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RECAP:
Creating an 'Advanced Partnership'

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Report for:

RECAP Local Authorities

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Contents

1.0 Introduction

Eunomia has been commissioned to explore the possibilities for 'advanced partnership working' across the Cambridgeshire and Peterborough Waste Partnership (RECAP).

The overall objective of the project is:

- To explore what 'advanced partnership working' could potentially look like in Cambridgeshire and Peterborough across waste management and street scene/ street cleansing; and
- To examine the potential role and function of the partnership to effectively meet the current and future business needs of its partners.

The brief provided by RECAP splits the project into five distinct stages, each with a target outcome.

Table 1: Project Brief Stages and Outcomes

Stage	Outcome
1	To develop a partnership wide understanding of the key short, medium and long term business needs of all individual partner authorities within a local and national context.
2	To establish and agree, with the partnership, the individual and collective benefits (quantitative and qualitative) to be achieved through advanced partnership working.
3	To open up communications between authorities so that they understand, at a political level, what RECAP might be able to achieve for them and what each partner is looking for from the partnership going forward.
4	To identify a range of potential advanced partnership working models which deliver the individual and collective benefits.
5	To appraise against the criteria (quantitatively and qualitatively) the list of potential models.

This report presents a high-level appraisal of those advanced partnership working models that have been identified in the previous stages of work as having the potential to deliver both individual authority and collective benefits for the RECAP partnership.

2.0 Options for Advanced Partnership Working

Based on the work undertaken at each stage of the project, the following key options have been identified for further development/description and high-level appraisal in this final project stage. These options are evaluated in terms of the benefit they bring to the partnership as a group, their ability to support high quality services and their financial outcome.

Option 1: Short-term partnership options

A) Development of joint procurement capacity and delivery of further joint procurements e.g. vehicles, containers, fuel, PPE;

B) Infrastructure harmonisation and cross-boundary working;

C) Joint trade waste service development and management;

D) Joint delivery of bulky waste services and increased third sector involvement (including HWRC waste);

E) Joint delivery of efficiency/contract reviews.

Option 2: Longer-term partnership option

Full integration of services across partners - in effect a joint committee approach.

Whilst we recognise that there may be limited appetite for option 2, it has been included, partly at the request of the project team and other officers, so that:

1) Partners understand the savings that are available if efficiency gains are prioritised above all else; and

2) A long-term end-point is described so that partners better understand what much fuller integration might look like.

2.1 Option Descriptions

For each option we provide an overview description describing how:

1. The arrangements would look and feel to partners;
2. What resources would be required for implementation; and
3. The governance arrangements that would be required.

2.2 Option Evaluations

All of the options discussed have advantages and disadvantages and all carry different degrees of risk.

For each of the options where there is sufficient information to carry out a quantitative assessment of the business case for joint working, a high-level business case has been prepared.

We have compared the relative performance of the options using fixed evaluation criteria. To do this each option has been scored against a number of criteria using a one (1) to five (5) points range, with one being the worst and five being the best. The criteria we have used are:

- Improved Joint Working
- Quality of Service to Residents
- Short term Affordability
- Financial
- Environment
- Ease of Implementation

Risk is assessed separately.

3.0 Option 1: Short-Term Options RECAP Structures

3.1 Background

Discussions and meetings with stakeholders confirm that the most likely next stage outcome from this project is that the RECAP authorities choose to work together on delivering short-term 'quick-win' joint projects. Very little, when it comes to partnership is genuinely 'quick', so the phrases 'short-term' and 'quick-win' do not in this case imply projects that will be up and running in less than 6 months or that will be delivering immediate savings. In this context these terms are used in a relative sense to make a distinction between the types of joint project options which are described over the following pages. These projects do not require highly structured approach to governance (as would be the case with a fully integrated partnership) and can be expected to be up and running in 6 – 12 months from the point at which partners agree to take them forward.

3.2 Proposal

RECAP is not a new entity. The partnership has staff, funding agreements, a brand and a track record. The proposal here is not to tear up the current arrangements and start from scratch. Indeed an important objective in looking at 'quick-wins' is to release savings quickly and enhance the working together objective of the partnership. Months (or possibly years) spent on developing and agreeing new structural arrangements to co-ordinate these projects will only delay savings.

There are, however, a number of ways in which the authorities might choose to improve and consolidate the current arrangements. Our proposal here, based on our observations to this point (and our need to define an arrangement for the purpose of the business case modelling) is provisional upon the partners agreeing its suitability. Our proposal involves a small number of changes to current arrangements:

1. Where possible, use existing staff resources to co-ordinate the development of the project.
2. Develop an agreement regarding how to share the costs and subsequent savings of new projects.

3. Strengthen partnership governance (through informal approaches) to ensure that members are given a strong mandate to deliver new work.
4. Develop a partnership approach, savings targets and an action plan to guide future work.

Discussion of these four proposals runs through the following sections.

3.3 Potential Issues

3.3.1 Historic Issues Persist into the Future

The options presented in this report aim to build on the strengths of the current arrangements; thus where there are weaknesses, these may remain. This is not however inevitable.

For example the project has identified that communications between partners is not always as clear as some might like. However, simply by identifying and discussing an issue, it becomes possible to then solve it. Member feedback from the Stage 3 workshop has been positive and members have indicated that they would like to spend more time working together as a group. Since that workshop Members have again met, this time in a more informal setting to discuss the partnership. Clearly the communication issues which were previously identified are already being dealt with.

It is also likely that if partners become committed to a new course of action, then the process of working together to agree precisely what should be delivered and how will involve officers and members in better and more regular contact with each other. This will, in and of itself, serve to make the group feel better bonded by a common purpose which is, to some extent, currently missing (as evidenced by the brief for this project).

3.3.2 Agreement of Future Projects and Future Direction

A fundamental difficulty with partnership working arises when the various partners are unable to agree on the future course of action. Some partners may not wish to work on any future joint initiatives (although this appears unlikely), some may wish to work on a small number of very specific projects, and other may wish to work quickly towards full integration. This is problematic but also, to some extent inevitable in any partnership and is certainly not insurmountable.

Members will need to work collaboratively to agree a joint approach so that officers have clarity regarding what it is that the partnership should be seeking to do. In addition, it may be beneficial if RECAP feels able to adopt the view that not all projects require the full participation of all partners. The approach taken to investing in project costs and sharing savings will, to some extent, help to define what projects are likely to be taken forward most quickly.

If partners view the next stages of RECAP's work in a collaborative way and are determined to deliver savings quickly, then it may be that agreement regarding the projects which should be developed will quickly follow.

3.3.3 Agreement of Future Budget Arrangements

RECAP already has two budgets; one budget supports the Partnership team and is funded by an agreed percentage contribution from each RECAP authority. The second budget supports the Joint Awareness Fund (JAF) and is funded through £1 per tonne being top-sliced from the recycling credit payments for each district from the previous year, combined with a further £1 per tonne contribution from CCC. PCC began to contribute in 2010 / 11 and this contribution matches that of the Cambridgeshire district with the most recycling credits.

It is anticipated that this budget (or some part of it) may be made available in future to support the development of joint working initiatives. However, it is possible that the investment needs of some projects will exceed the current budget (or whatever remains after the costs of ongoing communication work are met). Furthermore, if RECAP decides to take forward two or more of the proposed short-term options, then the existing budget is unlikely to be adequate. Given the current financial position in which local authorities find themselves, identifying where future investments should come from has the potential to be contentious (or even impossible).

If no further budget is available, then the partnership will need to work within this constraint. If the business case for further investment is strong and persuasive, then it may be possible to design an approach which brings mutual benefit from joint investment. Again, a strong lead from members will help to manage these issues so that they can be worked through as quickly as possible.

This issue is considered more closely in the following section.

3.4 Resource Requirements

As discussed above, the partners need to consider carefully what approach they take to sharing the costs and benefits of future joint working. These arrangements will determine the benefit that each partner takes from joint working and therefore the overall success of the partnership.

The costs of the existing RECAP team are already accounted for and could reasonably continue to be funded on the same basis as at present.

The costs of future projects could however be funded by two possible alternative approaches:

1. **Contributions:** according to a set formula;
   Benefits: partners take benefit in the form of cost savings (or new revenues) which accrue to their individual authorities.
2. **Contributions:** according to a set formula (which may be flexed on a project-by-project basis);
   Benefits: partners take benefit according to a set formula which is used to divide the savings (and any new revenues).

The benefit of the first option is in its simplicity (and the importance of this benefit should not be under-estimated). However, the advantage of the second option is equally compelling if a formula for sharing savings can be agreed. Under the second option, a partner can collaborate even where a specific project may not be of *direct*

benefit to the authority in question, because the agreed formula justifies any investment.

For example there is likely to be benefit to the partners in looking at infrastructure optimisation. The group might agree to work on a site-by-site basis for reasons of budget and other resource availability. If the first project works to facilitate a depot share between two neighbouring authorities (or between a District and the County), then under the first and simpler cost sharing approach laid out above, the benefits of this would only flow to one (or two) authorities through their reduced expenditure (and asset release). This would clearly undermine the basis for the other partners to invest in the project.

However, if the savings from were shared according to a formula, then other authorities could invest in the project confident that their investment would be repaid from the savings made by the authorities sharing the new depot. The formula would be unlikely to split the savings equally between all partners. Clearly the largest proportion of the savings, by some distance, would be taken by the authorities now sharing a depot. Nonetheless a small proportion of savings from the depot share in the first one to three years could be returned to the partnership to cover the costs of the investment made to that point and future investment in the next stages of infrastructure optimisation.

This approach would allow the authorities to pool investment for mutual benefit, even where the projects in question do not have direct budget impact on all partners. As such it has the potential to turn the partnership into a much more effective and powerful structure, able to co-ordinate the budgets of all partners to address the investment needs of projects where the greatest possible savings can be driven out.

Clearly if RECAP is minded to consider this type of approach, further work will be needed to define a mutually acceptable mechanism. In that event, partners will need to identify a finance officer to be seconded to the project to assist in developing acceptable proposals. This work may be undertaken as part of the overall need to review and refine the principles of partnership working between RECAP partners for future projects.

3.5 Governance Requirements

As with all options presented in this report, would should ideally be managed using a project (and possibly a programme management environment). PRINCE 2 is the best developed project management methodology used widely within both the public and private sector. Managing Successful Programmes (MSP) is a programme methodology based on the same principles and vocabulary as PRINCE2 and provides a framework for managing multiple projects in a consistent way.

Eunomia's staff are trained and experienced in both PRINCE and MSP and have extensive experience of using these approaches to support local authority waste partnerships. Based on this experience we would recommend that both have much to offer in terms of providing clarity, mandate, resilience and a strong focus on the desired benefits. We would also warn, however, that these approaches are best used judiciously as opposed to being followed slavishly. There is a real risk that process can get in the way of progress. Project and programme methodologies should be used

as a suite of tools and techniques to be deployed to the benefit of the partners and should not become an administrative straight-jacket, preventing partners moving forward more rapidly where this is possible.

The RECAP board will have overall responsibility for commissioning project work to advance joint working. In effect, the RECAP board will act as the Programme or Corporate Board (in MSP terms), and will provide overall control on deciding whether projects are undertaken and in defining overall project tolerances such as the budget and timescales for delivery.

Officers from the JWOG will take on the role of the Project Board. They will need to determine how the various options interlink and the order and priority in which work should be undertaken, and should appoint resources to undertake initial business case work so that the options can be presented to the RECAP board for approval.

The operations panel may provide individuals as part of the project team to deliver various workstreams, but should also remain a place to discuss day-to-day issues.

More active joint working at board level and possibly more frequent meetings will allow members to work to reach decisions more quickly and provide clear direction and strong support for officers to deliver efficiency projects.

3.6 Evaluation

Clearly the creation of structures and arrangements to take forward joint working will not deliver benefits directly, in and of itself. This is a necessary pre-requisite to taking a strategic and co-ordinated approach to the development of further joint working initiatives.

3.7 High-level Action Plan

1. Commitment to the overall partnership approach must be agreed first. This approach will need to define the 'WHY', with a vision and an agreed set of guiding principles for the RECAP partners. The JWOG should develop this approach and seek its approval from the RECAP board.
2. The group must consider the relative advantages of the different models for sharing the savings of future joint working (and for this it may be necessary to secure finance officer support).
3. If a formula based approach is taken to sharing savings, then this needs to be agreed.
4. Further work should initially be undertaken on an outline business case for each option which RECAP wishes to consider further, to determine which projects would be feasible to deliver. Resources would be required to develop the outline business case,
5. Planning will then be required by JWOG to determine:
    a. Which projects should be taken forward first;
    b. To develop an action plan to deliver these projects;
    c. To set a savings target.

