

**Delivering Differently – Future Service Delivery of Operational Services**

**Report by Executive Head - Environmental Services**

**FOR DECISION**

**Cabinet Lead: Councillor Tony Briggs**

**Key Decision: Yes**

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**1.0 Purpose of Report**

1.1 In order to achieve further reductions in service budgets, the future delivery of Operational Services may have to be delivered differently in the future, and various options have been considered in the detailed report, as attached at Appendix A.

1.2 To seek approval for the recommendations, as set out below.

**2.0 Recommendation**

The recommendations for cabinet approval are as follows:

- (i) Cabinet agree to the relevant officers researching further options 2 (Outsource to a Private Contractor - PCC) and 4 (Outsource to a Joint Venture Company - JVC)
- (ii) Prior to a formal decision being made on these options at the next Cabinet meeting in June, a Public Consultation is undertaken, and these options are also considered by the Scrutiny Board on 2<sup>nd</sup> June 2015.
- (iii) To assist with this decision, a presentation from a JVC contractor is to be arranged for all Members at that meeting on 2<sup>nd</sup> June.
- (iv) Officers continue to explore options for increasing the efficiency and driving down costs of the current in-house core services to ensure that Operational Services are fit for commissioning,

taking on board issues within the Business Plan for 2015/16, which includes some items carried over from 2014/15.

### 3.0 Summary

3.1 In 2009 the Council considered options for service delivery; in-house, outsource with PCC or outsource as part of the HLOWLA 7-Authority project and decided to retain an in-house service whilst delivering efficiency savings. Subsequently, savings of £490K were made in 2011/12, and a further £250K of savings from service efficiencies in the following two financial years, 2012/13 and 2013/14.

3.2 In July 2014 the Cabinet Lead asked that officers do further work in understanding the costs of all the services within scope to enable us to assess whether the Council can deliver these services at better value either by:

- retaining 'in-house' operations and achieving further efficiencies / increasing income to offset costs e.g. beach huts, vehicle workshop, grass cutting;
- 'outsourcing' all or part of the services as a single or number of contracts - refuse / recycling; street cleansing (incl. WC's); grounds maintenance; & cemeteries.
- transferring responsibility to the community of elements of the service e.g. allotments, sports pitches, roundabouts, play sites, nature reserves; or
- alternative business models for one or more activities.

3.3 In line with business plans (2014/15 and 2015/16) various options for future delivery of operational services have been considered in relation to:

- Refuse and Recycling
- Street cleansing, including public conveniences
- Open spaces maintenance including, highway verge cutting

Further associated services, detailed in 4.2 have also been considered within the scope of this report.

### 4.0 Subject of Report

4.1 The following options are considered within Appendix A of this report:

**Option 1-** Service as-is

**Option 2-** Outsource to a Private Contractor

**Option 3-** Local Authority Partnership/Contracting Option

**Option 4-** Outsource to a JVC

(a) Public/Public

(b) Public/Private

4.2 The following services are within the scope of the report:

- Household Waste
- Garden Waste Collection
- Street Cleansing
- Public Convenience Cleansing
- Open Space Maintenance (incl. Beachlands)
- Allotments
- Beach Huts
- Cemeteries
- Vehicle Maintenance Workshop
- Engineering Works Team

## **5.0 Implications**

### **5.1 Resources:**

Resource implications will be calculated once options are recommended .

### **5.2 Legal:**

The legal implications for Havant Borough Council are set out in the report.

### **5.3 Strategy:**

The proposal set out in the 'Future Service Delivery of Operational Services' report underpins the financial sustainability priority theme as set out in the Corporate Strategy. It also supports the theme of customer service excellence. The proposed options will generate savings for Havant Borough Council without reducing the quality of service that is currently provided to the customer.

### **5.4 Risks:**

There are a number of factors which will be affected and could therefore pose risks to HBC. The risks and associated mitigations are contained within the Risk Register (Appendix C)

### **5.6 Communications:**

A Communications Plan will be devised once approval is given, and a Public Consultation undertaken prior to the Cabinet meeting on 24<sup>th</sup> June 2015.

