A radical new development for sustainable waste management in the UK: the introduction of local authority Best Value legislation.

Katherine Tebbatt Adams a,*, Paul S. Phillips a, John R. Morris b

a School of Environmental Science, University College Northampton, Park Campus, Boughton Green Road, Northampton NN2 7AL, UK
b School of Law and Accountancy, University College Northampton, Park Campus, Boughton Green Road, Northampton NN2 7AL, UK

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Abstract

Municipal solid waste (MSW) represents approximately 7% of the total amount of waste produced annually in the UK and the statutory responsibilities for this waste lie with local authorities. The waste services provided by local authorities are mediated via contracts between the authority and service provider under the compulsory competitive tendering (CCT) regime. New regulations are now coming into place under the label of 'Best Value', whereby local authorities will be obliged by law to consult local people on their services, review and report on how they have performed against targets, and embrace quality within their services. Best Value will impinge on the waste management industry by demanding the continuous improvement of their services in both quality and cost terms. This research has shown that there are eight key issues identified from a survey of different stakeholders for the management of MSW, arising from the forthcoming Best Value legislation. In overall order, they are working arrangements (most important), investment and resources, performance and benchmarking, consultation, innovation, contractual terms, consolidation and finally diversification (least important): these are analysed from each stakeholder’s standpoint. The research illustrates that new working arrangements between the local authority and the contractor will be encouraged with contracts setting demanding targets for the management of MSW within a continuous improvement framework. Innovation and flexibility will be
essential for contractors to reach these targets. There will be an increasing trend towards integrated waste management contracts, which will require substantial injections of capital and resources in order for local authorities to meet national and local targets for MSW. Diversification and consolidation will also affect sections of the waste management industry and company mergers will increase. Local authorities consider Best Value as a key driver for reaching targets to reduce the amount of MSW currently landfilled and for the introduction of more sustainable waste management practices in the UK. © 2000 Elsevier Science B.V. All rights reserved.

*Keywords:* Best Value; Municipal solid waste; Waste management industry; Local authority; Compulsory competitive tendering; Contracts

**1. Introduction**

A new UK strategy for Sustainable Development was produced in May 1999 by the present Labour Government [1]. It supersedes the previous strategy for Sustainable Development, which was published, in 1994, by the then Conservative Government [2]. The present strategy has four central themes:
1. social progress that recognises the needs of everyone;
2. effective protection of the environment;
3. prudent use of natural resources;
4. maintenance of high and stable levels of economic growth and employment.

The strategy has been published following an earlier ‘Opportunities for Change’ consultation paper produced during 1998, on the Government’s approach to implementing Sustainable Development strategies [3]. Responses to this paper resulted in widespread support for setting challenging, measurable targets for each key policy area.

The strategy stresses that sustainable waste management is a key priority by encouraging the prudent use of natural resources, which is essential for future prosperity and the protection of the environment. The strategy introduces the intention to set long-term goals for business through sectoral benchmarking, identifying and disseminating best practice, and encouraging responsible care and producer responsibility initiatives which ensure that Sustainable Development is considered from the outset.

Performance indicators are an integral part of the strategy as they help to identify and prioritise areas for future action. Much has previously been written on the valuable lessons that can be learnt and the pitfalls to be avoided when devising and using sustainability indicators, particularly when addressing those indicators on a national scale, which are not always readily applicable at the local level [4]. The Government has revised the performance indicators produced in 1996 [5] after a series of consultations [6]. The new set features 150 indicators, including a set of headline indicators, which will give a broad overview of Sustainable Development. It is the Government’s intention to publish annually the latest information against each headline indicator and the progress towards them. Waste arising and its management is one of the 14 headline indicators (Table 1).
2. UK waste strategy

The Conservative Government’s White Paper ‘Making Waste Work’, published in December 1995, set the strategy for the sustainable management of waste in England and Wales [7]. It built upon the Sustainable Development strategy published in January 1994 [2], concentrating on the reduction of waste at source rather than the end disposal of waste. It sets out management options within a hierarchical framework, with the aim of moving waste management further up the hierarchy with increasing reliance on waste minimisation and decreasing reliance on landfill (Fig. 1). It is based, essentially on demonstrating the best practicable environmental option (BPEO) for any particular type of waste, taking into account the environmental and economic costs, and benefits of the different waste management options. Primary and secondary targets were set in ‘Making Waste Work’ (Table 2), but widespread criticism was voiced for not recognising the scale of change required to meet these targets for recycling and recovery. It was recognised that an attempt should be made to assess the environmental and social costs and benefits of each waste management option, regardless of their assumed place in the hierarchy [8].

Table 1
The headline indicators and waste indicators proposed in the UK strategy for Sustainable Development [1]

