

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Executive Lead Member for Universal Services
<b>Date:</b>	11 March 2024
<b>Title:</b>	Waste Disposal Contract 2030 and Options Appraisal
<b>Report From:</b>	Director of Universal Services

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### Purpose of this Report

1. The purpose of this report is to present a joint report on behalf of Hampshire County Council, Portsmouth City Council and Southampton City Council outlining a proposal for a project appraisal process during 2024 to inform the procurement of the Waste Disposal Service Contract (WDSC) post 2030.

### Recommendation

2. That the Executive Lead Member for Universal Services notes the contents and recommendations of the appended report and approves the following recommendations regarding a project appraisal in 2024 to inform the procurement of the Waste Disposal Service Contract (WDSC) post 2030:
  - a) Approve the proposed programme of work and governance arrangements
  - b) Give authority to the Assistant Director for Waste and Environmental Services, through their role on the Strategic Tripartite Board, within the approvals set out below to progress the options appraisal work, including procurement of external contractors and expenditure.
  - c) Approve in principle the proposed programme budget of £1.236million up to the financial year 2030/31.
  - d) Approve and commit to supporting the resource requirements to deliver the programme within the budget.
  - e) Approve the spend of £331,100 in 2024/25 on the options appraisal as detailed in the report.
  - f) Delegate authority to the Director of Universal Services, in consultation with the Head of Legal Services, to approve any minor amendments that may be required to the Tripartite Agreement to support this programme.

### Executive Summary

3. The appended paper seeks to

- set out the background to the project
- summarise the joint matters and recommendations pertaining to the appended report from the County Council and its Unitary partners
- consider and recommend support for the financial implications that the project will have on the County Council
- highlight the importance of the WDSC for the County Council in respect of discharging its statutory waste duties

### **Contextual information**

4. Hampshire County Council is a signatory to the joint Waste Disposal Service Contract (WDSC) with Portsmouth City Council and Southampton City Council. The Contract commenced on 1 January 1997 and covers the disposal of all household waste collected across the geographical area of Hampshire.
5. The WDSC is a long-term contract which is due to expire on 31 December 2030. Given the complexity and value of the Contract (current annual spend around £54 million per annum for Hampshire County Council), and its strategic importance in respect of the County Council's statutory obligations, it is prudent to begin planning for the next iteration of the Contract beyond 2030.
6. Following initial discussions between the County Council and its Tripartite partners, a proposal has been developed to conduct a major project appraisal during 2024 to determine and evaluate the viable options available to the three authorities and to help inform the next stage of the procurement to ensure a suitable and cost effective contract is in place beyond 2030. The project appraisal proposal is outlined in detail in the appended report (Appendix 1), which is written jointly on behalf of all three authorities.
7. The recommendations in this paper are expanded slightly from those in the jointly written report to make them specific to Hampshire County Council and enable its budgets and governance requirements to be approved by the Executive Lead Member for Universal Services.

### **Finance**

8. The WDSC is one of the major service contracts that the County Council holds, both in terms of cost and its relevance to its statutory waste obligations. The total annual cost is around £70 million, of which Hampshire County Council is responsible for 77% under the Tripartite agreement.
9. To undertake a comprehensive appraisal of the options available to the three authorities post contract expiry in 2030, it will be important to provide sufficient budget to facilitate this process and inform the next steps for the procurement. As outlined in the appended report (see Appendix 1), it is estimated that a total programme budget of up to £1.6 million may be required, of which again the County Council would be liable for 77% of the incurred costs (around £1.2m). This will be funded from the existing Waste Disposal budget using the additional income received from energy generation at the Energy from Waste Facilities.
10. This report is seeking approval to spend £331,100 on the initial options appraisal and infrastructure assessment.

11. The outcome of the options appraisal will determine the complexity of any subsequent procurement and therefore will impact the estimated budget costs beyond 2026 as set out in the appended report. These will be updated once the options appraisal is complete.

