Commissioning Options

Bridgend County Borough Council

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Report For

Bridgend County Borough Council

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Executive Summary

E1 Overview

Bridgend County Borough Council (Bridgend CBC) currently runs an outsourced waste collection service. This service is currently operated by Kier, though the provider will switch to Plan B as of April 2024. The waste collection and cleansing services are the only function any authority delivers which every resident and visitor to the borough experiences daily. Therefore, the quality of these services and the value for money they represent to any Council is of paramount importance. Given this importance, the Council is currently considering which future commissioning options are most suitable going forwards for the waste service in particular (as street cleansing services are already operated in-house).

Eunomia Research & Consulting Ltd (Eunomia) was commissioned by Bridgend CBC to undertake a detailed qualitative risk assessment and financial modelling of the commissioning options for future waste collection service delivery. As such, this report examines the comparative cost and key risks and opportunities associated with each of the future commissioning options. The future commissioning options being assessed are as follows:

- Option A: Bring the waste collection service in-house.
- Option B: Transfer the waste collection into a Local Authority Trading Company (LATCo).
- Option C: Re-procure the waste services via a private sector contractor.

E2 Risk Assessment of Future Commissioning Options

Each of the three future commissioning options that Bridgend CBC is considering were evaluated qualitatively from a risk perspective.

This qualitative assessment involved assessing each of the available future commissioning options against certain criterion. The criterion being assessed, and their weightings, were agreed with Bridgend CBC and are outlined in section 2.1. When assessing each future commissioning option against the seven criteria, their score for each element was based upon a clear evaluation scheme to ensure transparency in how each option was assessed (provided in Appendix A.1.0). This score was then multiplied by the agreed weighting to give a weighted score, which was then added together with the other weighted scores to give a total for that service delivery option. The detailed evaluation framework model can be seen in Appendix A.2.0.

Th commissioning options analysis has identified that from a qualitative perspective, the commissioning option which receives the highest score is that of the re-procurement route, with both the LATCo and In-house option receiving very similar scores, that of 56% and 58% respectively. The re-procurement option however needs careful consideration due to the very limited window in which the contract can be re-procured prior to the 2026 expiry date (assuming no extensions are taken).

Table 1-1: Summary of Qualitative Commissioning Options Assessment

Criteria	Weighting	Option A – In-House	Option B – LATCo	Option C – Re-procurement
Capacity and Capability	10.0%	6.0%	4.0%	10.0%
Financial and Commercial Risk	20.0%	4.0%	8.0%	16.0%
Market Conditions	10.0%	10.0%	10.0%	4.0%
Operational Risk	15.0%	6.0%	6.0%	12.0%
Implementation Risk	15.0%	6.0%	6.0%	6.0%
Control and Ability to Change	20.0%	20.0%	16.0%	12.0%
Service Quality	10.0%	6.0%	6.0%	6.0%
Total Score		**58.0%**	**56.0%**	**66.0%**
Rank		2	3	1

E2.1 Key risks

<u>Capacity and Capability</u>

The main risk within this criterion is the recruitment required for some of the more specialist or senior roles, which would be unlikely to transfer over in the in-house or LATCo options. These roles can be difficult to fill based on the skills required. The contractor will have significant expertise already and so this is not seen as a risk in the re-procurement option.

<u>Financial and Commercial Risk</u>

The main financial and commercial risk for the in-house option relates to the Local Government Pension Scheme as it is a significant financial liability that the council will have to take on. In both the in-house and LATCo options, the financial risks associated with staff shortages, sickness, vehicle damage, rising fuel costs are ultimately shifted to the council, given the direct and arm's length ownership of the service for the in-house and LATCo options respectively.

Market Conditions

The in-house and LATCo options do not require any testing with the market, which is why they are seen to not pose a risk for this element. For the re-procurement option, the main risk is the timeline. The contract with Kier is coming to an end in March 2024 and Plan B have been awarded a 2-year contract, meaning Bridgend CBC will need to re-procure by March 2026. This is an extremely tight timeline to go through the procurement procedure (assumed to be Competitive Dialogue due to the market's preference for a procure with an element of negotiation) and leaves minimal time for mobilisation (estimated to be ~3 months). Upon speaking to contractors as part of this process, this was flagged as a significant risk.

Operational Risk

For both the in-house and LATCo options, the operational risk fundamentally shifts to Bridgend CBC. Furthermore, these options are also subject to a key operational risk relating to IT infrastructure requirements. The key risk in re-procurement is associated with a potential change in contractors, however the procurement process is expected to mitigate this risk to some extent.

Implementation Risk

The key risk for the in-house and LATCo options are very similar, with there being risks relating to the TUPE of staff and the requirement to procure and implement IT systems for the day one operation of the service. The main risk in the re-procurement option relates to the timeline and the short mobilisation period.

Control and Ability to Change

The re-procurement is seen as the least flexible option of the three as the Council will have to negotiate any changes of the contract with the contractor, and accordingly negotiate any costs incurred as a result of the changes. There will still be an element of this in the LATCo option as the relationship between the Council and LATCo will still be governed by a contract, however there will be increased ability to enact change compared to an external contractor. The in-house option is seen as the most flexible option of the three.

Service Quality

It is not possible to confidently say that under these options the quality of the services delivered would be impacted. This is because there is likely to be no difference to staff training, or the level of management or supervision. What may change in these options is the focus of the service on this, however, these are large and complex operational services and measuring improvement in service quality with the same resource base as currently will be difficult.

E3 Financial Modelling

The three options were also assessed from a financial perspective. The results of the cost modelling are presented as total annual costs. The baseline reflects the 2022/2023 budget position. The changes in each of the three future options are detailed below:

- **In-House**: in this option, there is a significant change in the terms and conditions of employment, including salary increases (for some roles only) and increased employer pension contributions. In addition to this there is a change in management structure required which impacts costs, these are somewhat offset by the absence of a margin being included. There are also additional costs needed for the purchase of digital applications.

- **LATCo**: in this option there are no changes to the terms and conditions of employment, as staff will transfer across on TUPE terms and the working assumption is that the LATCo would operate with the same terms and conditions as the current contractor. As with the in-house option, there is a change to the management structure (for example the recruitment of a Managing Director and Operations Director) and a 3% margin has also been built in as contingency (which is not accounted for in the in-house option). The additional costs needed for the purchase of digital applications are also included.
- **Re-procurement**: as TUPE applies, the terms and conditions of employment are maintained in this option. There are no changes to the management structure compared to the baseline, nor are there added costs for the purchasing of digital applications. There is a 12% margin and overheads included, which is higher than what the current contractor achieves.

The breakdown of results can be seen in Table 1-2.

Table 1-2: Modelled Annual Costs for Each Option

Cost Centre	Baseline 22/23	Re-procurement	In-house	LATCo
Margin and Overheads	£1.25m	£1.79m	£1.26m	£1.58m
Other Costs	£1.32m	£1.43m	£1.52m	£1.52m
Material Sales & Waste Disposal	-£0.65m	-£0.78m	-£0.78m	-£0.78m
Vehicles and Equipment	£1.98m	£2.55m	£2.65m	£2.65m
Frontline Staff	£3.29m	£4.04m	£4.72m	£4.04m
Total	**£7.19m**	**£9.03m**	**£9.37m**	**£9.02m**

E4 Summary

In summary, the analysis shows that from a qualitative perspective, the re-procurement option is the most favourable, followed by the in-house and LATCo options respectively. However, the timeline for the re-procurement option is a real risk (as outlined in section 2.4.3) and could deter market operators from engaging in a procurement exercise should it not afford sufficient time for them to robustly bid, and also mobilise, should they win the contract. Extending the current contract with Plan B may help to mitigate this risk, alternatively the council can seek to begin a re-procurement as soon as possible to afford the procurement and mobilisation processes as long as possible. It would be vital to engage with the market on these timelines to understand if this would be feasible should Bridgend CBC take this option forwards.

