

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE COMMITTEE

December 7TH 2005

**SOMERSET WASTE PARTNERSHIP - CONTRACT INTEGRATION
(This matter is the responsibility of Executive Councillor Edwards)**

REPORT OF THE STRATEGIC DIRECTOR (Joy Wishlade)

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval of the draft Vision and Constitution Principles for the Somerset Waste Board.

2. SUMMARY

- 2.1 In January 2005 the Executive agreed to participate in the development of contract integration for waste collection services.

The proposal to integrate contracts was seen as a means of reducing the financial burden of meeting increasingly challenging statutory targets for recycling and waste minimisation.

3. BACKGROUND

- 3.1 In January 2005 the Executive agreed to participate in the development of contract integration for waste collection services. This was an integral part of the Joint Waste Best Value Review Continuous Improvement Plan (CIP) that was adopted by the Council in March 2002.

- 3.2 The proposal to integrate contracts was seen as a means of reducing the financial burden of meeting increasingly challenging statutory targets for recycling and waste minimisation.

- 3.3 In October 2004 the Somerset Waste Partnership appointed Eunomia Research and Consulting (funded by Defra) to work with the six authorities to examine the potential business case for:
- (a) Integrating waste collection contracts across the five District Councils;
 - (b) Forming a joint Executive body to govern the delivery of all waste management services (waste collection and disposal) across Somerset (known as the Somerset Waste Board or SWB);
 - (c) Forming a joint 'client' operation of officers to manage all waste collection and disposal contracts; and

(d) Pooling all waste management budgets across the six authorities.

3.4 The business case was reported to the SWP on 10 December 2004 when all partners agreed that contract integration offers potential benefits to the partner authorities and it was agreed in principle that it should be progressed.

3.5 By May 2005 all six authorities' Executives had committed in principle to taking these steps and work has progressed since then to deliver the project plan agreed by the SWP's Senior Management Group (Executive Directors for waste services).

3.6 In order to stay on course against the project plan, each Council must now agree the high-level Vision and constitutional principles that will provide the foundation for development of the final SWB constitution.

4. PROJECT TIMETABLE

4.1 The implementation of the SWB is time critical, as several of the Districts have existing contracts for refuse collection and recycling that are due to expire in 2006 and 2007 and must be replaced by the integrated contract arrangements. Taunton Deane has already agreed an extension to the refuse contract that was due to end in April 06 and the recycling contract with ECT ends in October 07. The timetable to implement the Somerset Waste Board is therefore tight and if it cannot be managed within the timescale this will leave the Council open to increased costs. If the proposal for an integrated contract fails TDBC will have to procure a contract individually and it is anticipated this will result in both higher procurement costs and contract costs.

4.2 The joint contracts are due to start on 1st June 2007. In order for this date to be delivered, the following steps will be required of all partner authorities:

(e) Agreement of the SWB Vision and constitutional principles by December 2005;

(f) Agreement of the SWB management structure, service development strategy and budget pooling mechanism by March 2006;

(g) Agreement of the final SWB constitution by June 2006; and

(h) Agreement of the award of refuse collection and recycling contracts by November 2006.

4.3 Work has progressed in each of these areas and reports will be brought forward to Members to enable these key decisions to be made in time to allow their ratification at the scheduled quarterly meetings of the SWP in December 2005 and March and June 2006.

5. SOMERSET WASTE BOARD VISION

5.1 The process of arriving at an agreed vision for the SWB is an important one, as it will provide the foundation on which the rest of the project will develop. It is also important that the partnership is able to present and articulate a description of what it

is trying to achieve, particularly to the staff (both internal and contractors' workforces) and to potential bidders for forthcoming contracts.

- 5.2 The process of developing the SWB Vision began in May 2005 with a series of meetings with the Directors for waste services from all of the partner authorities, facilitated by Eunomia Research and Consulting. This work culminated in a workshop in June at which the Directors agreed a draft vision.
- 5.3 This work was then brought to a workshop of the portfolio holders for waste services from all of the partner authorities, on 22nd July. The portfolio holders were largely in agreement with the Directors and with one another. However, further work was requested in a number of areas. Some of this work was of direct relevance to the Vision and a summary of its conclusions is provided at Appendix B to this report.
- 5.4 Following this further research, a draft SWB Vision has been developed, which can be found at Appendix A to this report.