### **Consultation and Equalities**

12. This is a joint programme of work with Portsmouth and Southampton City Councils and therefore the County Council will consult with them on this work. The outputs of the options appraisal will be subject to a future formal decision with the associated consultation where required.
13. It is considered that this decision will not have an impact on any of the groups with protected characteristics as this decision relates to undertaking an options appraisal. The outcome of this work will be subject to a separate formal decision process with due consideration given to the impact any arrangement may have from an equalities perspective when it comes to service delivery.

### **Climate Change Impact Assessments**

14. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
15. The carbon mitigation and climate change adaptation tools were not applicable because this programme of work is to undertake an options appraisal to determine the optimal approach for discharging our statutory duties as a Waste Disposal Authority. One of the key metrics that will be used to assess the options will be the extent to which they will facilitate the best environmental outcomes including, but not limited to, carbon reduction and climate resilience.

### **Conclusions**

16. This programme of work is a critical one for the County Council due to the financial and reputational risks associated with the waste disposal service.
17. Undertaking this work will ensure that the County Council is best placed to continue to deliver its statutory duties when the current arrangements come to an end in 2030.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	<b>yes/no</b>
<b>People in Hampshire live safe, healthy and independent lives:</b>	<b>yes/no</b>
<b>People in Hampshire enjoy a rich and diverse environment:</b>	<b>yes/no</b>
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	<b>yes/no</b>

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

Document

Location

None

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

It is considered that this decision will not have an impact on any of the groups with protected characteristics as this decision relates to undertaking an options appraisal. The outcome of this work will be subject to a separate formal decision process with due consideration given to the impact any arrangement may have from an equalities perspective when it comes to service delivery.

<b>Title</b>	<b>Waste Disposal Contract 2030 + Options Appraisal</b>
<b>Date</b>	<b>11 March 2024</b>

## **Executive Summary**

This report has been written jointly by the Tripartite Authorities of Hampshire County Council, Portsmouth City Council and Southampton City Council (from this point forward, known as the 'Parties').

This report sets out the proposed programme of work required to complete an options appraisal to determine the optimal approach for delivering the Parties' statutory duties for waste disposal beyond the expiry of the current shared arrangements post December 2030.

As one of the most significant statutory areas of delivery and spend for the Parties, and also an area that carries both significant risk and opportunity, it is critically important that this process commences early to allow sufficient time to assess and develop the options available.

The report sets out the work programme, the resources, and the funding necessary to complete this work as well as the rationale for it.

This report is being considered separately by each of the Parties via their appropriate decision making process to ensure full support for the proposed programme.

## **Decisions required**

For all Parties (Hampshire County Council, Portsmouth City Council and Southampton City Council) to each:

- Approve the proposed programme and governance arrangements to jointly undertake the initial project appraisal to inform and direct the arrangements for managing waste disposal beyond expiry of the current contract after December 2030
- Give authority to the Strategic Tripartite Board to deliver the options appraisal work set out in this report, within the scope of the below approvals, including procurement of external contractors and expenditure
- Approve and commit to supporting the resource requirements to deliver the programme
- Approve in principle the proposed programme budget
- Approve the procurement of external expertise and resources to provide the necessary technical input to the options appraisal

- approve any minor amendments that may be required to the Tripartite Agreement to support this programme.

## **Context**

The current Waste Disposal Service Contract (WDSC) was signed in the mid 1990s and commenced on 1 January 1997. The WDSC specified that all household waste collected across Hampshire (including Portsmouth and Southampton) would be in scope for handling and processing, and as such a suite of infrastructure was planned and developed to support this process. This included provision of two Materials Recovery Facilities (MRFs), three Energy Recovery Facilities (ERFs), three open air windrow composting facilities<sup>1</sup>, supported by 11 waste transfer stations to facilitate bulking and haulage.

A significant high tonnage of waste is handled annually requiring recycling or safe disposal in line with environmental legislation. Disposal costs incurred are shared proportionally with Hampshire County Council responsible for 77% and Portsmouth and Southampton responsible for 11.52% and 11.48% respectively. In 2022/23 this amounted to a total cost burden of around £75m.

