

TITLE OF REPORT: STRATEGIC OUTLINE CASE FOR WASTE AND STREET CLEANING SERVICES FOR NORTH & EAST HERTFORDSHIRE DISTRICT COUNCILS

REPORT OF THE HEAD OF LEISURE & ENVIRONMENTAL SERVICES
PORTFOLIO HOLDER: COUNCILLOR PETER BURT

1 SUMMARY

- 1.1 In December 2014 NHDC and EHC decision making bodies (Cabinet and Executive respectively) agreed that both authorities jointly undertake a project to consider whether there were benefits in developing a joint contract and shared service for waste collection and street cleansing services. This project has now progressed to the point of a further review and decision point. A confidential Strategic Outline Case (SOC) will be provided in the Part 2 report due to its commercial sensitivity. The contracts for both Councils now terminate on the same day in May 2018 to allow for a joint contract if this is the Preferred Way Forward.
- 1.2 A Project Board comprising senior Councillors and Officers of both authorities has been assembled and has met on a number of occasions. There has also been consultation with Councillors from both authorities that has indicated overall support in principle to joint working as the provision of services is very similar.
- 1.3 The options considered during the development of the SOC have indicated that there are savings to be achieved through joint working, although some potential efficiencies are limited by the geographical size of the districts and the dispersed population through many small towns and villages.
- 1.4 The Preferred Way Forward recommended in the SOC seeks to optimise the use of resources. The Preferred Way Forward needs to be explored further and assessed against other realistic alternatives in progressing the next phase of the project, compiling the Outline Business Case (OBC), to confirm that this does indeed represent the best option. Consequently the SOC requests that further funding of £60k is committed (£30k from each party) to obtain the external expert resource needed to progress the OBC. This can be funded from existing resources.
- 1.5 The aggregate number of staff employed by both Councils (client teams) in managing the current contracts is approximately 16 FTE. The Preferred Way Forward assumes an approximate reduction of up to 25% in total client staff. The precise nature of the staffing structure however needs further consideration to minimise risks associated with the transition and implementation of a new contract.
- 1.6 Governance arrangements are still being discussed but in principle such arrangements will still allow each authority independence and choice on service provision and an equitable share of costs appropriate to each Councils requirement.
- 1.7 The SOC currently presents the following annual revenue savings from the Preferred Way Forward deliverable from 2019. Additional savings or costs which could be

achieved by either Council, but which do not form part of the project and would be achievable whether it proceeds or not, have not been included.

NHDC Annual Revenue Savings	EHC Annual Revenue Savings	Total Annual Revenue Savings
£262,064	£142,064	£404,128

The above table indicates that the value of savings likely to be achieved by EHDC is less than NHDC. The NHDC savings total includes estimated contractual savings that NHDC could achieve independently without a joint contract. With the total annual expenditure of both Councils for these services in the region of £9.5m, the overall level of savings is 1- 2%.

2 RECOMMENDATIONS

- 2.1 That, subject to consideration of the Strategic Outline Case (SOC) set out in the Part 2 report, the principle of a Joint NHDC/EHDC Waste and Street Cleaning Contract be supported.

3 REASONS FOR RECOMMENDATIONS

- 3.1 To determine if there is a Strategic Business Case for EHC & NHDC to provide a joint Waste & Street Cleansing Contract.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 A range of options have been evaluated as part of the attached SOC.

5 CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 Consultation with Councillors of both Districts has been carried out through all Member briefings and Leaders and Portfolio Holders have been consulted as part of the Project Board.

