



Report for:
ACTION

Item Number: 12

Contains Confidential or Exempt Information	NO
Title	Greener Ealing Business Plan 2021/22
Responsible Officer(s)	Dipti Patel
Author(s)	Earl McKenzie
Portfolio(s)	Environment, Highways, and Climate Action
For Consideration By	Cabinet
Date to be Considered	9 th February 2021
Implementation Date if Not Called In	22 nd February 2021
Affected Wards	All
Keywords/Index	Greener Ealing Limited, Business Plan, waste, refuse collection, recycling, street cleaning, grounds maintenance, parks and open spaces, burials, vehicles and contracts.

Purpose of Report:

Greener Ealing Ltd commenced the provision of environmental services to the Council on 5th July 2020 following extensive preparations.

This report seeks approval to the Greener Ealing Business Plan for April 2021 to March 2022.

Authority has been delegated by Cabinet to the Council’s shareholder representative to agree or vary the Business Plan. It is nevertheless recommended that the decision be made by Cabinet given its significance.

1. Recommendations

It is recommended that Cabinet:

1.1 Agrees the appended Greener Ealing Business Plan for 2021-22 and authorises the Executive Director of Place to agree any changes subsequently required, in particular arising from the council budget approval process.

1.2 Note that £20.930m, inclusive of the agreed allocated growth of £1.294m for the annual contractual amount, gross of £1.137m rent proposed to be charged by the Council. Of the growth amount, £0.147m will be held back until the

satisfactory conclusion of a commissioned mid year review of efficiency and cost containment for the contract.

2. Reason for Decision and Options Considered

Business Plan

Following a robust options appraisal, it was agreed in 2018 that a Local Authority Trading Company (or LATCo) would be established to deliver Environmental Services previously provided by AMEY. This was agreed over the options of bringing services in house or further competitive tendering.

The October 2019 report to Cabinet provided an update on the set up of the LATCo, Greener Ealing Ltd(GEL), seeking approval to a draft proposed company business plan along with associated company incorporation agreements between the Council and Greener Ealing. The final Business Plan for 2020/21 was approved by Cabinet in June 2020.

The attached Business Plan supports the short to medium term GEL objectives agreed with the Council after 9 months of bedding in from July 2020. GEL has been created with the necessary supporting infrastructure, legal and governance arrangements – together with a significant financial commitment from the Council. This has involved the transfer of staff from the existing provider and a series of extensive procurement processes over 18 months to providing the resources, to deliver Ealing's' environmental services as first envisaged two years ago.

To ensure that the business is positioned to fully deliver on the objectives of the Council, GEL's operations have been supported by the procurement of a new fleet of 145 emission compliant vehicles to deliver waste/recycling, street cleansing and grounds maintenance services. Waste and recycling vehicles are fitted with new and improved ICT systems connecting operations to Council customer and information management systems.

GEL has a public service ethos, and this is reflected in the nature of support given to its staff. All staff are now paid at least the London Living Wage, maintaining differentials (therefore all staff have benefited from an uplift in salary). All staff have access to an improved pension scheme and a number of former Ealing employees have admitted body access to the Local Government Pension Scheme.

Although the use of temporary staff is commonplace in the services covered by GEL, the company aims to reduce the reliance on agency workers, prioritising the provision of permanent local employment opportunities. GEL will provide training and development opportunities for staff, identifying opportunities for advancement for front line staff to Drivers and beyond to Supervisory and Managerial levels and to achieve improvement in areas where skills development has been neglected or left behind e.g. horticultural skills, vehicle fitters or HGV training – the company will grow its own. GEL is also developing a new apprenticeship programme.

Within the current scope of services, GEL aims to deliver investment in better waste collection infrastructure, safer and more efficient waste collection rounds, clean streets and green spaces at the same time as controlling costs and emissions to achieve improved operating efficiency and reduced environmental impact. Greener Ealing and its senior management team will hold itself transparent and accountable to the Council with performance measured against robust key performance indicators. These are governed by monthly Board meetings and quarterly Shareholder Committee meetings in addition to fit for purpose contract monitoring arrangements. Contract KPIs have been agreed, after 6 months of data analysis to validate meaningful stretched target for performance across relevant services. Future reports will focus on contract performance, but it is worth highlighting here that after a relatively smooth transition from AMEY, services have been delivered to a consistently higher standard. Whilst there is room for improvement, the commitment and responsiveness of Greener Ealing is meeting the expectations of the council. A detailed performance appraisal and report will be presented after the first full year of operations.

