APPENDIX 4: RLS REVIEW FINDINGS

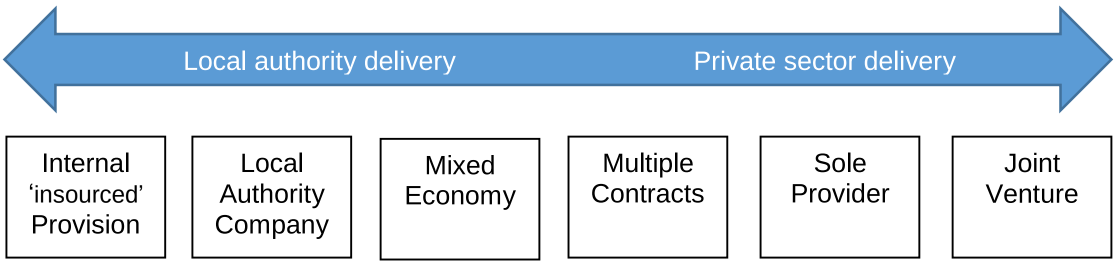
1. An extensive review has been undertaken for the RLS programme over the past two years. The key elements of the review which have influenced the identification and assessment of RLS delivery model options are listed below. These are further summarised in this section of the report.

   i) Potential delivery models and benchmarking with neighbouring boroughs
   ii) Council-wide, environmental services and waste contract financial pressures
   iii) Brent's pensions costs
   iv) Depot availability and capacity
   v) RLS service improvement priorities and future vision for the Environmental Services Directorate
   vi) Key service synergies and interdependencies
   vii) Generalist versus specialist roles
   viii) Experience and learning from the Covid-19 pandemic
   ix) Options appraisals for each RLS service

i) Potential delivery models and benchmarking with neighbouring boroughs

2. A review of the different type of local authority delivery models and the risks and benefits of each was undertaken in 2019. Brent's approach to environmental services currently falls into the 'Multiple Contracts' category in Figure 1 below.

Figure 1: Local authority delivery models



3. The national trends in environmental services procurement were summarised as follows:

   - No 'one size fits all' approach - the right solution will be unique to the individual authority
   - Private sector is more cautious with regards to both risk and price
   - Considerable move way from single supplier model post Carillion, Interserve etc.

- Attitudes to 'insourcing' have changed. Decisions are being made on what is best in each individual case
- Many councils are adopting a mixed economy model
- Collaboration between councils continues to develop nationally, particularly with regards to Highways and Waste Collection

4. The common pitfalls of large scale commissioning are considered to be:

   - Too much focus on selection of the delivery model and not enough definition of what they want to achieve
   - Lack of clarity and understanding amongst stakeholders of what the objectives should be/are
   - Assumption that if it works in another council it will work in theirs
   - No 'ownership' of the procurement process by those who will eventually be required to deliver the service
   - Adoption of a service delivery model that does not sit well with the culture and capability of the organisation

5. In 2019, Brent officers researched the environmental service provision in the 10 neighbouring and/or West London Waste Authority boroughs. The key findings were as follows:

   - All 10 boroughs have mixed delivery models for the environmental services in scope of Project 2023
   - Most boroughs come under the "Multiple Contracts" model (Brent, Camden Westminster, Hammersmith & Fulham, Kensington & Chelsea)
   - Following the withdrawal of Carillion in Hounslow, Brent's Public Realm contract had the widest scope, followed by Ealing's former contract with Amey (Waste/recycling/street cleansing/grounds maintenance/burials) (NB: Ealing has recently established a local authority company for these services)
   - Two boroughs have a mainly in house model (Harrow and Hillingdon)
   - Barnet is the only Joint Venture model through Regional Enterprise Ltd (51% Capita/49% Barnet ownership)
   - Hounslow has expanded its housing Arm's Length Management Organisation model (Lampton 360) to incorporate some of the former Carillion services
   - Both highways services & parking services are universally procured separately as individual contracts, when these services are outsourced
   - There are no joint borough arrangements for environmental services
   - There are limited opportunities for Brent in terms of contract renewal date alignment with neighbouring boroughs in April 2023

6. Officers have also reviewed local authority delivery models nationally and across other London boroughs, including discussions with Islington, Haringey,

Redbridge, Waltham Forest and Lambeth, which has informed our consideration of the delivery models that can best meet the objectives of the RLS programme.

ii) Council wide, Environmental Services and waste service financial pressures

7. The Council as a whole is subject to significant financial uncertainties, including the expected long term financial impact of COVID-19. The situation remains ongoing and it is extremely difficult to make a full, definitive and comprehensive assessment of the financial impact. The significance of the financial challenge cannot be underestimated. The Council's Medium Term Financial Plan includes expected savings from re-procurement of major contracts, service transformations and efficiency savings.

