

MID SUFFOLK DISTRICT COUNCIL

Minutes of the meeting of the **MID SUFFOLK OVERVIEW AND SCRUTINY COMMITTEE** held in the Elisabeth Room - Endeavour House, 8 Russell Road, Ipswich on Thursday, 20 December 2018

PRESENT:

Councillor: Keith Welham (Chair)

Councillors: James Caston
John Levantis*
Kevin Welsby

John Field
Lesley Mayes

*denotes a substitute

In attendance:

Strategic Director (JS)
Assistant Director – Environment and Commercial Partnerships (CF)
Corporate Manager – Waste Services (OF)
Corporate Manager – Democratic Services (JR)
Acting Senior Governance Support Officer (HH)

34 APOLOGIES AND SUBSTITUTES

Apologies were received from Councillors Elizabeth Gibson-Harries, Derek Osborne and Lavinia Hadingham. Councillor John Levantis was substituting for Councillor Hadingham.

35 DECLARATION OF INTERESTS BY COUNCILLORS

There were no declarations received.

36 MOS/18/16 TO CONFIRM THE MINUTES OF THE MEETING HELD ON THE 19 NOVEMBER 2018

By a unanimous vote

It was RESOLVED: -

The minutes of the meeting held on the 19 November be confirmed as a true record.

37 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME

There were no petitions received.

38 QUESTIONS BY THE PUBLIC

There were no questions received from the public.

39 QUESTIONS BY COUNCILLORS

There were no questions received from Councillors.

40 MOS/18/17 DRAFT REPORT TO CABINET - EXTENSION OF SERCO CONTRACT

39.1 The Assistant Director, Environment and Commercial Partnerships referred to the Eunomia presentation which had taken place at the Babergh Overview and Scrutiny Committee on the 17 December 2018. He then provided the historical background for the Serco contract which began in 2007 and was the first joint waste contract in the county. The report and appendices detailed the terms and conditions which was intended for the extension of the Serco contract. Both parties needed to determine if the contract was to be extended of the next seven year by 31 March 2019 with effect from the year 2021.

39.2 When the contract was signed in 2007, it had been before the recession, and since then the living wage and minimum wage had been introduced. There had also been significant increases in the housing and service growth in the area. The subscription to garden waste collection had added a further 27,000 bin collections to the contract and all these factors had to be considered for in the negotiations.

39.3 In 2017 a round optimisation had be undertaken across both districts. However, there had been some issues with recruiting HGV drivers, but this had been resolved and Serco was confident that future recruitment of HGV Drivers would be successful.

39.4 An extra collection round had been added for each District.

39.5 Serco had added an £265,000 per year to the extended contract to cover for some of the above-mentioned increases. At first it had been the intention that this extra cost was commencing next year, however negotiations had resulted in that this fee would be applied in 2021. For the extended period of seven years this was a total of £1.855 million pounds.

39.6 There had been no key performance indicators in the previous contract, but these had now been negotiated and would be included from the year 2021. The first two years would be used as a learning period before any financial penalties would be incurred to Serco for deficient delivery of service.

39.7 The Assistant Director then drew Members' attention to a few points from the Eunomia report:

- The four options and the financial implications of these for each Council;

- That the extended contract would cost £265,000 extra per year from the year 2021;
- That a modelling exercise had been undertaken on the South East for a market place analysis;
- Both financial cost modelling and quality modelling had formed part of the options;
- Key assumptions had to be made for significant changes and were included in the report;
- One off costs had been included in the four options.

39.8 Members questioned why Serco was willing to accept such a low profit margin and it was explained that in 2007 negotiations had been very competitive and that Serco had not made any marked profits on the original contract. Therefore, the inclusion of the £265,000 now provide a profit margin of 2% per year.

39.9 Cllr Levantis raised questions regarding the profit margin and ask for clarification of why Serco was willing to accept a drop of 5% in profit compared to the industry average of 7%.

39.10 The Assistant Director replied that Serco had reasons to accept a low profit as other factors of the contract had value for them. The trusted relationship between the Council and Serco provided an uncomplicated extension of an existing contract. Also, it should not be underestimated that a contract, which had been the first of its kind and which was now being extended, provided good negotiation foundation for future contracts with other authorities.

39.11 Councillor Field wanted to know how accurate the figures in the Eunomia report were. He reminded the Committee Cyrillian and expressed concerned about how much work Eunomia had undertaken in relation to Serco. He asked if the figures were accurate and if Eunomia was truly an independent company.