4.0 Option 1A: Development of Joint Procurement Capacity

4.1 Background

The Cambridgeshire authorities have undertaken a number of procurement exercises in the recent past (including for both MRF capacity and bring bank services) which have been carried out under a variety of joint working arrangements. The partner authorities therefore have some experience in this area and an awareness of some of the possible pitfalls. There is however the potential to take a much more strategic approach to joint procurement exercises whereby partners work together:

1. To agree which procurements are suitable for managing jointly;
2. On the procurement process itself; and
3. Then entering into joint contracts.

It is noted that the RECAP Operations Panel are already analysing the options for further joint procurement opportunities and that this is a relatively well-advanced area of partnership working.

The fact that the waste collection services offered by the authorities with an in-house service are already broadly harmonised across the partnership, should make joint procurement in this area relatively straightforward compared to an area with a diverse set of collection service designs.

It is also noted that whilst Peterborough City Council's recent strategic partnership contract award means that the authority will inevitably be allowing time for the new arrangements to 'bed in,' PCC have indicated an interest in the potential for participating in joint procurement exercises in the future.

4.2 Proposal

There are a number of potential areas that may provide further joint procurement opportunities for the Partnership.

4.2.1 Vehicles

With a combined fleet of around 120 waste vehicles plus another 50 street cleansing vehicles, the RECAP WCAs could achieve considerable savings through a joint approach delivering reduced procurement process costs and lower prices.[1]

The RECAP authorities have currently taken different approaches towards vehicle provision. Cambridge City, Fenland and Huntingdonshire Councils purchase their own vehicle fleet, East Cambridgeshire's vehicles are contractor-owned, and South

[1] Consideration could also be given to including other local authority vehicles such as Highways within a joint vehicle procurement exercise.

Cambridgeshire lease their vehicles. In addition it is noted that in the past Cambridgeshire CC and Defra have funded some vehicle purchases for districts.

Our analysis consistently shows that where the authorities have not reached their Prudential Borrowing limits, or where capital reserves can be made available, then it is preferable for the authority to purchase the vehicles directly. Private sector lease finance is more expensive than Prudential Borrowing. Recent changes to the system have eroded the differential but even with the difference between the underlying interest rates narrowing, private sector lease finance companies will charge a profit margin on top of interest and it remains distinctly preferable for authorities to use Prudential Borrowing.

Where capital reserves are available, this is an even better approach to funding vehicle purchase costs. In recent years and as a consequence of the 2008 financial crisis in which local authorities lost money invested in Icelandic banks, treasury management has become much more cautious. At the same time interest payments on savings and investments have declined to historically low levels. Many local authorities are now newly interested in how capital purchases can be used to reduce future revenue expenditure.

When pursuing a different vehicle purchase strategy than that with the authority is most familiar, there is an administrative overhead. In this case there may be real benefit in exploring the options jointly as part of a joint procurement strategy designed also to achieve lower unit costs. A single finance officer can do the necessary work once, on behalf of all authorities, as opposed to each authority needing to determine independently how the purchase should be managed and funded.

Even where districts use contractor-owned vehicles they may be able to benefit from the joint procurement of vehicles with some collection contractors showing a growing interest in operating authority-owned vehicles.

Another advantage of joint procurement is that given a sufficient value purchase, vehicle suppliers will look to compete on matters not just related to price. It is possible to secure driver and operator training for free or at a discounted rate along with preferential deals on parts and emergency breakdown attendance. In some cases, a supplier will agree to establish a local workshop with spares and the capacity for rapid response.

Should RECAP partners be able to agree on a consistent specification for waste and street cleansing vehicles, a joint vehicle procurement partnership would facilitate a reduction in the number of spare vehicles required and reduce down-time. There is also the potential to look at contracting across Cambridgeshire's fleet for vehicle maintenance services.

Steps should be taken to line-up vehicle procurement dates where sensible and it may be prudent to look at leasing vehicles on a temporary basis to provide a bridge for other authorities to 'catch-up' ready for a joint procurement.

RECAP Partners should continue to work together to develop a cost-effective financing model for joint procurement of 'high ticket' items such as vehicles and plant.

4.2.2 Fuel

With the cost of bulk diesel having risen from 92.15 pence per litre (ppl) to 106.35 ppl in the past 12 months and a continued rise in oil price predicted, fuel costs present a major budget risk for RECAP Partners.[2] Rising costs can also seriously reduce or even potentially wipe out efficiency savings made elsewhere; Partner Authorities should consider following the Lincolnshire authorities' recent move towards joining together to tender for a single joint fuel contract.[3] This can of course be expanded to include fuel purchases for other non-waste council services and the partnership is a useful way for authorities to easily benchmark their own fuel prices with partners.

We would, however, caution that the authorities are unlikely to be able to achieve large savings on fuel unless current arrangements are particularly disadvantageous. Fuel costs cannot be greatly discounted where bulk purchases are made. Once authorities are purchasing fuel by the tanker-load, then the price will not decline much further for larger purchases. This is partly because the market is competitive, partly because supplier costs do not decline for larger deliveries (there are no genuine savings that can be passed on to the end-user) and partly because a large proportion of the price relates to tax which is obviously not variable on bulk purchases.

4.2.3 Containment

With the majority of authorities using 240 litre wheeled bins, there is the potential to realise further savings through joint procurement of replacement containment (including for trade waste containment as part of a joint trade waste arrangement – see Section 6.0), although it is noted that this is an area where RECAP have already carried out joint procurement.

At some point in the future, authorities may decide to take a joint approach to service (and bin) branding and bin colour and this will increase the savings that are available. At present that is not a priority for the authorities and savings from joint procurement are going to be constrained by the fact that the partners will generally be buying different things, albeit through a single procurement exercise.

In any event, the savings that flow from *good* procurement will outstrip those that can be achieved by *joint* procurement.

4.2.4 MRF Capacity and Recycling Materials

Feedback received during the interviews stage of this project revealed that the current MRF arrangements which vary between partners has been a contentious issue. When existing MRF contracts across RECAP come to an end, there will be an opportunity to explore further joint procurement, either by going out to the market to provide the MRF capacity once again, or possibly through pursuing a joint MRF facility

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[2] February 2011

[3] http://www.letsrecycle.com/news/latest-news/vehicles-and-plant/waste-sector-reacts-to-massive-impact-of-fuel-cost-rises [Accessed 3rd March 2011]

in Cambridgeshire or Peterborough, depending on which were to prove to be the most cost-effective option.

Given the current fluctuation across the UK in MRF gate fees and material revenues, it would be difficult to undertake, at a high level, an options appraisal for jointly procuring MRF capacity, other than to say that there would definitely be a saving from only undertaking one procurement exercise rather than multiple procurements.

Additional savings may also be available through jointly selling material, but these would be set against a relatively favourable current baseline gate fee.

Whilst a joint RECAP facility might provide a more stable longer-term option, this is not a straight-forward calculation. Eunomia's research shows that there is currently around 400,000 tonnes of uncommitted MRF capacity in England. This means that authorities are able to benefit from extremely favourable gate fee deals, with the private sector taking an unusually high proportion of the risk on material prices. It is fairly normal for authorities to be able to get favourable deals through the spot-market (although the risk of this approach means that it is relatively a less common approach for the public sector), what is not so common are the high price, multi-year deals currently being offered by MRF operators. Should this situation persist, the authorities may take the view that it would be preferable to pass the risk of material price to the private sector rather than to invest in a new Cambridgeshire/Peterborough MRF.

Whilst we do not recommend any one approach, given the complexities of the current situation and the wide variety of possible future options, it is clear that a strategic, whole-partnership approach will yield benefits.

This is an area then that is worth exploring further with some individual RECAP members having strong views that there are significant opportunities for the authorities to work together to secure a stronger deal for all parties in the future.

Opportunities should also be explored for further developing the joint procurement of bring bank services, which a number of WCAs have already undertaken. Again this is an area in which there are strong views about the current arrangements. With two authorities (Fenland and Huntingdonshire) reviewing their bring arrangements due to changes in kerbside recycling collection there is an immediate opportunity to review the service and associated contracts for all partners to ensure that the bring site network is optimised alongside and integrated with kerbside collection and that future opportunities for joint contracts are taken.

4.2.5 Other Areas

Joint procurement of personal protective equipment (PPE) and other operational equipment and supplies (e.g. signage, communications and marketing material) is another potential area of savings as is joint contracting for the supply of casual and temporary operational staff (drivers and crews) to cover planned or unplanned staff absence or deal with temporary increases in resource requirements.

This type of joint procurement is unlikely to yield very significant benefits and may not justify the investment of time and valuable officer resource, though could be an opportunity to further partnership working.

4.3 Resources Required

We understand that joint procurement has thus far been managed via a 'lead authority' model with at least one tendering exercise being delivered via the Eastern Shires Purchasing Organisation (ESPO). Interviews carried out for this project revealed that some RECAP authorities have expressed concerns over the quality of the result.

Feedback from the RECAP partners suggest that whilst there is procurement expertise within corporate procurement teams, there is also scope to develop this expertise further and to support individuals to improve their knowledge of waste management-related procurement. There are a number of options for RECAP here: one would be to build on the resource and expertise in place to establish a 'virtual' waste procurement team across the partnership. Another option would be to for RECAP to invest in its own experienced procurement resource, or to secure access to such resource on a project by project basis possibly through Improvement East or external third party waste procurement experts.

Without clarity on the level and frequency of joint procurement projects that RECAP would like to pursue it is difficult to predict the level of resource required; although it is reasonable to assume that given a sufficient number of reasonably sized procurements, any investment in developing procurement expertise for RECAP would quickly pay for itself in terms of the level of savings that could be delivered from joint procurement and contracts.

It is recommended that suitably qualified and experienced procurement expertise be seconded to RECAP for a fixed period to identify and develop a strategic plan and business cases to deliver both short and longer term procurement savings.

4.4 Governance Requirements

One issue with joint procurement identified in Stage 1 of this project was that authorities can be reluctant to 'relinquish' negotiation rights with a supplier to another authority. In order to address this issue it will be necessary to be clear about roles and responsibilities in each joint procurement exercise.

Joint procurement exercises should led by the Operations Panel to a clear set of outcomes set by the Board via JWOG although again an initial analysis is required to identify and business case opportunities such that the resource required to provide leadership and oversight of the work can be identified and secured.

4.5 Identifying Target Contracts

RECAP should carry out a co-ordinated exercise to review all current purchasing within each authority's waste service in order to identify existing contracts and framework agreements in use and their end dates and details of any break clauses. This will allow authorities to bring as many purchasing cycles into line as possible through the use of break clauses and short term contract extensions where appropriate.

For example, where a number of contracts are due to end within a few years of each other, consideration should be given to exercising break clauses and putting in place 'stop-gap' leasing arrangements to create the opportunity to align arrangements ready for a new joint contract. Alternatively, where this is not considered to be

appropriate (for example where the additional cost of leasing or fixed term contract extensions prove prohibitively costly) a phased approach can be taken.

This exercise will also allow RECAP to consider whether existing contracts remain fit for purpose given anticipated changes to the waste management landscape brought about by the Waste Review and other policy changes.

4.6 Evaluation Methodology

To evaluate the benefits of joint procurement, two sample joint procurements have been considered:

i) Vehicles; and

ii) Containment.

The cost of the preparation of a strategic plan identifying candidate procurement opportunities and the business case for each of these has been included as part of this option. This would allow partners to examine the potential savings at a more detailed level and aid decision making.

A one off set-up cost for each joint procurement has also been included. It has been assumed that the set-up cost of joint procurement would reduce as procurement experience is gained. These costs are presented in Table 2.

4.6.1 Vehicles

As per the Stage 3 report, all five Cambridgeshire districts have shown interest in this option. There is also scope to consider including CCC highways vehicles and PCC vehicles. To ensure a conservative approach is taken to this high-level modelling, the CCC and PCC vehicles have not been included at this stage. Nonetheless, the practicality of also including these vehicles within any such future joint procurement should be considered as part of a more detailed options assessment.

Baseline vehicle and crew data used has been taken from the pro-forma filled in by authorities for Stage 1 of this project. Using our internal database we have attributed a capital value to each vehicle type. This cost is then annualised over 7 years.

Following comments on the Stage 4 report we have assumed that the benefits of the joint procurement will be realised over three years, between 2012 and 2015, with the latter date aligned to the end of ECDC's current collection contract. We have not modelled any change to the current vehicles; therefore the saving is based on current service provision across the five districts.

