

EAST HERTS COUNCIL

EXECUTIVE - 19 JULY 2016

REPORT BY AMBASSADOR AND EXECUTIVE MEMBER FOR  
SHARED SERVICES

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SHARED SERVICE FOR WASTE AND STREET CLEANSING

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- For members to consider and agree proposals for a Shared Waste and Street Cleansing Service with North Herts District Council detailed in the Outline Business Case, presented at **Essential Reference Paper B**.

<b><u>RECOMMENDATIONS FOR EXECUTIVE:</u> That:</b>	
<b>(A)</b>	<b>a Shared Waste and Street Cleansing Service with North Herts District Council (NHDC) be implemented and a joint contract for these services be procured;</b>
<b>(B)</b>	<b>a report be brought forward in the Autumn 2016 advising of progress and recommending award criteria for the joint contract; and</b>
<b>(C)</b>	<b>the Ambassador and Executive Member for Shared Services be given delegated authority to make minor changes to the scope of the shared service in consultation with North Herts District Council.</b>

1.0 Background

- 1.1 In December 2014 NHDC and EHC's 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.

- 1.2 In July 2015, the Environment Scrutiny Committee and Executive considered a high level business case (the Strategic Outline Case). This initial appraisal showed that there were clear benefits from a shared service and it was agreed to develop a more detailed business case to confirm the approach and take a final decision to proceed. This work has now been completed and **Essential Reference Paper B** provides the results of that detailed work. The business case has been conducted in accordance with the UK Government's best practice guidance for preparing business cases (Treasury Green Book: A Guide to Investment Appraisal in the Public Sector). Accordingly, this stage is known as the 'Outline Business Case'. However, this is a detailed assessment and the point at which a final decision must be taken on whether to proceed with a Shared Service and procure a joint contract, as described below. Detailed budget implications will be available at contract award and are subject to tendered prices.
- 1.3 The contracts for both Councils terminate on the same day in May 2018 and, if agreed, the formal procurement process will commence at the end of September 2016, with a joint contract being awarded in Spring 2017.
- 1.4 The strategic driver for the project is that both Councils will have increasing financial pressures on their budgets in future years. The Medium Term Financial Plan for East Herts indicates the need to make significant savings over the next 4 years. New ways of working therefore need to be explored to determine what improvements and efficiencies can be achieved.
- 1.5 Continued environmental and legislative requirements and significant changes to our domestic waste stream over the past decade have led to more harmonisation of services provided by local authorities. East and North Herts have similar policies and operational approaches to providing these services and deliver successful results and high levels of public satisfaction.
- 1.6 At commencement a Project Board was set up to represent both authorities, made up of Senior Officers and Executive Councillors and this has met regularly to oversee and give direction.
- 1.7 The Project Board supports the proposals contained within the report.

## 2.0 Report

2.1 The 'Strategic Outline Case' (SOC), considered by the Committee last year provided a high level assessment of likely risks, costs, savings and outcomes and short-listed options for further evaluation. This showed that there were potentially significant savings to be made from a shared service totalling £404,000 per annum for both authorities, of which £143,000 would accrue to East Herts Council. There were no policy or operational reasons identified that would be an impediment to a joint contract. It showed that efficiency savings could be achieved without a reduction in the quality of service arising from:

- Contractor economies of scale
- Client efficiencies and resilience
- Depot rationalisation and efficiencies

2.2 However, further work was required to firm up on some elements of the business case and confirm costs and savings in more detail. This included:

- Advice from specialist waste management consultants on benchmark costs, savings and opportunities for efficiencies from shared services; and the attractiveness of a East and North Herts joint contract to potential bidders.
- Modelling of both authorities collection rounds for domestic houses to identify whether there are potential efficiencies from a joint contract. This has been carried out with the support of the Herts Waste Partnership using specialist 'round optimisation' software.
- An assessment of the logistical implications of operating from different sites (i.e. how vehicle travel time and costs compare with depot operating costs).
- Quantification of existing depot costs and options for site sharing.
- Costs and benefits of bringing staff together from the two existing contracts into a new combined contract, including differences in contractor staff terms and conditions and the potential impact on future contract costs.
- Review of service policies and operations to confirm similarities and differences of the approaches to service delivery taken by the two authorities and whether these would impact on the viability of a shared service.
- Legal and governance issues and design of future management arrangements.

