



CABINET – 7TH APRIL 2021

SUBJECT: REVIEW OF CONTRACT MANAGEMENT ARRANGEMENTS IN WASTE SERVICES

REPORT BY: INTERIM CORPORATE DIRECTOR - COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to seek Cabinet approval of a proposal to strengthen contract management arrangements within Waste Services.

2. SUMMARY

- 2.1 The report sets out details of the range of high value contracts that are managed within Waste Services and provides details of a proposal to strengthen current contract management arrangements.
- 2.2 The proposed approach will ensure that all contracts are maximised in terms of service delivery, regulatory requirements, and that the wider social value benefits are realised. At the end of the proposed two-year contract management review period, an analysis of the effectiveness of the service model will be undertaken to determine if this approach to contract management can be applied more generally to other service areas across the council.
- 2.3 The report also includes a proposal to fund the estimated cost of circa £410k to undertake the contract management review.

3. RECOMMENDATIONS

- 3.1 Cabinet is asked: -
- 3.1.1 To approve the proposed contract management review.
- 3.1.2 To agree that the total cost of £410k for the proposed four fixed-term posts for a period of 2 years should be funded as follows: -
- £400k from the balance remaining on an earmarked reserve previously established to meet cost pressures within Waste Services.
 - £10k from the projected 2020/21 revenue budget underspend for the Corporate Procurement Team.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that contract management arrangements are strengthened and that sufficient funding is set aside to undertake the proposed review.

5. THE REPORT

- 5.1 There are a significant number of high value contracts within Waste Services as detailed in Appendix 1.
- 5.2 Each contract has its own terms and conditions which determine the contract management processes. These processes are currently developed, implemented, and managed by Officers in Waste Services and the Corporate Procurement Team. This work includes regular contract management meetings and monitoring of relevant Key Performance Indicators (KPI's) as set out within the terms and conditions of contract. A selection of key performance management information is regularly reported to Welsh Government to ensure statutory performance targets can be monitored. This is currently collated manually.
- 5.3 Given the high value of the contracts within Waste Services it is considered prudent to undertake a review of contract management arrangements and the collation of data. This will ensure that contract terms are delivered, which will result in performance targets being met and contracts delivering against value for money objectives.
- 5.4 Key targets for recycling have been achieved in previous years but during 2019/20 there was a drop off in performance due to supply chain issues and problems experienced with an end destination recycling processor who was sub-contracted to one of the Authority's main recycling contractors. Key targets for recycling for future years are currently set at 64%, then rising to 70% in 2024/25. Furthermore, there is a drive towards achieving zero waste by 2050.
- 5.5 Performance in 2019/20 dropped to 62.51% from 65.08% in 2018/19 due to the supply chain issues mentioned above and some decline in participation levels by residents. In order to achieve the 70% target for 2024/25 there will need to be changes in approach to the service provision, and robust contract management and data collection to assist in achieving this challenging target.
- 5.6 It is proposed that a critical friend should be identified from another public body to review our processes alongside what works well elsewhere. This may need to be outside of Wales and the critical friend will be chosen based on evidenced good practice in the delivery of Waste Services.
- 5.7 It is also proposed that additional fixed-term staffing capacity should be agreed to strengthen contract management arrangements and data collection within Waste Services. This additional capacity will allow for training on contract management, awareness raising of existing terms and conditions, identification of key data requirements, the automation of processes where possible and the identification of any issues with suppliers and appropriate resolution.
- 5.8 To undertake the proposed review the following additional staff will be required: -

Post	Annual Cost (£)
1 x Procurement Policy & Training Officer (Hay Band D)	71,825
1 x Principal Procurement Officer (Grade 10)	50,945
2 x Data Analytics Officers (Grade 8)	82,126
TOTAL: -	204,896

- 5.9 It is proposed that these posts should be recruited to on a fixed-term basis for a period of 2 years at a total cost of circa £410k. It is recommended that this should be funded as follows: -
- £400k from the balance remaining on an earmarked reserve previously established to meet cost pressures within Waste Services.

- £10k from the projected 2020/21 revenue budget underspend for the Corporate Procurement Team.

- 5.10 The appointment of a Procurement Policy & Training Officer will allow for training and development of critical policy on procurement into key contract areas such as Waste Services. The postholder will also be responsible for ensuring that the Principal Procurement Officer works on specific contracts with relevant Contract Mangers to provide training, knowledge, and support to operate contracts effectively and in line with the agreed terms and conditions.
- 5.11 Due to the proposed changes in Wales public procurement legislation there will be a requirement to completely retrain the Authority on procurement policy and the Procurement Policy & Training Officer will also play a key role in the delivery of this training across other service areas.
- 5.12 The Data Analytics Officers will interrogate the large volume of data within Waste Services to allow contract management to be more robust and to provide a strong evidence base to monitor supplier performance against contractual terms. This will allow both the Authority and external monitoring bodies to have confidence in the outcomes from public waste contracts in operation within the council. Once established, these roles can also provide support for other critical contracts within the council.
- 5.13 It is proposed that the contract management function will remain within Waste Services but with strengthened support and management from the Corporate Procurement Team. This will allow for local knowledge of waste and its function to remain with the “expert” group but with training and contractual support from the Procurement Team. This dedicated procurement resource will be on hand to develop terms and become a category specialist developing markets with the expert group (Waste Services).

