

AES update for HPBC Community  
Select Committee 25/11/20

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SAFE

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YOU

  
**alliance**  
Environmental Services

OFFICIAL-SENSITIVE Finance

# 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 contract budgets are being closely monitored and considered beyond 2019-20 regarding the impact on the business plan and management fee negotiations with High Peak Borough Council for 2020-21 along with wider Business case savings across all Phases.



## 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 (Q1) 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. Original 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

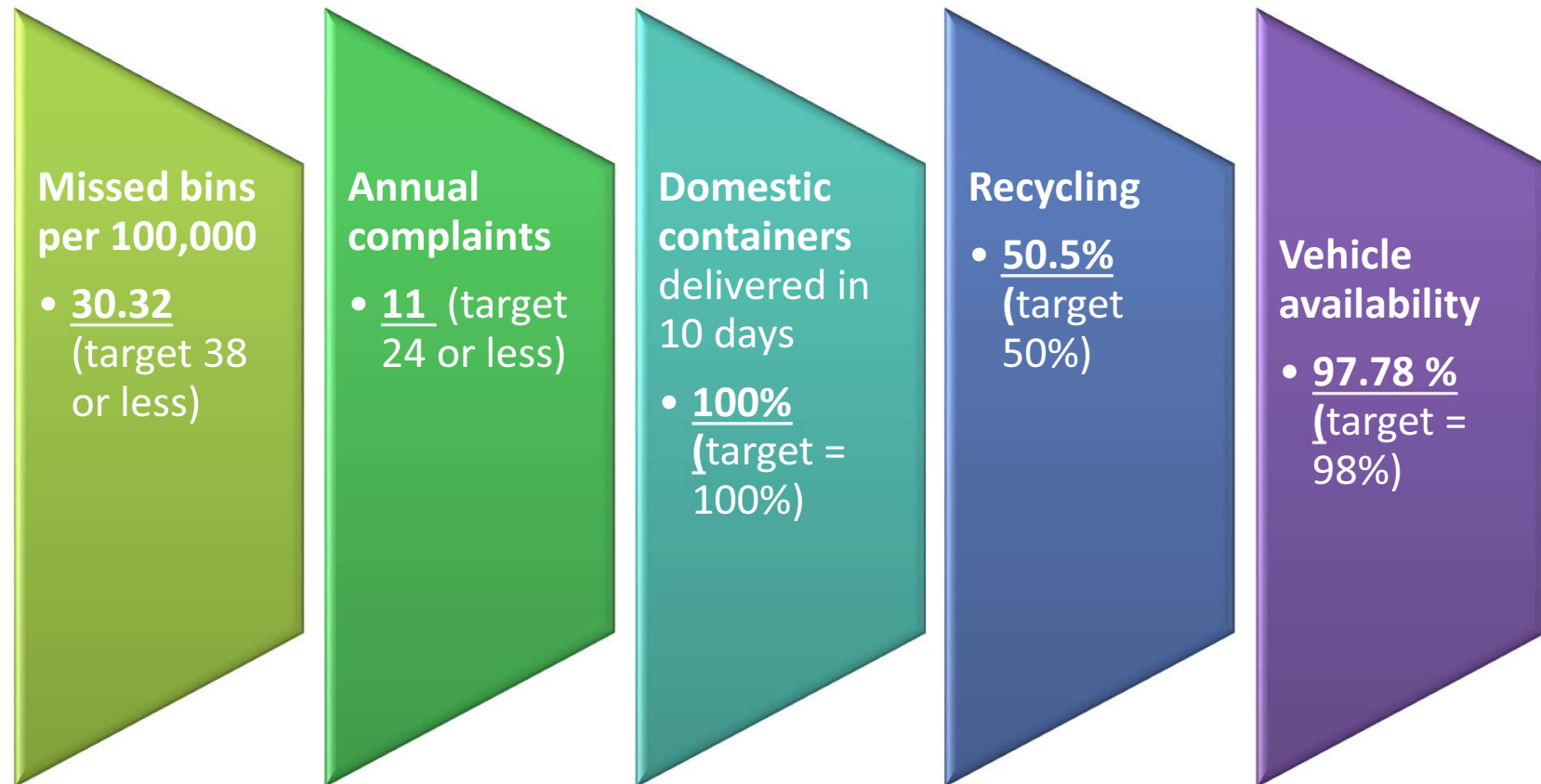
Revised Savings Plan - Update			20/21 Target £'000	20/21 Forecast £'000
<b>Operational Efficiency</b>	Introduction of kerbside comingling in SMDC and waste processed/disposal via AES UPM Contract	Waste	247	247
	Fuel trial - Fuel additive change (current 4-6 month trial)	Waste	8	8
	Post Phase 3 bedding 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
<b>Procurement</b>	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
<b>Other</b>	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
<b>Alliance Environmental Services Ltd</b>			<b>246</b>	<b>246</b>
	Fleet Purchasing		140	140
<b>Councils</b>			<b>140</b>	<b>140</b>
<b>Total Combined Savings</b>			<b>386</b>	<b>386</b>
<p>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.</p>				

