

Local Government Service Approaches

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About us



Providing clients with a high quality, sustainable waste management consultancy solution, with awareness of constrained budgets.



To consider

Insourcing, Trading and / or Teckal companies

- **Whether to** and **when** a local authority could/should insource or set up a Local Authority Trading Company (LATC) to deliver environmental services
- **Which** environmental services should a local authority consider insourcing or providing through a trading company and **how** may this be implemented?
- opportunities for **commercialisation** utilising innovation

Outsourcing

- Benefits and strengths of outsourced contracts
- **Why** and **when** to outsource
- **Good practice** in procurement

A range of approaches to service delivery

- In-house / Teckal Exempt
- Local Authority Trading Company (LATC)
- Outsourced
- Combination of the above for different services

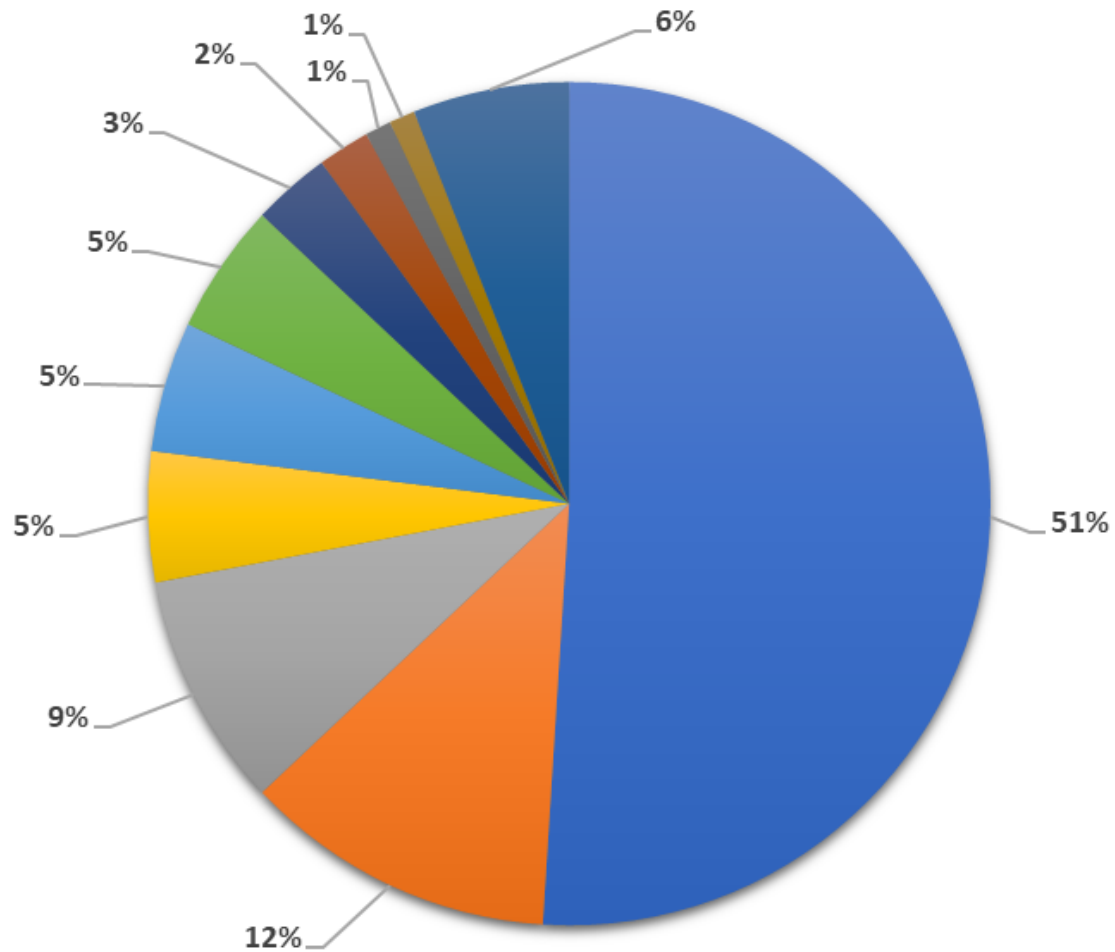


In-house and LATC

There has been a trend for local authorities to insource their service provision or establish trading companies for environmental services over recent years, including the following:

- **Middlesbrough** (2015)
- **Liverpool** (2015)
- **Hounslow** (2015)
- **Bristol City Council** (*set up Bristol Waste*) (2016)
- **Slough** (2016)
- **Hastings** (2017)
- **Staffordshire Moorlands** (2017)
- **East Cambridgeshire** (2017)
- **Wolverhampton** (2018)
- **Daventry** (2018)
- **Redbridge** (2018)
- **Blackpool** (2018)
- **Tower Hamlets** (2018)
- **Peterborough** (2019)

Collection services in 2018/19



■ In-house ■ Veolia ■ Biffa ■ Sercos ■ Kier ■ Amey ■ Suez ■ FCC ■ Urbaser ■ Hills ■ Teckal

Whether to and When

In order to decide Whether to and then When to insource or establish a LATC a Local Authority should evaluate the

- *Reasons*
- *Benefits and*
- *Risks*

of providing environmental services via all the options available to them

Why insource/set up a LATC

- Greater level of control and ability to direct
- Potential time and cost savings
- Greater flexibility to future change
- Simplified service delivery
- Greater 'up-side' when revenues are generated or costs fall
- Potential to develop community or charitable services
- Opportunity to provide commercial services
- [Politics]
- [Bad experiences!]

What is a 'Teckal' organisation?

- A Teckal organisation is an **Arm's Length Management Organisation** (ALMO) within a local authority, and is a form of Local Authority Trading Company.
- It can provide wider services to their role to the local authority. It comes from the 1999 judgment of the European Court Justice case (Teckal C-107/98) which established an exemption for local authorities from procuring services where they are directly provided by the authority.

What is a 'Teckal' organisation?

- The authority must exercise sufficient control over the entity, and the entity must provide **more than 80%** of its services for the authority. The "Teckal exemption" is codified under Public Contracts Regulations 2015 (Regulation 12).
- An authority does not need to set up its own direct Teckal Company, they could use a provider such as Norse Commercial Services, who will set up and manage the service provisions. Norse was set up by Norfolk County Council, they are currently the largest Teckal supplier of environmental services.

In-house vs LATC

- Providing services in-house does provide the authority with a greater level of **control** but setting up a Trading Company may provide some additional benefits against in-house services including **lower labour costs** because a trading organisation does not have to comply with Local Government Pension Schemes (Miscellaneous) Regulations 2012 (SI 2012/1989)

When to consider insource/LATC

- 2 years to 18 months before the current contract expires – pre procurement
- When existing contract expires – post unsatisfactory procurement

Penalty clauses could apply if a contract is terminated early without an agreement

Which services to provide internally?

The services that local authorities could consider for insourcing or setting up a LATC to provide, are those which:

- have **uncertainty** over the service requirements
- are **public-facing** and reflect upon the **profile** of the local authority
- yield particular **risks** the Authority would prefer to manage
- the local authority can provide **competitive costs** against the private sector

How to insource or set up a LATC

- Consult with Members to establish the appetite for change
- Carry out an options appraisal to assess the sustainability of the delivery options
- Prepare a business case to plan and set budgets and confirm the viability
- A period of 12 months should be allowed for mobilisation and change in service delivery.

If seeking to bring services in-house, then...

