

**Report to the Finance and Performance
Management Cabinet Committee**



Report Reference: FCC-014-2008/09.
Date of meeting: 17 November 2008

**Epping Forest
District Council**

Portfolio: Environment

Subject: Audit Commission Inspection of the Waste Management Service

Responsible Officer: John Gilbert (01992 564062).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) To note the outcome of the Audit Commission inspection of the waste management service;**
- (2) To note the recommendations and associated time scales; and**
- (3) To agree the action plan and to note the progress made to date.**

Executive Summary:

The Audit Commission undertook an inspection of the Council's Waste Management Service in May 2008. The Inspectors were present on site for a week and interviewed a wide range of officers, Members and colleagues from partner organisations and agencies. A draft report was presented to officers and the Portfolio Holder in June 2008 following which a number of agreed amendments were made. The final report was published in late August 2008. Its key findings were as follows:

- (a) recycling performance is high; and
- (b) a wide range of recyclable materials are collected; but
- (c) the service is "fair" with "uncertain prospects" for improvement;
- (d) the service costs are comparatively high;
- (e) the overall weight of waste collected is not reducing;
- (f) accessibility should be improved; and
- (g) the Council's overall environmental performance is poor.

Given the difficulties that had been faced by the Council through the contract collapse in 2006 and the arrangements which followed, this was a disappointing judgement. It is considered that the judgement is harsh, is in some cases not based on accurate data comparisons and does not properly reflect the true position.

The report which follows sets out the key findings and recommendations flowing from the report, and puts forward an action plan for consideration. The report also sets out those key areas where it is considered that the Audit Commission judgement is flawed and therefore not representative of circumstances.

Reasons for Proposed Decision:

The Committee's Terms of Reference include "To receive final and draft reports from External Audit (including the Audit Management letter and External Audit Plan) from time to time received by the Council and to make recommendations to the Cabinet. This report enables the Committee to review the recommendations, consider the proposed action plan and recommend to Cabinet accordingly.

Other Options for Action:

Given the findings of the inspection and the timescales for delivering improvements, there are no other options presented for consideration

Report:

Background

1. Following the difficulties experienced by the Council caused by the demise of the waste contract with South Herts Waste Management in early 2006, the Audit Commission decided that it would conduct a full-scale inspection of the Council's waste management service. This was scheduled for April 2008.
2. The inspection covered a larger scope than just waste management since it also included a review of the Council's wider environmental role, such as climate change and energy management etc.
3. As part of the preliminary work ahead of the actual inspection a lot of work was required through:
 - (a) the collation of an extensive range of information; and
 - (b) the production of a self assessment where the Council was invited to describe the current service provision and provide its own assessment of the possible audit outcome.

The latter document is appended to this report for information, and it can be seen that the Portfolio Holder and officers judged the service to be "Good" (2 star) with "Promising prospects for improvement"

The inspection process

4. The inspectors were present on site for a week, during which time they interviewed a wide range of Members and Officers as well as colleagues from partners organisations and agencies. Throughout the week they interviewed:
 - the Environment Portfolio Holder
 - the Chief Executive
 - the Director of Environment & Street Scene
 - the Waste & Recycling Manager
 - the Waste Team
 - the Customer Services Team
 - the Environmental Co-ordinator
 - Assistant Directors
 - Finance Portfolio Holder
 - the Leader of Council
 - the Chairman of Overview & Scrutiny
 - the Chief Internal Auditor
 - the Assistant Head of Planning (Development Control)

- the Director of Housing (in his capacity of Chairman of the Value for Money working group)

They also held interviews with County Council waste officers, Essex district waste officers and the Chairman of the Waltham Abbey Town Centre Partnership

5. Prior to the formal inspection week, the inspection team had been taken on a guided tour of the district. They had also undertaken independent checks of the district to establish levels of street cleanliness etc. Some of this was repeated during the inspection week itself.

6. At the end of the week the inspection team reported back on their initial findings and sought the Council's immediate views. It was clear at this stage that the likely outcome was to be disappointing. The inspection team provided a first draft of their inspection report a few weeks later following which there were two further meetings at which the Portfolio Holder and officers sought to ensure that the report was, in its eyes, accurate but as importantly, fair and balanced in its judgement. Some amendments were agreed to reflect the Council's views, but the Commission could not be persuaded to amend its final judgement.

