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Dear Sir/Madam

EXECUTIVE - TUESDAY, 20TH JULY, 2021

Please find enclosed a report to be included for consideration at the meeting of Executive on Tuesday, 20th July, 2021 .

11 **Delivery of Waste and Recycling Collection Services (Pages 3 - 12)**

To consider report no.CE7/21 from the Deputy Chief Executive (marked to follow).

[Note: this report will be sent 'to follow' because the Overview and Scrutiny Committee's recommendations will not be available until after the meeting of that Committee which is due to be held on Thursday 15 July 2021]

Yours sincerely



J Gooding
Interim Chief Executive

Encs

Distribution

1. Reports to all Members of the Executive for attendance.
2. Reports to Departmental Heads for information.
3. Reports to all remaining Councillors for information.

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Eden District Council

Executive
20 July 2021

Options for the Delivery of Waste, Recycling and other Front Line Services

Portfolio:	Services
Report from:	Deputy Chief Executive
Wards:	All Wards
Open Public Item Appendix 3 - Not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	

1 Purpose

- 1.1 To consider the recommendation of Overview and Scrutiny Committee in respect of options for the delivery of waste, recycling and other front line services.

2 Recommendations

- 2.1 It is recommended that Executive endorse the Overview and Scrutiny Committee recommendation, and recommend to Full Council, that the current contracts, with Urbaser Ltd and Cumbria Waste Recycling Ltd, for the delivery of waste, recycling and other front line services, be extended for a period of 5 years from April 2022, as provided for in the terms of the existing contracts.

3 Background

- 3.1 During 2019/20 a Task and Finish Scrutiny Group on Waste and Recycling was established to consider and make recommendations on:
- the options for how waste, recycling and other front line services could be delivered; and
 - the configuration of waste and recycling collections.
- 3.2 The first issue regarding how services are delivered was prompted by the existing contractual arrangements being set to end in March 2022 if not extended. The second issue was prompted by the Government consulting on a new national Resources and Waste Strategy focused on standardising collection systems. The Task and Finish Group were supported by consultants Ricardo Energy and Environment in gathering the evidence.
- 3.3 On 4 June 2020 the Overview and Scrutiny Committee considered a report from the Chair of Task and Finish group on their finding on these two issues. In respect of service delivery options the report set out that the Task and Finish Group had examined in detail three main alternatives:
- Bring Waste and Recycling in-house through establishing a Direct Service Organisation (DSO);
 - Re-procure private sector provider;

- Establish a Local Authority Trading Company (LATCo) with a sub-option of delivering this in partnership with an existing LATCo established by Norfolk County Council called Norse Ltd.

The Task and Finish Group identified working with Norse to establish a LATCo as their preferred option.

- 3.4 Around that time however, two factors emerged influencing taking this recommendation forward. Firstly the Council was fully focussed on responding to the COVID pandemic resulting in no available capacity to carry out the necessary development work. Secondly discussions had already begun with Government ministers on possible Local Government Reorganisation (LGR), further diluting capacity as well as changing the dynamic on some of the factors that the Task and Finish Group considered when identifying their preferred approach. For example the cost of establishing a LATCo had been identified as being in the region of £150,000, a sound investment in the longer term, but perhaps not if the LATCo would have limited longevity post LGR.
- 3.5 Therefore Ricardo were recommissioned to re-evaluate how the changed circumstances have impacted upon the options previously considered. The Council current contractual arrangements, with Urbaser Ltd and Cumbria Waste Recycling Ltd, for these services have the potential to be extended for a further five years from April 2022 and this additional option was added to the evaluation. The Task and Finish Group was re-established in June 2021 to consider the outcomes.

4 Findings of the Task and Finish Group

- 4.1 The Task and Finish Group met on 8 July 2021 to consider the evaluation that Ricardo carried out. The notes of the meeting are attached at Appendix 1. The information provided examined the costs, quality, deliverability and capacity aspects of each of the options. This is summarised visually in Appendix 2 and shows that extending the existing contractual arrangements balances these aspects best.
- 4.2 Extending existing contracts was also identified as having the lowest cost. This information is provided in Appendix 3 and summarised below.

