

**TITLE: Waste and Street Cleansing Service Delivery Model**

Committee: Operational Services

Date: 23 September 2024

Author: Director Operations

Report number: Z59

Contact officer: Isabel Edgar Director Operations

[Isabel.edgar@eastcambs.gov.uk](mailto:Isabel.edgar@eastcambs.gov.uk), 01353 616301, The Grange, Ely

**1.0 Issue**

- 1.1. To consider the outcomes of the waste service review Working Party (WP) to inform the decision on the future delivery method for provision of waste collection and street cleansing services.

**2.0 Recommendations**

- 2.1. Members are requested to recommend to Full Council:
- i. Approve the decision to proceed with using East Cambs Street Scene Ltd (ECSS) as set out in section 4.7-4.8.
  - ii. Authorise the Director Operations to develop the service specification and, in consultation with Director Legal, prepare a new contracting arrangement to commence from 1 April 2026.

**3.0 Background/Options**

- 3.1 The management of household waste and street cleansing is one of the key functions of a District Council. It is a function that is important to every resident of the district and in that context, it is imperative that the Council delivers a service that is high performing, cost effective, contributes to the climate change agenda; whilst being sufficiently flexible to meet changing demands as the district grows and evolves. As an area that continues to see considerable sustained growth, the ability of services to adapt is even more important if the Council is to manage future cost pressures.
- 3.2 Over the last 6 years East Cambridgeshire residents have achieved their highest overall levels of recycling (58%) and lowest levels of residual waste. The Council has maintained its position as one of the top 25 authorities for recycling in England.
- 3.3 The Council entered into a Memorandum of Agreement (MoA) with its wholly owned company ECSS on 1 April 2018 for a period of 7 years.
- 3.4 ECSS empty around 360,000 bins and bags every month. Outside of periods of service interruption such as inclement weather, less than 0.05% of these collections result in a resident contacting the council because their bin was not emptied. In

2023/24, ECSS experienced significant challenges resulting from the pandemic, recruitment and retention and a complete round reconfiguration. The Council invested in the ECSS improvement plan: Project Street Smart, which has stabilised the service and resulted in significantly improved performance. The Street Cleansing service is continuing to improve also, although will occasionally see some reduction in performance, particularly around immediate response activities such as graffiti and fly-tipping removal.

- 3.5 The Government have introduced new waste legislation that takes effect from April 2026. To ensure there was no break in service between the MoA end date and the implementation of the new waste collection services in April 2026, the MoA was extended by Council in July 2024 for a further year. The MoA is now due to expire on 31 March 2026.
- 3.6 A Member Working Party (WP) was set up in November 2023 to shape the requirements for a new waste and recycling collection service and street cleansing service. As part of these proposals, the Council is required to agree the delivery model for the service from April 2026 (e.g. inhouse/contracted out/via ECSS).

#### **4.0 Arguments/Conclusions**

- 4.1 The WP reviewed the priorities for the next period and considered which delivery model can best achieve these and offer best value. The WP considered:
- i. The effectiveness of the current service delivery model and what other models could be considered.
  - ii. Waste management best practice.
  - iii. Future industry developments.
  - iv. How services could be packaged to achieve the optimum service performance for the council.
  - v. Priorities for residents and feedback from elected Members.
  - vi. Identifying opportunities for savings and efficiencies.
- 4.2 The Waste Consultants working on the modelling for the collections service, provided an overview of the pros and cons for different service delivery options to help inform the WP review. See appendix 1: Alternative Service Delivery Models.
- 4.3 The options reviewed were:
- 2.1. Outsource the service - Undertaking a full compliant procurement process to contract out the service to a commercial operator.
  - i. In-house the service – Set up a new Council department to provide the service.
  - ii. Continue the current arrangement albeit with changes to the service specification.
- 4.4 All the options assessed are ultimately achievable methods of delivering the service and subject to resources required. However, the time available, current economic circumstances and organisational capacity all have a bearing on the deliverability of the options considered for a service commencement date of April 2026.

4.5 The option to outsource was discounted for a number of reasons, including:

- i. There is no guarantee that a procurement process would result in a more efficient or cost-effective service being offered by another provider. It was noted that there had been concerns that the previous contractor was willing to incur fines for poor performance rather than invest in improving the service.
- ii. The current market conditions are not as competitive due to the consolidation within the provider market.  
2.2. Potential bidders are likely to be more risk averse as the reasons behind the consolidation within the market and reduction in number of potential bidders has been at least partly due to the unprofitable nature of several Local Authority contracts which were previously let.
- iii. General inflation levels, which are currently much higher would also be reflected in any bids.
- iv. The cost of undertaking a procurement process could be around £100k for specialist advice and contract preparation.
- v. The timing of the procurement process would likely impact on the ability of the Council to implement the new collection service by 1 April 2026.

