



**LOCAL
PARTNERSHIPS**



**STRATEGIC REVIEW OF
WASTE MANAGEMENT:**

Liverpool City Region

Version No: Final (including Work Plan)

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1 INTRODUCTION

1.1 Who are Local Partnerships

Local Partnerships (LP) is a joint venture between Her Majesty's Treasury and the Local Government Association (LGA). We work with central government, local public bodies, and the third sector to support the delivery of investment in local infrastructure and local services. LP works only for the public or third sectors, and solely for public benefit. This ensures we operate without the limitations of commercial conflict, and can (and do) share our intellectual capital freely across the public sector. Our offering is additional, and we do not seek to compete with specialist advisers operating on a commercial basis. Our focus is on making the public sector client side's commercial and delivery capability stronger. LP employs only senior and experienced staff.

Local Partnerships is wholly owned by Her Majesty's Treasury and the Local Government Association in equal parts and is non-profit maximising (must cover its costs). Further Local Partnerships is a limited liability partnership (partnership number OC346845) whose registered office is at Local Government House, Smith Square, London SW1P 3HZ (Local Partnerships).

From this ownership flows an important point in relation to the procurement of Local Partnerships. Since the remit of Local Partnerships is to execute the will of its owners it is effectively a Teckel company. While individual contracting parties may wish to seek their own advice on this matter, inserted later in this paper is a useful letter from HMT which states '.....The Treasury's considered view is that Government departments and other government bodies can legally procure Local Partnerships without competition. This rests on the fact that Local Partnership is wholly under the control of its owners (HM Treasury and Local Government Association) and meets the exemption criteria set out in Regulation 12 of the Public Contract Regulations 2015....'. This provides a clear opportunity for government departments to enter into direct commercial arrangements with Local Partnerships. This can be particularly important if the work is urgent or if Local Partnerships is the key party a client wishes to work with.

Local Partnerships has worked in a diverse range of programme including:

- Waste Infrastructure Delivery Programme
- Waste Operational Savings Programme
- Building Schools for the Future
- PFI Street lighting programme
- HMT Operational Savings Programme
- REFIT Programme
- Green Growth Wales

More specifically because Local Partnerships is neutral and impartial with significant commercial experience, we have been engaged with government bodies, locally and nationally, in the following areas:

- review of in-house and outsourced waste delivery models
- delivery of operational savings on waste disposal PFI contracts





- regional and local savings reviews
- having an in-depth understanding of the waste sector nationally and locally having just completed a review of North West Authorities capabilities and initiatives in waste collection (one of a series of 5 reports covering different regions in England)
- having worked on DCLG on development and delivery of the weekly collections fund initiative
- working with DCLG on Procurement Savings Opportunities re bins and RCVs
- being specialists in procurement of major waste contract
- service redesign associated with collaborative working in waste collection / disposal
- understanding the merits legally and otherwise of the various collaborative forms
- joint and collaborative working business case development and implementation support
- facilitating strategic partnering with private sector delivery organisation
- supporting supply chain and pipeline management
- support for the procurement of major projects and
- implementation of contract management improvements, training and contract management reviews for waste contracts

Unlike many private sector consultancies, Local Partnerships operating model means that we only employs senior professional that have specific professional experience in areas such as legal, financial, technical, banking, commercial areas and/or have sector specific experience such as waste, highways, transport, energy, housing, flood defence etc.

Local Partnerships also accesses specific experience through strategic alliances with appropriate consultancy firms where needed but more commonly uses Associates for particular expertise as required. Flexing this overall model make Local Partnerships adaptable and able to add significant value to a wide range of commissions. Importantly Local Partnerships is also able to deploy individuals who have undertaken senior, strategic roles in a local authority environment, and so have an excellent understanding of the issues that councils face.

1.2 Who do we work with?

Local Partnerships works across central and local government, focusing particularly in adding commercial value to national programmes (e.g. Waste Infrastructure Delivery Programme, Waste Operational Savings Programme, Building Schools for the Future etc.), significant projects (pathfinder projects, Mersey Gateway Project etc. or particular issues that will unlock value for government bodies (e.g. procurement under a new regime, guidance, state aid issues etc.). Local Partnerships currently works on programmes for the following government departments

- Department for Communities and Local Government
- Department for Environment, Food and Rural Affairs
- Department for Energy and Climate Change
- Department for Transport
- Department for Culture, Media and Sport

- Ministry of Justice
- Home Office

Additionally, we undertake work for the following local bodies

- Waste Disposal and Waste Collection Authorities
- Local Authorities
- Highway Authorities
- Local Enterprise Partnerships
- Lead local flood authorities
- Local Health bodies

Our remit is to work for the public sector so avoiding any potential conflicts of interest with the private commissions, to provide specialist skills and commercial expertise etc. We are neutral and independent providing clear advice that is founded in understanding the workings of local and central government. We typically also act as a critical friend and reviewer and therefore are experienced in delivering difficult messages.