39.12 The Assistant Director assured Members that Eunomia was independent and was undertaking an increasing number of cases, as a leading independent research and consultant company.

39.13 Councillor Field asked further questions in relation to customer satisfaction and how this was benched marked, as this was not included in the contract. He asked if a local authority company would not be better placed to manage customer satisfaction and if Eunomia had researched this option thoroughly enough, especially as a local authority company would cover all of Suffolk.

39.14 The Assistant Director explained that it was difficult to conduct quality benchmarking, as waste contracts were very varied. The previous National Statistics for Households had included benchmarking and Suffolk had been placed towards the top of these for good value for waste services. In the Eunomia report the Council had been compared with Broadland and Canterbury District Councils.

- 39.15 Ipswich Borough Council and West Suffolk both had in-house services, but Members should consider that this kind of service carried risks for which Serco would be liable for under the extended contract.
- 39.16 Oliver Faiers, Corporate Manager – Waste Services, said that the overall cost model was very transparent. It was likely that there were some hidden advantages for Serco. For instance, an extended contract did not require set-up costs.
- 39.17 In response to further questions regarding customer satisfaction and if residents were satisfied with the waste collection, the Corporate Manager responded that all costs and risks lay with Serco and that there were no extra costs the Council.
- 39.18 Members were advised that there was an independent customer service survey on the Website, which consisted of a sampling of 500 residents across the two Districts.
- 39.19 Councillor Caston queried how the Council was covered for insurance for the Waste Service and it was clarified that the negotiations included the level of insurance required for the service.
- 39.20 Councillor Field was still concerned that Serco had not been investigated enough and that not enough research had been undertaken for the other three options. However, he was supportive of the extended contract.
- 39.21 Councillor Welsby agreed with Councillor Field that only base judgement had been provided for the financial stability of Serco.
- 39.22 The recommendations were proposed by Councillor Welsby and seconded by Councillor Mayes.
- 39.23 A discussion ensued regarding key performance indicators for Serco and if these should be brought to the Committee on a quarterly basis.
- 39.24 The Corporate Manager – Democratic Services, advised the Committee that key performance indicators for the Waste service could be found on the Website under Performance Measure, and that performance measure reports were being published quarterly.

By a unanimous vote

It was RESOLVED: -

That Mid Suffolk Overview and Scrutiny Committee recommend to Cabinet that recommendations 3.1 and 3.2 in report MOS/18/17 be approved.

- 40.1 Members discussed the Information Bulletin and agreed that the figures had improved.
- 40.2 Performance indicators could be found on Connect.
- 40.3 Members agreed that they did not require any further Information Bulletin on Voids.

It was RESOLVED: -

That the Information Bulletin was noted.

42 FORTHCOMING DECISIONS LIST

- 41.1 Members discussed the Forthcoming Decisions List and it was generally agreed that the item for the Leisure Centre and Redevelopment – CAB84 should be scrutinised.
- 41.2 Chris Fry, Assistant Director – Environment and Commercial Partnership suggested that he provided a presentation on the Leisure Centre Item in January to the Committee.

It was RESOLVED: -

That a presentation be provided to the Committee on the 17 January 2019 for the Leisure Centre Procurement and Redevelopment report.

43 MOS/18/19 MSDC OVERVIEW AND SCRUTINY WORK PLAN

It was RESOLVED: -

The Mid Suffolk Overview and Scrutiny Work plan be noted

44 MOS/18/20 BDC OVERVIEW AND SCRUTINY WORK PLAN

The report was noted.

45 EXCLUSION OF THE PUBLIC (WHICH TERM INCLUDES THE PRESS)

It was RESOLVED: -

That pursuant to Part 1 of Schedule 12A of the Local Government Act 1972, the public be excluded from the meeting for the business specified below on the grounds that if the public were present during this item, it is likely that there would be the disclosure to them of exempt information as indicated against the item.

The Committee was also satisfied that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

46 MOS/18/21 TO CONFIRM THE CONFIDENTIAL MINUTES OF THE MEETING HELD ON 19 NOVEMBER 2018

By a unanimous vote

It was RESOLVED: -

The confidential minute from the meeting held on the 19 November be confirmed as a true record with the following amendments:

Minute number 32 be amended to Hurstlea Lane

Minute number 32.3 Corks Lane be amended to Hurstlea Lane.

The business of the meeting was concluded at 10.43am.

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Chair (& Date)