

Cabinet Member Decision

Decision Due: 17th August 2015

Report title: Waste Service – Client and Support Services Options

Wards: All

Report Authorised by: Strategic Director: Sue Foster MBE

Portfolio: Cabinet Member Environment and Sustainability: Councillor Jennifer Brathwaite

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Report summary

We want Lambeth to be a place that our residents are proud of and people love to visit. It is important therefore that our streets, estates and open spaces are clean and environmentally sustainable. The Council remains committed to helping people live more environmentally sustainable lives, we currently spend £30m every year cleaning the streets, collecting and treating waste to help achieve this. When faced with budget cuts of over £238m, every service needs to be as efficient as possible, whilst continuing to meet the needs of resident.

This report recommends changes to services that will reduce duplication and improve accountability by transferring more responsibility to a single organisation. We will introduce a new governance process that provides citizens and members with a formal avenue to have their voice heard, which is a cooperative council aspiration. The proposals set out below are being made after a comprehensive appraisal of several alternative options to determine which best meet the needs of citizens and the council. The recommended option delivers the service within the agreed financial targets set by council.

Finance summary

The options appraisal undertaken demonstrates the preferred option achieves the revenue savings target of £100k in 2015/16 and £500k in 2016/17. Current support costs for this service amount to £1.2 million per annum. The recommended proposal reduces costs by £367k per annum, with the remainder of the savings achieved through depot consolidation.

Recommendations

- (1) To integrate the internally provided waste support and monitoring functions, with the service and support functions provided by Veolia, to create a single service with reduced operating cost, improved accountability and contract management capacity.
- (2) To adopt a new governance framework that improves the remedies process to tackle poor service performance, introduces formal meetings that supports citizen participation in shaping the service and provides the Cabinet Member for Environment and Sustainability with greater strategic oversight of the service.

- (3) To retain sufficient capacity within the council to continue to provide:
 - a. Technical capacity to safeguard the council against legislative and technological changes.
 - b. Authorised Officer and Deputy Authorised Officer capacity to support the three stage governance and assurance process.
 - c. Advice to Cabinet Member on future proposals to achieve our strategic environmental outcomes.
 - d. The commissioning of a new service for 2021 when the current contractual arrangement comes to an end.
- (4) To approve the implementation of an incentive scheme that encourages the provider to further contribute towards achieving community outcomes as set out in the Lambeth Community Plan.

1. Context

- 1.1 We want Lambeth to be a place that our residents are proud of and people love to visit. We know that one of the ways we will achieve this is by ensuring that our streets, town centres, housing and green spaces are clean, well maintained and environmentally sustainable. We are proud of our track record and achievements in supporting businesses and residents to live environmentally sustainable lives and we have ambitious plans, despite our reductions in government funding.
- 1.2 The Council continues to take responsibility for collecting rubbish and we are committed to making it as easy as possible for people to reduce waste and recycle as much of their waste as they can. We are also supporting community composting and food growing projects that are making a positive difference across the Borough. In order to achieve real environmental sustainability, we'll need to continue to work closely with people in Lambeth to live and work sustainably.
- 1.3 There are also things that the Council will need to do differently and this report sets out how we will change the way we manage some of our waste collection services in the future.
- 1.4 We currently spend £16m every year with Veolia UK collecting waste and recycling materials from residents. Add to this £14m spent every year in processing recycling materials and disposing the general rubbish we have collected. We spend £1.2 million per year on internal functions that develop, monitor, manage and support these essential services. The transfer of functions is set out in table 1 at section 2.2
- 1.5 This report and the recommendations it makes are focused on the £1.2m internal functions and the impact this will have on our ability to make a total of £2.3m savings across waste services in 2016/17 as part of the Council's overall savings target of £238m.
- 1.6 The proposals will make the process of managing the contract more efficient by reducing the duplication that currently exists between the Council and the provider. Through the proposed transfer of responsibility and the introduction of an innovative incentive scheme we will have aligned the provider's priorities with our own to ensure all of the resources available are concentrated on achieving our outcomes. More importantly, these proposals are designed to improve and simplify the customer experience, giving

residents a greater voice in the development and management of services. We will also continue to modernise the service, introducing new technology with the capacity to be even more modern and efficient in the future.