2 THE BRIEF

Local Partnerships has read and understands the brief titled 'Strategic Review of Waste Management – Detailed Terms of Reference' emailed on 3rd March 2016. We understand you are looking for a 'no stone unturned' review of waste disposal and waste collection functions for authorities in the Liverpool City Region including the commercial interfaces between the waste disposal and collection functions with a view to finding overall savings.

Local Partnerships would expect significant commercial benefits to flow from the review. The environment surrounding long term contracts changes naturally over time. Many changes have already arisen in this sector including; waste composition and arisings, improvements in technology, changing recycling performance, the value of contract outputs, tax regimes, legislation etc. We would expect to have an eye on these during the review. By way of illustration the types of issues we would expect to consider during the waste disposal and waste collection reviews could include (scope to be agreed)

- Waste Disposal
 - Assessing the impacts of variations in recycling performance and growth in waste arisings
 - Effects of Levy arrangements existing or variants
 - Changing the scope of the service
 - Optimisation of the asset configuration
 - Improving Third Party Income provisions
 - Contract Term and Handback provisions
 - Contract management arrangements
 - Refinancing
 - Capital contributions
 - Changing the balance of risk
 - Optimising the payment provisions and the performance monitoring regime etc.
- Waste Collection
 - identifying standard collection policies from Districts/Boroughs existing arrangements;
 - standardisation of bulky collection policies
 - centralised call centres and greater use of digital reporting channels
 - centralised delivery of standardised communications for waste collection



- identify geographically and politically aligned authorities that may come together to share assets and manage/maintain fleets
- review the potential for each Districts/Boroughs to opt in to any existing arrangement with another lead Districts/Boroughs
- innovation in waste collection
- review the potential for in-house, private sector and arms-length company models for a joint waste collection service in the Liverpool City Region etc.
- New Policies, Initiatives and Legislation
 - Defra policies
 - EU current and firm proposals i.e. “Towards the Circular Economy”
- Approaches to governance and decision making including deliver vehicles

If these are not the primary areas of focus for the review of if you want to include additional areas following our initial discussion, we can quickly clarify the scope for the commission to focus on the areas that are expected to deliver the main savings.



3 INITIAL THOUGHTS ON METHODOLOGY

The Detailed Terms of Reference provided to Local Partnerships defines the primary purpose of the review as being ‘...to develop a suite of options to achieve significant efficiencies and financial savings across the city region in the short (next twelve months), medium (next three years) and longer term; importantly bearing in mind the significant pressure on District Levies (and in Holton the direct costs) until we start to see the benefits of MRWA’s Resource Recovery Contract after 2018/19.’ These are wide ranging objectives (applying to collection and disposal) this will require oversight of significant existing infrastructure, contracts, waste collection processes, trading mechanisms etc. The findings will need to be structured in a way that links with sensible change points into the current arrangements, this may require investment in some cases, and will need to be mindful of the employment and political landscape.

The overarching timetable is as illustrated below:

- commence end of March 2016
- preliminary findings June 2016
- final Report and Delivery Action Plan end of August 2016

Given the condensed timeline and wide scope we propose to undertake a combination of workshops, and off-line modelling, analysis and conference calls/meetings. To illustrate, our experience suggests that workshops provide the opportunity to interact better with people, encourage participation, gain buy-in, clarify requirements, pooling expertise/experience, brainstorm ideas and to dispel myths. We will use workshops where we feel that they will be most effective. Typically, we would expect that workshops would be for the following purpose

- Workshops related to waste collections
 - Workshop One. To introduce ourselves, clarify the scope of the work, secure buy-in from the authorities, review the method for collecting data (a key data proforma would be circulated and returned in advance), obtain feed back on the information requests, suggest solutions to local issues, brainstorm likely savings areas, set strict timeline for returns etc.
 - Workshop Two. Having modelled the local and wider combined system, present finding for verification or adjustment. Brainstorm further likely savings areas. Suggest future savings scenarios for development which may be staged in time terms. Gain feedback on these scenarios and optimise for local considerations. Develop a small number of scenarios for further development that had majority support
 - Workshop Three. Present the findings in terms of new asset configurations, collection systems, anticipated new practices etc. Identify potential implementation risks and issues. Decide emphasis for interim report.