The inspection outcome

7. The inspection report is 32 pages long and contains 92 paragraphs. The report is appended to this agenda for Members' information. However, this report focuses on the summary part of the report, pages 5 to 12 which include the judgements and the recommendations and associated timescales.

8. The judgement was that the service was a "fair" one star service with uncertain prospects for improvement. The following forms the basis of the "fair" judgement:

- the Council has a good recycling performance, in the top quartile;
- the Council collects a wide range of recyclable materials, with good access to services and reasonable resident satisfaction levels; and
- the reliability of the waste management service has improved.

However:

- the Council's street cleansing performance is very uncertain, and it does not engage sufficiently with third party landowners in dealing with problems;
- overall resident satisfaction with the waste service is low;
- there has been insufficient engagement with the community in shaping the services being delivered;
- there has been insufficient community education and information in support of the services;
- service delivery is not consistent, with flats being excluded from recycling services;
- the Council's approach to trade waste services is inconsistent;
- the weight of overall waste being collected is rising rather than falling;
- the service is expensive and does not represent value for money; and
- procurement arrangements have been inconsistent.

9. The following forms the basis of the "uncertain prospects for improvement" judgement:

- the Council is not demonstrating environmental leadership with no overarching corporate sustainability strategy;
- the service cannot demonstrate a plan for the delivery of national and regional waste management priorities;
- the Essex Joint Municipal Waste Management Strategy (EJMWMS) is not yet adopted;
- poor management of change, especially the initial introduction of wheeled bins and

- alternate weekly collections;
- performance arrangements within the new Environment & Street Scene Directorate not yet fully in place, and waste contract yet to be signed; and
- inconsistent application of procurement standing orders.

However:

- recycling rates and overall service reliability is improving;
- Council has the financial capacity to deliver planned improvements;
- the new Directorate structure has increased front line resources; and
- there is a clear commitment to improving service delivery.

10. Whilst there remains disappointment at the one star rating for the current service, this was a less contentious issue than the rating for potential service improvement. It was considered on the Council's part, and accepted by the Commission's inspection team that it had clearly demonstrated:

- (i) a clear commitment to improve;
- (ii) made resources available; and
- (iii) demonstrated improving services and performance;

and that given the Commission's position that it dealt with outcomes for residents rather than intent, this was sufficient to remove any uncertainty. However, the Commission seemed to apply considerable weighting to strategic documents such as the EJMWS which had not yet been adopted, even though it was out to consultation and was not therefore able to be adopted. Similarly, weighting was apparently placed upon the internal performance management arrangements within the new Environment & Street Scene Directorate, at a time when the Directorate had only recently been formed and key appointments were still in progress. The one accepted area of difficulty was around the council's corporate sustainability policies, and it is unfortunate that this corporate shortcoming significantly affected the outcome of the waste service inspection.

11. The final version of the report was published in late August, at which time the Council robustly defended its position and restated its disappointment with the outcome.

Recommendations and action plan

12. Irrespective of the disappointment felt with the outcome of the inspection, the Council has to address the recommendations contained in the report. The recommendations and their associated timescales were again the subject of considerable discussion with the Commission and they reflect, as far as possible, the Council's position and concerns.

13. Appendix 1 to this report sets out the recommendations made by the Commission's inspection team. Recommendations 1 and 2 are scheduled for completion by April 2009 and recommendation 3 by March 2009. Appendix 2 transposes these into an action plan with progress to date indicated in the table.

Resource Implications:

The resource implications arise from the management of the recommendations and arise from:

- (a) undertaking service review;
- (b) implementation of the service review; and
- (c) interim management measures.

These costs form part of other reports being prepared for Cabinet at this time, but will be

significant. Current service cost overall is around £5 million per annum (including on costs) and therefore, in accordance with the Audit Commission's assessment of low, medium and high cost (see appendix 1), the following arises:

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|-------|--------------------------------------|--------------------------|
| (i) | low cost (up to 1% of service cost): | £ 50,000 (less than); |
| (ii) | medium cost (1% to 5%): | £ 50,000 to £250,000; or |
| (iii) | high cost (more than 5%) | £250,000 plus. |

Legal and Governance Implications:

The Audit Commission report is important since it will form a critical part of future inspection arrangements including the forthcoming Direction of Travel and Use of Resources assessment. It is therefore essential that the Council can demonstrate a full understanding of the recommendations and is able to evidence progress against them in accordance with the agreed time frame.