Explore innovations and benefits that the
Authority can bring

Optimise LA environmental services with innovation

- Maximise collection vehicle efficiency (i.e. full working day usage of non-core vehicles, double shifting, shifts)
- Automation with less personnel time
- Sub-contract bulky waste collection to charitable organisations i.e. British Heart Foundation to maximise re-use and recycling
- Re-use at HWRC and charging for controlled trade waste
- Route optimisation
- Carbon management and carbon minimisation

Optimise LA environmental services with innovation

- Staff training
- Explore commercial opportunities in trade waste collection / niche waste collection services in your area (e.g. FEL containers / compactors, shredding services for confidential waste)
- Sharing of assets/ depots/ spare vehicles with neighbouring authorities
- Cross-selling environmental services with other commercial services, i.e. cleaning services
- Commercial use of LA assets e.g. waste transfer stations and depots

Examples



Case study 1: South Cams & Cambridge City

- Large expansion in 6 years
 - Increased from 2 staff to dedicated team of 6
 - Natural business 'boom' in city
 - Trade service now has 4000+ customers, mostly in city and surrounds
- Little 'active' marketing
 - Some cross-selling from Env Health
 - Posters on RCVs, some merchandise
- Dedicated fleet, some co-collection with household waste
- Collects residual, recyclate and food waste
 - Across 5-7 days, depending on the service

Case study 2: Oxford Direct Services

- Increased turnover from £3.5m to £8m+
- Transformative approach to service, internal and external
- Worked with trade unions, HR, legal
- Commercial approach, 'commission' sales
- Flexibility over container options / collection services
- Key customer care for larger clients
- Cross-selling services
- Invested in telematics / vehicles / training

Other examples: Nottingham, Coventry

- Nottingham City Council
 - Cross-border, maintenance facilities, confidential waste, RoRo and compactors, on-board weighing, active marketing, dedicated call-handling team
- Coventry City Council
 - Cross border, on-board weighing, expansion of service, dedicated team – bought local waste company, strategic benefit, developing infrastructure (Sub-regional MRF)

Hit to recycle income sees Norse waste losses

Norse Environmental Waste Services (NEWS) has said the £2.8 million loss it made in the 2018/19 financial year was down to “a significant reduction in revenue gained from the sale of materials”.

Part of the local authority owned Norse Group, NEWS posted a loss of £2,828,270 for the 2018/19 financial year, which was put down to a “significant reduction” in revenue gained from the sale of material.

This compares with a loss of £555,550 after tax for the financial year ending April 2018.

NEWS sells recyclable material on behalf of the seven councils in the Norfolk Waste Partnership. Kerbside collected material in Norfolk is sent to Norse’s MRF on the outskirts of Norwich.



Benefits and Strengths of outsourced contracts:-

- Expert knowledge/ specialisms
- Finance / investment
- Innovation
- Responsivity/contingency
- Implement new services / approaches
- Less political influence
- Risk transfer and reduction
- Reduced services management time and cost
- Personnel education and training
- Operational experience from other areas

Well designed procurement provides:

- Competitive, cost effective services with value for money
- Certainty over scope of services
- Confidence over revenue levels / payments for services
- Payments linked to performance, including carbon management
- Space for innovation
- Sufficient contract length to accommodate investment
- Appropriate risk share
- Community buy in / involvement
- Good client relationship / support / flexibility for unforeseen issues

When to consider Outsourcing:

- Poorly performing and/or low value for money existing services
- A good knowledge of the services required / sufficient to be explored through dialogue
- Seeking to derive some of the benefits highlighted
- A complex service / activity outside of the skills of the in-house team
- Test the value for money of the service delivery (set budgets or maximum costs for services)
- An assessment of the option is required including soft market testing to derive whether...there is a market appetite and likely competition for the service

Which model is best? This will depend on...

- The nature of the service
- The capacity and skills in house
- The degree of private sector competition
- The attractiveness of the procurement
- The rigour of the business case for in-house / LATC / Outsourcing
- The design of the contract / specification / performance & paymech [for outsourced]
- The ability of service provider [in-house or outsourced] to meet Client requirements
- Appropriate risk share
- Affordability
- Good communications / relations between parties

Discussion

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