Rank by lowest cost	Option	% difference in Cost
1	Extend Current Contracts	
2	LATCo	+4.7%
3	Re-procure private sector provider	+10.7%
4	In-house DSO	+13.0%

- 4.3 Having considered the information presented, the Task and Finish Group identified extending existing contracts as their preferred option, and made this recommendation to Overview and Scrutiny Committee on 15 July 2021. Overview and Scrutiny Committee resolved to endorse this recommendation and make the same recommendation to Executive, requesting that the extension of contracts take account of possible service delivery improvements and maximum possible benefit in terms of reducing carbon footprint to contribute to the Sustainable priority in the Corporate Plan

5 Policy Framework

- 5.1 The Council has four corporate priorities which are:
- Sustainable;
 - Healthy, Safe and Secure;

- Connected; and
- Creative

5.2 This report relates Sustainable and Healthy, safe and secure corporate priorities.

6. Consultation

6.1 Overview and Scrutiny Committee as advised by the Task and Finish Group is the appropriate internal consultation body.

7 Implications

7.1 Financial and Resources

7.1.1 The terms of the existing contract ensures that the extension of the contracts would be on the same financial basis as the current arrangements. However an impact on resources regarding the final decision on the configuration is anticipated and will be accommodated in future budgets.

7.1.2 The options for service configuration will be considered by the Task and Finish Group and Overview and Scrutiny Committee later this year before a recommendation to Executive is made.

7.2 Legal

7.2.1 If the recommendation is approved the Services would be extended as per the terms set out in the Contracts. The current terms of the existing Contracts would continue to apply.

7.3 Human Resources

7.3.1 There are no Human Resource implications anticipated.

7.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	None arising from this report.
Health, Social Environmental and Economic Impact	To be considered under a future report to Full Council.
Crime and Disorder	None arising from this report.
Children and Safeguarding	None arising from this report.

7.5 Risk Management

Risk	Consequence	Controls Required
The current contracts expire in March 2022.	The ability to delivery key front line services may be put at risk if delivery arrangements are not in place by March 2022.	Extending the existing contracts has been identified as the most appropriate control. The final decision rests with Full Council. Notices to extend the contracts to have to be given before 1 October 2021.

8 Other Options Considered

8.1 The other options considered are set out in paragraphs 3.3 to 3.5 of this report.

9 Reasons for the Decision/Recommendation

9.1 Extending the current contracts has been identified as the most appropriate option. This decision rests with Full Council.

Background Papers: Report No: G11/20 - Waste and Recycling Contract Review, Overview and Scrutiny Committee, 4 June 2020

Appendices: Appendix 1 - Notes of the Waste and Recycling Task and Finish Group Meeting 8 July 2021

Appendix 2 - Service Delivery Options Appraisal

Appendix 3 - Modelled Costs - Combined Waste, Recycling & Street Cleansing Contracts

Contact Officer: Les Clark, Deputy Chief Executive

Appendix 1

Waste and Recycling Task and Finish Group

Notes of a meeting held on 8 July 2021 at 4.00 pm via MS Teams

Present:

Councillors: M Eyles (T&F Group Chair), P Baker, J Raine, D Ryland, A Ross, D Wicks

Officers: L Clark (Deputy Chief Executive), H Donaldson (Democratic Services Officer)

External Officers: J Woodruff (Ricardo Energy and Environment)

Item

1. Service Delivery Options for Waste Services

John Woodruff of Ricardo Energy and Environment presented his report to the Group. The report is attached to these notes for information, and it provides an update to Ricardo's initial consultation work carried out in 2019, on an analysis and cost comparison in respect of the various service delivery options for waste services in Eden District. The update had become necessary in the light of the possible effect of local government reorganisation, which would require the Council to re-consider its waste management contract options in the event of it forming a unitary authority with neighbouring authorities in the near future.

2. Task Group Questions

Following the presentation, the Deputy Chief Executive and Mr Woodruff provided the following answers to the Group's questions:

Continuous service without disruption had been maintained on the waste collection services. There had been some minor delays in relation to grounds maintenance services due to disruption caused by Covid, but overall, both elements of the contract had performed to expectations.

Neighbouring local authorities had a variety of waste management contractual arrangements including retention of in-house services (Carlisle City) and a recent LATC set-up followed by an ongoing review (Allerdale).

