

# LATCo and In-house Advice

Brief Report

Prepared July 2024



## Report For

Bridgend County Borough Council

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## Acknowledgements

Our thanks to Bridgend CBC for their time and support in providing the key information required to complete this report.

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# 1.0 Introduction

Eunomia Research and Consulting (Eunomia) were previously commissioned by Bridgend County Borough Council (Bridgend CBC) to undertake a Commissioning Options assessment prior to the termination of their existing waste contract with Plan B. This assessment considered three possible commissioning options:

- Re-procurement of the waste contract with an external supplier;
- Bringing the waste service into a Local Authority Trading Company (LATCo); and
- Bringing the waste services in-house (akin to the street cleansing service which is already delivered by Bridgend CBC).

This work was completed in March 2024, with the Eunomia reviewing identifying that re-procurement was the most favourable option from a qualitative perspective (though this was with the caveat that the timeline for re-procurement posed a substantial risk), and that the LATCo option would be the cheapest (see section 4 for further details). However, Eunomia understands that due to political drivers, members have ruled re-procurement out as one of the ways forward for the Council. The Council are therefore seeking additional advice from Eunomia on the LATCo and in-house options and the impact these options would have on the service.

This report outlines Eunomia's findings and recommendations and is structured as follows:

- Section 2 provides a summary of the previous commissioning options analysis findings;
- Section 3 provides a high-level summary of the two alternative options (LATCo and in-house) that are being considered further;
- Section 4 provides a review of existing LATCos operating models and their experiences;
- Section 5 outlines a suggested approach for the set-up of a Bridgend CBC LATCo, including governance structure and commercial waste collections opportunities. A mobilisation timeline is also provided; and
- Section 6.0 outlines a suggested approach to bringing the waste and recycling services in-house, including service structure and the impact on Council responsibilities. A mobilisation timeline is also provided.

## 2.0 Summary of Previous Work

The previous project, the report for which can be found in Appendix A.1.0, looked at the costs for the baseline and each of the respective commissioning options. The results are presented in the Table 2-1. The Re-procurement costs have been greyed out in both Table 2-1 and Table 2-2, as Bridgend CBC have decided that Re-procurement will not be taken forward as an option.

**Table 2-1 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
<b>Total</b>	<b>£7.19m</b>	<b>£9.03m</b>	<b>£9.37m</b>	<b>£9.02m</b>

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.

The most expensive option is the in-house option (£9.37m), with the cheapest being the LATCo (£9.02m), and re-procurement only slightly more expensive than the LATCo (£9.03m).

The costs associated with transitioning to, and mobilising, each of the options, which are all one-off costs, were also modelled and can be seen in Table 2-2.

**Table 2-2 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
<b>Total</b>	<b>£529,792</b>	<b>£765,062</b>	<b>£971,562</b>

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 will incur other LATCo set-up costs such as development of a business plan and branding. Both the in-house and LATCo options include mobilisation elements 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.

A qualitative assessment was also completed as part of the commissioning options, and the results are in Table 2-3.

**Table 2-3 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%
<b>Total Score</b>		<b>58.0%</b>	<b>56.0%</b>	<b>66.0%</b>
<b>Rank</b>		2	3	1

The commissioning option which received the highest score was that of the re-procurement route, with both the LATCo and in-house option receiving very similar scores, that of 56% and 58% respectively. It was noted that even though the re-procurement received the highest score, the timeline for re-procurement posed a significant threat to that approach.

Ultimately, following the work above, Bridgend CBC decided to progress with the LATCo and in-house options for further consideration.

## 3.0 LATCo and In-house Overview

This section highlights what a LATCo is, as well as benefits and reasonings behind choosing a LATCo or an in-house service. Whilst there are similarities between the two, there are distinct differences between the two operating models.

### 3.1 LATCo

Over recent years, LATCos have become a more popular vehicle for providing local authority services. A LATCo is an independent legal entity which is wholly owned and ultimately controlled by one or more shareholding local authorities. 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. This includes undertaking commercial work outside of the authority boundary.
- Deliver services more flexibly.
- 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. Table 3-1 provides a summary of LATCo financial results in 2021/22 and 2022/23, illustrating that some LATCos make a significant profit, some make a small profit while others make a significant loss. By operating the waste service via a LATCo, Bridgend CBC would also have much greater visibility over the service costs, as a LATCo must be operated where the parent council holds a similar level of control over it as they would an internal department.

**Table 3-1 LATCos Financial Results**

Name	Services	21/22 Financial Results	22/23 Financial Results
CWM Environmental	Waste Treatment, Transfer Station and HWRC	£1.1m loss (fire at the MRF caused £665k damage)	Unknown
Liverpool Street Scene Services	Waste collections, street cleansing, grounds maintenance, highways services	£1.4m loss	£1.6m loss



Cumbria Waste Management	Waste disposal and recycling services	£3.7m loss	£2.8m profit
Cheshire West Recycling	Refuse, recycling, and garden waste collections	£526k profit	£207k profit
Norse Environmental Waste Services (NEWS)	Waste collections for several LAs	£573k profit (£1.4m loss in 20/21)	£184k profit

## 3.2 In-house

There are currently 185 authorities who run their waste collection service in-house. An in-house service may be seen as beneficial due to the level of flexibility and control over the services, for example having collection crews support on contamination campaigns without the need to agree additional costs, which they would likely need to do in a LATCo. Additionally, there would not be a need for contractual negotiations when implementing changes, such as would still be required if the services were delivered via a LATCo, however discussions would be needed with unions.

Another key element is that in an in-house option there are no requirements to make a profit on the in-house service, whereas with a LATCo operation, a profit can be made so long as the proceeds are distributed back to the parent council.

As with the LATCo option, operating the waste service via an in-house operation also provides much greater oversight of the service's costs as it will be operated as a distinct council department.

## 4.0 Review of existing LATCos

Historically LATCo's have been set up either in response to a poorly performing or problematic contract or because their contractor is exiting the business. Bristol Waste Company (BWC), North Somerset Environment Company (NSEC) Cheshire West Recycling Ltd were all set up due to early contractor exits. Lampton 360 and Ubico however were initially formed to replace poorly performing contracts when they came to the contract end.

This section of the report provides thoughts on a number of key considerations, including learnings and experiences from other LATCos.

### 4.1 Risk

The perceived level of risk related to transferring services into a LATCo from an outsourced contract can vary starkly based upon how the current contract is performing. For example, the perceived level of risk when moving from a well performing outsourced contract to a LATCo is likely to be significantly greater than when moving from an already poorly performing outsourced contract.

Due to the increase in risk for the Council when transitioning to a LATCo, there should be Senior executives and directors overseeing the process, and having visibility of all stages. LATCo transitions must be seen as high corporate priorities and there needs to be a high degree of ownership from the Council. Such risk also exists with the brining of services in-house, and so a similar level of senior oversight should be given too.

A key risk to all LATCos during mobilisation is IT. The handover from outsourced provider to the LATCo often takes place overnight and there is a limited amount of work that can be done before the transition. For example, councils cannot re-network or patch anything prior to the contractor leaving the depot. Council IT teams who have undertaken such work often struggle to deal with the level of complexity needed to take over a service and this would need careful consideration from Bridgend CBC should they elect to move to a LATCo. An additional complexity when mobilising a LATCO is that there are often multiple T&C's due to previous TUPE processes and council pay roll systems are often not set up to deal with this adequately. Another point to note is that council computers block a lot of software that might be needed to run the service. Bridgend CBC must ensure they have approved all software needed to run the service before mobilisation.