4.6 The option to in-house was a more favourable option, however, it was discounted primarily due to potential risks in relation to the workforce, with harmonisation of terms and conditions and the likely increase in costs due to pension strain. As well as risk of changing the delivery model at the same time as implementation of a new service.

4.7 The option to continue the current arrangements with ECSS has been assessed as the best option available at this time. The reasons for this include:

- i. It represents the best value for money and provides certainties over costs.
- ii. There are no additional implementation costs or disruption to service provision because of changing the delivery model.

4.8 Based on the analysis of a wide range of issues, including cost, inflationary pressures, organisational capacity, reputational risk and the time available, the WP unanimously agreed that the recommendation to Council should be to continue with ECSS to deliver the service under a new service specification and contract arrangement.

## 5.0 Additional Implications Assessment

<b>Financial Implications NO</b>	<b>Legal Implications YES</b>	<b>Human Resources (HR) Implications NO</b>
<b>Equality Impact Assessment (EIA)</b>	<b>Carbon Impact Assessment (CIA) NO</b>	<b>Data Protection Impact Assessment (DPIA) NO</b>

<b>NO</b>		
-----------	--	--

**Legal implications**

5.1 A new service specification and contracting arrangement will need to be prepared to enter an arrangement for ECSS to collect Waste and Recycling and undertake Street Cleansing services for the next 7 years. The final specification and contract will need to be approved by Council in 2025.

**6.0 Appendices**

Appendix 1 – Alternative Service Delivery Model

**7.0 Background documents**

Notes of the Member Working Party November 2023 to July 2024

# Service Delivery Models

## 1. Market Changes

Recent years have seen some consolidation within the environmental services market, with the effect of reducing the number of active bidders. In addition, private sector service providers have become generally much more risk adverse and far more selective about which opportunities they pursue.

We have also seen a trend of local authorities to bring services back in-house. This is often delivered through a local authority trading company (LATCo), where the shareholder is the awarding council. The key drivers for this approach appear to be:

- A LATCo has more flexibility on employment terms and conditions than a local authority, particularly in terms of pension provision.
- A Council can award a contract to its LATCo without undertaking an expensive procurement process, providing it meets certain criteria (often referred to as TECKAL).
- A LATCo has the opportunity to offer services more commercially, potentially generating additional profits for its shareholder which can then be used to help fund essential services.

## 2. Long List Options

There are a range of service delivery options that can be used to deliver services, and these are illustrated in Figure 1. Ultimately the approach taken is heavily influenced by the level of risk and reward a Council wishes to take and receive and the degree of influence and control a Council wishes to maintain over the services.



Figure 1: Alternative service delivery model options for delivering services.

**Table 1: Pros and Cons of alternative service delivery models**

Service Delivery Model	Description	Pros	Cons
<b>Service Contract</b>	Procure a supplier to deliver a service contract for one or more service – this can be output (performance based), input (frequency based) or a hybrid of the two	<ul style="list-style-type: none"> <li>• Large industry players offer support of multi-million-pound parent company.</li> <li>• Able to draw on internal operational best practice.</li> <li>• Depth / breadth of recent, real-world experience</li> <li>• Pool of expertise, readily available</li> <li>• Can (but not always) appear more affordable <u>depending on the starting point.</u></li> </ul>	<ul style="list-style-type: none"> <li>• May not be flexible enough to deliver the level of change a council needs in a rapidly changing world.</li> <li>• Need to get risk / reward balance right – e.g. onerous performance framework can lead to a confrontational relationship</li> </ul>
<b>Partnership</b>	Partnership between Council and private service provider.  Typically, the partnership would deliver a range of services under a single arrangement	<ul style="list-style-type: none"> <li>• Greater flexibility than traditional contractual arrangements</li> <li>• Shared risk and reward</li> <li>• Clear governance structure and responsibilities will need to be established.</li> <li>• Joint working / self-monitoring allows for thin client.</li> <li>• Management / industry expertise provided by private sector partner.</li> <li>• Council retains ownership of services and set strategic direction.</li> <li>• Less rigid than traditional style contract giving greater opportunity to deliver change.</li> <li>• Better utilises the range of available experience and expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Need to get risk / reward balance and scope right – delivers for the client, drives right behaviours from contractor.</li> <li>• Need to stay realistic or can become a 'wish-list' of undeliverable aspirations.</li> <li>• Prioritisation across the range of services</li> <li>• Limited number of service providers that can offer the whole range of services required</li> </ul>
<b>Strategic Partnership</b>	Partnership between Council and other public bodies to jointly develop and manage	<ul style="list-style-type: none"> <li>• Potential for economy of scale efficiencies</li> <li>• Greater scale makes it more attractive to</li> </ul>	<ul style="list-style-type: none"> <li>• Services might not be compatible to deliver desired savings.</li> </ul>

