

Public Document Pack



SERVICE DELIVERY OVERVIEW & SCRUTINY PANEL SUPPLEMENT AGENDA

Date: Wednesday, 18 November 2020

Time: 7.00 pm

Venue: Virtual Meeting

Please find below an additional report and presentation which was unavailable when the agenda was published.

PART 1

7. Alliance Environmental Services Annual Performance Report & Presentation
(Pages 3 - 20)

MARK TRILLO
EXECUTIVE DIRECTOR & MONITORING OFFICER

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STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Service Delivery Overview & Scrutiny Panel

18 November 2020

TITLE:	Alliance Environmental Services Annual Performance Report
PORTFOLIO HOLDER:	Councillor Scalise - Portfolio Holder for Environment
CONTACT OFFICER:	Nicola Kemp - Head of Service Commissioning
WARDS INVOLVED:	All

1. Reason for the Report

- 1.1 To brief the Panel on the performance of Alliance Environmental Services Ltd (AES) during 2019-20.

2. Recommendation

- 2.1 That the Panel note the performance of Alliance Environmental Services Ltd (AES) during 2019-20.

3. Executive Summary

- 3.1 Since 1st July 2018 waste collection, waste communications and fleet services have been delivered by AES. The Service Delivery Overview & Scrutiny Panel reviewed the proposed service specification and performance indicators in May 2018 ahead of the service transfer.
- 3.2 This report seeks to provide a reflection on AES's performance in the delivery of these service areas in 2019-20, following two full years of service delivery.
- 3.3 Performance reports are issued to the Service Commissioning Team on a monthly basis to enable the Contractor's performance to be monitored. Monthly contract meetings are held with Officers of the Council and AES, at these, the monthly performance reports are reviewed and discussed in detail to ensure performance is on track to meet the agreed target.
- 3.4 In addition, two AES Commissioning Board meetings are held during each financial year. These meetings are attended by the Portfolio Holder for the Environment and the Portfolio Holder for Leisure and Sports alongside the

High Peak Executive Member for the Climate Change, Environment and Community Safety and the Executive Member for Regeneration, Tourism & Leisure. The Board meeting held on the 15th July 2020 enabled attendees to challenge AES in regards to their performance in 2019-20 ahead of their attendance at this Committee.

3.5 A total of 6 Key Performance Indicators (KPI's) were monitored for waste services in 2019-20, two for health and safety and 3 for fleet management.

3.6 Key results to note in 2019-20 include:

- The Council's recycling performance was maintained at 56.4% against an aspirational target of 59%.
- The number of reported missed bins per 100,000 collections fell to 27.14, against a target of 38.
- The number of complaints recorded fell to 7, against a target of 29.
- The Council's Operator Compliance Risk score was maintained at green status (the best status possible).
- Savings of £234,000 have been realised to date, achieving the targets set by the Alliance.

4. **How this report links to Corporate Priorities**

4.1 One of the four aims of the Council's 2015-2019 Corporate Plan was "to protect and improve the environment". This includes an objective to deliver effective recycling and waste management.

Mark Trillo

Executive Director (People)

Web Links and

Background Papers

[Cabinet report June 2017](#)

[Cabinet report April 2018](#)

[Service Delivery O & S panel May 2018](#)

[Cabinet Report 19.6.18](#)

Contact details

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Head of Service Commissioning

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6. **Detail**

6.1 In June 2017 Cabinet approved the implementation of the joint venture company for the delivery of Waste Collection, Street Cleansing, Grounds Maintenance & Fleet Management Services. This confirmed the governance arrangements to allow Alliance Environmental Services (AES) to be fully established.

5.2 In August 2017 the first phase of the transfer of services from the Councils to AES occurred. This related to the HPBC waste collection service which was priority due to their existing external contract with Veolia coming to an end.

- 5.3 In April 2018, Cabinet approved a report that set out the proposed transfer of services to be included in phase 2. The second phase proposed the following service functions transfer:
- Fleet management services
 - Waste collection and recycling service operations and related communications and promotions
- 5.4 Cabinet approved the principle of the transfer of these functions and requested the Service Delivery Overview & Scrutiny Panel scrutinise the detailed operational arrangements prior to final approval by the Cabinet. The Resources Overview & Scrutiny Panel also scrutinised the financial arrangements.
- 5.5 The Service Delivery Overview & Scrutiny Panel reviewed the proposed service specification and performance indicators in May 2018 ahead of the service transfer.
- 5.6 Since 1st July 2018 waste collection, waste communications and fleet services have all been delivered by AES. This report seeks to provide a reflection on AES's performance in the delivery of these service areas in 2019-20, following two full years of service delivery.
- 5.7 It should be noted that effective of the 1st April 2020 street cleansing and grounds maintenance functions transferred to AES, this report will not cover these services as it relates solely to the 2019-20 financial year.