Overall, the level of risk experienced by moving services either in-house or into a LATCo (from an outsourced operation) is not that different as identified during Eunomia's previous work (see section 2.0). The risks identified above would also be applicable for a move to an in-house operation. The areas which vary the most between the two commissioning options are the governance arrangements and commercial elements of the services.

### 4.2 Value

Value is hard to judge when moving from an outsourced contract to a LATCo. Prior to the formation of Greener Ealing (London Borough of Ealing's LATCo), the contract was delivered by Amey, and it is our understanding that Amey was losing a significant amount of money each year. When the services were moved to a LATCo the budget needed to be significantly increased from what they were previously paying Amey, as Amey had been making a loss on the contract in order to run the service. In the first year that Lampton 360 ran Hounslow's waste service they went over budget because there was a political decision to increase the pension and pay to the London Living Wage. Additionally, Redbridge Civic Services (RCS – London Borough of Redbridge's LATCo) went over budget from their second year of operating the service due to a contract which did not account for annual

indexation. This meant that their original budget was kept the same, effectively resulting in RCS's budget being cut, which then did not account for inflationary cost increases experienced by the company.

In summary, it is difficult to compare value in an outsourced contract compared to a LATCo because when a council decides to move to a LATCo, there is often a decision to offer enhancements at the same time, such as providing a Real Living Wage or other policies, which will naturally have an impact on costs. Additionally, authorities are often working with an underfunded baseline based upon their outsourced contract, as was the case in Ealing.

## 4.3 Transition and mobilisation

In the case of North Somerset, the transition from an outsourced contract to a LATCo (NSEC) worked very well, however it is hard to pinpoint what exactly helped with this, though they did receive external support to help with this transition which may have helped. Biffa, who was the outsourced contractor, was under extreme financial pressure and were trying to deliver the service as cost effectively as possible. When NSEC took over the service, their focus shifted away from delivering a commercially successful service to delivering the service for the benefit of residents. Due to the nature of a LATCo (being wholly owned by the parent council), the company is more accountable to the members and so it is vital that the first few months are successful from a delivery perspective to provide members with confidence in the LATCo and to ensure buy in. With regards to NSEC, as they had a successful mobilisation and start to the services, they gained trust with the members and the council.

With regards to the management of a LATCo, it is important to ensure a happy medium is reached between the LATCo and parent council, where the LATCo has scope to manage the services as a distinct separate legal entity, whilst still being answerable to the parent council.

At Eunomia we have provided support for the transition away from an outsourced contractor and the subsequent mobilisation of the relevant LATCo for a number of authorities, this includes North Somerset's NSEC, RCS and Greener Ealing. The best indicator of a successful mobilisation we have found is how quickly our support is no longer needed. From our experience, Eunomia recommends against external contractors or consultants providing support in the transition and mobilisation phase and then being placed into continued management roles.

## 4.4 Scope of services

When setting up a LATCo, the relevant council must first consider which services would be in scope to be managed by the newly created LATCo. With the example of North Somerset, NSEC first assessed all relevant services to see if any of them could also be brought into the LATCo in addition to the waste services. Since NSEC's creation, they have subsequently expanded the services in scope to include operation of the waste transfer station and delivery of the council's highways function. Ubico and Lampton 360 both followed a similar process, whereby they brought services into the LATCo in stages.

Material sales is a service that is outsourced in a number of councils and is often done by a contractor in an outsourced arrangement. This service is often brought into the LATCo when they transition. NSEC undertake all of the materials management in North Somerset and made £0.5 million per annum more than Biffa had made when they did their material sales. Additionally, Bristol Waste Company manage their own material sales and consistently achieve better prices than the Lets Recycle Material Sales Index. This has worked in both LATCos because they have empowered the right people to make the right commercial decisions.

Hounslow brought their housing and maintenance staff into the Lampton 360 LATCo, as with many LATCo's Hounslow have a parent company (Lampton 360) and the services act as subsidiaries to the parent company. This prevents any doubling of overheads. Lampton 360 was established by London Borough of Hounslow in 2012, Recycle 360 was then launched as a subsidiary for the waste and recycling service, and then in 2018 Lampton Greenspace 360 commenced to provide the parks and open space maintenance service.

There are a number of other services that can be brought into a LATCo. It is Eunomia's recommendation that a LATCo is started as a single service and then other services are assessed and brought in as and when it makes commercial sense.

## 4.5 People

The success of a LATCo is ultimately down to staff and who and how they are recruited.

In order to successfully run a LATCo, there are certain senior roles which are required, such as a Managing Director, Operations Director and possibly a Financial Director. Managing Directors typically come from a more commercial background than from a local authority background. The Managing Director, will need to know how to run a service from a commercial perspective, and as such they will need to have an understanding of corporation tax (amongst other vital and strategic elements). The MD will nonetheless need to have an understanding of the services, though Eunomia always recommends that they should be supported by an Operations Director so that they have the space to focus on the commercial management of the company. This mix of both operational and commercial experience can make finding suitable candidates difficult, and as such they often command significant salaries. As an example, NSEC's Managing Director had previously run LATCos. They also benefited from having support of an Operations Director who understood what was needed for the service to run effectively from an operational perspective.

Beyond the senior staff required to steer and manage the LATCo, there is a need to have a dedicated team to oversee and deliver the transition and mobilisation work. The mobilisation team, and those required beyond this period will likely be different and the roles in each period will require different skill sets and knowledge.

For Bridgend CBC, if there are cultural changes required, it does not ultimately matter if the move is to an in-house or LATCo operation, as making such cultural changes will take time, and there will not be an overnight change in the services. This is due to the majority of staff responsible for delivering the service will not change and will TUPE over in the transition. Often issues with the service are not visible from the start and therefore it will take time to identify and then rectify them.

# 5.0 Suggested Approach to Setting up a LATCo

## 5.1 LATCo Governance and Democratic Considerations

This section sets out the core principles of a LATCo and includes suggestions on how a LATCo could be structured for Bridgend CBC, based on discussions with the Council's internal stakeholders and Eunomia's recommendations. Should the Council decide to opt for the creation of a LATCo, Eunomia strongly recommends that Bridgend CBC seek legal advice to implement any governance structure.

### 5.1.1 LATCo Principles

The core principles of a LATCo are laid out in the Procurement Act 2023<sup>1</sup>, retaining the following concepts from the Public Contracts Regulations 2015<sup>2</sup>:

- No person other than the authority can exert a decisive influence on the activities;
- More than 80 per cent of the activities carried out by the person are carried out for or on behalf of:
  - the contracting authority, or
  - another person that is, or other persons that are, controlled by the authority;
- The contracting authority is represented on the person's board, or equivalent decision-making body; and
- The person does not carry out any activities that are contrary to the interests of the contracting authority.

The waste service is a core service and would account for at least 80% of the activities of a waste LATCo for Bridgend CBC. Trade waste can be seen as a somewhat grey area depending upon whether the contract for trade waste sits with the LATCo or the Council. However, as local authorities have a statutory obligation to provide trade waste services on behalf of businesses if requested, this service can arguably be considered as an activity carried out for the contracting authorities. It would be advisable to seek legal advice regarding the 80% threshold should the Council decide to progress with the set-up of a LATCo.

### 5.1.2 Governance Structure and Responsibilities

The governance structure would be composed of three entities:

- Shareholder Committee;
- Company Board; and
- Company Management Team.