- 2.3 The findings from the results of this work have been included in the Business Case. The Business Case has been developed on an 'As-Is' basis. Current costs for separate services are compared with those same services if provided jointly. This was to ensure that the savings calculated were solely those from a shared service and not affected by other operational changes that the authorities may wish to make in a future contract.
- 2.4 As a separate exercise, both authorities have carried out reviews to consider how services should be delivered in the future and whether the current service policies should be modified so that these can be incorporated into the next contract. This is the subject of item another item on this agenda.

Outline Business Case (OBC)

- 2.5 The 'Outline Business Case' indicates that with the 'Preferred Option' revenue savings of £707,000 per annum can be achieved from a shared service and contract with £213,000 per annum to East Herts Council. The table below shows a greater saving to North Herts District Council is due to there being more opportunities to rationalise collection rounds than at East Herts and this benefit accrues solely to NHDC.

<b>NHDC Annual Revenue Savings</b>	<b>EHC Annual Revenue Savings</b>	<b>Total Annual Revenue Savings</b>
<b>£494,000</b>	<b>£213,000</b>	<b>£707,000</b>

- 2.6 The OBC also contains an alternative, less ambitious option that excludes integration of depot infrastructure, but delivers lower savings.
- 2.7 Savings from the shared service result from:
  - Estimated contractor efficiencies expected from the next contract resulting from a reduction in collection rounds and spare vehicles, contractor management and support staff. Officers have worked with the current contractor, Veolia, to quantify these.

- A reduction in the number of depot sites. NHDC currently operates from two sites at Works Road, Letchworth, with the bulking of recyclable material at its site at Radwell. The proposal is that bulking for both authorities would be at Buntingford Depot, which is located on the East Herts/North Herts boarder. This generates efficiencies in rent and operational costs.
- Client staff reductions due to efficiency gains from managing a single rather than two separate contracts. These include savings in management; contractor performance monitoring / meetings; promotion and media. There are also opportunities for efficiencies in customer contact and IT systems and data processing.

2.8 It is proposed to move to a single client team covering both authorities' waste and cleansing services. The aggregate number of staff employed by both councils in managing the current contracts is approximately 16 Full Time Equivalents (FTE). The business case assumes an approximate reduction of up to 25% in total client staff. The precise nature of the staffing structure however needs further consideration and this will be developed if a shared service is approved. Timing needs careful consideration to minimise risks associated with the transition to and implementation of a new contract.

### Governance and management arrangements

2.9 A key issue for the Project Board was how to ensure that both authorities could be assured that they would retain full influence and control over the strategic direction and operational performance of a shared service. The recommended approach is that there are joint governance and management arrangements where both authorities have equal involvement in the direction of the service, but with one partner taking the role of 'Administrative Authority'. This is necessary as for legal reasons as one authority must act as the employer, procuring body, and hold funds to pay staff and contractors.

2.10 As previously reported, under a shared service and joint contract there is no need for both authorities to have exactly the same services provided in their authority area and each has discretion over delivery. Greater benefits, in terms of economies of scale are achieved through closer co-ordination. Where one partner

decided to have enhanced/reduced services it would be liable for the additional costs/savings incurred by the partnership.

### Administrative Authority

2.11 The Project Board considered whether EHC or NHDC should act as the Administrative Authority for the Shared Service. It concluded that, in the context of both partners having joint control, there was no particular reason why one or other authority would be better placed to take this role. Both councils have a strong track record in delivering waste and street cleansing services; have a high level of political commitment to managing the environment and street scene; and wish to deliver high quality, value for money services. It was therefore agreed to recommend that NHDC takes the Administrative Authority role for this service. EHC has experience of both being the Administrative Authority and having it delivered by a partner for its Revenue and Benefits Service and IT Service and has not found there to be a difference in control or outcomes.

### Member Governance Arrangements

- 2.12 Executive responsibility for the service would be shared and delivered through a Joint Member Board (see **Essential Reference Paper C**). This would meet regularly as required to oversee the strategic management of the service, consider change management requests and options for future service design and delivery. The Board would consist (as a minimum) of the Portfolio Holder and senior client officers from both authorities. A jointly appointed post of Shared Waste and Street Cleansing Services Manager would report performance to this body. Additional partnership meetings would also be held with the main contractor's senior representative in attendance. This is to ensure that there is high level oversight and Member contact with the main contractor's senior representative.
- 2.13 Decisions about the allocation of resources would be made by the Joint Member Board or referred to the authorities' executive bodies as required by respective constitutions.
- 2.14 For operational requests Ward Councillors would access the Shared Service 'Commissioning Team' through agreed contact protocols as at present. Both authorities' Members would receive the same level of support that they currently get from separate services. Formal complaints about service delivery or policy

issues would be dealt with by the Shared Services Manager in the first instance, with escalation to the Senior Client Officer of the respective Council.