1.7 These proposals sit alongside our Waste Strategy and wider commitment to supporting residents to live more sustainable lives. Through this strategy we will continue to work with our communities to embed sustainability into everyday life and provide citizens with a real and on-going opportunity to influence decision making.

1.8 We will ask citizens to minimise their waste, giving them the resources and support they need to do so, for example by introducing composting and food growing projects on estates. We will maintain weekly collections and increase levels of recycling by making it as easy as possible. Where necessary we will use our enforcement powers to tackle littering, fly tipping and dog fouling.

2. Proposal and Reasons

2.1 Ultimately the changes will place more **responsibility** on our provider to ensure the day to day operation of the waste collection services meet the standards and expectations of our residents as efficiently and effectively as possible. When service problems occur, such as a missed collection, this proposal will mean that the provider will have all of the responsibilities and resources to respond directly to the resident. This will improve the service residents experience and strengthen our ability to hold the provider to account.

2.2 On a day to day basis what will this look like? Table 1, below details the existing responsibilities and how these will change.

Service	Existing Veolia function	Existing Lambeth Function	New Veolia Function	New Lambeth Function
Green Waste	Collection	Administration – inc. promotion, updating, fee setting and charging	Collection and administration	Approve charges and audit against Key Outcomes
Commercial Waste	Collections	Administration – inc. Invoicing, promotion, WTNs, annual renewal of contracts. Enforcement. Commercial Waste Sales	Develop fees and charges Refuse Collections, service administration Investigation and enforcement. Commercial Waste Sales	Approve fees & charges, audit against Key Outcomes, debt recovery
Planning Applications	Contribute to complex planning applications	inspect planning applications for waste storage and make recommendations	inspect planning applications for waste storage and make recommendations	Planning framework guidance and audit against Key Outcomes
Fly tips	Removal	Investigate and report fly tips to contractor for removal for LBL enforcement	Investigate and remove fly tips, manage behaviour change programme.	Audit against Key Outcomes, Prosecution of offenders
Customer Complaints and Enquiries	3.receive report from the council 4. investigate 5. report back to the council	1.Receive customer complaint/enquiry, 2.pass to contractor, 6.receive reports back 7. respond to customers	1.Receive customer complaints./enquiry 2.investigate 3.respond to customers	Audit against Key Outcomes
Contract Monitoring	respond to reports from the council on service failures	discover or react to reported service failures. Report to contractor, administer the remedies process.	discover or react to reported service failures. Recover the service, administer the remedies process.	Audit against Key Outcomes Provide authorised officer function.

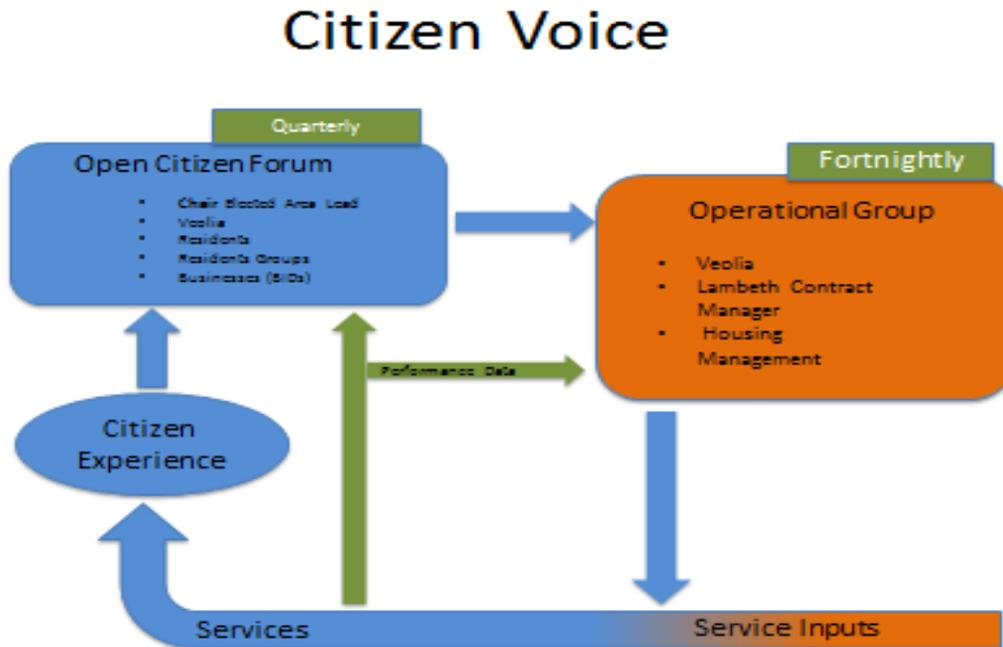
2.3 **Contract Management and Assurance**

