

<b>Meeting of:</b>	<b>CABINET</b>
<b>Date of Meeting:</b>	<b>19 NOVEMBER 2024</b>
<b>Report Title:</b>	<b>FUTURE WASTE SERVICE OPTIONS</b>
<b>Report Owner / Corporate Director:</b>	<b>CORPORATE DIRECTOR COMMUNITIES</b>
<b>Responsible Officer:</b>	<b>ZAK SHELL HEAD OF OPERATIONS – COMMUNITY SERVICES</b>
<b>Policy Framework and Procedure Rules:</b>	<b>There is no impact on the Policy Framework and Procedure Rules.</b>
<b>Executive Summary:</b>	<p><b>This report and appendix, considers the future provision of waste services, post the current Plan B Management Solutions contract. The report provides an update following the 16<sup>th</sup> April 2024 Cabinet Decision to further explore LATCO and in-house options for waste services, and not to pursue re-procurement as an option. This report provides feedback from the Subject Overview and Scrutiny Committee 3 meeting of 30 September 2024, and also shares the findings of a second commissioned report by Eunomia Research and Consulting Ltd. The report recommends that Cabinet now proceed to make a decision to provide future waste services by either; proceeding to a) Local Authority Trading Company (LATCo) or b) bringing the service In-House.</b></p> <p><b>The report also recommends entering into discussions with Plan B Management Solutions to extend the current contract, as a contingency, to ensure sufficient timescales for the transition.</b></p>

## **1. Purpose of Report**

### **1.1 The purpose of the report is to**

- 1. Share the findings of a second commissioned report from Eunomia Research & Consulting Ltd (Eunomia) on future recycling and waste options from April 2026, following the two-year contract with Plan B Management Solutions (Plan B) which ends on 31<sup>st</sup> March 2026.**

2. Request that Cabinet make a decision on the model for future service delivery, that is to progress with the creation of a wholly owned Local Authority Trading Company (LATCo) to deliver waste and recycling services for the County Borough or to bring the service in-house.
3. Request permission to enter discussions with Plan B to extend the current contract in compliance with Public Procurement Regulations, as a contingency position, to ensure enough time to set up and mobilise a LATCo or bring the service in house to deliver the service from this date.

## **2. Background**

- 2.1 The Council has outsourced its recycling and waste contract to a commercial contractor since 2003. The contract has been usually renewed every 7 years and the Council has had three contractors fulfil that service. The current outsourced waste contract was awarded to Plan B Environmental Solutions in April 2024. This contract will end at the end of March 2026. It was awarded for two years to give the Council the opportunity to explore the use of ULEV waste vehicles, including electric powered and understand more about the future Welsh Government Waste Targets. To date there has not been any announcement from Welsh Government on recycling targets but the Council has just been announced as the highest performing waste recycling service in Wales for 2023/24, with over 73% of our waste now recycled. So, it is likely that any increase in targets would not have a detrimental impact on our service performance. The work on the use of ULEV waste vehicles is continuing and Officers are looking at options that are available for replacing the current vehicles as part of the agreed waste fleet replacement rolling programme.
- 2.2 In order to ensure continuity of service post 2026 when the Plan B contract ends, decisions are required on how the Council will provide the waste service in the future.
- 2.3 Members will recall a Subject Overview and Scrutiny Committee 3 (SOSC 3) meeting of 19th March 2024 where Eunomia presented an initial report on the advantages and disadvantages of three waste service delivery methods:-
  - Bring the waste services in-house
  - Transfer the waste collection into a Local Authority Trading Company (LATCo)
  - Re-procurement of a waste services contract
- 2.4 At that meeting SOSC 3 recommended that the LATCo model be explored further with the Authority looking at how it could be developed and grown over future years, to help provide a part-solution to the long term issue of annual budgetary constraints by generating profit.

