

EAST HERTS COUNCIL

ENVIRONMENTAL SCRUTINY COMMITTEE - 9 JUNE 2015

EXECUTIVE - 7 JULY 2015

REPORT BY AMBASSADOR AND EXECUTIVE MEMBER FOR
SHARED SERVICES AND EXECUTIVE MEMBER FOR
ENVIRONMENT AND PUBLIC SPACE

STRATEGIC OUTLINE CASE FOR JOINT WASTE AND STREET
CLEANING SERVICES FOR NORTH AND EAST HERTFORDSHIRE
DISTRICT COUNCILS

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- For Members to consider and comment on this report and the Strategic Outline Case (SOC), presented as a confidential appendix at Essential Reference Paper B.

<u>RECOMMENDATIONS FOR ENVIRONMENT SCRUTINY COMMITTEE:</u> That:	
(A)	Members consider, scrutinise and comment upon the report
(B)	The Committee recommends to the Executive that the Council proceed to the next stage, to develop an Outline Business Case for a Shared Waste and Street Cleansing Service with North Herts District Council (NHDC)
<u>RECOMMENDATIONS FOR EXECUTIVE:</u> That:	
(A)	The Executive agree that the Council proceed to the next stage, to develop an Outline Business Case for a Shared Waste and Street Cleansing Service with North Herts District Council (NHDC)

1.0 Background

- 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 whether to proceed. A confidential Strategic Outline Case (SOC) is provided as **Essential Reference Paper “B”**. This is a confidential “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 The strategic driver for the project is that both Councils are likely to have increasing financial pressures on their budgets in future years. New ways of working therefore need to be explored to determine what improvements and efficiencies can be achieved.
- 1.3 Continued environmental and legislative requirements and significant changes to our domestic waste stream over the past decade have led to more harmonisation of services provide by local authorities.
- 1.4 At the meeting of the Executive on 2 December 2014 it was agreed that a report be brought back in Spring 2015 with an outline Business Case. The objective being to obtain 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 also the governance arrangements once the joint contract has been awarded. It was intended that this should 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.

1.5 It was agreed that a Project Board would be set up to represent Senior Officers and Councillors of both authorities and would consider the following matters:

- The tasks to be undertaken to complete the work.
- Develop a joint Communication Plan throughout the project and information provided to stakeholders.
- Review existing service arrangements; current service policies and opportunities for both authorities to make changes.
- Determine the options available and the potential savings.
- Review the draft SOC in preparation for reporting to both authorities appropriate committees for approval.

2.0 Report

2.1 A Project Board representing both councils has been assembled and has met on a number of occasions. There has also been consultation with Councillors from both authorities which indicated overall support in principle to joint working, as the provision of services is very similar.

2.2 In progressing the project, it was agreed to undertake the work in accordance with UK Government's best practice guidance for preparing business cases (Treasury Green Book: A Guide to Investment Appraisal in the Public Sector). The guidance outlines three key stages in the development of a business case and details the actions required to ensure that the requisite information is provided within the business case to properly inform the final decision on a major project.

2.3 The first stage is to produce a 'Strategic Outline Case' (SOC), which clarifies the strategic context for the proposal and includes a high level assessment of likely risks, costs, savings and outcomes from the realistic options short-listed for further evaluation. If the high level assessment indicates favourable outcomes, the second stage is to prepare an 'Outline Business Case'(OBC). The OBC will include a much more detailed economic appraisal of all the short-listed options, as well as lay out all the procurement arrangements and management implications of proceeding with the 'preferred option' recommended within the OBC. The final stage, the presentation of the Full Business Case, updates the estimated costings in the

Outline Business Case with the confirmed costs following the procurement of the required services.

- 2.4 The SOC explores if there are sufficient benefits for both councils to warrant any changes to existing arrangements.
- 2.5 The options considered during the development of the SOC for a shared waste service for East and North Herts have indicated that there are significant 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.
- 2.6 The 'Preferred Way Forward' recommended in the SOC at Essential Reference Paper B seeks to optimise the use of resources for the client, contractor and infrastructure elements of the service.
- 2.7 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 '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.
- 2.8 Efficiencies in contract operations, plant and management are expected to be delivered by integrating the two waste and cleansing services into a single contract.
- 2.9 Further efficiencies should be deliverable through reviewing and rationalising operating bases and transfer stations.
- 2.10 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 council's requirements.
- 2.11 The 'Preferred Way Forward' needs to be explored further and assessed against other realistic alternatives in progressing to the next phase of the project, the Outline Business Case (OBC). This will confirm that this does indeed represent the best option.

2.12 The SOC currently presents the following *annual* revenue savings from the 'Preferred Way Forward', deliverable from 2019.

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

- 2.13 The above table indicates that the value of savings likely to be achieved by EHC 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%.
- 2.14 Details of the costs and savings identified can be found in **Essential Reference Paper B** on page 29.
- 2.15 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. A review of policies and practice is shown within the SOC at Appendix A.
- 2.16 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.
- 2.17 Both Councils waste and street cleansing contracts terminate at the same time in May 2018. 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.
- 2.18 The most significant constraint is time as there is no tolerance on the May 2018 deadline for the current contracts if a joint procurement is to proceed as NHDC is not able to extend its contract beyond this date.

2.19 A formal Inter Authority Agreement will need to be developed if the next stage is agreed as beyond the OBC it is likely there would be a negative impact on both authorities if one party withdrew.

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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