- 2.3.1 The management of the contract will remain the responsibility of council officers and will be supported by a new contract assurance model developed with assistance from the council's internal audit and anti-fraud unit.
- 2.3.2 The introduction of a new three-tier assurance process reduces the need for a back office internal team, ensuring more of the available resource is dedicated to front line services on the ground. These proposals will provide a robust audit style approach that will allow the verification of the operational monitoring information provided by the contractor. This information will be audited and cross checked with a number of independently sourced data to ensure its accuracy.
- 2.3.3 A detailed explanation of the Assurance model is attached as appendix 1

2.4 **Citizen Voice**

- 2.4.1 To support the innovative assurance model and to make the management of the contract more democratic and responsive, it is proposed that the residents and businesses in the borough are included in the management and development of the street cleansing and waste collection service.
- 2.4.2 The new governance framework places the Cabinet Member for Environment and Sustainability at the centre of directing the strategic direction of this essential service. It also introduces opportunities for citizens to voice their opinions and influence the management and future direction of the service through regular citizen forums chaired by local elected Councillors.
- 2.4.3 The attachment appendix 1 (under the heading "Governance Structure") sets out the new governance structure, the diagram below details how the citizen will be supported to have a real and meaningful say in the running of the contract, overseeing the performance of the provider and the future development of the services it supports.

- 2.4.4 The blue arrows indicate the influence and direction of the citizen voice and how this interacts with the formal governance process.



- 2.5 **Customer Experience** will be enhanced through the simplification of the existing process and the transfer of responsibility to the provider. (See table 1 on page 3 of this document).
- 2.5.1 The new process will ensure the same organisation responsible for providing the service, is also responsible for solving any problems, complaints or processing new service requests. This places responsibility on the provider to work directly with the resident or Councillor who raises a complaint or service request, until it is resolved. If there is no immediate resolution, the council's complaint and customer access processes will intervene to support the resident and Councillor.
- 2.5.2 This single organisation approach improves accountability and reduces duplication so more resource can be dedicated to the front line, and also reduces the number of steps that need to be taken to resolve a resident complaint.
- 2.6 To ensure the contractor always works in the best interests of the council and its residents we propose the introduction of an **incentive scheme**.
- 2.6.1 The new incentive scheme ensures the providers priorities are aligned much more closely with those of the council and its residents. This might include for example, sharing a proportion of any additional savings made in the treatment of waste if the provider could demonstrate it had helped reduce costs.
- 2.6.2 Details of the incentive scheme can be found at Appendix 2

- 2.7 Included in the proposals is the retention of the **technical expertise** to ensure we comply with current and future legislation, and properly support Councillors in all matters relating to waste management. This responsibility will mirror the existing arrangement to ensure we continue to hold operational and strategic oversight.
- 2.7.1 Retaining the technical function provides an additional safeguard that ensure residents interests remain at the heart of the service. Final sign off of any proposal to change the service will remain with the Cabinet Member.
- 2.8 **How will this look and feel for residents?**
- 2.8.1 In the overwhelming majority of cases, residents will not notice any changes to their waste collection service as a result of these proposals.
- 2.8.2 Residents will experience a different service **when**:
- 2.8.3 ***They have a complaint*** - instead of the complaint being reported to the Council who act as an intermediary between the resident and the provider, the provider will respond directly to the resident.
- 2.8.4 ***We hold the provider to account.*** Residents will have a voice and be able to meet with Councillors and the provider in structured forums to discuss service performance or local issues. Residents will also have geographically dedicated representatives from the provider who they can approach directly and who will build relationships and knowledge about their 'patch'.
- 2.8.5 ***We want to change the service in future.*** Residents will have the opportunity to shape the service in direct conversations with the provider who will be responsible for the development of new proposals and service alterations as well as their delivery, providing more opportunity to introduce local solutions that work for their community.
- 2.8.6 ***New technology is introduced by the provider as part of these changes.*** The new technology that will be introduced as part of these changes will modernise the service, making it more efficient. This means that more resource is dedicated to providing front line service on the ground, supporting residents rather than providing back office support.
- 2.9 **The alternatives** – We initially considered 5 options, two were rejected during the feasibility and development stage as they did not deliver the desired outcomes. Leaving three options that were evaluated against a number of key considerations in evidence based options appraisal.
- 2.10 A third option was rejected during the evaluation process as it could not be delivered within the amount of resources available.
- 2.10.1 For details of the alternative options please see Appendix 3