'Open book' accounting would be applicable to variations to the current contract wherever mutual agreement could be reached between client and contractor. An example cited was the possibility of extending garden waste collections to more of the outlying villages.

A number of local authorities had commenced food waste collection ahead of government legislation, and a question had been raised about whether they would receive a cost rebate from central government for doing so. DEFRA's estimated costs for food waste collection

applied from 2023-24 onwards which would appear to indicate that government 'burden funding' would be triggered with the event of a legislative requirement and not sooner. In the future, funding would also be available for packaging collection, but as yet it was not known what methodology the packaging industry would adopt, and what the legislation would require regarding the separation of materials. This would make early local government investment in the initiative difficult, and it could be a further two years before a definitive strategy emerged.

Refuse collection vehicle lifespans were due to expire for both of the Council's waste contractors and both would need to invest in new fleet vehicles. This would form a key element of capital expenditure. Much of the fleet would be made to order to cover specific elements of the service delivery, and the process would take up to nine months. An early indication of the Council's chosen option for future service delivery was therefore paramount in order to further effective procurement.

In addition, contractors would be required to take account of the 'sustainable' strategic priority in the Council's Corporate Plan, and in view of this, a variety of fleet options would be considered including electric refuse collection vehicles, and vehicles running on biofuel made from food waste.

3. Informal Discussion and Recommendation to the Overview and Scrutiny Committee

The Group raised the following points in discussion:

The updated options appraisal carried out by Ricardo indicated that the key drivers in existence when the Waste and Recycling Task Group carried out its initial work in 2019-20, were no longer present due to the forthcoming event of local government reorganisation, and the effects of Covid.

Whereas previously the creation of a LATC might have been preferable, the estimated set-up cost in the region of £100,000 would not be the most cost-effective solution in the shorter-term and could no longer be justified. In addition, there was potential for a shortage of drivers and other staff, which could add further challenges to this option.

The service delivery route options appraisal and associated analysis indicated that the contract extension option presented the best case in terms of the costs, risks and benefits it afforded. This option carried the additional merit of an already-established relationship with the contractors and was likely to present the best value for Eden District residents.

It was important to press for the maximum possible benefit in terms of sustainability and carbon footprint reduction.

One Group Member expressed concerns about possible future pricing issues and whether re-tendering might lead to greater costs savings, and for this reason, felt unable to express a final opinion on the best option.

RECOMMENDATION the Overview and Scrutiny Committee:

That the option of extending the existing contracts for waste services is the preferred option for the reasons given during the Group discussion above. In addition, the Group requests that the extension of contracts takes account of any service delivery improvements possible within the 'open book' accounting arrangement, and presses for the maximum possible

benefit in terms of sustainability and carbon footprint reduction in order to satisfy the Corporate Plan's 'sustainable' strategic priority .

Appendix 2 - Service Delivery Options Appraisal

	In-House DSO	Teckal LATC	Outsourcing	Extending
Costs –The service needs to provide value for money				
Procurement Competition	Red	Red	Green	Red
Staff Equality	Green	Green	Yellow	Green
Capital	Yellow	Yellow	Green	Green
Management	Red	Red	Green	Green
Gross Operating Cost	Yellow	Yellow	Yellow	Green
Procurement Cost	Red	Red	Red	Green
Quality- The service needs to perform its function efficiently				
Performance	Green	Green	Yellow	Yellow
Experience	Yellow	Yellow	Green	Green
Service Integration	Green	Yellow	Yellow	Yellow
Flexibility	Green	Green	Yellow	Green
Contingency	Yellow	Yellow	Green	Green
Deliverability Risk- The service needs to limit risk to the Council				
Flexibility	Green	Green	Yellow	Green
Mobilisation	Red	Red	Green	Green
Capacity- The service will require operational experience and staff with skills necessary to prepare, manage and deliver the service				
Staff Development	Green	Green	Yellow	Yellow
Skills	Red	Red	Green	Green
Experience	Red	Red	Green	Green
Management	Red	Red	Green	Green
ICT	Yellow	Yellow	Green	Green
Infrastructure	Red	Red	Yellow	Yellow
Timescales	Orange	Orange	Orange	Green

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