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 (in the region of ~£0.01m per annum). Given this very slight variation, it is difficult to say with certainty which option would be preferable from a financial perspective and ultimately will come down to the council's affordability considerations, as well as political drivers and appetite towards risk management.

When the qualitative and financial elements are taken together, Eunomia would recommend that Bridgend CBC considers either the re-procurement or LATCo options going forward, with the re-procurement option appearing to be the most favourable should the timeline for a future procurement be feasible and practicable.

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1.0 Introduction

Bridgend County Borough Council (Bridgend CBC) currently run an outsourced waste collection service, covering both waste collection and community recycling centre services. This service is currently operated by Kier, though the provider will switch to Plan B as of April 2024. The authority is currently considering which future potential waste collection methodologies are most suitable going forwards. Eunomia Research & Consulting Ltd (Eunomia) was commissioned by Bridgend CBC to undertake a detailed qualitative risk assessment and financial modelling of the commissioning options for future service delivery. As such, this report examines the comparative cost and key risks and opportunities associated with each of the commissioning options.

The report is broken into the following sections:

- Section 2.0 outlines the qualitative assessment undertaken for each of the commissioning options and clearly identifies the rationale for each respective score.
- Section 3.0 outlines the financial modelling undertaken for each of the commissioning options.
- Section 4.0 summarises all elements of the work completed as part of this project.

2.0 Risk Assessment of Future Commissioning Options

2.1 Risk Assessment Overview

Waste, recycling and street cleansing services are the only function any authority delivers which every resident and *visitor* to the borough experiences daily. Therefore, the quality of these services and the value for money they represent to any Council is of paramount importance. As part of this project Eunomia has undertaken a risk-based evaluation of the future service commissioning options being considered by Bridgend for the waste service in particular (street cleansing services are already operated in-house). These are:

- Option A: Bring the waste collection service in-house.
- Option B: Transfer the waste collection service into a Local Authority Trading Company (LATCo).
- Option C: Re-procure the waste service via a private sector contractor.

Eunomia's approach to the risk assessment involved assessing each of the commissioning options against an agreed set of criterion. The criterion selected as the basis for the evaluation are based upon Eunomia's experience of the key factors which impact decision making regarding services of this type and scale. The criterion being assessed, and their weightings, were agreed with Bridgend CBC and are outlined in Table 2-1.

Table 2-1: Assessment Criteria Weighting

Primary Criteria	Secondary Criteria	Assessment Question	Weighting
Quality	Capacity and Capability	Does the entity delivering the service have the capacity/capability to do so to a high standard? Can this be acquired?	10.0%
	Financial and Commercial Risk	Does the option pose an increased financial risk to the authority?	20.0%
	Market Conditions	Are the market conditions supporting this option?	10.0%
	Operational Risk	Does the option pose an increased operational risk of failure to the authority?	15.0%

Primary Criteria	Secondary Criteria	Assessment Question	Weighting
	Implementation Risk	Does the option present implementation risk?	15.0%
	Control and Ability to Change	Does the option allow Bridgend CBC to control and develop services?	20.0%
	Service Quality	Does the option improve the quality of service offered to residents?	10.0%
		Total Score	**100.0%**

When assessing each commissioning option against the seven criteria, their score for each element was based upon a clear evaluation scheme to ensure transparency in how each option was assessed (provided in Appendix A.1.0). This score was then multiplied by the agreed weighting to give a weighted score, which was then added together with the other weighted scores to give a total for that option. The detailed evaluation framework model can be seen in Appendix A.2.0.

2.2 Overview of the Commissioning Options Assessed

The following section of the report summarises each of the commissioning options explored in more detail, to provide a strategic context to the results of the risk assessment.

2.2.1 In House Service Delivery

This option represents a significant change to Bridgend CBC. Within this option, all staff are employed directly by the Council and the responsibility for service delivery and the quality of the service provided also sits directly with the Council. The councils cleansing service is currently in-house.

One of the key advantages of an in-house service over the other options is the level of control the Council has over the service and how it is delivered. Typically, in-house services are inherently more flexible, as the Council is not constrained by the terms of a contract with a third party.

The in-house service option also avoids the cost of meeting a contractor's corporate overhead and profit margin cost, albeit this saving is countered by the additional staff costs incurred in an in-house model, the main one being the public sector pension costs.

The main negative that stems from this option is that Bridgend CBC will take on the Local Government Pension Scheme (LGPS) liabilities, which will represent a significant financial burden compared to the existing service. Additionally, in this option all risk will transfer to the council (away from the contractor) which represents a significant shift from the current service model.

2.2.2 Local Authority Trading Company (LATCo)

Delivering services using a LATCo model would be a significant change from the current approach of delivering an outsourced service.

Over recent years, LATCos have becoming a more popular vehicle for providing local authority services. With regards to waste and recycling services, these have been established both at the end of existing contract terms (LB Hounslow, LB Redbridge) and following early contract exit (Bristol Waste Company, Cheshire West Recycling, North Somerset Environment Company). A LATCo is an independent legal entity which is wholly owned and ultimately controlled by one or more shareholding local authorities. For this project we have assumed that the LATCo would be wholly owned by Bridgend CBC. The principal benefits of adopting this option include the ability to:

- Operate in a more culturally distinct way than many in-house services are able to do, perhaps including being more commercially driven and structured.
- Deliver services more flexibly compared to a contracted-out service.
- Offer workers membership of a lower-cost pension scheme, as opposed to the LGPS.

The legal framework under which LATCos can be established was primarily based on case law, but this has changed with the introduction of the Public Contract Regulations 2015, with updates included in the Procurement Act 2023 (which achieved royal assent in October 2023). This legislation clarifies the legal aspects of creating and managing a LATCo and provides important guidance on how to comply with the requirements of the law. Key elements to consider include:

- If Bridgend CBC were to move to this model, staff currently employed by the contractor would transfer to the LATCo in compliance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). This would mean all transferring staff retaining their current terms and conditions of employment. The LATCo is not however obliged to offer these to new staff and could, over time, significantly reduce the cost of service delivery as for example there is no legal requirement to pay into the LGPS.
- As with the in-house service delivery model, by delivering services via a LATCo, the Council as the shareholder ultimately assumes the full risk of any service failures (even though the service is delivered by an arm’s length company). This also includes any staff or management disputes, as well as commercial risk related to any increase in operational costs.
- This option also suffers the risk around recruiting suitably skilled individuals to act in the role of Managing Director and Operations Director.
- Although LATCos are primarily designed to provide services to the authority/authorities that own it, this does not preclude them from making a profit from providing commercial services to third party customers. This is encouraged to ensure the financial viability of the organisation. There are limitations on the proportion of revenue that a LATCo can obtain through third-party trading, and this should be monitored to ensure compliance with the legal framework. Furthermore, the LATCo must ensure that any services provided to third-party customers are of the same high standard as those provided to the authority.

2.2.3 Outsourcing Services

As Bridgend CBC’s current waste service is outsourced, tendering this service does not represent a significant change in service delivery option for the authority.

The current marketplace for collections contracts is constrained to six main bidders and there is a substantial number of contracts being re-tendered across the next three years. It is worth noting that the six main bidders will actually be shrinking in 2024 as FCC are in the process of acquiring Urbaser. Therefore, if this is an option Bridgend CBC would like to move forward with, we would recommend a robust procurement strategy is developed to manage these risks. Furthermore, engagement with the market operators will be vital to ensure their interest and participation in any future procurement.

It should be noted that within this option, as with the LATCo, all staff employed by Plan B (as of April 2024) would transfer to the new operator in compliance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).

