



Leicester  
City Council

**WARDS AFFECTED  
ALL WARDS (CORPORATE ISSUE)**

**FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:**

Cabinet

7<sup>th</sup> May 2002

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**BEST VALUE REVIEW - YEAR THREE  
LOCAL ENVIRONMENTAL SERVICES  
FUNDAMENTAL CHALLENGE, FINAL SCOPE, TERMS OF REFERENCE  
AND ROUTING FOR THE REVIEW**

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**Report of the Assistant Director (Environmental Services)**

**1 BACKGROUND AND PURPOSE OF REPORT**

**1.1 PURPOSE OF REPORT**

To seek the approval of Cabinet to the outcome of the fundamental challenge stage of the review process, the final scope and terms of reference for the review and the recommended routing of the review for Local Environmental Services.

**1.2 BACKGROUND**

Cabinet approved the scope for the review of Local Environmental Services on the 11<sup>th</sup> March 2002. This report provides an executive summary of the work undertaken since then to complete the second stage of the Best Value Review process, details of which can be found in the attached Interim Report.

The Interim Report was considered and approved by the Members Best Value Working Group on 25 April 2002.

The Interim Report has a style and structure, which meets with the requirements of the Best Value inspections and makes it accessible to all. It addresses stage 2 of the Best Value process in the following manner:

- The strategic case for Local Environmental Services (Fundamental Challenge)
- The profile of services delivered.
- An initial assessment of how the services are currently :
  - performing in comparison with other providers (Compare & Compete)
  - meeting the expectations of users (Consult);
  - achieving their stated objectives (Wider Challenge).
- How able the current service is to meet future needs

- The Way Ahead (Final Scope, Terms of Reference, Review Routing)

## **2. RECOMMENDATIONS**

Cabinet are recommended to:

- a) Agree the outcome of the fundamental challenge;
- b) Agree the proposed review routing; i.e. waste disposal and collection (PFI project) through the performance management route and the remainder via service assessment.
- c) Agree the Terms of Reference for the review ;
- d) Note the principles previously agreed by Members in the light of 'Revitalising Neighbourhoods' which are as follows:
  - (i) the creation of a new department (Environment Development and Regeneration) which will play a major role in delivering Local Environmental Services. This is done with a view to:
    - a new distinction between strategic service commissioning of services linked to cultural and environmental policies;
    - remove the barriers of compulsory competitive tendering, bring service delivery and quality monitoring together; and work towards delivering services at a local level;
    - Improve the co-ordination of services and communication;
    - deliver the savings of £125, 000 over and above any 2002/ 2003 budget savings as a result of bringing together the facilities management.

## **3. REPORT**

The purpose of this report is to present the strategic case and a 'baseline analysis' of the services that have been scoped into the Local Environmental Services Best Value Review.

This 'baseline analysis' of the services demonstrates that a number of services scoped in this review are not meeting user expectations. This is evident as the performance of a number of Best Value and APSE indicators is not satisfactory and also satisfaction level for these services (except for Parks and open spaces) amongst the public is lower than previously recorded.

A detailed discussion on performance of services is presented in the main report under section 4 'The comparative picture'. A summary of the Best value indicators (for services scoped in the review) showing the Audit Commission ranking is shown below:

There are are total of 15 Best Value Performance Indicators (14 Waste Management, 1 Parks and open spaces) in the 2000-2001 suite (the latest year for which we have national comparison information).

Of the 14 Waste Management indicators when compared against metropolitan authorities, Leicester is in the top Quartile for 3, better than average for 5, worse than average for 2 and in the bottom Quartile for 4 (one of which will always be, because we do not incinerate waste). Parks and open spaces are positioned in the top quartile.