6. Performance Monitoring

- 6.1 This Panel previously reviewed the proposed Key Performance Indicators (KPI's) enabling waste and fleet services delivered by AES to be monitored. These KPI's are reviewed annually with targets being set by officers in the Service Commissioning Team.
- 6.2 Performance reports are issued to officers on a monthly basis to enable performance to be monitored. Monthly contract meetings are held with officers of the Council and AES, at these meetings, the monthly performance reports are reviewed and discussed in detail to ensure performance is on track to meet the agreed annual target.
- 6.3 In addition, two AES Commissioning Board meetings are held during each financial year. These meetings are attended by the Portfolio Holder for the Environment and the Portfolio Holder for Leisure and Sports alongside the High Peak Executive Member for the Climate Change, Environment and Community Safety and the Executive Member for Regeneration, Tourism & Leisure.
- 6.4 The Board meeting held on the 15th July 2020 enabled attendees to challenge AES in regards to their performance in 2019-20 ahead of their attendance at this Committee.

6.5 The 2019-20 outturn and targets for the KPI's are provided in the table below:

Waste KPI	Reporting frequency	2018-19 outturn	2019-20 target	2019-20 outturn
kg of Residual Waste collected per household	Quarterly	390.55kg	365kg	379.35kg
% of household waste reused, recycled & composted	Quarterly	56%	59% (aspirational target)	56.4%
Number of reported missed bins per 100,000 collections	Monthly	31.46	38	27.14
Number of complaints received	Monthly	18	29	7
% of domestic waste containers requested and delivered within 10 working days	Monthly	98.99%	100	99.87%
% of commercial waste containers requested and delivered within 3 working days	Monthly	Not recorded	100%	75%

Health & Safety KPI	Reporting frequency	2018-19 outturn	2019-20 target	2019-20 outturn
Health & Safety: No of RIDDOR reportable accidents	Quarterly	3	0	1
Health & Safety: No of accidents and near misses per quarter	Quarterly	13	No target	10

Fleet KPI	Reporting frequency	2018-19 outturn	2019-20 target	2019-20 outturn
Vehicle availability per calendar month	Monthly	94.55%	96%	98.17%
Operator Compliance Risk score	Monthly	Green	Green	Green
No. of MOT failures	Monthly	0	0	0

6.6 An additional KPI monitoring the cost per household of the waste collection and recycling service is calculated by the Council.

6.7 The 2019-20 outturn for the cost per household of waste and recycling services was £51.38. In 2018-19 the result was £50.94.

7. Financial Performance

7.1 The total management fee payable to AES in 2019-20 for the delivery of waste and fleet services across the Alliance was £6,794,000. This included

£6,306,000 core management fee, £333,000 in risk items and additional in year management fee changes of £126,000.

- 7.2 The AES business plan for all services delivered to both Councils included an anticipated operating profit of £125,271. The outturn provided shows that a profit of £31,537 was achieved during the year; showing a shortfall of £93,734 against the budget.
- 7.3 The AES Business Plan includes forecast expenditure recognised initially as 'risk items' which may or may not crystallise into actual costs/ payments or may be absorbed into the existing management fee paid on account. The majority of these risk items relates to the cost of short-term hire of waste vehicles and other fleet costs including grounds maintenance equipment which falls under the 'Fleet' group. There were also changes to the contract under change notices which relate to contract pressures due to increasing costs of disposal and reducing income on recycle. The company continues to work towards negotiation on prices in the future. These additional costs were partially offset by a reduction in the management fee relating to vehicle financing following the procurement of vehicles.
- 7.4 Additional costs of £32,000 were also incurred by the company as a result of the Covid-19 outbreak. These are included in the outturn and include provision of cleaning products, PPE and additional agency costs.
- 7.5 The financial outturn AES achieved in 2019-20 is detailed in the table below:

	Budget £,000	Actual £,000	Variance £,000
Turnover	(7,676,264)	(8,019,644)	(343,380)
Cost of sales	6,873,072	7,098,047	224,975
Administrative & other expenses	677,921	890,060	212,139
(Profit)/Loss	(125,271)	(31,537)	93,734

- 7.6 Under accounting standards, AES's financial performance is incorporated in to the Councils' single entity statements as a 'Joint Operation' as opposed to separate group accounts being reported. The profit is therefore apportioned between the two Councils and the respective services in line with the input of original budgeted resources from each department and is offset against the management fee costs.
- 7.7 During the year AES became an admitted body in the Staffordshire Pension Fund (SPF). This involved 'pooling' the staff transferred to AES, with the remaining Council employees in the Staffordshire Moorlands portion of the SPF. This effectively removed pension risk from the company, whilst at the same time offering greater budget certainty and putting the Council in the same risk position that it would have been if services had continued to be delivered in-house. The recent transfer of further staff at phase 3 has also been built into the agreement.
- 7.8 One main driver for the change in service delivery model and therefore the creation of AES was to drive financial efficiencies across the Alliance. The

financial savings plan for AES provided £1.2 million of on-going revenue savings between 2017-18 to 2021-22.

- 7.9 The AES related efficiency targets are being re profiled as part of the Council's medium term financial planning process owing to the later than anticipated start of Phase 3 of the company. The revised efficiency programme will be reported when it has been concluded.
- 7.10 Financial highlights to note by the end of 2019-20 include:
- Planned savings already delivered by AES - £234k.
 - Strong operational performance to date and clean External Audit in 2018/19 and expected for 2019/20.
 - AES Company retained profits of £149k, available to the Shareholders.

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AES update for SMDC Service Delivery Overview & Scrutiny Panel 18/11/20

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1. Finance Summary

- The 19/20 Out-turn / Q4 position reflects the impact of a challenging year
 - The company faced pressures on all waste contracts due to a external factors affecting recycling income and contract revisions to haulage costs
 - Operational running costs were greater than planned particularly against Parks & Horticulture fleet provision
- The fleet replacement plan took longer than anticipated resulting in additional one off costs in the first half of the year
- The impact of the COVID-19 Pandemic in March further concentrated operational efforts on maintaining service delivery at an extremely challenging time
- In the short term these in year impacts limit capacity to deliver planned savings and whilst this may continue into 2020-21 due to the ongoing impacts of the COVID-19 pandemic, AES considers that the delayed savings are a temporary position which will need careful re-prioritisation across 2020/21 and future years
 - Fleet and contracts budgets are being closely monitored and considered beyond 2019-20 regarding the impact on the business plan and management fee negotiations with Staffordshire Moorland District Council for 2020-21 along with wider Business case savings across all Phases.

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1.1 Finance Summary continued

- AES has retained profits as at 31.03.2020 of £149k and a further £182k forecast in 2020/21 (subject to savings plan targets and additional management fee claims)
- 2020/21 Forecast position includes cost pressures of £406k and hence Additional Management Fee claims for the following:
 - £214k re MTFS Growth Risks (HP & SM UPM Contract £173k & Pay Award £41k)
 - £69k re New Contractual changes (Notice of Change re Melandra Depot, Gully Emptying costs (offset by additional income in Council) and vehicle claims)
 - £200k re COVID-19 related costs (note final costs could be between £200k- £250k)
- The volatility in the recycling market and its impact on income from recycling materials remains the greatest risk to AES and the Councils in 2020/21. The savings projections for the SMDC Co-mingling project excluding external recycling impacts (above) are £247k.
- Other in year mitigations through staffing (vacancies in year) and fleet provision and maintenance reductions are helping minimise the impact of the above pressures and also contribute to maintaining the initial savings target as we move through the year at £246k

1.2 2020/21 Saving Plan Update

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Revised Savings Plan - Update			20/21 Target £'000	20/21 Forecast £'000
Operational Efficiency	Introduction of kerbside comingling in SMDC and waste processed/disposal via AES UPM Contract	Waste	247	247
	Fuel trial - Fuel additive change (current 4-6 month trial)	Waste	8	8
	Post Phase 3 bedding in, review utilisation of spare vehicles	Waste / Streets / Grounds	10	10
	Waste - reduce servicing regime for new RCV's from 6 to 8 weeks,	Waste	6	TBC
Procurement	Fleet - review of parts following implementation of new waste fleet	Waste	20	TBC
	Procurement savings across equipment, materials, plants, trees, H&CS	Streets / Grounds	20	TBC
Other	Staff Turnover - Alliance Terms & Conditions	All	15	7
	C/fwd unrealised permanent savings	All	(80)	(80)
	<i>In Year Temporary savings (Indicative)</i>	All		54
Alliance Environmental Services Ltd			246	246
	Fleet Purchasing		140	140
Councils			140	140
Total Combined Savings			386	386