Work on the waste disposal contract element may follow a different pattern since this will involve the review of complex contractual and commercial arrangements. It will also involve an understanding of the current delivery timelines, and assessing new processes or asset configurations/utilisation to deliver savings.

Local Partnerships has the track record, experience and skills to undertake thorough reviews of the current arrangements and to identify strategic options for the delivery of savings in the short, medium and long term. For example, under the Waste Operational Savings Programme Local Partnerships has identified in aggregate circa £600m of savings over the remaining life of three waste disposal PFI contracts, i.e. savings equivalent to £30m/year. When undertaking reviews of waste collection arrangements across multiple authorities we have found savings of between 7-15% of the current budget.

We have included an illustrative Work Plan in Annex A to this report to expand on the above. The actual work involved with clearly evolve to meet the needs of the client.



4 COMMERCIALS

There are a number of interfaces and dependencies in this work that make it difficult to price the work, these include:

- Effective governance and a clear mandate are in place cross all participating authorities
- the extent of the work. Local Partnerships has assumed that this will be a key strategic review, a precursor to the development of a suitable business case for implementation. Local Partnerships will of course quantify the order of savings in particular area
- new research will not be required as part of this work (i.e. the analysis will be based on information provided by waste authorities) although there may be the opportunity to benchmark with other authorities
- it is anticipated that strategic level modelling will be needed to ascertain the types and levels of savings but detailed modelling for example of collection round optimisations will be undertaken at the next stage
- information requested and decisions required from the waste authorities are provided promptly
- all the administrative arrangement e.g. organising meeting/workshops, venues, attendees, minutes of meetings etc. will be handled by waste authorities
- suggested waste authorities' points of contact or attendees make themselves fully available and co-operate fully in all aspects of the review. This will include providing the information requested, being available for the workshop and being fully briefed prior to the meetings; and
- briefings of key business stakeholders (Corporate Management Team, Business Cabinet) are held on the same day.

Local Partnerships recommends that the commission is undertaken on a time basis but with a target cost for budgetary and incentive purposes. We are happy to provide records of our staff involvement so that you can be confident that the time is efficiently deployed. Our fee rate is £150 per hour (equivalent to £1,050 for a 7 hour day) plus VAT. This is the standard rate we apply across all government commissions. We would propose to recharge separately for expenses (e.g. for subsistence, travel, accommodation, room bookings etc.) as incurred. As the services represent a VATable supply, we will add VAT to all invoices.

5 Nicholas Macpherson, Permanent Secretary to HM Treasury letter



HM Treasury

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5 August 2015

Dear Ms Armit,

I have today written to Sir Amyas Morse to address the concerns he raised in his initial letter to me dated 5th February. Sir Amyas requested that I consider what the Treasury might do to put Local Partnerships on a clearer and more transparent footing so that public authorities can continue to benefit from their services on a basis that is clear in terms of procurement law and better enables accounting officers to demonstrate value for money.

First I should emphasise that we consider that Local Partnerships continues to play a very useful role in supporting the delivery of government policy locally through the deployment of commercial specialist skills and expertise. Engagement of Local Partnerships remains at the discretion of the departments and local authorities concerned and, whilst I hope that they will continue to engage when it is appropriate to do so, they must take steps to satisfy themselves as to both the legality and the value for money credentials of their arrangements with Local Partnerships.

The Treasury's considered view is that Government departments and other government bodies can legally procure Local Partnerships without competition. This rests on the fact that Local Partnership is wholly under the control of its owners (HM Treasury and Local Government Association) and meets the exemption criteria set out in Regulation 12 of the Public Contract Regulations 2015. Details of this position have been communicated to you in a separate letter from Geoffrey Spence. And I would be grateful if you could



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take steps with the Board of Local partnerships to ensure that you continue to meet the criteria.

In some circumstances Accounting Officers may be able to justify payments to Local Partnerships as Value for Money without requiring competition. However, we propose to allow the current restrictions on Local Partnerships to be amended so that where Accounting Officers do require some form of competition the company's business proposals can be market tested.

The detailed provisions will need to be agreed by us and the LGA as Members and I would be grateful if you and the Board of Local partnerships could propose suitable arrangements for approval. In all cases we will require that Local Partnerships base its fee proposals on the daily rates approved by the Board.

