

Cabinet

Date: 24th May 2023

Waste and Street Cleansing Service Commissioning Approach for service delivery

APPENDIX X OPTIONS MATRIX ADVANTAGES / DISADVANTAGES

Lead officer:

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The tables below provide a summary of both the advantages and disadvantages for each of the delivery models being considered.

Commissioned service

Advantages	Disadvantages
Operational expertise; Management support structure; Well-developed management systems for service delivery, fleet management, health and safety and contingency planning; Management and resource structure able to flex resources to respond to significant local emergencies;	Contracting out cost includes provision for private sector profit margin and corporate overhead, inflating service costs; Contracts lock in costs and resources resulting in a lack of flexibility to change services in response to changes in Council budget or service priorities; Local management resourcing can be mixed and transient; Lack of transparency in service provision as service failures are not admitted to avoid contract deductions;

<p>Private sector provides robust HR framework for managing operational service delivery;</p> <p>Substantial waste sector buying power for fleet, supplies and support services;</p> <p>Contractor takes responsibility for service delivery;</p> <p>Contractor provides capital and takes risks on fleet and depot provision;</p> <p>Contractor takes responsibility for labour relations, health and safety and waste management compliance; and</p> <p>Costs set by contract mechanisms provide certainty for budget management.</p>	<p>Requires Council to fund contract client team to ensure contract complied with; and</p> <p>Fleet costs written down over contract term may have useful life remaining at contract end.</p>
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Direct Service Organisation

Advantages	Disadvantages
<p>Provides for more flexible resource allocation allowing the service to react to changes in Council priorities.</p> <p>Enables the Council to adjust expenditure and resourcing to respond to budget pressures (particularly relevant where there is future budget uncertainty);</p> <p>DSO is directly accountable for service delivery removing the need for client management function and costs.</p> <p>Workforces returning to Council control are often appreciative of the change and quality service improvements can be delivered providing management systems are implemented appropriately;</p> <p>Local service knowledge developed and retained within the Council ensuring</p>	<p>Local Government pension scheme costs are substantially higher than private sector provision. Council pension costs are typically in excess of 15% compared to Private sector employer contribution schemes frequently at the national minimum rate, which is currently 3%. The cost impact is significant as labour costs represent nearly half of total waste service costs.</p> <p>DSO Management expertise may not exist where services have historically been sub-contracted out.</p> <p>Councils have direct responsibility for service risks arising from service performance, Health and Safety, workforce relations, price volatility in fuel and labour costs;</p>

<p>management are aware of service delivery challenges; and</p> <p>Fleet and equipment specification is best suited to local environment.</p>	<p>HR processes within Local Authorities are often slower than private sector equivalent.</p> <p>Would normally require capital investment to fund the fleet (currently in capital programme) and provide a depot.</p>
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Local Authority Trading Company

Advantages	Disadvantages
<p>The Council can award services to a LATC through a TECKAL Exemption, if the 'control and function' test is met, removing the procurement costs of contracting out.</p> <p>Pension Costs are outside of the Local Government Pension Scheme; however, the Council will want to consider 'reasonable' contributions to the pension scheme as workers will feel 'a part of the Council'. Major discrepancies between Council worker contributions and LATC worker contributions may lead to industrial relation risks.</p> <p>The Council retains control over service delivery and changes in service delivery and priorities can be implemented without constraints of private sector contract negotiations.</p> <p>The LATC can develop a more commercial culture and approach to HR/Financial management compared to a DSO;</p> <p>Retains local knowledge within the LATC; and</p> <p>LATC model has the potential to include future service provisions, such as the grounds maintenance functions, while also providing opportunity to undertake</p>	<p>The Council may not possess management expertise and will have to source new staff to operate and manage the LATC. Additional costs are required for securing appropriately qualified and experienced staff.</p> <p>There are additional support service costs for HR to aid establishment of competitive commercial culture and provide effective operational support.</p> <p>There are additional support service costs for finance to comply with commercial accounting requirements and provide robust oversight on budget control and reporting.</p> <p>LATCs require the establishment of a Company Board and Governance structure to oversee costs and performance. The appointment of a company CEO/Directors and specialist non-executive directors would be a new governance cost.</p> <p>LATCs are 'registered' companies under the Companies Act 2006. The company is responsible for its activities and its finances are separate to the finances of the council, including management of payroll.</p>

analogous work within our community for smaller operations - e.g. cleansing or grounds maintenance to support a housing association.

Will require the Council to fund capital investment for fleet and depot provision and fleet costs would be higher without the benefit of private sector buying power;

Higher set up costs than DSO or contracting out;

The LATC will have to procure and implement effective IT performance management systems that integrate with the Council's call center services;

The Council has more direct accountability for service provision than contracting out; and

Purchasing and procurement within a LATC model is required to be compliant with the Public Contracts Regs (2015).