One of the key benefits of the original WDSC was the regional approach, and economies of scale from all three disposal authorities working in partnership. This enabled more efficient location of infrastructure that complemented the main conurbations in the county, achieving better value for haulage and opportunities for processing outlets through incorporating household waste from across the three areas. This also ensured greater resilience and stability than many other authorities have experienced by having a suite of facilities available to manage periods of outage or maintenance, as opposed to each Party having to rely on a single facility each. This is particularly important with such a high tonnage of material managed across the entire geographical county area and increasing complexity arising from legislative changes over time.

A separate contract is in place for managing the 26 Household Waste Recycling Centres (HWRCs) provided by Hampshire, Portsmouth and Southampton respectively. This contract is also due to expire on 31 December 2030 and has clear synergies with the WDSC. Opportunities for integration of the WDSC and HWRC contracts will be a line of enquiry for the proposed appraisal.

## **Programme proposal**

The programme of work set out in this paper is to develop and assess a series of options for what arrangements will be most beneficial to the Parties in terms of the waste disposal arrangements from December 2030 when the current WDSC comes to an end.

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<sup>1</sup> One composting site subsequently closed in 2010.

Whilst the contract still has almost seven years to run it is important that sufficient time is set aside to both prepare for and undertake any procurement activity that is required. As set out above this is one of the most significant areas of spend for the authorities and is also an area that carries both significant risk and opportunity hence the importance of this programme of work.

Options:

The Parties met to discuss and agree a list of strategic options which are set out below:

Contract Extension – potential to extend the existing Waste Disposal Service Contract with Veolia for a further period of time. The contract extension option is being assessed separately to this options analysis with a view to a separate formal decision in due course but is included here to demonstrate that all options are being considered. A delay on progressing with the options appraisal whilst the work on a possible contract extension is completed would risk the options analysis having to be rushed and therefore not be as robust should the contract extension option not be taken further.

In House Delivery – this option would involve the Parties directly taking on service delivery and taking full control of all of the infrastructure and involve the TUPE of staff from the current contract. The Parties would then have to put in place the necessary structures to be able to manage the service, while this option would likely still see discrete elements of the service delivery being contracted out to third parties due to its specialist nature.

Contracted Service – fully integrated – this option would involve entering into one single fully integrated contract for all elements of the domestic waste disposal service. This would be broadly the same as the current arrangements although potentially the HWRC service could also be included so that the entire waste service comes under one contractual arrangement.

Contracted Service – lotted contracts – this option would involve separating the service into different elements or alternatively by set geographic regions or a combination of these. It would result in there be a number of smaller contracts in place to manage service delivery and require the interface between those contracts to be managed closely to ensure the service delivery was effective and efficient.

Alternative Delivery Model – this option will consider a range of different potential vehicles for delivering waste services. A reasonably well known and operating version of this would be a Local Authority Trading Company (LATCo) that would allow the Parties to maximise commercial opportunities and seek to generate a profit. Another option under this option would be a Joint Venture with one or more partners (e.g. authorities and external organisations) sharing resources and



expertise to deliver services. A range of different models will be considered under this option.

Extended Partnership – all the options discussed above could be progressed in the form of an extended partnership with other bordering local authorities to further maximise economies of scale and benefit from a great array of waste infrastructure over a wider region. This option would require alignment of contract timelines and agreements on service provision over an extended area. The extended arrangement could also include other elements of waste services and domestic waste services within the existing administrative areas of the Parties.

It is important to recognise the scale and complexity of the existing arrangements when considering options for the future. While the Parties have clearly benefitted in the current contract from shared infrastructure and economies of scale, the challenge for a Party to then operate individually would be significant in terms of cost and resource required. It is therefore crucial that each Party considers the implications of this scenario on their organisation in the course of the programme appraisal.

#### Options Assessment:

Due to the ongoing financial pressures that all local authorities are facing it is clear that seeking to achieve a positive financial outcome must be the primary aim of this work, however it is not the only factor and therefore the options above will need to be assessed and evaluated against range of different factors.

