

TAMWORTH AND LICHFIELD JOINT WASTE COMMITTEE

5th November 2019

Report of the General Manager

Fit for the Future Review – Joint Waste Service

Purpose

To advise Committee of the approach taken during the fundamental review of the Joint Waste Service and its key findings.

To seek endorsement for the proposed strategic direction of the Joint Waste Service for the short to medium term.

Executive Summary

- 1.1 A fundamental review of the Joint Waste Service commenced in April 2019 as part of Lichfield's Fit for the Future Programme. This follows a fast service review which was completed in October 2018. Tamworth Borough Council was invited and agreed to participate in the review.
- 1.2 The review was undertaken against the back drop of the Government's Resources and Waste Strategy which was out for consultation earlier in the year. The Strategy sets out a plan for improving resource productivity and eliminating avoidable waste of all kinds. One particular theme of the consultation was concerned with having consistent collections and recycling in order to improve the quantity and quality of municipal waste recycled in England. There were a number of proposals in the consultation which if adopted will change how Councils deliver waste services to their residents and businesses. Implementing some of these proposals will have significant cost implications although the Strategy does contain a commitment that local authorities will not have to fund any new burdens. The Government has recently published its Environmental Bill which will be the enabling legislation for the proposals if it receives Royal Assent. There is no timetable for the passage of the Bill through Parliament which could be affected by the current political landscape.
- 1.3 A brief was prepared and proposals sought from suitably qualified organisations to help inform the future approach of the Councils towards delivering better and more cost efficient waste collection services.
- 1.4 Three tenders were received in response to the brief and following their evaluation a contract was awarded to Frith Resource Management Ltd.
- 1.5 A Project Board with terms of reference was established and has met on a regular basis. A representative from Tamworth Borough Council has sat on the Project Board and the Consultants have attended all the

meetings. There was also representation on the Project Team from Finance and Customer Services who along with the Consultants were able to provide the necessary external challenge during the review.

- 1.6 Key milestones and deadlines were drawn up for the review which is due for completion by December 2019 when both Councils Cabinets will consider the findings.
- 1.7 The project has subsequently been expanded to include a review of Lichfield's trade waste services. The purpose of this review is to ascertain whether there are opportunities for the trade services to expand by competing directly with private operators in order to increase market share and deliver a surplus. The findings of this review together with the business case for expanding the service will be presented in a further report.
- 1.8 The key elements of the review included Service Delivery Benchmarking, SWOT Analysis, Service Delivery Options Assessment and Service Change Options. The consultants were also asked to undertake an assessment/observation of bin collection operations to assess productivity and compliance with health and safety standards.
- 1.9 The Councils identified a number of other issues which needed to be considered by the review including the impact of the proposals contained in the Government's Strategy, the lack of disposal options for dry recycle once the existing contract expires in 2022 and an over reliance on agency staff to cover operational staff vacancies.
- 1.10 A workshop which involved elected members was held in June to review the collection observations and benchmarking, identify and agree service options for modelling and identify and agree the evaluation criteria for options.
- 1.11 The benchmarking part of the review identified that the Joint Waste Service operation and performance is good when measured against similar sized authorities using both similar and alternative delivery models. In particular the Improvement Plan which Committee approved in October 2018 has seen bin collection productivity levels increase by around 12%, without any deterioration in safety and service delivery standards. The main explanation for any differences between existing performance and benchmarking findings is different demographics and service delivery methods.
- 1.12 The cost of waste collection for Lichfield and Tamworth is one of the lowest overall and the lowest in-house benchmarked service at just under £48/household. The cost is approximately £10 less per household than the average across the 11 authorities that provided data. However the financial appraisal identified that some of Lichfield's overheads are not currently being accounted for in the Joint Waste budget. In addition the overheads for Lichfield's trade services need to be reviewed to make sure they are being apportioned correctly to the different services. These matters are currently subject to discussions between Tamworth and Lichfield and could result in a higher figure

being declared as the “true” cost of delivering the service to each household.

- 1.13 The operational staffing arrangements for the benchmarked authorities varies quite significantly. Lichfield and Tamworth use, on average, 29 agency staff members a week which makes up approximately 27% of the workforce. In comparison the benchmarked authorities reported that they only fill 0% -5% of their posts using agency staff. The Joint Waste Service requires a high number of agency staff because of a relatively high sickness rate and difficulties in recruiting and retaining staff, particularly LGV Category 2 drivers due to a national shortage of suitable candidates. An over reliance on agency staff is not good practice as such a high turnover can result in service delivery problems. The Service was found to have a lean staffing structure for the management of the waste collection services and communication with the public.
- 1.14 The observations of the collection practices ascertained that the service is well managed with high productivity levels and good compliance with safety standards. However operational efficiency is reduced by the unfavourable location of both the depot and some of the disposal outlets plus the high number of long bin pull outs on estates which have restricted vehicular access.
- 1.15 The Councils identified four Service Delivery Options to be considered by the review including: In-house, Local Authority Trading Company (LATC), Local Authority Trading Company Joint Venture (LATC JV) and Outsourcing. One of the main ambitions of the review was to identify the most advantageous operating model for the service in the future.
- 1.16 The criteria and weighting used to assess the Service Delivery Options were agreed at the June workshop as follows:
- Flexibility to change (25%)
 - Service control (25%)
 - Cost (50%)

The flexibility and control criteria were split into sub criteria using the outcome from the SWOT analysis and weighted according to their relative level of importance. A bespoke Excel model was developed to compare the current in-house costs with the same service delivered through the other three options.