6. CONSTITUTIONAL PRINCIPLES

- 6.1 The following paragraphs comprise a set of high-level principles for the SWB constitution. The principles will provide a framework within which the detail of the constitution can be developed. Each of the partner authorities will be represented in the further development of the constitution by their Portfolio Holder for waste services, their Executive Director for waste services and by their representative on the SWB Legal Sub-Group.
- 6.2 These principles do not set anything in stone, although Members should note their importance to the ongoing development of the final constitution. Whilst they may be subject to change as the constitution development process matures, any such changes are unlikely to fundamentally change the nature of the partnership outlined below.
- 6.3 The SWB will be an independent entity. In other words, it will be contracting body for waste collection and disposal services and will be able to employ staff in its own right. Only if this proves to be legally impracticable will the partnership opt for a Joint Committee with lead authority model.
- 6.4 The duration of the arrangements indefinite, although provision will be made for the withdrawal of individual partner authorities and for the winding up of the partnership.
- 6.5 The functions that will be discharged by the SWB on behalf of the partner authorities will be those of waste collection and disposal, as defined in Part 2 of the Environmental Protection Act 1990 (and subsequent relevant enactments).
- 6.6 The SWB will be funded primarily through the pooling of the waste management budgets of the partner authorities. This will be done on an equitable basis that takes into account:
 - (a.) Historic waste management budgets;

- (b.) Any need to invest in service development; and
 - (c.) The need to positively incentivise more sustainable waste management practices.
- 6.7 The budget pooling mechanism will also provide for dealing with any increased costs, losses or budget shortfalls, as well as for dealing with surpluses, under-spends and savings.
- 6.8 Any partner authority will be able to leave the SWB arrangement following a notice period of twelve months from the end of the financial year, or sooner by unanimous agreement of the partnership. In such circumstances, any outstanding liabilities would be met by the withdrawing authority, including its share of any contractual commitments to third parties.
- 6.9 The SWB Executive will be made up of twelve members, comprising two elected Council members nominated by each of the six Somerset authorities.
- 6.10 It will have delegated authority to make all decisions regarding waste services across the six authorities, except where:
- (a) A decision would have a significant impact on the financial contribution of partner authorities; or
 - (b) On the service design;
- 6.11 In such cases, decisions of the SWB will only come into force upon ratification by the affected partner authorities.
- 6.12 The ordinary business of the SWB will be agreed by simple majority. The Chair of the SWB will not have a second casting vote. In the event of deadlock, the partners would allow a period of reflection to endeavour to arrive at a decision, following which the matter would be resolved through independent mediation. Failing this, the matter would be referred to binding arbitration. These provisions would not affect decisions referred to in paragraphs 6.10 and 6.11 as requiring ratification by partner authorities.
- 6.13 The work of the SWB will be scrutinised jointly by the partner authorities and will be open and accountable to the public.
- 6.14 Members of the executive will act in the interest of the partnership as a whole and not in the sole interest of their own authority.

7. FINANCIAL IMPLICATIONS

- 7.1 The business case for the implementation of an integrated refuse/recycling contract across Somerset anticipated the reduction of TDBC's costs to be in the region of £100k to £200k per annum. The final level of saving will be dependent on the success of the procurement process and management decisions leading to contract integration.

8. IMPACT ON CORPORATE PRIORITIES

8.1 The impact relates to the Environment and Delivery corporate priorities.

9. CONCLUSION

9.1 Neither the Vision nor the constitution principles set anything in stone, but they do take a significant step towards the agreement of a final constitution for the SWB. It is important that they are adopted by all of the partner authorities at this stage, to allow the development of the final agreement to take place within a clear framework and to allow the partnership to articulate the project to staff and the outside world.

10. RECOMMENDATIONS

10.1 That Members note the content of the report, including progress to date on implementing the Somerset Waste Board and the key project milestones outlined in paragraph 4.2.

10.2 That the Executive Committee approves the following recommendations:

- (i) The SWB Vision attached at Appendix A; and
- (ii) The constitutional principles in paragraphs 6.3 to 6.14 of this report.

Contact Officer: Joy Wishlade, Strategic Director
Tel: (01823) 356403
E-mail: j.wishlade@tauntondeane.gov.uk

The Somerset Waste Board

A vision for sustainable resource management in Somerset

Resource Management

Somerset has developed a vision for how waste should be managed and resources conserved. Firstly, waste should be prevented from arising in the first place and policies should be avoided that are inconsistent with this aim.