Other key assessment factors will include;

Zero Waste to Landfill – significant progress has been made through the current contractual arrangement to reduce the amount of waste going to landfill but the Parties remain reliant on this route for c.20,000 tonnes bulky residual waste each year. Through the new arrangements the Parties would seek to move quickly to end reliance on landfill for disposal of as much waste possible as soon as practicable.

Waste Prevention – ensure that preventing waste, as both the most cost effective solution and the top of the waste hierarchy, is a central plank of the future arrangements and that the approach selected must enable delivery of this as a core consideration for all future delivery. It is only through waste prevention that the Parties will achieve the necessary targets for carbon reduction and recycling and reduce our overall cost exposure.

Carbon Reduction – ensuring that the arrangements enable the Parties to develop and implement projects that reduce, on an ongoing basis, the carbon impact of the waste disposal service. This will include consideration of the whole system for domestic waste management.

Best value– this should be considered both from a pure cost perspective as well as considering the potential for income generation both directly from the household waste aspect of the service as well as the maximising of the assets under the control of the authorities. This will include ensuring that the Parties have transparency with regards to the financial flows.

Resilience and reliability – as discussed above, one of the great benefits of the existing contract is the resilience and reliability that it affords to the Parties in terms of guaranteed infrastructure capacity and availability, and the economies of scale achieved through marketing all the household waste across the three authority areas. The chosen/recommended option(s) for future delivery need to consider this, particularly in the context of an increasingly volatile global economy.

The Parties will undertake an initial review of all the options based on an agreed detailed assessment methodology based on the above factors to produce a shortlist of preferred options for more detailed analysis before determining the optimal solution to be taken forward.

Where necessary and appropriate, external expert support will be sought where the knowledge/expertise does not exist within the Parties and these will be procured transparently on an as needed basis.

It is additionally anticipated that specialist external legal support will be required throughout the process to advise on the different options and their implications to ensure that they are deliverable.

#### Infrastructure Review:

A critical element of this programme is gaining a clear understanding of both the condition and value of the current suite of waste disposal infrastructure that will be handed back to the Parties at the end of the current contract term in December 2030.

This infrastructure comprises;

- 3 Energy Recovery Facilities (ERFs) - managing residual waste
- 2 Material Recovery Facilities (MRFs) – managing dry mixed recyclables
- 2 open windrow composting sites – managing green garden waste
- 11 waste transfer stations – managing bulking and onward haulage of multiple waste streams

The infrastructure is both a significant economic and strategic asset for the Parties but also carries a significant amount of risk both from a financial as well as a service delivery perspective.

Understanding this infrastructure is key to determining what future options are available to the Parties and therefore a key element of this programme is to commission condition surveys of all of the infrastructure as well as obtain clear valuations of each element.

This work will require engagement of external experts with the necessary expertise to undertake the assessments and produce independent reports to support the decision making on the preferred options.

Outline Procurement Strategy:

Another element of this programme of work is for the Tripartite Parties to agree the aims and objectives for what follows the current contract after 2030.

This will include key areas such as

- Environmental performance – waste reduction and recycling.
- Risk appetite
- Contract duration
- Key partnerships
- Communications
- New Technologies including use of AI
- Social Value

This will ensure that the outputs from the options appraisal work will align with the strategy ahead of any procurement activity taking place. To ensure that a comprehensive appraisal is progressed, it is anticipated that procurement techniques such as soft market testing, supported by extensive modelling exercises and desktop research, are used to inform the direction of travel.

## **Programme**

It is recognised that this project will be considerably lengthy to take it through to mobilisation of new arrangements from 1 January 2031. Any contract tender design and award period will need particular attention given the potential scale and scope of what will likely be required. It is for this reason that it is strongly recommended that this programme commences early in 2024 to allow sufficient time for all aspects to be properly considered.

There are clear benefits to be gained from establishing a preferred position from an early stage. As such, the evaluation work proposed for 2024 within this report will be critical to establish a baseline position through identifying which strategic options should be explored in greater detail from 2025 onwards while justifying which options should be discounted.