6 FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 12 January 2015.

7 BACKGROUND

- 7.1 NHDC Cabinet meeting on the 16th December 14, Minute 89

RESOLVED:

- (1) That an outline Business Case be produced with EHDC for Waste and Street Cleansing Contracts that will provide:
- Potential additional savings in joint contracts;
 - Potential savings in client overheads;

- Governance and management proposals;
 - Project and change management proposals; and
 - Jointly agreed policies that will inform the development of a joint Specification;
- (2) That the current Waste and Street Cleansing contract be extended to 8 May 2018, subject to advertising in OJEU using a VEAT notice and no valid legal or procurement challenges being received;
 - (3) That an outline Business Case be reported back to Cabinet in Spring 2015, with the objective of a decision being made whether to approve the joint procuring of these services and specifically on how this joint project will be controlled and managed and the governance arrangements once the joint contract has been awarded; and
 - (4) That the use of the existing budget from the Alternative Financial Model (AFM) to resource the delivery of the outline Business Case and Specification be noted.
- 7.2 A Project board was established representing Senior Officers and Councillors of both Councils to consider at a number of meetings the following matters:
- 7.2.1 Consider the joint Communication Plan throughout the project and information provided to stakeholders.
 - 7.2.2 Consider existing service arrangements and current Policies and opportunities for both authorities to make changes.
 - 7.2.3 Consider the options available and the potential savings.
 - 7.2.4 Consider the draft SOC and proposed reporting to appropriate committees for approval
- 7.3 In considering the issues associated with the development of an Outline Business Case (OBC) Project Board agreed that because a 'Preferred Option' could not be agreed at this stage, it would be desirable to seek endorsement of a SOC in the first instance. Following consultation with Project Board Members the Project Executive now recommends Cabinet agrees the SOC in the Part 2 report and to the development of the OBC.

8 ISSUES

- 8.1 The process of developing the SOC has shown that the vast majority of the Waste & Street Cleansing Services provided to the local residents of both Councils are very similar, with performance and satisfaction generally being high.
- 8.2 There are areas for future consideration for both Councils in terms of service delivery where there could be an increased cost or saving to the individual authority depending on the quality of service required.
- 8.3 The strategic driver for this SOC is that both Councils are likely to have increasing financial pressures on their budgets. New ways of working therefore need to be explored to determine what improvements and efficiencies can be achieved and if there are sufficient benefits for both Councils to warrant any changes to existing arrangements.
- 8.4 There are continued environmental pressures that have meant significant changes to our domestic waste stream over the past decade or more, which in turn has led to more harmonisation of services. NHDC & EHC now have very similar waste and street cleansing services, which are currently being provided by the same contractor (Veolia).

- 8.5 Both Councils waste and street cleansing contracts have been made to terminate at the same time in May 2018, by an extension of the NHDC contract to be co-terminus with the EHC contract. Due to the size and nature of these contracts, procurement of these services now needs to commence in terms of developing and agreeing the scope and policies so that the detailed specification for the contract can commence. By Autumn this year, a decision on the Outline Business Case (OBC) needs to be finalised, and the preferred option determined. The current major benefits identified by joint working are; savings to be made by the contractor (vehicles and staff); a single client meaning staff efficiencies for both Councils; and potentially the joint use of existing resources.
- 8.6 The most significant constraint is time, as there is no tolerance for further extension of the May 2018 deadline for the current contracts.
- 8.7 A formal Inter Authority Agreement will need to be developed if the next stage is agreed as beyond the OBC it is likely to have a negative impact on both authorities if one party withdrew.
- 8.8 Shown as Appendix A is the current level of services provided by both Councils, it is very clear that the provisions of services to residents of both Councils are very similar.
- 8.9 Due to the size and complexity of this project, Project Board agreed to a three stage approach using HM treasury public sector business cases guidance. HM Treasury green Book guidance states that 'business cases should be developed over time. It is an iterative process and at each key stage further detail is added to each of the five models. The level of detail and the completeness of each of the five models of the Case are built up at different rates during the process.'
- 8.10 For major spending proposals, there are three key stages in the evolution of a project business case that correspond to key stages in the spending approvals process. These are the Strategic Outline Case (SOC), the Outline Business Case (OBC) and the Full or Final Business Case (FBC).

The five models

1. The Strategic Case
 2. The Economic Case
 3. The Commercial Case
 4. The Financial Case
 5. The Management Case
- 8.11 Project board agreed that a Strategic Outline Case was required as a precursor to the Outline Business Case as the initial evaluation did not present a clear preferred option and further work is required to determine the preferred option. The SOC does recommend a preferred way forward but this will need to be considered with the other short-listed options.
- 8.12 To conclude Project board is recommending to Cabinet that there **are** sufficient benefits to this Council to continue on to the **next** stage, which is the OBC. The FBC will not be determined until bids are received for the **contracts** and costs are finalised.