Figure 5-1 details the responsibilities of each entity. Clearly defining roles for each entity is important. The Company Board should be responsible for the commercial decisions of the

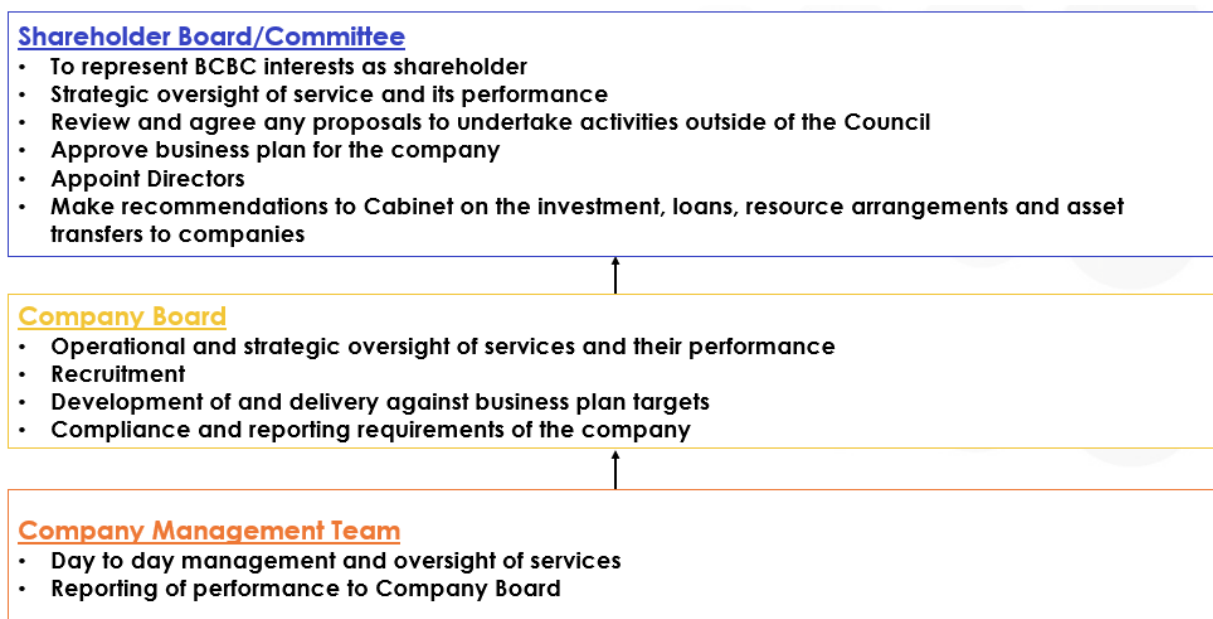
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<sup>1</sup> UK Government, Procurement Act 2023, Available at: [Procurement Act 2023 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

<sup>2</sup> UK Government, Public Contracts Regulations 2015, Available at: [The Public Contracts Regulations 2015 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

LATCo, whilst the Shareholder Committee represents the political aspirations of the Council, with the Company Management Team providing daily management of the LATCo.

**Figure 5-1: Governance Responsibilities**



The Council has ultimate ownership of the LATCo and as such is financially liable for the LATCo's costs – even in cases of overspend against a set budget. The Council also has a responsibility to exercise the same degree of control over the LATCo as they do over their own departments. Should the LATCo require additional funding, the Council would be required to provide this. With regards to financial decision making, the level at which certain decisions are made will likely depend upon the governance arrangements that are put in place when the LATCo is set up. These financial thresholds may follow similar threshold for council departments, for example, Bridgend CBC's Constitution sets out that each Chief Officer, with approval of the Chief Finance Officer, may make amendments to budgets of up to £100,000 and that any costs exceeding £100,000 must be reported to Cabinet for approval.

The LATCO's shareholders can drive political decisions, such as pay levels, by asking the Company Board to price for the desired change, for example accounting for an increase in pay or the pension scheme employer contribution rate. In which case, the Company Board will price for the increased costs and the Shareholder Committee will decide if they want to go forward with the change. In this example, should the decision to award a pay increase not be seen as the most astute commercial decision by the Company Board, the Shareholder Committee can still nonetheless dictate that the pay uplift be awarded as ultimately the Council will have to fund the resulting cost increase. It is worth noting that this decision-making structure does place an increase in responsibility and pressure on those individuals sitting on the Shareholder Committee. A LATCo is often set up to improve the work culture and working conditions; however, those decisions come with a cost which is often significant (e.g. amendments to pay or terms and conditions (T&Cs)).

The Company Board is ultimately responsible for recruitment into the LATCo, with the exception of the Managing Director who is appointed by the Shareholder Board. The order of recruitment when setting up a LATCo is typically to first recruit the Managing Director, with the newly appointed Managing Director then leading the rest of the recruitment. Any recruitment should be skills based, and often the Managing Director is recruited externally as there are no internal candidates with the right set of skills.

## 5.1.3 Democratic Process

Figure 5-2 details how the interactions between the LATCo and the Council could work and how this fit within the democratic process. Eunomia would recommend having a reporting mechanism in place between the LATCo Shareholder Committee and Bridgend CBC' Scrutiny and Cabinet bodies, as it is likely that these entities will want to be informed of the direction of travel and of any issues with the operation and management of the LATCo.