8. There are other more established financial pressures in Environmental Services; a legacy of repeated cycles of cost reduction through austerity, twinned with a constant and increasing demand on front-line universal services. Overall, the financial pressures across Environmental Services remain serious and very difficult to manage.

9. In addition, there are likely to be significant pressures on waste collection and disposal costs upon renewal of arrangements for these services when the current public realm contract ends in March 2023. These pressures are linked to the increase in waste tonnages and the significant fall in income for recycling since the last contract was let in 2014.

iii) Brent's Pension Fund

10. London Borough of Brent has a high employer contribution rate into the Pension fund relative to its peers within local government. For the financial years 2020-21 – 2022-23, 35% of pensionable pay is required to be contributed to the Pension fund for employees of Brent Council. It is unlikely that this level of contribution will vary significantly in the foreseeable future.

11. In respect of the private sector, the legal minimum contribution that employers are required to make to a pension scheme is 3%. In the case of defined contribution schemes there is no requirement to contribute more than the legal minimum, however some employers choose to do so as part of their overall employee benefits.

12. Local Authority (Teckal[1]) Companies can choose to introduce new defined contribution schemes for new starters with anticipated reduced costs over time. LAC employer pension contributions under such schemes are typically in the

[1] A "**Teckal**" company is the common name for a company which benefits from contracts for works, services or supply from its controlling Contracting Authority without having to go through a competitive tender process. Local authorities can undertake up to 20% trading with third parties outside of their 'Teckal' contract.

region of 5%. The LGPS can be a significant commercial disadvantage for LACs where they are set up for commercial reasons and need to compete with the private sector for market share.

iv) Depot availability

13. A review of depot provision across the RLS services has considered future depot requirements and how greater commercial value might be achieved by managing our existing depots in a more efficient way, and identifying new depot space that could be used to deliver services which are currently delivered by contractors from sites not owned by the Council. These sites could be used either by an in house service or offered as part of re-procurement to level the playing field to enable other organisations to bid for our services.

14. The return of the council-owned depot and yard at Unit 2 Marsh Road, Alperton, (the "Depot") into Council hands in January 2020 provided an opportunity to undertake a range of invaluable Covid-19 related functions and has since continued to be a vital resource for the Council's own operational usage. In summer 2020, a review was completed exploring ways to offset the ongoing costs of the Council's use of the Depot arising from the loss of commercial rent and other site costs. As a result of the review, the Depot will be used indefinitely as the base to deliver the following property and environmental services related functions:

    - PPE storage and distribution
    - Document storage
    - Electoral Services – storage/transport of electoral papers/sacks/booths
    - Evidence and parking equipment storage
    - Shared Special Needs Transport bus parking/storage
    - General maintenance for parks, street furniture, public conveniences and cemeteries
    - Highways reactive repairs gang addressing defects arising from customer reports (20% of all highways repairs raised)
    - Sign fabrication and installation
    - Various ad hoc works including the provision of a traffic management function
    - Dealing with waste on private land

15. The council also owns depot and yard space at the adjacent Unit 4-7 Marsh Road, which is currently occupied by Veolia for the delivery of the public realm contract, together with a number of satellite depots in our parks used to deliver street cleansing and grounds maintenance services. These sites are all being retained indefinitely for environmental services delivery.

16. The depot review confirmed that the Depot and the satellite park depots would be sufficient to accommodate an in house highways reactive maintenance

service and a grounds maintenance service, should an insourced model be selected for these services.

17. There are further depot facilities in our cemeteries which helped enable the decision to vary the existing Public Realm contract to bring in house the grave digging and cemeteries grounds maintenance function in December 2020.