9 LEGAL IMPLICATIONS

- 9.1 The existing waste contract has been extended beyond its end date by virtue of filing a VEAT Notice with the Official Journal of the European Union explaining why this option was required without a further procurement taking place at the natural end of the existing contract. The reason for this was to enable the prospect of joint working with EHC to be investigated. The contract CANNOT be extended further. NHDC would NOT be able to issue another VEAT Notice in connection with the existing waste contract.
- 9.2 If a decision is taken to enter into a joint procurement with EHC for a new Waste Contract, this will have some implications both practically in terms of the procurement exercise, and legally, for NHDC. A joint specification for procurement will need to be carefully drafted to ensure that all of NHDC's requirements are covered, particularly where these vary from EHC's requirements. Any joint contractual arrangements will need to be carefully drafted and balanced to ensure that NHDC can exercise the rights required by it with the Contractor and can change through the necessary Contract Change Control process anything which NHDC may need to change or amend during the lifetime of the contract, and to ensure that all service elements and prices suit NHDC.
- 9.3 In order to take forward the proposed joint procurement the necessary decisions and approvals will be required from Cabinet and Council in due course and the necessary delegated authorities given.

10 FINANCIAL IMPLICATIONS

- 10.1 The SOC shows the summary financial implications for each of the realistic options that have been short-listed. The economic case for all three short-listed options will be subject to further analysis in the Outline Business Case. The financial implications of the current preferred way forward are shown in the Part 2 report.
- 10.2 At this initial stage, total net revenue savings from a joint service and contract are estimated as £2.66m over the life of a 7 year contract, shared between the two authorities. This figure includes estimated additional one-off revenue costs incurred to facilitate the transition to a joint contract.
- 10.3 This translates to revenue savings of £262k per annum for NHDC deliverable from 2019 onwards, with the total NHDC revenue saving over the life of a seven year contract estimated to be £1.718m.
- 10.4 Funding requirements to progress the OBC can be met from Alternate Funding Model (AFM), received by NHDC from the County Council.

11 RISK IMPLICATIONS

- 11.1 The risks to the Council of this project are being tracked by the Project Board and at this point are low. If it is agreed to proceed to the next stage, there is adequate time to develop an Outline Business Case by Autumn 2015 and still deliver a new contract within the required timescales. If it is agreed to proceed the Project Board will continue to carefully track progress and a full implementation risk plan will be developed as part of the Outline Business Case.

- 11.2 In the meantime, a Cabinet Top Risk “Waste & Street Cleansing Contract Renewal” has been agreed. This will be monitored by the Finance Audit & Risk Committee and any significant changes referred to Cabinet.

12 EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1 October 2010. The Act created a new Public Sector Equality Duty, which came into force on 5 April 2011. There is a general duty that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 The proposals as outlined in this report neither adversely or positively impact either Council’s position in regard to equality of provision, since discussions are at an early stage. Any change in actual service provision arising from renegotiation of contract development and joint working arrangements will need to be considered again and any impacts reported as the plans develop and are presented to Cabinet in due course.

13 SOCIAL VALUE IMPLICATIONS

- 13.1 As the recommendations made in this report relate to the award of a public service contract, ‘social value’ must therefore be captured and reported in accordance with the Public Services (Social Value) Act 2012.
- 13.2 This will be considered during the development of the specification and procurement of these services.

14 HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no staffing implications for this report.
- 14.2 The SOC indicates a possible saving in client resources of between 2.25 and 4.25 FTE shared between the two authorities.
- 14.3 This will be deliverable from 2019. Given the length of the project it is believed that some staff reductions may be achieved through natural wastage.
- 14.4 Staff within these services that are involved in waste related functions have been fully briefed on the project to date.

15 APPENDICES

- 15.1 Appendix A: Draft Waste Collection, Trade Waste & Street Cleansing Policies.

16 CONTACT OFFICERS

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17 BACKGROUND PAPERS

17.1 None.