Secondly when waste is produced, it should be reused, recycled or composted. Any residual waste should be treated before disposal so that further value can be recovered and so that the impact of final disposal is minimised.

We have not yet attained this vision, but by working together, the Somerset local authorities are making rapid progress towards it. By 2010, 50% of Somerset's waste will be being recycled. Waste production will be in decline and local communities will be taking responsibility for the waste they produce. The Partnership will be recognised as the leading provider of sustainable waste management services in England.

The SWB Concept

The Somerset Waste Board will bring together the six local authorities in Somerset (five Districts and the County Council) to form a single executive body responsible for all waste services in Somerset. This approach will bring together the responsibilities of the District Councils as waste collection authorities and the County as the waste disposal authority, breaking down the long standing boundary between the two disciplines creating one virtual authority.

The Customer Experience

The aspirations and needs of the customer will be at the heart of the SWB approach. Continuous improvement in service quality and value for money will be obtained by:

- Pooling financial resources to achieve economies of scale;
- Pooling knowledge and experience to deliver best practice; and
- Sharing responsibility whilst providing clear leadership.

The SWB will engage with contractors on behalf of the six authorities to make best possible use of markets. Response to customer need will be streamlined so that, in the event of a problem or service request, the customer will be provided with a satisfactory outcome as quickly and reliably as possible. The SWB organisation will be designed around the needs of the customer for an improving service that offers excellent value for money for the partners and customers.

Partnership Principles

The SWB Executive will be made up of two elected Council members nominated by each of the six Somerset authorities. It will have delegated authority to make all decisions regarding waste services across the six authorities, except where a decision would have a significant impact on the financial contribution of partner authorities or on the service design. In such cases, decisions of the executive will only come into force upon ratification by the affected partner authorities.

The Executive will be empowered to deliver the Somerset Municipal Waste Management Strategy and drive forward the sustainable resource management agenda on behalf of the partner authorities. The work of the SWB will be scrutinised jointly by the partner authorities and will be open and accountable to the public. Members of the executive will act in the interest of the partnership as a whole and not in the sole interest of their own authority.

Customer Contact, Scrutiny and Client Operation Options for the Somerset Waste Board

1.0 Introduction

On the 22nd July 2005, the Portfolio Holders for waste management and their corresponding service Directors from all six Somerset waste authorities met for an all-day workshop to consider the working vision for the Somerset Waste Board (SWB) developed by the Directors at a previous workshop on the 20th June. Whilst the 22nd July workshop produced a significant degree of consensus, a number of Members raised specific questions, issues or concerns relating to five key areas discussed on the day:

1. Options for customer contact arrangements;
2. Options for scrutiny arrangements for the Somerset Waste Board;
3. Options for centralisation of the joint client operation;
4. Options for the Chairmanship of the Somerset Waste Board; and
5. Issues for the SWB relating to the Landfill Allowance Trading Scheme (LATS)

This brief paper aims to address the first three of these by summarising the appraisals of the options that have been undertaken. The options for chairmanship of the SWB will be considered in the light of legal advice and are do not need to be resolved at this stage. LATS will be picked up separately, through work underway on options for budget pooling arrangements.

2.0 Approach

The approach has been to compare the performance of options against criteria and issues raised by officers and Members. Each option has been marked on a scale of 1 to 5 in terms of its performance against each criterion, with 5 being the 'best' and 1 the 'worst'. The different criteria are not weighted and so the relative importance of different criteria (e.g. 'cost' or 'quality') is not taken into account. However, the appraisals do point to a way forward for each issue that is well supported by analysis. The following sections consider the results of the options appraisals for each of the three areas considered.

3.0 Customer Contact Options

Options for customer contact arrangements have both practical and more political implications. It is obviously essential that contract management integrity is maintained, and this is a concern most obviously when decentralised options for customer (and therefore contractor) contact are considered. However, where 'full' centralisation of customer contact is considered, the perception that the service is no longer being delivered by the 'local council' is an understandable concern to Members.

3.1 Option 1 - Retain existing contact centres

All communications from customers are handled by the existing contact centres. Simple queries and service requests are handled by contact centre staff. More complex issues are put through to the SWB. Simple service requests (e.g. non-controversial missed collections) are made directly to the contractor and copied to the SWB client team.