# 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)
<b>Net 2020/21 Management Fee (FYE)</b>	<b>£4,692,516</b>	<b>£4,566,535</b>	<b>£9,013,051</b>
(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>
<b>2021/22 Draft Management Fee</b>	<b>£5,034,580</b>	<b>£4,900,714</b>	<b>£9,689,294</b>
<i>Figures in blue italics are best estimates (to be confirmed in next few weeks)</i>			
OFFICIAL-SENSITIVE Finance			

## 2. Contractual KPIs

In 2019/20 HPBC had a **99.97%** success rate for its 3,294,720 **waste collections**



### 3. Service Update

- Teams ensured on-going service delivery despite COVID19 resourcing pressures & tonnage increases
- Final employee transfers were completed 1/4/20
- AES offers employees on-going training and development
- Closure of Melandra WTS Glossop impacting costs
- Prior to lockdown & social distancing measures, the team engaged with 4000 individuals through talks, events, school visits, working with community groups and partnership working
- Leave it loose campaign for brown bin & Bio-liners project
- AES has developed a range of social media channels to support on-going engagement
- More achievements and activities listed below:



Continuous improvements

Acclimatise Groups

13 new RCVs

#Lifewith Lessplastic campaign

Data cleansing for Collective project

Service integration

## 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
- 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

AES DELIVERS DURING PANDEMIC

### 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

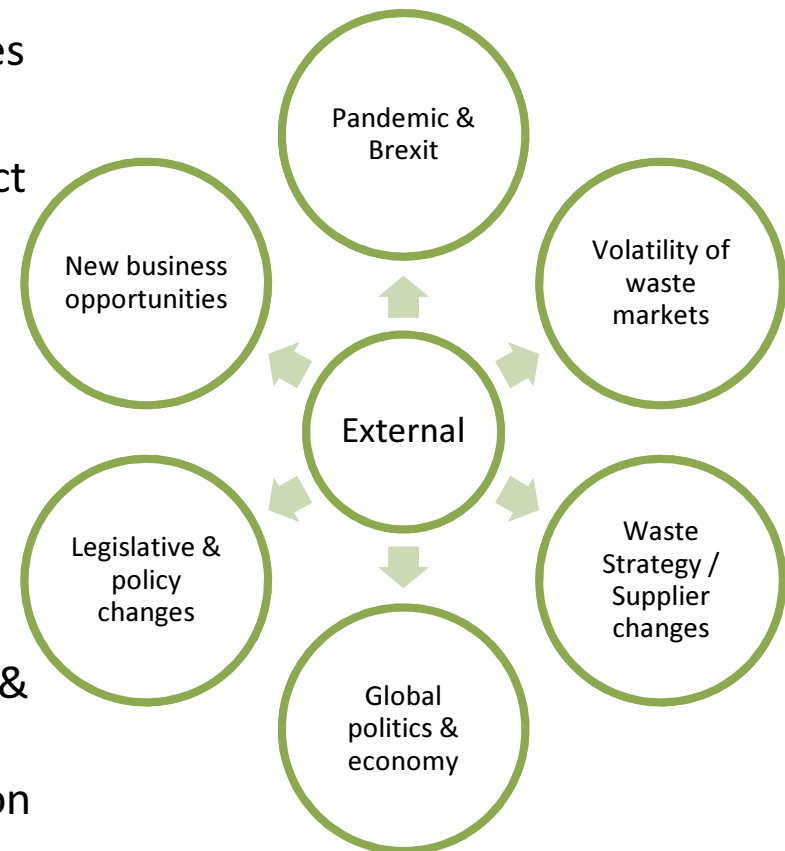
AES CONTINUED STREET CLEANSING

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 HPBC to explore super-depot options as part of One Public Estate project
- 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?