

This Report will be made public on 9 April 2019



Report Number **C/18/87**

**To:** Cabinet  
**Date:** 17 April 2019  
**Status:** Key Decision  
**Responsible Officer:** Amandeep Khroud, Assistant Director - Governance, Law & Regulatory Services  
**Cabinet Member:** Councillor David Godfrey, Cabinet Member for Special Projects

**SUBJECT: STREET CLEANSING REVIEW**

**SUMMARY:** It was agreed that that the Waste 2021 project would conduct an options appraisal exercise looking whether the street cleansing service should be insourced. The report summarises the conclusions of this review.

**REASONS FOR RECOMMENDATIONS:**

The Cabinet Member is asked to agree the recommendations set out below because:

- a) The outcome of the options appraisal exercises supports the continued delivery of the street cleansing service by an outsourced provider.

**RECOMMENDATIONS:**

1. To receive and note report C/18/87.
2. To approve the following recommendations
  - a) The delivery of the street cleansing service is incorporated in the main procurement project being undertaken jointly with DDC with the intention of putting in place new contractual arrangements with an outsourced provider for waste, recycling, refuse and street cleansing services starting on 15/1/21.
  - b) The outcome of the procurement to be reported to Cabinet by July 2020 in order to approve the final contract award.

## **1. BACKGROUND**

- 1.1. The Waste Recycling and Street Cleansing contract ends on 15/1/21. In preparation of the new service arrangements an options appraisal exercise was completed, which was reported to Cabinet on 17/10/18 (C/18/35).
- 1.2. This report recommended (b) in terms of the waste, recycling and refuse collection contract that this was contracted with an outsourced service provider. Preparation has started on the new tender specification.
- 1.3. The report further recommended (d) in terms of the street cleansing service that: -

*'FHDC to complete an options appraisal exercise to consider the operational costs, risks and benefits of insourcing the street cleansing service.'*

- 1.4. An options appraisal exercise was completed and its conclusion was that the street cleansing services should continue to be outsourced and delivered as a combined service with the waste, recycling and refuse services.

## **2. OPTIONS APPRAISAL EXERCISE**

- 2.1. The options appraisal exercise was conducted in three stages.
  - The first stage was a financial comparison of an insourced service to an outsourced service.
  - The second stage looked at the service specification and if these requirements determined how the service should be delivered in the future.
  - The last stage was a review carried out by the project consultants Waste Consultancy Ltd to validate the findings of the prior stages.

## **3. FINANCIAL APPRAISAL**

- 3.1. The current contract cost for the street cleansing service is £1.2m per annum. A financial model was developed based on the existing Veolia contract staffing structure incorporating: -
  - Staffing costs including on costs and pensions.
  - Plant and equipment capital investment costs.
  - Premises (Depot) costs.
  - Other corporate internal recharges.
- 3.2. These figures were then 'sensed checked' against the current staffing structures and pay grades for comparable in-house services. A separate cost model was developed estimating the expected contract cost of an outsourced service when next tendered.

3.3. These figures are included in Appendix 1 which is exempt on grounds of commercial confidentiality as these figures will be used in the financial evaluation of the next tender.

3.4. The conclusions from the financial assessment were: -

- Operating the service in-house would cost the council more than delivering the service via an outsourced provider.
- There are cost efficiencies from combining the street cleansing service with the waste and recycling service as it is currently delivered. These were mainly around shared management administration and depot costs.
- Staffing costs would increase if insourced mainly due to higher on-costs including pension costs. This would not be offset by savings from contractor profits.
- On balance it was expected that a large outsourced provider would achieve better economies of scale from plant and equipment purchases.

3.5. The financial assessment also identified higher premises/depot costs if insourced. As the service is currently combined with waste and recycling services it operates from a single depot (Ross Way). Due to health and safety restrictions related to the depot site it was unlikely that a waste contractor would be able to share access to current the depot site with an insourced street cleansing service. This would require a separate depot being developed with the associated capital investment. This increases the financial cost as well as acting as practical constraint as no alternative site is immediately available.