Taking a conservative approach, we have modelled joint vehicle procurement savings of 2% per annum. This 2% relates solely to the capital cost of vehicles.

4.6.2 Containment

Baseline costs of containers has been calculated based on the current collection systems being used by each WCA and the numbers of households requiring containment. This has been crosschecked with data supplied from the previous asset mapping work.

As per the sequence for joint procurement of vehicles we have assumed that savings accrue over a four year period between 2012 and 2015.

We have assumed that a saving of 1% per annum could be made on containment costs. This is based on the baseline containment requirements and does not account for any service change that may occur in future, or for the additional inclusion of trade waste containment. There is scope for increased savings if agreements were made regarding uniformity of containment – in particular colour and type.

Table 2: Assumptions for high-level calculation of benefit of joint procurement

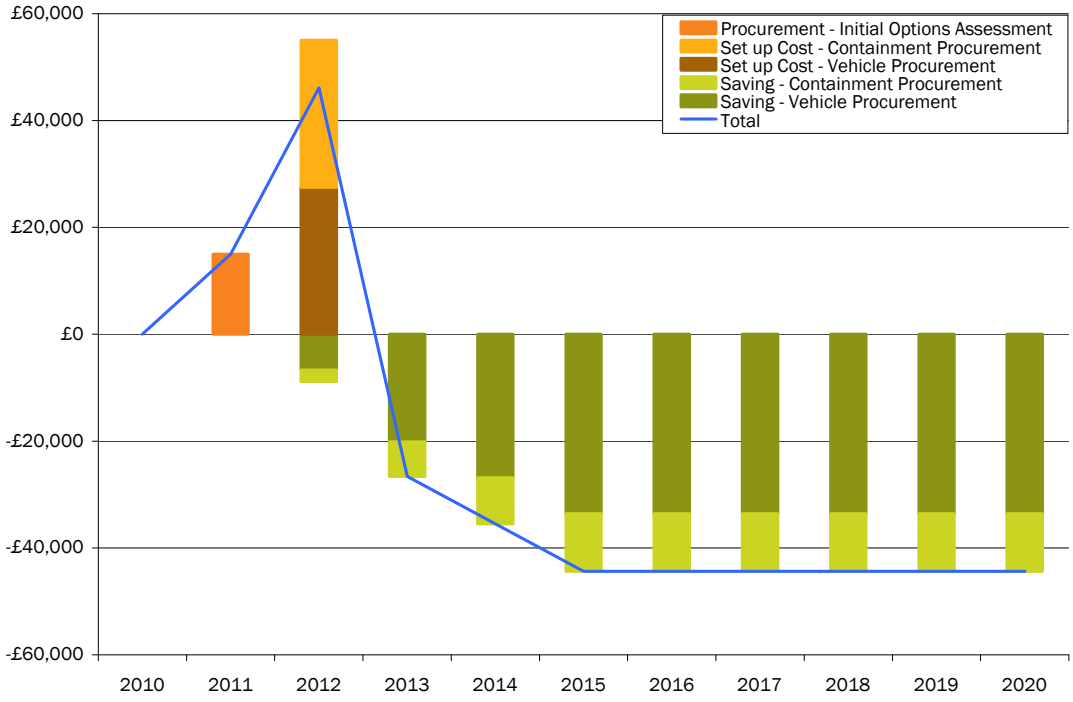
Assumptions	Unit Value
Initial Options Assessment	£15,000
Initial Joint Procurement Set-up Cost	£25,000
Second Joint Procurement Set-up Cost	£20,000
Vehicle Purchasing Saving	2%
Containment Purchasing Saving	1%
Source: Eunomia estimate based on previous experience of similar joint procurements	

4.7 Evaluation Results

The net benefit available as a result of joint procurement of vehicles and containment is presented in Table 3. The cash flow reflects the assumptions described in Section 4.6. This option does not include CCC highways vehicles or PCC vehicles. If it were viable for these partners to also take part in this option, it is likely that the level of savings would increase beyond those presented here.

It has been assumed that the current level of service provision does not change. If ECDC was to change the current service to a comingled option at the end of the current contract, we would expect that the savings would increase further. This applies to approximately 10 vehicles; therefore we would expect a relatively small additional increase in savings.

Table 3: Joint Procurement, net Costs and Benefits



A number of procurement options haven't been assessed but should also be considered:

- **Joint Procurement of Fuel** - As far as we understand the joint procurement of fuel has been brought forward for further consideration and is currently progressing. As this has been explored previously and is being moved forward we have not included it in this analysis. We would note, as we have above, that although fuel costs are significant, the savings available from joint procurement are less significant in this area than they are in many others.
- **Joint Procurement of MRF Capacity and Recycling Materials** –The authorities have not established a clear approach to securing MRF capacity, future bring bank contracts or the approach to the sale of recyclate. This is very much to be expected given the stage of the partnership's development and uncertainty, particularly in material and MRF markets. If the authorities choose to jointly build their own MRF then estimating the costs of that exercise are outside the scope of this piece of work. If alternatively, the authorities choose to jointly procure MRF capacity from a private sector supplier, then the value of that will depend very heavily on when that procurement is run, the period of the contract and the materials that are to be sorted. We are currently seeing contracts let for periods of 3 – 5 years for commingled kerbside collected materials including glass with gate fee payments of £20 - £30 / tonne. Although there is very significant uncommitted MRF capacity, there is no guarantee that authorities will be able to achieve the same prices at the point at which they go out to the market. The prices that are achievable are extremely heavily influenced by commodity markets and these are volatile. The

key recommendation here, there is that whatever approach the authorities choose to take, this decision should be based on a strategic analysis of the needs of the whole partnership.

- **Joint Procurement of PPE** – high-level mapping of current expenditure on PPE has already been looked at in the assets mapping project, and it was decided not to go forward with the joint procurement of PPE. Given that this area has already been looked at, and that we would need to dig into detailed budget information of what was purchased and for how much to build on the modelling already undertaken, the joint procurement of PPE has not been modelled in this project.

4.8 High Level Action Plan

1. Prepare strategic joint procurement plan and timeline:
    a. Review existing service and goods and equipment contracts.[4]
    b. Agree candidate service contracts, together with goods or equipment refresh dates for each Authority.
2. Identify expert procurement resource(s).
3. Create rolling programme of joint procurement exercises.
4. Run joint procurements.

5.0 Option 1B: Infrastructure Harmonisation

5.1 Background

There are currently six waste services depots and ten HWRCs across Cambridgeshire and Peterborough, as well as four CCC highways depots. These facilities appear to be reasonably located for the needs of the authorities to which they belong. However if the RECAP area is viewed as a single collection area, then some rationalisation of requirements might be possible. There is already some co-location of collection and treatment infrastructure at Waterbeach (IVC, MBT, landfill, SCDC depot and tipping point for CCityC, ECDC and SCDC), which has reduced the overall number of sites, and will also have reduced haulage costs as the need to travel to separate sites in any one day is reduced. However, in the first three phases of examining possibilities for advanced partnership working across RECAP, several authorities have identified that additional savings might potentially be derived from further harmonising infrastructure across Cambridgeshire and Peterborough, and from cross-boundary working from that harmonised infrastructure, particularly across the collection services and including HWRCs.

[4] This would allow for the review of whether the service or contract is still required or whether there is an opportunity to re-configure to reduce costs – See other joint working options.

The Cambridgeshire authorities are examining the opportunities for infrastructure harmonisation and collocation across all service areas through the Making Assets Count (MAC) project. Any work on waste needs to be cognisant of that programme. However because MAC is not service specific and does not, to the best of our current understanding draw heavily on the expertise of senior waste officers, some work may be justified by RECAP to illustrate the opportunities for harmonisation of waste infrastructure. These are very considerable (in the medium to long-term) and if preliminary work can be done by RECAP, then this could feed into MAC, to ensure that programme paid proper attention to the needs and possibilities presented by the waste service.

5.2 Proposal

Several possibilities regarding further harmonisation of infrastructure have been identified as follows:

1. The possibility of relocating CCityC's operation to Waterbeach so that it is co-located with treatment infrastructure for residual and organic waste (and potentially in future for dry recyclables) and is also located with SCDC's operation, enabling these operations to reduce their depot overheads and, for example, potentially to share spare vehicles and vehicle maintenance arrangements.
2. ECDC could also relocate to Waterbeach at the end of their current contract, though ECDC notes that the land from which their operation is currently run is highly contaminated and not likely to be worth much if sold.
3. Three of the CCC highways depots look to be located close to the existing waste depots in ECDC, FDC and HDC. There might be the potential for highways and waste services to share depots going forward.
4. There is also the possibility that vehicle maintenance could be shared between all authorities; although this would mean that some vehicles would have to travel greater distances for maintenance, centralising this function across RECAP may reduce overall maintenance costs by sharing resources and effectively only running one workshop. HDC in particular mentioned that they have a new vehicle maintenance facility which might be used not only by RECAP partners, but also by neighbouring authorities including, for example, in Northamptonshire. However, careful consideration would be needed regarding the current capacity of each maintenance facility and whether or not any additional resource would be required to deliver additional fleet maintenance in fewer locations.
5. PCC currently only has a single HWRC for its 77,000 households, whereas CCC has nine HWRCs across 252,500 households. Given that the HWRCs will remain outside the new contract recently let by PCC, the assessment of the locations and catchment areas of all the HWRCs across RECAP and beyond its borders may be a viable project in terms of how best to deliver HWRC infrastructure in future.
6. In harmonising and potentially relocating infrastructure across RECAP, it would then be necessary to re-optimise the collection rounds based upon the new

infrastructure configuration. This optimisation could include optimising rounds across current district borders where this is the most efficient means of collection.

5.3 Potential Issues

There are several important issues that would need consideration in examining the potential to harmonise infrastructure across RECAP:

1. Any work undertaken individually by RECAP would need to be considered alongside the Cambridgeshire-wide MAC project. Would RECAP be empowered by their authorities to pursue infrastructure harmonisation on a purely waste and street cleansing basis, or would they have to await the outcomes of the wider assets project? If the latter is applicable, could RECAP nonetheless set up a project team under the guidance of the wider assets project to ensure that the needs of waste services and street cleansing are met and that savings are delivered through the project? It should be noted that awaiting the outcome of the larger scale project might lead to significant slippage in the ability to deliver short-term savings for RECAP from its infrastructure.
2. Any harmonisation of depots across RECAP would leave the current depots redundant in terms of their use for waste services. Whilst in some cases this will provide a totally empty site and a valuable asset for authorities to use as they wish, the situation for a number of existing depots is more complex. For example, in CCityC, the depot is shared with taxi licensing, building services and street cleansing. For some shared sites, it is likely to be possible to sell off the part of the site that was used for the storage of waste vehicles. Where this is not possible, it may be viable to relocate all services to the new depot location, or for the non-waste services to locate to a third site. This would require further investigation for each individual case.
3. For those sub-options relating to the potential re-location of waste services in CCityC and ECDC to Waterbeach, the potential outcome could be that there are three WCAs on the same site alongside staff employed directly by AmeyCespa. Given that each service would continue to be run individually by each employer, there would be no requirement to harmonise to a particular set of employee terms and conditions. There may be some competition for labour between employers on-site; however, in reality, external market forces will be a much more significant driver in labour costs, so harmonisation impacts associated with the re-location itself would be likely to be minimal.
4. Given that RECAP is already looking to undertake round optimisation over the coming year in order to reduce collection costs across the authorities, it is important to note that further round re-structuring would be required if infrastructure locations were to subsequently change. In order to minimise time and money spent on optimising rounds, in an ideal world it would be better to first establish where rounds will start and finish before looking to optimise them. However, given the need to realise savings in 2011, and that this work is already underway, it might be most effective to start the round restructure for those authorities whose depots are least likely to move very far first, and to ensure that any optimisation undertaken is readily transferable,

with minimum resource requirements, to be calculated from a new depot site in future.

5.4 Resources Required

Prior to commencing any detailed work on the suggested infrastructure optimisation workstreams listed in Section 5.2, RECAP will need to liaise with the project manager of the MAC project to ensure there is no duplication of effort. It may be that some of the sub-options listed are already being looked at as part of this project; for example, we know that re-location of the CCityC depot is already being considered. RECAP officers may be able to get more involved in this project or delivering parts of the project that relate to waste services, rather than committing a full project team resource. However, if and where there are infrastructure optimisation workstreams that do not form part of or are not sufficiently covered by the MAC project, an additional project team resource would be needed. The remainder of this section on infrastructure optimisation focuses on the approach that should be taken if options are identified that fall outside the MAC project remit.