- 1.17 The assessment of the Service Delivery Options in accordance with the criteria and weighting produced the following results and ranking:
- 1 LATC – 83.2%
 - 2 In House – 81.4%
 - 3 LATC JV -79.8%
 - 4 Outsource – 70.7%

There was little difference between the first three options scores which could easily change with amendments to the assumptions made on the model input data.

- 1.18 The consultants have concluded from the results that they do not consider it appropriate to recommend the outsourcing of the service in the short to medium term. They were also unable to give a firm recommendation on the other service delivery models because of the proximity of the evaluation scores. They did determine that if the Councils want the lowest cost service with the potential to make a profit then the LATC (JV) should be investigated further. Conversely, should the Councils wish to retain the current level of flexibility and control, they recommended that the service should stay in house or be provided through a Lichfield and Tamworth specific LATC.
- 1.19 The Service Change Options included the introduction of food waste collections, reductions in residual bin capacity and twin stream recycling (mixed dry and paper/cardboard). These options reflect the proposals contained in the Government's Strategy to improve the consistency of collections and recycling.
- 1.20 Analysis of the Service Change Options ascertained that substantial financial investment would be needed if the Councils are mandated to implement the proposals. The introduction of weekly food waste collections would have the greatest financial impact on the Councils. Details of the funding to be provided by the Government in order to mitigate the impact of any new burdens are still awaited and probably won't be published for another year.
- 1.21 In addition to the potential challenges contained in the Strategy the service will eventually have to deploy additional collection infrastructure to cope with demand from all the new housing developments that are planned to be built in both districts over the next ten years.
- 1.22 Recommendations were made by the consultants on tackling workforce issues including the over reliance on agency staff due to the shortage of LGV Category 2 drivers. These included paying a competitive wage to drivers and then mitigating the impact on the budget by reducing the number of drivers on each crew from two to one.
- 1.23 With the uncertainty surrounding the Government's Waste Strategy proposals plus there being no clear winner from the Service Delivery Options assessment it is considered prudent to continue delivering the service using the current in house arrangements for the short to medium term. The long term direction of the service can then be determined once the full implications of the Strategy are known.
- 1.24 In the meantime the main priorities for the service are to undertake an appraisal of the options available for the disposal of dry recycle post 2022 and to address the over reliance on agency staff.

A copy of the consultant's report is attached as Appendix A.

Alternative Options

- 2.1 The service review identified that using a Local Authority Trading Company (LATC) is probably the most viable alternative option to retaining the service in house.
- 2.2 A number of Councils have gone down this route not just for waste on its own but have included other operational services such as grounds maintenance, street scene and housing maintenance. There is guidance available on the setting up of an LATC which recommends the following key steps:
 - 1 Consultation with employees/Unions as the employees need to be on board -Unison also has a guide on LATCs.
 - 2 Councils decision in principle to set up a LATC – this will need to consider the structure of the LATC and how it fits in with the Council’s vision (i.e. income, social value, improved services, control etc.)
 - 3 Set up a LATC delivery team
 - i. Seek advice for legal, finance and tax aspects
 - ii. To ensure compliance against Companies Act and prevent local government conflicts.
 - iii. Support for HR (TUPE, Pensions, Incentives etc.).
 - 4 Prepare a Business Case – The appraisal and evaluation of the LATC should follow Government Green Book guidance in order to:
 - i. Identify key areas for the business; set objectives but also recognise risks within each area (i.e. commercial activity, strategic direction, assets, markets etc.).
 - ii. Set reasonable goals over the short, medium and long term i.e. allowing growth / transfer in short term, and expansion thereafter.
 - iii. Establish what skills are needed to deliver (e.g. commercial, marketing).
 - iv. Build a customer focus – shift the focus from Council as the controller, to Council as a client.
 - v. Set out leadership and governance arrangements, agree the powers of directors and shareholders, roles for officers and members.
 - vi. Develop a risk register between Council and LATC.
 - 5 Councils approval of the Business Case.
 - 6 Legally set up the LATC
 - i. Shareholder Agreement
 - ii. Articles of Association
 - iii. Working Capital Loan Agreement
 - iv. Service Level Agreement
 - v. Operation and Management Services Company
 - 7 Mobilisation
 - i. Staff transfer

- ii. Asset transfer
- iii. Service mobilisation

The expectation is that this process would take 9-10 months with Council approvals.

Finance

- 3.1 There are no immediate cost implications associated with continuing to provide the Joint Waste Service using the in house arrangements. However there are a number of cost pressures which are likely to affect the Service over the next few years. These cost pressures which are detailed in the table below would apply to all the Service Delivery Options assessed in the review and therefore they would not affect the overall ranking.