The key advantage to outsourcing services is the transfer of financial and operational risk. Assuming the contract and associated payment and performance mechanism are well designed, this option provides relative certainty of service cost for the life of the contract. Furthermore, open competition can ensure best value for the commissioning process; transparency in the process also allows for informed decision-making and trust from stakeholders. This can result in better outcomes for all parties involved.

A disadvantage to this option is that if Bridgend CBC were to want any changes made to the service, there will have to be a negotiation with the contractor. This then opens the council up to negotiations with the contractor on the contract cost as a result.

Outsourcing (if done well) enables access to specialist resources and knowledge, as well as economies of scale that can lead to cost savings, increased market confidence and improved delivery of services. It can also offer increased resilience, flexibility, and innovation. However, it is important to consider the risks and challenges associated with the approach, such as legal and financial obligations, and ensuring effective contractual management.

A factor in many outsourced contracts awarded over the last five to ten years is the winning bidder under-estimating the resources that are required to deliver the services to the required specification (especially so within output-based contracts). This is a risk that can be mitigated to some extent through the procurement process, but ultimately the resource risk is the contractors. Whilst the contracting authorities who have dealt with this have the right to make financial deductions for defaults and the right to terminate for significant and sustained poor performance, in practice, the issue tends to be focussed on whether contracting authorities are realistically in a position to act on the termination clauses and whether the specification and deduction method is clear enough to avoid dispute.

2.3 Summary of Risk Assessment Results

The results of the risk evaluation and associated ranking of each option is outlined in Table 2-2.

Table 2-2: Risk Assessment Summary

				Option A - Bring service In-House		Option B - LATCo		Option C - Re-procurement	
Primary Criteria	**Secondary Criteria**	**Assessment Question**	**Weighting**	**Score Awarded**	**Weighted Score**	**Score Awarded**	**Weighted Score**	**Score Awarded**	**Weighted Score**
Quality	Capacity and Capability	Does the entity delivering the service have the capacity/capability to do so to a high standard? Can this be acquired?	10.0%	3	6.0%	2	4.0%	5	10.0%
	Financial and Commercial Risk	Does the option pose an increased financial risk to the authority?	20.0%	1	4.0%	2	8.0%	4	16.0%
	Market Conditions	Are the market conditions supporting this option?	10.0%	5	10.0%	5	10.0%	2	4.0%
	Operational Risk	Does the option pose an increased operational risk of failure to the authority?	15.0%	2	6.0%	2	6.0%	4	12.0%
	Implementation Risk	Does the option present implementation risk?	15.0%	2	6.0%	2	6.0%	2	6.0%
	Control and Ability to Change	Does the option allow Bridgend County Borough Council to control and develop services?	20.0%	5	20.0%	4	16.0%	3	12.0%
	Service Quality	Does the option improve the quality of service offered to residents?	10.0%	3	6.0%	3	6.0%	3	6.0%
		Total Score	**100.0%**		**58.0%**		**56.0%**		**66.0%**
		Rank	TRUE		2		3		1

2.4 Risk Assessment Scores

The following sections of this report detail the scores allocated for each option under each criterion within the evaluation framework model and provides a rationale for Eunomia's assessment of each option.

2.4.1 Capability and Capacity

Table 2-3 provides a summary of the evaluation scoring for each option when considering the criteria of capability and capacity. A detailed rationale for this evaluation can be found below Table 2-3.

Table 2-3: Options Evaluation – Capability and Capacity

Criteria:		Capability and Capacity	**Weighting**:	10%
Option	**Score**	**Description**		
A	3	Bring service in-house		
B	2	Bringing the waste service into a LATCo		
C	5	Re-procurement of the waste service		

When assessing the capacity and capability of the authority or another operator to deliver each option, we have considered the following key questions:

- Is there the necessary capacity and capability within the Council or an outsourced waste contractor in the re-procurement option to deliver and manage these services?
- Will the transferring staff have the necessary capability, skills, and experience to deliver the service and is there a risk they will not transfer?
- If the capability or capacity does not exist, can the organisation recruit this? If so, how is easy is this to do and the time to recruit an issue?

Option A receives a score of 3, as whilst additional recruitment will be required to facilitate this commissioning option, Bridgend CBC will benefit from the street cleansing service already being in-house. Option A poses less of a risk than Option B as a result. As street cleansing is already in-house, it is assumed that suitably senior officers (Head of Service level as a minimum) and a dedicated Transport Manager will be in place and can oversee both waste and street cleansing services. However, given the increase in responsibility, additional support may need to be sought and recruited to support these roles. As the street cleansing operations are currently in-house, the council further benefits as support functions such as IT, HR, and Health and Safety can be expected to also support the waste service – though, as before for the more senior roles, additional support (and resulting requirement) may be required.

With regards to Option B, the council does not have the specialist capability or capacity internally to manage the waste service and would require substantial recruitment to facilitate this approach. As a result, this option receives a score of a 2. Under this option we have assumed that the LATCo will have both a Managing Director and Operations Director. These posts would need to be in place at the beginning of the mobilisation period as it is likely that senior Plan B staff would not transfer. This poses a substantial risk to the authority. For these two positions (Managing Director and Operations Director), the skills and experience required to fulfil these roles are not common and the positions will be challenging to recruit into, though ultimately this is felt to be achievable within the timeframes. Furthermore, the LATCo may be required to recruit into support roles such as HR, IT and Health and Safety – though such services could be purchased from the council directly to avoid the need to recruit.

Option C has been given a score of 5 as an incoming contractor will have the capacity and capability within the organisation and transferring staff to manage the services in-scope. This would also be tested through the procurement process. As such, there are no concerns around the capability and capacity in this option.

It is important to recognise the requirement to manage the sale of materials under the contract. This would pose a risk in particular to Options A and B should the relevant staff not TUPE from Plan B. In this assessment, we have assumed that such specialist staff would TUPE and as such have not factored that into the scores given. With regards to Option C, it is assumed that the market operators have the relevant capability and capacity to manage this contract function.

2.4.2 Financial and Commercial Risk

Table 2-4 provides a summary of the evaluation scoring for each option when considering the criteria of financial and commercial risk. A detailed rationale for this evaluation can be found below Table 2-4.

Table 2-4: Options Evaluation – Financial and Commercial Risk

Criteria:		Financial and Commercial Risk	**Weighting**:	20%
Option	**Score**	**Description**		
A	1	Bring service in-house		
B	2	Bringing the waste service into a LATCo		
C	4	Re-procurement of the waste service		

When assessing the financial and commercial risks for the relevant options, we have considered the following key questions:

- What financial and commercial risks would be incurred by the authority as a result of this option?
- What is the severity of the financial and commercial risks faced by the authority under each option and are the risks acceptable?

Option A has been given a score of 1 and it is seen as posing a high probability of unacceptable financial risk to the council. This is because in this option all the financial responsibility and associated risks will be transferred directly to the council. This is a substantial shift in Bridgend's financial risk position, and includes issues such as staff shortages, sickness, vehicle damage, rising fuel costs and the requirement to manage the sale of materials, some of which the authority is currently protected from within the contract. In addition, the authority would also need to purchase additional IT infrastructure and licences, and the mobilisation and on-going management of this, even if budgeted as effectively as possible, results in a financial risk. One of the greatest shifts in financial risk under this scenario will result from the requirement for the council to then pay into a Local Government Pensions Scheme (LGPS) for staff, which will represent a significantly higher contribution rate than the pension rates provided by contractors or in a LATCo. This LGPS liability is however seen as acceptable as the street cleansing service is already in-house, and as such, Bridgend CBC already bears this liability for a key front-line service. The other key financial risk under this option, which when considered alongside the LGPS liability, results in this option receiving a score of 1, is the requirement for the council to then manage the sale of materials. This poses a significant risk to the council given the possible volatility of the materials markets. This volatility can of course cut both ways, and the council may in fact benefit should material prices increase. However, this is a level of uncertainty that is difficult to predict.

