment facility in November 2007. The authority’s aim is to have CHP on the waste treatment plant but given the distant pool location to the waste treatment facility there is now no possibility that the heat can be used to warm the water (an ideal use). It will now be difficult to identify other local proximal heat users jeopardising the associated economic (and environmental) benefits.

Notwithstanding the above, the example below demonstrates that it is never too late to develop social and economic value in a contract.

“

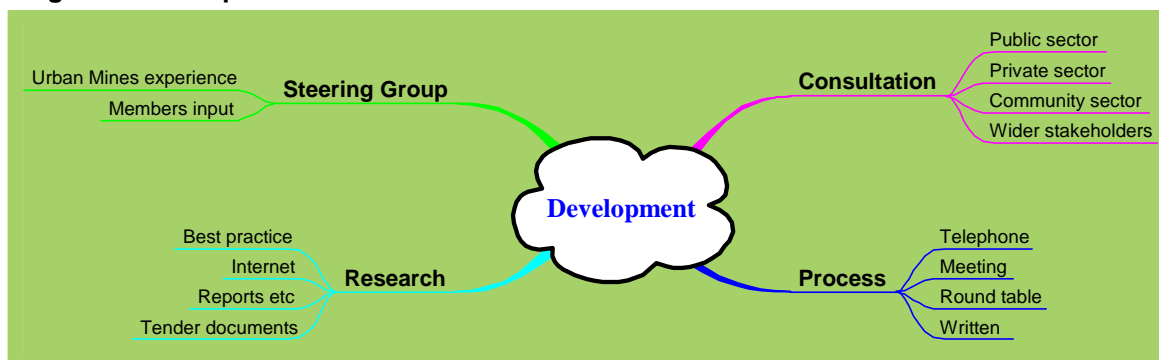
**Issue: Staff inclusion and development through work training**

Post procurement in one collection contract seeking to establish “open access to employment” as widely as possible the contractor introduced ESOL (English for speakers of other languages) for its operatives once employed. This led to indirect benefits when the staff could use their new skills at home with their families aiding wider social cohesion in addition to improvement of delivery at work.

## 2.2 Developing the Toolkit

This toolkit is based on consultations (telephone and face-to-face interviews, written responses, round-table discussions), internet research, experience at Urban Mines and a review of several existing Municipal Waste Management (MWM) tenders and contracting documents. The development and engagement with stakeholders is shown in Figure 2.

**Figure 2 Development of the Toolkit**



The consultee groups included:

- Local authority waste management personnel
- Private sector bidding companies
- Third sector organisations involved in recycling and reuse
- Wider stakeholders

A Steering Group was formed to support the development of the toolkit and suggest approaches to dissemination and implementation.

The partners were:

Member	Body
DEFRA – Waste Strategy Department	Public sector – oversee PFI process granting credits
Policy Connect (not-for-profit)	Group linking industry to Parliament. Section for sustainable procurement
Resource Recovery Forum (not-for-profit)	Active Network membership of wide number of stakeholders involved in waste management, excellent dissemination record
Shropshire Waste Partnership	A Local Authority at end of PFI process
Community Recycling Network	Network and body representing community sector reuse and recycling organisations
VT Group	VT Group are the successful waste contractor for Wakefield MDC
Urban Mines (Project delivery and Chair)	Environmental Charity and not-for-profit consultancy
Sainsbury Family of Charitable Trusts	Represents funding bodies

The following organisations have been consulted through a process of qualitative interviews:

## **Private sector consultation responses**

- United Utilities
- Yorwaste
- VT Environmental Engineering
- Derek Gough Associates LLP on behalf of Waddingtons
- Veolia
- SITA
- WRG
- Interserve
- North Midlands Construction

## **Public sector consultation responses - Councils**

- Hampshire County Council (and Project Integra)
- Suffolk County Council
- Greater Manchester Waste Disposal Authority
- Merseyside Waste Disposal Authority
- Shropshire County Council
- Sheffield City Council
- Warwickshire County Council

## **Community sector responses**

- Faiths4Change - Operation Eden
- Whirlow Farm
- South Shropshire Furniture Scheme
- Kerbside Calderdale

## **Wider Stakeholder responses**

- National Audit Office
- WRAP ROTATE
- DEFRA
- Office of the Third Sector
- 4Ps
- Community Recycling Network
- Furniture Re-use Network (FRN)

Although this sample is not statistically representative it does include:

- a range of authorities (unitary and two tier)
- a range of bidding companies (waste management, PFI and technology companies)

- a range of community organisations (recycling and reuse organisations and community groups with their main activity in other areas)
- a range of wider stakeholders

Further contract tendering processes reviewed included:

- Wakefield integrated recycling and recovery contract including HWRCs (Household Waste Recycling Centres)
- Shropshire integrated collection, recycling, recovery and HWRCs
- North Yorkshire and York recovery
- Merseyside and Halton recovery
- Merseyside and Halton recycling including HWRCs
- Barnsley, Doncaster and Rotherham recovery
- Buckinghamshire recovery
- Derby recovery
- Hereford and Worcester ?
- Lancashire recycling and recovery
- Nottingham recovery
- Oxfordshire recovery
- Leeds recovery
- Suffolk HWRC
- Suffolk recovery
- Northampton HWRC
- South Tyne and Weir partnership recovery
- Cheshire recovery and HWRC

The type of waste contracts reviewed covered; collection, bring sites, HWRCs, reuse, recycling, composting, residual waste treatment and landfill. Often collection or HWRC management are not covered by the PFI process or large scale procurements (unless integrated with other services) because the contracts tend to be for shorter periods (5 or 10 years or even less versus 25 years for a PFI) and of lower value.

Documentary sources reviewed included:

- Reports and guidance on social benefits from service/grant delivery
- Procurement related reports and reviews
- Third sector related reports and guidance
- Guidance notes and documents for municipal waste management
- Waste management reports, toolkits and guidance
- Private sector, third sector, local authority and government website resources

The toolkit selects some of the best examples and has reviewed (?) what has not worked so well in relation to the different types of services e.g. collection, disposal, HWRC etc.

## 2.3 What do we mean by socio-economic benefits?

The socio-economic impacts associated with the PFI process will include the following areas,:

- **Employment outcomes:** wider employment opportunities across a diverse range of sectors (construction, transport/storage, manufacturing, education, service sector etc.) and across a wide range of the community (unskilled, skilled, young, opportunities for immediate geographical take-up, longer term unemployed, NEETs (Not in education, employment or training)).
- **Education/skill benefits/impacts:** opportunities for skills development connected with a new waste facility (engineering, construction, waste management, planning, etc) at all levels ranging from young children to adults. Added value opportunities from joint schemes with local schools, further education, higher education and specialist training organisations; financial added value from joining up with grant aid schemes for training and learning; attainment of accreditation of visitor centre/public facilities for “Learning Outside the Classroom”. Training opportunities for the long-term unemployed and other disadvantaged groups.
- **Enterprise and economic drivers:** opportunities for business innovation connected to attracting new enterprise clustered around the waste facility; impact on start-up/established SMEs involved in reprocessing/recycling/re-use. Potential links to energy and heat users. Local and sustainable purchasing and economic multipliers.
- **Third Sector development:** opportunities for third sector (social enterprises, charities, not-for-profit, other third sector organisations) growth and development from the waste management contracts; joint working with the private sector and new services as a result of the development.
- **Social inclusion:** impacts on the involvement of minority and disadvantaged populations and any separate initiatives undertaken to engage and involve them in the waste PFI process. Development of the perception of a joint endeavour across social and ethnic groups. Public and corporate volunteering.

- **Community engagement and benefits:** impacts on community engagement, any increased awareness in waste minimisation and increase in rate of recycling/re-use in the locality. Facilities for community use. Public and corporate volunteering.

The types of benefits under consideration within this toolkit include:

- Employment outcomes
  - Jobs supported and created (direct/indirect)
  - Workforce - Geography and grouping (such as long term unemployed)
  - Quality of jobs and associated skills levels
- Education and Skills
  - Training for employees
    - Inclusion/diversity
    - English second language
    - Driving
    - Waste (collection, warehouse, processing)
    - Other (construction, engineering etc)
  - Training for partners
    - Council employees
    - Third sector partners
    - Other
  - Education
    - Programmes for schools
    - Programmes for general public
    - Specialist materials
- Economic regeneration
  - Buying locally enhancing benefit to local community
  - Purchasing from third sector for services
  - Spend (capital and revenue) on contract
  - Sustainability of purchasing
  - Supporting local enterprise development
- Resources for the community
  - Visitor centre
  - Web resources
  - Wildlife areas, garden etc
  - Planning gains
  - Learning aids
- Inclusion programmes
  - Ethnic minorities
  - Faith groups
  - Disabilities (e.g. learning difficulties)
  - Generally disadvantaged
  - Hard to reach (linked to communications)
- Third sector
  - Investment in local third sector as delivery partners
  - Knowledge sharing between private, public and third sector
  - Other local benefits (e.g. furniture to low income

	families)
Charitable support induced	<ul style="list-style-type: none"><li>- Volunteering and donations</li><li>- Corporate volunteering from bidder/contractor</li><li>- Donations to local groups/charities/clubs</li><li>- Bring in other funding (e.g. landfill tax)</li><li>- Public volunteering</li></ul>
Communication	<ul style="list-style-type: none"><li>- Involving local groups/ parish councils/ charities</li><li>- Building sense of shared ownership and responsibility</li><li>- Enhancing trust and reputation</li><li>- Engaging hard to reach groups</li></ul>
Partnership working	<ul style="list-style-type: none"><li>- Leading authority in partnership working</li><li>- Private sector and third sector partnerships for enhanced operational and financial robustness</li><li>- Innovative partnership working for public sector service delivery</li></ul>

The Toolkit explores the issues associated with each of these benefits providing examples and illustrating different scenarios and approaches that have been taken.

