

# CABINET

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**Wednesday, 31 October 2018 at 4.00 p.m.**  
**C1, 1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London,**  
**E14 2BG**

## **SUPPLEMENTAL AGENDA**

**The meeting is open to the public to attend.**

**Contact for further enquiries:**

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For further information including the Membership of this body and public information,  
see the main agenda.

	<b>PAGE NUMBER(S)</b>	<b>WARD(S) AFFECTED</b>
<b>6 .8 Waste Management Delivery Options</b>	<b><u>3 - 50</u></b>	<b>All Wards</b>
<b>6 .14 Approval to consult on a new Community Infrastructure Levy Draft Charging Schedule</b>	<b><u>51 - 60</u></b>	<b>All Wards</b>

<p><b>Cabinet</b></p> <p>31 October 2018</p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Ann Sutcliffe, Acting Corporate Director, Place</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Waste and Cleansing Management Delivery Options</b></p>	

<b>Lead Member</b>	<b>Councillor David Edgar, Cabinet Member for Environment</b>
<b>Originating Officer(s)</b>	
<b>Wards affected</b>	All Wards
<b>Key Decision?</b>	Yes
<b>Forward Plan Notice Published</b>	
<b>Reason for Key Decision</b>	Impact on Wards
<b>Strategic Plan Priority / Outcome</b>	A borough that our residents are proud of and love to live in

## Executive Summary

The Draft Waste Management Strategy and Future Service Delivery Options report, approved by Cabinet in June 2018, proposed a twin track approach to the delivery of Waste and Cleansing services once the current contract expires in March 2020. This comprised of an option to procure a new contract with an external provider or the option to bring the service back In-house by creating an In-house Service. All extension options for the current contract have been used.

An evaluation has been undertaken on the available options to provide new waste, recycling and cleansing functions for the Council, post April 2020, the result of which identified and supported the development and operation of a new In-house service. The evaluation does not show that there is an automatic improvement in services brought In-house or that savings will automatically accrue.

Independent financial modelling and benchmarking give some confidence that the service can be delivered In-house at no extra cost even after accounting for pension liabilities and changes to salaries and terms and conditions.

The proposals in this report identify the need to assess the service once In-house and provide options on areas for improvement and potential investment. This would ensure that the benefits of an In-house service are delivered. The key benefits can be summarised as, improved flexibility, direct control, faster problem solving, and increased commercial opportunities.

To facilitate the In-house proposal, a mobilisation team would be developed using a mixture of external recruitment and internal officers. The mobilisation team would be responsible for managing every aspect of getting the new service ready to be able to go live from April 1<sup>st</sup>, 2020 as well as the transition from the old contract to In-house Service.

## **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Authorise the Acting Corporate Director of Place to cease the dialogue for the external procurement of an integrated waste, recycling and cleansing contract currently in progress, due to be implemented for April 2020 and allow for the current contract to expire.
2. Authorise the Acting Corporate Director of Place to create an In-house service for the integrated delivery of waste, recycling and cleansing functions within Tower Hamlets, to commence from 1<sup>st</sup> April 2020.
3. To agree to delegate to the Acting Corporate Director of Place, authority to negotiate and agree an exit strategy with Veolia that would enable all or some of the services to be brought back In-house earlier than 31<sup>st</sup> March 2020, as and when required.
4. Approve the timescales for delivery and the resource allocations required to commence the delivery of a new In-house Waste Service and delegate to the Acting Corporate Director of Place, the authority to develop working strategy with the external organisations where required, to support the process.
5. Approve one off funding up to £2.5M from reserves for pre-implementation funding which will incorporate financing the creation of a mobilisation team which will oversee the development and implementation of the new In-house service.
6. Approve a capital investment of £10M for the purchase of a new fleet and a further £0.325M for the implementation of new IT systems.

## **1.0 REASONS FOR THE DECISIONS**

- 1.1 The Council needs to commence a process to re-commission its services for waste collection and street cleansing immediately to provide service continuity and discharge its statutory duties from 1<sup>st</sup> April 2020.
- 1.2 Proposals for extending the current contracts for waste, recycling and cleansing to terminate at the end of March 2020 were agreed by the Mayor in

Cabinet in October 2016. This has enabled officers to develop a range of delivery options and provide detailed information on the most appropriate future service delivery model.

- 1.3 Following the Mayor in Cabinet agreement in June 2018 to adopt a twin track approach for commissioning these services, we are now in position to either start a competitive dialogue procurement process from the end of October 2018, or to move forward with plans to take these services back In-house.
- 1.4 Given the challenges of improving waste, recycling and cleansing services across the Borough there is a need to develop options that maximise innovation, quality and value for money. Officers have now completed work on assessing the benefits of an In-house delivery option for consideration and approval.
- 1.5 Tower Hamlets faces a significant challenge over the next few years to both improve its recycling performance and to improve the quality of the local environment. This includes ensuring our streets are clean and tidy and maintained to a high standard at all times of the day and night. The authority also aims to make significant increases to recycling rates and offer new recycling services. These are key Mayoral and Council priorities that are referenced in the Tower Hamlets Plan, the Council's Strategic Plan as well as the Mayor's Manifesto, all of which require behavioural and operational changes for residents.
- 1.6 When deciding its chosen option the Council must consider which option would deliver best value, flexibility, innovation and quality required. The Council must also decide which method could best deliver waste services to meet Council objectives, to accommodate increasing demographic changes, deliver new services such as food waste on estates and to successfully innovate to hit increased recycling targets and new methods of working.
- 1.7 The future service will require a coordinated approach to street cleansing and waste collection tailored to meet the needs of each area of the borough. This would deliver a service to maintain an acceptable standard of cleanliness, where frequency of cleansing is set to take account of how rapidly streets deteriorate. The service needs to be closely linked to environmental enforcement activity (to reduce the amount of unregulated waste being thrown on the streets at all hours of the day and night).
- 1.8 It is critically important that suitable arrangements are in place to deal with the night time economy, business and market trading areas, linking with the emerging high streets and town centres strategy. These areas should be cleaned regularly throughout the day, but also during the evening and where necessary overnight, seven days a week. Markets should be cleared before trading starts, so that they are clean, fresh and tidy places to visit. High streets and town centres should be cleaned and maintained twenty-four hours a day.
- 1.9 There is a now an opportunity to dramatically change the look of the borough

and bring in new ways of working. These changes need not necessarily cost more money and could better support wider council ambitions by working across services to deliver a clean and green borough. The intention would be to reorganise services, setting challenging but achievable productivity for staff. A high level of service performance would be made a priority and staff would receive training to meet the required standard. A further full review, prior to the services returning in house, would take place to determine the frequencies of cleansing and waste removal for the different areas of the borough and used as an agreed benchmark for future development and improvement.

1.10 Research from the Association of Public Service Excellence (APSE) within its paper; *'Insourcing: A guide to bringing Local Authority services back in house'*, highlights that insourcing is happening for very practical reasons linked to improved quality, flexibility and accountability for service delivery. This demonstrates that councils are finding insourcing a realistic service delivery option to:

- Deliver service continuity
- Address poor performance
- Drive continuous improvement
- Provide flexibility around service delivery and change
- Improved integration
- And more accountable local services.

1.11 APSE states that 'Insourcing has enabled local authorities to be flexible in the service activities they offer and to respond to changing agendas and needs. This has been particularly evident as waste services have responded to environmental concerns by moving from simply collecting waste towards promoting recycling and providing facilities for householders to do so. Particular benefit has been derived from bringing decision-making and service delivery closer together, enabling a stronger link to local policy'.

## **2.0 ALTERNATIVE OPTIONS**

2.1 The Authority has a statutory duty, under the Environmental Protection Act 1990, *'to make the provision for the safe management of waste to protect human health and the environment'*. The duties apply to waste classified as waste from households and waste that is classified as commercial or industrial waste.

2.2 Section 89(1) of the Environmental Protection Act 1990 also places a duty on local authorities to ensure land for which they are responsible, is so far as is practicable, kept clear of litter and refuse. These duties are detailed in the Code of Practice on Litter and Refuse 2006, which sets out detail on acceptable cleanliness standards. It seeks to encourage duty bodies to maintain their land within acceptable cleanliness standards. The emphasis is on the consistent and appropriate management of an area to keep it clean, not on how often it is cleaned.

- 2.3 Whilst it is the authority's statutory duty to ensure the management of this waste, the authority has the right to decide on the delivery method it chooses. The 3 main options are to re-procure in scope services, bring services In-house or to manage the service through a Local Authority Trading Company.

### **3.0 DETAILS OF THE REPORT**

#### **INTRODUCTION**

- 3.1 The Draft Waste Management Strategy and Future Service Delivery Options report approved by the Mayor in Cabinet in June 2018, proposed a twin track approach to the delivery of waste and cleansing services once the current contract expires in March 2020. Those options were to procure a new contract with an external provider or bring the service back In-house. All extension options for the current contract have been used.
- 3.2 An evaluation was undertaken on the available options to provide new waste, recycling and cleansing functions for the Council, post April 2020. This shows a need for the development and operation of a new In-house service. The aim of this report is to provide the Mayor in Cabinet with the evidence and analysis to support a recommendation for a new In-house service.
- 3.3 The overall objective is to drive more sustainable waste management in the borough and contribute to the Council's priorities to deliver on commitments to create a cleaner borough, waste minimisation, re-use and recycling.
- 3.4 When the current contract arrangement ends in March 2020, there is no capacity available for further extension to the contract, therefore the authority will be required to provide new arrangements for the service, whichever preferred delivery option is chosen.

#### **STATE OF THE WASTE SERVICES MARKET**

- 3.5 Recently a number of Local Authorities have taken the decision to bring their waste service and/or street cleansing provision back in house. This includes:
- Slough Borough Council 2018
  - Hastings Borough Council 2017
  - Bristol City Council (set up Bristol Waste) 2016
  - East Cambridgeshire District Council (East Cambs Trading Company) 2018
  - London Borough of Islington 2015
  - Middlesbrough Council 2016
  - Liverpool City Council 2016
  - London Borough of Hounslow 2016
- 3.6 Decisions for bringing a service back In-house would seem to be based on spiralling contract costs, poor service delivery and/or contract management of

outsources contractor, lack of flexibility/willing to change from agreed contract or the authority wanting to gain greater control on service delivery. Whilst recently it would seem that increasing numbers of councils are insourcing their waste services, this in no way guarantees that the decision will work out to be a successful one.

- 3.7 In recent months, key market players have been taking steps to withdraw from the municipal waste market. It is understood they are attempting to negotiate their way out of a number of their existing contracts, including in an adjoining authority. Some companies have made it known that they will no longer be tendering for municipal waste management contracts. This situation strengthens the bargaining position of the reduced number of specialist companies likely to tender for any contracts and makes it more likely that prices will increase.
- 3.8 Therefore the questions for authorities are that, given the lack of competitive tendering for waste contracts, are local authorities actually receiving best value from companies, are contractors working hard enough to deliver innovation that can improve the service improvement required or will authorities end up with just more of the same. Procuring contracts with external providers that would provide the flexibility and innovation requires without being levied with change control costs can be agreed but are difficult to agree.