The business plan for 2020/21 presented to Cabinet in June 2020 included a number of objectives for the first 9 months of the contract. Some key objectives are summarised below.

- Pay the London Living Wage from day one.
- Reduce the reliance on Agency Staff.
- Develop a training and development programme open to all staff – identifying opportunities for advancement for front line staff to Drivers and beyond to Supervisory and Managerial levels.
- Improve in areas where skills development has been neglected or left behind e.g. horticultural skills, HGV training and on important topics such as Health and Safety in order to provide the safest possible working environment.
- Develop a new apprenticeship programme.
- Provide an enhanced pension scheme with an increased employer contribution
- Provide the best vehicles and plant, including a new fleet of 145 vehicles, to enable staff to do their jobs.
- Work closely in collaboration with the trade unions.
- It is envisaged that the focus will be on permanent, local jobs for local people.

All of these objectives have been either met or form part of ongoing improvement plans. Taking all of the above into account, the attached Business Plan sets out the next steps for the company for 2021-22 and provides an overview of the financial situation for the business.

3. Key Implications

3.1 GEL is a Teckal compliant (see paragraph 12.7) LATCo, incorporated 2nd August 2019 following the approval of the full Business Case by the Cabinet in July 2018. It has approximately 350 employees, transferred from the previous service provider under TUPE, with a proposed operating budget for 2021-22 of £20.653m

3.2 The Business Plan (Appendix to this report) sets out the commercial and operational approach to business, within the Teckal compliant LATCo structure that has the opportunity to deliver 100% of the benefits to Ealing Council on behalf of residents and local businesses.

3.3 GEL is responsible for the delivery of the services specified below.

- Waste & Recycling;
- Street Cleansing;
- Parks and Open Spaces

3.4 The objective of GEL is to take ownership of the services with the aim of improving the quality of services delivered. In the future there is huge scope for the development of GEL and the services that are delivered to the Council. However, this business plan is focused on consolidation, seeking to identify efficiencies where possible and appropriate. Within the current scope of services, GEL aims to deliver investment in better waste collection infrastructure, safer and more efficient waste collection rounds, clean streets and green spaces at the same time as controlling costs and emissions to achieve improved operating efficiency and reduced environmental impact. These aims have been supported by provisions detailed in paragraph 2 above.

3.5 GEL is a partner of Ealing Council, in place to deliver services in line with Council policy and achieve best value and quality in relation to the portfolio of services specified by the Council and within the agreed budget. This is in contrast with inflexible, adversarial, client-contractor relationship that has historically often been experienced in outsourcing arrangements. GEL and its senior management team will hold itself transparent and accountable to the Council with performance measured against robust key performance indicators. These are governed by monthly Board meetings and quarterly Shareholder Committee meetings in addition to fit for purpose contract monitoring arrangements.

3.6 Any future Business Plan proposals for investment into GEL will be presented to the Board and Shareholder Committee for validation to ensure they are robust and represent the best return to the public, with full justification for the allocation of funding agreed.

Financial

a) Financial impact on the budget

The table below represents the funding available in 2021-22 as planned in the July 2020 Cabinet Report, together with any variance to the original budget agreed, with an explanation in the notes for any change.

Annual Contractual Costs for GEL and Council Budget	20/21 (9 months) July 20 Cabinet Report	21/22 (12 months) Original Cabinet Report	21/22 (12 Months) Feb 21 Cabinet Report	Variance 21/22	Notes
	£m	£m	£m	£m	
Budget (Net of Rent)	15.212	18.499	18.499	0	
Add Rental Charge	0.630	0.860	1.137	0.277	1
Full Year effect of Growth	N/A	1.294	1.294	0	3
Annual Contract cost	<u>15.842</u>	<u>20.653</u>	<u>20.930</u>	<u>0.277</u>	
Rent payable to Council	(0.630)	(0.860)	(1.137)	(0.277)	
Net Cost of Service	<u>15.212</u>	<u>19.793</u>	<u>19.793</u>	<u>0</u>	2