Further work should initially be undertaken on an outline business case to determine whether or not to proceed with the infrastructure harmonisation option. Resources would thus be required to develop the outline business case, and this may include wider authority support from areas such as planning and estates management officers.

Upon presenting the outline business case to the RECAP board, the board should then decide whether to commission the project, and agree a budget for delivery of that project. At this stage, a more detailed business case and project plan would be developed, and the project team resource would work towards agreed timescales and budget for the project. Given that there are a number of options listed above, several teams may be required to deliver a number of work streams. For example, if relocating the CCityC depot remains a viable option and RECAP considers that it should be looked at separately to the MAC project, then it would be prudent to include the operations manager or supervisor from CCityC in the project team, as well as a representative from the SCDC depot and from AmeyCespa.

5.5 Governance Options

The key governance requirements have already been addressed in the short-term options overview (Section 3.0).

5.6 Evaluation Methodology

Several of the proposed options come under the current Making Assets Count work that is being undertaken in Cambridgeshire. Two areas were taken forward to quantitative stage:

1. CCityC waste depot relocation to Waterbeach
2. Reduction in the number of vehicle maintenance facilities required across Cambridgeshire.

The set up costs of depot relocation were modelled to be in the order of £50,000. This allows for contract agreement at the new depot, HR arrangements, and time required to complete the sale of land that is no longer used for waste depots.

An additional rent of the new depot location is modelled at a value of £75,000 per annum. This is an average based on a valuation from AmeyCespa.

Regarding potential savings, for those depots which are authority owned and which are no longer required in the new infrastructure configuration, an income is subsequently obtained from investment of the assumed capital receipt or from rent to a third party. Income or 'rentable value' is assumed on the same basis as the current rent calculation (i.e. 10 % of capital value, based on current yield on light industrial property. This approach is based on advice from previous work with the County Valuations teams in Dorset). This value could also be viewed as a one-off capital income, we have chosen this method to show how the costs are offset over a ten year period.

The land value / annual rent attributed to the CCityC depot is described in Table 5. This value is based on work completed by the Making Assets Count team, using VOA residual land data. We have assumed that 90% of the CCityC current depot value would be realised due to a cost of relocation of other services currently located there.

We have assumed that CCityC could move locations as early as 2013, given that the land at Waterbeach is available for infrastructure to be built.

Additional savings could be obtained through the sharing of administration space, however, this has not been accounted for in the financial analysis.

With respect to shared vehicle maintenance, set up costs of this option have been modelled at £15,000. This figure includes:

- The cost of evaluating options for the location of shared vehicle maintenance,;
- Negotiation of contracts, and agreements; and
- The cost of additional infrastructure.

We have not prescribed the exact location of a shared maintenance depot as we are aware that there are a number of options for the location.

We have modelled a phased roll out of savings from shared maintenance between 2013 and 2014 with a saving at two maintenance facilities. We have assumed that the savings arising from shared vehicle maintenance will be obtained from the reduction of part of an FTE and increased efficiency. The annualised benefit associated with the reduction in maintenance facilities is presented in Table 4.

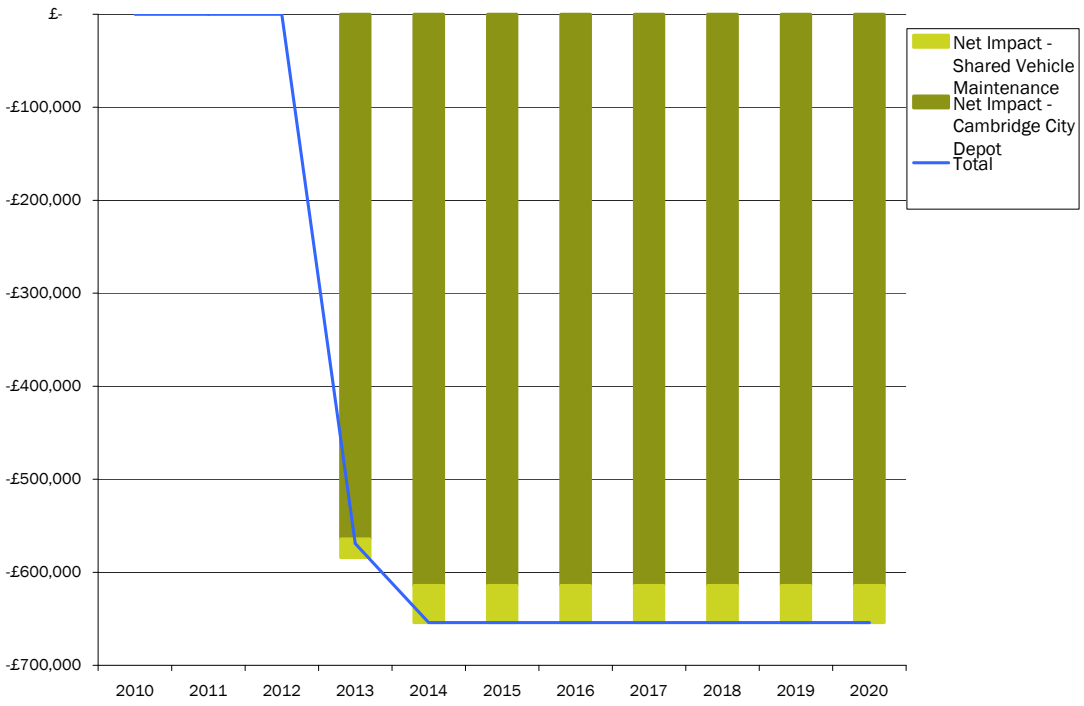
Table 4: Assumptions Option - 1B

Assumption	Value
Set-up Cost – Depot Relocation	£50,000
Set-up Cost – Joint Vehicle Maintenance	£15,000
Annual Rent at Waterbeach	£75,000
Value of Land – Cambridge City (total saleable value)	£7,656,000
Saving from Maintenance Depot Reduction	£20,000
Source: Eunomia estimate based on previous partnership work	

5.7 Evaluation Results

The savings presented in Table 5 include the annualised income of the sale of the CCityC depot. The level of saving associated with this option should be approached with caution bearing in mind that the pricing of land is challenging, and a lower land value could reduce overall saving.

Table 5: Infrastructure Harmonisation Results



5.8 High Level Action Plan

For those infrastructure optimisation sub-options falling outside the MAC project, the following approach would need to be undertaken:

1. Identify resource - assign project team to look at waste services and street scene infrastructure;
2. Liaise with the project manager for the MAC project and obtain any useful information on available sites for depot infrastructure;
3. If required undertake more thorough site search to ensure all available and potentially workable sites across RECAP have been identified. Also assess the potential for use of depots/locations outside RECAP boundaries as/where applicable;
4. Assess how many sites are actually required and size of site that would be needed. To do this, test a number of different configurations, based upon catchment areas for each depot. Also incorporate whether or not vehicle maintenance is required (or if this should be centralised). Focus on the location of depots for waste collection, but recognise that based upon the identification of suitable sites for these, one or more satellite additional depots for street cleansing may be required;
5. Assess the sites against key criteria such as location, environment/landscape designations, size of site, access, ease of acquisition;
6. Determine preferred sites;
7. Develop strategy to release existing assets – in some cases relocation might leave a totally empty site and provide a valuable asset for authorities to use as they wish. For some shared-use sites, it is likely to be possible to sell off the part of the site that was used for the storage of waste vehicles. Where this is not possible, it may be viable to relocate all services to one of the new depots, or for the non-waste services to locate to a third site. This will require further investigation for each individual case;
8. Determine the estimated timings for acquiring sites, obtaining planning permission and undertaking the build where necessary;
9. Consult staff regarding relocation;
10. Commence any building works ahead of relocation;
11. Commence migration of equipment and staff to new site.

6.0 Option 1C: Joint C&I Waste Service

6.1 Background

The Cambridgeshire authorities currently have a varied approach to trade waste. South Cambridgeshire and, particularly, Cambridge City, have significant trade waste operations. East Cambridgeshire, Fenland and Huntingdonshire have much smaller operations.

Table 6: RECAP Authorities' Trade Waste Businesses

	Cambridge City	East Cambs	Fenland	Hunting-donshire	Peterborough	South Cambs
Contract	In-house	Referred to Veolia's commercial arm	In-house	In-house	In-house	In-house
Refuse						
Predominant Containment Type and Size (Litres)	Sacks, 140 L, 240 L, 360 L, 500 L, 660 L, 770 L or 1100 L	N/A	Skips, Sacks, 240 L, 360 L, 660 L or 1100 L	Sacks	1100 L	Sacks, 240 L, 660 L and 1100 L
Number of Customers	1800	N/A	320	467	1050	1000
Recycling						
Service?	Yes	No Service	Yes	No Service	Yes	Yes
Materials Collected	Card, Glass	N/A	Paper, Card	N/A	Plastic bottles, mixed cans, paper card, glass bottles & jars and aerosols	Paper, Card
Predominant Containment Type and Size (Litres)	As required by customer	N/A	Sacks, 240 L, 360 L, 660 L or 1100 L	N/A	1100 L	240 L, 660 L and 1100 L

CCC has a PFI with a fixed minimum tonnage. Currently it appears that the facility may be operating at approximately 7kt beneath the Gross Minimum Tonnage (GMT). The next 7kt can therefore be treated within the existing PFI Unitary Charge. This is not to say that this waste can be provided to other companies or authorities free of charge: CCC has an obligation to 'sell' this capacity. However the County may be in a position where it can offer capacity to commercial waste customers at competitive rates. When operating beyond the GMT the cost of waste treatment (to CCC) will be £16/tonne.

In addition, LATS is biting much less hard than anticipated and may well be dismantled following the upcoming national Waste Strategy Review. The pressure to force trade waste out of the municipal system is now declining and may disappear.

These facts create a potential opportunity for the partnership to work towards the innovative development of a jointly owned business for the collection and treatment of commercial waste, while strengthening partnership working within RECAP.

The size of the commercial waste and recycling market in the RECAP area is likely to be significant. The collection authorities already provide services with a complete geographic spread and are therefore likely to have competitive advantage in collecting this waste.

The partnership therefore has competitive advantage from two perspectives if it chooses to collaboratively engage with this market.

6.2 Proposal

A new, jointly owned, Local Authority Trading Company (LATC) could be established to enable authorities to take advantage of the opportunity to develop this business collaboratively. This company would take responsibility for service administration and marketing, leaving WCAs to continue to make (and be paid for) the actual collections. The intention here is to share the business overheads whilst leaving authorities free to focus on their area of specialisation – collection for the WCAs and disposal for the WDA.

Customers would be invoiced by the LATC which would, in turn, be invoiced by the authorities for the costs of service provision.

Payments for service would be split as follows:

1. Costs of collection plus a margin to be agreed, to be passed to the collection authority in each district.
2. Costs of disposal to be passed to the disposal authority for its cost in treating the waste.
3. The not-for profit LATC retains that proportion of the invoice required to cover marketing, new business development, administration, invoicing and debt recovery;
4. Shareholders (the RECAP authorities) may or may not decide that a surplus could be retained by the LATC to support further RECAP work.

Under this proposal, those authorities with existing trade waste businesses benefit by sharing the costs of marketing and managing the service with others. In addition, CCC may be able to offer favourable rates to the LATC given that it will be a shareholder of this company. If that is the case, then the LATC will be able to offer a more competitive rate to service users and to be able to develop the business more rapidly for the benefit of all authorities.

Additionally, all authorities will benefit from a more active approach to winning and developing new business. Under a variant model, one or more authorities might provide their capabilities in this area to the LATC at reasonable cost.

Those authorities without an existing trade waste business benefit from a collaboration which allows them to develop new revenues without needing to put in place new administration or commercial management resources. New customers can simply be added to existing household waste collections with revenues collected centrally and passed back to the authority in a single monthly payment. (Although clearly it will be necessary to agree an approach to understanding how much waste is being collected for the purpose of fair charging.

The benefit for the County Council under this approach is that a much more active approach to developing C&I waste collections will mean better utilisation of the PFI infrastructure as a means to meeting the PFI business case.

Three alternative approaches could be taken to resourcing the LATC:

1. A new staff could be recruited to manage the administration and marketing of the service. Such an approach would also require the LATC to invest in new customer invoicing systems. Issues including pay and rations and accommodation for this new staff would need to be addressed. Clearly this approach is likely to be expensive and time consuming.
2. One or more authorities could provide services to the LATC under a sub-contract. Service management and invoicing could be provided by one authority, business development and marketing with another, financial reporting with a third. The authorities will need to evaluate the costs that fall on the LATC under this approach to ensure that they are proportionate and competitive.
3. The LATC could be operated as a virtual organisation, with responsibility for business development, marketing, customer invoicing, preparation of work instructions all passed to a private sector sub-contractor. Under this arrangement, the LATC would also look to divest itself of the risk of bad debt.