#### 4. SERVICE APPRAISAL

4.1 Street cleansing is a high profile service and plays an important role in meeting the corporate objective of 'Appearance Matters'. The present contractor has provided a good service although the growth in visitor numbers to the district has at times put the existing arrangements under strain. The service appraisal looked at the service pre-requisites and the aspects of the service that we would want to improve and whether the delivery of these improvements determined or influenced the decision on remaining outsourced or bringing in-house.

4.2 In terms of service pre-requisites the following were identified: -

- **Output/Input Hybrid Specification** – the contract is currently a 'performance' or 'output' based specification. It was felt the new contract should have a hybrid specification that was a mix of output standards for high footfall/high profile areas and direct resourcing (e.g. scheduled street sweeping) for lower footfall areas.
- **Flexibility/Capacity** – the ability to scale up resources/call in resources like bulk bins, staffing for large events, vehicles and jet washing.

- **Hazardous Waste** – the ability to respond, remove and dispose of fly tipped hazardous waste (commonly asbestos containing materials).
- **Traffic Management** – The health and safety requirements to put in place traffic management when cleansing on or near traffic routes has increased over the term of the current contract. The new service would need to have the training and capacity to implement traffic management. It is recognised this may need to be externally contracted regardless of how the main service is delivered.
- **Service Changes** – The new service would need to be able to support developments in the sector like a wider roll out of compaction bins and/or electronic bin sensors.
- **Coordination With Other Services** – notably between Waste Collection rounds and Street Cleansing rounds.

4.3 In terms of service improvements the following were identified: -

- **Supervision** – this needs to be more proactive and problem solving.
- **Zoning Review** – as part of the specification process there would need to be a reassessment of the current standards as applied to different areas with the likely outcome that some would need to be revised upwards due to increased footfall.
- **Defaults/Incentive Mechanism** – The current regime is over complicated and does not have a direct enough link to the service received on the ground. It is also based on a 'catch and default' approach which does not generally incentivise consistent good performance, flexibility or operating beyond the contracted standard.
- **Weed Spraying** – A service carried out on behalf of Kent highways who fund one annual spray. This is supplemented by an additional FHDC funded spray and ad-hoc spraying carried out by the contractor.
- **Public Events** – The current contract does not list any public events that are supported as standard. It would help to have certainty for both council and organiser in advance about what events will be supported within the contract and events the organiser needs to make their own cleansing arrangements.

4.4 Taking into account the financial constraints under which the new service would need to operate, consideration was given to the main priorities in order to support the corporate objective of 'Appearance Matters'.

- **7-day Service** – the new service would need to be flexible and responsive to changing street cleansing demands throughout the week and the weekends. This goes beyond simply resourcing for the higher weekend footfall but also having a level of supervision and ability to

scale up to meet demand and respond to incidents and contact from the public.

- **Resilience/Responsive** – the new service in terms of delivering its core day-to-day activities would need to be resilient. It would also need to be responsive to occasional requirements like large fly tips, hazardous waste, public events and provision of traffic management. This may be through other external providers but the new service would need to have the ability to access these resources.
- **Improved Use of Technology** – the current service is relatively low tech. The new service should make more functional use of IT e.g. for inspection monitoring, tracking and mapping demand.

4.5 Arguments could be made that different service aspects would be easier to deliver in-house (e.g. supervision improvements) or outsourced (e.g. co-ordination with the waste collection rounds). However whether the service was outsourced or insourced was not a determining factor to achieving these aims.

## 5. CONSULTANT REVIEW

5.1 The final stage of the options appraisal exercise was a separate review completed by the project consultants Waste Consultancy Ltd.

5.2 The report is attached as Appendix 2 and covers the service aspects and the expected financial costs of both service models. For this reason the report is exempt as these figures will also be used for the financial appraisal of bids.

5.3 The report also concludes (see table 2.2) that the insourced costs would be higher than outsourced. The figures are similar to the council estimates. The report on page 13 also reaches the same conclusions on the difficulties of operating a shared depot space.