Service Delivery Model	Description	Pros	Cons
	services (typically for neighbouring local authorities).	<ul style="list-style-type: none"> <li>established industry players.</li> <li>Management / industry expertise provided by private sector partner.</li> <li>Clear governance structure and responsibilities will need to be established.</li> <li>Opportunity for thin client savings</li> </ul>	<ul style="list-style-type: none"> <li>Requires alignment of partners (can be easier said than done) – agreed goals, priorities – at both officer and member level.</li> <li>Need to retain autonomy can restrict cross boundary benefits.</li> <li>Who / what takes priority?</li> </ul>
<b>JV Company</b>	Joint venture between the Council and a private company to jointly develop and manage the business	<ul style="list-style-type: none"> <li>Fair balance of risk and reward</li> </ul>	<ul style="list-style-type: none"> <li>Legal complexity</li> <li>Very few examples of this model</li> </ul>
<b>Wholly Owned Company – service</b>	Council owned company which is primarily concerned with delivering services back to the council but does not trade significantly with external organisations	<ul style="list-style-type: none"> <li>Provides a greater level of control for the council.</li> <li>Profits reinvested back into the wider council services</li> <li>Opportunity to engage additional / appropriate industry experience</li> </ul>	<ul style="list-style-type: none"> <li>Added complexity can become a distraction.</li> <li>Financial risk of under performance</li> <li>Lack of in-house experience for this model requires some level of external recruitment.</li> </ul>
<b>Wholly Owned Company – commercial</b>	Council establishes a company to trade in a wider commercial market with a view to generating a profit (rather than just on a broad cost recovery basis)	<ul style="list-style-type: none"> <li>Can provide council with additional revenue routes.</li> <li>Profits available to support council budgets</li> <li>Opportunity to engage additional / appropriate industry experience</li> </ul>	<ul style="list-style-type: none"> <li>Increased commercial risk of operating in an unfamiliar environment.</li> <li>Financial risk of under performance</li> <li>Loss of focus on core activities</li> <li>Lack of in-house experience for this model requires some level of external recruitment.</li> </ul>
<b>DSO</b>	'In-house' services delivered directly by a Council's own team.	<ul style="list-style-type: none"> <li>Provides high level of control for council</li> </ul>	<ul style="list-style-type: none"> <li>DSO's can be insular &amp; often lacking in broad operational experience of running services day to day</li> <li>Miss out on industry development / innovation</li> </ul>

Service Delivery Model	Description	Pros	Cons
			<ul style="list-style-type: none"> <li>Level of intervention and council control is often a barrier to efficient service delivery which results in higher costs.</li> </ul>

### 3. Cost Comparison

Table 2 below illustrates the likely key differences to the cost profile for the three most common (currently) service delivery options.

**Table 2:** Key drivers for cost differentials for alternative service delivery models

	Outsourced – private sector contract	Insourced – LATCO	Insourced – DSO
<b>Third party income</b>	Yes – retained by contractor	Yes – profits reinvested in services	Limited
<b>Wage rates</b>	TUPE / Market rates	TUPE / Market rates but may get pressure for unions to harmonise	Harmonisation
<b>Pension</b>	Broadly comparable with legacy LGPS only	Broadly comparable with legacy LGPS only, but may get pressure from unions for LGPS	LGPS
<b>Overheads</b>	Corporate infrastructure for support services (IT, HR, QHSE, fleet etc)	Company board would need to be established, plus support functions (outsource or via Council)	Support functions via Council
<b>Procurement costs</b>	Yes – including technical and legal support	No	No
<b>Profit</b>	Retained by contractor	Returned to shareholder (Council)	Offset against service costs



<p><b>Inflationary pressures</b></p>	<p>Absorbed by contractor – Council risk limited to contract indexation method</p>	<p>Absorbed by LATCO – Council as sole shareholder would underwrite</p>	<p>Absorbed by DSO – direct impact on council budgets</p>
--------------------------------------	--	---	---

