

EAST HERTS COUNCIL

THE EXECUTIVE - 2 DECEMBER 2014

REPORT BY THE EXECUTIVE MEMBER FOR COMMUNITY SAFETY  
AND ENVIRONMENT

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POSSIBLE JOINT WORKING ON WASTE & STREET CLEANSING  
CONTRACTS WITH NORTH HERTS DISTRICT COUNCIL (NHDC)

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

For the Executive to agree that officers work with North Herts District Council (NHDC), subject to their Cabinet's approval, on producing an outline Business Case to evaluate the possibility of a joint Waste Collection and Street Cleansing contract and assess the implications to both authorities in improving the cost effectiveness of these services.

**RECOMMENDATIONS FOR EXECUTIVE: That:**

<b>(A)</b>	<b>the development of an outline Business Case with North Herts District Council as detailed in paragraphs 2.10 -2.11, be approved; and</b>
<b>(B)</b>	<b>a report be brought back to the Executive in Spring 2015 to include an outline Business Case with the objective of obtaining approval of both Councils to proceed to the next stage of jointly procuring 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.</b>

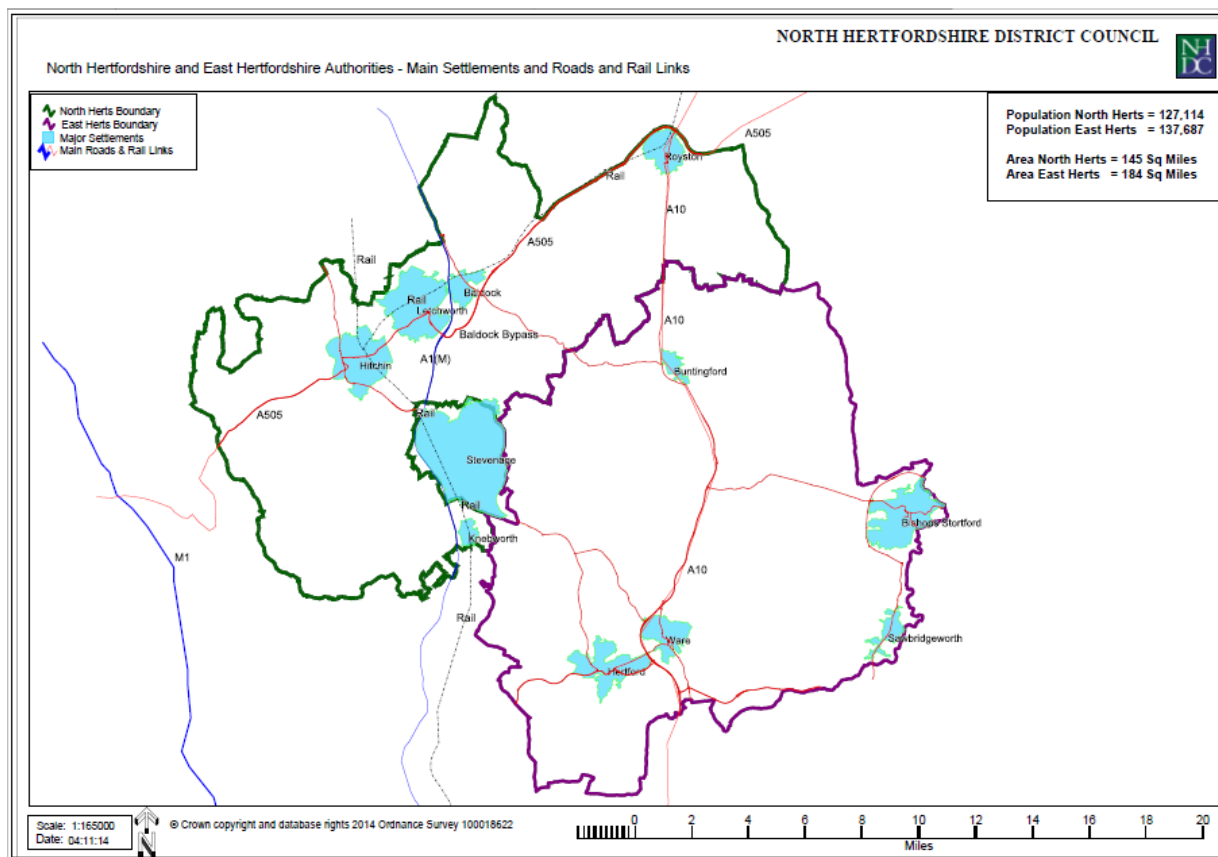
1.0 Background

1.1 The Hertfordshire Waste Partnership, comprising the ten district/borough councils and the County Council, work together to co-ordinate and deliver services for the residents of Hertfordshire. Under the Hertfordshire Waste Partnership Agreement, the

authorities have agreed to work together where possible to improve service performance and identify efficiencies through joint working.