18. There remains no viable depot facility in the borough to accommodate arboricultural services, be that through an insourced or outsourced model.

v) RLS service improvement priorities and the future vision for the Environmental Services Directorate

19. A review of existing environmental services provision has been undertaken as part of the RLS programme in order to identify areas for service improvement. The key findings from this review in relation to the Council’s existing contracts were:

- The current environmental services contracts within the scope of the RLS programme are generally considered to perform satisfactorily
- Broader contracts have tended to lose focus/underperform in lower value areas (e.g. burials, grounds maintenance, reactive highways maintenance)
- There are occasions when our contractors could act more responsively to address issues and problems in the public realm
- There tends to be a lack of innovation and creativity from contractors
- There is generally a lack of a shared ethos with contractors
- There is potential to achieve greater Social Value outcomes via the Council’s Social and Ethical Procurement Policy adopted in May 2020

20. The key findings from the review in relation to our internal ‘client’ services responsible for managing services in scope of RLS were:

- Services are predominantly reactive, expending significant resources on the resolution of issues and problems, with a lack of resource to focus on service development
- There is potential to make better use of digital technology and data, including automating and streamlining internal processes, sharing and analysing real time data and improving the customer interface
- There is need for a more strategic focus on identifying and realising commercial opportunities
- There is scope for further integration of enforcement services and to deliver this more consistently across the whole public realm, for instance in parks

- There is a marked lack of resource for contract management and area based monitoring and inspection
- The current organisational structure is now too stretched and may hamper rather than facilitate service delivery, relying too much on the high input and commitment of individuals

21. In respect of the last two points, the move to a 'lean client' over the past decade was in part a deliberate strategy to test self-monitoring approaches within our contracts and to reduce costs throughout the 'austerity' period. While it had been hoped that the impact of the £2.5m staffing reductions since 2017 could be mitigated, for instance, through restructuring and a centralisation of functions, it has not been possible to fully mitigate this impact and a more sustainable staffing structure is now considered desirable.

22. To inform our future approach to client side management, officers have benchmarked our client functions against other London Boroughs. Examples where this benchmarking has shown significant gaps are listed below.

- Brent has one Arboricultural Officer for our Arboricultural Services contract compared to the London average of 3.7 officers. Tree surveying is currently outsourced to the tree maintenance contractor who raises and carries out its own work orders. Undertaking inspections and raising works orders ourselves would achieve better value for our tree maintenance budget.
- Brent currently has 3 dedicated highways inspectors and utilises a reactive maintenance engineer to provide cover for leave, sickness etc. In comparison, Haringey (a similar borough) has 5 inspectors, including a team leader. With "Well Maintained Highways" specifying a review for road hierarchy, inspection risk and frequency, the number of planned inspections will increase. To ensure we can continue to efficiently deliver planned inspections (the first line of defence for insurance claims) and to provide timely reactive inspections (generated from customers including members and are considered high profile), it is essential we have increased resources in this area.

23. The RLS service reviews helped to identify the following overarching improvement priorities for future service provision which we would aim to deliver, as far as possible within the available budget, under whichever delivery model is selected:

- Improved contract management and monitoring for contracted services
- An intelligence-led approach to the deployment of resources
- Greater responsiveness to addressing issues and problems in the public realm
- Better digital customer interface with real-time information and issue reporting
- Additional capacity for continuous service improvement and innovation

- Focusing specialist officers where they can add the greatest value, with more triaging between generalist and specialist roles
- Deliver better Social Value outcomes via the Council's Social and Ethical Procurement Policy (strategic themes and examples included below):
  – Strong Foundations – number of community engagements / events delivered to improve outcomes in the community
  – Every Opportunity to Succeed – number of local jobs created, including focus on disadvantaged groups
  – A Future Built for Everyone, An Economy Fit for All – number of SMEs and third sector organisations that benefit from the procurement exercise
  – A Cleaner, More Considerate Brent – strive for carbon neutrality by 2030 and enhance nature and biodiversity
  – A Borough Where We Can All Feel Safe, Secure, Happy and Healthy – support charities who encourage and enable increased physical and mental wellbeing

24. In support of these overarching service improvement priorities, a vision has emerged for how the Environmental Services Directorate as a whole could achieve greater integration and efficiencies aligned to the RLS objectives through a reorganisation along the following dimensions:

- A neighbourhood approach to managing local issues to meet the needs of local areas, and to achieve greater integration, flexibility and control of services – comprising area monitoring, engagement, education, enforcement, regulation, contract management and day to day small scale operations/repairs (e.g. potholes, park/street furniture defects, signage etc.).