6.3 Potential Issues

6.3.1 Competition with Existing Local Authority Trade Waste Services

Those authorities with existing trade waste businesses have expressed concerns that any collaborative arrangement such as that described here might compete with their existing operations. Under the structure described above, this will not be an issue. All partners will be paid for any waste that they collect with only the marketing and administration elements of the service being shared. However, if some authorities find this proposal attractive and others do not, it is entirely feasible for a collective approach to move forward with only a subset of the total RECAP group and for this to happen in such a way as to avoid competing with any partners' existing businesses.

6.3.2 Structure Issues

Local Authority Trading Companies can be established under section 95 of the Local Government Act 2003. They are well-understood and well-used structures but have not been established under the joint ownership of a number of authorities in a large number of cases. Under these powers, local authorities are able to trade in their own functions and discharge functions for other authorities. There are complexities around joint ownership of this type of company by authorities which do not have identical functions. For example CCC as a WDA does not have the functional responsibility to collect C&I waste. However, our understanding is that this issue can (and has) been addressed in other cases.

Other powers, including under the Environmental Protection Act 1990, could be called upon in the establishment of this type of organisation.

It is necessary to establish a company of this type with carefully considered objects (as expressed in the Memorandum & Articles of Association). There are legal difficulties for local authorities in establishing an organisation which is explicitly intended to generate an operating surplus (a profit) but such an organisation can make a profit if this is 'incidental' to its main purpose (for example, it may be established to provide excellent C&I waste and recycling services to local businesses).

In addition, the authorities will need to consider whether they wish for this new structure to be usable for carrying out (and investing) in other partnership related work. If so, this will need to be reflected in the company's objects.

Clearly, if the authorities wish to take this proposal forward, legal advice will be required and the authorities will wish to identify an officer who can take a lead on this.

6.3.3 Resources Required

Resources will be required to clarify the legal and structural issues and to establish any new legal entity which is deemed necessary. Taking this advice should form part of the option appraisal.

The resources required to market the service to win new business and to manage the service and customer billing will depend on the approach taken. Alternatives are described above.

Clearly this is an important issue and one on which the authorities will need to take further advice before deciding which approach is likely to work best for them. For the purpose of modelling we propose to model the use of a private sector supplier providing marketing and billing services, not because we particularly recommend this approach, but because this approach provides predictable and therefore easily modelled costs.

6.4 Governance Requirements

The governance requirements for this option need to be considered carefully. Effectively, members of the RECAP board could act as shareholder representatives (representing the interests of their individual authorities) with the JWOG officers appointed as the Board of Directors.

If not all partners wish to participate, issues surrounding governance may be slightly complicated but can probably be resolved fairly easily.

6.5 Evaluation Methodology

To evaluate this option we have considered a partnership approach comprising all authorities except ECDC. Clearly this authority will be in a position to participate using various approaches but, given the Veolia contract the authority is not directly comparable and service provision is likely to be more expensive. This should not be

seen as an impediment to ECDC's eventual inclusion within such a service which should be explored if the option is taken forward.

We have assessed the size of the market by looking at the number of VAT registered business in Peterborough and Cambridgeshire.[5] We have assumed that, given competitive trade waste prices, the RECAP authorities will be in a position to win up to 50% of the C&I waste and recycling market in each area where the service is operated.

We have projected that the sales efforts of the joint RECAP approach result in each authority increasing its total customer base by 200 customers per annum.

Typically when authorities carry out a full cost of service analysis, we see service management overheads (including bad debt) at around 15 – 20%. (The precise figure depends heavily on the approach taken to internal recharges for managing invoice transactions and the level of bad debt and we have seen cases where service overheads are as high as 40% of total turnover). For the purposes of this high-level business case assessment, we have assumed that the individual authorities have a service management overhead of 15%.

Where overheads are shared across multiple services and where the costs of administration and marketing are managed down, it is quite normal to find a service operating with overheads of 7 – 10%. Again, for the sake of conservatism, we have taken the figure of 10% when calculating service management overheads in the event of a partnership LATC operated service.

It has been assumed that customers will be charged a cost that will cover the collection, disposal and administration of the service. The County will invoice the LATC for the cost of disposal, and authorities will invoice for the cost of collection. It has been assumed that each authority will continue to collect C&I waste and recycling under their current service.

Where an authority has an established customer base, the benefit of a joint approach show up in reduced service overheads. For all authorities, we have also included the benefits of a larger business, driven by a dedicated marketing and sales push.

We have not shown any benefit accruing in terms of new treatment revenues, material sales or more competitive treatment costs to any party.

Given that this report provides only high-level analysis of each option, we have not included the potential costs of round optimisation and any requirement for investment in new vehicles as rounds reach an optimum number of customers. The effect on labour has also not been assessed at part of this high level analysis.

[5] Office for National Statistics (2009) *UK Business Size and Activity,* available at: http://www.statistics.gov.uk/statbase/product.asp?vlnk=933

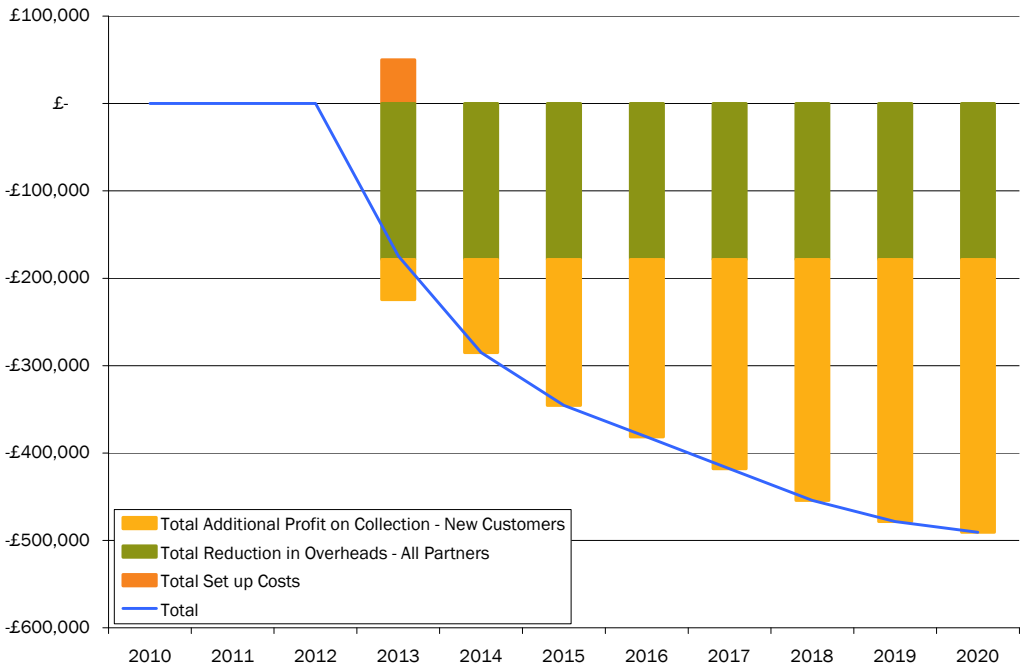
Table 7: Assumptions for high-level calculation of benefit of joint C&I service

Assumptions	Unit Value
Total Set-up Costs	£50,000
Annual revenue per Customer – No Active Recycling	£700
Annual revenue per Customer – Active Recycling	£800*
Reduction in **Current** Overheads Per Annum	5%
Split of Revenue – Joint Trade Waste	
Overhead	10%
Disposal Cost Invoiced	25%
Collection Cost Invoiced	65%
of which profit margin	*12%*
Note: *When the joint trade waste option has been set up assume all customers will be charged the active recycling customer rate of £800. Additional profit margin to collection authorities apply to **new** customers only.	

6.6 Evaluation Results

The cash flow associated with a joint trade waste service is presented in Table 8. It has been assumed that customer numbers will increase as a result of more active marketing and business development through the joint approach.

Table 8: Joint Trade Waste, net Costs and Benefits



It should be noted that these benefits are independent from existing revenues. The current customer base, the projected future customer base and the value of the joint approach to each authority is shown in Table 9.

Table 9: Current and Future C&I Waste Service Customers and Additional Revenues

Authority	Total Customers - Current	Total Customers – 2020	New Revenues 2020 (NB – these are additional to existing revenues)
CCityC	1,800	2,400	£99,288
ECDC	N/A	N/A	N/A
FDC	410	920	£47,245
HDC	467	2,067	£113,113
PCC	1,050	2,250	£109,326
SCDC	1,151	2,400	£73,196
Total	4,878	10,037	£442,167

6.7 High-Level Action Plan

An action plan for this initiative cannot easily be developed without the authorities collectively first determining which and how many partners are interested in this type of collaboration. Also, the structural issues which need to be addressed are rather complicated and the action plan will depend on the approach which the partnership wishes to take forward.

In the first instance partners should:

1. Consider their appetite for a joint C&I waste and recycling service and the business case which is developed.
2. Secure legal and potentially other business development advice (regarding the size of the business that can realistically be developed) as a precursor to defining a preferred approach to taking this forward.

Only at that point will it be possible to develop even a high-level action plan.

7.0 Option 1D: Joint Delivery of Bulky Waste Services

7.1 Background

Although much of the focus in local government, in partnership work and through this project is directed towards identifying opportunities for cost-saving, this is far from being RECAP's only purpose. It is unlikely that any of the authorities would want to see the partnership taking a narrow, purely financially-focussed perspective in future.

Where there are opportunities for RECAP to continue to focus on improved environmental performance and the provision of good public services, it is clearly important that these should continue to be given priority. One such area is around the provision of bulky waste removal and reuse services.

Currently the collection authorities operate chargeable collections for the removal of bulky waste (that which is too large to be removed through the normal household collection). The charges shown in Table 10 vary fairly significantly, although none are particularly towards the low-end of what we normally see.[6]

We understand that the County Council is looking at their options in this area. Any work taken forward by RECAP should complement the work that is already being done.

Where bulky waste is not collected, then the householder can take this material to an HWRC to deposit.

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[6] Network Recycling and Furniture Re-use Network (2005) *Bulky Waste Collections: Maximising Re-use and Recycling - A step-by-Step Guide*, Report for Department for Environment Food and Rural Affairs, December 2005

Table 10: WCA Bulky Waste Charges

	Cambridge City	East Cambs	Fenland	Hunting-donshire	Peterborough	South Cambs
Charges 2010/11	One item £20 Two or three items £26 Four - six items £30 Seven - 10 items £40	3 items £20	£21.65 for up to a maximum of 4 items (minimum charge) £10.00 for each household item above 4 items Fridges and Freezers £15.85	Household Bulky Waste: Six Items or less £26.00 More than six items £35.00 per hour (Commercial Bulky Waste £75.00 per hour + VAT)	None in 2009/10. Charge of £23.50 introduced in 2010/11.	Charge of £30.00 for the first 3 items and £5.00 per extra item booked at the same time.

Although we understand that options for re-use are under investigation or have been considered in the past, none of the bulky waste currently collected from the household or taken to an HWRC is currently re-used. Re-use (and waste prevention) sit at the top of the waste hierarchy and should be given high priority. However, the quantities of waste involved and the expense of promoting and supporting waste re-use mean that these types of initiative can be difficult for an individual authority to pursue with the necessary focus and resources.

It would appear, therefore, that there may be opportunities for RECAP to support its member authorities in developing projects designed to lead to bulky waste re-use. This opportunity opens the potential to partner with third sector organisations to support the 'Big Society', community engagement model which authorities are being urged to consider.

In work for WRAP in 2009, Eunomia and REalliance identified 691 third sector organisations involved in waste and recycling service provision, of which 16% were operating furniture and electrical goods re-use projects.[7] Collectively these organisations were diverting an estimated 42,500 tonnes of furniture and white goods from landfill.

There is an increasing trend for local authorities to contract directly with third sector organisations. Authorities (including Worcestershire, Shropshire, Doncaster, Devon, Wigan and many others) have either contracted directly with third sector organisations to support furniture and other bulky waste re-use or have secured the services of such organisations indirectly via a sub-contract with a larger private sector waste services provider.