**Figure 5-2: Interaction with Bridgend CBC/Democratic Process**

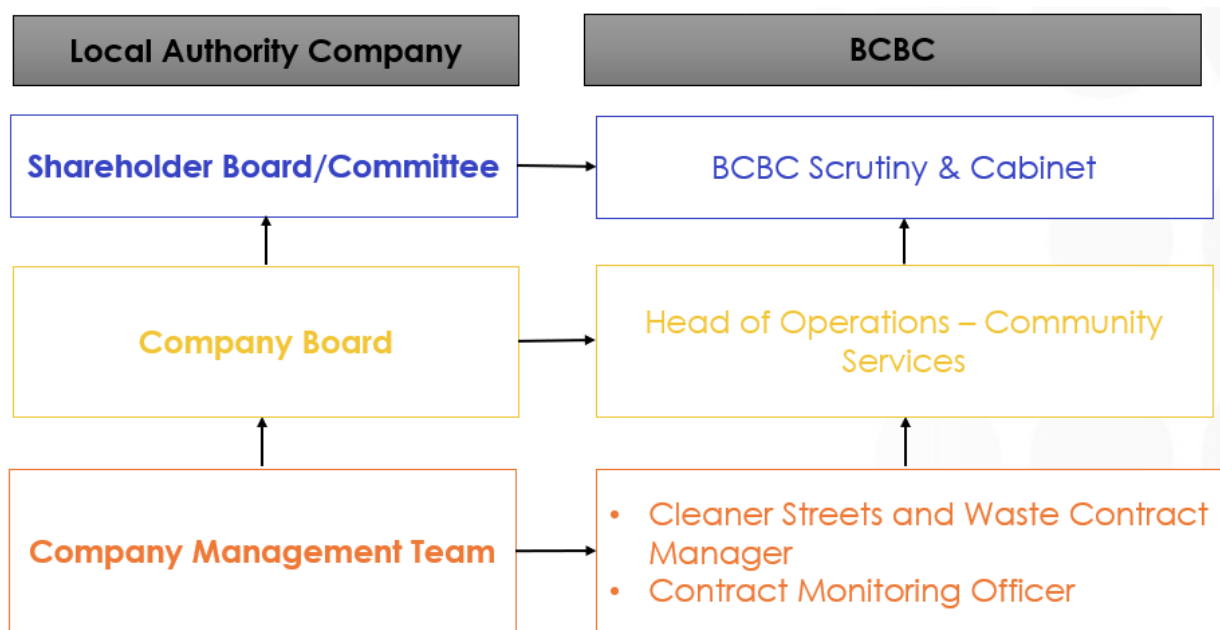
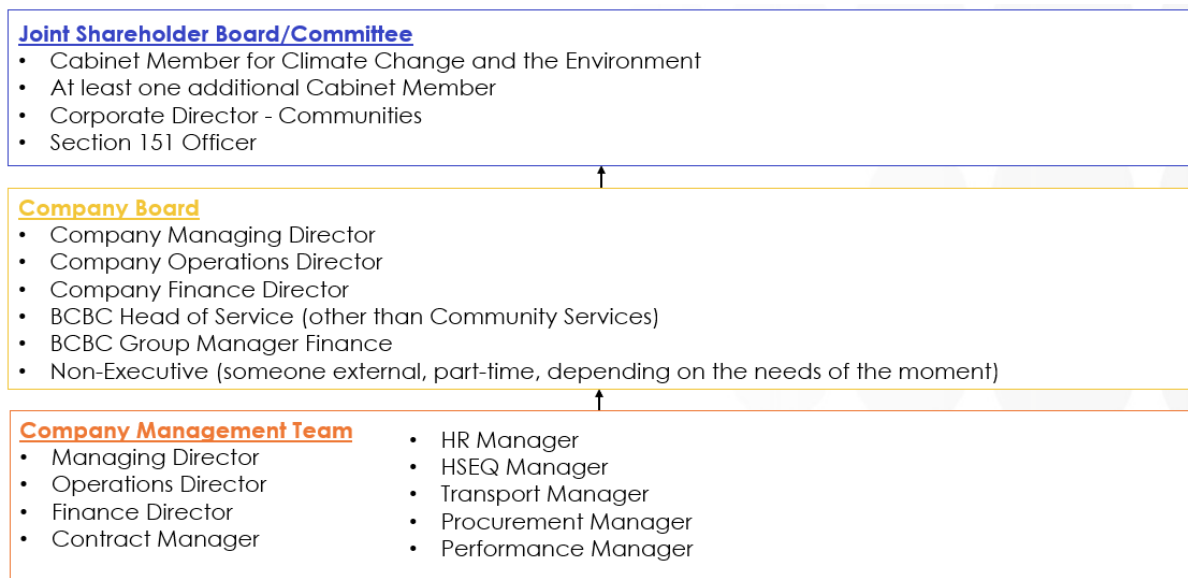


Figure 5-3 shows what the representation at each level of governance could be within a future LATCo. Those are Eunomia's suggestions following discussions with Bridgend CBC officers rather than formal recommendations, and the Council may want to amend the structure depending on what would work best for them. For example, within the Shareholder Board, the Corporate Director could be replaced by the Chief Executives, and then as a result within the Company Board, the Head of Service could be replaced by the Corporate Director. Whilst these are merely suggestions, Eunomia would recommend Bridgend CBC consider the following elements in particular:

- Not having elected members in the Company Board to avoid any conflict of interest;
- Not having any role included within both the Shareholder Board and the Company Board to avoid any conflict of interest; and
- Having the Managing Director and Operations Director roles as two separate positions rather than one. The Managing Director would be focusing on running the business whilst the Operations Director would be focusing on running the operational side/services. These roles are difficult to recruit, and recruiting the right people will play an important part in the success of the LATCo.

**Figure 5-3: Representation at Each Level of Governance**



## 5.2 Management Structure

This section details the changes to Bridgend CBC's waste management structure when transitioning to a LATCo, as well as the LATCo management structure.

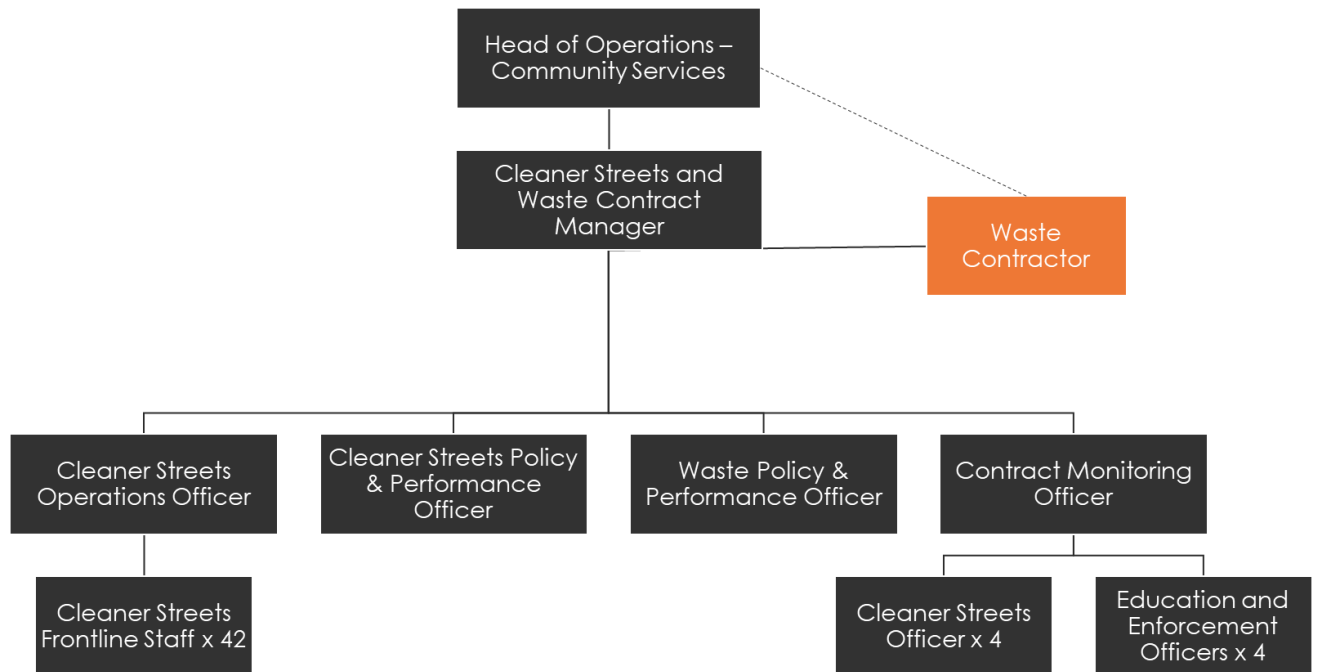
Typically, there would be minimal impact on the Council's client function (in terms of headcount) when moving to a LATCo model, at least in the short to medium term whilst the LATCo is embedded. The impacts are likely to be:

- Job descriptions may change slightly; and
- Some Council officers may be TUPE transferred into the LATCo, depending on where the Council draw lines of responsibility. For example, a decision will have to be made regarding where functions such as customer services sit.

Figure 5-4 shows the current management structure for Bridgend CBC's waste and street cleansing services. If transitioning to a LATCo to deliver waste and recycling collections, this structure is likely to stay the same with simply the LATCo replacing the waste contractor, as shown in Figure 5-5.