Option B has been given a score of 2, as with option A, Bridgend CBC will be directly responsible for delivery of a very large front-line service and all of the budget uncertainty this brings, even when it is operated via an arms-length company arrangement. As with Option A, Option B will also incur similar costs around IT infrastructure and licences and mobilisation of these elements. However, in this option the council will not have to pay LGPS which is a significant financial contribution. Nonetheless, even without the LGPS liability incurred under Option A, Option B is still seen as posing a high probability of financial risk to Bridgend CBC as the council ultimately remains liable for the LATCo's costs, including the volatile costs relating to the management of material sales under the contract.

Option C is seen as the most financially beneficial option available to the council and has been given a score of 4 accordingly. Under this option, Bridgend CBC can negotiate with the market and seek a potentially improved financial position compared to the existing contract, however this cannot be guaranteed. This will be made more achievable as during a competitive procurement, bidders are incentivised to provide commercially astute bids. Should Bridgend CBC seek to re-procure the waste contract, they should anticipate a cost increase as bidder's costs have increased since the existing contract was awarded.

2.4.3 Market Conditions

Table 2-5 provides a summary of the evaluation scoring for each option when considering the criteria of market conditions. A detailed rationale for this evaluation can be found below Table 2-5.

Table 2-5: Options Evaluation – Market Conditions

Criteria:		Market Conditions	**Weighting:** 10%
Option	**Score**	**Description**	
A	5	Bring service in-house	
B	5	Bringing the waste service into a LATCo	
C	2	Re-procurement of the waste service	

When assessing the market conditions for the relevant options, we have considered the following key questions:

- Would this option interest the market and relevant market operators?
- What risks would this option pose to Bridgend CBC should it be chosen?
- What perceived issues would this option pose market operators?

Options A and B have a score of 5 as there is no requirement to test these options within the marketplace.

Option C has been given a score of 2, as whilst the market is being formally tested through a procurement process, there is a substantial risk associated with the current timelines for procurement. The contract with Kier is coming to an end in March 2024 and Plan B have been awarded a 2-year contract, meaning Bridgend CBC will need to re-procure by March 2026. This is an extremely tight timeline to go through the procurement procedure (assumed to be Competitive Dialogue due to the market's preference for a procure with an element of negotiation) and leaves minimal time for mobilisation (estimated to be ~3 months). Upon speaking to contractors as part of this process, this was flagged as a significant risk with some stating such a timeline could deter them from participating as they want a procurement process to allow for sufficient time to engage well with the council in a meaningful way. Additionally, one contractor said that due to their geographic coverage they would not bid for the contract as they have no nearby contacts and no associated support network. For another contractor the nervousness around bidding was because Bridgend CBC run a kerbside sort service, with this specific contractor noting that should the calculations be incorrect regarding the volumes/tonnages in the stillages in the Romaquips it will cause a major operational issue. Another market operator also noted that the inclusion of material sales (tied to the operation of the Community Recycling Centres) within the contract would be seen as a possible risk and could have an impact upon the market's interest in the opportunity.

Finally, it should be noted that as of 12th December 2023, FCC Environment has formally agreed to acquire Urbaser's UK businesses. This means that the market (should this acquisition be approved by the Competition and Markets Authority – which it appears to have been as of February 2024) will shrink to five major operators: Biffa, FCC, Serco, SUEZ and Veolia.

Following the engagement with the market, the levels of interest for each market operator (with the exception of SUEZ who were unable to be contacted in time) has been given a RAG rating, with complimentary commentary being provided to summarise their key thoughts on the contract. This is detailed in Table 2-6: RAG Rating of Market Operator Interest

. It is key to note that the RAG ratings are only indicative at this stage, and the market operators' interest and engagement in a future procurement will be dictated by their internal resources, clashing procurements and the overall attractiveness of the opportunity. As such, those who have indicated an interest (e.g. FCC), may not be in a position to engage in a procurement for example.

Table 2-6: RAG Rating of Market Operator Interest

Contractor	Commentary	RAG Rating
Biffa	Biffa did note that they had considered bidding for the 2-year contract but decided against it due to the short contract length and clashing opportunities. They also noted that they had the impression (due to a comment made by a councillor) that the council was only utilising the 2-year contract to afford them time to bring the services in-house. They did explain that a longer-term contract (8-years) would be of more interest. Biffa expressed concerns regarding the indicative re-procurement timeline in respect to vehicle lead times and the mobilisation window. The inclusion of the CRC's could also be a slight deterrent to Biffa.	
FCC	FCC also considered bidding for the 2-year contract but were again put off by the length of term and the perceived intention of the council to bring the service in-house (as Biffa also mentioned). They stated that if the contract was longer, they would have bid. The fleet was also seen as a risk for FCC as they were at the end of their life, and they would be nervous about taking them over. If a future contract were for 8-years FCC would consider bidding. FCC also explained there was a concern regarding the risk relating to the management and sale of the materials. FCC indicated a preference for the Competitive Dialogue procedure to be used in a future re-procurement due to the nuances of the kerbside sort service and risk relating to the material sales.	
Serco	Serco indicated that the contract would be unlikely to be of interest due to the geographical location and lack of neighbouring contracts which could provide support.	
SUEZ	Discussions were not held with Suez, however FCC stated that Suez might be interested in the opportunity, and Veolia stated that Suez did have experience with kerbside sort methodology, so again they thought this may be of interest to them.	N/a

Urbaser	Bridgend was on Urbaser's pipeline when the council issued the previous tender, however they did not bid due to internal resourcing. The contract would be of interest due to their nearby Cheltenham contract. Urbaser did state that if the existing vehicles are taken over then mobilisation in 5-6 months is possible, they also said that if street cleansing was included it would be a more interesting opportunity. However, it must be acknowledged that Urbaser is in the process of being bought by FCC, and so will not exist as a distinct market operator should the council re-procure. Urbaser noted the proposed timelines would be tight and could result in clashes with other procurements.	
Veolia	Veolia noted they do not have extensive experience in kerbside sort systems and do have operational and H&S concerns regarding the methodology Veolia expressed a concern regarding the capacities in the stillages of the Romaquips when bidding, as if they bid it incorrectly there will be significant operational issues. They also had concerns on the timeline for re-procurement. Furthermore, Veolia indicated that there were other opportunities on their pipeline which they view as of more interest, and as such they would be unlikely to bid should the council re-procure.	

Should Bridgend CBC decide to re-procure the waste contract, it is advised to start the procurement process as soon as possible to allow sufficient time to undertake a robust procurement process and facilitate a reasonable mobilisation window. Furthermore, it would also be worth the council considering extending the Plan B contract to allow additional time to undertake the procurement and mobilisation activities. This being said, extending into 2027 may cause further clashes with other waste contracts which expire in 2027.

The anticipated procurement timeline can be seen in Appendix A.3.0. This excel also provides high-level timelines for the in-house and LATCo commissioning options approaches in addition.

2.4.3.1 Procurement Considerations

Should Bridgend CBC decide to outsource their waste services to the private sector, certain key elements must be considered. A brief summary has been provided below to highlight these considerations:

- Timing of any re-procurement:
    - The Plan B contract will expire in March 2026 and the Council will be under pressure to procure a new waste contract prior to the expiration of the current contract. This does not afford the Council the ability to plan any procurement exercise so as to avoid clashes with other known procurements.
    - The timing of a procurement exercise is vital to ensure enough market interest is achieved. As has been seen recently in the case of the disintegration of the South London Waste Partnership contract, multiple procurements which have clashing timeframes can cause an issue for contractors as their bidding resources are limited. This leads to those opportunities which are seen as less appealing receiving less interest from the market, which reduces to the competition and onus on those bidders in the exercise to price as effectively as possible.
    - A timeline for the procurement can be found in Appendix A.3.0, with a breakdown of potential procurement clashes. A summary of the number of contracts expiring in 2026 can be seen in Table 2-7.