Summary Table - Comparison against Metropolitan Authorities

TQ = Top Quartile, AA = above average, BA = below average, BQ = Bottom Quartile

BVPI	TQ	AA	BA	BQ	Comment
BVPI-82a: Percentage of household waste recycled	X				Others are catching up
BVPI-82b: Percentage of household waste composted	X				Others are catching up
BVPI-82c: Percentage of household waste used to recover heat, power and other energy sources				X	Irrelevant to Leicester – we don't incinerate waste
BVPI-82d: Percentage of household waste landfilled		X			Improving
BVPI-84: Kg of household waste collected per head			X		Performance deteriorating but comparative position remaining the same
BVPI-85: Cost per sq km of keeping land for which the LA is responsible clear of litter and refuse				X	One of the highest spenders in the country (but improving)
BVPI-86: Cost per household of waste collection		X			Improving
BVPI-87: Cost per tonne of municipal waste disposal			X		Performance deteriorating but comparative position remaining the same
BVPI-88: Collections missed per 100,000 collections of household waste				X	Two very bad years because of the weather
BVPI-89: Percentage of people satisfied with cleanliness standards		X			Deteriorating
BVPI-90a: Percentage of people satisfied with recycling facilities		X			Improving
BVPI-90b: Percentage of people satisfied with household waste collection		X			Fairly static
BVPI-90c: Percentage of people satisfied with civic amenity sites				X	Very poor, now should be improving
BVPI-91: Percentage of population served by a kerbside collection of recyclables	X				Others are catching up
BVPI 119: Percentage of residents satisfied with parks and open spaces	X				

Source: Audit Commission 'pirated' database.

*(Figures are taken from database tables in the Compendium of PIs for 1999-2000, the 'pirated' database for 1999-2002 and the 'estimates and targets compendium' for 2000-2001 and 2001-2002).*

The report recommends the way forward and presents the Terms of Reference for the review.

### **3.1 Fundamental Challenge**

The following table identifies whether the services covered by the review are statutory, as defined by legislation, or discretionary. To identify services which may possibly be considered of lower importance to the Council's main objectives, discretionary services have been sub-divided into core i.e. central to one or more of the Council's key strategies or other discretionary i.e. a peripheral service.

The tables in section 3.1.5 of the main report show whether the provision of the service is a statutory requirement or discretionary. However there is a need to address the fundamental challenge in more depth for whilst the need for provision of these services has been established, the minimum level of statutory provision has not been established. The review will need to address this in relation to other priorities.

#### **3.1.2 Specific Issues relating to service(s)**

Following a strategic review of refuse collection, treatment and collection and successful application for Private Finance Initiative funding, these services are currently undergoing a tendering process for a preferred service provider.

As a result of a recent MORI Poll, which showed a reduction in satisfaction with Cleansing Standards of almost 20%, the Leader of the Council has stated that additional funds for 2002/2003 are to be made available to raise standards see section 3.2.2 of the main report.

#### **3.1.3 Decommissioning**

At this stage it is not recommended that any area of service is decommissioned, however this may be considered at a later stage as a result of the service assessment.

### **3.2 Final Scope**

It is recommended that the scope as outlined in the report to Cabinet: scope of Environmental Services, 11 March 2002 is re-confirmed.

### **3.3 Terms of Reference**

Under the terms of reference of Revitalising Neighbourhoods it is being proposed that these services are delivered on a local area basis. A number of pilot projects are currently underway to explore the best methodology for

local service delivery. A review of the client, contractor and consultant split is also being undertaken to explore the most efficient and suitable management arrangements and to generate savings as outlined in the financial implications in section 4. The review will take into consideration the results of the pilot and the client/contractor/consultant project and previous agreements reached with elected members (section 2) regarding the delivery of Revitalising Neighbourhoods.

Hence the review needs to take into account the:

- review of client and contractor arrangements using process mapping (above)
- Resources for Communities (Eyres Monsell) pilot project
- City Centre pilot project for local delivery of Environmental Services

The interim report identifies the following areas that need further investigation and improvement. Hence the Terms of Reference for this review are as follows:

To undertake a detailed service assessment of all the areas outlined in the scope of the review (except the areas which have been identified in the interim report for the performance management route). Each task group will address the following:

#### Fundamental challenge

- Establish the level of statutory provision i.e. the minimum standard of service that will meet the legal requirement.
- Justify the need for the level of provision that is appropriate.

