

Report of	Meeting	Date
Director of Customer and Digital	Scrutiny Committee	Monday, 20 February 2023

Waste Services Insourcing Update

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

- To provide an update on the insourcing of waste collection services.

Recommendations

- The report is for noting.

Corporate priorities

- The report relates to the following corporate priorities:

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Insourcing waste services

- Prior to June 2022, the Council had outsourced waste and recycling collection services for around 30 years, and specifically to FCC Environment since 2015. The waste contract with FCC had an expiry date of 10 June 2022 with an option for a 7-year extension.
- Following lengthy commercial discussions with FCC during 2020/21, the continuation of an outsourced service with FCC for an extended term, along with an alternative insourced model was presented to Council on 20 April 2022. At this meeting Council decided to cease the outsourced waste services contract with FCC upon expiry of the initial term and opted for an insourced service.
- There had been considerable variation in the landscape over the course of the initial 7-year contract term with FCC, including new residential development, the COVID-19 pandemic and associated changes in composition and volumes of household waste, and the inflationary costs of vehicles, fuel, resources and equipment.

7. A key benefit of an inhouse service is the flexibility to adapt waste collection services so they are fit for purpose in a fast-changing world as the amounts and types of waste collected will change. This can more readily be achieved without the need to negotiate changes with an outsourced provider. The Council can also appreciate the full benefits, efficiencies, and more effectively control spend of any such changes.
8. This is likely to materialise when inevitable service changes are made as part of the anticipated requirements of the Environment Act 2021 and the Resources and Waste Strategy for England such as food waste collections and consistent recycling collections.
9. Whilst FCC had generally provided a good service, the Council considered the opportunities presented by an insourced services and the important role that waste collection crews played over recent times.
10. On 20 April 2022, the Council decided to insource all waste collection services previously operated by FCC and to operate a new in-house service that commenced 11 June 2022.
11. An insourcing project team was established following the council decision to ensure a smooth transition of waste services to the Council. There were no operational service changes as part of the process to ensure a seamless transfer that would not impact on the service that residents receive.
12. The Council owned the waste collection fleet, depot, workshop, fuel storage and offices. Therefore the principal change was the transfer of employees from FCC to South Ribble Borough Council to which The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) applied.
13. The TUPE transfer process was managed effectively through the following measures:
 - a. Obtained and checked Employee Liability Information (ELI) from FCC
 - b. Established intended measures for the transfer, e.g. changes to pay date and hourly rate
 - c. Review of staff numbers and full-time equivalent hours
 - d. Communications, briefings, and meetings with trade unions and employees
 - e. 1-2-1 meetings with staff and the resolution of individual queries
 - f. Frequently asked questions provided to employees on the transfer
 - g. Local Government Pension Scheme Information
 - h. Payroll and HR systems setup
 - i. Ensured the Council met its obligations and completed a thorough due diligence stage as part of the transfer
14. TUPE regulations required incoming employers to ensure that the employee's terms and conditions remain as advantageous as they did before a transfer. The Council went further than this obligation and increased the hourly rate of waste employees, their annual leave entitlement, and employer pension contribution to fit with South Ribble Borough Council terms and conditions.
15. A total of 43 staff transferred from FCC to South Ribble Borough Council on 11 June, comprising:
 - a. 13 drivers
 - b. 1 van driver/loader
 - c. 25 loaders
 - d. 2 supervisors

- e. 1 administrator
 - f. 1 compliance officer
16. The transferring entity did not include the FCC Contract Manager position. This was a 50/50 shared post between Chorley Council and South Ribble Borough Councils contracted waste services. Therefore an interim Waste Operations Manager was appointed to solely manage the insourced South Ribble waste service.
 17. All transferring employees were inducted and welcomed to the Council at Moss Side depot on Friday 10 June. New staff have since received training and development opportunities.
 18. A proportion of the workforce under FCC were employed via agencies to cover staff absence through sickness, annual leave, and vacancies. This arrangement initially continued as a necessity to ensure that waste collections are adequately staffed.
 19. The Council committed to offer substantive employment to agency staff working regularly as HGV drivers and waste loaders within its approved recruitment and retention policy. To date one driver & two loaders, previously agency staff, have been employed as permanent members of the waste team.
 20. The Council continues to build resilience in resourcing short-term gaps in frontline services by exploring the capability and flexibility of staff to work across different operational service areas and to help reduce reliance on temporary agency labour for waste collections. As part of this initiative, two loaders have been selected to undertake HGV driver training.
 21. Other notable insourcing actions included:
 - a. The RCV fleet was successfully transferred back to the council's existing HGV Operator Licence.
 - b. FCC livery was removed from vehicles on 11 June prior to the new service commencement on 13 June.
 - c. Risk Assessments and Safe Working Procedures were evaluated and produced for the Council waste service, which demonstrate compliance with health and safety requirements.
 - d. The Council agreed with FCC continuation of the waste collections software package. This includes in-cab technology that crews use daily to manage their workload and productivity.
 - e. New hardware was rolled out, including tablets for use by crews to continue live reporting and real-time response to service issues and requests from residents.

PERFORMANCE

22. Insourcing presented a significant change to the service operating model and carried a risk of impacting performance. The performance data since June 2022 suggests little or no adverse impact with blue bins/ green boxes and brown bins showing improvements in performance.