Table 2-7: Expiring Contract in 2026

Contractor	Number of Contracts
Amey	0
Biffa	8
Serco	2
SUEZ	2
Urbaser	3
Veolia	2
Hills Municipal Collections Limited	1
Plan B	1
Total	**19**

- Procurement procedure:
    - Bidders typically prefer the use of procedures which allow an element of negotiation to support open discussion about what the Council is asking for and the commercial impact of this. As previously mentioned, the Procurement Act 2023 has recently received Royal Assent. This Act aims to provide local authorities with greater flexibility in terms of the procurement procedure used, and advice would need to be sought on the most suitable procedure or approach to take. This is certainly something that would benefit from market operator input.
    - However, this negotiation/dialogue process creates a significant resource pressure on the Council due to their lengthy nature and periods of particularly intensive time requirements. This in itself could further exacerbate the timeline pressures faced in a procurement procedure.
- Market engagement:
    - It is important to engage early with the market and utilise soft-market testing to seek the market's view on particular elements such as procurement procedure, timeline, and areas of commercial risk. Biffa in particular suggested a 'light-touch' market engagement exercise be undertaken to lessen the timelines required.
- Financial and commercial terms:
    - Should the Council decide to go out to market, the financial and commercial terms on which bidders are bidding must be carefully considered. Certain elements are known to be red lines for bidders, with these including pension liabilities and performance mechanisms which are seen as unfair or punitive.
- Policy uncertainty:
    - At the moment, there is a high level of uncertainty within the market regarding key government policies, including Extended Producer Responsibility, Deposit Return Scheme and 'Simpler Recycling. When procuring an outsourced waste service, Change in Law and Qualifying Change in Law provisions within a contract will be seen as vital from a bidder's perspective as they will want certainty on how certain elements of policy uncertainty are managed and where the associated risk sits.
    - It is possible to request unmarked method statements from bidders regarding key elements of uncertainty e.g. free garden waste collections. This would allow the Council to review a proposed methodology and gain an understanding of likely costs should the 'anticipated change' be introduced during the course of the contract.

2.4.4 Operational Risk

Table 2-8 provides a summary of the evaluation scoring for each option when considering the criteria of operational risk. A detailed rationale for this evaluation can be found below Table 2-8.

Table 2-8: Options Evaluation – Operational Risk

Criteria:		Operational Risk	**Weighting**:	15%
Option	**Score**	**Description**		
A	2	Bring service in-house		
B	2	Bringing the waste service into a LATCo		
C	4	Re-procurement of the waste service		

When assessing the operational risks for the relevant options, we have considered the following key questions:

- What operational risks are likely to be incurred by each of the relevant options?
- How likely are the operational risks to lead to failure for Bridgend CBC?

Options A and B have been given a score of 2. In both options the operational risk fundamentally shifts to Bridgend either directly or through a LATCo. Both options are subject to a key operational risk relating to the IT infrastructure which will be required to deliver the services. Should Bridgend CBC not continue with the same systems as used by Plan B from the start of the new operational model, this would increase the risk to the authority. As street cleansing is already delivered in-house, Bridgend CBC have experience of operating a front-line service, which will be of use when operating the waste service. This prior experience prevents Option A and B as being seen as posing a high probability of high operational risk.

Option C has been given a score of 4, this reflects the fact that should the procurement lead to a new contractor delivering the services, there is a low probability of operational risk associated with a change in contractor. This is seen as a low probability of risk as the procurement process will allow the new contractor to be tested to provide the council with confidence in their ability to deliver the services. Should the procurement result in Plan B retaining the contract, this would assist in this matter as they will be the incumbent provider. However, it must be acknowledged that Plan B are newcomers to the market from a waste collection perspective, and this has in recent years proven to result in operational issues, as happened with Countrystyle in the London Borough of Bexley.

2.4.5 Implementation Risk

Table 2-9 provides a summary of the evaluation scoring for each option when considering the criteria of implementation risk. A detailed rationale for this evaluation can be found below Table 2-9.

Table 2-9: Options Evaluation – Implementation Risk

Criteria:		Implementation Risk	**Weighting**:	15%
Option	**Score**	**Description**		
A	2	Bring service in-house		
B	2	Bringing the waste service into a LATCo		
C	2	Re-procurement of the waste service		

When assessing the implementation risks for the relevant options, we have considered the following key questions:

- What implementation risks are likely to be incurred by each of the relevant options?
- How likely are the implementation risks to impact Bridgend CBC?

Options A and B have also both been given a score of 2, representing a low probability of high implementation risk due to the bringing of the waste service either in-house, or into a LATCo. Whilst most staff would TUPE from Plan B under these scenarios, there is the risk that senior staff would not. This risk can be reduced as senior roles can be recruited into either permanently or temporality as part of the mobilisation process. Within these options there is also a substantial implementation risk surrounding IT systems as these would need to be specified, procured, and implemented to support day one operations. The transfer (TUPE) of staff either in-house or into a LATCo is a key risk for Option A and B respectively, given that typically 60-70% of a contract value will stem from the staffing costs. Should this process be poorly handled, there is a risk that staff leave the contract, which would drastically impact the start of the service and ongoing operations. Furthermore, under these options, it should be noted that as Plan B will be aware they are losing the contract (and Bridgend CBC would be unlikely to reprocure the contract in the near future), they may potentially be somewhat obstructive during the demobilisation of the contract. This would have to be managed carefully so as not to cause additional implementation risk and it should be noted that there is no guarantee that Plan B would act in this way. Despite the implementation risks faced in these options, Bridgend CBC would have sufficient time to mobilise both an in-house and LATCo operation. High-level mobilisation timelines have been mapped and can be seen in Appendix A.3.0.

Option C has been given a score of 2. Should Plan B not be successful in the re-tendering process there is an implementational risk during the contract mobilisation whilst the new service provider beds in. In particular, in the modelled procurement timeline (see Appendix A.3.0) there are only three months in which to mobilise. Whilst this is only indicative, this is a very short timeframe in which to mobilise and poses a significant risk. It is unlikely that any new vehicles could be procured during this timeframe. Such a short mobilisation can, and has been, achievable, but would be best avoided. Should the provider not change from Plan B, or the mobilisation window be extended, then the risk would be reduced significantly. Furthermore, if Bridgend CBC can utilise the existing fleet and make these available to the new contractor, this will help mitigate the risk of vehicles not being available for the start of the contract.

2.4.6 Control and Ability to Change

Table 2-10 provides a summary of the evaluation scoring for each option when considering the criteria of control and the ability to enact change. A detailed rationale for this evaluation can be found below Table 2-10.

Table 2-10: Options Evaluation – Control and Ability to Change

Criteria:		Control and Ability to Change	**Weighting**:	20%
Option	**Score**	**Description**		
A	5	Bring service in-house		
B	4	Bringing the waste service into a LATCo		
C	3	Re-procurement the waste service		

When assessing the impact of each option on Bridgend CBC's control over services and ability to change aspects of delivery, for the relevant options we have considered the following key questions:

- Do the options provide Bridgend CBC with the same, more, or less control than currently?

Option A has been given the highest score of 5 as all services are directly managed by Bridgend CBC and so the council has a high level of control over, and ability to change, the services. However, this does not mean that changes can be made to the service as an when the council would like to, as any service changes would need to be planned in and arranged in order to be successful. Furthermore, this option does not allow the council officers or councillors to dictate where waste rounds are sent on a daily basis, as they will still have the standard round structure you would see under either of the other two options.

With regards to Option B, whilst the services will be delivered by a LATCo which will be wholly owned by the council, the LATCo will still be a separate legal and commercial entity and any changes to the contract or services will still need to be negotiated, likely using the Change clause in the contract (as with Option C). Nonetheless, this option is still seen as providing Bridgend with an increase in their ability to enact change compared to an external contractor.