#### Performance, Customer satisfaction

- Revisit assess performance monitoring arrangements if already in place
- Set mechanisms in areas which are lacking
- Align the service closer to the customer
- Investigate reasons for low level of customer satisfaction

#### Cost efficiency

- Establish unit costs of elements of service
- Investigate the reasons for high cost of service
- Evaluate ways in which these can be reduced by efficient working and achieving value for money
- Identify the cost of support services

#### Access

- Evaluate the best approach for improving access to the service
- Investigate electronic service delivery

## Equality

- Evaluate services against the principles of 'mainstreaming equalities'
- Propose ways of addressing gaps

## Options for service delivery

- Appraise options for alternative means of service delivery.
- Weight these options in the light of corporate priorities of which the most significant is Revitalising Neighbourhoods

## Improvement Plan

- Put forward a detailed improvement plan for relevant areas, following the completion of the service assessment.

## **Review structure**

Four task groups will carry out the 'service assessment' for Phase 3 of the review. Each group will be focus on the above Terms of Reference leading to an agreement on the proposed model for provision of services. Following this agreement an additional group (Support Services) will be constituted to investigate options for provision of support services. Thus the five groups are:

- Waste Management
- City Cleansing
- Management and maintenance of green space
- Burial and Cremation.
- Support Services

## **3.4 Routing of the Review**

3.4.1 The following routing is recommended:

### **Performance Management route**

#### Refuse collection, treatment and disposal

The strategic review of refuse collection, treatment and disposal (Appendix 1 and section 3.2.1 of the main report) and subsequent successful application for Private Finance Initiative (PFI) funding for an integrated waste management contract clearly indicate adherence to Best Value considerations. Significant work has been undertaken to challenge, consult, compare and procure competitively an integrated waste management contract which is performance based. It is therefore recommended that these services do not undergo a Best Value service assessment but are monitored and enhanced through the 'performance management' route.

However consultation with users on service delivery proposals and their needs has not been undertaken recently. This will be addressed before the PFI arrangements are in place (March2003) and used to inform the performance monitoring.

### **Service Assessment route**

#### **Waste management: contract management, contract compliance and customer services**

The services of contract management, contract compliance and customer services however have not been included within this development of the PFI Outline Business Case or procurement, although the contract negotiations with the preferred bidder will have an impact on the form and degree of their provision. These elements of Waste Management need to be assessed via the Best Value service assessment route as the responsibility for these services are spread over three business units, namely waste Management Client, Street Environmental Management Team and Helpline. Together with issues relating to the merging of the Client/in-house Service Provider and the potential interface with the PFI Contractor, the future provision of contract management, compliance and customer services should form part of the Improvement Plan.

However consultation with users on service delivery proposals and their needs has not been undertaken recently. This will be addressed before the PFI arrangements are in place (March2003) and used to inform the performance monitoring.

#### **Other areas**

All remaining areas (other than those mentioned above) that have been scoped in the review will be subject through a full service assessment.

## **4 FINANCIAL AND LEGAL IMPLICATIONS**

The following table illustrates a best estimate of the build up of gross budget in 2002/03 for each service delivered within the scope. Reflecting:

- The cost that is currently incurred in meeting a legally defined statutory minimum service.
- The cost of providing a core discretionary service
- Other additional costs incurred to enhance either a statutory or core service.

Service	Type of service			Service Budget
	Statutory Cost £k	Core Discretionary Cost £k	Other Discretionary Cost £k	
Waste management & City Cleansing	11,059.70	639.00	nil	11,698.70
Parks and open spaces & Burials Cremation	34.60	5057.40	nil	5092.00
<b>Total Review Budget</b>	11,628,900	4,011.60	nil	15,640,50

### Revitalising Neighbourhoods

The review is expected to generate a saving of £ 125,000 as a result of the client /contractor/consultant project.