## **COUNCIL OBJECTIVES**

- 3.9 Street Cleanliness and Waste Management are central to the Tower Hamlets Plan in ensuring that 'people live in a borough that is clean and green. This ambition is echoed in the Council's Strategic Plan, which prioritises keeping the streets clear of litter and commits to new measures to increase the recycling rate, which will save money and be better for the environment. Specific activities incorporated in the Council Priority 2 of 'A borough that our residents are proud to live in' include –
- Deliver a programme of cleanliness, waste and recycling improvements throughout the borough  
Deliver a programme of actions to tackle ASB, including implementation of the Enforcement review .
- 3.10 The 2018 Annual Resident's Survey highlights that a growing number of residents (26%) highlight litter / dirt in the street as one of their top 3 concerns. While a high proportion of residents (72%) rate refuse collection as being good, very good or excellent, there has been no significant improvement in satisfaction over the last year. More over while service satisfaction with refuse services has remained static, resident's satisfaction with recycling services (61%) and street cleaning (62%) has declined over the last year by 5 percentage points and 10 percentage points respectively. This illustrates that waste services and street cleaning is a top priority for residents, additionally, that satisfaction with these services is somewhat stalling

## **TOWER HAMLETS WASTE STRATEGY**

- 3.11 The overall objective for the draft waste strategy, approved for consultation by the Mayor in Cabinet in June 2018, is to drive more sustainable waste management in the borough and contribute to the Council's priorities to deliver on commitments to create a cleaner borough and increase waste minimisation, re-use and recycling.
- 3.12 The draft waste management strategy provides a future vision for waste, recycling and cleansing services delivering environmental improvements across the whole borough. It highlights our need to drive increases in waste minimisation and increased recycling, with an ambitious target to work towards increasing household recycling levels to 35% by 2022. It also highlights that the borough is growing rapidly mainly through flatted estates.
- 3.13 Leading the way forward, we want to fully engage and work with our residents, partners and other stakeholders towards improving environmental outcomes from waste management and cleansing activities in Tower Hamlets. Working together for an improved local environment, we want to promote and encourage pride in our local environment by working together with our communities and help change behaviours.

## **COMMISSIONING PROCESS AND EVALUATION**

- 3.14 Commissioning of the most effective service delivery model to support the strategy involves detailed consideration of the options that best meet the council's objectives, in addition to criteria on cost, service quality and level of risk. The adoption of a twin track approach has allowed the assessment of the benefits of an alternative service delivery model.
- 3.15 The case for change is based on a detailed review of alternative service delivery models. This led to short listing of options that best met the council's objectives, in addition to criteria on cost, service quality and level of risk. Review of the benefits for an In House option have included:
- Evaluation of recommendations within the Eunomia Commissioning options report 2016
  - Detailed review and cost modelling of an Integrated Waste, Recycling and Cleansing Service for Tower Hamlets carried out on our behalf by the London Borough of Hackney.
  - Evaluation of work carried out by the Association of Public Service Excellence (APSE) from their research, report and case studies 'Insourcing: A guide to bringing local authority services back In-house'. An excerpt of the report on the benefits of insourcing is attached at Appendix 1.
  - Further evaluation of case studies including operation and delivery of London Borough of Hackney's successful In-house waste, recycling and cleansing service.
  - National performance and benchmarking cost analysis, highlighting financial and performance benefits of near neighbour In-house services

- Independent waste consultancy evaluation of the future requirements of the authority and expected market price from April 2020, highlighting that the authority could expect to pay an increased amount for waste and cleansing services from external tenders for a new contract.

### **Outsourced**

- 3.16 The agreed in June process to re-procure an external contractor is through a Competitive Dialogue process that will allow the authority to clarify, specify or optimise the final bids to secure a price-competitive contract. If the decision were to be made not to provide an In-house service but to progress with a new outsourced contract, the Council is still in a position to be able to do so.

### **In-house**

- 3.17 The evaluation of the In-house house option is detailed in this report but includes a review of value for money and quality and performance. The requirements of an In-house service are provided at Appendix 2. These requirements are for a transitional structure to manage the outgoing contractor and mobilise the new service, a new structure to be operational for implementation in April 2020, and associated investment in IT and fleet.

### **Local Authority Trading Company**

- 3.18 Should the authority decided to bring the service back In-House, a Local Authority Trading Company (LATC) can be created as an alternative service delivery model which will solely focus with the delivery of a specific service for that council that will not trade significantly with external organisations. This is likely to qualify for the Teckal exemption from procurement rules and means that the council can pass work to the company without going out to competitive tender.

- 3.19 The authority would have to set up governance arrangements in terms of a Board of Directors to manage the running of the company from operational delivery to financial management. The key benefit is a greater flexibility to develop commercial opportunities but this also means the Council will lose an element of direct control. Staff would transfer under TUPE but would not be eligible for standard Council terms and conditions including membership of the Local Government Pension Scheme.

### **Independent Consultant**

- 3.20 As a 'sense check' to the evaluation of both options, an independent waste consultant, White Young Green (WYG), was commissioned to provide a financial assessment on the likely cost of providing waste and cleansing services to the authority. The analysis provided an independent assessment on the value for money aspect of an In-house service, that could only otherwise be gained by receiving tenders from external contractors. The consultancy report is attached as Appendix 3.

- 3.21 The assumptions that were applied by WYG were:

- No changes in key volume data – for example road length and property numbers, tonnages etc.

- Fleet costs including the depreciation over 7% and running costs
- Levels of absence based on a well performing service
- Assumed 3% profit and 10% overhead contribution.

## THE FINDINGS OF THE EVALUATION – VALUE FOR MONEY

- 3.22 The analysis shows that an In-house service would deliver cost efficiencies of £0.393M against current expenditure and cost savings of £1.158M from projected tender prices from an external contractor.
- 3.23 The report from the independent consultants' states; *We are not saying that a contractor would not charge less than this: but we feel this figure represents a 'typical' contractor price based upon the information we hold*'.
- 3.24 Table A below provides a cost comparison of Tower Hamlets current spend for refuse and street cleansing services, an independent view of a likely tender cost of those services and the projected cost of a new In-house service.

**Table A – Cost comparison of options**

Service Area	Current LBTH Cost 2018/19 (£000)	Consultant estimated Tender Price (£000)	Proposed In House Service costs (£000)	Variance of Proposed in house services against current spend (£000)	Variance of Proposed in house services against estimated tender valuation (£000)
Refuse & Recycling Service	8,588	9,955	8,201	(387)	(1,753)
Street Cleansing & Other Services	10,557	9,957	10,552	(6)	595
<b>Total Cost of Refuse and Cleansing</b>	<b>19,146</b>	<b>19,911</b>	<b>18,753</b>	<b>(393)</b>	<b>(1,158)</b>

- 3.25 The above data demonstrates that the proposed In-house service could potentially deliver a new service within the current budget available, excluding one off costs for mobilisation, systems development, pension fund liability and a culture change programme. The Mayor and Cabinet should be aware that the figures used to reach this conclusion are the best estimates we are likely to be able to get, and therefore represent a sound basis for the decision. As well as being provided at a lower cost the service levels provided could deliver a 24/7 cleansing service with minimum frequencies of cleansing, service visits to ensure that the areas remain at an acceptable standard between scheduled sweeps and waste dumped on the street will be removed at the same time as they are swept or prior to this taking place, so that the street is clear and looks completely clean after the scheduled cleanse.

- 3.26 Either an In-house or outsourced service will require significant capital investment for a new fleet. The project capital investment for the fleet would be approximately £10M.
- 3.27 An analysis has been produced demonstrating the financial benefit of purchasing a new fleet over that of leasing vehicles with a maintenance agreement. Using terms from one of the UK major providers of leased waste vehicles, the total lease costs of the required fleet would be £18.8M for a 7-year period, in comparison to £13.2M to purchase and maintain the vehicles, thus delivering a cost avoidance of £5.6M.
- 3.28 The service will also require investment in systems to provide management data on refuse collections, route efficiency, and area coverage of sweeping routes etc., as well as the management of the commercial portfolio. An analysis of the new service requirements and the associated costs have been undertaken with indicative costs of £0.325M of upfront capital requirement and ongoing revenue cost in the region of £0.05M per annum.
- 3.29 The financials for the In-House service allows for operatives who TUPE or those recruited to the new service, after one year to be paid at local government rates and meet the London Living Wage. As well as this increase, the financials also allow for the full take up of pension contribution for those employees who join the service. In practice it is unlikely that there would be full take up if offered.
- 3.30 Changes affecting Veolia staff will be carried out in accordance with the Transfer of Undertaking (Protection of Employment) Regulations 2006 (as amended by the Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014) (“TUPE”).
- 3.31 Staff will be fully supported by Veolia HR and managers up to the point of transfer and TH managers and HR will host a series of events to ensure full induction, appropriate development and on boarding happen ahead of transfer.
- 3.32 It is intended that a full analysis under TUPE is undertaken and Tower Hamlets will propose any changes to structure and reporting lines as part of this process, options may include; staff transfer onto TH T&C’s, an amended contract is offered or staff transferred as part to TUPE process remain on their existing terms and conditions, for up to 12 months, to ensure that staff meet newly defined and required performance standards and are able to deliver in line with the culture of the authority and its relationship with residents staff would be appraised on a regular basis to ensure that the required standard is achieved during the first year.
- 3.33 The transfer of staff to the new contract will result in the authority being required to make a one off contribution to the pension fund, based on the number of staff and their length of service. A report, written by Eunomia, titled ‘Commissioned Options Review’ in 2016, estimated this cost at approximately £0.6M. The current expectation based on staffing information cannot be

ascertained because Veolia are not legally bound to provide the information required to calculate an estimate until given official notice that a transfer of staff will proceed. Once provided the authority's actuaries will be able to calculate the financial impact.

- 3.34 The estimated full cost for the new service of £18.753M in Table A includes the estimated annual pension contribution of £0.95M for operatives who transfer into the service under TUPE and those recruited. The estimate here reflects pay at local government rates and at the London Living Wage. It assumes full take up of pension contribution for those employees who join the service. By comparison Veolia have advised that the current take up of a pension within the existing contractor staff is 95%, and for caretaking staff in Tower Hamlet Homes it is 75%.
- 3.35 Whilst the evidence of financial evaluation is that an In-house service is broadly in-line with current contractor costs, the experience of authorities bringing services back in house is that some costs can increase. This can be because of changes irrespective of insourcing, such as population growth or where the local authority chooses to invest and improve services; or an increase in management and staffing costs. For example, where is a change in the balance of permanent to temporary staffing together with a move to Council conditions this can increase costs, at least initially. To mitigate this risk our estimated costings assume levels of holiday and absence in a comparable but well managed service.
- 3.36 As part of the evaluation of the In-house bid, benchmarking data was obtained from the Council's main financial data collection analysis tool, CFO Insights, to investigate how the Council's unit cost spend compares to neighbouring boroughs, all of which have services that are managed internally.

### Street Cleansing

- 3.37 The data for street cleansing in Table B below, states that in 2016/17, Tower Hamlets was ranked the lowest spend unit cost per capita, the denominator used by CFO Insights. An additional calculation was performed using the denominator of street length, a more appropriate unit of quantity when calculating street cleansing costs. The result placed Tower Hamlets as second lowest cost behind Newham and closely in comparison with Hackney.

**Table B – Benchmarking Data – Street Cleansing 2016/17 (Source CFO Insights and CIPFA)**

Borough	Street Cleansing Spend (£000)	CFO Unit cost per capita (£)	CFO Unit per capita Ranking	Road Lengths (KM's)	Unit cost per KM (£)	Unit KM Ranking
Tower Hamlets	7,535	24.72	1	285.13	26,427	2
Newham	10,911	32.00	3	426.81	25,564	1
Hackney*	9,695	35.44	2	277.10	34,987	3

Islington	8,687	37.30	4	237.97	36,505	4
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**Note\* - Hackney figures have been adjusted to reflect like for like comparison.**

3.38 Apart from Tower Hamlets, all comparator authorities in Table A are In-house services. This data for the benchmarking for Street Cleansing, shows evidence that an In-house service may be either more expensive or cheaper than our current contractor costs but that these costs are tightly grouped and maybe subject to other factors such as priority within that authority, footfall or borough characteristics such as night time and weekend economy.

### **Refuse Collection**

3.39 The data for refuse collection in Table C below shows a mixed position but with LB Islington showing as an outlier and the most expensive.

3.40 The data for the four boroughs in Table C states that in 2016/17 Tower Hamlets spend on waste collection was an average of £48.79 per household, and second lowest to LB Hackney which was £37.58. This makes Tower Hamlets 29.8% higher than LB Hackney but significantly cheaper than LB Islington, which is the most expensive by a significant margin.