**Figure 5-4: Current Bridgend CBC's Waste & Street Cleansing Management Structure**



**Figure 5-5: LATCo – Bridgend CBC's Waste & Street Cleansing Management Structure**

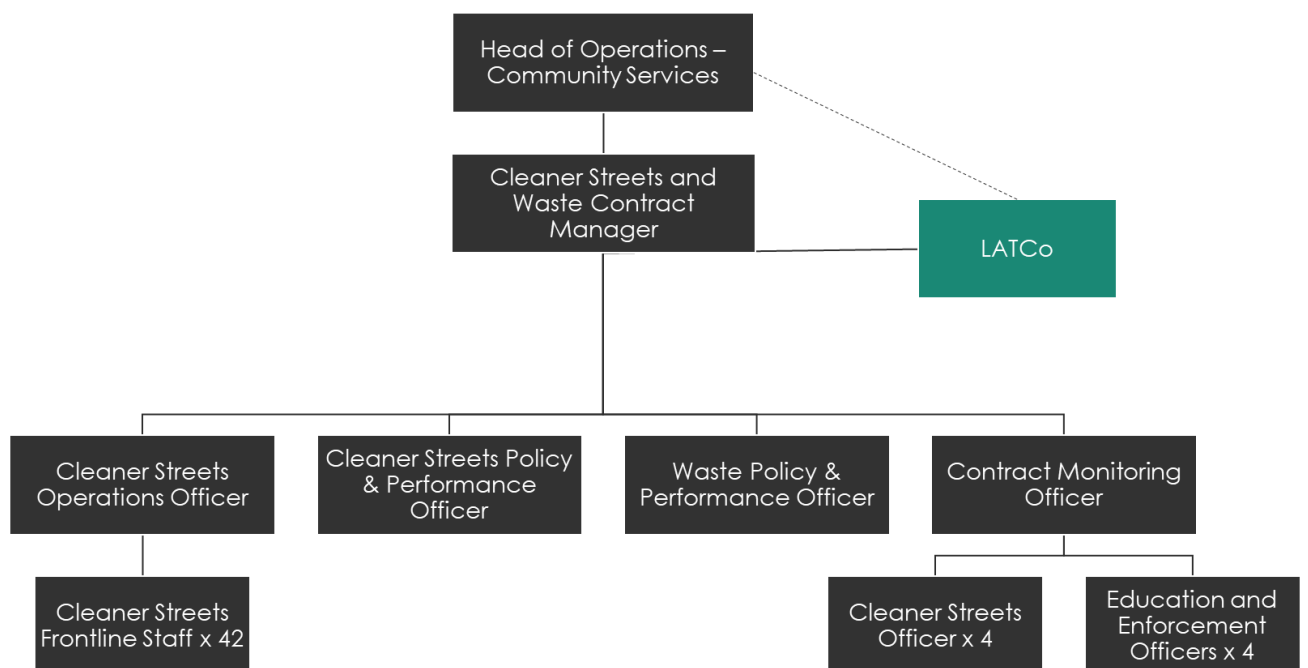
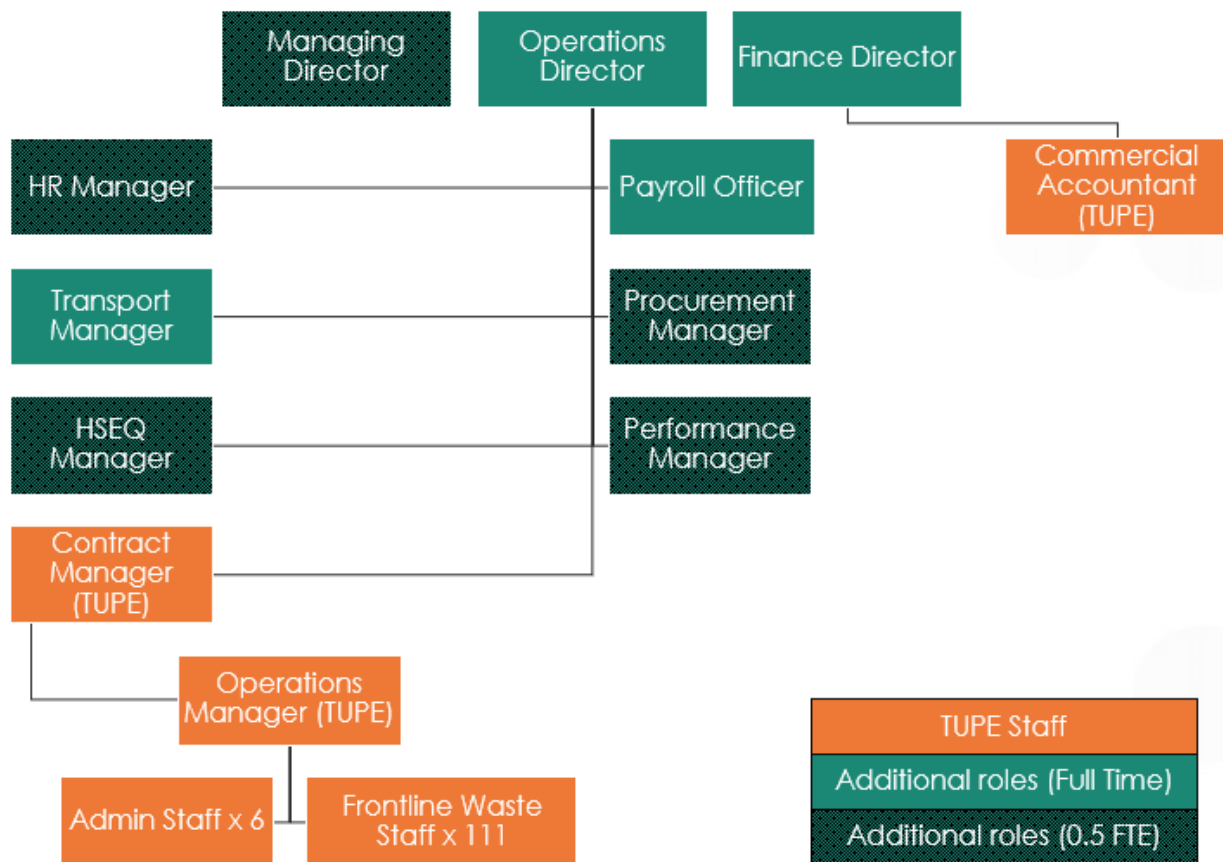


Figure 5-6 lays out our suggested management structure for the LATCo. Roles in orange are roles which would TUPE over from the current waste contract and roles in turquoise (full time) and dark blue (part time) are additional roles which would need to be recruited. The Contract Manager appearing in this figure would be the current Business Manager transferring over from Plan B. There are also opportunities for upskilling current roles, for

example the current waste contract Commercial Accountant could be upskilled to become the LATCo Finance Director, and a Financial Assistant could be hired to then support this role.

**Figure 5-6: LATCo Management Structure**



## 5.3 Services and Roles a LATCo Will Need to Purchase or Recruit

A LATCo will generally use different ways of procuring services:

- Some services or roles may be delivered or employed directly by the LATCo;
- Some services may be purchased via the Council; and
- Some services may be contracted directly from other entities (e.g. another council, LATCo, private company).

Figure 5-7 outlines Eunomia's suggestion for the purchasing of services and recruitment of relevant roles by a future Bridgend CBC LATCo. Services in turquoise are services that are likely to be purchased from the Council, services in orange are services that may be possible to purchase from the Council depending on the Council's preferences and resources, those in yellow are roles which would be recruited directly within the LATCo and services in dark blue are services that are likely to be contracted externally by the LATCo.