I am copying this letter to Sir Amyas Morse, Gary Porter, Stephen Hughes and to the HM Treasury representatives on the board of Local Partnerships

Yours sincerely


N I Macpherson

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ANNEX A – ILLUSTRATIVE WORK PLAN

Period	Area	Activity			
		Local Partnerships	Strategic Client Group (Officers)	Leaders/Politicians Group	Implementers
April	Whole waste system – “start to finish” Collection/ Disposal	<p>Blue sky thinking</p> <ul style="list-style-type: none"> Establish ‘size of the prize’ what is it that could be achieved? Wider Pier practice Waste minimisation Optimum behaviours Impacts of more effective participation Economic collection and disposal arrangements Developing three core scenarios for the future 	<p>Officer team</p> <ul style="list-style-type: none"> Identify key officers and critical stakeholders to contribute Establish project governance arrangements & agree terms of reference Set out key objectives and protocol for how benefits could be allocated across individual authorities <p>Meeting topics</p> <ul style="list-style-type: none"> Review Data sources and key participants/contacts Establish key messages to disseminate Initial views on key scenarios Short term, medium term and longer term savings Integration with other local authority resident ‘behavioural change’ initiatives 	<ul style="list-style-type: none"> Reminder of the brief and management of expectations Establish what ambitions they have for the Circular Economy versus costs What are the primary targets Identify where improved waste management could contribute to other local policy aspirations i.e. economic development, low carbon etc. Demonstrate consistency with devolution agenda and city region working 	<p>Workshop One</p> <ul style="list-style-type: none"> Scope Buy-in Data collection proforma introduced <p>Data Gathering as per pro-forma including:</p> <ul style="list-style-type: none"> Demographics Housing and business types Key route information Link with national bodies Collate efficiency ideas Existing contract arrangements Existing data and performance Cost data Key asset information Collection methodologies Current rounds Commercial interfaces EfW and MRF contracts Waste modelling

		Activity			
Period	Area	Local Partnerships	Strategic Client Group (Officers)	Leaders/Politicians Group	Implementers
		20-30 days			<ul style="list-style-type: none"> Levy options considered to date and affected parties considered views
May	Collection	Modelling <ul style="list-style-type: none"> Establish roles and obligations of the parties in the new waste collection arrangements (public, businesses, WCA, WDA etc) Desired outputs from households and businesses Establishing appropriate objects/targets for delivery New resource deployment models High level modelling of options to improve efficiency Identifying the preferred economic model Implications of Circular Economy 50-80 days	Meeting topics <ul style="list-style-type: none"> Establish likely phasing of key scenarios Identify investment requirements Review outcomes of modelling Outline communications strategy for public, politicians and other stakeholders. Identify possible synergies with other council services such as street cleansing. 	<ul style="list-style-type: none"> Briefing on key scenarios, likely direction of travel, implications etc. 	Workshop Two <ul style="list-style-type: none"> Having modelled the local and wider combined system, present finding for verification or adjustment. Brainstorm further likely savings areas. Suggest future savings scenarios for development which may be staged in time terms. Gain feedback on these scenarios and optimise for local considerations. Develop a small number of scenarios for further development that had majority support Data validation
	Disposal	Understand the implications of the wider short term environment for waste <ul style="list-style-type: none"> Legislative change Tax regimes Government policies 	Meeting topics Establish preferred option, taking into account; <ul style="list-style-type: none"> How each disposal option sits with the strategic aims of each authority and the city region as a whole with 	Overview & Governance	Included in Workshop 2 Data validation



		Activity			
Period	Area	Local Partnerships	Strategic Client Group (Officers)	Leaders/Politicians Group	Implementers
		<ul style="list-style-type: none"> Supplier market <p>Review current contract</p> <ul style="list-style-type: none"> Current and forecast waste flow model Contract milestones and future implications Identify new opportunities to reduce disposal costs across the waste system <p>25-50 days</p>	<p>regards to transport, energy, environment etc.</p> <ul style="list-style-type: none"> Potential collaborative initiatives with other private sector partners such as Peel Ports etc. Relative financial benefits and strength of business case. 		
June	Collection/ Disposal	<ul style="list-style-type: none"> Review of current District Levy applied to the options Establish how the management of waste can be made more effective Review of possible Governance arrangements Establishing broad phasing for the delivery options Prepare structure for initial report Present finding and initial report <p>25-50 days</p>	<p>Collate views on acceptable</p> <ul style="list-style-type: none"> governance arrangements targets and outputs waste modelling estate and management rationalisation Development of detailed communication plan for engagement with public, politicians and key stakeholders. 	Overview & Governance	<p>Workshop Three</p> <ul style="list-style-type: none"> Present the findings in terms of new asset configurations, collection systems, anticipated new practices etc. Identify potential implementation risks and issues. Decide emphasis for interim report.
July	Collection/ Disposal	Final Report			



Activity					
Period	Area	Local Partnerships	Strategic Client Group (Officers)	Leaders/Politicians Group	Implementers
		<ul style="list-style-type: none"> Draft final report following Workshop 3 10-20 days			

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