Through the governance arrangements to be set up as per the next paragraph, regular updates will be provided to the Steering Board on progress and findings, and further interim decision reports will be submitted periodically to all Parties as required to support the development of the decision-making process and inform next steps.

The headline programme is set out in table 1 below however please note this is an indicative timeline at this stage, and a detailed programme will be developed as part of this work.

**Table 1 – Programme Timeline**

<b>Dates</b>	<b>Activity</b>
March 2024	Programme Inception
April 2024 – December 2024	Options Appraisal
April 2024 – December 2024	Infrastructure Assessment
January 2025	Options Shortlist Decision
January 2025 – January 2026	Detailed Options Analysis
January 2026	Final Options Decision
February 2026 – September 2026	Market Engagement
October 2026 – April 2027	Procurement Strategy
May 2027	Procurement Approval
June 2027 – September 2027	Procurement Preparation
October 2027 – October 2029	Procurement Process
November / December 2029	Contract Award Decision
January 2030	Contract Award
March 2030	Contract Mobilisation
January 2031	Contract Start

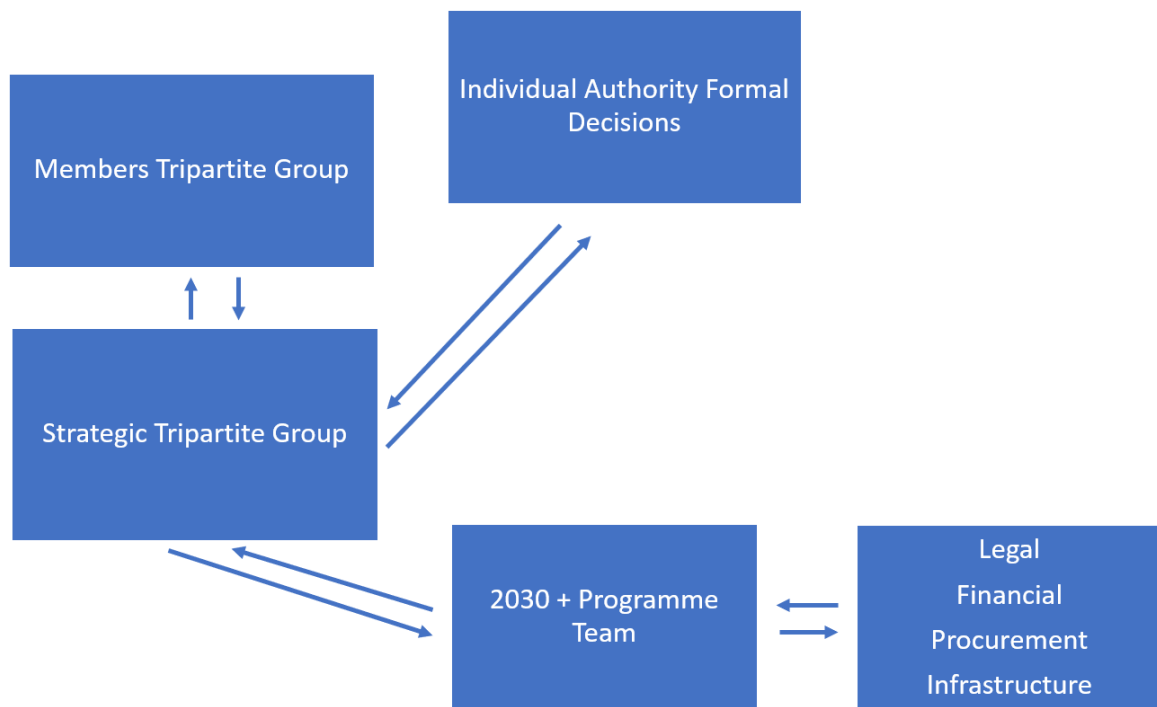
## **Resources**

To ensure that the programme of work is delivered effectively the Parties are seeking to utilise existing governance structures, in-house skills and resources to ensure that the programme is as efficient as possible.