2.11 The scores for the evaluated options are detailed below at table 2

Consideration	In House (Part A and B specification)	Veolia Integrated (Part A and B Specification)
	Option 1	Option 2
Outcome	3	4
Income (to include Debt Management, additional income generating potential)	3	4
Implementation and Change Management	3	3
Indirect Savings (overheads)	4	5
Flexibility (ability to meet future needs)	3	4
Accountability	2	4
Customer Experience	3	4
Innovation and added value (access to external funding)	3	4
Cost	5	5
Total (With multiplier applied)	191	219

Table 2

2.12 How will we know these changes are working?

2.12.1 Performance information will provide officers and Councillors with an overview of how well the service is performing. The provider will be required to share specified performance information, including complaints, service and information requests with the council. The council will therefore hold a more comprehensive picture than ever before of the customer experience and the way the provider is performing.

2.12.2 Through the introduction of the citizen voice we will hear first-hand what is happening on the street. For the first time, the provider will have to respond directly to residents, which will not only improve accountability, but improve performance and satisfaction.

2.12.3 Analysis of the service requests and complaints that come in via the service centre and in writing will identify if any problems exist. Our Customer Relationship Management and Tableau systems will hold all of the data and allow us to ensure the new system is working. A process of quality assurance will sample responses to complaints and service requests to ensure that the provider is responding in a way that meets Lambeth Council customer standards. The new three level assurance function will give us the comfort that the information we are using is accurate and up to date, the audit process will offer additional confidence.

2.12.4 Assurance that the changes are working will also come via Councillor and elected Area Leads, these are Councillors who have an additional role in representing the needs of areas across Lambeth, shaped around our 5 Town Centres. Each of the 5 Area Leads will have an opportunity to raise issues arising in their neighbourhoods directly with the provider and Cabinet Member through the governance process.

2.13 What if it goes wrong?

- 2.13.1 The existing contract provides a number of contractual remedy options that range from financial penalties, where we see isolated service failure on a small scale, to part or full termination of the contract subject to the type and extent of service failures. These remedies now also cover the new functions that are proposed to transfer.
- 2.13.2 Although we have six years of the main contract remaining, we have introduced a 2 year break option for the parts of the service covered in this report. This means we can reverse the changes if the service standards are not met.

3. Finance

The activity within scope of this proposal costs £1.237m per annum.

The recommended proposal reduces costs by £367k per annum and contributes to the budgeted savings agreed for this service. The council will retain the function of administering the contract and auditing the accuracy of KPI's (key performance indicators) and compliance with the remedies procedures.

The proposed incentive scheme and ability to negotiate a share of savings on a scheme by scheme basis provides the authority with a low risk approach to incentivising the provider. Lambeth operates incentive schemes to align outcomes in other contracts which have proved successful and so is comfortable with this approach.

4. Legal and Democracy

- 4.1 The proposed integration of waste and associated services as set out in this report will necessitate a variation of the Council's contract with Veolia. Contract variations are permissible in principle under general contract law.
- 4.2 Under the *Public Contracts Regulations 2015*, contracts may be modified without a new procurement procedure provided that (i) such modifications do not alter the overall nature of the contract, (ii) where a change of providers cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment and services procured under the initial procurement, or (iii) would cause significant inconvenience or substantial duplication of costs for the contracting authority. In all cases it is a requirement that any increase in price does not exceed 50% of the value of the original contract.
- 4.3 The *Transfer of Undertakings (Protection of Employment) Regulations 2006* may apply to the proposed service provision changes and specific advice should be sought in the event that the integration of services involves relevant transfers.
- 4.4 This proposed key decision was entered in the Forward Plan on 5th of December 2014 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations

received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. Consultation and co-production

5.1 This report makes recommendations for the introduction of the citizen’s voice through a new governance process. This represents a significant improvement for citizens in their ability to influence future service development, building consultation and co-production into the new services.