<table>
<thead>
<tr>
<th>Type of indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline indicators</td>
<td>Total outcome of the economy (GDP*)</td>
</tr>
<tr>
<td></td>
<td>Investment in public, business and private assets</td>
</tr>
<tr>
<td></td>
<td>Proportion of people of working age who are in work</td>
</tr>
<tr>
<td></td>
<td>Qualifications at age 19</td>
</tr>
<tr>
<td></td>
<td>Expected years of healthy life</td>
</tr>
<tr>
<td></td>
<td>Homes judged unfit to live in</td>
</tr>
<tr>
<td></td>
<td>Level of crime</td>
</tr>
<tr>
<td></td>
<td>Emissions of greenhouse gases</td>
</tr>
<tr>
<td></td>
<td>Days where air pollution is moderate or high</td>
</tr>
<tr>
<td></td>
<td>Road traffic</td>
</tr>
<tr>
<td></td>
<td>Rivers of good or fair quality</td>
</tr>
<tr>
<td></td>
<td>Populations of wild birds</td>
</tr>
<tr>
<td></td>
<td>New homes built on previously developed land</td>
</tr>
<tr>
<td></td>
<td>Waste arisings and management</td>
</tr>
<tr>
<td>Indicators for waste</td>
<td>UK resource use (to be developed)</td>
</tr>
<tr>
<td></td>
<td>Waste by sector (to be developed)</td>
</tr>
<tr>
<td></td>
<td>Household waste and recycling</td>
</tr>
<tr>
<td></td>
<td>Materials recycling</td>
</tr>
<tr>
<td></td>
<td>Energy efficiency of economy</td>
</tr>
<tr>
<td></td>
<td>Energy use per household</td>
</tr>
<tr>
<td></td>
<td>Hazardous waste</td>
</tr>
</tbody>
</table>

* GDP, Gross Domestic Product.
Table 2
Existing targets and proposed goals for waste management in England and Wales

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Existing targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Making Waste Work’ [7]</td>
<td>Reduce controlled waste going to landfill from 70 to 60% by 2005</td>
</tr>
<tr>
<td></td>
<td>To recover 40% of municipal waste by 2005</td>
</tr>
<tr>
<td></td>
<td>To recycle or compost 25% of household waste by the year 2000</td>
</tr>
<tr>
<td>A ‘Way With Waste’ [11]*</td>
<td>To recycle or compost 25% of household waste by the year 2005</td>
</tr>
<tr>
<td></td>
<td>To achieve 45% recovery of municipal waste including 30% recycling and composting by 2010</td>
</tr>
<tr>
<td></td>
<td>To recover two-thirds of waste, 50% through materials recovery, by 2015</td>
</tr>
<tr>
<td></td>
<td>To recycle a third of household waste by 2015</td>
</tr>
<tr>
<td>Fifth Programme of the European Commission</td>
<td>To recycle and re-use at least 50% of plastic, glass and paper by 2000</td>
</tr>
</tbody>
</table>

* Proposed goals rather than existing targets.

Widespread dissatisfaction with ‘Making Waste Work’ [7] resulted in a consultation paper on a possible new waste strategy for England and Wales; ‘Less Waste More Value’ was published in 1998 by the present Labour Government [9]. It supports the hierarchy but believes it should be used as a guide, not a prescriptive
set of rules, and that the targets have to be challenging but achievable. The key drivers to divert waste from landfill to waste reduction are the Government’s initiatives for local authorities, businesses and households. For example, the Waste Minimisation Act 1998 enables certain local authorities to make arrangements to minimise the generation of waste in their area, which saves resources and eliminates the environmental and financial costs of waste collection and disposal [10].

In June 1999, the Labour Government published a new draft waste strategy for England and Wales, ‘A Way with Waste’ [11], which sets new goals (Table 2) and suggestions for achieving them. These include an increasing reliance on energy from waste and for the Government to work with local authorities to develop innovative approaches to minimise the growth of household waste. This draft strategy is clearly linked with the new UK Strategy for Sustainable Development [1], emphasising the vital role waste reduction will play in achieving its objectives. In conjunction with the draft strategy, a report of the UK Market Development Group has been published, concentrating on the development and expansion of markets for recyclates, a key development for sustainable waste management [12].

In April 1999, the European Community Council of Ministers adopted the Landfill Directive. Key features include the drastic reduction of biodegradable waste going to landfill, waste-specific landfills, and that the gases produced from landfill are collected, treated and utilised. It also ensures that the price charged for disposing of waste reflects the real costs involved. This will force the UK waste management industry to invest in recycling and recovery infrastructures, and to engage in sustainable waste management practices.

3. UK waste arisings and their management

The UK has, at present, little reliable data about the nature and volume of waste arising [13]. Because of this, it is problematic to set accurate performance indicators, which are central to the new strategy for Sustainable Development. The Environment Agency is currently working on the production of the first validated set of national estimates of controlled waste arisings, from industry and commerce.

Household waste is composed of waste arising directly from households, civic amenity sites, public buildings and that collected as litter. Commercial waste emanates from premises used for the purposes of trade and business, and industrial waste originates from factories in various sectors. All of these wastes are ‘controlled’ wastes, which are strictly regulated and defined in section 75 of the Environmental Protection Act 1990, as amended by the Environment Act 1995 [14]. Household waste and a certain proportion of commercial waste constitute municipal solid waste (MSW). Non-controlled wastes include agriculture and mining wastes.

Reasonably accurate annual figures for UK household waste are available from 1995–1996 onwards. Each household, on average, produces over 1 tonne of waste per year and this comprises 7% of total waste arisings (Fig. 2) [7]. Landfill remains the dominant disposal option for MSW in England with 90% of household waste
in the United Kingdom currently landfilled (Table 3) [15]. Recycling and waste-to-energy schemes have suffered due to the low cost and extensive availability of landfill sites. The best MSW recycling schemes are achieving diversion rates from landfill of about 15%. The Government’s requirement for an additional 3.8 million homes by 2016 will further increase the tonnage of waste by around 15% [16].

In the UK, County Councils are the waste disposal authorities (WDAs) and have a statutory duty to prepare disposal plans and to dispose of MSW. Within a county, Borough or District Councils are the waste collection authorities (WCAs) and have a statutory duty to collect and transport MSW, to prepare recycling plans and encourage waste minimisation. Where unitary authorities exist in metropolitan areas, the functions of both the disposal and collection authorities are combined in the one tier of local government. The Environment Agency undertakes waste regulation, which acts as the waste regulation authority.