3.41 The borough also spends an average of £18.11 per resident on waste collection, in comparison to £14.78 for LB Hackney residents and £17.50 for LB Newham. This makes LB Tower Hamlets 22.5% & 3.5% higher per head respectively.

**Table C – Benchmarking Data – Waste Collection 2016/17 (Source CFO Insights)**

<b>Borough</b>	<b>Waste collection £000s</b>	<b>Waste Collection Total Spend Ranking</b>	<b>Waste collection £/capita</b>	<b>Waste Collection Ranking per capita</b>	<b>Waste collection £/dwelling</b>	<b>Waste Collection Ranking (Dwelling)</b>
Tower Hamlets	5,522	2	18.11	3	48.79	2
Newham	5,966	3	17.50	1	54.11	3
Hackney	4,042	1	14.78	2	37.58	1
Islington	7,725	4	33.17	4	75.90	4

### **Trade Waste**

3.42 The LB Hackney generated £5.4M of commercial waste income in 2016/17; LB Newham generated £1.9M as against Tower Hamlets £3.4M. The new In-house service will look to service will create a new commercial service offer to businesses. It will also look to more aggressively market the service in order to generate additional income.

## **THE FINDINGS OF THE IN-HOUSE EVALUATION - QUALITY AND PERFORMANCE**

### **Cleanliness**

- 3.43 Cleanliness is measured by local authorities using indicator for detritus, flyposting, graffiti and litter. We have compared performance in 2017/18 with our comparator neighbouring authorities. LB Islington does not publish its performance but for the remainder LB Tower Hamlets is the strongest performing on litter and detritus, but the worst for graffiti and lower than Hackney for fly posting.

### **Recycling**

- 3.44 Of the comparator authorities LB Newham has the weakest performance; of the remaining three LB Tower Hamlets is the worst performing.

### **Waste minimisation**

- 3.45 Of the comparator authorities LB Newham has the weakest performance, of the remaining three LB Tower Hamlets is placed second.

### **Overall Performance**

- 3.46 There has been a lack of consistent performance improvement across, waste, recycling and cleansing services provided by Veolia over the last 3 years. Recent improvements have been client led with enforcement of penalties for service failure and proactive contract management to target repeat complaints, hotspots and poor performance. The average monthly default level has doubled from 24 per month in 16/17 to 50 per month in 17/18.
- 3.47 This lack of consistent improvement can be linked to a drop in resident satisfaction and sense of frustration by resident with quality of service delivery. Even though Veolia have been working closely with the council, the delivery of continuous improvement, innovation and efficiencies has not been forthcoming. This can be linked to inconsistency in management, supervision and accountability of frontline teams to deliver services “right first time” for resolving service failures and improving customer care.

## **RISKS**

- 3.48 Appendix 4 identifies several possible risks for the authority from developing an In-house service. The list covers possible strategic, operational, financial, reputational and political risks including the services’ ability to manage the operational running of a waste service.
- 3.49 Currently the most significant risk that we are unable to mitigate for is the pension cost of the TUPE transfer from the current contractor. Veolia are under no obligation to provide staff information until formally told that a transfer of staff will occur and until then we have no information about the age or length of service of the staff that would transfer. Those are the 2 key elements that will define the value of the liability that the authority would incur.

## **Pensions**

- 3.50 Those staff that transfer to the authority through TUPE will influence the authority's liability to the pension fund. The extent of this liability will depend upon the number of the staff, their ages and their length of service. This liability is known as Pension Strain costs. Pension Strain costs occur when there is a clear shortfall in the assumed level of funding needed to provide a particular pension benefit.
- 3.51 These generally occur when a member's pay in their current employment is significantly higher than the pay used to calculate their previous pension benefits. Therefore, the transfer payment received often fails to match the liabilities taken on creating a financial risk. The authority's actuaries have been unable to project the pension strain to the authority. At this time we only have the estimated £0.6M which will take form as a one-off payment to the pension fund.
- 3.52 It is not just the In-house service that will be liable for this cost. The cost of the pension transfer will be built in the tender submission price from contractors therefore the authority will end up incurring this cost through one route or another. Only the current contractor will not be affected by this cost should they wish to re-tender.
- 3.53 If the authority decides to bring the service back in house but managed the service through a LATC, the company could offer staff cheaper pension options than the LGPS liability thereby reducing the Pension Strain value.

## **CONCLUSION**

- 3.54 The financial analysis and benchmarking data demonstrates that the neighbouring boroughs of LB Islington, LB Newham, and LB Hackney do not show a consistent picture for In-house outperforming an outsourced service. All of these neighbouring boroughs are now In-house services and there is no indication that any of these authorities is looking to change this position.
- 3.55 The experience of Tower Hamlets has been that an externalised contractor has not provided a consistently high standard of service, innovation, or flexibility. The guidance from APSE is that the main potential benefits are that these problems can be better met through In-house services. Realising these benefits is however dependent upon the management competence, service culture, and continued investment.
- 3.56 Because the existing waste and cleansing contracts will end in March 2020, and we are currently consulting on our future Waste Management Strategy there is now an opportunity to reconfigure our services to meet future demand and a new ambition. Delivering high quality services and maintaining a good standard of cleanliness at all times will require significant changes to the way in which the services are delivered.

- 3.57 The external procurement process should be closed to allow officers to have a single focus to deliver the In-House service. The procurement of items for the In-House service such as fleet could take up to 12 months delivery. Any delay in this decision could increase risk of the project timetable. Ending the twin track approach would also reduce the costs incurred by the authority by running simultaneous processes. Additionally, external bidders may try to hold the authority liable for costs they have incurred in producing their bids.
- 3.58 An In-house service can provide a range of other benefits when it is managed as an effective business operation, as demonstrated across an increasing number of Council's. This includes flexibility in their approach to changing needs/demands and issues, innovation in approach, the speed and cost of providing necessary change, whether in service approach or to meet local issues. This is particularly important considering the growth agenda, and what flexibility of service may be required around increased demand or coordination of delivery.
- 3.59 Having direct control of an In-house service with the ability to implement service changes through the creative use of resources and thinking, rather than sticking to a prescriptive contracted service, can drive further efficiencies moving forward. This creativity could be provided by an external contractor who tenders for the contract but the Council would not receive the full benefit of efficiencies delivered.
- 3.60 There is a significant risk for the authority around managing the expectation off all key stakeholders. Whilst bringing the service In-house will allow performance to improve, all stakeholders must be aware that the transition from the current service will not happen immediately after the In-house service is introduced.
- 3.61 The culture change for staff, the outreach and education for residents, the innovation and bedding in of service etc. will all take investment and time, to see the result of this change come to fruition and be applicable to both models. This risk will be mitigated by the work delivered in the mobilisation period, so that the positive impacts of the new service are visible to residents as quickly as possible.
- 3.62 The report recommends that Cabinet approves to –
- Authorise the Acting Corporate Director of Place to cease the dialogue for the external procurement of an integrated waste, recycling and cleansing contract
  - Authorise the Acting Corporate Director of Place to create an “In-house” service for the integrated delivery of waste, recycling and cleansing functions
  - To agree to delegate to the Acting Corporate Director of Place, authority to negotiate and agree an exit strategy with Veolia that would enable all or some of the services to be brought back In-house.

#### **4. EQUALITIES IMPLICATIONS**

- 4.1 Equalities Analysis aims to identify any evidence or a view that suggests that different equality or other protected groups (including staff) could be adversely and/or disproportionately impacted by the proposal.
- 4.2 The majority of the proposals will make positive impact on the environment of the Borough, which will be beneficial for all regardless of their background. The service will conduct consultation to identify any specific impact of this strategy on those protected groups.
- 4.3 An initial assessment has been undertaken and is attached to this report in Appendix 5.

#### **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 All statutory implications are covered in the main body of the report.

#### **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 This report sets out for consideration by the Mayor in Cabinet evidence and analysis that evaluate the feasibility of creating an in-house waste and cleansing service.
- 6.2 The current contracts for waste collection, recycling and cleansing were extended for the period up to the 31st March 2020 at a value of £19.2 million per annum. The extension to the contracts delivered total savings of £1.030M in 2017-18.

##### **Financial Evaluation**

- 6.3 A financial evaluation of an in-house service has been produced and assessed against the current contract value and that of an independent consultant's assessment of the market value of the contract to determine the viability of an in-house service.
- 6.4 The financial evaluation for the in-house service includes assumptions such as all staff from the current contractor to transfer onto Tower Hamlets pay scales with inclusion in the Pension Fund, depreciation of vehicles for 7 years and budget created to replace the prudential borrowing costs used to purchase the fleet, leave and absence cover for all staff to the level of a well-managed service and based of providing services to the authority's current demographics.
- 6.5 The business case suggests that a new in-house could be implemented within the current contract budget envelope and in addition deliver cost efficiencies of £0.4M against current spend.

- 6.6 The independent consultant's financial assessment of current market value for likely bids assumes a higher value for the cost of the contract. A projection of £19.9M against the current cost of £19.2M an increase to the authority of £0.7M, and variance of £1.1M from the in-house proposal.
- 6.7 The service has undertaken an evaluation using benchmarking data for 2016-17 to analyse the boroughs performance on street cleansing and refuse collection against 3 neighbouring boroughs all of which that have in-house services. The evidence demonstrates that those Councils with in-house provision provided equal and in some cases were more cost effective than the authority's current provider.

### **Additional Financial Requirements**

- 6.8 The new In-house service will require capital investment of approximately £10M to purchase a new fleet of vehicles as the current fleet is coming to the end of its useful life. However, should the decision to continue with the external procurement continue, the Council will still end up funding a new fleet either via an outright purchasing or as a result of the cost being added to the tender price submitted by suppliers.
- 6.9 The service undertook a purchase versus leasing analysis for the fleet. The total lease costs of the required fleet would be £18.8M for a 7-year period, in comparison to £13.2M to purchase and maintain the vehicles, thus delivering a cost avoidance of £5.6M.
- 6.10 Other capital investment requirements include the redevelopment of a new depot and ICT system. The authority's capital programme already contains funding for the regeneration of the Blackwall Depot. An analysis of the capital cost required for new IT systems have been undertaken with indicative costs of £0.325M capital requirement and ongoing revenue cost of c£0.05M per annum.
- 6.11 An in-house service will require one-off funding of £2.5M to manage the mobilisation process up to the middle of the 2020/21. The service would require funding prior to implementation date to purchase consumables and fund the mobilisation team. Existing funding for the external procurement of the waste contract will be available to fund some of these costs should the decision be made to proceed with the in-house Service. Additionally, expected budget surplus delivered in the first year of the service would also contribute to funding these costs. Funding for mobilisation will also be required if the external procurement process continued. The project spend would be approximately £1.2M.
- 6.12 Staff that transfer to the service as part of the TUPE process, will remain on their current terms and conditions. Staff will be regularly evaluated during the period to ensure they meet set performance standards.

## **Financial Risk**

- 6.13 The financial viability of the new service will be affected by Pension costs resulting from the transfer for staff from Veolia. The size of the liability the authority would need to contribute to the Pension Fund will depend on the age and length of service of the staff that transfer over. The Council's actuaries have not been able to estimate the cost to the Pension Fund but the report estimates that there will need to be a one off contribution of at least £0.6M.
- 6.14 The liability of the Pension Strain will not only affect the in-house service. Any contractor who was awarded the new contract, outside of the current provider, would create a liability to their Pension Fund. Recently, authorities that have found themselves in the situation have had to agree to meet the Pension risk by either directly funding the liability or having the value passed on within the contract cost.

## **Financial Opportunities**

- 6.15 The current trade waste portfolio generates income of £3.4M per annum. The value of the portfolio has remained stagnated for a number of years despite an increasing business presence in the borough. Rebranding of the trade waste service coupled with aggressive marketing of the service could generate additional income to be reinvested in the service. Comparisons show that the authority's portfolio is generating significantly lower return when compared to that of the LB Hackney's portfolio which generates £5.9M.
- 6.16 It is intended that after the first 6-12 months of operations, a review be undertaken to ascertain progression attaining maximum efficiency and productivity and that an initial view of additional savings be made and identified for the 2022/23 financial year and beyond. Obviously if any other savings are identified and made in advance of this date, then these will be progressed.