Note: In addition to the above Council savings, it is likely that there are further temporary savings (not ongoing) in 2020/21 from the re-profiling of asset replacements into 21/22, it is envisaged that these in year savings will help offset some of the Covid19 pressures.

1.3 High Level Draft Management Fee 2021/22

Alliance Environmental Services Ltd	SMDC	HPBC	Alliance 2021/22
2020/21 Management fee (FYE)	£4,692,516	£4,566,535	£9,259,051
2020/21 Efficiency target (Estimated - Subject to Out-turn)			(£246,000)
Net 2020/21 Management Fee (FYE)	£4,692,516	£4,566,535	£9,013,051
(1) Increased/ (decreased) budget demand/ inflation:			
Fuel			£0
Round Growth (Collection Team costs)		£10,481	£10,481
Waste Contract Inflation (excluding items 4 to 6 below)	£35,550	£10,012	£45,562
Pay Award (phase 1-3) +2% assumption	£71,953	£40,473	£112,426
(2) Authority Notice of Change : 2020/21 Pay Award @+0.75%	£26,109	£14,687	£40,796
(3) Authority Notice of Change : Melandra Depot (Agency)		£43,355	£43,355
(4) Authority Notice of Change : Recycling Contracts - Decline in Recycling Market and impact on recycling income	£96,372	£143,154	£239,526
(5) Authority Notice of Change : Waste Contracts - Tonnage Growth (since Covid Pandemic / Stay home impact)	£86,825	£26,622	£113,447
(6) Authority Notice of Change : DCC Gully Emptying (Note: HPBC have an agreement with Derbyshire CC to provide Gully Cleansing, Mowing & Maintenance and receive an amenity grant from DCC to cover costs)		£23,200	£23,200
(8a) Holiday Pay - Back Pay and ongoing provision (TBC) - Ph1+2 only	<i>£15,225</i>	<i>£15,225</i>	<i>£30,450</i>
(8b) Holiday Pay - Back Pay and ongoing provision (TBC) - Ph3 (est)	<i>£10,030</i>	<i>£6,970</i>	<i>£17,000</i>
2021/22 Draft Management Fee	£5,034,580	£4,900,714	£9,689,294
<i>Figures in blue italics are best estimates (to be confirmed in next few weeks)</i>			
OFFICIAL-SENSITIVE Finance			

2. Contractual KPIs

SMDC Waste Collections 2019/20: **99.97% success rate** for its 3,469,440 waste collections

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Missed bins per 100,000

- 27.14
(target 38 or less)

Annual complaints

- 7 (target 29 or less)

Domestic containers delivered in 10 days

- 99.87%
(target = 100%)

Recycling

- 56.4%
(target 57.5%)

Vehicle availability

- 98.17 %
(target = 96%+)

3. Service Update

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- Teams ensured on-going service delivery despite COVID19 resourcing pressures & tonnage increases
- Final employee transfers were completed 1/4/20
- Delivered Recycling service change and communications to eliminate separate plastic bags for paper
- AES offers employees on-going training and development
- Prior to lockdown & social distancing measures, the team engaged with 4000 individuals through talks, events, school visits, working with community groups and partnership working
- AES has developed a range of social media channels to support on-going engagement
- More achievements and activities listed below:



Public thanks for waste collections during pandemic lockdown

Continuous improvements	Green Fleet Project	7 new RCVs already & 7 to come	#Lifewith Lessplastic campaign	Data cleansing for Collective project	Service integration
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3. 1. COVID19 & AES

- Health & Safety Manager began work January 2020
- Updated Pandemic Plan February 2020
- Developed COVID Secure workplace
- Supported extremely vulnerable workers to shield at home & enabled the majority of office workers to largely work from home and provided ICT kit
- Dealt with significant fluctuations in tonnages and workload peaks – particularly during lockdown
- Positive press in the *Biddulph Chronicle* for waste operatives during lockdown
- Developed Business Recovery Plan
- According to the ADEPT survey – AES was in the top tier of council-delivered services for continued delivery of all major waste streams during the pandemic

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NATIONAL SURVEY REVEALS AES' EXCEPTIONAL PERFORMANCE

SOURCE: ADEPT SURVEY W/C 30/3/20



RECYCLING COLLECTIONS

AES MAINTAINED RECYCLING COLLECTIONS

1 in 4 councils surveyed struggled to deliver recycling services. By putting a second Material Recovery Facility in place, AES overcame challenges and delivered.