3.2 Option 2 - At SWB staff base (one 'optimised' depot)

All calls are directed to the SWB, either through a series of local numbers or through one dedicated 'waste hotline' number for the whole County. Calls are handled by a centralised SWB contact centre, located at one of the 'optimised' depots.

3.3 Option 3 - At SWB staff base (office location)

As Option 2, but with the contact centre based (along with other SWB client staff) at an office location, which might or might not be sited at one of the partner authority's offices.

3.4 Option 4 - Within an existing Contact Centre

As Option 2, but with the SWB contact centre 'tacked on' to one of the existing contact centres run by the partner authorities.

3.5 Option 5 - Virtual CCC, utilising several existing Centres

As Option 2, but set up as a 'virtual' contact centre, utilising resources in several (or all) of the existing centres. Calls would be diverted to whichever centre had capacity to deal with each call.

3.6 Option 6 - Hybrid - some centralised, some not

A high-level hybrid of Options 1 and 2 to 5, that allows the authorities that either are 'not ready' to or do not want to join a centralised contact centre to retain local customer contact arrangements.

3.7 Customer Contact Conclusions and Recommendations

The results of the appraisal are shown in Figure 1 below. The 'centralised' options all performed significantly better against the criteria than the 'localised' options. In particular, they scored well in terms of integrity of contractor contact, future overhead implications, software development implications and clarity of boundaries between the SWB's responsibilities and those of the member authorities. Of the four centralised options, Option 4 (using an existing contact centre) scored best by virtue of low set-up costs and overheads, although Option 2 (depot-based contact centre) came a close second and scored best on contractor contact and SWB management integrity.

It is recommended that further work is carried out on the details relating all six options and that none are ruled out at this stage. In particular, work is required to review the current use of Northgate across the six authorities and to do more detailed and accurate costings of the options. However, it is recommended that the vision should be based on Options 2 to 5 – in other words, on some form of centralised customer contact. Options 1 and 6 should only be retained as contingency options to provide a fall-back if 2 to 5 prove to be undeliverable, either technically or financially.

Customer Contact, Scrutiny and Client Operation Options for the Somerset Waste Board

Figure 1 - Comparison of Customer Contact Options

Options		Contractor Contact	Ongoing Overheads	Infrastructure Set-up	Software Set-up	Double Handling of Calls	Clarity of Boundaries	Short Term Deliverability	Loss of Control - Partners	Consistency of Message	SWB Management Integrity	Opportunity for Local Number	Total
	1. Retain existing contact centres	1	1	5	1	3	1	3	5	3	1	5	29
Central Contact Centre	2. At SWB staff base (one 'optimised' depot)	5	3	1	4	2	5	3	2	3	5	5	38
	3. At SWB staff base (office location)	4	3	1	4	2	5	3	2	3	5	5	37
	4. Within an existing Contact Centre	3	5	4	5	3	3	4	2	3	3	5	40
	5. Virtual CCC, utilising several existing Centres	2	4	3	3	4	3	2	3	3	2	5	34
	6. Hybrid - some centralised, some not	1	2	2	2	2	1	3	4	1	1	5	24

4.0 Scrutiny Arrangements for the Somerset Waste Board

The precise arrangements for scrutiny will have to be resolved during the development of the legal form and constitution of the SWB, based on legal advice. However, scrutiny arrangements should be considered by the Vision, particularly as they are likely to have significant implications within the partner authorities themselves. It is therefore important at this stage that the Partnership is able to establish the extent to which its vision is for joint or localised scrutiny.

4.1 Option 1 - Joint Scrutiny Panel (2 Members each)

The appointment of a (probably non-statutory) joint scrutiny panel made up of two non-executive members of each partner authority who are also not members of the SWB executive board. This joint panel would be unlikely to be able to legally replace scrutiny within the partner authorities, but would be designed to ensure good communication between the SWB and wider memberships (including oppositions) within the partner authorities and thereby to help to minimise the potential for unnecessary call-in of decisions. The joint panel would have the power to call in decision itself, but local scrutiny would also probably be retained (according to latest legal advice).

4.2 Option 2 - Joint Scrutiny Panel (1 Member each)

As Option 1, but only involving one Member from each partner authority, this approach would be cheaper to run, but arguably less transparent and accountable.

