Meeting of:	SUBJECT OVERVIEW AND SCRUTINY COMMITTEE 3			
Date of Meeting:	19 MARCH 2024			
Report Title:	FUTURE WASTE SERVICE OPTIONS			
Report Owner / Corporate Director:	CORPORATE DIRECTOR COMMUNITIES			
Responsible Officer:	JENNIFER SPARROW – CLEANER STREETS AND WASTE CONTRACT MANAGER			
Policy Framework and Procedure Rules:	There is no impact on the policy framework or procedure rules.			
Executive Summary:	To share the findings of the commissioned report on future waste options.			

1. Purpose of Report

- 1.1 The purpose of the report is to share the findings of the commissioned report from Eunomia on future recycling and waste options from April 2026, following the two-year contract with Plan B Management Solutions which ends 31st March 2026.
- 1.2 It will allow Scrutiny members the opportunity to understand the advantages and disadvantages of three service delivery methods that is:-
 - Bring the waste services in-house
 - Transfer the waste collection into Local Authority Trading Company (LATco)
 - Re-procurement of a waste services contract

And for Scrutiny to offer their recommendations, in regard to the above, for the consideration of Cabinet, before any decision is made.

1.3 It is important to note that the report will not look at the details of the future service delivery, including items such as frequency of collection or materials collected. This is the next stage of the waste services workflow and will be brought to Scrutiny for discussion and consideration at a date later this year.

2. Background

2.1 The council has outsourced its recycling and waste contract to a commercial contractor since 2003. The contract has been renewed every 7 years and the Council has had three contractors fulfil that service. The current outsourced waste contract was awarded to Kier Environmental Services in April 2017. This contract will end at

the end of March 2024 and will be replaced by an interim contract for a period of two years, approved by Cabinet in June 2022. This will be from the 1st of April 2024 to 31st March 2026.

- 2.2 The reasons for the short-term duration of the interim contract, was twofold: -
 - The interim contract would allow time for the development of the Ultra Low Emission Vehicles (ULEV) marketplace and considered future decisions to be made with regards to decarbonisation and the selection of future vehicle technology from 2026.
 - The contract would allow time for Welsh Government future recycling targets and linked forthcoming relevant legislation to be published, thus informing service models and, in turn, fleet configuration from 2026.
- 2.3 Following a procurement exercise, "Plan B Management Solutions" was appointed to provide the interim recycling and waste service from 1st April 2024 to 31st March 2026.
- 2.4 In order to ensure continuity of service post 2026 when the Plan B contract ends, decisions are required on how the Council will provide the waste service in the future. This may be done via a re-procured service, by bringing the waste services back inhouse or the establishment of a Council owned arm's length company or LATco. This is the subject of this Scrutiny Report. Shortly after that, a decision will also be required on the model of service to be provided, this will determine items such as frequency of collections and the materials to be collected. This is the next stage of the waste services workflow and will be brought to Scrutiny Committee for discussion and consideration at a date later this year.
- 2.5 Prior to commissioning the Eunomia report, consideration was given as to whether to investigate collaborative working arrangements. However, this was explored at length previously and there was with limited benefit or interest from neighbouring authorities being identified. This is because of no perceived cost savings or efficiencies and the neighbouring local authorities undertaking very different collection methodology. It was decided, therefore, that this would not be included in the Eunomia commission, although this does not preclude this being explored further in the future.

3. Current situation/ proposal

- 3.1 Eunomia Research & Consulting Ltd (Eunomia) was commissioned by the Council to undertake a detailed qualitative risk assessment and financial modelling of the commissioning options for future waste collection service delivery. The report, included as **Appendix A**, examines the comparative cost and key risks and opportunities associated with each of the future commissioning options.
- 3.2 The three options were assessed from a financial and qualitative perspective and the findings are detailed in full in the attached report. In summary the report found the following: -

RISK ASSESSMEMT OF FUTURE OPTIONS

- 3.3 Each of the three future commissioning options that the Council is considering were evaluated qualitatively from a risk perspective. This qualitative assessment involved assessing each of the available future commissioning options against certain criterion. This included financial and commercial risk, operational risk, market conditions implementation risk, service quality and control and ability to change. The criterion being assessed, and their weightings, were agreed with the Council and are outlined in full in section Error! Reference source not found. of the Eunomia report.
- 3.4 In summary, the analysis from a qualitative perspective is that the re-procurement route received the highest score and was ranked first in terms of mitigating risk. Whilst both the In-house option and LATco receiving very similar scores, came second and third ranked with a score of 58% and 56% respectively. The re-procurement option does need careful consideration due to the very limited window in which the contract can be re-procured prior to the 2026 expiry date. If preferred this re-procurement activity would need to commence with some expediency.