There are an estimated 3500 waste management companies in the UK, with approximately 30 major and middle sized companies’ [15]. For the municipal waste collection sector, two companies hold approximately 40% by value of the contracts held by the private sector. The remaining smaller firms have niches within their own locality and subcontract from the larger operators. The waste industry traditionally concentrated on waste collection, treatment and disposal. It is now increasingly becoming involved in waste separation, recycling, composting and energy recovery, because of the desire to drive waste up the hierarchy. There is strong competition in the waste management industry in the UK, especially for waste collection, which

Table 3
Approximate disposal routes for UK wastes (1996) [15]

<table>
<thead>
<tr>
<th>Sector</th>
<th>Household (%)</th>
<th>Commercial (%)</th>
<th>Construction (%)</th>
<th>Industrial (%)</th>
<th>All (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landfill</td>
<td>90</td>
<td>85</td>
<td>30</td>
<td>75</td>
<td>70</td>
</tr>
<tr>
<td>Incineration</td>
<td>5</td>
<td>7.5</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Recycling</td>
<td>5</td>
<td>7.5</td>
<td>63</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>
This paper focuses on the impact of new ‘Best Value’ legislation for local authorities in the UK on the management of MSW and for the waste management industry. The next section describes compulsory competitive tendering (CCT), the legislation framework that has been in existence since the 1980s and controls the letting of contracts for MSW disposal and collection. These contracts have essentially grown out of the requirement to dispose of MSW as cheaply and efficiently as possible. In the third section, the new ‘Best Value’ legislation and policy framework for local authorities in the United Kingdom is analysed. Competition, effectiveness and quality will play important roles in the future letting of MSW contracts. The analysis of the impacts of Best Value legislation is based on the ranking of eight issues by differing stakeholders in the waste management industry, including local authorities (60% response rate), after an initial pilot survey identified eight key issues arising from Best Value legislation. These findings are important for current and future policy considerations for the management of MSW and sustainable waste management practices.

4. Compulsory competitive tendering

The previous Conservative Government (in power from 1979 to 1997) had three main policy strands towards the public sector: improve efficiency by introducing competition into the provision of public services, reduce public expenditure, and implement privatisation. The Local Government (Planning & Land) Act 1980 introduced the concept of CCT to local authorities for the maintenance and construction of buildings, highways and civil engineering works. The 1988 Local Government Act introduced CCT to many more services, including the collection of waste and street cleaning. The extension of CCT to professional services occurred in both 1994 and 1995.

Legislation implemented CCT for all tiers of local government for their ‘defined activities’, where the gross cost of undertaking them ‘in-house’ is more than £100,000 in the previous year. The legislation is prescriptive about what must be subject to competition, how the competition process will be organised and what happens after the contract has been awarded. Effectively, CCT requires that local authorities only work within the defined activity if they have ‘won’ in competition with external contractors. Local authorities set up in-house units known as Direct Services Organisations (DSOs) to bid for MSW contracts. They have no independent legal existence separate from their parent authority and are therefore constrained by the limitations imposed on local government.

Local authorities relied on the then Department of Environment’s (DoE) Circular 10/93, which repeated earlier guidance and made it clear that a decision not to award to the lowest tender, in favour of the DSO, could only happen in ‘very
limited circumstances’ [17]. The DoE added that authorities would need, ‘specific and well-founded reasons for such a decision’. The clear implication was that, in most cases, the tenders had to be awarded on the basis of the lowest price. Research has shown that during the second round of tendering, 85% of contracts have been awarded to the lowest bidder, compared with 91% awarded to the lowest bidder for the first round of tendering. This is thought to be due to an increased focus on quality and a greater amount of competition [18].

Compulsory competitive tendering has proved to be an unpopular strategy in local government [19]. It reduces the degree to which services can be organised and delivered flexibly and responsively, and it possesses a rigid framework sometimes at odds with best practice and value for money issues. It encourages the use of a price mechanism and market forces to improve the efficiency of local authority services, yet market failure is considered a major obstacle for Sustainable Development. The nature of CCT has held sustainable waste management practice back significantly as MSW collection without any segregation and recycling is usually the least costly option. It is possible that there was some reduction in the quality of service in the early years of CCT [20]. Research findings claim that CCT has only resulted in significant cost savings when private contractors won the contract [21].

There are over 400 WCAs and 100 WDAs in the UK. Waste collection contracts tend to be held for an average of 6 years (matching the capital investment required) and waste disposal contracts can be longer still (up to 25 years). Many street cleansing contracts are combined with waste collection contracts. Due to the high costs of entry, the limited number and size of contracts and low margins, only a relatively small number of companies are involved in MSW collection. However, the competition for waste collection contracts between these companies is intense, with an average of 13 firms applying to tender and four being asked to tender for a given contract. Compulsory competitive tendering and waste collection services have been researched extensively in the UK by the Audit Commission [22], Domberger et al. [23] and Szymanski and Wilkins [24].