## 3 Background

### 3.1 UK Waste PFI Market<sup>2</sup> as at June 2009

#### Strong track record

- 20 waste PFIs have closed to date with an average capex size of £214m and range of £16m to £742m
- 19 projects are in various stages of procurement

#### Pipeline of new PFI projects

- A further 6 projects, with an average size of c. £250m have submitted OBCs (Outline Business Case) for PFI credits and OJEU (Official Journal of the European Union advertisements) in the second half of 2009

#### Capital requirement

- £1.8 bn to close in 2009-2010
- £2.1 bn in 2010-2011
- £2.6 bn in 2011-2012

<sup>2</sup> Macquarie Capital Europe: Funding Waste PFI, Mark Dooley, Head of Infrastructure Development - Taken from presentation delivered at Futuresource (June 2009)

## 3.2 Policies and Targets

### PFI Credits and Defra Policy

To support such MWM procurements, Defra are making available £3.2 billion of PFI credits. To apply for such credits, local authorities have to submit an Outline Business Case. The criteria for such applications was modified in 2006 to encourage joint procurement by local authority partnerships, a minimum recycling target of 50% and the need to deliver CHP (combined heat and power) with energy recovery projects. Authorities were also asked to separate the contracts into recycling and recovery, rather than integrated services (sometimes including collection). The aim of this change was to improve value for money through increased competition for contracts by attracting new entrants to the market not traditionally involved in wastes management in the UK.

Some authorities are procuring their requirements outside of the PFI programme by PPP (Public Private Partnership). The “credit crunch” has slowed the closure of PFI & PPP projects.

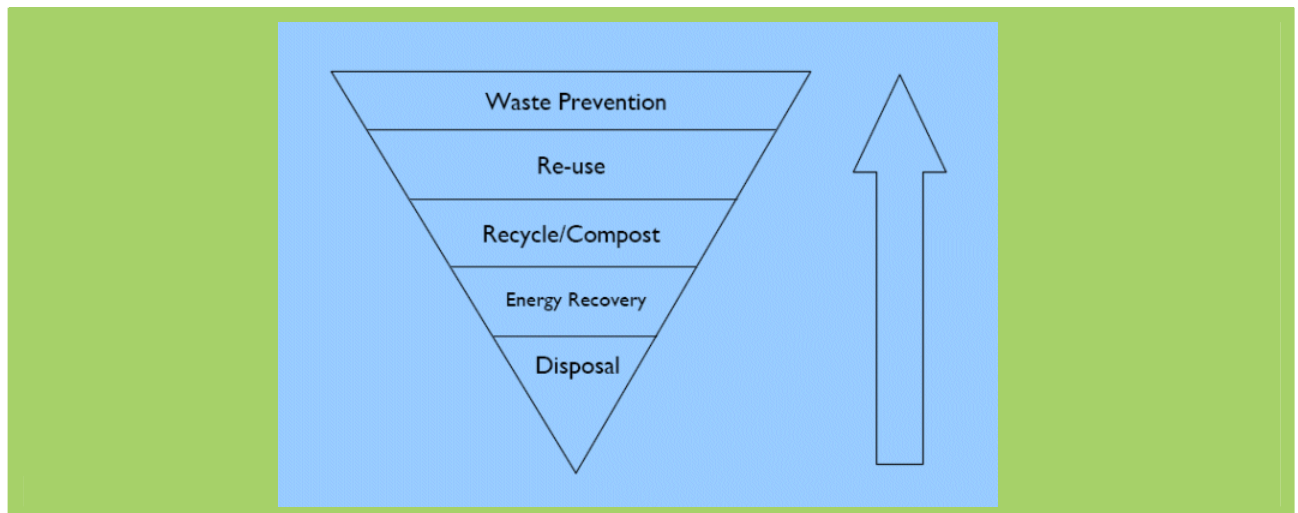
### Waste Hierarchy

The Waste Hierarchy informs us of how we should be managing waste including:

- Prevention and minimisation– preventing the waste occurring in the first place and reducing the overall amount of waste we produce
- Reuse – reusing materials
- Recycling and composting – collection into different streams ready for reprocessing and reuse
- Energy recovery
- Disposal – of the residual waste in a responsible way

**Figure 3 The Waste Hierarchy<sup>3</sup>**

<sup>3</sup> Source: [www.rotherham.gov.uk/.../EDSIssues.htm](http://www.rotherham.gov.uk/.../EDSIssues.htm)



## Waste Strategy for England 2007<sup>4</sup>

There is specific mention in the Waste Strategy for England 2007 regarding:

- Culture change
- Stakeholder engagement
- Staff skills
- Education and action in schools
- Support for businesses in resource efficiency
- Partnership working (locally, regionally and with business)
- Social benefits of working with the third sector

## Targets

The Government has set targets for England to reduce residual household waste, increase recycling/composting and increase energy from waste in the municipal sector by 2020. Key targets include<sup>5</sup>:

- 50% reduction in residual household waste per head by 2020
- To recycle/compost at least 40% of household waste by 2010
- To recycle/compost at least 45% of household waste by 2015
- To recycle/compost at least 50% of household waste by 2020
- 25% energy from waste in municipal sector by 2020
- LATS, and targets in Local Area Agreements, help translate these to local level

## Local Area Agreements, Local Strategic Partnerships and Comprehensive Area Assessments

<sup>4</sup> <http://www.defra.gov.uk/ENVIRONMENT/waste/strategy/strategy07/pdf/waste07-strategy.pdf>

<sup>5</sup> DEFRA - Taken from presentation delivered by Daniel Instone at FutureSource, June 2009

Local Area Agreements (LAAs) set out the priorities for a local area. They are agreements made between the local authority, the Local Strategic Partnership (LSP) and other key partners from the local area.

## From Communities and Local Government Guidance<sup>5</sup>

“The ideas behind them are to<sup>6</sup>:

- recognise that 'one size does not fit all' and local services should reflect what local people want;
- give more flexibility to local authorities and other public sector organisations in the ways they deliver services for local people;
- make local authorities and other public services more accountable to local people; reduce red-tape and improve value for money; and,
- enable local people to get more involved in decisions about local services”

Local Strategic Partnerships bring together members from different parts of the public, private and third sectors in the form of a Partnership. They are a non-statutory body that helps to provide joined up working and thinking at a local level to meet the needs of the local communities. LSPs will include themed sub-groups (such as environment or health etc.). The LSPs provide a single coordinating framework to:

- Work with local authorities to prepare and implement a Community Strategy with the aim of improving the economic, social and environmental well being of an area
- Bring together local plans, partnerships and initiatives improving linkages and simplifying arrangements
- For the 86 local authority areas that receive Neighbourhood Renewal Funds they develop and deliver a Neighbourhood Renewal Strategy to secure more jobs, better education, improve health, reduce crime, better housing/physical environment and address liveability issues
- Work with local authorities to develop Public Service Agreements, LAAs and safer stronger communities, helping to devise appropriate targets

Comprehensive area assessment<sup>7</sup> (CAA) replaced comprehensive performance assessment from April 2009. The purpose of CAA is to assess whether partnerships are achieving their aims for an area.

CAA consists of two assessments:

- **area assessment** – focusing on the delivery of improvements on the issues that matter to people in the locality
- **organisational assessment** – focusing on the individual public bodies within an area, to ensure they are accountable for quality and impact.

<sup>6</sup> Taken from <http://www.communities.gov.uk/localgovernment/performanceframeworkpartnerships/localareaagreements/>

<sup>7</sup> <http://www.idea.gov.uk/idk/core/page.do?pageId=8811984>

Local area agreements (LAAs) are at the centre of the new assessment criteria. CAA reflects the relationships between central government and local partnerships that have developed under LAAs.

### **Other Council Strategies**

All authorities will have strategies/policies relating to inclusion, education and skills, communication etc. specifically developed by the authority for that area. It is recommended that these are taken into account when applying any social economic benefit proposals to a waste contract.

### **Third sector**

The third sector involves a wide range of organisations including the voluntary sector, social enterprise, charities, cooperatives and community sector organisations. The Government aims to make greater use of third sector expertise in general in public sector procurement and wants them to win a greater share in contracts to capitalise on the wider benefits (social, economic and environmental) they can bring to communities.<sup>8</sup>

## **3.3 Municipal Waste Management Contracts**

### **Size, Type and Duration of Contract**

The type, size and duration of the contract will affect the wider benefits which can be delivered. Each authority will vary in terms of what type of contract it is letting and what services are required. Some contracts will be for collection or disposal only while others may be for an integrated waste management solutions including collection, disposal, building new facilities and street cleaning.