[7] Eunomia Research & Consulting *Third Sector: Investment for Growth*, Report for WRAP, June 2009

Currently, the Furniture Reuse Network is developing a whole-city framework contract to assist London Borough Councils to draw on the services of this sector. Although this particular project is well-supported by money from the London Mayor (via the London Waste and Recycling Board), many other projects are being established without any external funding. WRAP is expected to release new guidance imminently setting out how to structure procurement exercises appropriately to suit the scale and tendering capabilities of this type of organisation.

At the moment there are a number of third sector furniture re-use organisations providing these services in Cambridgeshire and Peterborough (although not supported by any contract with the RECAP authorities). The Community Recycling Network manages a directory of member organisations that manage furniture (and white good) re-use projects, of which the following are in Cambridgeshire or Peterborough:[8]

- Branching Out, Ely;
- Cambridge SOFA, Cambridge;
- Compass SOFA & Compass Electricals, Peterborough;
- Emmaus Cambridge, Cambridge;
- Fenland Family Support Centre, Wisbech;
- St Barnabas, Huntingdon;
- Salvation Army, Huntingdon;
- The Ferry Project, Wisbech;

In addition, the Cambridge Council for Voluntary Service, which provides support to community groups in CCityC and SCDC, could provide a good link through which voluntary groups could provide re-use services for certain items of bulky waste such as WEEE.

7.2 Proposal

It is proposed that RECAP considers the potential offered by a partnership with one or more third sector organisations to maximise the re-use of furniture, white goods and other reusable bulky waste collected either through bulky (or special) collections and which is taken to HWRCs for disposal. If there is the necessary third sector capacity and appetite, then RECAP should look to let a framework contract for the provision of bulky waste collection and reuse services.

A framework contract will allow for one or more than one service provider to bid to provide services (based on their capability to deliver those services). Two types of services are likely to be required.

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[8] CRN Member directory, accessed 19/3/11; http://www.crn.org.uk/cwne/directory/Camridgeshire.html#Anchor-Furniture-33869

7.2.1 Bulky Waste Collections

Certain authorities currently fully outsource their entire bulky waste service management and delivery. Under this approach, callers are directed from the authority website and by front-office call handling staff to a third sector provider. This company, under contract to the local authority, responds to a resident request for a bulky waste collection, sets an appointment as would the local authority if it were providing the service directly, and then, when making the collection, separates that which is suitable for reuse from that which requires disposal.

That material which is to be disposed of (or composted) is taken to WDA facilities with the costs of disposal sitting outside the contract and remaining with the disposal authority (a small third sector organisation will not be able to accept the unknown disposal cost risk).

That material which can be re-used will be taken back to the third sector organisation's depot / premises for testing, simple maintenance and to be made available to the public. Where items are re-used, this will be recorded using a standard approach with data passed back to the authority (or authorities) in question so that they can demonstrate the success of the project in terms of tonnage of material reused (other metrics, including number of vulnerable families assisted can also be recorded).

In the event of a whole-partnership approach, it may be necessary to let the contract in a number of geographically specific lots allowing third sector organisations to bid to supply services within a specific district's area. This overcomes the anticipated difficulty that no (or very few organisations) within Cambridgeshire or Peterborough will be of sufficient size to provide this type of service to the whole RECAP area.

From the perspective of the authorities, the costs of service management are passed to the third sector organisation. However, revenues from bulky waste charges will also pass to those organisations. There is, therefore, a calculation for each authority to consider whether the lost revenues are less than, equivalent to or greater than the cost of service provision. Only at this point will it be possible to for the authority in question to be clear as to whether this arrangement is likely to be financially acceptable.

We understand from conversations with a specialist who has been closely involved in the development of local authority third sector bulky waste collection contracts that for this arrangement to be financially viable to a third sector organisation, collections need to be charged in the range £23 - £30 / collection.[9] This is comparable to the service charges currently in place amongst the RECAP authorities. From the

[9] Caroline Lee-Smith is a leading advisor on how local authorities can successfully contract with third sector organisations for the provision of this type of service. As well as working alongside Eunomia on a number of projects, she has worked for WRAP in helping authorities to establish these types of arrangement and is currently supporting the development of the whole-London re-use network. We have spoken with Caroline in connection with this project and these figures are based on her knowledge and experience.

perspective of the resident, therefore, service costs are unlikely to need to change significantly.

As discussed above, however, the value of this type of joint initiative is not primarily financial. If the costs are acceptable to the local authority (in terms of lost revenue), or if the letting of this type of contract is cost-neutral (and this is realistic), then a number of benefits flow. Waste prevention is supported and, importantly, is seen by the public as being supported. The service creates a platform for the promotion of the authorities' key waste prevention messages. In addition, support for third sector organisations is likely to bring other benefits. This type of organisation contributes to the culture and community of an area and is likely to contribute constructively to the debate regarding household waste. As such, some of the load regarding public engagement around waste disposal and recycling is picked-up by a non-council organisation.

In addition, authorities are under some pressure to demonstrate that they are supporting 'Big Society' initiatives. These types of organisation fit that agenda perfectly, not just through the services that they provide when they collect material from the householder, but also when they return reusable items to vulnerable members of society, often using staff with learning disabilities or the long-term unemployed in the process.

7.2.1.1 Reuse Facilities at Household Waste Recycling Centres

Both Cambridgeshire and Peterborough's HWRCs make provision for the collection of WEEE, rubble and textiles and these materials will (where possible) be re-used. This is clearly good practice but, if space permits, it may be possible to increase the quantity of waste passing through these sites which is reused. A number of HWRCs around the country now have re-use facilities including, in some cases, shops for the re-sale of items of furniture and WEEE.

The options open to Cambridgeshire will depend heavily on space and on site management policies and other arrangements. If container space is available it may be possible to train staff to set-aside greater quantities of material for re-use – particularly furniture – than are already being captured. If more space is available, then it may also be possible to provide furniture re-use outlets. In the latter case, then any arrangement with a third sector organisation for the collection of bulky waste, could be structured to allow that organisation access to an HWRC (or adjoining land) as an outlet for the same material.

As with household bulky waste collections, this type of arrangement may generate very limited revenues but is only likely to be supported if the authorities take a wider view of the benefits that such a model offers in terms of community value and the active promotion of waste prevention.

7.3 Resources Required

In the first instance, the authorities will need to carry out a more detailed analysis of the opportunity to look at both the capacity of the third sector to support this type of initiative and the space availability / constraints (and other issues) at the HWRCs. This work could be delivered through existing RECAP resource although it is realistic to expect that WRAP may also be prepared to offer funding to support any such

investigation. We would not envisage that this would need to be a large or complicated piece of work, but rather that it would involve interviews with third sector organisations and interviews with HWRC operators.

Beyond this point it is again realistic to imagine that the preparation of contract documents and the tendering and letting of a contract might be done using internal resource. WRAP guidance will, as stated above, be imminently available and action plans have been prepared for other authorities setting out the approach that should be taken; WRAP may also be able to make these available to the RECAP authorities.

7.4 Governance

No additional governance is seen as being required to deliver this project.

7.5 Evaluation Methodology and Results

A quantitative approach has not been taken to assess the benefits of jointly contracting to secure third sector support to deliver bulky waste services. Given the authorities' current charges, it is likely that in broad terms the services being offered are cost-neutral. The proposal here is structured with the intention of developing an approach which remains cost-neutral. No financial benefits have therefore been modelled.

The purpose of jointly contracting with a third sector organisation will be to achieve social value, increased reuse and associated waste promotion opportunities. It is not intended within this proposal that this approach will lead to increased revenues from this service. It is possible that there will be a small reduction in service management costs for the authorities and that there will be increased levels of reuse which bring some benefit to CCC. However, in neither case will these gains be significant and they have not, therefore, been worked-up.

Clearly the authorities will wish to carry out a slightly more detailed analysis of their current costs of service provision to reassure themselves that this opportunity does not represent a new *cost.*

7.6 High-level Action Plan

If the partnership feels that it would benefit from support in carrying out a capacity analysis, then an application for WRAP support should be prepared and submitted. Otherwise this work could be delivered almost immediately.

Any work beyond this stage, will depend on the findings of the first stage.

8.0 Option 1E: Joint Efficiency/ Contract Reviews

8.1 Background

In our discussions with authorities, we have found that a number of authorities are already considering efficiency reviews as a logical step forward in trying to reduce the costs of existing services. RECAP is, for example, already looking at round optimisation as one way of reducing costs of delivering collection services within each authority. In addition to this work, individual authorities are continuously making

efforts to achieve efficiency. RECAP might wish to consider commissioning further work to maximise productivity of both staffing and vehicle arrangements, to review existing contracts where applicable and to deliver savings across the service without making changes to the services that the residents receive.

8.2 Proposal

The proposal for the joint efficiency/contract reviews option is based upon the idea that each partner contributes to a central fund, much as is the case for RECAP's communication, waste prevention and other work, in order to support the review of an existing service area, operation or contract for a particular authority. As noted in Section 3.4, there are several overarching funding mechanisms that might be applied in order to determine both the contributions to the central fund and how the benefits are subsequently shared. For this approach, we would suggest that the second approach might be more applicable, enabling partners to collaborate even where a specific project may not be of *direct* benefit to the authority in question, because the agreed formula justifies any investment. Thus, on completion of an efficiency review, the majority of the savings derived would pass to the individual authority within which the review was undertaken, but a portion would also go back to the central fund to cover the initial investment of all partners and to finance further reviews. The fund would thus be replenished. Initiation of each review would need to be supported by a compelling business case to ensure funds are invested only where appropriate.

This option focuses on the efficiencies that might be derived in examining the front-line services for each authority. A number of techniques may be used to try to identify savings via improved efficiency, including the following:

- Looking at staff terms and conditions – are staff working under contracted hours, task and finish or group task and finish? Do terms and conditions include any contractual overtime? What is the subsequent collection services work rate that results from these arrangements?;
- Undertaking work study to get a view on general productivity levels of particular rounds and establish where improvements might be made. This is also an opportunity to look at whether there are any health and safety issues on the rounds;
- Vehicle design – are vehicles being used near to capacity, could any changes be made to vehicles to improve productivity of the crews?;
- Examining crewing levels for each round;
- Undertaking a round optimisation exercise (note this is already scheduled to be undertaken by several authorities in RECAP over the coming year so will only be factored in as a cost or saving for this option for three authorities for the purposes of this high-level options appraisal);
- Contract reviews – where the service is currently outsourced, a contract review could be undertaken; engagement with the contractor would be required to understand their appetite for change and readiness to support the need to drive through savings. An operational review of the contractor's service might then be undertaken, alongside contract renegotiation including potential

changes to the services that are delivered, in order that savings are derived for both the authority and the contractor;

- Review existing HWRC operations including considering how to accept / attract trade waste through the sites;
- This option could also involve some collections modelling to test different vehicle and crew configurations and establish what the financial and performance impact of any changes in service might deliver for particular authorities should they wish to consider any such changes going forward. Expanding this further, future work in this area might also include undertaking a wider options appraisal to deliver savings through changes to the current service configuration.

It should also be noted that an efficiency review might also include a review of current 'back-office' or waste management processes, and ways in which, for example, IT might be used to support improved process efficiency.

8.3 Resources Required

The funding for this option might either be through the existing central RECAP fund or through an additional fund, depending on the priority placed on delivering efficiency projects compared to other work streams (including existing RECAP activities). As with all options, each proposed efficiency project would need to be formally commissioned by the RECAP board for a project team to deliver.

Given the need to find efficiencies, it may be that the particular authority under review will require external support to, for example, undertake work study activities or deliver a contract review, or to effectively be an outside voice in identifying any inefficiencies (if they exist) and to drive forward the changes required to address those inefficiencies. It may be that another partner authority could provide this service at agreed day rates, depending on whether the authority under review would be comfortable with this arrangement.

Once recommendations have been received, the authority in question will need to consider how to respond and which of the recommendations it wishes to take forward. Again it may wish to use external or partnership support to drive through any required changes.

8.4 Governance Requirements

The key governance requirements have already been addressed in the short-term option overview (Section3.0).

8.5 Evaluation Methodology

The cost of carrying out an efficiency review is likely to be of the order £30,000. Given that the authorities are already in the process of purchasing round optimisation software, this has not been included in our calculations. An additional cost of £60,000 has been assumed for the implementation of recommendations arising from the review. For ECDC we have included an additional cost for a contract review of £40,000.

Without a detailed review of the current services in each authority, it is difficult to say what level of savings might be achievable from each review. We have therefore erred on the side of caution and assumed a low percentage saving, assumed to be 5% of current operating costs. However, our experience shows that efficiency reviews at this level can result in annual savings of up to 15%. Current operating costs were supplied by all authorities for the Stage 1 report.