- 2.5 Scrutiny members also discussed the findings with regards to the qualitative assessment and the in-house position. The assessment carried out by Eunomia had identified the market conditions to be favorable at the time of writing with a low probability of high risk in both operational and implementation and no difference in quality of service, however there was a financial risk based on the higher pension contributions that would be applicable should the service be brought in house, however there was also an opportunity to control, shape and develop that service. On that basis the Committee recommended that bringing the waste collection service in-house should also be explored in further detail.
- 2.6 The SOC3 Committee recommended that a report be submitted to Cabinet, including a case study of best practice where these types of operations had been proven and were operating successfully, to demonstrate how they could potentially also work for Bridgend County Borough Council.
- 2.7 The Cabinet met on 16th April 2024 and a report was presented to share the findings of the Eunomia report and SOSC3 recommendations on the preferred option for delivering the future waste services post 2026. From the detailed qualitative and financial analysis, it was recommended by Eunomia, that the Council considers either the re-procurement or LATCo options going forward, with the re-procurement option appearing to be the most favorable should the timeline for a future procurement be feasible and practicable. Cabinet did not resolve to accept the re-procurement option and instead agreed that further work be undertaken on the LATCo and in-House models as had been recommended by SOSC3.
- 2.8 In response to the request, officers commissioned Eunomia to provide a second report with additional information as requested by the SOSC 3 and Cabinet and this is attached as **Appendix A**.
- 2.9 Officers attended SOSC3 on 30<sup>th</sup> September to share the findings of the second Eunomia Report with the Committee.
- 2.10 SOSC3 concluded that:

Following consideration of the report on the options for delivering Waste Service post 2026 Members felt that the Council was in a different financial position than when they made previous decisions and more investigation was still needed to provide further information on the LATCo and in-house options, in particular more detail on the following including the impact and associated risks:

- Staff recruitment;
- Profit and loss to be expected;
- Pay scales – protection of employees;
- Commercial Waste and the Competitive market;
- The IT system and the advantages and disadvantages of one system in place;
- The control, challenge and flexibility of the options.

Members expressed that more time was required to explore with local authorities closer to home that had followed one of these options, whether successfully or unsuccessfully, particularly the LATCo option, as either option would be a big change for the Authority and a fully informed decision would be required.

2.11 SOSC3 also recommended:

“that there be a year’s extension to the current contract with Plan B, to allow more time for work to be done to really understand the LATCo and In-House options, the extent of risk and the full impact on resources”

**3. Current situation/ proposal**

- 3.1 Eunomia was commissioned by the Council to undertake a further detailed assessment of the remaining two options of LATCo and in-house commissioning options for future waste collection service delivery. The second report, included as **Appendix A**, examines for the LATCo option the governance, structure and democratic processes along with experiences from where these have been implemented elsewhere. The report also explores the implications and structural arrangements that will be needed for an in-house service.
- 3.2 Members, having previously had sight of the report and a detailed presentation from Eunomia, and will be familiar with the content of the report.
- 3.3 Officers note the feedback from SOSC3, and recommendations made. However it is felt that all necessary information has been provided to make a meaningful decision on the options discussed in the previous and latest Eunomia reports and in subsequent meetings. Any additional information would be increasingly speculative in nature. The second Eunomia commission has now ended and the necessary timelines to move this situation on to ensure a waste service is in place for April 2026 mean that any further delay in making a decision, regarding the future service delivery, would represent a critical risk to the authority. It is imperative that a decision is now made on the way forward for the waste service.
- 3.4 Officers also note the feedback from SOSC3 regarding a year’s extension of the existing contract with Plan B. For clarity however, there is no contractual obligation within the current arrangement to enter into an extension although this could be agreed between the Parties. Given there is no guarantee of an extension being agreed
- 3.5 We are now at least six months behind the original timeline to ensure a service is established by April 2026. Therefore, the risks associated with a further deferred decision as suggested at SOSC3, would unfortunately outweigh the risks associated with choosing either option and to do so would potentially leave the authority with no waste service arrangements in place from April 2026
- 3.6 Taking account of all the information above, the options for consideration at this stage are as follows:

- Option A – proceed to establish a LATCo

Or

- Option B – Bring the service in house.

3.7 The Cabinet have had an opportunity to discuss these two options and their detailed merits, risks and costs with Eunomia and Officers. All of this information is included for information in Appendix A to this report.

3.8 Due to the tight timescales to implement and mobilise either option, officers strongly recommend negotiating an extension to the Plan B Management Solutions contract as a contingency, in parallel with moving to the new model. This could be used to provide continuity of service if required and would allow time to ensure a smooth delivery of change.