### **Waste Collection and Street Cleansing**

It is the responsibility of the Waste Collection Authority (WCA) to collect household waste (including any waste that is subsequently reused or recycled) from an area on a regular basis. The WCA is generally a district council, a London borough, or a unitary authority such as a metropolitan council. Municipal waste includes all waste collected by the WCA including household, as well as for example, some commercial wastes, park waste and street litter. The specific method of waste collection for residual waste and for recyclates varies depending on the authority.

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<sup>8</sup> [www.defra.org.uk](http://www.defra.org.uk)

There are different types of recycling collections including source separated and co-mingled. Source separated collections is where the householder separates out the different materials at source i.e. before collection happens. Co-mingled collections refers to mixed household waste for recycling being collected in one container which is then separated out at a Material Recycling Facility (MRF). WCAs also arrange for a bulky waste collection service for larger items (such as furniture and white goods) from households. Fly tipping removal and street cleansing works are also sometimes included in collection contracts.

The Waste and Resources Action Programme (WRAP) is a source of information providing various tools, methods and assistance aimed at increasing recycling rates from authority collection services including cost and benefits analyses. Of particular note is KAT, the Kerbside Analysis Toolkit, that is an “easy-to-use spreadsheet allowing users to make projections of kerbside collection infrastructure and associated standardised costs”<sup>9</sup>.

## **Household Waste Recycling Centres and Bring Sites**

It is the responsibility of the Waste Disposal Authority or WDA to provide household waste recycling centres and bring sites (such as can and paper banks) for residents to take their own waste for disposal or to be recycled. WDAs are mainly County Councils, unitary authorities, metropolitan councils and London boroughs.

## **Reuse, recycling and composting**

Following the collection of household wastes by the WCA or their contractor the reusable and recyclable materials (glass, paper, cardboard, metals, wood, greenwaste, bulky waste etc) that have been separated out are reused, recycled or reprocessed and the remaining residual waste is disposed of. The responsibility of disposal lies with the Waste Disposal Authority (WDA) who is charged with providing disposal and civic amenity sites for this purpose. Generally the WDA is either a County Council or a Unitary Authority.

Bulky items are also collected for reuse by third sector organisations independently of the local authority services although increasing numbers are contracted to do full or part bulky waste collections.

Historically residual waste has been disposed of either through landfill or incineration but advanced technologies now mean there are alternatives that reduce the amount of waste going to landfill.

## **Residual Waste Treatment**

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<sup>9</sup> [www.wrap.org.uk](http://www.wrap.org.uk)

The solutions to waste treatment are often highly technical and may include a variety of processes including:

- Mechanical Biological Treatments (MBT)
- Anaerobic Digestion (AD)
- Incineration
- Energy Recovery
- Autoclave
- Landfill

## 3.4 Legal Background

Including socio-economic benefits within the procurement process for MWM services can be complex. Considerations of the Legal Framework should be taken into account including EU Procurement Law, Local Government Law, Contract Law and Competition Law. For example EU rules on non-discrimination between member states and open markets suggest that you should not give preference to local organisations or suppliers in the procurement process itself<sup>10</sup>. However they do also allow for a certain proportion of the contract to be set aside for subcontractors, which can allow local enterprise to be included. Conditions for the performance of contracts may include environmental considerations, however an environmental requirement must be verifiable. In a similar way contracts may include social considerations. The full conditions are:

1. The performance of social requirements is capable of being verified;
2. All actions are in accordance with the Procurement Directives, and also the EC Treaty principles of free movement of goods and services and non-discrimination on the grounds of nationality.
3. Any approach to procurement is both consistent and transparent.
4. Conditions may add a measurable cost increase to the overall cost of the procurement. It is the responsibility of the contracting authority to ensure that this increase is proportionate to the benefit being gained in terms of social improvement.

The policy context: “The key points to remember when looking to incorporate social issues are:

- they must be relevant to the subject of the contract
- actions must be consistent with the Government’s procurement policy based on value for money
- Actions must be consistent with the EU Treaty and the EU Public Procurement Directive

<sup>10</sup> Social issues in purchasing (Feb 2006) Office of Government Commerce

- Actions take on sustainable development considerations can have implications in the shorter, medium and longer term. Therefore, it is essential that sustainable procurement is approached from a whole life cost perspective.”<sup>10</sup>

The core of the contract and the marking of any bid must relate to the ‘core’ service being procured. There is public sector guidance available on social issues in purchasing<sup>11</sup>.

**How to address social issues in public procurement (2008) OGC<sup>11</sup>**

**Example: targeted recruitment and training**

“In a works procurement for the construction of a new community centre, authority X included a contract clause that “10% of the person-weeks required to complete all of the work is to be delivered by new entrants that have an apprenticeship, trainee or employment contract with the contractor or a sub-contractor and are engaged in a training programme that is accepted by the employer.”

In this example, 10% is acceptably proportionate; 50% would not be. Costs and benefits need to be weighed up case by case.”

<sup>11</sup>

Buy and Make a difference: How to address Social Issues in Public Procurement (2008) OGC  
[http://www.ogc.gov.uk/documents/Social\\_Issues\\_in\\_Public\\_Procurement.pdf](http://www.ogc.gov.uk/documents/Social_Issues_in_Public_Procurement.pdf)

## 4 Understanding the Procurement Process

Defra states that Private Finance Initiative (PFI) is one of the key mechanisms in which the public sector can improve value for money. It does this by involving the private sector more directly in asset provision and operation and allocating risk to the third party best placed to manage that risk. The principle of the PFI is that a public sector body obtains, for an agreed price, a service rather than an asset. The private sector contractor funds any asset required and is then paid for the service provided to pre-agreed standards.

At present in the PFI process, the authority (a local county council or metropolitan council or councils in joint procurement) with waste responsibility specifies the technical call for tenders (Technical CFT), which usually calls for “innovation” by participants in the formulation of their proposals.

Within the service outputs there are already requirements that will have the potential to contribute to socio-economic value from the contract. These requirements will be embedded throughout but will particularly arise in sections described in the documentation as “Stakeholder and Community liaison and community sector integration” that will be measured subsequently upon implementation through the adopted KPIs (Key Performance Indicators).

### **Pre procurement**

Prior to the formal procurement process there will have been a waste strategy development process for the area including public consultation. A planning health check will also have been undertaken. These stages are an early opportunity to consider social and economic benefits.

### **The Procurement Process**

There are various methods of procurement that can be used when contracting for MWM services but the process most commonly used by Authorities via the PFI route is the Competitive Dialogue Process highlighted below.

## Key stages of the Competitive Dialogue Process

<b>Stage 1 Contract Notice and Selection Process</b>
Official Journal of the European Union (OJEU) contract notice issued
Descriptive Document and Pre-Qualification Questionnaire (PQQ) issued on receipt of bidders' Expression of Interest (EoI)
Selection of qualifying bidders to participate in the process
<b>Stage 2 Invitation to Participate in Dialogue (ITPD) and Invitation to Submit Outline Solution (ISOS)</b>
ITPD and ISOS issued
Dialogue process with bidders
Return and evaluation of Outline Solutions submitted
Short list for dialogue on detailed solutions
<b>Stage 3 Invitation to Submit Detailed Solution (ISDS)</b>
Dialogue process with bidders including all aspects of proposed solutions.
Bidders submit detailed solutions
Return and evaluation of Detailed Solutions
Close of dialogue
<b>Stage 4 Final Invitation to Tender and Contract Award</b>
Call for Final Tenders (CFT)
Bidders submit Final Tender
Period of clarification
Confirm commitments, final clarifications, final due diligence and approvals
Recommendation made to Executive for approval of preferred developer solution
Financial Close/ Contract Award

The procurement phase can be preceded by a market testing process where the outline solution is tested with key industry players for viability. Similarly the tendered solution will have gone through an Outline Business Case with Defra to gain departmental support in the form of PFI credits.<sup>12</sup>

## The Outline Business Case and the Output Specification

Strategic planning and developing the Outline Business Case (OBC) is considered early on by the local authority when developing PFI projects. This is where the outline Output Specification is developed. The Output Specification will later form part of the contract where the local authority defines what the contractor is required to deliver over its term. It refers to the Service Delivery Plan that sets out the contractor's arrangements for the delivery of all aspects of the service and comprises a number of specific plans. The Output Specification focuses on the outcomes that are to be

<sup>12</sup> [http://www.ogc.gov.uk/documents/OGC\\_HMT\\_2008\\_Guidance\\_on\\_Competitive\\_Dialogue.pdf](http://www.ogc.gov.uk/documents/OGC_HMT_2008_Guidance_on_Competitive_Dialogue.pdf)

delivered and not how they are to be delivered.<sup>13</sup> It is up to the contractor/bidder to put forward its proposals on how to deliver the outputs.