**Figure 5-7: Services a LATCo Will Need to Purchase**

<p style="text-align: center;"><b>Support Services and Systems</b></p> <ul style="list-style-type: none"> <li>• IT: Networking</li> <li>• IT: Hardware and user desk support</li> <li>• IT: Works Order system</li> <li>• IT: Financial management system suitable for company</li> <li>• IT: Transport management system</li> <li>• IT: Workshop management system</li> <li>• IT: Fuel Tank System</li> <li>• Insurer and Broker</li> <li>• Health, Safety Environment and Quality Management support and system</li> <li>• Legal support</li> <li>• Company Secretary (could be performed by MD)</li> <li>• Procurement</li> <li>• Facilities management: Pest Control, Cleaning, Maintenance etc.</li> <li>• Auditor</li> <li>• Vehicle Maintenance</li> </ul>	<p style="text-align: center;"><b>People</b></p> <ul style="list-style-type: none"> <li>• Administration (TUPE)</li> <li>• Human Resources</li> <li>• Payroll</li> <li>• H&amp;S Competent Person</li> <li>• CoTC Holder (TUPE)</li> <li>• Transport Manager (TUPE)</li> <li>• HR Management System</li> <li>• Pensions Company and possibly broker</li> <li>• Benefits providers (e.g. health insurance)</li> <li>• Drug and Alcohol testing provider</li> <li>• Training providers (including specialist for Driver CPC)</li> <li>• Driving licence check service</li> </ul> <hr/> <p style="text-align: center;"><b>Finance</b></p> <ul style="list-style-type: none"> <li>• Finance Management</li> <li>• Accountancy</li> <li>• Finance Administration</li> </ul>
<p>Purchased Council Services Possibly Purchased Council Services</p>	<p>Contracted directly by LATCo Recruited within LATCo</p>

We would recommend keeping the current IT system used by the waste contractor (ECHO), as bringing in a new system would represent a significant risk (extensive training time, no super users available to help with the deployment, etc.). It may be possible for the contractor to novate its contract with ECHO to the Council which may save time in terms of data uploads and system set up.

It is generally beneficial for the LATCo to purchase services from the shareholding authority rather than from external entities such as another LATCo, as external entities will add a margin on any services provided. However, Bridgend CBC have advised that due to budget restraints, resources have been cut in many of their internal teams, such as legal, HR, payroll and finance. As such, so those teams have no capacity to take on any additional work. This would lead to the LATCo having to procure services from another entity or to hire additional roles to fulfil those functions. The only services that Bridgend CBC would be able to sell to the LATCo would be facilities management, auditing and possibly vehicle maintenance. In terms of a procurement route for those services, the LATCo can purchase services from the Council through direct award as it represents a buy back from its shareholder.

It is worth noting that both the CoTC holder and transport manager roles are covered within the current waste contract staff list and would TUPE over to the LATCo, thus requiring no recruitment.

Finally, as there are four staff members on the Local Government Pension Scheme (LGPS) within the current waste contract, the LATCo would need to achieve admitted body status.

## 5.4 Combining Multiple Services into a LATCo

Bridgend CBC was interested in understanding possibilities and opportunities of combining multiple services into a LATCo.

The main service Bridgend CBC is interested in combining under the LATCo, along with the waste and recycling services, is their corporate landlord service, which consists of the management, maintenance and surveying of the Council's assets, such as schools. It also includes a project team in charge of building new Council establishments. The Council is

facing recruitment challenges for this service due to the roles requiring highly qualified professionals such as structural engineers, however the Council's salaries are not attractive enough for those positions in order to attract suitable candidates. Transitioning this service into the LATCo would allow the Council to offer more attractive salaries which is likely to help with recruitment, though other barriers such as national shortages would still be an issue.

It is important to note that generally the main advantage of combining multiple services into a single LATCo is the reduction in overheads. This could be partly the case if landlord services are included in the LATCo, as Managing Director and Finance Director roles may be able to absorb this additional service. Additionally, payroll could be shared as well. However, as waste and recycling services and corporate landlord services are not of the same nature, efficiencies are limited in terms of operational roles.

Typically, LATCos start by transferring similar services such as street cleansing or grounds maintenance as it is easier to share management and supervision and, to some extent, pool staff. One challenge to be aware of if Bridgend CBC wanted to bring street cleansing into the LATCo, is that staff will transfer into the LATCo under different T&Cs (i.e., from the Council for street cleansing and from Plan B for waste and recycling collections) which is likely to create disparities in T&Cs across the LATCo for similar positions (for example pay rates and pension schemes).

With the above opportunities and challenges in mind, Eunomia's recommendation, should the Council opt for the LATCo option, would be to transfer the waste and recycling collections service into the LATCo first, to then learn from this transition and the mistakes made, and then extend the LATCo to other services at a later date.

## 5.5 Commercial Services Opportunities

Bridgend CBC wish to explore if the commercial waste customer base, and resulting profit, could be grown in order to cover the costs of a pension scheme which has a similar employer contribution rate to the LGPS. From the modelling undertaken in the previous report, the additional cost of the LGPS under an in-house model was c. £660k per annum (as such if Bridgend CBC opted to implement a LATCo which had an equivalent pension contribution rate, the value would be the same).

According to Plan B, the current contractor, Kier were making around £30,000 a month from the commercial waste service. In April and May 2024, the income was £27,440 and £27,200 respectively. The disposal costs per month are around £15,000 and on top of this, there are then operational costs (such as staff and vehicle costs), which would be likely to leave very little profit from the commercial service. Bridgend CBC would need to significantly increase its customer base in order to cover a higher employer pension contribution rate which matches that of the LGPS in an in-house operating model. It is worth noting that Bridgend CBC are locked into a disposal contract until 2030 (at £189/t) which impacts how much profit Bridgend CBC can make in this time. Following the termination of this disposal contract, Bridgend CBC may have greater flexibility to operate a more lucrative commercial waste service, should they be able to procure a cheaper disposal contract.

Increasing the commercial customer base can be an aspiration for Bridgend CBC, however it is very dependent on the market (which is known to be competitive and dominated by large organisations such as Biffa) and may not be possible. Bridgend CBC may struggle to increase the customer base when they currently have high disposal costs, as such disposal costs then need to be factored into fees and charges for customers, which may reduce how competitive Bridgend CBC can be with the other commercial providers.

Additionally, whilst growing the commercial waste customer base would be beneficial for Bridgend CBC, there would potentially be space concerns at the depot. Eunomia has been made aware that the Tondu depot is close to capacity, and if the commercial customer

base were to increase, the depot may not be able to accept the additional waste and recycling collected. The Council might then have to expand the current depot or find an additional depot, which would have a financial impact on the Council.

As such, Eunomia would not recommend the Council rely on growing their commercial waste customer base in order to bring in more income, and we recommend that the Council assumes there will be very little increase in year 1 and 2 of a LATCo.

Apart from commercial waste collections, there are other commercial services that a Bridgend CBC LATCo could aim at developing to generate additional income:

- HGV driver training;
- Material sales;
- Event waste management, along with event cleansing if street cleansing was also brought into the LATCo;
- Private MOTs (already offered by Bridgend CBC currently); and
- Commercial waste processing at Bridgend CBC transfer station, though space may be challenging.

## 5.6 Mobilisation Timelines

Figure 5-8 provides a high-level summary of the different steps and associated timelines needed to transition the waste and recycling services into a LATCo from the current outsourced arrangement.