We understand that the ECDC contractor has already reviewed the current service and calculated a saving of between £40,000 and £400,000. We have assumed a conservative saving of 5%, assuming some efficiency is gained from the Veolia review.

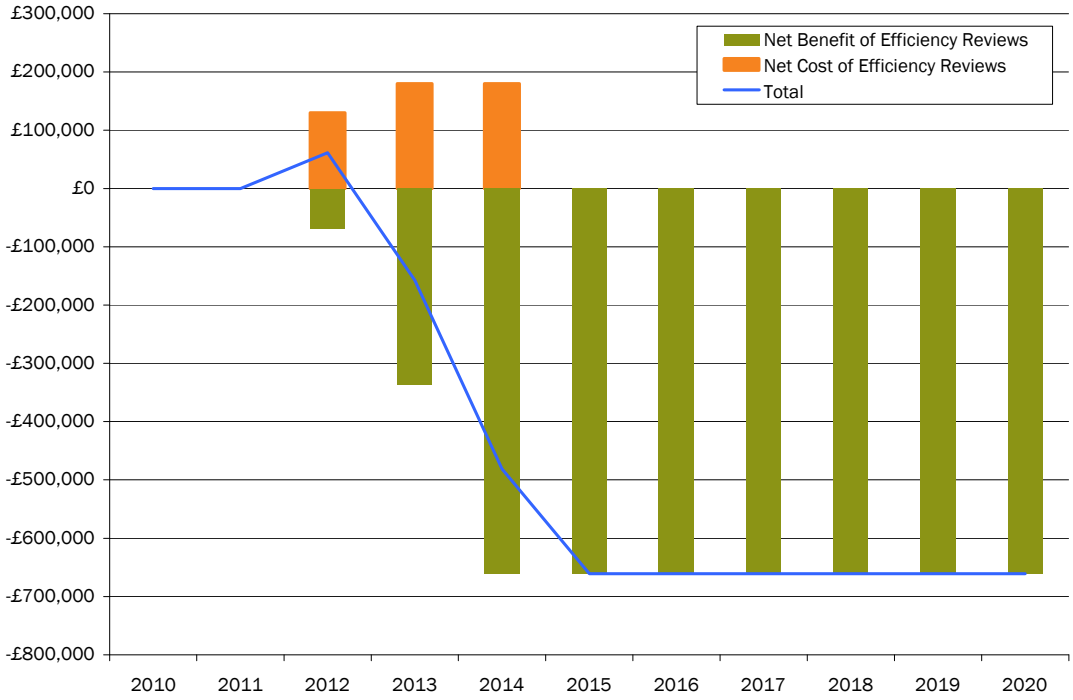
The timing of these reviews is staggered, to allow for the benefit of a review to feed back into the pot and fund the following reviews. We have assumed one review will take place in 2012, followed by two in 2013, a fourth review in 2014 and a final efficiency review in 2015.

It should be noted that it would be necessary to identify the order in which reviews would occur and agree the budget for each review in advance. It has been assumed at this stage that each review would require the same budget, with an additional cost for the contract review.

8.6 Evaluation Results

The potential benefits of undertaking five efficiency reviews across the Cambridgeshire WCAs are presented in Table 11 There is scope to include an additional cost and saving if PCC were to be included in this option. Additional work would need to be undertaken to assess the most productive order in which to complete the efficiency reviews and the exact nature of the distribution of benefits.

Table 11: Joint Efficiency Reviews, net Costs and Benefits



8.7 High Level Action Plan

1. Determine which authority should initially get support in undertaking an efficiency and/or contract review and the specification for the support that the authority requires;
2. Determine budget required from the central RECAP fund to deliver a particular efficiency project (this is what will be needed to be paid back into the fund on completion of every efficiency review);[10]
3. Identify internal resource to manage the efficiency review project and to commission support as required;
4. Ensure have sufficient detail on baseline costs and performance for that authority and an agreed method of establishing changes to the baseline cost that directly result from efficiency savings;

[10] The agreement between the authorities in terms of paying into the RECAP fund will need to consider what to do if a particular efficiency review does not deliver against the proposed savings in the business case and the authority is unable to fully replenish the fund on completion of the review. The requirement to pay back the money may be made a formalised condition of using the RECAP fund to ensure that each authority strives to maximise their return on investment. However, a more informal arrangement might be considered in order to manage the perceived risk associated with this requirement which might otherwise lead authorities to under-estimate the savings available and refrain from committing to undertake an efficiency review.

5. Undertake an efficiency review to identify any areas where changes may be made to existing services to deliver savings;
6. Set up work streams to deliver the potential efficiencies identified in the initial examination of service. Work streams may include areas such as HR, operational change and IT;
7. Compare baseline costs against the new set of costs to identify savings derived from the efficiency project;
8. Pay back pre-agreed fraction of savings into the central RECAP fund;
9. Undertake lessons learned and seek approval for commencement of next efficiency project.

9.0 Option 2: Fully Integrated Partnership

9.1 Background

The first three stages of this project have revealed a variation in the appetite for considering the option of full-integration of waste management services for Cambridgeshire involving a shared Joint Waste Committee. Whilst a number of authorities were keen to explore this option further, initial research suggested that two authorities were not currently interested in the approach.[11] It is also worth noting that as an approach to enhanced two-tier partnership working, this approach might not suit the inclusion of PCC as a unitary authority.

Given the relative cautiousness towards the option of full service integration we have thus far focused on shorter-term options and have looked in more detail at some of the 'quick wins' that might be available to RECAP. However, in order to provide partners with a greater understanding of the potential savings that would be available from the fully-integrated option, we have outlined the main features and opportunities below.

9.2 Proposal

The purpose of forming a Joint Waste Committee would be to fully integrate the decision making on waste management for Cambridgeshire, with the members of the committee having delegated powers for strategy,[12] policy and service delivery to optimise the whole system to strike the best balance between service performance, cost and environmental impact unconstrained by the current collection and disposal split and without regard to existing historical administrative boundaries.

[11] See Stage 1 Report

[12] Including the Joint Municipal Waste Management Strategy (JMWMS)

9.3 Joint Waste Committee

A joint committee would be established under Section 101 and 102 of the Local Government Act 1972 , section 20 of the Local Government Act 2000 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000.

Such a joint committee would be made up of elected members appointed to it by the constituent authorities. It would have certain decision-making powers delegated to it by each of the constituent authorities, with a scheme of delegations set out as part of the constitution of the joint committee. The committee would be able to take decisions on behalf of all constituent authorities within those delegations. Therefore, a decision taken by the joint committee would, in law, be a decision of each constituent authority.

However, a joint committee is not a separate legal entity and, as such, cannot enter into contracts in its own right or employ staff directly. In order to do these things, one or more constituent authorities must be appointed to act as administering authority, via a delegation under the provisions of Section 101 of the Local Government Act 1972.

9.4 Service Management

The Joint Committee model would usually involve the full integration of the management of collection and disposal services. Street Cleansing services are likely to be included given their integration with waste services for many authorities and there is also the potential to include other related services such as grounds maintenance where there are existing strong relationships and the potential to realise economies of scale savings.

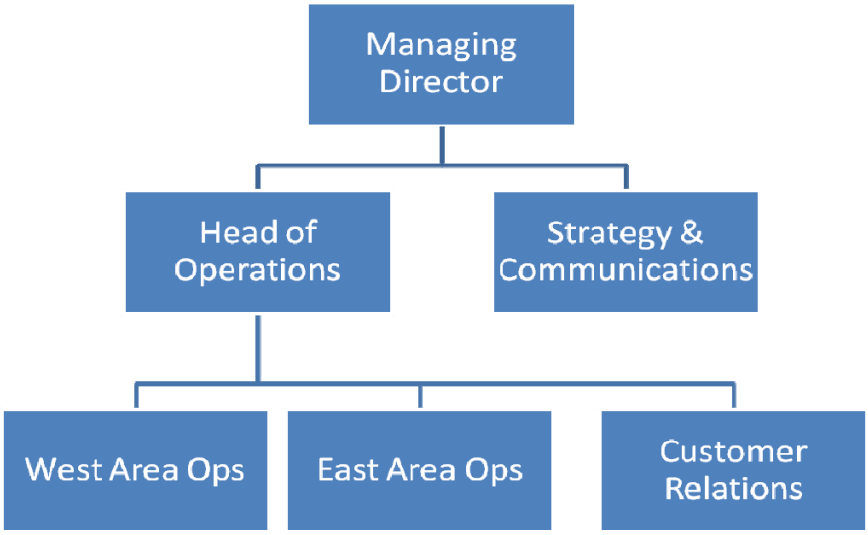
The Joint Committee would agree an annual business plan and budget and this would be delivered by a joint management unit comprising 'back office' service management staff from the constituent authorities, now employed by the Administering Authority. By way of an example, the high level structure for the Somerset Waste Partnership (SWP) shared management unit shown in Figure 1.

The principle of a single budget is important. There is no longer the need to manage the exchange of finance between tiers which in itself can deliver savings in terms of eliminating some accounting and management information tasks.

The creation of this budget should be based on a cost-sharing mechanism which takes into account the partners' relative responsibilities for collection and disposal costs and the variation between partners in household numbers and population sparsity and service design.

Although there is a single, shared management team for the partnership, customer contact can remain provided by each constituent authority; whilst integrating customer contact for waste across the partnership is an option, where each authority has its own corporate shared customer contact centre this is often a barrier given the potential viability of these centres once waste and street cleansing calls are moved elsewhere.

Figure 1: Somerset Waste Partnership Shared Management Structure



9.5 Service Delivery

A Joint Waste Committee does not presuppose a specific form of joint service delivery; The Somerset Waste Partnership (SWP) for example have rolled out a single collection service design to all Partner authorities, whereas in Gloucestershire, where four WCAs and the WDA are at an advanced stage of planning for a partnership based on the Joint Committee model, there are no current plans to harmonise service designs.

It is worth pointing out that as one might expect, the greater the harmonisation of services, the greater the potential for efficiency savings, and, depending on the service design, environmental benefits. Whilst it is noted that RECAP authorities have relatively similar service designs compared with some two-tier areas, it is acknowledged that this is a decision not limited to financial savings; ultimately it is a political decision.

As noted above, given its recent award of a long-term service contract, PCC would not be able to join in any collection or street cleansing service integration. It may however be able to work within a Joint Committee structure on HWRCs, bulky waste, trade waste, and emergency treatment capacity provision etc. PCC could therefore, whilst not being eligible to participate as fully as other authorities, still have a presence on the Joint Committee, possibly as a non-voting member.

Although this option for advanced partnership option is relatively challenging and involves a significant resource requirement (see below) there are opportunities for significant savings (Table 12).

Table 12: Business Cases for Joint Waste Committee Partnerships

	Somerset	Dorset	Gloucestershire
Proposed arrangements	Joint Committee	Joint Committee	Joint Committee
No. of authorities	6 (inc 5 WCAs)	7 (inc 6 WCAs)	7 (inc 6 WCAs)
No. of households (rounded)	210,000	189,000	264,000
Projected annual savings	£1.5m (actual)	£1.2m - £2.0m	£1.7m - £3.2m
Annual savings/hhold	£3.50 – £7.00	£6.50 – £10.50	£6.42 – £12.28
Partnership becomes cash-flow positive	Year 1	Year 2	Year 3

9.6 Resources Required

Setting up a Joint Waste Committee and associated structures would involve a significant amount of work and probably involve the formation of a formal programme involving programme management resource, programme board structure and the provision of advice from a number of in-house specialists (legal, HR etc) and external advice. Precedents such as those in joint waste partnership programmes undertaken in Somerset, Dorset and Gloucestershire suggest set-up costs of between £1m and £1.6m including one-off project costs such as legal advice, financial work, infrastructure and service design and redundancy costs, although this would depend on the level of integration decided upon. Simply setting up the governance and legal structures for a Joint Committee and establishing a shared management unit would be significantly less.

9.7 Governance Requirements

In order for the delegation of functions to be considered seriously, the fundamental interests of the constituent authorities would need to be protected by proper safeguards.

As noted above, in order to provide strategic direction, the partnership will need a multi-year business plan incorporating a medium-term financial strategy, to be updated annually and presented to constituent authorities with the partnership's budget for the following year. This will provide the partnership with the mandate it needs to implement the plan without further formal reference to the individual authorities unless a significant change in direction or financial situation occurs. It is expected that the only viable approach would be for the business plan and budget to be agreed by resolution of each partner authority's executive.