• In House Option Scored 58% and is ranked 2nd.

LATCo Option
 Scored 56% and is ranked 3rd.

Re-Procurement Option
 Scored 66% and is ranked 1st.

FINANCIAL MODELLING

3.5 The three options were also assessed from a financial perspective. The results of the cost modelling are presented in the report as total annual costs. The baseline used for the assessment, £7.19m, reflects the 2022/2023 budget position. The detail of this is outlined in section 3.1.2 of the report but in summary, with regards to the financial modelling, the LATCo option is the cheapest of the three, though the re-procurement option is only marginally more expensive. The annual cost of bringing the provision in house is the most expensive by an additional £340K per annum.

In House Option
 Modelled Annual Cost of £9.37m, ranked 3rd.

LATCo Option
 Modelled Annual Cost of £9.02m, ranked 1st.

Re-Procurement Option
 Modelled Annual Cost of £9.03, ranked 2nd.

- 3.6 It is worth noting that indexation has been applied to the future options to account for a start date in 2026/27, hence why all the options have significantly higher costs than the Baseline which reflects 2022/23 costs.
- 3.7 Also, the profit margin applied to the re-procurement option in the model was set at 12%, which is higher than the current contractor receives at 8%. This could be subject to fluctuation, which may have a betterment impact on the costs of this option.

TRANSITION AND MOBILISATION COSTS

- 3.8 The report also outlines the costs of transitioning and mobilisation of each of the three options. That is, the work that is required to be undertaken to bring the option forward. This is detailed in section 3.1.3 of the report and includes items such as legal support, procurement technical support, compliance, mandatory training, digital platforms, or equipment and then the costs associated with the Depot and any workforce onboarding.
- 3.9 In summary, it found that the costs associated with transitioning into a LATCo are the highest at £0.97m. In this option a new entity is being created which will require a significant amount of legal support and other set-up costs such as development of a business plan and branding. Both the in-house and LATCo options include mobilisation costs that do not apply to the re-procurement option, such as terms and conditions legal support, compliance work and purchase of applications. Those options also require a high level of resources ahead of the start of the new service delivery to support the transition, including resources for the onboarding of the workforce. Re-procurement mobilisation costs include legal and technical support for the re-procurement process, as well as other initial digital and depot costs that apply to all options.

In House Option T&M Costs of 765K ranked 2nd.

LATCo Option T&M Costs of 971K ranked 3rd.

Re-Procurement Option T&M Costs of 529K ranked 1st.

- 3.10 It is worth noting that for the in-house and LATCo options these would be one off costs (assuming that there is no other service delivery change in the future), however for the re-procurement, these costs would be incurred every eight years for every new procurement.
- 3.11 The Scrutiny Committee are asked to look at the analysis of the three options in the report at Appendix 1, and to offer their recommendations, regarding the above, for the consideration of Cabinet.

4.0 Equality implications (including Socio-economic Duty and Welsh Language)

4.1 The protected characteristics identified within the Equality Act, Socio-economic duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services, and functions. This is an information report; therefore, it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts because of this report.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

5.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives, as a result of this report.

6. Climate Change Implications

6.1 There are no Climate Change Implications from this report.

7. Safeguarding and Corporate Parent Implications

7.1 There are no safeguarding or corporate parent implications arising from this report.

8. Financial Implications

8.1 Whilst the report explores financial advantages and disadvantages of the various methods of waste service provision a decision in this regard is not the purpose of this Scrutiny report, therefore there are no direct financial implications.

9. Recommendation

9.1 It is recommended that the Committee consider the contents of the report provided by Eunomia on the three options for delivering the Waste Services post 2026 and provide comments for consideration by Cabinet, prior to any decision being made.

Background documents

- Cabinet Report on interim waste collection services contract 2024 to 2026 19th September 2023
- Cabinet Report on recycling and waste service post 2024 14th June 2022