The Output Specification is incorporated in the Descriptive Document that will be issued as part of the Pre-Qualification (PQQ) stage of the procurement process. It is one of the main documents where a local authority can outline what is required for its MWM service and therefore this is a key stage at which potential wider benefits should be considered.

### **Intention to Submit Outline Solution (ISOS) stage**

The ISOS stage is where a local authority will invite pre-qualified bidders to submit an outline solution of how they intend to deliver the Output Specification. This is when the bidder/contractor can first consider the potential socio-economic benefits of its proposed solution. The information that a bidder should include in the ISOS response to the authority will depend on what the authority emphasises and what specific requirements have been asked for. Each authority will have different service requirements which will depend on the needs of the area and the political mind-set of the council.

The scoring in the tender documents and how questions that relate to socio-economic benefits have been weighted are important otherwise social and economic benefits may not be considered. Furthermore, these factors can also be included in Pay and Performance Measurements. In total the scores linked specifically to these types of benefits can form a significant percentage of the overall score (5-20% plus). Furthermore in tenders where the options for the technical solution are limited these aspects are where one bidder can differentiate themselves from competitors.

#### **“ Best Practice Example: Waste Disposal Authority Waste Management and Recycling Contract – scoring Socio-economic benefits**

Technical and Service Delivery accounts for 30% of the overall score although the Service Delivery Plans specific to socio-economic benefits account for only 3 out of 26.

Specific area to “score” for socio-economic benefits in this case is within the Service Output:

Stakeholder and Community Liaison and Community Sector Integration

- Stakeholder and Community Liaison Plan
- Community Sector Integration Plan
- Waste Awareness and Education Plan

Contacts with prominent third sector organisations represented within the area can be initiated by bidders at this stage, subject to authority approval. Alternatively an

<sup>13</sup> Waste Infrastructure Delivery Programme: Residual Waste Procurement Pack, Module 5 Part 1, Output Specification principles August 2008 4ps Partnerships UK, Defra.

authority can take the lead by organising events for local third sector organisations to meet bidders.

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## **Good Practice Example: Waste Disposal Authority Waste Management and Recycling Contract – supporting the involvement of the Third Sector Good Practice :**

A ‘Third sector information day’ was organised including presentations from the procuring authority, a range of local third sector groups and from bidders. Time was allowed for networking and contacts to be made. Engagement with the third sector by bidders in developing solutions was specifically encouraged. Third sector organisations were asked to give the same information in discussions with all bidding organisations, something that isn’t expected of other bidder contacts outside the public sector.

## **Bringing together the elements of the ISOS stage components to maximise socio-economic benefits**

To understand more about what the authority is looking for in terms of socio-economic benefits the bidder should review the authorities waste strategy and other key related strategy and policy documents as well as understanding the local area and what is important to the public.

For example:

- Is the contract for a locality that includes deprived neighbourhoods?
- Is regeneration a key priority within the councils Corporate Plan?
- Who is involved in the Local Strategic Partnership for the area and what are the priorities of the Local Area Agreement (LAA)?
- Does the area have low education attainment rates in schools?
- Is there already a waste education programme being delivered?
- Is there a high Black and Minority Ethnic (BME) population in the area?
- What local third sector organisations are prominent in the area?

Understanding what the council policy aspirations and the local environment, helps understand what the council wants and needs from its service and enables the bidder to decide on what socio-economic benefits are appropriate to include in the outline solution response.

Tender documents can allow for non-compliant bids to be entered at this stage. Sometimes this can allow a bidder to alter technical aspects but it is also an opportunity to allow for enhanced social and economic benefits in a proposal. However, the authority does not necessarily take the lead in the approach to these matters but may well then incorporate the ideas generated by the bidder.



## **Issue Example: Unitary authority Residual Waste Treatment Contract**

One of the bidders put considerable effort into engaging with the local community and third sector organisations. As a result the bidder suggested a payment per tonne of treated waste into a 'community fund' to support the types of projects and organisations identified. The authority was eager for the payment but considered it should be a straight-forward 'rebate' to the council. It considered that it could use the money on its normal council activities more effectively, without making any specific link to the MWM contract.

### **Invitation to Submit Detailed Solution (ISDS) stage**

At the ISDS stage the Output Specification informs the bidder of the outcomes expected from the service whilst enabling cost effective solutions to be prepared. The Output Specification will be tuned-up by the authority after the ISOS stage, taking on board the submissions and the dialogue process. The bidder will have to submit a more detailed solution that will be based on their Outline Solution but taking in to account any feedback that had been previously given by the authority. Thus, the procuring authority has an opportunity to emphasise social and economic benefits by rewording the return document requirements appropriately.

The ISDS stage is thus where plans are firmed up and therefore this is where more specific details are provided about what the bidder is going to do with regards to the socio-economic benefits questions that have been proposed in the ISDS Output Specification.

### **Call for Final Tenders (CFT)**

A Call for Final Tenders may be made following the ISDS stage. This will be the last chance for a bidder to make their proposals. Similarly, it is a last chance for the tendering authority to specify social and economic factors in the service. Re-emphasising these requirements at this late stage will send a powerful message to bidders that this is an important consideration for the procuring authority.

### **Final Close**

The Authority will announce its preferred bidder and then go through a process of turning the proposals, specification etc into a contract. This is where the binding performance measures will be agreed.

### **The 4ps, Partnership UK and WIDIP**

## Toolkit

4ps is one of the corner stones of support for local authorities going through the PFI process and they provide a wealth of information along with specific advice and help. As part of Partnerships UK 4ps has now been combined with the Local Government Association into Local Partnerships. Useful information can be found on their website including good practice guidance.<sup>14</sup>

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<sup>14</sup> <http://www.localpartnerships.org.uk/>

# 5 Key Stakeholders

## Local Authorities

Many local authorities view the wider social and economic benefits linked to MWM contracts to be “substantially important”. This said, the importance placed within the tendering and contracting process has been variable and at the operational stage the wider benefits are unfortunately diluted.

Reasons given for this included:

- Flexibility of contract
- Legal issues e.g. wording
- Economics- cost/financial constraints
- Perceived risk
- Having a willing and reliable third sector to work with
- The appropriateness of the type of service e.g. disposal or collection service
- Health and safety

It is therefore important for Local authorities to acknowledge and understand these reasons to help ensure that benefits are clearly thought through right to the operational stage.

## Private Contractors and Bidders

When considering what wider benefits to include bidders should take into account a number of factors:

- Tender requirements
- Local context (including existing arrangements for waste management)
- Council policies, targets and approach
- Organisational capabilities
- Partnering possibilities
- Cost and value for money

## Third sector organisations

Third sector organisations may want to bid directly for a service themselves and then exactly the same criteria apply as for any other bidder. Added benefits will be treated as additional rather than core and will not override other deficiencies in proposals (such as high financial risk). However because PFIs are such large projects, very few if any third sector organisations will be able to bid on their own, so their more appropriate role may be that of a subcontractor to deliver a specific part of the contract.

Third sector groups already involved in waste management in an area need to be proactive regarding their position. There are examples where community sector organisations have been left out in the tender process by an authority and lost their role because it was rolled up into larger procurement and they did not make themselves fully known to the bidders or indeed stress their continual wish to provide services to the Local authority. Ideally the community organisations should agree with the authority a prominent role in the procurement process encouraging third sector information events open for all bidders. This ensures that the groups have an opportunity to work with any successful bidder and at the outset provides the bidders with easy access to the existing active third sector organisations in an authority area. It provides an easy way to engage with the Third Sector without placing any obligation on either the Local authority or Bidders, but gives an opportunity for the third sector to demonstrate any potential added value for service delivery.

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**Issue: Unitary authority  
Recycling collection contract – Third Sector Engagement; lessons learnt:**

A third sector organisation was already involved in collecting recyclables from thousands of homes as a sub-contractor to a private company for an authority wide collection contract. When the collection contract was tendered the authority initially requested proposals including the third sector organisations from all bidders. Subsequently alternative tenders were requested excluding the third sector organisation.

Representatives from the third sector organisation feel that they were excluded deliberately from the process and potential local employment benefits may be lost as a result.

If an Authority is not actively promoting community sector involvement and the community sector is not mounting its own bid then the third sector organisations should seek to work with all the bidders. Whilst selecting one bidder to work with might deliver higher financial rewards in service delivery the risk is that their tender is rejected. In this scenario it is only likely that the bidders will be interested in the operational benefits delivered by a third sector partner rather than the social aspects.

If third sector involvement and social outcomes are included in the specification then bidders will generally approach third sector organisations to discuss their participation in the proposed service. However this should not be assumed and to be pro-active, third sector organisations can ask the authority to provide all bidders with information about their organisation to prompt an approach or approach each bidder (which will be a matter of public record) directly.

# 6 Examples of Socio-economic Benefits

This section covers the specific types of socio-economic benefits that can result from a municipal waste management contract. It provides a check-list, as well as linking to examples of these benefits in practice.

## 6.1 Employment Outcomes

Jobs resulting from a service can be direct (e.g. collection staff) or indirect (e.g. local caterers). They may be new (such as for a new treatment plant) or supported (such as existing collection staff). Roles can span a range of skills levels from basic to highly technical roles.