4.3 Option 3 - Local Scrutiny

No joint scrutiny arrangements would be developed. The day-to-day responsibility for scrutinising the SWB would rest with the relevant scrutiny panel or committee within each partner authority.

4.4 Scrutiny Arrangements Conclusions and Recommendations

The options (1 and 2) involving joint scrutiny scored best (see Figure 2 below) by a significant margin. This was because they were more likely to foster good communication and consensus based decision making and although not able to prevent 'local' call-in, should be able to minimise their frequency to the occasions where they genuinely add value to the service and its accountability to Council Tax payers.

More work is required on the legal position regarding joint scrutiny where a statutory Joint Board does not exist. Some recent precedents do exist that may be of use, but none of these (as far as we know at this stage) have been extensively challenged. However, it is clear that even 'informal' joint scrutiny is likely to make the operation of the Board more effective and efficient without compromising local accountability. It is therefore recommended that the Vision include a commitment to pursue joint scrutiny arrangements.

Customer Contact, Scrutiny and Client Operation Options for the Somerset Waste Board

Figure 2 - Comparison of Options for Scrutiny of the SWB

Options	Communication - Partners/SWB	Potential for Unnecessary Call-in	Potential for Inadequate Scrutiny	Ultimate Ability for Partner Call-in	Opportunities for Pre-scrutiny	Efficiency of Scrutiny - Time	Efficiency of Scrutiny - Cost	Total
1. Joint Scrutiny Panel (2 Members each)	5	4	3	5	5	5	3	30
2. Joint Scrutiny Panel (1 Member each)	4	3	2	5	5	4	5	28
3. Local Scrutiny	2	2	4	5	3	2	2	20

5.0 The Extent of Client Centralisation

The extent to which the SWB client operation is 'centralised' is fundamental to the Vision. The extremes are that the partner authorities divest themselves of all waste management staff and they are based at a centralised location, or that the more 'operational' staff, although probably employed by the Board remain located within the partner authorities. The issues raised by Members concern both the need for local ownership and knowledge to be a feature of the joint client and the extent to which loss of local control was desirable.

5.1 Option 1 - SWB Staff Based on Optimised Depots

The SWB staff are based all based at 'optimised' depots. One depot houses a 'head office', with the other key depots housing area based staff who act as liaison officers for the individual authorities and as on-the-ground contract managers and enforcers.

5.2 Option 2 - SWB Staff Based in Central Office

As Option 1, but with the 'head office' element being based in an office – either within an existing member authority office or not, but probably in one of the major Somerset towns.

5.3 Option 3 - SWB Staff Split - Central Office and Partner Authorities

As Option 1, but with all monitoring/enforcement officers (perhaps one per authority) being based within the partner authorities' offices.

5.4 Option 4 - SWB Staff Based Entirely in Partner Authorities

The SWB client team would have a 'virtual' location, with individual staff being spread across the offices of the partner authorities.

5.5 Client Centralisation Conclusions and Recommendations

The options involving SWB centralisation within a head office coupled with depot based area liaison officers (1 and 2) scored best. They scored particularly well against criteria relating to management integrity and organisational culture of the SWB. Option 1 was the preferred option by a reasonable margin, by virtue of its ability to maximise communication with contractor(s) and within the client staff team.

Further detailed work on the optimum management arrangements for the SWB will be carried out over the next six months. This will inform the precise needs of the Board's client operations in terms of leadership, management structure and person specifications for all SWB posts. It is recommended that this work be steered by a commitment within the Vision to work towards an arrangement based on Option 1, which appears to offer significant benefits over any other alternative considered.

Customer Contact, Scrutiny and Client Operation Options for the Somerset Waste Board

Figure 3 - Comparison of Options for Centralisation of the Client Operation

Options	Accountability to Individual Partners	Consistency with SWB Concept	Interface with Contractor	Interface with Partner LAs	SWB Management Integrity	SWB Staff Communication	Ability to Develop SWB Organisation Culture	Overheads	Total
1. SWB Staff Based on Optimised Depots	4	5	5	3	5	5	5	3	35
2. SWB Staff Based in Central Office	4	4	4	3	5	5	4	2	31
3. SWB Staff Split - Central Office and Partner LAs	4	3	4	4	4	3	3	3	28
4. SWB Staff Based Entirely in Partner LAs	5	2	3	5	3	2	2	5	27