Some decisions could not practically be *fully* delegated to a joint committee, as they could have very significant implications for individual authorities and their residents. For example, it would not be practical for all decisions regarding spending to be left entirely to a joint committee, as, particularly in the case of waste collection authorities, those spending decisions relate to a significant proportion of the net revenue budget of the whole authority. Because the implications of spending decisions within waste and street cleansing could be so significant for individual authorities, it would be essential for safeguards to be included in the joint committee arrangement to ensure that the committee could not unilaterally take a decision that could impact significantly on the funding available for other services.

Equally, as an appointed (as opposed to an elected) body, it would not be appropriate for a joint committee to be able to make decisions regarding the fundamental design of key services without input from the relevant partner authority. In circumstances such as these, the scheme of delegations could include decisions for which a power of veto would apply, or could leave such decisions to be made by the constituent authorities individually.

Inter-authority Agreements (or equivalent) will be required to provide a contractual basis for the authorities' financial responsibilities to each other and to the new body/Authority.

RECAP members would have responsibility for shaping the way the governance arrangements work and feel to each authority.

Constituent authorities would also wish to ensure that officers retain a view of proceedings. In Somerset, a Strategic Management Group (SMG), comprising the most senior officers of the SWP and directors from each of the partners meets two weeks ahead of each full meeting of the partnership. In this way, consensus around decisions can be developed and members can be assured of full and proper briefings before they are required to discuss any given issue in formal council or committee. This group is also the first point to which any dispute arising from interpretation or operation of the formal inter authority agreement is referred. As far as we are aware, to date no issue has been referred to the SMG for resolution.

9.8 Evaluation Methodology

Eunomia has developed a spreadsheet tool on behalf of Defra and Improvement and Efficiency South East (the former Regional Improvement and Efficiency Partnership with the national lead on waste efficiency projects) to assist authorities in assessing the high-level business case for the creation of an integrated joint waste service.

This tool provides a high level projection of the possible savings attributable to partnership working. Savings are expected to be realised from front and back office efficiencies, joint procurement of vehicles, infrastructure rationalisation and optimisation of support services.

We have used this template business case to assess the value of the opportunity that the RECAP authorities have if at some point in the future the partnership decides to develop a single, fully-integrated service delivery organisation. Authority data has been used to complete the spreadsheet. Table 13 describes the areas where costs and benefits are assessed.

It should be noted that several of the options modelled for Option 1 are included as part of the Joint Committee option; if Option 1A, 1B and 1E were implemented and savings realised before Option 2 is undertaken, then this would reduce the overall benefit derived from Option 2.

Table 13: Assumptions - Option 2

Category	Change in Cost	Source of Data
Infrastructure – Existing Depot Saving	Saving from closing depot net of cost of new optimised infrastructure	Estimate based on detailed analysis of other partnership depot costs and potential savings
Infrastructure – New Streets Depot	Cost of new streets depots following optimisation of waste depot infrastructure	A new streets depot is expected to be required and the costs of this have been included
Operational Management - Labour	Reduced staff cost following the centralisation of services	Typical partnership savings where single whole-authority management structure is adopted or modelled
Operational Management – Contract Procurement	Reduced investment in contract procurement	Estimate based on average procurement process costs
Front Line Service Saving – Vehicle Maintenance	Reduction per shared workshop	As per Option 1B

Front Line Service Saving – Vehicle Procurement	Percentage saving on procurement	As per Option 1A (i)
Front Line Service Saving – Labour Cover	Percentage reduction in labour cover	Savings based on Somerset experience
Front Line Service Costs – Work Force Integration	Cost of integrating front-line staff and contract conditions	Costs are included to allow for some possible increase in staff costs as Ts and Cs converge
Front Line Service Saving – Productivity Gains	Percentage productivity saving on current operating cost	Savings based on Somerset experience
Back Office - Labour	Reduced staff cost following the centralisation of services	Savings based on Somerset experience
Back Office – Support Services	Reduction in costs paid to support services following integration	Savings based on Somerset experience
Programme Costs	One off programme cost inclusive of programme management (estimated at £1.5 million)	Estimate based on business case analysis for other partnership authorities
External Funding	One off grant funding procured (estimated at £200,000)	Estimate based on business case analysis for other partnership authorities

9.9 Evaluation Results

The overall results following the full implementation of a joint committee are presented in Table 16. The results are presented as commencing in year '-3'. This represents the expected three year lead in time prior to set up of a joint committee. The figures are presented net of programme costs, or set up costs, of £1.5 million.

The cash flow presented in Table 16 is determined by the level of costs / benefits incurred in each year. We have assumed that 25% of the cost / benefit will realised in year one, with 50% realised in year two, and 100% in year four. The programme cost is annualised over five years, as it is expected that, following three years of lead in time, there will be a bedding-in period of two years.

The template calculates a unit value for each category identified that is affected by the creation of a joint committee. A 'high' and 'low' boundary of cost / benefit was allocated to each category. For example, for the shared maintenance option, we have assumed a reduction of between two and three depots. At a unit value of £20,000 per annum that results in a 'high' saving of £60,000 and a 'low' saving of £40,000. Table 14 describes the total 'high', 'low' and average cost, and the cost per household saving at each bound.

Table 15 shows the total cost and benefits for each category.

The full benefits of this option will not be realised if the short-term options described as part of Option 1 occur prior to the formation of the Joint Committee. However the savings would still be expected to be in the order of £4 per household at the lower bound, and delivering savings as part of Option 1 would allow for strengthen partnership relationships prior to the formation of a Joint Committee.

Table 14: Joint Committee Headline Result (excluding set up costs)

	Low	High	Average
Total saving	£1,495,280	£2,355,626	£1,925,453
Per household saving	£5.98	£9.42	£7.70

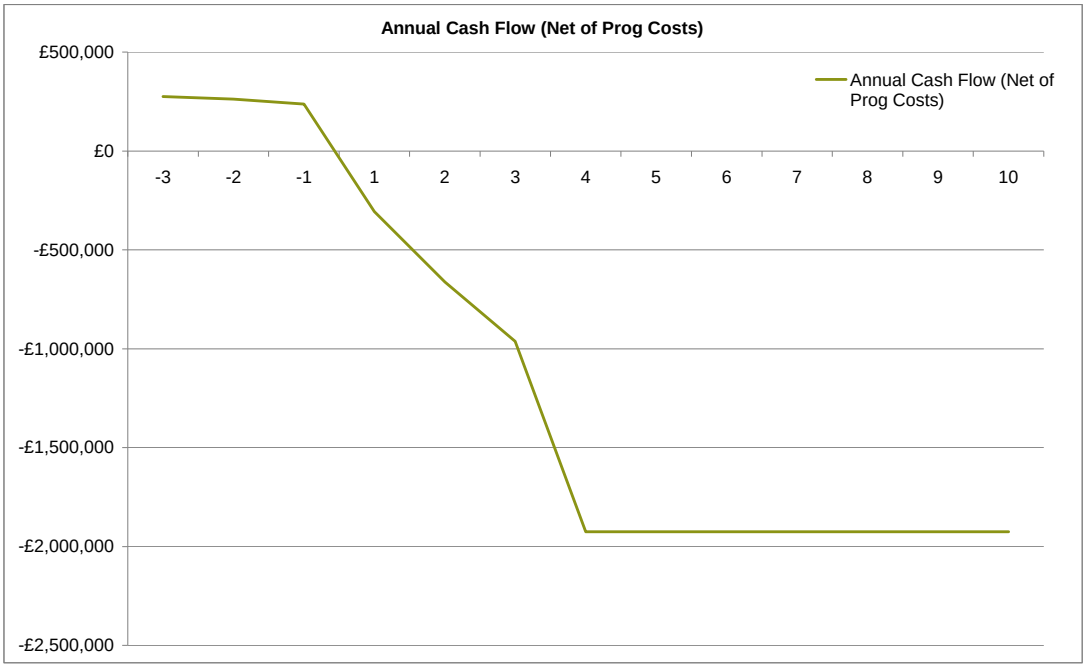
Table 15: Joint Committee – One Year Cost / Benefits

			Number		Saving		
Category	Item	Unit Value	Low	High	Low	High	Mid-Point
Infrastructure	Existing Depot Savings	£100,000	1	1	£100,000	£100,000	£100,000
Infrastructure	New Waste & Streets Depot	-£75,000	1	1	-£75,000	-£75,000	-£75,000
Infrastructure	New Streets Depot	-£35,000	1	1	-£ 35,000	-£ 35,000	-£ 35,000
Operational Management	Manager Tier 1	£41,985	3	4	£125,956	£167,941	£146,948
Operational Management	Manager Tier 2	£32,531	2	3	£65,063	£97,594	£81,329
Operational Management	Supervisor	£27,134	2	3	£54,269	£81,403	£67,836
Operational	Contract	£14,286	1	1.5	£14,286	£21,429	£17,857

Management	Procurement						
Front-Line Service	Vehicle Maintenance	£20,000	1	2	£20,000	£40,000	£30,000
Front-Line Service	Vehicle Procurement	£10,786	3	4	£32,357	£43,143	£37,750
Front-Line Service	Vehicle Financing	£41,394	2	2	£82,787	£82,787	£82,787
Front-Line Service	Front-line Staff Cover	£33,400	2	4	£66,800	£133,600	£100,200
Front-Line Service	Work-force Integration	-£249,990			-£249,990	-£249,990	-£249,990
Front-Line Service	Operational Productivity Gains	£134,203	6	8	£805,220	£1,073,627	£939,424
Back Office	Management Tier 1	£58,707	2	5	£117,413	£293,533	£205,473
Back Office	Management Tier 2	£34,495	1.5	4.5	£51,743	£155,229	£103,486
Back Office	Officer Tier 3	£27,748	2	3	£55,496	£83,244	£69,370
Back Office	Officer Tier 4	£25,146	2	3	£50,293	£75,439	£62,866
Back Office	Admin Tier 5	£22,099	3	5	£66,298	£110,496	£88,397
Back Office	Admin Tier 6	£18,430	3	5	£55,291	£92,152	£73,721
Back Office	Support Services	£120,000			£120,000	£120,000	£120,000

**Note: negative values indicate a cost*

Table 16: Annual Real Terms Cash Flow of Net Financial Costs and Benefits - Option 2



10.0 Relative Value of Each Option

10.1 Methodology and Criteria

All of the options discussed above have advantages and disadvantages relative to one another and all carry different degrees of risk. In the appraisal itself, each criterion other than risk was scored for each option using a one (1) to five (5) points range, with one being the worst and five being the best.

Risk was scored separately based on a simple risk assessment methodology specific to each option. The risk calculations are presented separately in the project Risk Register.

The criteria assessed are as follows:

- *Improved Joint Working* - early evidence of success that will cement the partnership.
- *Quality of Service to Residents* – the benefit the option has to the provision of service to residents.
- *Short term Affordability* - an estimate of the cost of each option over the next year (April 2011 – April 2012) was determined. The options offering the greatest overall savings to the partnership were given the highest scores out of five points.

- *Financial* - an average of the net cost of each option over ten years was modelled. The options offering the greatest overall savings to the partnership were given the highest scores out of five points.
- *Environment* – an estimate of the likely impact of each option in terms of environmental performance (measured by the recycling rate achieved and a reduction in residual waste per hhld) was determined. The options offering the greatest increase in environmental performance were given the highest score out of five points.
- *Ease of Implementation* – The options were scored based on how easy or difficult they would be to implement, with those options that would be easiest to implement scoring the highest out of five points.

The risk assessment has primarily been carried out to test the level of risk inherent in each option for the purposes of comparison and should not be taken as a comprehensive risk assessment. If the partnership decides to pursue a particular option or options, it would be advisable to carry out a more in-depth assessment of those particular options.

10.2 Overall Performance of the Options

A criteria based analysis should (and almost invariably is) used as a framework to think about the various options being considered. Although the scores presented in Table 17 (both individual and total) are indicative of performance, they should not be followed without thought. They are intended to be no more than an aid to decision-making.

Table 17: Overall Evaluation Criteria

Option	Improved Joint Working	Quality of Service to Residents	Short term Affordability	Financial Impact	Environment	Ease of Implementation	Total	Rank
Scoring	(5)	(5)	(5)	(5)	(5)	(5)		
1A – Procurement	3		4	3	1	3	14	4
1B – Infrastructure	3		2	1	1	3	9	6
1C – Trade Waste	4		3	2	3	2	14	4
1D – Bulky	3		5	N/A	4	4	16	1
1E – Efficiency reviews	4		3	4	2	2	15	2
2	5		1	5	3	1	15	2