At present, waste disposal is governed by the Environmental Protection Act 1990, which requires local authorities to divest themselves of their involvement in waste disposal to private contractors, or to separately organise Local Authority Waste Disposal Companies (LAWDCs). They are required to administer their responsibilities through competitively tendered contracts in England and Wales. These requirements have not yet been repealed. In Scotland and Northern Ireland, waste disposal is still an ‘in-house’ operation. The authority is empowered to include environmental and public health factors in the contracts, as well as value for money. This regime is criticised for requiring over-prescriptive procedural requirements for the letting of contracts. Waste disposal is therefore currently undertaken either by the LAWDC, a joint venture company with the local authority, the private sector, or through the privatisation of the local authority waste disposal section.
5. Best value

In July 1997, the Labour Government confirmed that it intended to replace CCT with a duty for local authorities to obtain Best Value in providing services to local taxpayers. In March 1998, a consultation paper was issued on the subject of Best Value [25] and this was followed in July 1998 by a White Paper describing the new Modern Local Government, which establishes the key elements of the Best Value framework [26]. Best Value is described in the White Paper as:

… a duty to deliver services to clear standards — covering both cost and quality — by the most effective, economic and efficient means available. In carrying out this duty local authorities will be accountable to local people and have a responsibility to central government in its role as representative of the broader national interest. [26]

Best Value links closely with other government policies concerning Sustainable Development, democratic renewal and social exclusion, and is part of the ‘Modernising Local Government’ programme. The Best Value approach to service delivery is where a balance between cost and quality considerations must be struck; thus, the cheapest supplier of a service may not satisfy Best Value criteria if the quality of service provided suffers excessively. The implementation of Best Value involves a commitment to an ethos of continuous improvement; even where local authorities provide a good service, the pressure to deliver Best Value remains. There is no one definition of Best Value, or one way of obtaining it, local authorities are encouraged to find a way that suits them, and to promote new and innovative ways of working.

The Local Government (Best Value and Capping) Act received Royal Assent in July 1999 and will come into effect on 1 April 2000. This Act imposes a new duty of Best Value on local authorities and repeals previous legislation governing CCT. The Government is currently consulting on aspects of Best Value, prior to issuing orders and guidance in the autumn. In Wales, CCT has been suspended since April 1994 when local government was reorganised. The main elements of Best Value are a corporate strategy, fundamental performance reviews, a local performance plan and audit, inspection and intervention (Fig. 3).

6. Pilot authorities

Invitations for local authorities to become pilot authorities for Best Value were announced in June 1997. In England, 37 local authorities were chosen as pilots and in Wales, all 22 authorities are piloting Best Value. Sixteen pilot authorities in England are involved in reviewing either their waste services or related issues. The work of the pilots in England is being evaluated by a team led by the Local Government Centre at Warwick University Business School, and by the Cardiff Business School in Wales, both commissioned by the Department of Environment,
Transport and the Regions. The Government has made it clear that the experience of the authorities will be taken into account in shaping the way in which Best Value will apply in practice.

7. Fundamental performance reviews

Experience of the pilot authorities has indicated that performance reviews must be properly planned and implemented, a key component being to set the approach within a coherent, corporate and co-ordinated strategy. This will allow for the integration of waste services and policy considerations, and encourage working across boundaries with other agencies. Nearly three-quarters (73%) of English local authorities have a Best Value review programme in place as at January 1999, of these 27% are reviewing their refuse and waste management services, and 23% are reviewing their street cleansing services [27].

Local authorities will have to undertake a review of the performance of all services over a 5-year period. Best Value will put the onus on the authorities themselves to lead the review process. Local authorities will be required to:

Fig. 3. The Best Value performance management framework [25].
• challenge why and how a service is being provided;
• invite comparison with other local authorities’ performance and the private sector across a range of indicators;
• consult with the local taxpayers, service-users and the wider business community on the service;
• embrace fair competition as a means of securing efficient and effective services.

There are several approaches to reviewing services: service based, which has proved to be most popular as yet; area based; customer focused; and a cross-cutting method. For waste collection, a service-based approach would fit into the existing service structure of most local authorities and data on performance is readily available, although it reinforces the existing method of provision and neglects the challenge aspect. An area-based approach may be suitable for reviewing street cleansing services and waste collection as it encourages consideration of a co-ordinated service through a locality, but limited performance data could be a hindrance and variations in service standards across localities could occur. An interesting technique is the ‘street scene’ approach, which aims to identify and draw together all the elements, players and relationships that could influence the visual quality of the public realm [28]. The WCAs services are linked to the provision of other waste management services, particularly waste minimisation, recycling, treatment and disposal. Consequently, this service cannot be reviewed independently, and it will be necessary for the WCAs and WDAs to co-ordinate their approaches to reviews. Local authorities are expected to review poorer services first (as highlighted by the national indicators) but reviewing stronger service areas could spread best practice.

7.1. Challenge

The challenge element is the key to significant and continuous improvements for service delivery. It challenges the local authority to ask why the service is provided at the outset and whether the service can be altered in any way to be better. Challenge must be based against internal standards and should result in improved waste services, and, in particular, the diversion of waste from landfill to minimisation and recycling.

7.2. Comparison

To compare services, it is essential to collate comprehensive baseline data for each service and to use performance indicators that facilitate the making of appropriate comparisons between the standard of performance achieved by different authorities and the standards of performance achieved in different years. In the UK, the development and use of performance measurement has been extensive [29]. Several sets of performance indicators will be used for Best Value: a small number of general health indicators, a national set of Best Value service indicators proposed by the Government, and local performance indicators provided by local authorities. These should complement the suite of indicators for Sustainable Development in the UK. Since 1992, the Audit Commission has been responsible for setting a suite
of national performance indicators for local authorities, including waste services indicators, which form a base of national comparative data. Local authorities will have to develop performance indicators to measure inputs, outputs and outcomes for a service. The measurement of inputs and outputs for the waste management industry has been commonplace in the form of monitoring activity, but the outcome measurement is a new concept to much of the waste management industry and is not always easily defined and measured. The draft waste strategy [11] recommends that the performance indicators must be compiled in a way that ensures waste management is no longer seen as separate functions between the WDAs and WCAs. Performance indicators alone cannot be used to make judgements about whether or not Best Value or sustainability is being achieved; the views of the public and professional evaluation are equally important.