Conclusion

- 5.14 The report sets out details of the range of high value contracts that are managed within Waste Services and provides details of a proposal to strengthen current contract management arrangements.
- 5.15 It is proposed that four fixed-term posts be established for a period of 2 years at a total cost of £410k to undertake the review of contract management within Waste Services and to apply the learning to other critical contracts across the council.

6. ASSUMPTIONS

- 6.1 There are no assumptions made within this report.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 As work on the proposals contained in this report commenced prior to the introduction of the Integrated Impact Assessment, an Equalities Impact Assessment screening was completed at the outset. No potential for unlawful discrimination and/or low level or minor negative impact was identified, therefore, a full EIA was not carried out.
- 7.2 Integrated Impact Assessments will be completed moving forward for any significant changes arising from the proposed contract management review.

8. FINANCIAL IMPLICATIONS

- 8.1 The total cost of the proposed four fixed-term posts for a period of 2 years is circa £410k. It is recommended that this should be funded as follows: -
- £400k from the balance remaining on an earmarked reserve previously established to meet cost pressures within Waste Services.
 - £10k from the projected 2020/21 revenue budget underspend for the Corporate Procurement Team.

9. PERSONNEL IMPLICATIONS

- 9.1 This report proposes that four new fixed-term posts should be established for a period of 2 years to undertake the review of contract management within Waste Services. This will strengthen existing arrangements and the learning can then be extended to other critical contracts across the council to develop a sustainable method of data collection and reporting.

10. CONSULTATIONS

- 10.1 The proposals in this report were considered by the Environment and Sustainability Scrutiny Committee at its meeting on the 23rd March 2021. Members commented on the process to engage a critical friend to review contract management alongside good practice and were advised that within local government there have been long established peer review arrangements with the Welsh Local Government Association (WLGA) sometimes facilitating this through the maintenance of a database to identify suitable individuals to undertake such reviews.
- 10.2 The Scrutiny Committee highlighted that there are high value waste recycling contracts worth millions of pounds let for 15 years and sought further assurance and clarity on how we ensure value for money and competitiveness and where is the incentive to perform. Reference was also made to the 2019/20 drop off in recycling performance and it was asked if this would be addressed by the proposals in the report.
- 10.3 The Scrutiny Committee was assured that contracts are subject to an open and transparent procurement process. The reason for the length of some of these contracts is that there are requirements for providers to invest significant amounts to develop facilities for example Prosiect Gwyrdd, or Anaerobic facilities, so that is why there are longer-term contracts. There are key performance indicators built into the contracts that have to be achieved. Officers explained that the 2019/20 drop off in recycling performance related to one specific waste stream picked up by NRW. The Council dealt with its waste with the main contractor who subsequently dealt with a sub-contractor where problems were being experienced. The purpose of the proposed data analytical officers is to look at all the data and ensure that all the key performance indicators are monitored and ensure compliance. It was confirmed that there are penalties attached to the targets for non-compliance and Welsh Government can impose fines upon the Council, which we may be able to pass on to contractors depending on contract terms and conditions.
- 10.4 Members asked if uplifts in costs on long-term contracts are comparable to a shorter-term contract and were advised that longer-term contracts would include indices set out in the terms and conditions of contracts. There are more risks for businesses with short-term contracts and they are less attractive, so they don't generally offer better value for money for the Council.
- 10.5 Clarity was sought on the amount to be paid to the additional staff and if they were for top of scale and it was queried whether the Procurement Policy & Training Officer post could be combined with the Principal Procurement Officer post. Members were advised that the costs are not actual salaries and include the respective on-costs. It was also clarified that the

proposals have been developed with input from the Head of Procurement and the Head of Financial Services & S151 Officer.

- 10.6 Clarification was sought regarding whether local government procurement processes require that we go back to market for the purpose of ensuring value for money after 5 years. The Scrutiny Committee was advised that there are no such limits as contracts are let for different periods based on the needs of the service. Assurance was also provided that the proposals set out in the report are not due to the failure to meet WG recycling targets but are intended to strengthen wider contract management arrangements and to respond to changes in procurement following the UK exit from the European Union.
- 10.7 The Scrutiny Committee expressed its thanks to all the frontline staff for their hard work during the past year which has been particularly challenging.
- 10.8 Having considered the report and the funding proposal, the Scrutiny Committee unanimously recommended to Cabinet that the proposal to strengthen contract management arrangements be approved.
- 10.9 There are no other consultation responses that have not been reflected in this report.

11. STATUTORY POWER

- 11.1 Local Government Act 1972.

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Appendices: Appendix 1 – Contracts in Waste Services