The Parties currently have both a strategic officer group that has representation at Assistant Director / Director level and a Member Group which is attended by the relevant portfolio holder for each Authority. These groups meet regularly and will be utilised to manage this programme of work alongside a new programme level group established with a programme lead appointed and representation from each of the authorities.

Under these arrangements a full programme plan will be developed which, once approved by the Strategic Tripartite Group, will then be managed by the programme team with regular reports to the Strategic and Members Group as part of the existing meeting schedule. The outline governance structure is set out in diagram 1 below.

**Diagram 1 – Proposed Governance Structure**



The programme team will, as part of the approved programme plan, appoint consultants with joint instructions being given so that all work is commissioned on behalf of the Parties. It will be agreed by the programme team which Party will enter into any contractual arrangements depending on who is best placed to do so.

Where the necessary skills exist within the Parties these will be used to support the programme of work to maximise value for money. Where a certain element is delivered this will be considered as a contribution to the programme and the associated costs will be shared by each Party in accordance with the finance principles set out below.

### **Communications**

It is recognised that regular and targeted communication will be required within and between all Parties to maintain a consistent approach. As discussed above, the WDSC is both an important strategic contract to help each Party fulfil its statutory duty, and is also a significant budget pressure, so needs due consideration.

All Parties will ensure that appropriate resources are available to support the project. An internal communications site will be made available to collate and share information and manage change effectively.

## Finances

Table 2 below sets out the outline budget for this programme of work broken down by key work area for each year.

Table 3 sets out the total costs of the programme broken down by each Party, the split is done using the existing the waste disposal service contract percentages.

Please note that these costs are just estimates at this stage, particularly with regard to the later years of the process as the option(s) selected may impact on the procurement activity and therefore its associated costs. It is proposed that a total estimated programme budget of up to £1.6 million is noted at this stage and that updates will be provided at each decision point. The outcome of the options analysis will inform the complexity of the work going forward and therefore the cost below will vary from 2026 onwards.

**Table 2 – Estimated Annual Programme Budget**

Work Area	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Programme Management	£10,000	£10,000	£21,000	£32,000	£42,000	£42,000	£32,000
Legal Costs	£50,000	£50,000	£50,000	£50,000	£150,000	£150,000	£50,000
Financial Support	£35,000	£35,000	£35,000	£50,000	£75,000	£50,000	£25,000
Infrastructure Assessment	£300,000	£20,000	£0	£0	£0	£0	£0
Technical Advice	£35,000	£75,000	£50,000	£20,000	£20,000	£20,000	£20,000
<b>Total</b>	<b>£430,000</b>	<b>£190,000</b>	<b>£156,000</b>	<b>£152,000</b>	<b>£287,000</b>	<b>£262,000</b>	<b>£127,000</b>

**Table 3 – Estimated Individual Total Authority Costs**

Year	Hampshire	Portsmouth	Southampton	Total
<b>2024/25</b>	£331,100	£49,536	£49,364	<b>£430,000</b>
<b>2025/26</b>	£146,300	£21,888	£21,812	<b>£190,000</b>
<b>2026/27</b>	£120,120	£17,971	£17,909	<b>£156,000</b>
<b>2027/28</b>	£117,040	£17,510	£17,450	<b>£152,000</b>
<b>2028/29</b>	£220,990	£33,062	£32,948	<b>£287,000</b>
<b>2029/30</b>	£201,740	£30,182	£30,078	<b>£262,000</b>
<b>2030/31</b>	£97,790	£14,630	£14,580	<b>£127,000</b>
<b>Total</b>	<b>£1,235,080</b>	<b>£184,781</b>	<b>£184,139</b>	<b>£1,604,000</b>

## **Conclusion**

This programme of work is a critical one for the Parties due to the financial and reputational risks associated with delivering the waste disposal service for a geographic and administrative area the size of Hampshire, Portsmouth and Southampton.

There has been significant change in the waste sector affecting local authorities over the recent years and this programme provides the Parties with the opportunity to best position themselves to ensure their waste services deliver the optimal environmental outcomes beyond 2030 whilst also ensuring value for money.