## 6. CONCLUSION

6.1 The overall conclusion of the options appraisal exercise is that the street cleansing service should continue to be outsourced and tendered as combined service with the new Waste and Recycling Collection contract. This conclusion is supported by the financial assessment, restrictions around the depot use and by the separate review conducted by the project consultants.

6.2 If the recommendation is agreed, the next stage will be to develop a service specification that includes the pre-requisites and improvements discussed in part 4 to be incorporated into the joint tender being prepared in partnership with Dover District Council.

6.3 The financial assessments prepared for this review will be used as a comparison when the final tenders are received. A report to Cabinet seeking approval of the final contract award will be presented when the procurement is completed expected to be July 2020.

## 7. RISK MANAGEMENT ISSUES

7.1 The main risks for the project overall are: -

Perceived risk	Seriousness	Likelihood	Preventative action
Financial –a significant increase in costs for the next waste, recycling and street cleansing contract	High	High	<ul style="list-style-type: none"> <li>• Early planning for the next service arrangements.</li> <li>• Joint working to create economies of scale and cost efficiencies across the collection and processing.</li> <li>• Review of waste collection methodology to drive cost efficiencies.</li> </ul>
Service Failures – The waste, recycling and street cleansing service is a high profile customer facing service. It is logistically complex with many potential points of failure.	High	High	<ul style="list-style-type: none"> <li>• Early planning for the next service arrangements</li> <li>• Robust client and contract monitoring arrangements to be established.</li> <li>• Agreed service plans and service level agreements.</li> <li>• Enforceable KPIs and SLAs with default mechanisms applicable to both an in-house or outsourced service.</li> </ul>
Limitations of the Waste Infrastructure in East Kent.	High	High	<ul style="list-style-type: none"> <li>• Continued engagement with KCC on improving the waste infrastructure.</li> </ul>
Regulatory Uncertainty	High	High	<ul style="list-style-type: none"> <li>• Regular monitoring of the national</li> </ul>

			<p>debate about regulatory standards and waste framework.</p> <ul style="list-style-type: none"> <li>• Additional consultancy support if needed to inform service options.</li> </ul>
Lack of commercial competition	Medium	Medium	<ul style="list-style-type: none"> <li>• Simplified procurement specification based on existing collection methodology.</li> <li>• Additional consultancy support to give a 'market view' and acts as an 'expert friend' in the process.</li> </ul>
Project Not Delivered By January 2021	High	Medium	<ul style="list-style-type: none"> <li>• Early planning for the next service arrangements</li> <li>• Project budget to obtain additional consultancy support if needed</li> </ul>

## 9. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 9.1 Legal Officer's Comments (DK)

There are no legal implications arising directly out of this report on the basis the Waste Recycling and Street Cleansing Contract due to start in 2021 is competitively tendered for in accordance with the Public Contracts Regulations and the Council's CSOs.

Legal Services will, upon instruction, advise on the terms and conditions of contract and a partnering, consortium and/or shareholders' agreement (depending on the agreed way forward) with Dover DC in order to facilitate the Project and to regulate each of the councils' respective responsibilities.

### 9.2 Finance Officer's Comments (RH)

The service delivery cost review was carried out by Waste Consulting Ltd, and covered FHDC and DDC. The figures calculated in the separate cost model are based on FHDC pay grades and include estimates for equipment etc. the total figures show a far greater cost than the current £1.2m spent on Street Cleansing.

### 9.3 Diversities and Equalities Implications (AR)

There no diversity and equalities issues at this stage.

## 10. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Andrew Rush, Corporate Contracts Manager  
Telephone: 01303 853271  
Email: andrew.rush@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

FHDC and DDC Street Cleansing Review – report by Waste Consultancy Ltd

### **Appendices:**

**These appendices are exempt under as defined by Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information) 'Financial or business affairs' includes contemplated as well as current activities), part 1 of Schedule 12A to The Local Government Act 1972.**

Appendix 1 – FHDC Financial Appraisal

Appendix 2 – FHDC and DDC Street Cleansing Review