Issue	Tamworth Share	Lichfield Share	Total for JWS
Disposal of dry recyclate once the existing contract expires in 2022. Assumption that the gate fee will double which is based on the current market rate for new contracts and the existing tonnage.	£257K	£359K	£616K
Additional collection infrastructure to meet service demand from new properties. The 10 year property growth figures indicate that an additional 0.5 crew will be needed on both the refuse and recycling crews from 2022/23.	£71K	£99K	£170K
Increase in salary for HGV drivers from 2020/21 to improve recruitment and retention and thus reduce the reliance on agency. The second figure (Option 2) shows the increase in salary cost if the number of drivers per crew is reduced from two to one. The figures are based on increasing the salary band from E to F and are net of savings on agency staff.	£97K £57K	£136K £79K	£233K £136K

- 3.2 The MTFs for the Joint Waste Service does already contain £125k from 21/22 and £150k from 22/23 to fund the additional collection infrastructure required to serve new property growth. Furthermore the fast service review recently implemented measures which should delay the requirement for the new infrastructure until 22/23 at the earliest so the £125k due to be spent in 21/22 can now be used to offset the future requirements.
- 3.3 The Joint Waste Service also has two reserves which will help to mitigate the impact of some of the cost pressures on both Councils in the short term. There is a balance of £510k in the Property Growth Reserve and £282k in the Dry Recycling Reserve. However it is not recommended practice to use reserves to offset ongoing costs such as

increased driver pay because this only masks the impact. Therefore the impact of these cost pressures will need to be addressed by the MTFs.

3.4 The information contained in the paragraphs above is shown for each Council by financial year below:

	Lichfield			
	2020/21	2021/22	2022/23	2023/24
Disposal of Dry Recyclate			359	376
Additional Collection Infrastructure			99	99
Less : Approved JWS Budget Pressure		(72)	(87)	(87)
Increase in HGV Drivers - Option 1	136	138	141	144
Budget Pressure - Option 1	136	66	512	532
Increase in HGV Drivers - Option 2	79	80	82	84
Budget Pressure - Option 2	79	8	453	472

	Tamworth			
	2020/21	2021/22	2022/23	2023/24
Disposal of Dry Recyclate			257	269
Additional Collection Infrastructure			71	71
Less : Approved JWS Budget Pressure		(53)	(63)	(63)
Increase in HGV Drivers - Option 1	97	98	101	103
Budget Pressure - Option 1	97	45	366	380
Increase in HGV Drivers - Option 2	57	58	59	60
Budget Pressure - Option 2	57	5	324	338

	By Year for Both			
	2020/21	2021/22	2022/23	2023/24
Disposal of Dry Recyclate	0	0	616	645
Additional Collection Infrastructure	0	0	170	170
Less : Approved JWS Budget Pressure	0	(125)	(150)	(150)
Increase in HGV Drivers - Option 1	233	236	242	247
Budget Pressure - Option 1	233	111	878	912
Increase in HGV Drivers - Option 2	136	138	141	144
Budget Pressure - Option 2	136	13	777	809

	Tamworth	Lichfield	Total
Property Growth Reserve	(274)	(236)	(510)
Dry Recycling Reserve	(120)	(162)	(282)

3.5 There is insufficient information available at this time to predict the likely impact of adopting the proposals contained in the Government's Resources and Waste Strategy. This makes it very difficult to model the medium and long term finances for the Joint Waste Service.

3.6 Lichfield has identified £354k of additional overheads that will be incurred in supporting the delivery of the Joint Waste Service in 2020/21. These are currently allocated to Lichfield's MTFs and not the Service's budget. Tamworth are also reviewing the overheads that it

incurs in supporting the Service. The two Councils are due to hold further meetings with the aim of reaching agreement on the overheads which should be allocated to the Joint Waste budget.

Risk Implications

Risk	Mitigation
Delays in finalising the outcome of the Government's Resources and Waste Strategy. This will make it difficult for the Councils to plan for the future provision of the Joint Waste Service especially as the vehicle and disposal contracts are due to expire in 2022.	<ul style="list-style-type: none"> • Keep up to date with developments • Lobby DEFRA either individually or through JWMB and/or LARAC. • Continue to delay any decision on how the service is provided until the outcome of the Government's Strategy is known. • Negotiate contract extensions.
The Councils fail to reach agreement on the allocation of overheads to the Joint Waste budget.	<ul style="list-style-type: none"> • Sharing of justification for overheads. • Further negotiations • External mediation
The review of the disposal outlets for dry recyclate does not identify a suitable option.	<ul style="list-style-type: none"> • Consider handing back responsibility for disposal to the County Council.
The service fails to reduce its reliance on agency staff.	<ul style="list-style-type: none"> • Further review of the measures.

Recommendation

That the Committee:

- 1. Endorse the approach taken during the fundamental review of the Joint Waste Service and its key findings.**
- 2. Endorse the proposal to continue providing the Joint Waste Service using the current in house arrangements and delay any decision on the future provision of the service until the implications of the Government's Resources and Waste Strategy are fully known.**
- 3. Endorse the proposals to undertake an appraisal of future options for the disposal of dry recyclate and identify measures to address the issue of over reliance on agency staff.**