Safer, Cleaner and Greener Implications:

The effective management and delivery of the waste management service is a key component of the Council's Safer, Cleaner, Greener initiative. The need for the Council to make progress towards the adoption of a climate change and environmental strategy is also key to the initiative.

Consultation Undertaken:

None other than that undertaken by the Audit Commission inspection team.

Background Papers:

Wide range of information and data provided to the Audit Commission inspection team leading into or as part of the inspection process.

Impact Assessments:

Completion of the action plan and compliance with recommendations will ensure the equality of service provision to all residents.

Progress towards and eventual compliance with the recommendations by the due date will have a positive impact on future Direction of Travel and Use of Resources Assessments.

Appendix 1 – Inspection report recommendations

Recommendations

To rise to the challenge of continuous improvement, councils need inspection reports that offer practical pointers for improvement. Our recommendations identify the expected benefits for both local people and the Council. In addition we identify the approximate costs² and indicate the priority we place on each recommendation and key dates for delivering these where they are considered appropriate. In this context the inspection team recommends that the Council should do the following.

Recommendation	
R1	<p>The Council should clarify its strategic aims for a sustainable environment and develop plans that set out how these will be delivered by:</p> <ul style="list-style-type: none">• agreeing a strategy that sets out the Council's response to its signing up to the Nottingham declaration on climate change;• developing a medium- to long-term plan that delivers the Council's obligations under the Essex Municipal Waste Strategy and Environment theme of the new LAA once agreed;• developing robust implementation plans for the Council's 'safer greener cleaner' initiative that is backed up with clear enforcement policies; and• developing plans for improving the street cleaning service with key partners and other stakeholders that integrate with the 'safer greener cleaner initiative'.

The expected benefits of this recommendation are:

- the Council will be able to take a leading role in sustainability issues and demonstrate community leadership;
- a strategic approach that provides clarity for staff, local people and other key partners on how the Council will deliver on its ambitions;
- implementation plans are measurable, resourced time bound, integrated and backed up by appropriate policies; and
- better partnership working and coordination leading to added value for local communities.

The implementation of this recommendation will have **high impact** with **medium costs**. **This should be implemented by April 2009.**

NB: Low cost is less than 1% of annual cost, medium cost is between 1% and 5% and high cost is greater than 5%

Recommendation

- R2** The Council should review its arrangements for assessing and delivering value for money within the service ensuring:
- the waste management contract Partnership Board and Innovation Forum focuses on driving improvements in service quality and efficiency and contractor underperformance is rectified quickly;
 - reviewing the green waste service to include environmental sustainability as an assessment criteria; and
 - full compliance with the Council's policies and standing orders on procurement.

The expected benefits of this recommendation are:

- there will be an effective mechanism in place to ensure the contract is delivered as intended; and
- an improvement in value for money (VFM) in the service and from procurement of goods and services.

The implement of this recommendation will have **high impact** with **medium costs**. The Partnership Board and Innovation Forum should be set up by June 2008, with the **reviews completed by April 2009**.

NB: Low cost is less than 1% of annual cost, medium cost is between 1% and 5% and high cost is greater than 5%

Recommendation

- R3** Improve the accessibility of the service and engagement with all communities in the district by:
- developing proactive education and awareness campaigns on environmental issues that concern local people; making better use of the Council's website, local press and existing partnerships to support this;
 - improving communication with residents before and after planned changes take place;
 - ensuring the service is accessible for people with diverse needs;
 - ensuring sufficient resources are available to deal with customer contacts during planned changes, service failures or emergencies;
 - clarifying and promoting the criteria for an emergency call-out to deal with clean-ups, offensive graffiti etc; and

- ensuring the Council's policy to arrange a trade waste service on request is consistently implemented.

The expected benefits of this recommendation are:

- Increased capacity to influence change and support for environmental issues in local communities; and
- Improved accessibility by all parts of the community.