- A borough-wide approach to managing our strategic assets and infrastructure to ensure investment is spent well. This relates to- waste infrastructure and collections; highways schemes, planned maintenance and specialist services; street lighting; and, arboricultural services.

- An integrated back office supporting the delivery of both the neighbourhood and strategic asset management approaches. The vision for the integrated back office is to create a digitally and data-led, streamlined, customer focused system which supports integrated working across all services, across the wider council and provides seamless information flows with the community and our partners.

vi) Key service synergies and interdependencies

25. The RLS programme covers a broad range of services which all connect with each other in a myriad of ways. However, when considering which of these interdependencies are sufficiently significant to warrant full alignment and integration within a specific delivery model, there is one key "co-dependency"

which relates to waste collections, street cleansing and winter maintenance functions. Combining these functions provides economies of scale, operational efficiency and value for money for the following reasons:

- Street cleansing can be scheduled to follow waste collections
- Flexible resource for fast response to litter bin emptying, fly-tip removal and emergencies
- Greater resilience to the impact of sharp reductions in driver availability and the ability to respond to surges in demand for staff
- Improved waste handling/landfill diversion rates
- Improved response to exceptional circumstances like snow, pandemic, extraordinary events
- Winter gritting can be shared across HGV drivers and streets' operatives

26. Other service functions that will require a very close 'partnership' arrangement, but without the necessity of full alignment, are:

- Cleansing across streets and parks
- Grounds maintenance in parks, at roadside verges and in cemeteries
- The control of anti-social behaviour and environmental enforcement
- Parking management and our work to manage and improve our highways and transportation

vii) Generalist versus specialist roles

27. Consideration has been given to the choice of whether to adopt a multi-tasked or dedicated workforce. In most cases, it is considered that the principle of 'division of labour' works best for environmental services. The division of labour leads to higher productivity and lower costs. However, in certain cases, it can make sense to use generic, multi-tasked roles.

viii) Experience and learning from the Covid-19 pandemic

28. Officers carried out an assessment of the implications of the Covid-19 pandemic for our future commissioning strategy for these services. It was concluded that there is no significant change to the fundamental service related considerations involved in decisions over whether to insource or outsource RLS services linked to the pandemic outlook. However, the following factors have been noted:

- During lockdown, our contractors have maintained good to adequate capacity, have largely performed to customary standards, have been very adaptable to new demands and requests, and have been reasonable with their contract pricing

- We do not have any evidence to suggest that tender prices will be any higher due to the pandemic and expect that competition will keep pricing keen

- A strong case remains to insource functions where we believe the Council can achieve higher quality services, for instance with the reactive highways maintenance, grounds maintenance and cemeteries functions

- There may be potential for in-out lockdowns and further waves to create a distraction and a drain on internal capacity, and costs may be better controlled in these circumstances through an outsourced approach.

ix) Service Options appraisals

29. Options appraisals have been undertaken for the following services, which are each summarised in Appendix 5.

i) Highways Services
ii) Grounds Maintenance
iii) Street Cleansing
iv) Arboricultural Services
v) Parking Services
vi) Street Lighting
vii) Waste and recycling collections and reprocessing

30. These appraisals considered the following delivery models for each service:

- Outsourcing through either contract extension (if applicable) or retendering
- Direct insourced provision
- Insourcing via a Local Authority Company
- Partial insourcing

31. Direct insourcing and insourcing via a Local Authority Company costings were based on estimates for the following:

- Direct costs of service provision (recurring revenue costs)
- Necessary increases for central overheads – ranging from 2% to 10% per employee
- The costing of risks - 15% general contingency
- One off mobilisation costs
- Capital costs for premises, fleet and equipment

32. The costs for retendering options have been based on our best intelligence for current market prices.

33. A summary of the cost of the options considered for each of these services is included in section 8 of Appendix 5.