In addition to the additional permanent resources mapped in section 6.1, there will also be a need for transitional resources:

- A Managing Director, Finance Director and Operational Director to help set up the LATCo and recruit staff into the LATCo. We would recommend appointing a Managing Director and Finance Director at least 6 months before the start of the new services, and the Operations Director at least 3 months before.
- A Senior Project Manager and a Project Administrator to plan and manage the transition from start to finish (about 1.5 years). These roles may be temporary recruitments or an allocation of existing Bridgend CBC resources depending on the Council's team's capacity;
- Additional HR and legal support for the onboarding of the workforce. We would recommend hiring a HR Manager and HR Advisor for 12 months before the start of the new service, and procuring external legal support that can be drawn in as and when needed; and
- H&S support to develop the relevant management processes ahead of the start of the new services. We would recommend hiring a H&S Manager for 6 months before the start of the new services.

The transitional roles may be filled by the same person as the person who ultimately fills the permanent role needed for the LATCo, for example for the Managing Director and HR Manager. Equally, they could also be filled by different persons, for example it may be that an interim Managing Director is hired to set up the LATCo initially, and a different Managing Director is then hired permanently to manage the LATCo.

Figure 5-8: LATCo Indicative Mobilisation Timelines

Description of Task	Year 2024								Year 2025												Year 2026				
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
<b>Project Management</b>																									
Recruitment/Allocation of Mobilisation Team including Managing Director (interim if needed) + Ongoing Project Management																									
Formal Project Inception																									
<b>Company Set Up and Governance</b>																									
Agree Company Governance Process and Interactions to BCBC Structure																									
Draft Company Documentation - including Shareholder Agreement																									
Set Up Company																									
Undertake Necessary Registrations (HMRC, ICO etc)																									
Develop Company Logo and Brand Identity																									
Set Up Bank Account																									
Develop Company Policies																									
Set up Finance System for Company																									
General Business Process and Reporting Set Up																									
<b>Operations, Depot and CRCs</b>																									
Gather Data and Develop Operational Systems and Processes																									
Licences, consents, permits (3 CRCs and Depot) etc																									
Depot Management Plan and Transition																									
<b>Human Resources &amp; Legal Support</b>																									
Organise TUPE Transfer - HR & Legal Support																									
Payroll and Pensions Set Up																									
Staff Inductions & Training																									
Recruitment of New Management and Delivery Staff																									
<b>Health and Safety</b>																									
Risks Assessments, Safe Systems of Work, COSHH, Depot and CRCs Assessments																									
Set Up Accident and 'Near Miss's Reporting Systems																									
Set Up Health and Safety Management System																									
<b>Procurement</b>																									
Develop Procurement Strategy and Procure Goods and Services (including vehicles)																									
<b>IT/Digital</b>																									
Final Assessment of IT and Digital Software and Systems Needs, Networking Needs and End User Comput Needs																									
Delivery of Digital Strategy																									
<b>Transport Management and Vehicles</b>																									
Assess Transport Management, Vehicle Maitnenance and Insurance Needs																									
Set Up Required Transport Management and Vehicle Processes																									
<b>Finance and Management Systems</b>																									
Set Up New Services on Finance Systems																									
Develop Management Processes to Support New Services																									

End of current Contract

# 6.0 Suggested Approach to Setting up an In-house Service

## 6.1 Management Structure

This section details the changes to Bridgend CBC's cleaner streets and waste management structure should the waste and recycling collections service be brought in-house from the current outsourced arrangements.

Figure 6-1 lays out our suggested approach to the set-up of the management structure for in-house waste and recycling collections services. Roles in black are current in-house Bridgend CBC roles, roles in orange are roles which would TUPE over from the current waste contract and roles in turquoise (full time) and dark blue (part time) are additional roles which would need to be recruited.

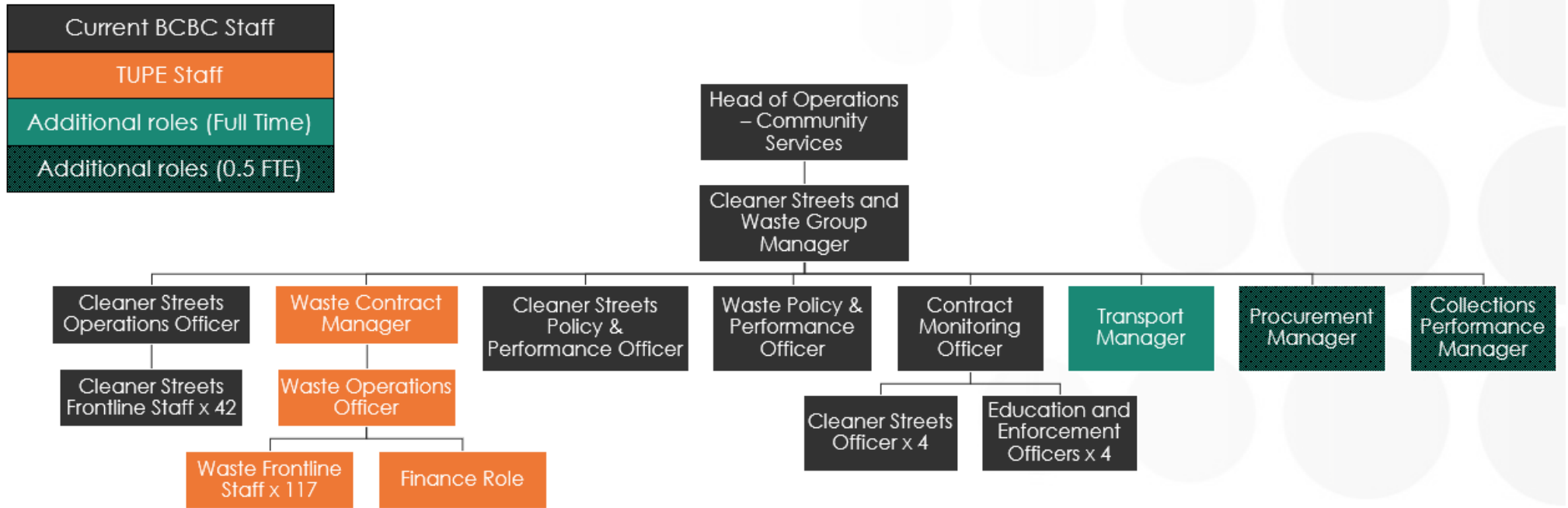
The current Cleaner Streets and Waste Contract Manager would evolve to become the Cleaner Streets and Waste Group Manager. The Waste Contract Manager appearing in the management structure below would be the current Plan B Business Manager transferring over to the in-house operation. In addition to the Transport Manager, Procurement Manager and Collections Performance Manager being added in to the cleaner streets and waste team management structure, additional roles would also need to be recruited within the respective Bridgend CBC teams:

- HR role;
- Payroll role; and
- Health, Safety, Environment and Quality (HSEQ) role.

The Commercial Accountant role included in the current waste contract would need to evolve to be integrated within the in-house structure, and is highlighted as a generic Finance Role within Figure 6-1. Indeed, there will be a need for someone within the waste team to prepare finance reports to feed into the overarching Bridgend CBC financial team. It is important to note that if the current Commercial Accountant role spends more than 50% of their time on duties covered by services that would be transferred to Bridgend CBC, which is likely to be the case, then they would be entitled to TUPE over should Bridgend CBC bring the service in-house. Should the Council determine that they do not need that post anymore then Bridgend CBC could make it redundant, however the Council would not be able to replace them with someone doing a similar role. We would strongly advise the Council to seek legal advice on this matter.