Within the White Paper, there are requirements to set targets for specific services against national and local indicators that will be published annually in the local performance plans. Quality targets should raise the performance of local authority services over the 5-year Best Value cycle to match that of the upper quartile of the local authorities at the time the target was set. Targets generated by the performance reviews need to reflect the principles of Sustainable Development set out in the recent UK strategy [1]. A Way with Waste states that the local targets for waste should take account of local assessments of BPEO, and will not therefore necessarily be at the same level as the national targets already proposed [11]. Indicators and achievable targets are essential for waste reduction, and the new Best Value indicators will have a significant impact on this with requirements for contractors to meet waste reduction targets within contracts.

7.3. Benchmarking

Benchmarking is the search for best practice, and the subsequent translation of this best practice into use in the organisation; it entails measuring financial and operational performance against that of a competitor. Individual authorities are expected to use a form of benchmarking to promote Best Value in their own service delivery. It has been reported that around 150 authorities claim to undertake some sort of benchmarking exercise [30]. In Wales, 12 local authorities have undertaken a joint benchmarking exercise concentrating on waste collection, waste disposal, street cleansing and public conveniences.

7.4. Consultation

To meet the minimum requirements on consultation, a local authority will need to consult the community about all of its services over a 5-year cycle. Consultation should originate from a strategic and co-ordinated approach across the whole local authority. The most common methods of consultation are the traditional approaches such as service satisfaction surveys, public meetings and consultation documents, but more innovative methods are increasing in popularity, such as referenda, citizen’s panel and interactive websites. Local authorities will have to
consult widely with all interested parties (service users, suppliers and staff) and to engage consultation successfully with groups, which are under-represented. However, such widespread consultation could have implications for setting plans for future service delivery, particularly since there may be differences in the opinions of sustainable waste management. Consultation to be meaningful must feed directly into decisions about policy, financial choices, service provision and strategy.

The role of consultation, public information and education is critical for Best Value and indeed for waste reduction.

7.5. Competitiveness

The White Paper states:

Retaining work in-house without subjecting it to real competitive pressure can rarely be justified. Should an authority exercise that choice and the service fail to provide Best Value continuing, in-house provision would not be sustainable. [26]

The White Paper sets out a number of ways how an authority might address the ‘compete’ element. These include commissioning an independent benchmarking report, providing a core service in-house and buying top-up support form the private sector so that comparison can be made between the two, and contracting a service out to the private sector following competition restricted to external bidders. A key aspect of the competition criteria will be the examination of each service’s procurement strategy.

8. Audit, inspection and intervention

The Audit Commission will be responsible for the audit and inspection of the Best Value process. Two consultation papers have recently been issued by the Audit Commission regarding principles for public inspection and inspection methodology [31,32]. The inspection methodology will allow inspectors to make an assessment of whether local authority expenditure on waste management offers the public and stakeholders Best Value (Fig. 4). This will be achieved by reviewing the economy, efficiency and effectiveness of the local authorities waste reduction, collection, recovery and disposal strategies and services, and make an assessment of performance against the requirements of the Best Value framework. An evidence-based assessment of local performance towards national standards will also be inspected. There will be power for the Government to intervene when there is a failure to meet any single national performance standard, persistently high costs not warranted by service excellence or need; a failure to improve standards and a failure to act on a critical inspection report.
9. Methodology

An initial pilot survey was undertaken by telephone in June 1999 to identify the implications of the forthcoming Best Value legislation for waste management in the UK. The top ten waste management companies identified, by turnover in 1996/1997, who held over 40% of the market share [15] were interviewed. To signify the publicly owned waste management companies, five local authority owned LAWDCs and five DSOs were also interviewed, who were considered to be representative. To acquire a viewpoint from the local authority perspective, five WDAs and five WCAs were also consulted, and five ‘other parties’ were identified.

Fig. 4. Proposed Audit Commission inspection methodology [32].
and asked to name the main issues arising from Best Value legislation. The pilot survey identified a consensus of eight main waste management issues arising from Best Value:

- working arrangements;
- investment and resources;
- performance based contracts and benchmarking;
- the role of consultation within the contract specification;
- innovation within the waste management industry;
- contractual terms (length);
- consolidation of waste management companies;
- diversification within waste management companies.

A questionnaire was designed, asking the respondents to rank these eight issues in order of importance, with reasons. They were also asked if there were any other issues that they considered important. To obtain a realistic view from the MSW collection sector, questionnaires were sent to 20 private firms that are involved in MSW collection and cleaning contracts, representing 35% of the UK contracts in value terms [15]. The remaining 65% of contracts in value terms (237 contracts) are held by DSOs and questionnaires were sent to 40 representative DSO units. For the MSW disposal sector, 59 LAWDCs (42%) have been contracted out to the private sector; 50 LAWDCs (36%) are still wholly owned by the local authority, with a further 26 LAWDCs (19%) set up as joint venture companies. Of these, 20 local authority LAWDCs and ten jointly owned LAWDCs were sent questionnaires. For the private sector, the top 12 UK landfill operators, as of September 1996, were sent questionnaires, representing a 44% share in the landfill market, as well as eight smaller MSW disposal companies.