#### **4. Equality implications (including Socio-economic Duty and Welsh Language)**

4.1 The protected characteristics identified within the Equality Act, Socio-economic duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services, and functions. It is considered that there will be no significant or unacceptable equality impacts because of this report.

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

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

#### **6. Climate Change Implications**

6.1 There are no Climate Change Implications from this report.

#### **7. Safeguarding and Corporate Parent Implications**

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

#### **8. Financial Implications**

8.1 **Appendix A**, explores financial advantages and disadvantages of the various methods of waste service provision. The indicative annual and mobilisation costs for each option are detailed in the Eunomia report and a summary of this is shown in Table 1 below.

	Re-procurement	In-house	LATCo
Total Annual Costs	£9.03m	£9.37m	£9.02m
Mobilisation Costs	£0.53m	£0.77m	£0.97m
Total Costs over 14 years	£127.47m	£132.00m	£127.20m
Qualitative Risk Assessment	66.0%	58.0%	56.0%

*Table 1: Modelled Costs for Each Option (Re-procurement greyed out as no longer in consideration)*

- 8.2 The Cabinet, at its meeting on the 16<sup>th</sup> April 2024, did not accept the option of a reprocurement of a new waste service. therefore the financial information in this report does not cover that option.
- 8.3 The figures in table 1 above (from Eunomia Report) are modelled using a sickness figure of 6% across all options. However, based on the Council's current sickness levels across the Local authority, 11% is more reflective of current In-house figures. It should be noted that using this figure for the in-house option would result in increased total annual costs of £9.62m and total cost over 14 years of £135.38m for the in-house option only. This then makes the in-house option some £8.18m more expensive than the LATCo model based over a 14-year operating period and also because of the cost of the Local Government Pension Scheme (LGPS). The same LGPS figure could be applied to the LATCo model should the Cabinet wish to offer that to all employees under this option. Again, the assumptions on cost can only be based on sensible modelling but both the in-house and LATCo options significantly increase the risks of increased sickness levels and any industrial relations issues directly to the Council, whereas they currently lie in an outsourced model with the contractor. Full financial information is included in the report at Appendix A.
- 8.4 The Council's challenging financial position means that overall affordability of each option should be a crucial factor in determining the preferred option and way forward. An earmarked reserve of circa £300k currently exists to provide legal and technical support to re procure the waste contract. Any additional one-off funding to bring the service in-house or to form a LATCo would need to be identified, on a one-off basis at a time when there is significant pressure on all Council funding. This one-off funding ranges from approx 750K to bring the service inhouse to just over £1m to establish a LATCo. Furthermore, any additional annual costs to provide the waste contract would need to be the subject of a budget growth bid for the 2026-27 financial year onwards.

- 8.5 The 2024-25 budget for the recycling and waste services contract is £8.130 million. Excluding any indexation increases, the total budget available over 14 years would be £113.820 million. It should also be noted that the Cabinet agreed in April, to move to purchasing fleet on a rolling programme. This will be over a 7-year cycle and will now be included in the Capital Programme for approval by Council.
- 8.6 Of particular note is the most recent annual waste finance all Wales summary provided by the Welsh Local Government Association (WLGA) for 2022/23 has identified that Bridgend County Council is the most cost-effective local authority collection in Wales of all 22 local authorities. Bridgend County Borough Council has also just been announced as the highest performing waste recycling service in Wales for 2023/24 with over 73% of our waste now recycled.

## **9. Recommendation**

It is recommended that Cabinet:

1. Note the contents of this report and Appendix A which includes a more detailed analysis of how the LATCo and in house models could operate.
2. Approve that the future waste service is delivered via either:
  - Option A - wholly Bridgend County Borough Council owned LATCo model

**Or**

  - Option B - in house service delivery
3. Delegate authority to Corporate Director – Communities, in consultation with the Chief Officer - Legal & Regulatory Services, HR & Corporate Policy and the Chief Officer, Finance, Housing & Change, to commence work immediately to enter into discussions with Plan B to extend the current contract in compliance with Public Procurement Regulations to allow enough time as a contingency, should it be required, for smooth implementation and mobilisation of the future service model.

## **Background documents**

None