Employment can be supported at all stages of a procurement process:

- Strategy development and consultation (e.g. communications)
- Tender preparation and market testing (e.g. technical, finance)
- Throughout the bid process and competitive dialogue (e.g. architects, engineers, planning consultants)
- Financial close (e.g. lawyers)
- Operational Stage
  - Design (Planning)
  - Build
  - Commissioning
  - Operation



### Good Practice Example: Greater Manchester Waste Disposal Authority – Employment

Greater Manchester Waste Disposal Authority (GMWDA) has procured a twenty-five year PFI waste management contract to treat waste delivered by its nine constituent Waste Collection Authorities in line with the Greater Manchester Municipal Waste Management Strategy (GMMWMS). The wider social and economic benefits were, of course, important to the contract and moreover, central to it.

During the tendering process it was important to derive added benefit by building on the current delivery mechanism including services and sites, ensuring that the solution was affordable and that it minimised the impact on taxpayers.

As part of the contract the existing local authority waste disposal company – Greater Manchester Waste Ltd (GMWL) and its employees were taken over by the service provider. This enabled GMWDA as a whole to retain and build on its existing facilities, as well securing the long-term future of the current employees of GMWL and expanding the number of jobs available.

The focus of the contract is to maximise recycling and composting and by doing this achieve high recycling rates (in excess of 50%) across Greater Manchester. This brings additional benefits to the wider economy, as there are many activities - collection,

sorting, manufacturing involved, and therefore many more opportunities for businesses and job creation.

The contract will involve significant investment (£650 million) in infrastructure, which will create a large number of jobs in the construction industry (estimated to be in the region of 5,000). The construction companies building the new facilities have a track record of using local sub-contractors and employing local people.

There will be significant additional benefits derived from the new combined heat and power Refuse Derive Fuel (RDF) facility operated by Ineos Chlor in Runcorn. This plant will not only provide an outlet for the RDF but security of energy supply, enabling the plant to operate with a much lower carbon footprint. This will also ensure that Chlorine can continue to be produced in the UK, securing jobs that could easily be lost to the European market

The wider economic and social benefits are derived from providing the right technical solution that will lead to high recycling and composting rates, and the provision of energy from waste facilities, both of which underpin the economic activity and consequent job creation.

Employment outcomes can apply across a range of sectors covering construction, transport/storage, manufacturing, education and services.

The contract operational stage provides numerous opportunities for the employment of local people. However it should not be forgotten that specialist personnel coming into the area will also bring income to local businesses such as hotels, pubs, restaurants, sandwich stands, haulage firms etc.

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### **Good Practice Example: TUPE transfer of Community Enterprise Employees – Employment Process**

In one authority area the council took over a community enterprise involved in recycle collection and TUPE transferred the staff to the council. This took place before the contract was tendered so that on completion the vulnerable staff involved were in turn TUPE transferred to the winning bidder.

The authority felt that on its own the community enterprise would not be able to participate in the contract.

By adopting this approach the staff involved retained their jobs with improved benefits and long term security.

Under UK procurement law, large value contracts have to be fair and open to all companies within the European Union. However, there are a number of actions that a bidder/contractor or local authority can take to increase the likely hood that locally based contractors and sub-contractors will win the work.

A contractor/bidder can

- Provide early details of a typical specification of works locally
- Hold briefing sessions for sub-contractors in the vicinity of the contract of works
- Indicate to all sub-contractors and suppliers a preference, for sustainable development reasons, to source labour and materials locally

- Use local third sector organisations as suppliers/sub-contractors where possible
- Source consumables locally where they represent good value e.g. process consumables, food for canteen
- Advertise locally and work with local job centres to source local workforce
- Support local agencies (including job centres) to maximise local recruitment and training of staff
- Direct recovered recyclates to local reprocesses where this does not conflict with best value

To help stimulate local jobs and maximise local economic benefit, Local authorities and/or economic development agencies can:

- Identify contractors potentially qualified to deliver contracts
- Provide active encouragement and support to local contractors/bidders to engage with the tendering process
- Engage with the bidder early on in the tendering process to secure a commitment to encourage local sourcing of labour
- Monitor and review local spend as % overall spend
- Require main contractors to open a given percentage of the contract sum to sub-contractors, such as 20%, and to package it such a way that 'small businesses' can compete for it. A 'small business' is defined as having a turnover less than €10m and not more than 50 employees.

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### **Good Practice Example: Local Employment Outcomes**

One company bidding for a £150 million water project specified that 40% of the workforce should stay within a three mile radius 4 nights of the week - thus providing benefits to local businesses

To help stimulate local jobs and maximise local economic benefit the Third sector can:

- Proactively engage with the authority early on to ensure that they are known to the authority and so is their interest in contracting
- Take any opportunities offered to the third sector to participate in the process (requests for expressions of interest, third sector information events etc)
- Proactively engage with the bidders and service providers

“

### **Good Practice Example: Suffolk HWRC contract Engaging Third Sector**

The procuring authority made initial contact with local third sector organisations to assess their interest in participating in the HWRC contract with a contractor. Individual bidders were then left to follow up on this initial work. WRG engaged a neutral third sector organisation (not involved in HWRC contracting but with knowledge of the sector) to contact potential third sector partners. Nearly all responded and WRG, having secured the contract, are now working with third sector partners.

## 6.2 Education and Skills

One of the most common socio-economic benefits derived from MWM contracts is the provision of Education and Skills including training for employees, partners, schools and the general public. Local authorities, private contractors and the third sector involved in MWM services are involved with improving skills and providing educational services at many different levels.

These education and skills benefits range from public awareness raising initiatives right through to formal qualifications such as NVQs (National Vocational Qualifications) or Certificate of Technical Competence (CoTC). The skills development opportunities link to the range of sectors involved in the delivery of a contract including engineering, construction, waste management, planning, logistics etc.



### Good Practice Example: Training and skills development

Interserve participates in a range of initiatives to support education and skills development through its contracts.

These include:

- Operating the Investors in People national standard
- The Interserve Training Trust for employees
- Work with schools and colleges helps promote the role of construction to 14-16 year olds and facilitates recruitment into their business
- Supporting a pioneering project in partnership with Exeter College by sponsorship of a two-year BTEC First Diploma course in Construction and by providing; transport for the students from their schools to the college; advice and mentoring; and course materials.
- Interserve works in partnership with a number of Education Business Partnerships across the UK to develop and support the new Diplomas for schools
- Curriculum enhancement - New or refurbished buildings offer significant opportunities for curriculum enrichment including tracking the development of the construction programme through site visits and themed assemblies or monitoring the carbon footprint of a building through analysis of energy usage and performance against recycling targets
- Professional and mentoring relationships with local educational institutions include:
  - Members, Swansea University Industrial Forum/W. Glamorgan Construction Training Group
  - Advisory Board Panel Members, Universities of Aston, Wolverhampton and Coventry
  - External Examiners: Universities of Central England, East Anglia, Nottingham Trent, Salford, York and Hertfordshire
  - Visiting Lecturer, Warwick University
  - Examiners for local professional institutions, i.e. Chartered Institute of Building, Institution of Civil Engineers
- Interserve offer industrial placements and sponsor students through degree courses. They specifically target young people who do not wish to pursue a solely academic career path and are looking for sponsorship opportunities to gain practical experience whilst training
- They also provide scholarships under the Institution of Civil Engineers' QUEST scheme, participate in the Construction Industry Training Board's Inspire Scholarships and sponsor the University of Birmingham's RESPECT scheme for civil engineering undergraduates

Interserve was recognised by an Investors in Work Related and Enterprise Learning (IiRWEL) award for their “outstanding and innovative contribution” as an Outstanding Business Partner. They also won an award for helping Clyst Vale Community College achieve their IiRWEL Diploma.

Sometimes education and training benefits are specified directly in the tender documents. However a responsible bidder will normally include at least some of these requirements in standard operations, for example staff development and HR policies can incorporate diversity training and inclusion programmes.

A waste management contractor will often undertake some educational and skills activities as part of a contract and/or corporate objectives. For example, it is often recognised that the way to get the best results in terms of meeting and exceeding recycling targets is to engage the public in training and awareness initiatives, particularly coupled to service changes. Companies will sometimes support educational initiatives even though they are not contractually obligated to do so.

## **Good Practice Example Education and Skills : SITA support Eco Schools in the Isle of Man**

SITA Isle of Man and the Department of Local Government and the Environment jointly funded an education centre to encourage people to reduce, reuse and recycle their waste and to learn about the island's energy-from-waste (EfW) facility.

They received an award at the annual EMAS awards ceremony for their ongoing education work that aims to reduce the amount of waste produced by the Manx residents. This was achieved by organising visits to the site's education centre.

They took part in a project to encourage schools on the island to enrol as eco-schools and they regularly welcome school groups to the EfW facility where they explain more about sustainable waste management and the role of EfW. Regular tours are also hosted for interested groups. The eco-schools initiative extends the use of the facility from sustainable waste management alone to broader learning around sustainability.