## **Conclusion**

- 6.17 Neither the financial or benchmarking data conclusively indicates whether providing waste services internally or externally is better than the other.
- 6.18 If Members agree this proposal the additional one-off mobilisation costs and capital resource requirements are both significant commitments that would need to be prioritised and included as part of the 2019/20 budget setting process.

## 7. **COMMENTS OF LEGAL SERVICES**

- 7.1 The Council is legally obliged by section 45 of the Environmental Protection Act to collect waste and deliver it to a point of disposal.
- 7.2 The Council has the power to determine whether to do this itself using internal resources or appoint a contractor to do so on the Council's behalf.
- 7.3 Therefore, the recommendation to bring the waste collection service back in house is compliant with the prevailing legislation.
- 7.4 The Council has the legal power to set up a company to provide the service or to provide the service as part of one of its departments.
- 7.5 Where the Council chooses to set up a separate company, the Council would not have to subject the resultant contract with the company to competition provided that the Council had a similar level of control over the company as it does over one of its departments. It would ensure it had that level of control by owning all the shares and having an interest in the board of directors.
- 7.6 The Council has already commenced the process to procure a replacement contractor in accordance with previous recommendations. However, this in itself does not legally fetter the Council from withdrawing from that process and determining that the fulfilment of the obligation to collect waste should be by another means.
- 7.7 The intention was to run a procurement in accordance with the Public Contracts Regulations 2015. However, under the regulations the Council is entitled to cancel the procurement even after the advert has been placed provided that the Council states the grounds for the cancellation and the grounds are reasonable. It is legally accepted that the fact that a contracting authority no longer requires the service at all is good and reasonable grounds for cancellation.
- 7.8 The Council will still need to purchase various items of equipment and consumables in order to deliver both the waste service and the street cleansing service in house. Each purchase must be subject to a competitive procurement in accordance with the Council's constitution and where appropriate the relevant European Law.
- 7.9 The Council will have to demonstrate that each purchase represents Best Value in accordance with the law. However, subjecting the purchases to competition on a most economically advantageous basis will significantly assist in this demonstration. Also, its purchase will be subject to appropriate conditions of contract allowing the Council to monitor and enforce levels of quality.
- 7.10 It is likely that there will be a number of the existing contractor's staff who are substantially engaged on the delivery of these services under the existing contract. Therefore, the Council is expecting that those staff may wish to enforce rights of transfer in accordance with the Transfer of Undertakings

(Protection of Employment Regulations) 2006. However, the Council is prepared to undertake the appropriate consultation process and comply with the regulations in as far as they might apply.

- 7.11 As an employer the Council has the legal duty to provide the option for a pension scheme to any staff who do transfer. The report details that this has already been considered and the proposed actions comply with this legal duty.
- 7.12 The report refers to the development of a joint working strategy with the London Borough of Hackney. Some work has already been undertaken. Regulation 12(7) of the Public Contracts Regulations 2015 allows for this Council to work collaboratively with other public bodies. This will allow for any future work that needs to be undertaken between the Boroughs. This is because the aim of such collaboration would be to facilitate the provision of services to the Public in order to fulfil interests both Councils have in common.
- 7.13 The development of a new service for the collection of waste may impact on persons who have a protected characteristic under the Equality Act 2010. Therefore, as the service is developed, the Council will be assessing the equalities impact in each part of the service. Also the Council will consult with affected people where it is necessary to ensure that the Council has a proper understanding of the impact the decisions it intends to make will have on such people.
- 7.14 However, the decision to bring the collection service in house does not in itself give rise to any equality issues.

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## **Linked Reports, Appendices and Background Documents**

### ***Linked Report***

- NONE

### **Appendices**

- Appendix 1 – Association of Public Service Excellence (APSE) - 'Insourcing: A guide to bringing local authority services back In-house'
- Appendix 2 – Requirements of an In-house Service
- Appendix 3 – Tower Hamlets Note re Cost Estimate Waste Collection, Street Cleansing and Allied Services – White, Young and Green
- Appendix 4 – In-house risk log
- Appendix 5 – Equality Analysis assurance checklist

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- Association of Public Service Excellence (APSE) - '*Insourcing: A guide to bringing Local Authority services back in house*'.
- Tower Hamlets Financial Assessment – White, Young and Green

**Officer contact details for documents:**

Robin Payne, Interim Divisional Director - ext. 6769

## Appendix 1: APSE "Insourcing: A guide to bringing local authority services back in-house"

APSE research has highlighted the following benefits of bringing services back in-house:

- **Performance and governance** Insourcing has led to better performing services and improvement against Best Value Performance Indicator and Local Area Agreement targets. Particular benefit has been derived from bringing decision-making and service delivery closer together, enabling a stronger link to local policy.
- **Cost efficiency** Insourcing has enabled efficiency savings to be reaped in cost terms. Thanet District Council, for example, has seen annual efficiency savings of £500,000 from returning refuse collection, recycling and street cleansing services in-house.
- **Community well-being and satisfaction** Insourcing services has led to dramatic increases in service user satisfaction levels, as demonstrated in the London Borough of Southwark, where satisfaction with street and estate cleaning rose from 30% to 70% in four years.
- **Local economy** Insourcing has enabled the development of stronger local supply chains and enhanced local employment patterns.
- **Flexibility and added value** Insourcing has enabled local authorities to be flexible in the service activities they offer and to respond to changing agendas and needs. This has been particularly evident as waste services have responded to environmental concerns by moving from simply collecting waste towards promoting recycling and providing facilities for householders to do so.
- **Service integration** Insourcing has enabled local authorities to develop more integrated and joined up services, particularly in street scene services, which have been able to respond to a range of inter-related issues at neighbourhood level.
- **Employment considerations** Insourcing has enabled local authorities to expand their workforces and ensure fairer terms and conditions for all employees and promote workforce development and training opportunities.
- **Quality of services** Insourcing enables a sharper focus upon quality. Each of the case studies identified that the return in-house has had proven benefits for service users, performance, strategy and the local authority generally in terms of quality.
- **Sustainability** Insourcing enables service delivery to be closer to environmental considerations and sustainability commitments of the local authority.

## Appendix 2 - REQUIREMENTS OF AN IN-HOUSE SERVICE

### INTRODUCTION

An In-House service will require significant resourcing, strategy planning, and development to create a successfully functioning operation. This will include:

Summary	Outcome
<b>Assessment and Transformation</b>	Following transfer we will need to stabilise and assess the service and then develop a program of improvement that aligns with our strategic objectives for high performing, cost effective and efficiently run service.
<b>£10.25M of Capital Investment</b>	<p>£10M required for the purchase a new waste fleet if the contract is awarded externally or In-house. This an opportunity to ensure we meet our ambition to reduce pollution by 'greening' the fleet.</p> <p>A further £0.325M required for In-House service IT Systems, which could also be a cost for an external contract.</p>
<b>£2.5M one off revenue funding for mobilisation</b>	<p>There will be a requirement funding for the implementation of the new service, some of which will be offset by year one savings and approved growth funding for mobilisation costs of delivering an externalised contract.</p> <p>If externalised it would still require approximately £1.2M to proceed.</p>
<b>Dedicated mobilisation team</b>	The plan will be implemented through a mobilisation team that will have responsibility for the leading each of the work streams and ensuring that all key deadlines are met, and tasks achieved.
<b>Contract management to 2020.</b>	Proposed growth of £0.6M for additional staffing together with existing capacity for contract management will create a new and temporary contract management team until end of contract in 2020,
<b>The service will rebrand and market the trade waste business</b>	The portfolio generates approximately £3.4M of income for the authority, although as collection and disposal costs are not accounted for against the service, it not currently possible to say whether the portfolio is profitable. We will rebrand and refocus the service to improve the commercialisation of the service for trade waste.

**SERVICE  
REQUIREMENT**

**Outcome**

**The opportunity to work closely with the staff and unions to provide high quality services and sustainable jobs.**

The provision of an In-house service gives the opportunity to work closely with the unions right from the off, to provide high quality services and sustainable jobs. Early communications with union officials will happen to mitigate any possible risks to the successful integration of staff and include involvement within the planning and mobilisation processes, as appropriate.

Following a decision to in-source the service, regular meetings would be undertaken with union representatives to discuss industrial relations issues, including items such as working and performance standards, training and development, mechanisms for liaison and change, to ensure that an agreed and common approach to all of these matters is understood and adhered to by all parties.

In terms of operation, the model used by many other authorities with In-house services will be used, with a local shop steward Local Joint Committee to ensure that matters regarding change and any local issues are addressed and resolved at the appropriate level whilst maintaining services.

**The new service will develop a transformed and enhanced service provision to residents**

The development of services needs to go hand in hand with the regeneration of and growth within the borough and be responsive to the needs of the Council while undergoing transformational change, but continuing to deliver the aims the authority has to increase recycling.

As the borough continues to change and modernisation takes place, the delivery of high performing, cost effective and efficiently run services will become a priority. This would be linked to the effective management of day to day services but also linked to the on-going performance management process proposed within the plans for managing Local Environmental Quality, as outlined in the proposal within the MTFS process for 2021/22.

**The service will develop a communication plan to efficiently focus the authority's messages**

It will be necessary to engage with residents and businesses prior to services returning in house to keep them informed of the decision and progress towards the successful implementation of the new services in April 2020. A full communications plan will be developed for both internal and external stakeholders. The plan will include those issues for which stakeholders need advice or input to meet the Council's operational requirements.

<p><b>The service will procure a fleet that will meet the London Mayor and Council objectives for emissions standards</b></p>	<p>The current fleet is coming to the end of its useful life and unlikely to be fit for purpose. New vehicles purchased would be required to meet standards to drive within the London Mayors new Ultra Low Emissions Zone (ULEZ), coupled with the LB Tower Hamlets Mayor’s pledge to phase out diesel vehicles from the Council’s fleet.</p>
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<p><b>The development of Blackwell Depot will need the facilities to maintain a new waste fleet</b></p>	<p>There will be a depot requirement for the new service for the refuse and cleansing fleets to operate out of and the depot will need to be fit for purpose. Blackwall provides an excellent location and plans are being progressed for its improvement.</p>
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<p><b>New IT Systems will provide real time management information on operational performance</b></p>	<p>ICT requirements will need to be scoped very early into the mobilisation process to provide service needs whilst integrating where possible with current council systems and infrastructure. The systems will provide in-cab technology to monitor operational performance and deal with resident queries.</p>
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<p><b>The commercial arm of will be rebranded to offer enhanced services to business within the borough</b></p>	<p>It is fundamental that the authority secure current clients with new trade waste contracts and this will form on of the key and urgent task over the remainder of the current contract.</p> <p>The service will create a new commercial service offer to businesses. It will also look to more aggressively market the service in order to generate additional income.</p>
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**SERVICE MANAGEMENT**

One of the key identified risks is to mitigate the current lack of contract management capacity and future capability and capacity to manage a service the size and nature of the In-House waste and cleansing service.

<b>Service Management</b>	<b>Outcome</b>
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<p><b>The focus of the new management team will be on strategic issues as well as operational aspects</b></p>	<p>From the 1st April 2020, it is proposed to follow a similar model to other local authorities with an In-house service. This will provide an operational team and a more strategic street management type function that as well as providing a soft client role also takes in the wider management and improvement of the local environment.</p>
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**A proposed structure will be fully developed to recruit during the mobilisation period**

The team would be led by a Manager of Waste Operations, with responsibility to ensure the day to day running of the service, collection of waste and quality of street cleansing

The Head will be supported by a number of Area Managers and assistant area managers who will on the ground be ensuring that what has be delivered is delivered, to the right level of quality, managing issues with the public and real time problem solving. This model provides area based ownership and accountability and with its integration of all relevant services, provides a more cohesive approach to delivering these services. The structure also allows for, as the mobilisation plan develops and the requirements of the borough become more defined, further change to allow management capacity for issues such as Night Time and Weekend Economy (NTWE).