For a representative view for local authorities, 20 WDAs and 20 WCAs were sent questionnaires representing all of the pilot authorities and a selection of other authorities that were working towards Best Value within their waste management section. All of these authorities have first-hand knowledge of the impacts of Best Value. Ten ‘other’ interested parties received questionnaires, including the Department of Environment, the Department of Trade and Industry, Local Government bodies, regional bodies, trade associations and consultants; these have all been involved with the development of Best Value legislation. Several interviews were also held with key stakeholders in the MSW market to gain a more in-depth view on Best Value. All of the participants in the pilot survey were sent questionnaires.

The response rate for the questionnaires was 60%, with 96 questionnaires returned from a total of 160. The responses obtained are considered representative of both the MSW collection and disposal sectors of the waste management industry, with a variety of company size and types replying.

10. Results of survey

The results are grouped into the ranking of issues for local authorities, waste management companies, others and overall (Table 4). Generally, local authorities,
Table 4  
Rank order of the issues facing organisations involved in waste management in the UK, due to Best Value

<table>
<thead>
<tr>
<th>Issues</th>
<th>Overall</th>
<th>Waste management companies</th>
<th>Local authorities</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working arrangements</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Investment and resources</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Performance and benchmarking</td>
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<td>Consultation</td>
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<td>Innovation</td>
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<td>Contractual terms (length)</td>
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<td>Consolidation</td>
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<td>Diversification</td>
<td>8</td>
<td>7</td>
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* Key: 1, most important; 8, least important.

Waste management companies and the ‘others’ show consensus in the ranking of the eight issues. These results are then divided further for in-depth examination. All of the private waste companies have been grouped together for analysis, as have the LAWDCs and DSOs because their responses were similar. Table 5 shows the ranking of issues for private waste management companies and LAWDCs/DSOs. The WDAs and WCAs ranking of issues are shown in Table 6. There was a general consensus that the most important impact of Best Value legislation would be new working arrangements, followed by investment and resources. Variation within ranking occurred the most between private waste companies and LAWDCs/DSOs, with private waste companies being more concerned with the actual processes of Best Value such as benchmarking and consultation, while DSOs/LAWDCs were more concerned with investment and resources and contractual terms. The rankings of the issues signify the difference between publicly owned companies and private companies, and how they operate in the MSW market. The ranking of issues for

Table 5  
Subdivision of waste management companies into private waste companies and DSOs/LAWDCs: rank order of Best Value issues

<table>
<thead>
<tr>
<th>Issues</th>
<th>Private waste companies</th>
<th>DSOs/LAWDCs</th>
</tr>
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<tbody>
<tr>
<td>Working arrangements</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Investment and resources</td>
<td>6</td>
<td>3</td>
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<tr>
<td>Performance and benchmarking</td>
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<td>Consultation</td>
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* Key: 1, most important; 8, least important.
WDAs and WCAs does not show that much variation, with the eight issues having similar rankings. The next section discusses in detail each issue from each stakeholder’s viewpoint.

10.1. Working arrangements

From the survey, working arrangements is perceived to be the most important issue arising from the implementation of Best Value by both waste management companies and local authorities, and second for the ‘others’ category (Table 4). WCAs ranked this issue most important and WDAs second (Table 6). Both types of authorities agreed that the idea of ‘consortia’ is a key issue reflecting the scale of investment required for new waste collection, treatment and disposal techniques to ensure sustainable waste management practices, and that Best Value will enable this to occur. Due to the compulsory nature of CCT, partnerships between the public and private sector have largely been set back, therefore research will be vital to show the most effective working arrangements between the waste management industry and local authorities. A relationship built on the basis of partnership between local authorities and contractors is much more likely to succeed and offer greater opportunity to deal with the pressures of change and continuous improvement within a contract framework. The Government expects that local authorities will develop partnerships between the service provider, communities, agencies and other authorities as a result of Best Value, and to this cause, the Government is intending to provide councils with discretionary powers to engage in partnership arrangements with other bodies. Waste reduction will not occur unless innovative partnerships are created between authorities, producers and consumers.

Working arrangements are only considered a major issue if the local authority during the challenge aspect of the review of a service decides that the externalisation of services is the ‘Best Value’ option. If it fits in with the Best Value plans of the authority, then early termination of such an in-house award should be considered. DSOs and LAWDCs also rank working arrangements first (Table 5), citing the fact

<table>
<thead>
<tr>
<th>Issues</th>
<th>Waste collection authorities</th>
<th>Waste disposal authorities</th>
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<tbody>
<tr>
<td>Working arrangements</td>
<td>1</td>
<td>2</td>
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* Key: 1, most important; 8, least important.
that much more flexibility exists if the WDAs and WCAs retained more work in-house under CCT.

The Government and respondents to the survey recognise that Best Value allows for the opportunity of integrated waste management to become widely adopted, providing the integration of waste services brings increases in efficiency, cost savings and quality. The ‘Best Value’ option will depend on the drivers within the locality, such as local landfill availability, the relative cost of waste options in the area and local recycling markets. Long-term integrated waste contracts provide the opportunity for different forms of working arrangements and these opportunities will increase under the Best Value regime. For example, a joint venture company between Kirklees Metropolitan Council and United Waste Services Ltd was set up in 1998, covering a 25-year integrated waste management contract. To achieve Best Value for waste services, joint working between WCAs and WDAs is vital. Around one-half of the counties in England are understood to be working with their WCAs to prepare joint waste strategies, and most plan to have them in place before the end of 2000. The UK Government has warned that if the two types of authorities cannot work together then it will consider a move to a single-tier waste management authority. Where joint waste strategies do exist, authorities should set joint service delivery and performance targets and may let Best Value contracts together.