- 1.2 In 2014 the Partnership commissioned a 'Peer Review', supported by the LGA, to consider whether the Partnership was meeting its objectives and how it could improve. One aspect of the review was to consider the extent of partners' interest in forming a single joint waste authority for Hertfordshire. The conclusion was that while there was no appetite from all Hertfordshire authorities for such a solution, some District / Borough councils may wish to consider whether they wanted to work together in smaller groups to investigate the potential for shared waste services.
- 1.3 Bringing services together across local authority boundaries presents many challenges due to contract lengths, vehicle life cycles, logistical challenges and preferences for how services are designed and delivered to meet local needs. However, there are now numerous examples of local authorities bringing their waste services together to improve efficiency and deliver financial savings.
- 1.4 North and East Herts Councils have contracted out services, similar geography and demography and closely aligned services. There is also a history of these authorities working together, through a common contractor, to share resources for clinical waste services and street washing/graffiti.
- 1.5 If joint operations were to be considered, a key milestone for both authorities is the end date of current waste services contracts. East Herts' contract ends in May 2018 while North Herts' is the end of July 2017. Waste contracts require a two year procurement phase and this means a decision to proceed would be required in Spring 2015.
- 1.6 The district boundaries are provided in the following table and diagram, which show population and size are similar.

<b>District Councils</b>	<b>North Herts</b>	<b>East Herts</b>	<b>Total</b>
Population	127,114	137,687	264,801
Area in sq miles	145	164	309



1.7 Along with all other Local Authorities across the country, North and East Herts Councils will continue to need to find ways to deliver services at less cost in order to balance budgets. The availability of funding from Central Government is expected to continue to reduce until at least 2020 and yet the upward pressure on expenditure budgets through inflation will continue. The Medium Term Financial Plan indicates that the funding gap will widen in 2017/18 and 2018/19.

## 2.0 Report

2.1 Waste collection and street cleansing services represent a significant proportion of a District Council's expenditure. East Herts and North Herts together spend c. £10m per annum.

2.2 Resident's surveys show them as being among the most important to customers. In the context of increasing financial pressures on local government and forecast shortfalls in Medium Term Financial Plans, evaluating the opportunities for shared services is an essential part of any procurement decision.

2.3 Both authorities will need to commence their procurement process to develop new contracts in the next 18 months and this presents an immediate opportunity to consider whether to proceed

separately or in partnership. Members will need to consider whether the considerable additional resource and effort required to develop a shared service will be outweighed by the likely cost savings.

2.4 In order to establish whether there is a sound Business Case, the following steps are proposed:

- A mandate from both authorities to undertake the project to actively consider the scope and opportunities for a joint service.
- Set up governance arrangements for managing a joint project. This would include a 'shadow' Project Board made up of Members and Senior Officers to oversee the development of the Business Case, consider policy issues and report back to their respective Councils. A draft project timeline is shown in **Essential Reference Paper B**.
- Develop a Business Case to quantify the benefits, costs, savings and risks to establish whether a joint authority service is justified. This would need to include an assessment of the options for integration, i.e. contract design considerations, client / contract monitoring functions, customer contact arrangements, infrastructure and assets. It is likely that higher levels of integration will provide greater opportunities for efficiency.

2.5 Indicative areas for savings may include:

- Fewer collection rounds from optimising operations across local authority borders.
- Reduction in the number of 'spare' vehicles required to maintain resilience.
- Efficiencies in the provision of vehicle maintenance resources.
- Shared specialist vehicles.
- Reduced building (depot) costs.
- Efficiencies in contractor and contract management and administration.
- Saving in contract procurement costs.
- Efficiencies in shared infrastructure (e.g. IT systems; materials handling; specialist vehicles).

- Greater interest from the market, from the greater cost base resulting in better prices.
- 2.6 Officers have carried out an initial comparative assessment of the respective waste services policies and delivery systems of the two authorities as shown in **Essential Reference Paper C**. This shows that there is a strong alignment between approaches to service provision and many similarities from a policy perspective.
- 2.7 A key challenge is the different contract end dates. While it is theoretically possible to let a contract where one partner joins at a later date, this can present a risk of an overly complex contract which results in higher tendered prices. It is therefore recommended that contract start dates are aligned and this is best achieved by North Herts Council seeking a contract extension of just over 9 months (1st Aug 2017 to 8th May 2018). This also has the advantage of a longer time period to develop a joint contract specification and determine how back office functions would be performed.
- 2.8 NHDC would also require a contract extension to allow sufficient time to develop and agree a Business Case with EHC as this delays any progress on project managing a procurement exercise.
- 2.9 It is proposed that a joint Project Board be set up consisting of senior officers and Members to oversee the project and give guidance to officers on service policy issues during the development of the detailed business case.
- 2.10 It is also proposed that a report be brought back to the Executive in Spring 2015 with an outline Business Case with the objective of obtaining approval of both Council's to proceed to the next stage of jointly procuring 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.
- 2.11 It is intended that this will include :
- Potential additional savings in joint contracts.
  - Potential savings in client overheads.
  - Governance and management proposals.
  - Project and change management proposals.
  - Jointly agreed policies that will inform the development of a joint specification

2.12 Should the further report recommend a joint contract procurement approach, in accordance with the Council's constitution and procurement rules, this would need to be considered by the Environment Scrutiny Committee and agreed by Full Council.

### 3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

### Background Papers

None

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