Other education and skills benefits may be developed specifically to reflect local conditions or meet other contract requirements. Contract specifications may lead to wider social and economic benefits, either by an explicit requirement e.g. by requiring provision of a visitor centre and dedicated web-site, which address issues beyond waste; or less directly e.g. by demonstration by the contractor that it has appropriate HR policies and procedures in place for recruitment, training and diversity.

Below are some examples that have been realised in contracts that are worth investing inclusion:

- Training future staff – to buck trend of the limited number of engineers
- Training & development for current staff including NVQs, CoTC, 14 -19 diplomas, pioneering BTEC and CPD programmes covering;
  - Inclusion/diversity
  - ESOL (English for Speakers of other languages)
  - Driving
  - Warehouse management, collection and processing
  - Construction, engineering, waste management
- Training for disadvantaged groups e.g. employment training for ex-offenders, long-term unemployed, special need adults etc.

- Graduates and apprentices training programmes- (some of the main prospective talent pools are graduates and apprentices)
- Partner/stakeholder training programmes
  - Council employees
  - Third sector partners
  - Other local authorities outside the area
- Student work-based learning placements, work-shadowing, sponsorship and professional mentors
- Delivering 21st century learning environments including Learning Outside the Classroom accreditation
- School education programmes including INSET training for teachers
- Curriculum enhancement activities
- Education Packs
- Creating climate change understanding
- Partnership programmes with FE colleges and HE institutions
- Linking to grant aided training and learning programmes multiplying the learning outcomes

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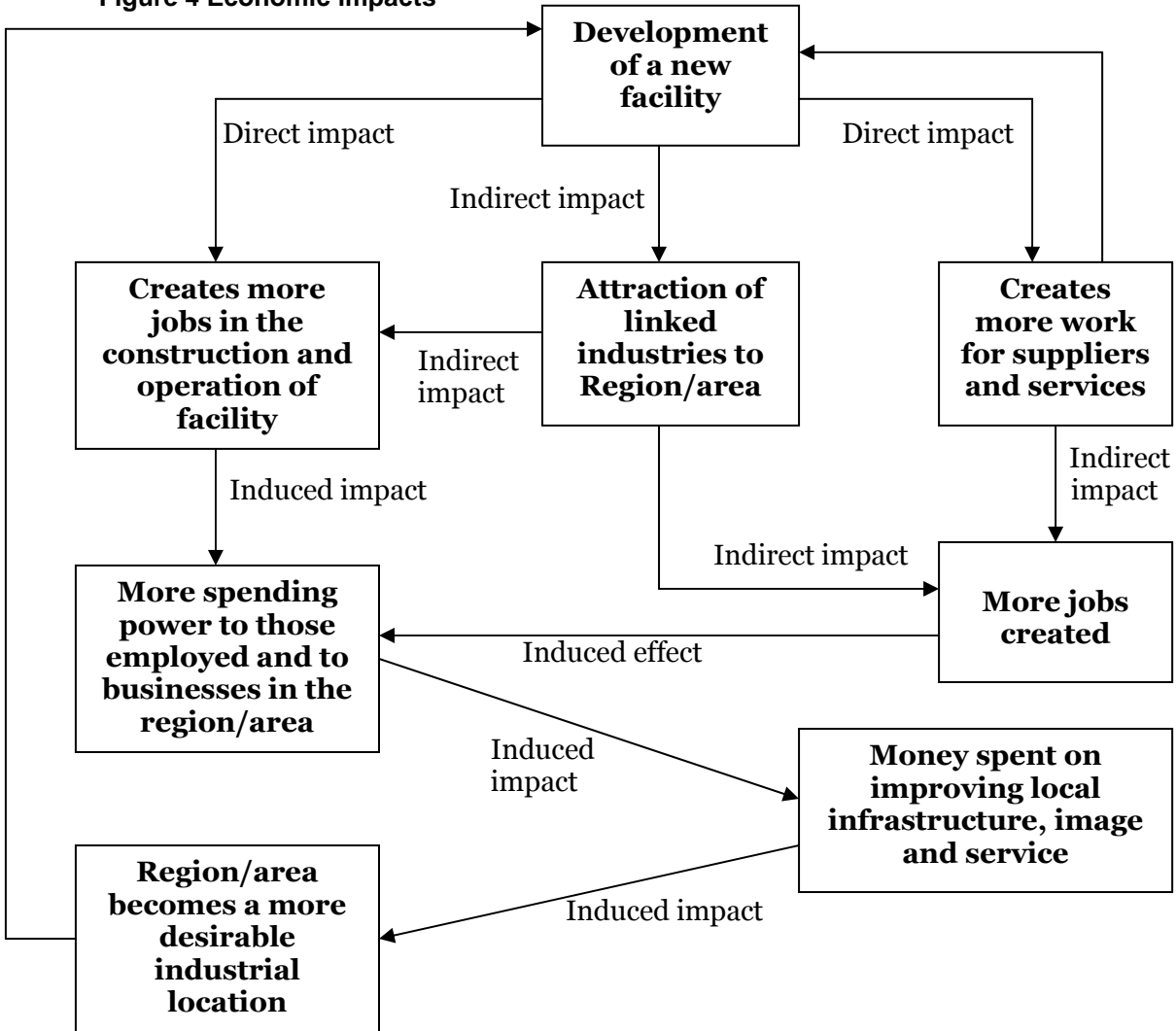
### **Good Practice Example Education and Skills : Global impact**

North Midlands Construction took 6 leading engineers from Ethiopia and embedded them into their staff development and training programme ultimately transferring their knowledge and skills back to Ethiopia.

## 6.3 Economic Regeneration

Investment in terms of both capital and revenue creates its own local benefit, particularly in the provision of new jobs. However, in the construction and operation of the facilities and services associated with a contract the “increase in spending” will increase revenue in the businesses that supply the contractor with materials or services. This increased revenue in turn can lead to increased employment in the companies concerned and in turn increase spending with other businesses. This feedback loop describes the “multiplier” effect. If the contractor adopts a proactive strategy of supporting local business where possible, as long as the requirement for best value is not compromised, then this effect can be localised to the area around the facilities required to deliver the contract. This potential multiplier effect is shown in Figure 4.

Figure 4 Economic impacts



Merseyside underwent a process of estimating the economic benefits through an independent report funded by the North West Development Agency.

“

## **Example: Working out the Economic Impact**

A report by Deloitte Touche assessed the possible impacts from the forthcoming investment by the MWDA in large waste treatment facilities of some £300 million.

After accounting for the residual economic value in the waste-stream, the estimated increase in GVA associated with the Waste PFI contract would be of the order of:

- £7.1 Million in the authorities where the sites are located;
- A further £0.2 Million in the rest of Merseyside (0.04 per cent annual GVA);
- A further £0.4 Million in the rest of the North West (0.01 per cent annual GVA);

Other effects were considered not easily quantifiable and were excluded from the above estimates. These included:

- House price externalities;
- Agglomeration and clustering effects;
- Induced trade in waste and recyclates; and
- The environmental benefits of Waste PFI activities

The exclusion of the above factors from the analysis was considered likely to result in an underestimate of the monetary benefits of the scheme.

The benefits of economic regeneration to the local community from often large capital and ongoing revenue injection can be maximised when contracts are delivered appropriately. Benefits can be enhanced from these contracts and the following check list points should be considered by all parties are as follows:

- Maximise use of local suppliers/outlets at all stages of the contract
- Maximise use of local third sector
- Delivering improved reuse/recycling rates thereby increasing the economic multipliers
- Design and implement appropriate training, education and HR policies as part of the contract
- Provide support and guidance for local groups to access the increasing landfill tax communities fund for biodiversity projects and community facilities
- Consider the encouragement of clusters of reuse/recycling businesses linked to a new facility (new or growth/expansion of existing organisations)
- Identify a user proximal to the site to allow co locating a new facility with a heat user from a Combined Heat and Power facility, or find a variant site that provides this advantage
- Supporting a local innovation culture by using the new technology in research and development and learning programmes

“

## **Good Practice Economic Benefit Example: Supporting the local supply chain**

Anglesey Council at the PQQ stage requested that bidders work with local suppliers and subcontractors and engage with the local supply chain.

Other authorities have directed bidders towards their 'buy local' websites and even organised supplier/bidder networking events.

Economic Regeneration can also be enhanced by linking the municipal waste management provision to treatment of commercial waste (oversizing facilities etc.). It is a requirement that authorities consider the handling of commercial and industrial waste when making plans for municipal waste. Taking this a step further bidders can make proposals to develop further industrial facilities around a key municipal waste management facility. This might include uses of heat from a CHP facility or additional reuse or recycling enterprises. Whilst these other commercial activities cannot count directly in a proposal assessment they can however potentially provide financial robustness and economies of scale to the bidder (subject of course to financial availability).



### Good Practice Economic Benefit Example: Recycling Lives

Recycling Lives is a registered charity with an associated commercial business that aims to improve the lives of some of the most disadvantaged and excluded members of society whilst supporting opportunities for employment, new business incubation, local enterprise development and key elements of national waste management and recycling strategies.