There will also be a self-contained administration team to deal with HR issues, staff development and training, support managers with performance issues etc.

**The new service will develop a culture for staff to feel invested in and that the authority will invest on them**

A successful In-house service will be built on the foundation of strong leadership who will build a culture of going beyond a 'task and finish' ethos evident within our current service. Poor workforce morale and a lack of affinity amongst staff with the Council's aims, leads to poor performance. These managers will need to develop a spirit of pride within the workforce, commitment to this authority's beliefs and investment in staff to enable operatives to progress within a structure and the industry as a whole.

**The new management team will have the capacity to develop the service culture and design**

Once recruited, managers will be able to design new services, trial services with our existing contractor and have the time to fully develop and implement waste collection and street cleansing services free from the pressures of the operational management of the service. This will minimise the risk of service delivery issues once the service goes live.

## **MOBILISATION**

A full project plan will be developed for how the new In-house service would be mobilised to deliver the authority's operational and strategic waste and cleansing needs.

The plan will set out project control and governance, resource requirements, key milestones and political objectives. An in-house solution will require a mobilisation period of at least 18 months pre and a 12 months post implementation period.

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**Mobilisation****Outcome**

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**The delivery of the new service will be managed through a dedicated mobilisation team**

The plan will be implemented through a mobilisation team that will have responsibility for the leading each of the work streams and ensuring that all key deadlines are met, and tasks achieved.

**The mobilisation team will required one-off funding on £2.5M**

The new service will incur early implementation costs, to deliver a seamless transition from the current service providers to a new service.

The plan also identifies the need for pre-implementation staff costs of £0.3M. This will be the cost of temporary release of staff from Veolia, in order to familiarise them with new standards, routes, expectations, Health & Safety etc. This is also be supported by £0.1M of recruitment and specialised external training costs.

The service will also require investment of £0.36M in operational consumables prior to implementation for the purchasing of staff uniforms, brooms, bags etc. which to need to be purchased prior to Apr 1st 2020.

**Expenditure on mobilisation for a new waste contract will be incurred whether kept In-house or externalised**

Many of the costs mentioned above specifically relate to an In-house bid especially in regards to staff costs. The external procurement process will incur its own costs through commissioning specialised legal, procurement and fleet advice. The external procurement process is projecting to spend approximately £1.2M on mobilisation up to the end of March 2020.

**The Mobilisation team will contain a mixture of experienced technical and professional staff**

- Operational Development manager to set out service routing optimisation for waste and street cleansing
- IT specialist to implement operational systems that deliver real time management information.
- A fleet specialist to deliver specification and purchasing of the new waste fleet
- Project management support to ensure that all elements of the project plan stick to deadline
- HR support for recruitment and training
- A communication specialist to manage engagement
- A dedicated Health and Safety expert to ensure the safety of operatives whilst on the roads or in the depot.

Some of this resource maybe to be found within current Tower Hamlets staff, which will help to bring the staffing costs down.

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**The funding of the mobilisation is expected to be covered through existing funding and year one surpluses from the new service**

The service has growth funding available for the cost of contract tenders within the Place Directorate to a value of £0.45M. If the external procurement ceases, the balance of funding remaining will be transferred to the In-house project should agreement to proceed to given.

The financial assessment for the In-house service expects a significant underspend of approximately £2.0M to occur in year one of implementation as staff will not transfer to LBTH terms and conditions in the first year post implementation. This will also contribute towards the pre/post implementation costs. However due to timing, the service will require funding to cover those costs up to 1st April 2020.

<b>Implementation Costs 2018-21</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>Total £</b>
Mobilisation - Staff Costs	445,000	1,015,000	297,500	1,757,500
Pre-Implementation Staff Costs	-	300,000	-	300,000
Pre-Implementation Training & Recruitment	-	100,000	-	100,000
Operational Consumables	-	360,000	-	360,000
<b>Total Pre Implementation Costs</b>	<b>445,000</b>	<b>1,775,000</b>	<b>297,500</b>	<b>2,517,500</b>

**MANAGEMENT OF SERVICE UNTIL MARCH 2020**

The Council's Clean and Green team will be re-organised to provide effective performance management and improvement of waste, recycling and cleansing services between now and 1st April 2020. The team will focus on planning and delivering performance improvements, managing day to day issues, and delivering cleaner streets and improving the quality and reliability of waste and recycling services.

**Management of the service to Mar 2020**

**Outcome**

**Funding for an expansion of the authority's client team has been approved**

The current team will need expansion to ensure a suitable standard of performance and improvement and a growth bid to supplement this work, with the creation of a Local Environment Quality Team over this period, has been applied for within the MTFS process for 2021/22

**The team will provide necessary direct service management of Veolia**

This dedicated resource will focus on driving performance improvement, managing functions such as graffiti and flyposting removal, planned improvement of local cleansing standards and dealing with day to day operations

**The team will work in conjunction with the mobilisation team**

The mobilisation team will include a liaison officer with Veolia to oversee the smooth transition from the current contractor. This officer will manage the transfer of data, staff and resolve any areas of conflict.

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**A new Local Environmental Quality Team will be created**

From 1st July 2019 onwards, the expanded temporary resource will be reviewed and subsequently, whatever is agreed, be made permanent, in 2020/21, in a newly focussed team, around Local Environmental Quality. This would make a major contribution to successfully delivering and maintaining a good public realm in terms of street management and cleanliness.

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**The funding of the mobilisation is expected to be covered through existing funding and year one surpluses from the new service**

The service has growth funding available for the cost of contract tenders within the Place directorate to a value of £0.45M. If the external procurement ceases, the balance of funding remaining will be transferred to the In-House project should agreement to proceed to given.

The financial assessment for the In-house service expects a significant underspend of approximately £2.0M to occur in year one of implementation as staff will not transfer to LBTH terms and conditions in the first year post implementation. This will also contribute towards the pre/post implementation costs. However due to timing, the service will require funding to cover those costs up to 1st April 2020.

**Local Environmental Quality Team**

A Local Environmental Quality team would be established to provide effective performance management and supporting the improvement of waste, recycling and cleansing services. The team will be set with the aim to make a major contribution to successfully delivering and maintaining a good public realm in terms of street management and cleanliness.

As highlighted, the current Clean and Green Team has been tasked and focussed over previous years on complaints and enforcement with no role for service improvement or pro-active contract management of the current contract for Waste Collection and Street Cleansing with Veolia. The impact of the above has had an adverse impact on the delivery and quality of services in that it has not allowed the authority to provide as effective management of the public realm with its partners and contractors as is required, as well as impacting on the satisfaction of residents both with services and Tower Hamlets as a place.

The recently completed Enforcement Review has allowed the concentration of a more cohesive and responsive enforcement approach and, along with the new services for Waste and Cleansing in 2020, gives the opportunity for the Council to refresh its approach to how it manages the public realm and in particular, the local environment. The LEQ Team would incorporate the following:

- The management of any handover and bedding in of new services around Waste and Cleansing

- The development of either a Ward or Street based management system – proven in other authorities. This would manage conditions and involve all partners and link to the proposed tasking model contained in the Enforcement Review.
- An intelligence and improvement capacity to identify ward or street hotspots, trends and performance problems with development and delivery of programmes and specific improvements, across services within Public Realm and in collaboration with partners.
- A special projects element, to initially to be focussed on graffiti and flyposting
- The remainder focussed on the on-street/conditions (as part of the soft client role, problem solving and managing partners work and supporting the delivery and improvement of the Operations Team

This would link to the refresh of the Environment Operations service and changes there to provide greater use of intelligence as well as the establishment of a behaviour change function that can potentially support other services across the Division.

In terms of resource, at present there are 6 officers within the Team which, given the characteristics, service demands and needs of the borough, does not allow the effective management of resources, the development of services or allow the targeted improvement of the public realm especially around the key areas of cleansing, graffiti and the local environment. It is anticipated that the size of the team will need to double, to provide the service required, and a growth bid will be submitted for this increase. It is important to note that this increase in resource would be required whatever decision is made on providing either an in-house service or an outsourced service.

## **FUTURE OPPORTUNITIES**

With the delivery of the service in-house, a number of future opportunities exist to make further efficiencies or to contain or limit the impact of future growth with regard to elements of the services such as waste collection.

<b>Future Opportunities</b>	<b>Outcome</b>
<b>Delivery of a profitable commercial waste function</b>	Future opportunities for income generation through the commercial waste service may also be achieved. The portfolio generates approximately £3.4M of income for the authority, although as collection and disposal costs are not accounted for against the service, it not currently possible to say whether the portfolio is profitable.
<b>Efficiencies and future savings</b>	As the new operation comes in house and move towards higher levels of productivity and effective that opportunities for service efficiencies may be identified  It is intended that after the first 6-12 months of operations, a review be undertaken to ascertain progression attaining maximum efficiency and productivity and that an initial view of additional savings be made and identified for the 2022/23 financial year and beyond. Obviously if any other savings are

identified and made in advance of this date, then these will be progressed

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## **Appendix 3 – Tower Hamlets Note re Cost Estimate Waste Collection, Street Cleansing and Allied Services**

### INTRODUCTION

WYG was engaged by the London Borough of Tower Hamlets (LBTH) and were tasked with producing a cost estimate as to a likely cost from a private sector operator were the services to be the subject of a competitive tender.

We have been using base data provided by the Council as well as publicly available information, in particular information from Waste Dataflow. We have also visited the Borough to make a general assessment of street cleansing standards (since, clearly, it costs more to cleanse streets to a higher standard than it does to cleanse to a lower standard); and to examine some of the particular methodologies of collecting waste in the different property types.

As a result of a telephone discussion on Tuesday 4 September we requested some additional information; and we were asked to come up with our initial draft estimate by Friday 7 September: and to highlight within this first draft, areas where we felt that we required more information to refine this first draft.

We would wish to thank the officers of LBTH for their assistance in providing data and facilitating visits that has enabled us to complete this initial assessment.

### WASTE & RECYCLING

#### Residual Waste

According to Waste Dataflow there are some 122,330 households which receive a waste collection service. Of these very few are what we would term 'standard' properties, the vast majority being flats which have their waste collected from bulk containers.

Our estimated resource for collecting residual waste is as follows:

- 23 'standard' collection rounds, each comprising a driver and two loaders using a refuse collection vehicle (RCV) seven of which operate on a double-shift basis (three of which collect contaminated recycling on the second shift).
- Two specialist URS vehicles for collecting from properties using underground collections: the attached note describes these services.
- For bulky / special waste collections we have allowed for two RCV rounds utilising a driver and two loaders, plus two rounds, each comprising a driver plus loader, using 7.5 tonne vehicles with tail-lifts.

At this stage we have included a contingency in our estimate since we believe that there may be some more precise information that we have not received regarding the precise frequencies of collection for different properties / containers; as well as more detail regarding waste from

commercial premises and as regards 'client' style functions regarding education / outreach work: and our estimate at this stage is some £5.37 million per annum. This figure is just for operational costs and excludes the costs of supervision, administration, overheads and profit. However, does include for spare staff and vehicles.

#### Recycling

We have based our estimate on the tonnages from Waste Dataflow for 2016/17 (the most recent figures to have been audited by DEFRA).

- 10,787 tonnes of dry recycling were collected. To cover the property numbers, we have allowed for 10 'standard' RCV rounds as described above.
- 827 tonnes of compostable (food and garden) waste were collected from 11,700 properties. To cover the property numbers, we have allowed for two 'standard' RCV rounds as described above: further details on property locations might refine this estimate but not by much.

Our total estimated cost is some £1.66 million. This figure is just for operational costs and excludes the costs of supervision, administration, overheads and profit. However, does include for spare staff and vehicles.