Option C has been given a score of 3. In this option, the relationship between the Council and the service contractor is managed via a contract. This means that should the Council wish to enact any change to the services, they must first negotiate and agree the changes with the service provider. It is anticipated that this would be managed via a 'Change' clause within the contract, which is assumed to be applicable for the outsourced contract in the re-procurement option. As such, this results in there being no change from the current operation.

2.4.7 Service Quality

2.4.8 T

Table 2-11 provides a summary of the evaluation scoring for each option when considering the criteria of service quality. A detailed rationale for this evaluation can be found below Table 2-11.

Table 2-11: Options Evaluation – Service Quality

Criteria:		Service Quality	**Weighting**:	10%
Option	**Score**	**Description**		
A	3	Bring service in-house		
B	3	Bringing the waste service into a LATCo		
C	3	Re-procurement of the waste service		

The quality of service delivered to residents is based upon the following factors:

- The training of staff.
- The quality and proactiveness of management and supervision.
- The ability of the contract or other KPIs to monitor and manage issues.

Within this assessment a score of 3 represents no change from the current position for Bridgend CBC. It is not possible to confidently say that under these options the quality of the services delivered would be impacted. This is because there is likely to be no difference to staff training, or the level of management or supervision. What may change in these options is the focus of the service on this, however, these are large and complex operational services and measuring improvement in service quality with the same resource base as currently will be difficult.

3.0 Financial Modelling

3.1.1 Approach to Financial Modelling

The objective of the financial modelling task was to understand the relative affordability of each delivery option in relation to the baseline (the existing Kier budget). In Eunomia's experience, large financial savings are rarely observed unless the design of the service fundamentally changes. The outcomes of this options appraisal could lead to a fundamental change in the way in which services are delivered within the borough, and therefore a detailed, transparent, and robust financial analysis has been carried out.

Eunomia's established service delivery options model firstly builds up operational costs from first principles to ensure that the nuance of cost in each option is fully reflected, and then compares the operational cost of each option to the current amount paid for the service (the baseline). This allows a comparison of resourcing levels within each option to understand where savings are made, or where additional cost centres created.

For Bridgend, the first step in the process was to calibrate the 2022/2023 baseline costs. The purpose of this exercise was to ensure that all costs are captured in the baseline as accurately as possible. To develop the baseline position, Eunomia worked closely with Bridgend and Kier to gather detailed employee data and cost information regarding vehicle and overhead costs. All data provided by Kier was clearly labelled within the model alongside Eunomia assumptions, and the basis for these assumptions. Detailed inputs and assumptions are included in Appendix A.4.0.

The next step in the process was to model each future delivery option. Future options were modelled for the 2026/27 financial year, which matches with the end of the Plan B contract (excluding possible extensions), so all costs were uplifted using indexation to reflect inflationary impacts between 2022/23 and 2026/27. It is important to note that the inflation rate between 2024 and 2026 was estimated and the future actual inflation may be higher or lower than the estimate. However, for the purpose of this project this is not a concern as a change in the inflation will not change the order of the financial results.

3.1.2 Cost Modelling Results

The results of the cost modelling are presented as total annual costs. The baseline reflects the 2022/2023 budget position. The changes in each of the three future options are detailed below:

- **In-House**: in this option, there is a significant change in the terms and conditions of employment, including salary increases (for some roles only) and increased employer pension contributions. In addition to this there is a change in management structure required which impacts costs, these are somewhat offset by the absence of a margin being included. There are also additional costs needed for the purchase of digital applications.
- **LATCo**: in this option there are no changes to the terms and conditions of employment, as staff will transfer across on TUPE terms and the working assumption is that the LATCo would operate with the same terms and conditions as the current contractor. As with the In-house option there is a change to the management structure (for example the recruitment of a Managing Director and Operations Director) and a 3% margin has also been built in as contingency (which is not accounted for in the in-house option). The additional costs needed for the purchase of digital applications are also included.
- **Re-procurement**: as TUPE applies, the terms and conditions of employment are maintained in this option. There are no changes to the management structure compared to the baseline, nor

are there added costs for the purchasing of digital applications. There is a 12% margin and overheads included, which is higher than what the current contractor achieves (8%).

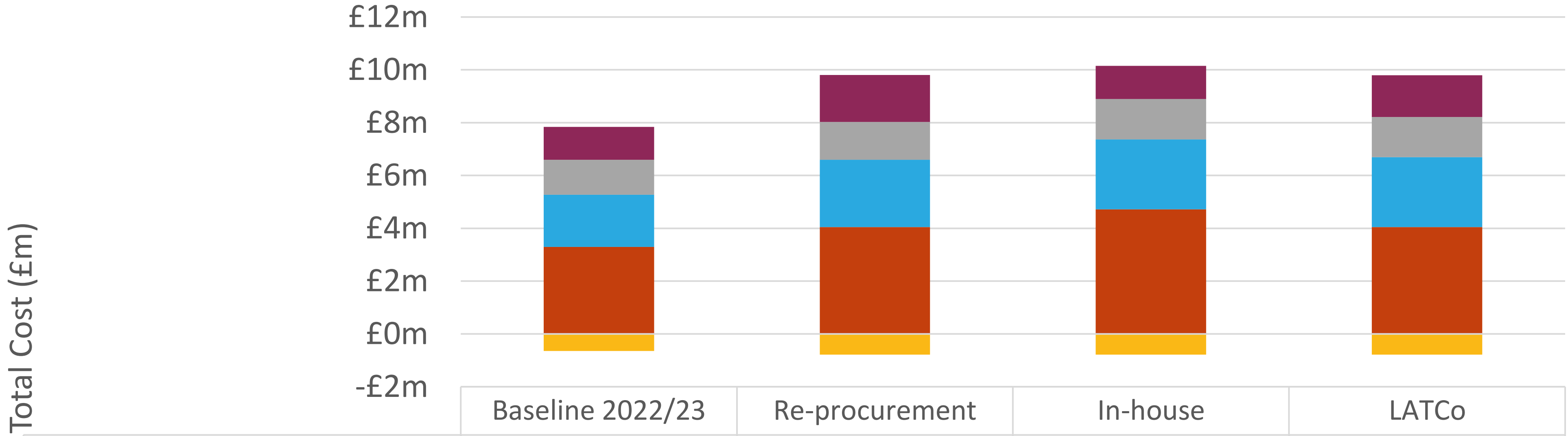
Table 3-1 provides a summary of total annual costs for the baseline and the future service delivery options. Transition and mobilisation costs are not included as there are one-off costs. They are presented separately in section 3.1.3.

Table 3-1: Modelled Annual Costs for Each Option

Cost Centre	Baseline 22/23	Re-procurement	In-house	LATCo
Margin and Overheads	£1.25m	£1.79m	£1.26m	£1.58m
Other Costs	£1.32m	£1.43m	£1.52m	£1.52m
Material Sales & Waste Disposal	-£0.65m	-£0.78m	-£0.78m	-£0.78m
Vehicles and Equipment	£1.98m	£2.55m	£2.65m	£2.65m
Frontline Staff	£3.29m	£4.04m	£4.72m	£4.04m
Total	**£7.19m**	**£9.03m**	**£9.37m**	**£9.02m**

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 options have significantly higher costs than the Baseline which reflects 2022/23 costs.

Figure 3-1: Modelled Annual Costs of Baseline and Service Delivery Options



	Baseline 2022/23	Re-procurement	In-house	LATCo
Margin & Overheads	£1.25m	£1.79m	£1.26m	£1.58m
Other Costs	£1.32m	£1.43m	£1.52m	£1.52m
Material Sales & Waste Disposal	-£0.65m	-£0.78m	-£0.78m	-£0.78m
Vehicles & Equipment	£1.98m	£2.55m	£2.65m	£2.65m
Frontline Staff	£3.29m	£4.04m	£4.72m	£4.04m
Total	£7.19m	£9.03m	£9.37m	£9.02m

Frontline Staff
Vehicles & Equipment
Material Sales & Waste Disposal
Other Costs
Margin & Overheads
Total

As shown in Figure 3-1 and Table 3-1, the most expensive option is the In-House option (£9.37m), with the cheapest being the LATCo (£9.02m), and re-procurement slightly more expensive than the LATCo (£9.03m). A breakdown of the differences in costs is provided below.