6. Risk management

6.1 Transitional Risk

6.1.1 A robust project management approach will be used throughout the duration of the implementation phase. A Project Board will include Veolia senior management when required. The Board will provide suitable governance and oversight to support the complex systems integration, support staff that are impacted by the proposal and prevent any reductions in service standards during the transitional period.

6.2 Service Risk

Failure	Mitigation
Recycling does not improve and costs increase	Introduce a 2 year break clause for the authority to assess current performance of transferred services.
Correspondence, complaints and MEs are not answered satisfactorily	Utilise the remedies process to enforce improvement. Introduce a 2 year break clause for the authority to assess current performance of transferred services.
Provider is not providing the authority with the assurance and performance information required	Trigger remedies procedure at the providers expense to identify the causes of the problem and take appropriate action.
Citizen voice is not heard.	The introduction of an open citizen forum that feeds into the formal governance process will ensure the citizen voice is heard. Elected area leads will be supported by the Deputy Authorising Officer to add value and take a greater role in managing this service.

7. Equalities impact assessment (EqIA)

An EqIA was completed as part of the Outcome Based Budgeting proposal agreed at cabinet in November 2013. A further updated EqIA will be produced as part of the business case for the staff consultation and change management process. While the

proposals set out in this report are concerned with the internal support and management of an existing contract it is acknowledged that there are significant benefits for residents. The EqIA will introduce actions that promote accessibility to these benefits for all Lambeth residents.

8. Community safety - None

9. Organisational implications

9.1 **Environmental** – The environmental implications associated with the report are contained within the main body of the report.

9.2 Staffing and accommodation

The proposal set out in this report may require the transfer of staff with the function they perform to Veolia. The number of staff set to transfer is yet to be determined however staff will be protected by The *Transfer of Undertakings (Protection of Employment) Regulations 2006*.

9.3 **Procurement** - There are no procurement considerations associated with this proposal

9.4 Health – None

10. Timetable for implementation

10.1 The Project Board will manage the transition from the existing service to the proposed. The Board will include Veolia senior management when required and will support the complex systems changes and to support staff that might be impacted by the proposal.

Date	Action
August 2015	Decision taken
August - Nov 2015	Staff transfer - staff and union discussions
August 2015	Project Board established
September 2015	Draft Variation
July 2015 – January 2016	Implementation
November 2015	Go Live - Staff Transfer
December/January 15/16	Go Live - IT System and all processes

Audit trail				
Consultation				
Name/Position	Lambeth cluster/division or partner	Date Sent	Date Received	Comments in para:
Cllr Imogen Walker	Deputy Leader (Policy)		07/08/2015	Throughout
Sue Foster	Strategic Director Delivery		27/07/2015	Throughout
Hamant Bhardia - Finance	Business Partnering	02/06/2015	17/06/2015	Section 3
Michael O'Hora Legal Services	Enabling: Integrated Support		17/04/2015	Section 4
Henry Langford Democratic Services	Enabling: Corporate Affairs		16/06/15	Section 4
Adrian Smith	Commissioning Director		27/07/2015	Throughout
Doug Perry	Associate Director		27/07/2015	Throughout
Raj Mistry	Delivery Director	12/062015	28/07/2015	Throughout
Nigel Lambert	Internal Audit	17/06/2015	18/06/2015	Throughout
Internal Officer Board	Date of meeting			
Procurement Board	18 th June 2015	02/06/2015	23/06/2015	Throughout
External				

Report history	
Original discussion with Cabinet Member	x.15
Report deadline	N/A
Date final report sent	N/A
Report no.	N/A
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	05.12.2014
Key decision reasons	Expenditure, income or savings in excess of £500,000 Meets community impact test
Background information	
Appendices	

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board and taken account of their advice and comments in completing the report for approval:

Signature _____ **Date** _____

Michael Clarke
Lead Commissioner

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature _____ **Date** _____

Cllr Jennifer Brathwaite
Cabinet Member Environment and Sustainability

Any declarations of interest (or exemptions granted):

Issue	Interest declared
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