Explanatory Notes

1. Due to increase use of Depot, the rental charge has increased, however this additional cost is fully funded by the Council and therefore has a no impact upon the bottom line budget to fund the service.
2. The Council will work with GEL to agree how any remaining budget gap for 2021/22 will be met through efficiencies and use of any 20/21 surplus.
3. Of the growth allocation of £1.294m, a sum of £0.147m will be held back until the completion of a mid year commissioned efficiency and cost containment review of the contract. The review of the above will be full aligned and integrated with a review of GEL costs against budget, planned for July 2021 after the first full year of trading. This will assist with establishing the budget requirement for 22/23, in accordance with the services agreement between GEL and the Council and in line with Council's budget setting process and timetable.

b) Financial background

The Council put aside a £5.350m increase in the Streets budget for the 9 months of GEL in 2020/21 and planned the difference between the proposed budget set out above for GEL and within the council budget for Streets for further full years to be taken into account in the council consideration of budgets in future years.

The revenue budget needs to be sufficient to cover the costs of the contract award, and includes currently £1m further growth in the Streets budget on what it previously included for 2020/1 for Streets (including for relevant budget for Amey for the first 3 months of 2020/1 for which the service now being provided by Greener Ealing). The 2020/1 budget reflects commitments approved prior year 2020/1 MTFS growth reference FE2-2002 that increased the available operating budget from 2020/21.

The costs of GEL in its initial accounting period to 30 June 2020 have been funded by loans by the council, and on which as approved by Cabinet in July 2018 GEL currently plans to draw £0.736m from council reserves for these costs for setting up systems in accordance with council requirements. The accounts of GEL for its initial accounting period to 30 June 2020 await auditor confirmation of the proposed accounting treatment as income of amounts agreed to be provided by the council for related costs of GEL .

Environmental Services budgets allocated for future years are subject to approval through the council's annual budget process. This contract will form a priority commitment upon the revised budget allocation for subsequent years.

The original budget was based on loans for working capital being provided by the Council, at an assumed loan interest of 3.5%, that has been confirmed (including for State Aid compliance) as needing revising to 8.65%, comprising 0.15% relevant 1 year Inter Bank Operating Rate (IBOR) plus 850 basis points (8.5%), that is in the process of being recalculated with the loan documentation being updated for this. A change in this will mean a change in the costs of GEL needing funding by the council but with changed interest charge to the council so no net effect against the Council's budgets.

Contracts for 5 years' lease finance for the relevant core vehicles and plant for the council were awarded before the start of the GEL contract. The council as the parent shareholder has sub leased the assets to GEL at the rates it has been charged, as part of normal commercial parent company practice.

4. Legal

The July 2020 GEL Service agreement with the Council provides for:

1. the Supervising Officer making clear by beginning October before the relevant next financial year the amount the Council wishes to pay for that year (Clause 11.1),

2. GEL providing the Council with its proposals for the provision of the Services by end October before the relevant next financial year (Clause 7.5),

The October 2019 Cabinet report, noted the Shareholder Reserve Matters, including

'Delegation to the shareholder representative (Director of Environment) to facilitate responsive and timely business operation (Shareholder representative may decide not to exercise their delegation and refer to Cabinet. This may occur where for example the change proposed is substantial)'

The council's shareholder representative is now the Executive Director of Place.

Delegations to the council's shareholder representative include *'agreeing or amending the Company's periodic business plan'*.

Cabinet may decide to make the decision to approve the Business Case notwithstanding that it has delegated such decision to the Shareholder Representative.

6. Value For Money

This is addressed throughout the appended business plan

7. Sustainability Impact Appraisal

GEL is an essential partner in helping to deliver Ealing's sustainability aspirations. Through the delivery of the Council's frontline services in accordance with the service contract, the very latest thinking has been applied to environmental issues, incorporating the Council's waste reduction, transport, air quality and carbon reduction policies. In addition to this, Greener Ealing has identified development of a Carbon Reduction plan as one of its Key Objectives for 2021/20. Greener Ealing is finalising the procurement of 10 electric services support vehicles and will work with the Council to increase this number, introduce the greenest fleet possible, improve recycling rates, and work with the community on behaviour change and awareness programmes.

8. Risk Management

The Business Plan sets out the processes by which risk will be managed. This has been agreed by the GEL Board and the Board has agreed that this will be reported to every Board meeting. GEL's risks also form a part of the Place Directorate risk register and will appear on the Corporate risk register should they meet the necessary criteria.