#### Street cleansing

The attached note gives details of our observations. This has informed our stated level of resources.

We have allowed for:

- Five large mechanical sweepers which are double-shifted, meaning five front-line sweepers but 10 drivers and 10 'banksman'.
- 13 mobile teams (our assessment for area teams, based upon the areas of All Saints, Bethnal Green, Bow, Bromley-by-Bow, Limehouse, Mile End, St Catherine's, Shoreditch, Spitalfields, Stepney, Wapping, Whitechapel and the area south of Canary Wharf): each comprising a driver, three operatives and one small mechanical sweeper, reducing to four teams on Saturdays and Sundays.
- For Zone A (1+) areas, 13 barrow-beats with 2.5 equivalent shifts every day.
- Cleansing of the Blackwall tunnel plus approach main roads and slip roads (at a cost of £117,500 based upon unit rates and the measurements provided)
- Cleansing of the cycle super highway (at a cost of £40,000 per annum)

The cost of the core service is some £5.8 million per annum. As above, this figure is just for operational costs and excludes the costs of supervision, administration, overheads and profit. The calculated resource described above, is based upon our observations plus methodologies that we

have seen applied by the private sector in central London (WYG audits street cleansing for several London Boroughs).

Ancillary Services:

- Container management / replacement: we do not have sufficient data to provide a very accurate estimate: on a benchmark basis we would include £200k per annum for deliveries and up to £400k for container costs.
- Clinical waste (ca. 1 tonne per week, 3 rounds driver only): £100,000 per annum. However, this figure might be light since the replacement regime for containers is not absolutely clear.
- Markets: we estimate a cost of £345k per annum for waste collection (allowing for two collection vehicles and allowances for overtime / weekend working) and £400k per annum for cleansing.
- Winter maintenance: costs of gritter plus standby costs: £155,000 per annum.
- Cleansing of public conveniences: on a benchmark basis we would estimate a total cost of £50,000 per annum.
- Removal of fly-tips, two teams: £217,000 per annum.
- Cleansing of parks: the resource comprises five teams, each with a driver and two operatives plus a small mechanical sweeper operating over seven days: £1.07 million per annum.
- Cleansing of street furniture: two teams each of two operatives with transport: £123,000 per annum. The same resource and cost has been allocated for the removal of graffiti and fly-posting.
- Street washing: the detail as to the type of service and therefore the type of equipment needs to be discussed, for now we have included £100,000 per annum.

Summary totals

These can now be set out, with allowances for supervision, administration, overheads and profit as per the tables below. Our figures for overheads and profit levels are typical of that we see in tenders (we have seen corporate overheads as low as 7% but these are generally accompanied by an increased profit requirement of 5%; and there is little difference to the overall figure in this alternative approach). We have assumed 3% profit and 10% overhead contribution.

Table 1: Waste Services

Heading	Annual cost £
Residual waste collections	5,370,000
Recycling collections	1,660,000

Container management (including container costs)	600,000
Clinical waste collections	100,000
Markets: waste collections	345,000
Local management, supervision & admin	711,000
Sub-total waste	8,786,000
Add: corporate overheads @ 10%	878,600
Sub-total	9,664,600
Add: profit @ 3%	289,938
<b>GRAND TOTAL WASTE</b>	<b>9,954,538</b>

Table 2: cleansing and other services

Heading	Annual cost £
Routine cleansing	5,800,000
Markets: street cleansing	400,000
Cleansing of public conveniences	50,000
Winter maintenance	155,000
Fly-tipping	217,000
Cleansing of parks	1,070,000
Cleansing of street furniture	123,000
Street washing	100,000
Graffiti & fly-posting removal	123,000
Local management, supervision & admin	750,000
Sub-total cleansing	8,788,000
Add: corporate overheads @ 10%	878,800
Sub-total	9,666,800
Add: profit @ 3%	290,004
<b>GRAND TOTAL CLEANSING</b>	<b>9,956,804</b>

This gives a grand total of some £19,911,342 per annum, which is at current (September 2018) prices. We are not saying that a contractor would not charge less than this: but we feel this figure represents a 'typical' contractor price based upon the information we hold. We take comfort from the fact that, although independently assessed and modelled, the costs for waste and street

cleansing are of the same order, which we have noted to be the case in other inner London authorities that we have worked with.

In addition to the comments included under each heading above, we believe that we do not have sufficient data to estimate the costs of administering the Commercial Waste service which is a function we believe the current contractor performs and charges for.

LA/VH/WYG/7.9.18

## Appendix A - Street Cleansing

### PERFORMANCE STANDARDS

To assess the quality of street cleansing, which is currently being delivered, randomly selected transects across a selection of land uses were inspected using the standard NI195 grading system as well as observation of street cleansing practises. Although such a methodology cannot be considered as thorough as a comprehensive performance assessment, it does provide an accurate snapshot of the current situation with regard to street cleansing at the locations visited as well as a useful picture of general performance. In addition to the standard NI195 elements (litter, detritus, graffiti and fly-posting)

Overall street cleaning in Tower Hamlets was not of a particularly high standard: though given the various challenges presented by the Borough such as large transient population in a relatively small area, lots of small markets, social deprivation etc. the local environmental quality could be a lot worse

Of the roads observed there was generally a scattering of litter and most would score a B-/B grade on the NI195 grading scale. Mostly litter was on pavements, along backlines and adjoining vegetation / verges whereas the road channels themselves were mostly free of litter.

Very little detritus was observed in the Borough; a couple of roads had accumulations on the pavements, but the majority of road channels were spotless suggesting that the current mechanical sweeping of channels is sufficient.

Graffiti is a real problem in the Borough; it was present in all land uses and could be found on everything from walls, street furniture, signs, windows and doors. We were informed there are several graffiti teams working every day, but they are unable to keep on top of it. Whilst surveying we also witness in a couple of locations graffiti removal being done by private companies. In locations such as Brick Lane there is also difficulty in determining what is 'Street Art' and is to be left and what is graffiti to be removed, a lot if the graffiti here is a tourist attraction.

Fly-posting was generally more of an issue in retail areas than housing. Similarly, to graffiti Brick Lane was one of the worst areas with walls covered in multiple posters. In other areas it was limited to a few stickers and posters on walls and primarily lamppost and sign posts and of particular note was the lack of removal of cable ties from old posters that had been removed

## CHALLENGES TO STREET CLEANSING

A number of the main roads and other retail areas also have small markets along the pavement edge posing a real challenge to street cleansing. Not only do these markets generate a lot of litter particularly the fruit and veg stalls and attract a lot of people but they make it impossible for sweepers or barrowmen to get to large parts of the road channel and pavement. In the road alongside these markets there are many instances where large vehicles are parked and used as storage for the markets. These vehicles never move some have been there years meaning the road channel cannot be mechanically swept. Beneath the vehicles was large accumulations of detritus and litter which cannot be removed yet gets blown across the road when the wind is in the right direction (Photo 1755 & 1763-1766).

The markets also have commercial 1100L bins along the road channel or pavement edges for their waste, however these seemed to be full creating a lot of side waste and litter (Photo 1749-1750, 1754 & 1779). Some market stalls also stored up their waste near to the stalls to take to the bins later again this was often blown or kicked away and was generating additional litter

Due to the nature of lots of small shops with flats above many of the properties commercial and residential are on time banded sack collections, it was evident though that these are poorly adhered to and sacks are presented by trees, lampposts, bins or just on the pavements at most times of the day. The piles of sacks often led to additional waste and litter also being fly-tipped (Photo 1703 1711 & 1786). The council generally have a clear waste policy that they take anything left in a public place.

It was also noted that in the retail areas a lot of full and overflowing litter bins were observed this again led to littering and a build-up of side waste (Photo 1712, 1804 & 1811).

Although very little was observed in terms of large fly-tips I was informed that it is quite a problem especially with such a transient population and furniture etc is regularly dumped on the pavements. There is quite a large university student population in some areas and at the end of term this often means a lot of dumped mattresses and other fly-tips as the students move out.

On a few of the main roads there are cycle highways separated from the road, and in most instances had litter present (Photo 1805, 1812-1813 & 1815). I was informed that the council have a small ride on machine that fits down the cycleways but they don't appear to be swept as frequently as the road themselves.

## Appendix B – Waste Collection UNDERGROUND REFUSE SYSTEM (URS)

We are advised that many of the estates and flats now have these; but on our site visit we could not get any real feel for how many and the data we have is not clear. It is understood that these are serviced by two specialised vehicles.

Set up in various different ways at each block of flats, some have URS for both refuse and recycling, some have just URS just for refuse, sometimes they're side by side other opposite sides of the road etc. Not sure how many URS each housing estate has it seems to vary greatly they're just dotted all over the place.

It's essentially a big container underground with a chute above ground for residents to put their rubbish (Photo 1636-1640). Requires a particular vehicle to empty, the council currently have three of these, but they are old and prone to break downs meaning a lot of missed collections, they are however in the process of getting two new vehicles. There is a panel above the chute that the crews unlock and then there's 3 hooks which attach to the vehicle to lift out and tip the container before lowering it back in

In most cases the private property management companies / housing associations are pretty good and take ownership of the refuse areas, any side waste etc the council don't touch. We came across one URS which was full and the management company had put out building sacks to contain the extra waste this may however be difficult for crews to unload (Photo 1624 & 1626).

A few housing estates have URS for refuse and then a centralised recycling essentially somewhere in the middle of the estate is a bin store with 1100L recycling bins, these tended to have more fly-tipping and be less well looked after (Photo 1647-1650). All the URS we looked at were spotless in terms of fly-tipping and side waste (except the one which was full, but it was still tidy).

Appendix C – Record of Observations

Road Name	Litter	Detritus	Graffiti	Fly-posting	Photos	Comments
Nutmeg Lane	B+	B	A	B+	1484-1492	Majority of road channels very clean, small amounts of detritus and litter where it meets East India Dock Road
East India Dock Road	B-	B-	A	B+	1493-1518	Litter along back line and in vegetation beds at junctions, tree pits untidy with accumulations of detritus all along the pavement
Lanrick Road	C	B+	A	B+	1519-1533	Vegetation bed between Lanrick road and Portree Street is full of litter and this extends all down the side of the crash barrier along Lanrick Road. Scattering of litter amongst other vegetation beds
Portree Street	C	C	B+	B	1533-1546	Litter and detritus along both sides of the road channel and posters and stickers on telegraph poles and lampposts
Abbott Road	B+	B+	B	A	1547-1553	Very tidy, road channels are spotless
Dee Street	B-	B	A	B+	1554-1569	Litter on grass verges and a fly tip, some thin accumulations of detritus in road channels
Aberfeldy Street	C	B	B	B	1570-1575	Widespread litter on the pavement and in road channels around the shops
Culloden Street	B	B+	C-	B	1576-1594	couple of bits left by recycling bins. Widespread graffiti along the walls
A12	B	B+	B	B+	1595-1603	Road channels generally very clean
East India Dock Road	B-	B	C-	B	1604-1620	Further down East India Dock Road, graffiti widespread on the walls and litter on grass verges
Gayton House					1621-1634	URS system overflowing so property management had put out building sacks. Some litter scattered along the road but generally tidy. Also, a skip in a bin store, unsure if this is in use for waste collection.
Fern Street					1635-1640	URS system
Brick Lane			D		1641-1645	Graffiti widespread