### Service Structure and Reporting

- 2.15 The Service will be managed by a Shared Waste and Street Cleansing Manager (“the Service Manager”). This person will work with the Senior Client Officers from the two authorities to agree the structure and recruit to the new joint service. Posts will initially be ring fenced to existing staff from both authorities in line with best HR practice and employment law. Cost of recruitment shall be borne equally by both authorities.
- 2.16 NHDC as the Administrative Authority will be the employer of the Shared Service Manager and Client Commissioning Team.
- 2.17 The Shared Waste Services Manager will report to both Authorities’ Senior Client Officers, the Head of Leisure and Environment (NHDC) and the Head of Operations (EHC), representing the interests of both authorities fairly and equally. An Inter-Authority Agreement (IAA) between the authorities will set out how the Shared Service will operate, roles and responsibilities, sharing of costs and how any disagreements will be dealt with.
- 2.18 The Shared Service Manager will provide regular performance information and service updates to the Executive / Cabinet bodies and Scrutiny Committees of both authorities as required by their constitutions and internal reporting processes.
- 2.19 The Shared Service Manager shall be responsible for the financial management and budgetary control of the Shared Service with financial advice from NHDC (as the Administrative Authority and holder of the Service budgets). Financial accounts for the Service will be open and transparent and reported to each authority on a monthly basis and as required. Service budgets will be agreed annually by the Senior Client Officers of the authorities. Monthly payment for the services would be based on the services provided to each authority area on a fair and equitable basis. For contracts this will be on a unit basis (e.g. per bin collected, per household, per linear metre cleansed). For staff and facilities this will be on an equal basis. Where tendered prices are different between the two authority areas these will be the basis for the charge. The

Shared Service accounts would be subject to annual audit and results reported to both authorities appropriate oversight bodies.

### Front and Back Office Support

- 2.20 Front line customer contact, back office support and administration would be provided to the Shared Service through a service level agreement by whichever authority is best placed to provide them, as agreed by the authorities. It is expected that support services such as finance, HR and legal will be provided by NHDC as the Administrative authority and the 'banker', employer, and legal entity for contracting purposes.
- 2.21 A common IT system will be implemented to an agreed specification to be detailed in the IAA.
- 2.22 Customer correspondence handling will be managed in an 'authority neutral' manner in order that each authority's customers feel that they are receiving a response from their own council. This is common practice in the private sector and EHC has experience of this approach with it's shared service for Parking Services with Stevenage and Welwyn and Hatfield councils.

### Client and Contractor Location

- 2.23 It is proposed that the location of the Shared Service (Client Commissioning Team) will be Buntingford Service Centre (depot) utilising existing unused office space at marginal cost. This being an existing central location on the border of East and North Herts from which to undertake contract inspections and site visits within both authority areas and close to contractor operations for bulking materials.
- 2.24 Contractor operations are envisaged to be based at both Buntingford and another location in North Herts to minimise collection vehicle travel and provide local bases for street cleansing operations. However, as part of the procurement process, potential contractors will have the opportunity to propose alternative locations provided these deliver better value for money for the shared service and both councils agree.

### Branding and Livery

- 2.25 Vehicles and staff would be shared across authority areas and all livery will contain partnership branding (e.g. "North and East Herts



Waste Services”) with joint logos. Communications sent to residents on an individual (address) basis can be either joint or on behalf of the individual authority according to preference.

### Inter-Authority Agreement (IAA)

- 2.26 As described in para 2.17 above the service standards, approach and financial and governance arrangement to be delivered by the Shared Service will be described in the Joint Contract (for the operational contracted services) and an Inter-Authority Agreement for the ‘in-house’ functions. This document will be for the life of the main service contract (7 years) and will be completed once the Shared Service has been approved.
- 2.27 An Interim Inter-Authority Agreement has been developed by the Project Board to protect both authorities from financial liabilities and risks in the event of one partner unilaterally ending the partnership prior to procurement.

### Conclusion

- 2.28 Members are asked to approve the approach described in this report and on the basis of the Outline Business Case at **Essential Reference Paper B**. If approved, a further report will be submitted to the Executive in the Autumn, advising of progress and recommending award criteria for procurement of the next contract.
- 2.29 If the Council is minded to agree to a shared service it may be necessary to make minor adjustments to service scope as a result of further consultation with NHDC on service design in order to let a joint contract that is clear and unambiguous. It is therefore proposed that the Portfolio Holder be given delegated authority to make such changes as necessary as part of the contract preparation process.
- 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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