In general, there are many risks associated with this new venture in particular, understanding in full the costs that have been inherited from the previous incumbent. These are becoming clearer and factored into future year's financial planning where appropriate. Whilst every effort has been made to understand this, there may still be some unknowns that will become clear during the first year of operation but none which are likely to be of material significance – this is being closely monitored and reported upon.

In response to risks presented by the COVID pandemic, GEL has a business continuity plan which ensures delivery of priority services, mitigating against any possible impact on staffing levels. To protect all staff, operational and office based, GEL have introduced COVID specific working practices, supported by the necessary occupational PPE in accordance with national guidance and employer duty of care.

9. Community Safety

None.

10. Links to the 3 Key Priorities for the Borough

GEL's payment of at least the London Living Wage to all staff, reduction in the use of agency workers and focus on the creation of permanent jobs, is in line with the Council's priority to provide opportunities and a living income. The delivery of important frontline environmental services supported by low emissions fleet and plant, contributes to the Council's priority to make Ealing a great place to live.

11. Equalities, Human Rights and Community Cohesion

The Council is required to comply with the Public Sector Equality Duty which is set out in S.149 Equality Act when making decisions regarding the future delivery of public services. S.149 requires the Council to have "due regard" to:

- the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EqA 2010 (section 149(1)(a)).
- the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it (section 149(1)(b)). This involves having due regard to the needs to:
- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it (section 149(4)); and

- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

Schedule 19 of the Equality Act 2010 provides a list of public authorities that must comply with the Public Sector Equality Duty. Local authority controlled companies such as Greener Ealing are not contained within that list. However, the general equality duty also applies to other organisations that exercise public functions in their own right or on behalf of the Council.

The Act defines a public function as a function of a public nature for the purposes of the Human Rights Act 1998.

In line with the Council's equalities objectives and having completed workforce and operations analysis over the first 9 months of the contract, the GEL board is finalising equalities objectives for 2021/22. Included in objectives, will be the aim to address the underrepresentation of women in the workforce and of BAME employees in supervisory and management positions.

12. Staffing/Workforce and Accommodation implications:

There are no business plan implications for staff, with the TUPE process applying to those transferring from Amey to GEL, having been completed.

13. Property and Assets

GEL operates out of two depot sites at Greenford and Acton, occupying space previously used by AMEY. This includes office accommodation, fleet parking, vehicle washdown facilities and other areas required to support the delivery of services to the Council. The necessary formal lease agreements are in the course of being finalised, which may require changes to the lease and licence agreements for other third parties. The related rental has been finalised, based on a review of space required for the base of operations. A licence was required to accommodate the vehicle maintenance service provider, pending the lease agreements being finalised.

15. Consultation

None other than with staff where relevant.

16. Timetable for Implementation

The Business Plan sets out strategic objectives to be delivered from April 2021 to March 2022.

Greener Ealing commenced delivery of its main environmental services for the council on 5th July 2020, after providing prior services for the council before then, to ensure systems that the council wished, and further to ensure the smooth handover required.

17. Appendices

Appendix – Greener Ealing Business Plan 2021.

18. Background Information

Report to Cabinet 20th March 2018
Report to Cabinet 10th July 2018
Report to Cabinet 23rd April 2019
Report to Cabinet 15th October 2019
Report to Cabinet 17th March 2020
[Report to Cabinet 16th June 2020](#)

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Internal				
Gary Alderson	Executive Director of Place	25/01/2021	26/01/2021	throughout
Cllr Anand	Cabinet Member for Environment and Highways	28/01/2021		
Ross Brown	Executive Director of Resources	28/01/2021	29/01/2021	1,3
Dipti Patel	Director of Place Delivery	14/01/2021	27/01/2021	throughout
Helen Harris	Director of Legal and Democratic Services	29/01/2021	29/01/2021	throughout
Chuhr Nijjar	Senior Lawyer (Legal Contracts), Legal Services			5
Rany Kamalanathan	Senior Lawyer, (Property and Regulatory), Legal Services			13
Russell Dyer	Head of Accountancy, Finance	14/01/2021		
Chris Neale	Principal Accountant, Environment - Place	14/01/2021		4

Report History

Decision type:	Urgency item?
Key decision (ear)	No
Report no.:	Earl Mckenzie, Assistant Director (Street Services) author and contact for queries: 0208 825 5194