<u>Frontline staff:</u>
The in-house option is the most expensive option, this is primarily due to the contributions needed for the Local Government Pension Scheme (LGPS), which is currently assumed at 20%, compared to the LATCo and re-procurement options which range from 3% to 5%. TUPE would apply to any transferring staff, so where the Kier salaries are higher these have remained as is, but where the Council salaries are higher an uplift has been applied, which increases the financial contributions from the Council as well.

Frontline staff costs are the same in the re-procurement and LATCo options due to TUPE applying and not requiring any change to pension contributions.

Following Bridgend CBC's conversations with unions, it appears that there is likely to be an uplift in council staff salaries in the near future, which would then increase the cost for the in-house options (for the avoidance of doubt, this salary uplift has not been included in the modelled costs). For information, and to put a potential uplift in perspective with regards to the results of the financial modelling, a salary increase of 1-5% in the in-house option compared to the other options would lead to an additional extra cost of £60k-£290k per year for the in-house option.

<u>Vehicles and Equipment:</u>
Vehicle costs for re-procurement (£2.55m) are lower than for the In-house and LATCo options (£2.65m). It was assumed in all future options that the Council would provide the capital for the vehicles, however in the re-procurement option the contractor would purchase the vehicles on behalf of the Council and would be able to use their buying power to leverage lower vehicles prices than if the Council were to purchase the vehicles directly, which would be the case in the in-house and LATCo options. A 5% uplift in vehicle capital costs was applied to both the in-house and LATCo options to reflect this.

<u>Material Sales and Waste Disposal:</u>
There is no difference in costs between the three future options for material sales and waste disposal. There could have been an argument to assume that for the in-house and LATCo options the Council would not be able to secure the same material prices than the contractor in the re-procurement option. However, Eunomia reviewed data available internally which showed that there is no tendency for contractors to achieve better prices for material sales than councils, and Bridgend CBC would benefit from WRAP Cymru's help to secure material contracts, therefore no difference in costs was assumed in this section. Indexation has been applied to the Baseline to account for the Baseline being the year 2022/23 and the options being the year 2026/27, which is why there is an uplift in the costs from the Baseline.

<u>Other Costs:</u>
When looking at Other Costs, re-procurement has the lowest costs at £1.43m and in-house and LATCo are slightly more expensive at £1.52m. This is due to the Council getting an annual revenue of approximately £25k through contractor's defaults in the re-procurement option, which would not apply in the in-house and LATCo options. Additionally, in both these options the Councill will need to purchase and pay an annual fee for digital applications such as asset management system, fuel management system, health and safety system, etc.

<u>Margin & Overheads:</u>
In this cost category the re-procurement option has the highest costs at £1.79m, the in-house option is the lowest at £1.26m and the LATCo option is in-between at £1.58m. In the re-procurement option, a 12% margin has been applied which is the typical target margin for contractors in waste contracts and includes profit and overheads such as payroll and other centralised functions. In the in-house option there is no margin, however there are changes in the management structure which impact the costs. Similarly, in the LATCo option there is a change in management structure, and a

3% margin has also been built into account for any unplanned expenditure and to provide risk contingency.

The difference in management structure is outlined in Table 3-2.

Table 3-2: Management Staff Differences in the Options

Staff	Baseline 2022/23	Re-procurement	In-house	LATCo
Business Manager	1	1	1	1
LATCo Managing Director	-	-	-	0.5
LATCo Operations Director	-	-	-	1
LATCo Finance Director	-	-	-	1
Group Manager	-	-	0.5 (shared with street cleansing)	-
HR Manager			0.5	0.5
Payroll Officer			1	1
Transport Manager	-	-	1	1
Procurement Manager			0.5	0.5
HSEQ Manager	-	-	0.5	0.5
Performance Manager	-	-	0.5	0.5

Bridgend CBC indicated that the Business Manager played an important role in the current contract and would be expected to carry on with this role in all future options, as the above table demonstrates. For the in-house option, the waste service would be overseen by a Group Manager who would be shared with the street cleansing service. The Council would need to appoint a Managing Director, Operations Director and Finance Director for a LATCo. It was assumed that a part-time role would be sufficient for the Managing Director due to the relatively small size of the service. It is common for this role to be part time and should not be an issue for recruitment.

Other roles required in the in-house and LATCo options are a part-time HR Manager and full-time Payroll Officer as the Council HR team does not have capacity to absorb extra work. The Council would also need a full-time Transport Manager as the additional number of vehicles required cannot be absorbed by the current Council's Transport Manager. Finally, three other part-time roles are needed for the in-house and LATCo options: Procurement Manager, HSEQ Manager and Performance Manager.

3.1.3 Transition/ Mobilisation Costs

The costs associated with transitioning to the options and mobilisation costs, which are all one-off costs, have also been modelled. The outcome of this can be seen in the Table 3-3 below.

Table 3-3: Costs associated with transition and mobilisation for the three future options

Item	Re-Procurement	In-house	LATCo
Legal Support	£140,000	£10,000	£100,000
LATCo Set Up	£0	£0	£55,000
Procurement Technical Support	£100,000	£0	£15,000
Compliance	£0	£19,800	£19,800
Mandatory Training	£20,000	£20,000	£20,000
Digital	£50,000	£330,000	£330,000
Depot	£77,500	£77,500	£77,500
Contingency	£58,125	£68,595	£92,595
Resource Costs – Workforce onboarding	£0	£60,000	£60,000
Resource Costs - Other	£84,167	£179,167	£201,667
Total	**£529,792**	**£765,062**	**£971,562**

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 LATCo 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.

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.

4.0 Conclusion

4.1 Risk Assessment of Future Commissioning Options

The commissioning options assessment undertaken as part of this work is summarised in Table 4-1. This analysis has identified that from a qualitative perspective, the commissioning option which receives the highest score is that of the re-procurement route, with both the LATCo and In-house option receiving very similar scores, that of 56% and 58% respectively. With regards to the re-procurement option, the main risk highlighted is the timeline and market interest which needs careful consideration. There is the ability to mitigate this risk if extending with Plan B for 1 year, though consideration would then need to be given to procurement clashes for contracts then expiring in 2027.

Table 4-1: Summary of Qualitative Commissioning Options Assessment

Criteria	Weighting	Option A – In-House	Option B – LATCo	Option C – Re-procurement
Capacity and Capability	10.0%	6.0%	4.0%	10.0%
Financial and Commercial Risk	20.0%	4.0%	8.0%	16.0%
Market Conditions	10.0%	10.0%	10.0%	4.0%
Operational Risk	15.0%	6.0%	6.0%	12.0%
Implementation Risk	15.0%	6.0%	6.0%	6.0%
Control and Ability to Change	20.0%	20.0%	16.0%	12.0%
Service Quality	10.0%	6.0%	6.0%	6.0%
Total Score		**58.0%**	**56.0%**	**66.0%**
Rank		2	3	1

4.2 Financial Modelling

The cost analysis evaluated three waste management options: in-house (£9.37 m), LATCo (£9.02m), and re-procurement (£9.03m). The in-house choice emerges as the most expensive, primarily due to its higher LGPS contributions, set at 20%. Frontline staff costs vary, with re-procurement and LATCo aligning due to compliance with TUPE regulations.