Table 1: Missed collections (49,805 properties served in 2022/23)

Since insourced

	Grey bins Target 25 per 100,000			Blue bins & Green boxes Target 30 per 100,000			Brown bins Target 27 per 100,000		
	21/22	20/21	22/23	21/22	20/21	22/23	21/22	20/21	22/23
April	16	n/a	18	25	n/a	17	11	n/a	8
May	19	16	18	24	22	16	14	22	14
June	25.60	17	18	22.01	22	14	10.29	13	14
July	19.26	22	15	22.93	14	18	22.64	11	15
August	11.00	19	28	19.20	28	25	20.00	17	10
September	16.51	12	20	30.27	27	13	20.75	14	7
October	7.69	15	19	20.19	13	12	26.92	7	1
November	11.9	15	24	21.10	18	18	12.06	5	2
December	9.4	15	12	16	34	6	10.3	3	4
January	8.7	25		15	24		n/a	n/a	
February	9	16		7	11		0	3	
March	11	18		11	14		18	5	

FINANCIAL INFORMATION

23. In the absence of detailed financial information from FCC and general market operating conditions, insourcing presented a financial risk and challenges which resulted in some inevitable additional costs to the council such as mobilisation, staffing and inflationary costs.
24. In April 2022, the **predicted** costs for 2022/23 for in-house waste services and pro-rata FCC charges, totalled £2,170,800 (including £190k Mobilisation costs), comprising employee related costs, fuel costs, and other costs.
25. The full year **forecast** for 2022/23 for waste services based on actual costs is £2,448,318. This represents an increase of £277,518 from the original forecast of £2,170,800.
26. The **variance** of £277,518 is comprised of costs which have largely been outside the direct influence and control of the council:

1	Employee costs	£240,258	Of which £194,971 is staff pay awards, £30,000 overtime costs, £15,467 agency costs. The April Council report budget lists 53 employees, the forecast includes 45 plus agency fees.
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2	Fuel costs	£34,013	An increase from £1.28 per litre to £1.48 (rounded) per litre.
3	Other costs	£34,673	It was not clear prior to insourcing the extent of the costs within this area. It is now apparent costs, inclusive of current inflation rates are greater than previously envisaged, for items such as motor and public liability insurance, purchase of wheeled bins.
4	FCC contract	£10,824	The uplift in the 2022/23 FCC contract to 10 June, included 2% for employees. This proved insufficient as the FCC contract reflects the pay award to SRBC employees i.e. £1,925 per employee
5	Mobilisation	-£42,250	Mobilisation costs were less than the original allowance.

OPERATIONAL AND REPUTATIONAL RISK

27. Responsibility for day to day operations, service quality, safety and legal compliance now falls directly upon the council. Thorough effective planning, new systems and procedures and management structure in place, this is working effectively. There have been no notable service quality problems nor any legal compliance breaches.
28. Following an internal audit of waste services in November / December 2022, several recommendations were made for improvement and implementation. An action plan was created, and all actions are progressing which will be reported on separately.

STAFF MANAGEMENT

29. The adoption of council policies and procedures was a potential risk to the effective management of staff transferred from a private sector environment. There have been no notable problems with the application of policies and procedures for absence management and sickness levels have remained within expected levels.
30. The opportunity now exists for waste services to integrate with Neighbourhood services to respond to a range of inter-related issues more ably.

SERVICE CHANGES

31. The government's national Resources & Waste Strategy along with obligations under the Environment Act will impose changes on the delivery of waste services by the council over the next few years. This includes food waste collections and greater consistency in recycling collections. We await Government confirmation of the required implementation timescales and the extent to which funding is available for new services under New Burdens.

32. A recent project supported by external partners WRAP and Circulogic, will be considered with a view to further improve waste services in line with anticipated requirements under the Environment Act 2021 and the Resources and Waste Strategy.
33. Following a review of vehicle tracking, camera systems and associated telematics software procurement of a new system will soon be undertaken for all fleet vehicles. This will ensure full provision of the hardware and software required for a modern, efficient service.
34. A new Waste and Recycling Strategy for South Ribble and Chorley is in development and is expected to be published in 2023. This will set out ambitious targets and key objectives for waste reduction and recycling actions.
35. Due to new regulatory requirements around the disposal of waste domestic seating containing Persistent Organic Pollutants (POPs), we must review how we deliver our bulky waste collection service by April 2023 to ensure we are compliant with those regulations, or we put ourselves at risk of being subject to enforcement action.
36. A proposed review of trade waste services due in 2023 will also consider opportunities for growth and income generation.
37. The roadmap for service improvements will be presented to members for consideration and approval once the government position is clearer.
38. A newly appointed Head of Waste & Neighbourhood Services will take post on 17 April 2023.

Climate change and air quality

39. The work noted in this report impacts on the following areas of climate change and sustainability targets of the Councils Green Agenda: net carbon zero by 2030, reducing waste production.

Equality and diversity

40. There are no equality and diversity impacts.

Risk

41. Responsibility for day to day operations, service quality, safety and legal compliance now falls directly upon the council. Thorough effective planning, new systems and procedures and management structure in place, this is working effectively and key risks are being managed.

Comments of the Statutory Finance Officer

42. The cost of the service in year is built into the current Council forecasts reported within the quarterly financial reports. Budgets for 23/24 are proposed at sufficient levels to cover service cost.

Comments of the Monitoring Officer

43. The report is for information and noting. There are no direct legal implications arising from it.

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