The implementation of this recommendation will have **high impact** with **medium costs**. **This should be implemented by March 2009.**

NB: Low cost is less than 1% of annual cost, medium cost is between 1% and 5% and high cost is greater than 5%

Appendix 2 – Inspection report recommendations and action plan

Recommendation	Progress as at October 2008
<p>R1 (APRIL 2009) The Council should clarify its strategic aims for a sustainable environment and develop plans that set out how these will be delivered by:</p> <ul style="list-style-type: none"> • agreeing a strategy that sets out the Council’s response to its signing up to the Nottingham declaration on climate change; • developing a medium- to long-term plan that delivers the Council’s obligations under the Essex Municipal Waste Strategy and Environment theme of the new LAA once agreed; • developing robust implementation plans for the Council’s ‘safer greener cleaner’ initiative that is backed up with clear enforcement policies; and • developing plans for improving the street cleaning service with key partners and other stakeholders that integrate with the ‘safer greener cleaner initiative’. 	<ul style="list-style-type: none"> • Officer working Group established under the Chairmanship of the Director of Planning. Group has met on a number of occasions. Bio-diversity plan and action plan complete. Energy audit undertaken and progress being made with establishing the base data for NI 185. Have registered with Defra in respect of the “Carbon Reduction Commitment”. Awaiting legal process to be completed for undertaking a green fleet review. The first draft of the Climate Change Strategy is anticipated for December 2008. • Council has formally adopted the Essex Joint Municipal Waste Management Strategy. Review underway to align the Council’s waste management service with the Strategy, with report proposed to the December 2008 Cabinet • “Safer, Cleaner, Greener” strategy document in preparation. This will be a high level document requiring a number of sub elements such as the review of current enforcement policies. This will follow the adoption of the basic strategy • This action needs to be combined with the action plans arising from the Encams assessment of street cleansing standards. This work has yet to commence.

Recommendation	Progress as at October 2008
<p>R2 (APRIL 2009) The Council should review its arrangements for assessing and delivering value for money within the service ensuring:</p> <ul style="list-style-type: none"> • the waste management contract Partnership Board and Innovation Forum focuses on driving improvements in service quality and efficiency and contractor underperformance is rectified quickly; • reviewing the green waste service to include environmental sustainability as an assessment criteria; and • full compliance with the Council's policies and standing orders on procurement. 	<ul style="list-style-type: none"> • Waste Management Board has met twice and has received contract performance information. Innovation Forum has been working up the options for the forthcoming service reviews. • This is being undertaken as part of the previously mentioned service review. Cabinet also being requested to consider the service in the short term (i.e. spring & summer 2009) in the event that the full service review cannot be implemented from April 2009 • It is not considered that the Council's contract standing orders were breached in any significant part. This is an area of disagreement with the Commission. However, it is acknowledged that the CSOs must be adhered to at all times and that any requirement to amend them or set them aside should wherever possible be avoided and where necessary fully justified.
<p>R3 (MARCH 2009) Improve the accessibility of the service and engagement with all communities in the district by:</p> <ul style="list-style-type: none"> • developing proactive education and awareness campaigns on environmental issues that concern local people; making better use of the Council's website, local press and existing partnerships to support this; • improving communication with residents before and after planned changes take place; 	<ul style="list-style-type: none"> • The new Directorate structure is now complete with the new posts of Service development Officer and Recycling Officer having been filled. This will provide the capacity to undertake educational and awareness campaigns. Web page content is under review • Consultation underway through Forester ahead of any future service change proposals.

Recommendation	Progress as at October 2008
<ul style="list-style-type: none"> • ensuring the service is accessible for people with diverse needs; • ensuring sufficient resources are available to deal with customer contacts during planned changes, service failures or emergencies • clarifying and promoting the criteria for an emergency call-out to deal with clean-ups, offensive graffiti etc; and • ensuring the Council's policy to arrange a trade waste service on request is consistently implemented. 	<ul style="list-style-type: none"> • A review of the diversity component of the service plan is underway to assess progress. This will be considered further as part of the assessment of options for service change • Sufficient resources are in place and action is taken at critical times, as is evidenced by the recent transition from weekly to alternate weekly collections. • Currently under review • Currently under review alongside a similar review of waste from schools, religious establishments and charitable premises