In terms of vehicles, re-procurement stands out as the more economical choice (£2.55m) compared to the in-house and LATCo options (£2.65). This stems from the assumption that the contractor, in the re-procurement option, would leverage its buying power to secure better vehicle prices, as opposed to the Council directly purchasing the vehicles in the other options. Management roles differ across the options, with in-house requiring a Group Manager shared with street cleansing, the LATCo option needing a part-time Managing Director and full-time Operations

Director and Finance Director, whilst for the re-procurement those high-level managing roles are covered in the overheads included in the contractor's margin.

Material Sales and Waste Disposal costs are consistent across all options, adjusted for indexation. Moving to Other Costs, re-procurement emerges as the most cost-effective option (£1.43m), In-house and LATCo options are slightly more expensive (£1.52m) due to additional expenses mainly related to digital applications.

Examining Margin & Overheads, re-procurement incurs the highest costs (£1.79m) due to a 12% margin, which includes profit and overheads. In-house presents the most economical choice (£1.26m) with no margin applied, while LATCo is in-between the two (£1.58m) with a 3% margin factored in for risk contingency.

Overall, the LATCo option is the cheapest, however it does incur high mobilisation and transition costs (close to £1m) compared to both the in-house (£770k) and re-procurement (£530k) options. It is worth noting that for the in-house and LATCo options these mobilisation and transition costs 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.

4.3 Summary

In summary, the analysis shows that from a qualitative perspective, the re-procurement option is the most favourable, followed by the in-house and LATCo options respectively. However, the timeline for the re-procurement option is a real risk (as outlined in section 2.4.3) and could deter market operators from engaging in a procurement exercise should it not afford sufficient time for them to robustly bid, and also mobilise, should they win the contract. Extending the current contract with Plan B may help to mitigate this risk, alternatively the council can seek to begin a re-procurement as soon as possible to afford the procurement and mobilisation processes as long as possible. It would be vital to engage with the market on these timelines to understand if this would be feasible should Bridgend CBC take this option forwards.

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 (in the region of ~£0.01m per annum). Given this very slight variation, it is difficult to say with certainty which option would be preferable from a financial perspective and ultimately will come down to the council's affordability considerations, as well as political drivers and appetite towards risk management.

When the qualitative and financial elements are taken together, Eunomia would recommend that Bridgend CBC considers either the re-procurement or LATCo options going forward, with the re-procurement option appearing to be the most favourable should the timeline for a future procurement be feasible and practicable.

Appendices

A.1.0 Evaluation Scoring Guidance

Criteria	Question Being Asked	1	2	3	4	5
Capacity and Capability	Does Bridgend CBC have the capacity to deliver?	No, significant expertise required to manage the service - specialism of need will make this hard in time scales	No, significant expertise required to manage the service - this should be achievable in timescales	Yes, more extensive recruitment would be required to manage services	Yes, some recruitment required into existing teams	Yes, no concerns
Financial & Commercial Risk	Does the option pose an increased financial risk to the authority?	Yes, high probability of unacceptable financial risk to the authority	Yes, high probability of acceptable financial risk to the authority	Yes, low probability of acceptable financial risk to the authority	No change from current operation	No, the risk position would be more favourable to the authority than current operations

Criteria	Question Being Asked	1	2	3	4	5
Market Conditions	Are the market conditions able to support this option?	No, the market would not support the option	No, there would be significant concerns	Yes, although there are some substantial risks with approach	Yes, although there are some minor risks	Yes, no concerns
Operational Risk (post mobilisation and initial three months of the contract)	Does the option pose an operational risk to the authority?	Yes, high probability of high operational risk	Yes, low probability of high operational risk	Yes, high probability of low operational risk	Yes, low probability of low operational risk	No, no concerns
Implementation Risk (during mobilisation and the initial three months of the contract)	Does the option present an implementation risk?	Yes, high probability of high implementation risk	Yes, low probability of high implementation risk	Yes, high probability of low implementation risk	Yes, low probability of low implementation risk	No, no concerns
Control and Ability to Change	Does the option allow BRIDGEND CBC to increase	No, services would be very unlikely to increase	No, services would be unlikely to increase	No change from current operation	Yes, services would be likely to increase	Yes, services would be very likely to

Criteria	Question Being Asked	1	2	3	4	5
	control and develop services?	BRIDGEND CBC's ability to control change	BRIDGEND CBC's ability to control change		BRIDGEND CBC's ability to control change	increase BRIDGEND CBC's ability to control change
Service Quality	Does the option improve the quality of service offered to residents?	No, quality of service would probably be negatively affected	No, quality of service would be affected slightly negatively	No, quality of service remains as current	Yes, quality would be slightly improved	Yes, quality of service would be strongly improved

A.2.0 Commissioning Options Evaluation Model

Commissioning%20
Options%20Evaluatio

A.3.0 Indicative High-Level Timelines and Market Analysis

Bridgend%20-%20In
dicative%20Detailed%

A.4.0 Financial Modelling Inputs and Assumptions

A.4.1 Staff Assumptions

Table A 1: Baseline Staff Inputs - Staff Numbers

Service	Staff Role	Numbers
Refuse Collections	HGV Driver	5
	Loader	13
Recycling Collections	HGV Driver	20
	7.5t Driver	3
	Loader	30
Bulky Waste Collections	7.5t Driver	1
AHP Collections	7.5t Driver	2
Container Deliveries	3.5t Driver	2
Missed Collections	3.5t Driver	1
CRC Service	HGV Driver	2
	Team Leader	5
	Recycling Advisor	13
Transfer Station	HGV Driver	1
	Yard Driver	1
	Yard operative	7
Management	Business Manager	1
	Operations Manager	1
	Supervisors	5
Admin	Senior Administrator	1
	Administrator	5
Finance	Accountant	1
TOTAL		**120**

Table A 2: Options Staff Assumptions - Staff Salaries for new roles

Staff Role	Annual Salary for 1 FTE
LATCo Managing Director	£80,000
LATCo Operations Director	£60,000
LATCo Financial Director	£60,000
Group Manager	£68,000
HR Manager	£40,000
Payroll Officer	£25,000
Transport Manager	£35,000
Procurement Manager	£40,000
HSEQ Manager	£35,000
Performance Manager	£35,000

A.4.2 Vehicle Assumptions

Table A 3: Baseline Vehicle Input – Vehicle Numbers

Service	Vehicle Type	Frontline Numbers	Spare Numbers
Refuse Collections	26t RCV	5	1
	12t RCV	1	-
Recycling Collections	12t RRV	15	3
	7.5t RRV	2	-
Communal Recycling	22t RCV	1	-
Garden Collections	26t RCV	-	1
Bulky Waste Collections	7.5t Box Vehicle with tail lift	1	-
AHP Collections	7.5t Vehicle	2	-
Container Deliveries	3.5t Vehicle	2	-
CRC Service	32t Hook Loader	2	-
	Material Handler	3	-
Transfer Station	Baler	1	-
	Fork Truck	3	-
	Telehandler	1	-
TOTAL		**39**	**5**

Table A 4: Baseline Vehicle Costs Inputs and Assumptions

Vehicle Type	Capital Cost	Annual Hire Cost
26t RCV	£180,000	£36,000
22t RCV	-	£44,370
12t RCV	-	£31,546
12t RRV	£155,000	-
7.5t RRV	£130,000	-
7.5t Box Veh.	£55,000	-
3.5t Veh.	£30,000	-
32t Hook Loader	£135,000	-
Material Handler	£145,000	-
Baler	£350,000	-
Fork Truck	-	£10,375
Telehandler	-	£32,500

(yellow)	Provided by Kier
(orange)	Eunomia Assumption

- Those prices are 2017/18 prices as most vehicles were purchased in 2017/18
- Interest rate for capital repayment applicable for Kier assumed at 7.0% (Eunomia assumption)
- Other Vehicle costs:

Fuel	Maintenance, Tyres and Damage costs	Insurance
£1.24/l	£450k/year	2% of capital costs