Road Name	Litter	Detritus	Graffiti	Fly-posting	Photos	Comments
Centralised Recycling example					1647-1650	Bin store poorly maintained has been fly-tipped and generally untidy
Brick Lane and adjacent streets	B	B+	D	D	1651-1694	Widespread graffiti and fly-posting, road channels reasonably clean. Grimsby street has newly developed flats off of brick lane, already graffiti on windows etc - it's a real problem
Bethnal Green Road	C	B+	C-	B	1695-1713	Piles of sacks left on the pavement which has attracted littering and fly-tipping. Road channels clean. Graffiti along the road on walls, shutters etc. Several full bins
Vallance Road	B-	B+	C	B	1714-1727	Accumulations of litter on the pavements, road channels clean, graffiti on doors and street furniture
Pedley Street	C	B+	D	B+	1729-1738	Litter along the road channels, widespread graffiti
Vallance Road	C	B+	C-	B+	1739-1744	Whitchapel end of vallance street. Widespread litter on the pavement and large accumulations behind constriction blocks. Graffiti covering scaffolding hoarding
Whitechapel Road	C	B	C	C	1745-1794	examples of the markets and storage vehicles. Examples of the separated cycle highways, Piles of sacks presented for collection and full litter bins. Graffiti on street furniture and walls. Fly-posting on hoarding
Greatorex Street	B-	B	B	B-	1795-1797	Cables ties on posts and litter in the channels
Whitechapel Road	C	B	C	C	1798-1816	littering in cycleways, graffiti on street furniture and walls, fly-posting on walls and posts
A13 Commercial Road	C	B+	B	B	1817-1827 & 1834	Litter scattered on pavement and accumulating around bins
Gowers Walk	B-	B+	A	B+	1828-1833	Scattering of litter along the road channels
Hendriques Street	B-	B+	B-	C	1835-1848	Litter scattered along road channels, graffiti and fly-posting on walls. Overflowing 1100l bins in block of flat

## Appendix 4 – Risk Log

Risk	Mitigation
<b>Lack of staff in the authority with the experience of managing an In-house service</b>	<p>The service does not have officers with the experience to manage an In-house service of this size. This can however be mitigated with the right recruitment of experience staff during the mobilisation period.</p> <p>The service is in the process of securing senior officers with prior experience of mobilising the transfer of Waste Services from an external provider to an In-house service.</p>
<b>The cost of delivery of an In-house service exceeds current revenue budget levels and capital funding availability</b>	<p>Financial risk for management of the service will transfer to the authority. This can be mitigated through sound financial management. A fully costed business case for the In-house service has been developed.</p> <p>The financial element of that business case is compared to the authority's current spend profile and an independent consultants pricing analysis of likely tenders for the contract and will aim to demonstrate financial benefits of an In-house service.</p>
<b>The authority make be liable for Pension Strain costs if there is a change in service provider</b>	<p>Any change from the current provider could result in pension liabilities on the council. Options for mitigation can be trading through a Local Authority Trading Company and/or through provision in Reserves.</p>
<b>Poor industrial relation may lead to the authority being susceptible to disruption to service to staffing/union activity</b>	<p>This will be mitigated through open discussions during the mobilisation period to manage any perceived issues. Meetings have been scheduled with the appropriate Union branch members to clarify the impact on their members from the transfer to an In-house service, on issue such as pay and performance standards.</p> <p>During the mobilisation period, in-depth policy and processes in relation Health &amp; Safety, training, working standards will be developed. Staff who are recruited or transferred to the service will be brought in prior to go live, to ensure that standards are met and maintained from day one.</p>
<b>The timescales for the agreement of bringing the service in house are not in place in time for the 2020 financial year</b>	<p>A prompt decision on bringing the service In-house is required to ensure those deadlines are met to have the service operation by 2020.</p> <p>A mobilisation plan setting out the transferring of staff, procurements of resources e.g. fleet and service management, has been developed which includes key milestones, that will ensure that service would be ready to go live from APR 2020.</p> <p>The plan will also develop alternative arrangements for the provision of Waste Service should the implementation deadline been missed.</p>
<b>The commercial waste client portfolio managed</b>	<p>Veolia currently manage the running of the authority's Commercial Waste service for an annual fee. The service needs to ensure that all clients are signed</p>

<b>by Veolia is not secured</b>	to new contracts in order to secure the level of income the authority currently receives. Failure to do so will result in a financial pressure on the authority's budget.
<b>The required infrastructure to manage an In-house service is unavailable</b>	<p>The depot at Blackwall is currently being reviewed with a feasibility study for the site. Any recommendations for the site would need to include a permanent base for the waste service fleet.</p> <p>Whether the service is brought in house or outsourced, the authority is likely to be required to purchase a new fleet either through capital investment or the cost of the vehicle will be built into the financial cost of tenders.</p> <p>The business case for the In-house service has accounted for all required resources from vehicles to staff uniforms and broom handles.</p>
<b>The transfer of service from Veolia to an In-house service, impacts on or creates a poor public perception about service delivery</b>	The service will be monitored through the use of a range of performance indicators such resident surveys, national indicators, audit frameworks etc. post implementation.
<b>Increased demands on corporate services</b>	<p>The management of a service that will have a budget c£20M, employee c300 officers and be implementing change that will impact on the majority of the boroughs residents, will require significant support from corporate service such as HR, Finance, Policy, Commercialisation and Communications.</p> <p>Element of decided HR and administration support will be built into the services structure. During mobilisation the impact of these corporate services will be assessed.</p>
<b>Increased pressure on management of the Place Directorate</b>	In addition to the operational management and delivery required to manage the new In-house service, the creation of an In-house service will place demands on the strategic management function of the Place Directorate.
<b>Levels of resourcing required to allow for innovation to improve performance and recycling rates are not made available</b>	<p>The business case developed to support the decision to bring the management of waste services in house, related to matching the service provision delivered currently.</p> <p>The authority requires increases to current recycling performance rates. In order to deliver this, in addition to innovation from the service using current resources, there will be investment required in outreach and education, Food Waste, increasing estate recycling and other diversifying services which will require wider support and resources.</p>
<b>Financial savings missed by not utilising purchasing opportunities</b>	<p>There are cost savings to be made through creative purchasing of resources through frameworks or joint procurements with other authorities. There are neighbouring boroughs in the process of purchasing new fleet to meet with the London Mayors Ultra Low Emissions Zone and another authority procuring IT systems to bring their waste service back in house from an external provider.</p> <p>There are opportunities for boroughs to gain cost savings through economies</p>

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of scale should procurement rules allow.

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## Appendix 5 – EQUALITY ANALYSIS QUALITY ASSURANCE CHECKLIST

<b>Name of 'proposal' and how has it been implemented</b> (proposal can be a policy, service, function, strategy, project, procedure, restructure/savings proposal)	<b>Waste Management Delivery Options</b>		
<b>Directorate / Service</b>	<b>Place/Public Realm</b>		
<b>Lead Officer</b>	<b>Richard Williams/Robin Payne</b>		
<b>Signed Off By (inc date)</b>			
<b>Summary – to be completed at the end of completing the QA (using Appendix A)</b> (Please provide a summary of the findings of the Quality Assurance checklist. What has happened as a result of the QA? For example, based on the QA a Full EA will be undertaken or, based on the QA a Full EA will not be undertaken as due regard to the nine protected groups is embedded in the proposal and the proposal has low relevance to equalities)	<b>Example</b>   <b>Proceed with Implementation</b>  As a result of the QA checklist, the proposal does not appear to have any adverse effects on people who share Protected Characteristics and no further actions are recommended at this stage.		

Stage	Checklist Area / Question	Yes / No /	Comment (If the answer is no/unsure, please ask the question to the SPP Service)
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		Unsure	Manager or nominated equality lead to clarify)
<b>1</b>	<b>Overview of Proposal</b>		
a	Are the outcomes of the proposals clear?	YES	<p>The Waste Management Delivery Options Report Outlines the proposal for the creation of an “In House” service for the integrated delivery of waste, recycling and cleansing function within Tower Hamlets, to commence from 1<sup>st</sup> April 2020.</p> <p>The key outcomes of this proposal would result in</p> <ul style="list-style-type: none"> <li>• Authority granted to cease the dialogue for an external procurement of an integrated waste and recycle and cleansing contract</li> <li>• Authority granted for the creation of an In house service for the delivery of a waste recycling and cleansing function from the 1<sup>st</sup> April 2020</li> <li>• Authority to negotiate and agree an exit strategy with Veolia</li> <li>• Approve the time scale for the delivery and the resources required for the “ In House service”</li> </ul>
b	Is it clear who will be or is likely to be affected by what is being proposed (inc service users and staff)? Is there information about the equality profile of those affected?	N/A	<p>The affect group are likely to be people who are currently employed be the existing contractor (Veolia).</p> <p>Tower Hamlets does collect equality data from contractors, however the last time that this was collated was in July 2016 and the staff profile for the company is</p>

			<p>likely to have changed since then. Therefore, it is impossible to determine the full impact and who will be affected by this proposal at this stage.</p> <p>Once a decision has been reached on the future of the Waste and Cleansing Service, a full equality impact assessment, detailing who will be affected by the proposal and the impact will be undertaken as per council procedures.</p>
<b>2</b>	<b>Monitoring / Collecting Evidence / Data and Consultation</b>		
a	Is there reliable qualitative and quantitative data to support claims made about impacts?	N/A	Once a decision has been reached on the future of the Waste and Cleansing Service a full equality impact assessment, detailing who will be affected by the proposal will be undertaken as per council procedures.
	Is there sufficient evidence of local/regional/national research that can inform the analysis?	N/A	See above
b	Has a reasonable attempt been made to ensure relevant knowledge and expertise (people, teams and partners) have been involved in the analysis?	YES	
c	Is there clear evidence of consultation with stakeholders and users from groups affected by the proposal?	N/A	Consultation cannot commence until a decision on the proposal has been reached
<b>3</b>	<b>Assessing Impact and Analysis</b>		
a	Are there clear links between the sources of evidence (information, data etc) and the interpretation of impact amongst the nine	N/A	Once a decision has been reached on the future of the Waste and Cleansing Service a full equality impact assessment, detailing who will be affected by the

	protected characteristics?		proposal will be undertaken as per council procedures.
b	Is there a clear understanding of the way in which proposals applied in the same way can have unequal impact on different groups?	N/A	Once a decision has been reached on the future of the Waste and Cleansing Service a full equality impact assessment, detailing who will be affected by the proposal will be undertaken as per council procedures.
<b>4</b>	<b>Mitigation and Improvement Action Plan</b>		
a	Is there an agreed action plan?	N/A	A project plan has been developed setting out the project delivery. A de tailed action plan will be developed once a decision on this proposal has been agreed.
b	Have alternative options been explored	YES	The option to procure a contract with a new supplier was considered.
<b>5</b>	<b>Quality Assurance and Monitoring</b>		
a	Are there arrangements in place to review or audit the implementation of the proposal?	YES	
b	Is it clear how the progress will be monitored to track impact across the protected characteristics??	N/A	Once a decision has been reached on the future of the Waste and Cleansing Service a full equality impact assessment, detailing who will be affected by the proposal will be undertaken as per council procedures.
<b>6</b>	<b>Reporting Outcomes and Action Plan</b>		
a	Does the executive summary contain sufficient information on the key findings arising from the assessment?	YES	

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**Community Infrastructure Levy (CIL)  
Supporting Evidence and Funding Gap  
Report**

**October 2018**

## **1. Introduction**

1.1 This document has been formed to describe and summarise the infrastructure planning evidence required to support the adoption of the Council's new Charging Schedule. In particular, it will set out:

- What the Council intends to fund using its CIL;
- The matters for which the Council will continue to secure using S106 planning obligations;
- The amount of funding collected in recent years through S106 Agreements;
- The extent to which the Council has met its affordable housing target;
- The Council's funding gap, in order to justify charging a CIL, alongside a levy funding target.

## **2 What the Council intends to fund using CIL**

2.1 The list of types of projects on which the Council intends to spend its CIL is described in the Council's new draft Regulation 123 List, attached at Appendix A.

2.2 The only substantive amendment currently proposed to the Council's Regulation 123 List is that it removes a specific reference to infrastructure required by the Council's Managing Development Document on the Wood Wharf, Westferry Printworks, Bishopsgate Goods Yard and London Dock sites being excluded from the list. Also removed is a reference to one type of project ("Electricity supplies to all Council managed markets") as this has been completed so is no longer relevant in CIL funding terms.