With the provision of a wide range of recycling activities to Local Authorities, commercial organisations and the public; Recycling Lives provides housing, training and long term employment in the recycling sector to people who would otherwise be homeless. This includes ‘ex-armed forces personnel, probationers and those from chaotic backgrounds’.

Each Recycling Lives Centre provides

- Industrial space to accommodate a variety of recycling activities and processes
- Facilities for skills training for long term unemployment
- Retail space to showcase and sell products manufactured by Recycled Lives from locally recycled waste;
- Small business incubator units for entrepreneurs who wish to establish new commercial and social enterprises;
- Temporary accommodation for residents to ensure social skills development;
- Rentable office space and hot-desk service;
- Real long term jobs in a range of recycling and other businesses

Opportunities include training and education to equip residents with the skills necessary for employment, work experience, jobs and entrepreneurial opportunities for residents. Exhibition and educational space is also provided to encourage local community integration and learning.

Waste related contracts are sought with councils, housing associations and others for litter collection from highways, footpaths and cycle ways, street cleaning, ground maintenance and environmental projects, graffiti removal and other similar work. Recyclable material is transported back to the Recycling Lives workshops.

Recycling Lives is an excellent example of how the waste management sector can work with some of the most disadvantaged and excluded people of our society, helping to create economic regeneration in recycling and waste management sector and improve the quality of jobs and associated skills levels of people that would otherwise be destitute and homeless.

For further information <http://www.recyclinglives.org/>

## 6.4 Facilities and resources for the community

Various facilities and resources of use to the community can arise out of MWM contracts. As a check list for both the local authority and bidders these might include:

- Visitor centres being made available for community use
- Wildlife or biodiversity areas and gardens
- Web resources and IT facilities
- Various facilities or improvements under the general area of planning gains
- Improved promotion and access to landfill communities funding leading to the provision of facilities within a 10 mile radius

The value of these facilities to the community can be enhanced through strong community liaison programmes. Thus, a good community liaison programme from the outset of a contract can lead to appropriate design features being included in a visitor centre and other facilities.

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**Good Practice Example Facilities and resources for the community:  
Provision of an SSSI site**

North Midlands Construction provided an SSSI site and involved the local community with this development. This benefit will last long after the contract finishes.

All the facilities should be Disability and Discrimination Act compliant including aids such as induction loops. These facilities and others related to different user needs support inclusion in the community liaison activities for a contract, but should be designed and managed so that they can also be used by the community independently.



**Good Practice Example Facilities and resources for the community:  
Redeveloped overgrown piece of land**

With United Futures, United Utilities partnership with Groundwork, United Utilities have supported a project in Roughlee to improve an overgrown piece of land for community use. Residents who live in Roughlee were affected by major work for two years. Potential impacts on the local community included: large volumes of construction traffic on small village roads, temporary traffic lights causing traffic issues, road closures and one way traffic systems, damage to some dry stone walls and disruption to local farmers where new pipelines were laid.

United Utilities improved a piece of land in the village that was located near to the new water treatment works. It was a real team effort, also involving the contractor KMI, Groundwork, members of the community, and staff and pupils from Roughlee Primary School.

The land was located near the river in the centre of the village and was within easy access of the village school. It was unused because it was completely overgrown. The project involved:

- clearing the overgrown riverside area
- removing Himalayan Balsam, a highly invasive, non-indigenous species
- slightly raising the area to prevent future flooding
- planting to create a nature meadow
- replacing a length of the existing fence with a new dry stone wall containing carved stone animals created by Roughlee Primary School children
- installing new railings within the wall.

The community now has access to the riverside, and the use of a new nature meadow, a lasting legacy for the village.

For further information about United Utilities please see <http://www.unitedutilities.co.uk/>

## 6.5 Inclusion Programmes

Inclusion programmes are required in MWM in terms of approaches to employment and communication and as such are in the majority directly specified. A typical Output Specification clause thus reads “The Contractor shall address issues of equity, disabled access and social exclusion where relevant to aspects of the Service”. Nevertheless some innovative and proactive approaches to inclusion go further in some contracts.



## **Good Practice Example Inclusion Programmes: A collection service in a Muslim area**

The prevailing attitude was that it was wrong to produce waste and consequently food waste was left out for cats and dogs/other wildlife. The approach adopted was:

- Food waste collection targeted at ethnic minority population
- Support of religious leaders gained for the food waste collection
- Evening collection after evening mosque attendance
- Literature to explain how the collected food waste was going to be used

Successful inclusion programmes in the communications activities can result in a real sense of community ownership of the service. Strong inclusion programmes are also important to engage hard to reach groups, and it is important thus to consider:

- Ethnic minorities
- Faith groups
- Transient populations (students, travellers etc.)
- Economically disadvantaged
- Elderly
- Rural populations
- Other groups (e.g. ex-offenders, ex drug abusers etc.)

In some circumstances the community can be unsupportive of the local authority or a large scale for profit business running a contract. This is where linking with third sector organisations (charities and not-for-profit businesses) to provide community-facing roles (some collections, education or community liaison activity) provides enhanced inclusion benefits in a contract.



## Good Practice Example Inclusion Programmes: Faiths4Change on Merseyside

Faiths4Change is a multi-faith programme giving professional support, advice, training and funding for community initiatives where faith groups are key partners. They completed a pilot study called Operation EDEN (2004-2007) that enabled volunteers from faith communities in Liverpool to work in partnership with other local residents to create small scale environmental projects. In total Operation Eden supported 57 projects involving more than 1500 volunteers and over 200 partners including faith communities, local authorities and residents groups.

Faiths4Change were supported by both the Waste Disposal Authority and the Waste contractor from the area. Specific projects were developed around recycling, community composting, purchasing recycled materials and reuse of materials amongst others. A selection the projects are highlighted below showing the potential for local communities to get involved in sustainable waste management whilst also supporting ethnic minority inclusion and inter-faith cooperation.

Operation EDEN supported a charitable organisation called Asylum Link to help them develop a bicycle refurbishment project. Funding was provided to buy the key parts of a bicycle that needed to be replaced and centre volunteers were helped to set up a bicycle repair workshop.

In Anfield, Liverpool, a Penteconstal church called Liverpool Lighthouse, received donations of furniture and wanted to create a showroom to enable local people to view the low cost, good quality furniture that was available. Operation EDEN was able to support Liverpool Lighthouse with training, networking events and grant funding to make the project a reality.

Swapshop events were held in faith buildings with different faith groups.

A recycling service was developed for housebound people.

A community garden was created from recycled materials.

A Mural was created from recycled glass.

Faiths4Change are now working with 20 faith schools in Merseyside with 22 different nationalities helping with planting and composting but also learning about what can be recycled and how other people can get involved too.

The ideas for the projects come from the local community and Operation EDEN helped the local community to deliver these ideas. Operation Eden is an excellent example of how working with the local community on sustainable waste management can help:

- Understanding the local community
- Support social and religious inclusion
- Provide learning for disadvantaged groups
- Enhance the financial contribution of faith communities to civil society (faith communities bring £95 million into the Northwest)
- Encourage community cohesion
- Reduce poverty

For further information: [www.faiths4change.org.uk](http://www.faiths4change.org.uk)  
[www.operation-eden.org.uk](http://www.operation-eden.org.uk)

A potential “quick win” for Inclusion programmes relates to the HR activities in a contract have included providing placements or volunteering opportunities for disadvantaged groups and ensuring equal access to direct employment and training.

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### **Good Practice Example Inclusion Programmes: Employing non-English speakers and disadvantaged groups**

Various contracts delivered by various contractors have included training in English for Polish speakers, Russian speakers and others.

A number of contracts involving bulky goods have included refurbishment schemes for items such as washing machines, electrical goods, furniture and bicycles. Third sector organisations employ and train disadvantaged individuals, such as the long term unemployed, ex offenders and those having received disability living allowance whilst refurbishing the goods.

## 6.6 Third sector

The capacity of the third sector to add value to MWM services is extensively developed in a report on the ‘Benefits of Third Sector Involvement in Waste Management’ which was released in the winter of 2009 and was mentioned and referenced above<sup>1</sup>. Capacity building support is available through WRAP and Futurebuilders for third sector organisations operating in the waste and recycling sector.

Working with the third sector has produced a number of benefits for MWM services. Below are the types of benefits that have been realised and provide a useful list for consideration by both bidders and Local authorities:

- Support with project planning from the third sector for contractors drawing on their extensive local knowledge and especially community awareness
- Enhanced knowledge of local issues (key movers and shakers knowledge within the local communities)
- Delivery partners for reuse and refurbishment e.g. furniture
- Education and skills delivery provision
- Engaging with difficult to reach communities e.g. ethnic minority groups
- Community composting delivery schemes

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### **Good Example Third Sector : Merseyside and Halton**

Merseyside Waste Disposal Authority (MWDA) and Halton Borough Council (HBC) made arrangements for the disposal of Municipal Waste that is collected by the Councils in the Contract Area.