The European Union’s procurement rules could make these ‘Best Value’ working arrangements more difficult as the negotiated procedure is usually necessary, which can be costly, time-consuming and prescriptive. Nevertheless, the negotiated procedure does provide flexibility to achieve waste contracts with a ‘best fit for the authority’. The Contracts (Rights of Third Parties) Bill currently before parliament could also have an effect on working arrangements and contractual agreements. It requires that a contract governed by English law can only bind, and can only be enforced by, someone who is a party to that contract.

10.2. Investment, resources and process of tendering

The survey shows that investment, resources and the process of tendering is the second most important issue. When looking closely at the responses, private waste companies rank this issue sixth and DSOs/LAWDCs third (Table 5). Local authorities believe the issue is more important, with WDAs ranking it the most important and WCAs ranking it second (Table 6). The ‘others’ category also thought it was the most important issue. This variation could be due to the fact that local authorities and the ‘others’ are acutely aware of the investment required to divert waste away from landfill and up the hierarchy; indeed, WCAs did identify the need for income flows to secure investment for waste recycling and minimisation. Most private waste companies did not see investment as a major issue in relation to Best Value but uncertainty is apparent in the waste management industry concerning the extra cost, if any, of the contractor embracing Best Value. Industry is willing to put up the finance required for ‘Best Value’ waste collection,
treatment and disposal. Waste contracts usually require significant capital and assets, but economies of scale could be achieved by integrating service contracts (for disposal, collection, recycling and recovery) or for neighbouring local authorities to share facilities. LAWDCs/DSOs rank this issue as third (Table 5), citing they are constrained where investment is concerned, due to local authority governance. It is recognised that power over capital spending must be devolved to local authorities where more beneficial partnerships will develop. The lack of public finances made available for projects are a considerable constraint on the development of the MSW, although new private financing models are being increasingly used such as the Private Finance Initiative.

Project deliverability is a key factor in the evaluation of any bid for a waste disposal or collection contract. Contractors will need to convince financiers of the ‘bankability’ of the project. Lenders will look to eliminate as much risk as possible within the contract documentation and seek as many guarantees built into the contract as are feasible on waste quantities, composition, delivery patterns and contingency arrangements. Access to finance is cited as one of the barriers to entry into the waste management industry [15].

Many private waste management companies believe that the tendering process is a major obstacle in terms of cost and length. Many emphasise that the process of tendering should show Best Value as well as the outcome. Local authorities, waste companies and their industry representatives have voiced concern over the planning system for waste facilities, believing it to be a significant hurdle. Even when planning permission is eventually granted, it takes anywhere between 2 and 10 years from plant conception to operation.

10.3. Contracts — performance and benchmarking

The survey shows that this issue is ranked third overall. Waste management companies and local authorities ranked this issue second (Table 4). WDAs believe it is the most important issue, while WCAs rank it third (Table 6). This variation could be because WCAs have been using types of performance based contracts for MSW collection and street cleaning contracts under CCT by using frequency based indicators that are simple to record and factual. For Best Value, the performance of contractors will be based on outcomes, as well as frequency and efficiency indicators. Performance measures will also be built into MSW disposal contracts to ensure continuous improvement and the movement of waste up the hierarchy. The extent and standard of the MSW service over the contract length should be detailed and agreed so that the targets set and high standards can be achieved. Benchmarking is voiced as a key concern by the private waste management companies. They emphasise that when undertaking any benchmarking exercise, it is essential to compare ‘like for like’ and to look behind the ‘cost’ factor to explain any differences. Private waste companies and DSOs/LAWDCs will have to share their performance information with one another to aid the benchmarking processes undertaken by the WCAs or WDAs.
10.4. Role of consultation within the contract specification

This issue is ranked fourth overall, with waste management companies ranking it third, local authorities ranking it second and ‘others’ fourth (Table 4). WCAs and WDAs both rank this issue as third most important for themselves (Table 6). All of the respondents in the survey recognised that consultation with local communities and stakeholders is a key element of Best Value but there was uncertainty from both waste management companies and local authorities of whether it should be part of the contract specification. Private waste companies rank it fourth and DSOs/LAWDCs sixth (Table 5). The difference in the perceived importance of consultation could be because the DSOs/LAWDCs originated from local authorities which, to some extent, have consulted with the local community in the past. Private waste management companies have carried out little consultation with the public and the general public image of the waste management industry is poor in the UK. Consultation is a difficult issue and it will be necessary not to raise the expectations of the public too high, especially where recycling is concerned, as the WCA might be unable to deliver due to budgetary and market constraints. Emphasis will be placed upon negotiating contracts, which clearly recognise that local services must benefit local people. Legal mechanisms must be found within contracts for listening and responding to communities and enabling local authorities to deliver what the public wants.

Quality, company reputation and customer services have always been important features in the waste market for leading suppliers, and this will require greater significance in light of Best Value. A survey by Barony in a mainstream service suggests that while 80% of local authorities rated customer satisfaction as important, only 35% undertook satisfaction surveys [33]. To ensure the contractor delivers on customer satisfaction, it has to be built into the prospective agreement.