### Implications of the 2002/3 budget strategy

In line with corporate requirements, savings already identified within these services to meet with the requirements of the budget strategy will be additional to the savings (see above) generated by this review.

## **5 EQUALITIES IMPLICATIONS**

All services will be evaluated against the principles of 'mainstreaming equalities'. Fundamental questions about procurement, practice and delivery will be addressed and monitored to ensure that the needs of all communities are taken into account .

## **6 SUSTAINABLE AND ENVIRONMENTAL IMPLICATIONS**

These will be given due consideration during the review and the following improvement plan.

## **7 CONSULTATION**

Extensive consultation has taken place with officers from across the Authority which has informed the final recommendation of this report. At the scoping stage an away day was held to agree the areas of services delivery to be included in the review and consultation continued until the final interim report was produced.

The feedback from the Trade Unions has been positive and they welcome the opportunity to be included in this important review, however they wish to have recoded their objection to the use of PFI funding as a way of delivery local services.



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## Appendix 1

### Overview

When Leicester City Council became a Unitary Authority in 1997, it adopted its responsibilities as a Waste Disposal Authority. As an existing waste Collection Authority it had the responsibility of collecting household waste, and, now it had the responsibility of disposal, an opportunity existed to critically look at the waste strategy. The background to this view was:-

- Closure of local landfill sites
- Increasing annual waste arisings
- Increasing levels of landfill tax
- Current portfolio of refuse contracts undertaken by in-house providers, SITA, Environ and WRG Ltd.
- Increases in the level of dissatisfaction expressed by customers over the services provided by the contractors
- The recycling & composting rates demanded by Government through the Best Value Performance Indicator returns. These are statutory targets, which require a recycling rate of 18% in 2003/2004 and 27% in 2005/2006. Leicester's rate is currently 13% to 14% but its target has always been 40% subject to available funding.
- The need to evaluate the long term costs of this service because of the annual increases and the fact that recycling & composting currently costs more than landfill.

The review highlighted the importance of a single integrated waste management contract which needed to be performance based to ensure the statutory targets were met. This would address both the output and cost issues and would address the service issues currently giving a greater level of dissatisfaction. These relate to the non emptying of wheeled bins, non collection of kerbside recycling sacks, non replacement of green recyclable sacks and early closures at the Community Recycling Centres. The performance requirements of the contract would ensure collection standards are maintained and as the payment is based on waste collected and treated there is a real incentive not to miss collections or close facilities early.

In order to assist the Council with the operational costs of an improved recycling & composting facility, a successful application was made for PFI which attracts annual revenue support of between £2m and £3m per year depending on the level of capital investment made by the external service provider.

The review process demonstrated the following:

### Challenge

- Evaluation of the known additional costs over a 25 year period
- Feasibility of achieving the statutory and Leicester's own recycling targets
- Evaluation of the effectiveness of a single integrated contract

- Evaluation of the risks of the potential contract in terms of service delivery
- Alternative means of delivering the service have been explored

### Consult

- Extensive consultations with the waste industry, government departments and specialist consultants
- Consultations with the City and County Planning officers in relation to the waste Local Plan and the Planning Enquiry for Shepshed Landfill site
- Affordability of proposals with potential service providers
- Existing European service providers
- Consultation with users on existing services detail in main body

However consultation with users on service delivery proposals and their needs has not been undertaken recently. This will be addressed before the PFI arrangements are in place (March2003) and used to inform the performance monitoring.

### Compare

- Costs and performances of alternative treatments to achieve targets
- Alternative contract and procurement arrangements for optimal VFM
- Deliverability of the different proposals and the allocation of risk
- Comparison on performance and customer satisfaction levels is detailed in the report section 4

### Compete

- Competitive tendering by external service providers through the negotiated procedure
- Emphasis will be predominantly on the quality of the service to be provided and the performance level to be achieved provided bids are within the affordability envelope.