2.3 The Council is reconsidering the terminology used in the Regulation 123 List to improve clarity and will consult on any further amendments proposed. It is very unlikely that any amendments required will affect the viability work supporting the proposed Charging Schedule, affecting the rates proposed. The Council intends to adopt the new Regulation 123 List at the same time as the newly proposed Charging Schedule.

2.3 The proposed Charging Schedule will help the Council raise funding to deliver the projects described in the Council's Infrastructure Delivery Plan (IDP). The IDP identifies a range of projects required to support the development of the Council's area as described in the Local Plan and London Plan. The Infrastructure projects described in the IDP will help ensure development in Tower Hamlets is sustainable.

- 2.4 The Council decides on the allocation of CIL and S106 funding through its Infrastructure Delivery Framework decision-making process. This process was referred to and approved by the Mayor in Cabinet in January and October 2016.

### **3 The matters for which the Council will secure S106 Planning Obligations**

- 3.1 The matters for which the Council will continue to secure using S106 planning obligations are described in detail in the Council's adopted Planning Obligations Supplementary Planning Document (SPD).

- 3.2 In summary, non-financial matters (such as the provision of affordable housing) will continue to be secured using S106 Planning Obligations. The Council intends to continue to secure a few financial non-infrastructure related matters through S106, including:

- **Construction Phase Skills and Training Contribution:** This financial contribution is sought to support and provide the training and skills needs of local residents in accessing the new job opportunities in the construction of development.
- **End User Phase Skills and Training Contribution:** This financial contribution is sought to support and provide the training and skills needs of local residents in accessing the new job opportunities created by the development.
- **Carbon Offset Contribution:** Where development proposals are unable to Development Plan carbon reduction targets on-site, contributions to a carbon offsetting fund will be sought to meet the shortfall.

- 3.3 The Council may continue to secure other site-by-site matters via S106 contributions where securing them would not conflict with the Council's Regulation 123 List.

### **4 The amounts collected in recent years through S106 and CIL**

- 4.1 The following table summarises the amounts that the Council has collected in recent years through S106 and CIL:

Table 1: Amount of CIL/S106 collected by the Council, 14/15 – 17/18

	<b>CIL</b>	<b>S106</b>
<b>2014/15</b>	N/A	£14,900,000
<b>2015/16</b>	£6,785,260	£18,600,000

<b>2016/17</b>	£18,338,813	£16,400,000
<b>2017/18</b>	£13,991,578	£26,276,924
<b>Total</b>	£39,115,651	£76,176,924

## 5 The extent to which the Council has met its affordable housing target in recent years

- 5.1 Tower Hamlets has an overarching affordable housing target of 50%, with a target for individual schemes of 35% - 50%.
- 5.2 Using information from the London Development Database, Table 2 below evidences the Council's performance against its housing target between 2012/13 and 2016/17:

Table 2: The extent to which the Council has met its housing target

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>No. of Affordable Units Delivered</b>	262	691	730	822	1,008
<b>% of Affordable Housing Delivered (by habitable room)</b>	34%	34%	35.6%	41%	23.6%

- 5.3 More information in this regard can be found in the Council's Housing Delivery Strategy which is part of the Council's evidence base supporting its new draft Local Plan. When information relating to delivery in 2017/18 is available the Council will make it available as appropriate.

## 6 The Council's funding gap

- 6.1 Detailed information on the Council's Funding Gap is set out in chapter 2 ('Infrastructure Funding Position') of the Council's draft Infrastructure Delivery Plan supporting the Council's Regulation 19 version of its new draft Local Plan. The work in this section has been updated slightly to reflect new information on projects.

### **Cost of Infrastructure Described in the IDP**

- 6.2 The following table describes the cost of the infrastructure projects set out in the Council's IDP.

Table 3: Costs of infrastructure projects in the Council's IDP

Infrastructure Category	Total Combined Cost of Projects	% of Total Cost	Number of Projects	Number of uncosted projects
Early Years Infrastructure	£1,047,768	0%	18	0
Primary Education Infrastructure	£123,240,000	6%	12	2
Secondary Education Infrastructure	£222,200,000	12%	9	1
Special Education Infrastructure	£15,000,000	1%	2	0
Health Facilities	£14,640,665	1%	21	8
Leisure and Sports Facilities	£550,000	0%	11	10
Idea Stores and Libraries	£38,500,000	2%	7	0
Transportation, Connectivity and Public Realm Infrastructure	£1,319,140,000	69%	72	7
Publicly Accessible Open Space	£74,910,000	4%	38	32
Employment and Enterprise Infrastructure	£40,000,000	2%	3	0
Community Centres	£2,240,000	0%	6	2
Youth Centre Facilities	£350,000	0%	2	1
Strategic Energy and Sustainability	£4,000,000	0%	2	0
Strategic Flood Defence Infrastructure	£1,600,000	0%	2	1
Council Managed Markets Infrastructure	£2,950,000	0%	5	0
Public Safety and Emergency Services Infrastructure	£31,936,000	2%	5	0
Utilities and Telecommunications Infrastructure	£4,500,000	0%	3	2
Waste Management Infrastructure	£4,000,000	0%	3	2
<b>Total</b>	<b>£1,900,804,433</b>	<b>100%</b>	<b>221</b>	<b>68</b>

6.3 Please note that the amount set out relating to Transportation, Connectivity and Public Realm Infrastructure includes an upgrade to the entire DLR network, costing approximately £700m. This amount cannot yet be disaggregated to establish what only applies to the Council's authority area. Note that this amount is assumed to be funded entirely by TfL's Business Plan so does not affect the Funding Gap.

6.4 There are 68 projects for which the Council does not yet have costs as these projects are not yet developed enough. The Council estimates that these projects would cost in the region of £150m - £300m to deliver although this figure depends on a number of unknown factors.

**Potential Funding Sources**

6.5 The following table summarises the Council's position with regard to the availability of funding to spend on infrastructure. Please note that the

Council is not necessarily in receipt of the amounts stated, rather it reasonably expects these amounts to be available based on the information available.

Table 4: Availability of funding for infrastructure

Type of Funding	Amount Available	Source
1. Capital Grants	£792.68m	Council's Capital Programme 2017/18 – 2020/21.
2. S106 Funding: Existing account and projections up to 2028/29	£183.5m	Council's bespoke projections.
3. CIL Funding, existing and projections up to 2030/31	£292.75m	Council's bespoke Projections
<b>Total</b>	<b>£1.268m</b>	

#### Capital Grants

- 6.6 This funding projection was partially derived from the Council's adopted Capital Programme which sets out the Council's funding position from 2017/18 to 2020/21. The draft Isle of Dogs and South Poplar Opportunity Area Planning Framework has also identified potential funding from TfL's Business Plan and this funding is also included under this category.
- 6.7 The table below provides a breakdown of the funding sources that fall under this category:

Table 5: Capital grant funding sources

Funding Source	Amount	Notes
Schools Basic Need/ Expansion Grant	£53.85m	
Transport for London's Local Improvement Programme	£10.828m	
Transport for London's Business Plan	£728m	Assumed to be spent on DLR Improvement Programme and the Crossharbour Station project.
	<b>£792.68m</b>	

#### S106 Funding

- 6.8 S106 is payable in accordance with triggers set out in S106 agreements. The Council's S106 income will, like CIL, depend upon the timings for delivery of individual development sites. The below table provides a breakdown of these funding sources.

Table 6: S106 on account and forecasted income

<b>Year</b>	<b>Annual Amount (£)</b>
<b>Funding on account as at 31/03/2017</b>	£79,535,461
<b>2017/18 (estimate)</b>	£26,276,924
<b>2018/19 – 2028/29 (estimate)</b>	£77,760,019
<b>Total</b>	<b>£183,572,404</b>

### CIL Funding

- 6.9 The following table sets out projected income over the period of the Council's Regulation 19 version of its new draft Local Plan, assuming both the existing and proposed rates:

Table 7: Projected CIL income

	<b>Proposed CIL Charging Schedule</b>	<b>Current CIL Charging Schedule</b>
<b>2017/18</b>	£13,991,578	£13,991,578
<b>2018/19</b>	£16,033,797.17	£16,033,797
<b>2019/20</b>	£13,866,385.13	£13,866,385
<b>2020/21</b>	£16,178,203.78	£16,178,204
<b>2021/22</b>	£29,390,322.70	£25,775,569
<b>2022/23</b>	£28,158,376.68	£24,944,980
<b>2023/24</b>	£27,943,086.64	£24,426,533
<b>2024/25</b>	£23,897,568.74	£20,742,081
<b>2025/26</b>	£19,713,478.01	£16,674,785
<b>2026/27</b>	£19,912,020.84	£16,819,327
<b>2027/28</b>	£19,684,062.60	£16,593,499
<b>2028/29</b>	£16,795,060.20	£14,317,851
<b>2029/30</b>	£15,572,846.86	£13,099,898
<b>2030/31</b>	£6,492,564.94	£5,458,111
<b>Total</b>	<b>£292,753,425</b>	<b>£264,046,670</b>

- 6.10 Note that income projections above assume a new Charging Schedule is adopted in 2019/20 and the applications permitted after this point start to come forward from the year 2021/22.
- 6.11 The Council has to date collected £39m in CIL funding. In accordance with table 1 above, approximately £25m of those receipts were collected in the years 2015/16 and 2016/17. The remainder was collected in the year 2017/18 to date.

### **Funding Gap**

### Aggregate Funding Gap

- 6.12 The aggregate funding gap is the total cost of infrastructure, less funding from sources other than CIL:

Table 8: Aggregate funding gap for CIL

<b>Total cost of infrastructure</b>	£1,900,804,433
<b>Less</b>	
<b>Funding from sources other than projected CIL Income</b>	£1,011,360,000
<b>Equals</b>	
<b>Aggregate Funding Gap</b>	<b>£889,444,433</b>

### Residual Funding Gap

- 6.13 The residual funding gap is calculated by subtracting the projected CIL income from the aggregate funding gap:

Table 9: Residual funding gap for CIL

<b>Aggregate Funding Gap</b>	£889,444,433
<b>Less</b>	
<b>CIL Funding Projections up to 2030/31</b>	<b>£292,753,425</b>
<b>Equals</b>	
<b>Residual Funding Gap</b>	<b>£596,691,000</b>

- 6.14 The Council are able to demonstrate a significant residual funding gap so are able to continue to charge a local CIL, in accordance with paragraph 16 of the CIL Planning Practice Guidance.
- 6.15 The scale of growth projected in Tower Hamlets means that the vast majority of funding for infrastructure will need to come from sources other than CIL.

### **Levy Funding Target**

- 6.16 Given the Council has a significant funding gap, the Council's funding target for CIL will represent the maximum viable amount over the Local Plan period which has been identified as £292.75m (see table 7 above).

## **Appendix A: The Council's Regulation 123 List**



# **Community Infrastructure Levy (CIL)**

## **Regulation 123 List**

**xxxDatexxx**

# Regulation 123 List

## List of Infrastructure Projects

**xxxDatexxx**

The list below sets out those types of infrastructure projects that Tower Hamlets Council intends will be, or may, be wholly or partly funded by CIL.

The inclusion of a type of infrastructure in this list does not signify a commitment from the Council to wholly or partly fund it through CIL.

**Types of strategic infrastructure (including new provision, replacement or improvements to existing infrastructure, operation and maintenance)\*: -**

- **Community facilities**
- **Employment and training facilities**
- **Energy and sustainability (including waste) infrastructure**
- **Flood defences**
- **Health and social care facilities**
- **Infrastructure dedicated to public safety (for example, wider CCTV coverage)**
- **Leisure facilities such as sports facilities, libraries and Idea Stores**
- **Open space, parks and tree planting**
- **Public art provision**
- **Public education facilities**
- **Roads and other transport infrastructure**

\* For the purposes of the CIL Regulation 123 List, 'strategic' is defined as infrastructure that is designed to serve more than those residents or workers within one particular development by contributing to infrastructure improvements across the wider Borough.