The scope of the services included the development and implementation of an

integrated waste management service including the provision, operation and management of: Transfer Stations; HWRCs; Material Recovery Facilities; Organic Waste Treatment Facilities; Street Sweeping Waste Treatment Facilities and the provision of effective interface with the public, service users, the community sector and stakeholders including: consultation, user feedback, complaints, education, promotion of waste minimisation, reuse and recycling activities in conjunction with MWDA and the Councils in the Contract Area.

Early on in the procurement process for the Municipal Waste Management and Recycling Contract, MWDA held a Third Sector Information Day inviting key Third Sector organisations along with 4 bidders. Community organisations such as Bulky Bobs and Furniture Reuse came along to the day. Each third sector organisation delivered a presentation about what they wanted to get out of the contract. This was followed by each of the bidders delivering a presentation about what they planned to do within the contract. Then, over tea and biscuits everyone had the chance to network and the third sector organisations had the opportunity to discuss with the bidders their plans for the service. This was a two way process.

The requirements for wider benefits were specified in the Output Specification under the heading “Stakeholder and Community Liaison and Community Sector Integration”. The following KPIs formed part of the performance framework and the achievement of these KPIs were also written into the contract including:

KPI 22 Community Sector Integration Plan  
KPI 24 Corporate Social Responsibility Reporting  
KPI 61 Ensuring that two visitor’s centres were accessible to the public and Agreement stakeholders in accordance with the Opening Hours set out in the Waste Awareness and Education Plan.

This example shows how MWDA went over and above the minimum in engaging with the third sector in the procurement process, to the ultimate benefit of the Contract.

Other potential indirect social and economic benefits can be realised and so should be considered by both bidders and the Local authorities:

- bringing disadvantaged people together
- considering social justice in the contracting process
- consider the inclusion and design to bring about mental and physical health benefits
- debt and crime avoidance
- help provided in sustaining a tenancy
- Building in community cohesion through education and skills provided via the third sector
- supporting low income families through bulky goods collection schemes
- opportunities for public and corporate volunteering
- employment opportunities, such as for the long term unemployed
- Enhanced benefit to an area from economic multipliers (see example below)

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## **Good Practice Example Third Sector : Working with the third sector**

“Every £1 invested in a furniture project can generate £5.32 in social benefits for that area” (*Anderson et. al., The Benefits of Third Sector Waste Management. Proceedings Waste 2008 Conference (Sept 2008). ISBN-10: 0-9539301-4-9*) – relating to *Furniture Matters and their Bulky Waste collection contract.*

## **6.7 Charitable Support Induced**

Socio-economic benefits can be delivered through charitable work or donations by both the public and companies and stimulated by MWM contracts. This charitable support can include:

- Corporate volunteering programmes from the contractor
- Direct donations by the contractor to local charities/group/clubs
- Stimulating access to other funding, including landfill tax (made available through the location of a new facility)
- Organising and/or supporting public volunteering for local charitable events/organisations

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## **Good Practice Example Charity Support Induced: Support for the Homeless from the Local Authority**

In Winchester the Local Authority sold land for a £1 to a charity that supported homeless people and set up a reuse and refurbishment scheme working with the homeless.

Private contractors (or indeed local authorities) involving third sector organisations see particularly benefit in the case where the effort/donation is seen to be directed towards a worthy cause. Any increased reuse, recycling or waste minimisation may be seen as an incidental benefit to the participant.



**Good Practice Example Charity Support Induced: A Community Interest Company set up to manage charitable giving**

United Utilities is the UK's largest listed water company. They own, operate and maintain utility assets, including water, wastewater, electricity and gas. They're a FTSE 100 company with a turnover of £2 billion. United Utilities see themselves as the stewards of the natural resources of water and energy, using their engineering and planning skills to help contribute to building community development. More recently United Utilities have moved into the waste management sector.

Participating in the local community is considered to be a strategic issue for United Utilities and therefore many socio-economic benefits are delivered as part of their Corporate Responsibility (CR). They have set up a Community Investment Committee with the role of approving and monitoring the groups CR policy and action plan and reporting progress back to their board. This committee holds the principal duties of:

- Monitoring and reviewing compliance with the board’s charitable donations and corporate responsibility policy
- Making recommendations to the board on the strategic direction of community donations and corporate responsibility strategy
- Reviewing from time to time, all PLC board approved specific giving where the aggregate financial contribution from United Utilities exceeds £110,000 over the period of the proposed funding and overseeing community giving expenditure annually undertaking any review.

## 6.8 Communications and Partnership Working

Communications activities are already directly specified in tender documents or are implicit in the requirements for aspects such as Partnership Working, but it is still important to emphasise connected opportunity in highlighting requirements.



**Bid Procurement Example: Communications requirements**

*“Please state your project specific proposals for community liaison, including communication methods, and measures to encourage stakeholder engagement”*

Communications with the public to deliver full involvement, inclusion and a sense of shared ownership from a contract can deliver associated social and economic benefits as described already.. Contractors and local authorities can deliver a contract with the minimum required communications activity to deliver the relevant permissions (e.g. planning or waste licences) and waste minimisation and recycling rates. However, many authorities and contractors go beyond this minimum level because of the added potential benefits. WRAP provides support to local authorities in its communications activities with the public, providing training, information, advice, guidance and toolkits

and it is suggested both Local authorities and Bidders review the WRAP toolkits and support on their webpages.

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## **Good Practice Example Communications and Partnership Working: Beacon status**

Some authorities choose to develop ‘demonstration projects’ and deliver enhanced communication programmes as part of their MWM programmes, including gaining beacon status. They also support information services and networking bodies such as LARAC, LGA, IdEA and WIN to the benefit of other authorities on the performance of their communications activities amongst other functions. See useful websites for examples of useful communication groups etc.

LARAC – Local Authority Recycling Advisory committee <http://www.larac.org.uk/>

LGA – Local Government Association Groups -

<http://www.local.gov.uk/lgv2/core/page.do?pageId=1>

IdEA – Improvement and Local Development Agency for Local Government

<http://www.idea.gov.uk/idk/core/page.do?pagelId=1>

WIN – Waste Improvement Network <http://www.win.org.uk/>

MWM procurement and delivery can initiate and develop partnership working across all combinations of public, private and third sector organisations. Similarly these external partnerships across sustainable waste management can be mirrored within authorities and bidders.

Most recently MWM contracts have been split up into lots for tender: collection, recycling and residual waste treatment. In such a case partnership working across a range of contractors is a prerequisite for successful service delivery.

More authorities are now partnering to procure MWM services (this might be across unitary authorities or across WCAs and a WDA). This approach can provide local economic benefits by delivering economies of scale. It can allow relatively small authorities to access advanced treatment technologies that would be beyond their reach otherwise.

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## **Good Practice Example Communications and Partnership working: Procuring Partnerships**

A few examples of local authorities working together on a procurement where they are not already organised locally together include:

- Barnsley, Doncaster and Rotherham
- South Tyneside – with who?
- Halton along with Merseyside
- York along with North Yorkshire

A number of authorities working together on MWM contract can also provide a model for partnership working on other local authority activities and for local government reorganisation (county/districts combining to become a unitary authority), such as has recently occurred in Cheshire during the MWM procurement process.

MWM contracts can deliver innovative partnerships between the public, private and third sectors such as the example below:

“ **Good Practice Example Communications and Partnership working:  
A strong private-third sector partnership stimulated by the  
procuring authority**

Identifying community groups to engage with and establishing a two-way relationship that benefits not just the waste service provider but also the community organisation, can be the key to successful service delivery whilst meeting high recycling targets and delivering the wider social benefits

There is a perception that engaging and communicating with the local community will cost more, but this is not necessarily the case. Additionally the risk factor of a community organisation not delivering has deterred service providers and local authorities from specifying details within contract documentation.

Shropshire Waste Partnership (SWP) began procuring a long-term integrated waste management contract in 2003. In September 2007 Shropshire Waste Partnership awarded the 27 year contract, to Veolia Environmental Services and the contract began on 1 October 2007. Veolia now has responsibility for collecting, reducing, recycling, recovering and disposing of household waste on behalf of the councils in SWP.

At the preferred bidder stage Veolia were asked to attend a meeting set up by the Council to meet the community network from the Shropshire area. Third Sector organisations ranging from nappy reuse schemes to furniture collection and reuse groups as well as several others attended. The meeting was set up to generate ideas of how the preferred bidder and the community network could work with each other to deliver the service. Following this meeting Veolia produced an outline of what they wanted to achieve and a business plan was put together about how they intend to work with the local community network. The community Network was made into 1 group objectives to be taken forward

As part of the contractual requirement Veolia was asked to produce a detailed Community engagement plan for Shropshire. And although the wording in the contract is short “The contractor will engage with the local Community” there is a solid foundation from the community engagement plan for all to follow. Money has been put aside within the contract for community services with the provision of annual reporting against KPI’s.

One of the key wider benefits delivered by the contract to date is working with the Furniture Reuse Scheme. There were 5 groups to start with and these were made into one corporate body to be able to coordinate the service delivery more effectively

A trial was completed giving Veolia and the Furniture Reuse Scheme confidence The Furniture Reuse scheme provides an excellent service, both Veolia and SWP are delighted with it.