RESIDUAL WASTE COLLECTIONS

AES MAINTAINED RESIDUAL COLLECTIONS

Unlike 1 in 6 councils AES continued to deliver despite increased tonnages enabling SMDC and HPBC to maintain essential services.



FOOD WASTE COLLECTIONS

AES MAINTAINED FOOD WASTE COLLECTIONS

Around 2 in 5 councils struggled to collect food waste. Thanks to AES waste collection crews, SMDC and HPBC succeeded in maintaining services.

GARDEN WASTE COLLECTIONS

AES MAINTAINED GARDEN WASTE COLLECTIONS

3 in 5 councils surveyed reduced or stopped their garden waste collections. SMDC and HPBC performed in the top 2 out of 5 thanks to AES crews.



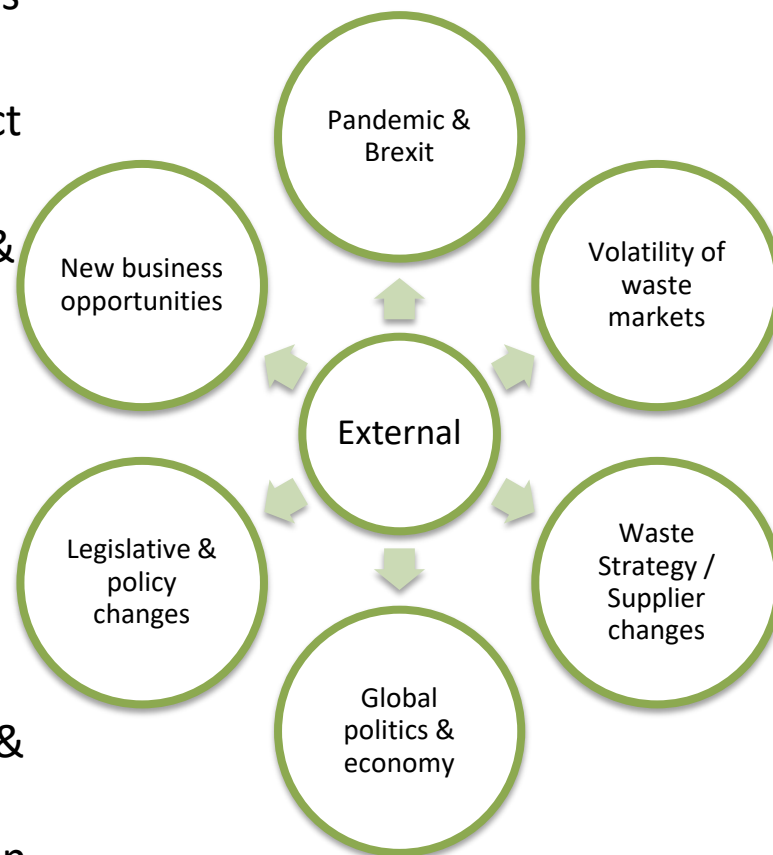
STREET CLEANSING

AES CONTINUED STREET CLEANSING

Only 1 in 5 councils surveyed continued full street cleansing operations. SMDC and HPBC were among them as AES adapted routes and litter bin emptying frequency to match footfall and traffic.

3.2 Strategic Outlook

- AES will continue to adapt & improve services to meet external challenges
- AES working with Ansa on Green Fleet project
- Working with SMDC to reconfigure the Fowlchurch depot to make it more efficient & add commercial units – capital investment needed
- Uncertainty over Brexit continues however while suppliers may be impacted, the direct impact on AES is expected to be minimal
- Waste Market volatility may lead to gate fee price increases & reduce recycling income
- The Government is consulting on Resources & Waste Strategy proposals for 2023 & beyond which may lead to changes in waste collection &/or disposal arrangements



Any Questions?