10.5. Innovation

Innovation is ranked third most important for local authorities and fourth most for waste management companies (Table 4). Private waste companies perceive it to be second most important overall, compared with DSOs/LAWDCs who rank it fifth (Table 5). The private waste management companies believe that innovation is vital for the company’s ability to deliver a Best Value contract successfully, whereas DSOs/LAWDCs do not always have the resources to concentrate on innovation. For continuous improvement within waste contracts, it is essential that innovation and flexibility occur within the lifespan of the contract. From a private waste management company’s point of view, innovation will be essential to maximise profits and to gain commercial advantage by embracing new technologies. The new draft waste strategy emphasises the fact that companies must work to develop new markets and products for recycled materials; otherwise they run the risk of falling behind more resourceful competitors [11]. WDAs and WCAs rank innovation fifth and fourth, respectively, recognising that to reach MSW targets, innovation is a necessity (Table 6). Several WDAs are leaving their waste management service
reviews to the fourth or fifth year in the review cycle, hoping that new technology will be more efficient and less costly by then. The trade associations recognise that the lack of training and skills within the industry and the need to reorganise current high standards are obstacles to innovation.

10.6. Contractual terms — length

The survey shows that the length of contracts is considered sixth overall, with waste management companies ranking it sixth, local authorities fifth and ‘others’ sixth (Table 4). DSOs/LAWDCs rank this issue second and private waste companies rank the importance of the length of contract fourth (Table 5). The respondents believe that the impact of financing should be matched to the reasonable life of the asset and therefore reflected in the length of the contract; without long-term contracts, it will be impossible to make large capital investments. WDAs rank the issue fifth (Table 6); they already tender out long-term contracts for MSW disposal and therefore do not believe Best Value is a major issue for contract lengths. However, WCAs at present have shorter contracts and therefore rank contract length as fourth, slightly higher than the WDAs. The local authority can give the contractor a long-term contract in return for a commitment from the supplier to meet specified cost, quality and other performance targets. However, tension is apparent in the private sector over the issue of the 5-year cycles of reviewing services in relation to long-term contracts. Flexibility must be built into any long-term contract to build any changes that might occur during the contract’s lifespan. Many authorities are locked into long-term waste contracts that prevent movement up the waste hierarchy and also continuous improvement or review of performance; there is also the added problem of a lack of co-ordination between the timescales of waste collection and waste disposal contracts. If these contracts do exist and cannot be escaped, it would be sensible for the local authority to put waste services to the end of the review process. It is recognised in ‘A Way with Waste’ [11] that longer term contracts will provide stability for both the client and the contractor, enabling longer term planning that will lead to more stable process and a better correlation of supply and demand for the recyclate market.

10.7. Consolidation

Consolidation is viewed seventh overall (Table 4), with private waste management companies ranking it seventh and DSOs/LAWDCs eighth (Table 5). WCAs and WDAs ranked the issue sixth and seventh, respectively (Table 6). Replies to the questionnaire suggest that it is considered an important issue, especially for smaller companies, but Best Value is not seen as a driver for it; however, consolidation may occur at a faster rate than the present. Companies with fewer integrated waste management services will find it increasingly difficult to win or maintain MSW management service contracts. As a result, many companies will look to take-overs and consolidation as a means of broadening service offerings. By consolidating, companies will encompass a greater proportion of the value chain and move into
new geographical markets. Often, entry into the waste management industry is easiest through acquisition and take-overs.

10.8. Diversification

Overall, diversification is ranked as the least important issue, although private waste companies rank it fifth. Diversification is essential for the movement of waste away from landfill. Best Value is considered a driver for diversification interlinked with the requirements of the Landfill Directive and the UK’s waste strategy. The questionnaire raises the point that as well as diversification, specialisation could also occur within the waste management industry. Waste management companies will obviously want to spread the risk to their business. More companies are branching out into sorting, separation, recycling and facilities management. Many DSOs are now offering integrated services including ground and building maintenance, cleaning, waste collection and recycling. Legislation, public awareness and initiatives such as the landfill tax are diverting waste from landfill into a higher cost and added value segment of the market, thus contributing significantly to market growth and company profitability.

10.9. Other issues

Replies to the survey suggest that, in general, the UK waste management industry is wary of Best Value, and there is a particular concern that Best Value will develop into a different version of CCT. There is a lack of information available to the industry that explains Best Value. One waste management company voiced the opinion that someone needs to decide what Best Value means and then tell everyone else. Questions are raised on how contractors participate in Best Value reviews, who is the arbiter in the event of any dispute and what weighting, if any, is given to quality standards in the selection of tenders.

11. Conclusions

Best Value is a major challenge for local authorities to develop new ways of delivering services. It places all of the issues relating to waste management on one agenda and removes the partial analysis and provision that previously occurred. As yet, no waste contracts have been issued under the ‘Best Value’ tag but the majority of local authorities are already preparing for Best Value. The eight key issues for waste management from the implementation of Best Value, identified by this research, are, in decreasing importance: working arrangements, investment and resources, performance and benchmarking, consultation, innovation, contractual terms, consolidation, and diversification. The waste management industry is uncertain what Best Value will mean to them but most of these issues will play key roles in their future contracts. Best Value will be a key driver for movement up the waste hierarchy, together with other legislation such as the Landfill Directive. Much
greater emphasis will be placed on minimisation than disposal. Best Value is an opportunity for local authorities and the waste management industry to work closely together, finance new initiatives such as municipal recycling facilities and achieve continuous improvement in the collection, treatment and disposal of MSW. The legislation will also lead to a marked change within the waste management industry, with take-overs and mergers increasing, and more companies diversifying to offer a greater range of sustainable services. Waste prevention, reduction and minimisation would appear synonymous with Best Value. The Best Value methodology, once embedded into working practices, will rapidly drive the management of MSW up the hierarchy, away from disposal towards minimisation.

References