Finally, the Contract Monitoring Officer role would also evolve to be more delivery focused compared to the current role which is focused on monitoring the external contractor.

Figure 6-1: In-house – Bridgend CBC Management Structure





## 6.2 Services the Council May Need to Purchase

Similarly to a LATCo, for an in-house service the Council will generally use different ways of procuring and delivering services:

- Some services may be incorporated into existing Council Services;
- Some services may need to be covered by the recruitment of additional roles within the Council; and
- Some services may be contracted from other entities (e.g. another council, LATCo, company).

Figure 6-2 outlines Eunomia's suggestion for the purchasing of services and recruitment of relevant roles by Bridgend CBC should the waste service be brought in-house. Services in turquoise are services that can be incorporated into existing Council services, services in yellow may need to be covered by additional recruitment and services in orange are likely to be purchased from external entities.

**Figure 6-2: In-house – Services BCBC May Need to Purchase**

<p style="text-align: center;"><b>Support Services and Systems</b></p> <ul style="list-style-type: none"> <li>• IT: Networking</li> <li>• IT: Hardware and user desk support</li> <li>• IT: Works Order system</li> <li>• IT: Transport management system</li> <li>• IT: Workshop management system</li> <li>• IT: Fuel Tank System</li> <li>• Insurer and Broker</li> <li>• Health, Safety Environment and Quality Management support and system</li> <li>• Legal support</li> <li>• Facilities management: Pest Control, Cleaning, Maintenance etc.</li> <li>• Vehicle Maintenance</li> <li>• Auditor</li> <li>• Procurement</li> </ul>	<p style="text-align: center;"><b>People</b></p> <ul style="list-style-type: none"> <li>• HR Management System</li> <li>• Administration (TUPE)</li> <li>• Human Resources</li> <li>• Payroll</li> <li>• H&amp;S Competent Person</li> <li>• CoTC Holder (TUPE)</li> <li>• Transport Manager (TUPE)</li> <li>• Drug and Alcohol testing provider</li> <li>• Training providers (including specialist for Driver CPC)</li> <li>• Driving licence check service</li> </ul> <p style="text-align: center;"><b>Finance</b></p> <ul style="list-style-type: none"> <li>• Finance Management</li> <li>• Accountancy</li> <li>• Finance Administration</li> </ul>
<p style="text-align: center;"> <span style="color: #008080;">Incorporated into existing Council Services</span>  <span style="color: #FF8C00;">May need to be purchased</span>  <span style="color: #FFD700;">May need to be covered by Additional Roles Recruited</span> </p>	

We would recommend keeping the current IT system used by the waste contractor (ECHO), as bringing a new system would represent a significant risk (extensive training time, no super users available to help with the deployment, etc.).

It is worth noting that both the CoTC holder and transport manager roles are covered within the current waste contract staff list and would TUPE over to the Council, thus requiring no recruitment.

## 6.3 Compliance and Legal Responsibilities

There are additional considerations in terms of compliance and legal responsibilities that are important to highlight should Bridgend CBC decide to bring waste and recycling collections in-house.

**Certificate of Technical Competence (CoTC).** Every waste management and recycling facility must have an accredited professional working on site for at least 20% of the time. There are several CoTC holders on the current contract, which suggests that this would not be an issue for Bridgend CBC as this staff would transfer over to the in-house service. However, this is something to have in mind as should the relevant staff decide to leave the Contract the Council would need to replace them immediately.

**Environmental Permit.** The current contractor holds all environmental permits for the three CRCs and the waste depot. Bridgend CBC will need to novate those permits across, which can be a long process and need to be actioned as early as possible in the process of bringing the services in-house.

**O licence.** The Council will need to hold a valid O licence at all times. Indeed, Uttlesford DC recently let their O licence lapse and had to cease waste collections until the licence extension was in place, which shows how big an operational, and reputational, risk this item is. The transport manager will need to hold a Transport Manager Certificate of Professional Competence (CPC). Bridgend CBC already holds an O licence and will need to add the waste transport manager onto it. To do this, the Council must submit an application to the traffic commissioner. For the application to be approved by the traffic commissioner, they will check whether:

- The person is qualified to be a transport manager;
- They will be working enough hours to manage the vehicles in the fleet;
- Their knowledge is up to date; and
- They have any criminal convictions or have been given any penalties for breaking UK or EU laws.

According to the .gov website, it usually takes seven weeks for an application to be approved but can take longer. If the traffic commissioner has questions about the transport manager's eligibility, they will write to Bridgend CBC for further information or clarification.

**Insurance.** The Council will need to secure motor insurance. Bridgend CBC will likely need to upgrade their current insurances to cover larger vehicles coming across from the waste contract.

**Health & Safety.** The Council will become legally responsible for the health and safety of staff. Bridgend CBC will need to ensure risk assessments and safe working practices are in place (Plan B may provide existing ones for review). The Council will need to recruit a HSEQ role with specialist training to cover the additional requirements of the waste and recycling collections services, who will join Bridgend CBC wider H&S team.

**Commercial Services.** An in-house organisation cannot make money officially from a service such as commercial waste collections, but any profit would be classed as surplus instead. The service cannot be run as a loss. Any surplus would instead be rolled back into the service.

## 6.4 Mobilisation Timelines

Figure 6-3 provides a high-level summary of the different steps and associated timelines needed to bring the waste and recycling services in-house.

In addition to the additional permanent resources mapped in section 6.1, there will also be a need for transitional resources, including:

- A Senior Project Manager and a Project Administrator to plan and manage the transition from start to finish (about 1.5 years). These roles may be temporary recruitments or an allocation of existing Bridgend CBC resources depending on the Council's teams capacity;
- Additional HR and legal support for the onboarding of the workforce. Eunomia would recommend hiring a HR Manager and HR Advisor for 12 months before the start of the new service, and procuring external legal support that can be drawn in as and when needed; and
- Additional H&S and Finance support to develop the relevant management processes ahead of the start of the new services. We would recommend hiring a H&S Manager and Finance Manager for 6 months before the start of the new services.

Figure 6-3: In-house Indicative Mobilisation Timelines

Description of Task	Year 2024												Year 2025												Year 2026				
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May					
<b>Project Management</b>																								End of current Contract					
Recruitment/Allocation of Mobilisation Team + Ongoing Project Management																													
Formal Project Inception																													
<b>Operations, Depot and CRCs</b>																													
Gather Data and Develop Operational Systems and Processes																													
Licences, consents, permits (3 CRCs and Depot) etc																													
Depot Management Plan and Transition																													
<b>Human Resources &amp; Legal Support</b>																													
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Payroll and Pensions Set Up																													
Staff Inductions & Training																													
Recruitment of New Management and Delivery Staff																													
<b>Health and Safety</b>																													
Risks Assessments, Safe Systems of Work, COSHH, Depot and CRCs Assessments																													
Set Up Accident and 'Near Miss's Reporting Systems																													
Set Up Health and Safety Management System																													
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Assess Transport Management, Vehicle Maintenance and Insurance Needs																													
Set Up Required Transport Management and Vehicle Processes																													
<b>Finance and Management Systems</b>																													
Set Up New Services on Finance Systems																													
Develop Management Processes to Support New Services																													

# Appendix

# A.1.0 Commissioning Options Report

[A.1.0 Commissioning Options Report](#)

[A.2.0 Commissioning Options Evaluation Model](#)