## **Appendices:**

- A** – Delivering Differently Report
- B** - Service Costs
- C** –Risk Register

**Agreed and signed off by:**

Legal Services: (11.05.15)  
Executive Head of Governance & Logistics: (11.05.15)  
Relevant Executive Head: (11.05.15)  
Portfolio Holder (11.05.15)

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## APPENDIX A

### Delivering Differently - Future Service Delivery of Operational Services at Havant Borough Council

<b>Author:</b>	Steve Perkins / Peter Vince
<b>Approval Date:</b>	
<b>Approval Authority:</b>	Havant Borough Council
<b>Issue Number</b>	<b>1.7</b>
<b>Date:</b>	<b>Cabinet 20<sup>th</sup> May 2015</b>
<b>Status:</b>	Final

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#### 1. Background

Balancing the budget by the beginning of 2016-17 will require significant reductions in public spending, savings which can then be used to support both deficit reduction targets and programmes to stimulate badly needed economic growth. Central departmental budgets will be on average 8% below their current levels in real terms in 2014-15. The situation in local government is tough too: Councils face a cut of 28% in the central government grant.

The challenge of bringing public finances into balance, coupled with the impact of major demographic change over the next 20 years, means there is an urgent need to re-think how we approach public services. Business as usual is not an option. We simply cannot afford to continue to run them in the same way if we are to deliver the services needed and demanded by the public.

*Source: CBI report 'Open access – Delivering quality and value in our public services: September 2012*

In line with Havant Borough Council's Business Plans (2014/15 and 2015/16) various options for future delivery of operational services have been considered in relation to:

- Refuse and Recycling
- Street cleansing, including public conveniences
- Open spaces maintenance including, highway verge cutting

#### Scope of this Report

- A review of existing service provision
- Estimated Cost of current services (2014/15 and 2015/16) - Appendix B

- Research into each option to be considered
- To make a recommendation based on findings for the future delivery of Operational Services

The following services are within the scope of this report:

- Household Waste
- Garden Waste Collection
- Street Cleansing
- Public Convenience Cleansing
- Open Space Maintenance (incl. Beachlands)
- Allotments
- Beach Huts
- Cemeteries
- Vehicle Maintenance Workshop
- Engineering Works Team

### **The Current Market**

A key part of the core services is the waste and recycling collection service. This particular market area has a history of price volatility, and reacts to regional, national and even international issues, including market outlets for dry recyclables, competition on available collection and disposal contracts, and also the general economic situation at that time. Around 5 years ago, tender returns were extremely competitive due to the prevailing market conditions at that time, and current competition may still be as high, but only a soft market test would give us an indication of the current situation, but cannot predict future trends.

Other core service areas, including Grounds Maintenance and Street Cleansing services, could also part of a soft market testing process.

### **Service “AS - IS”**

Operational Services covers a wide range of frontline services based at Southmoor Offices / Depot and at Beachlands including:

Household Waste	Street Cleansing	Public Convenience Cleaning	Open Space Maintenance	Vehicle Maintenance	Engineering Works
Residential collections	Manual	Cleansing	*Allotments	Repairs	Rapid response
Recycling	Mechanical	Minor Maintenance	*Cemeteries	Maintenance/ servicing	Out of hours
Garden waste	Fly tipping	Opening and Closing	Beach lands	Out of hours	Street name plates
Clinical waste	Rapid response		Playgrounds	Procurement	Minor civil works
Bulky waste	Out of hours		*Beach Huts		
Bring sites: Glass & Textiles			Play equipment	Taxi checks	

			Sports Facilities	Non- HBC vehicles (other LA's, schools etc.)	
			Grounds Maintenance		
			Arboriculture		
			Recreation Grounds		

*\* These service areas form part of the Business Plan for 2015/16*

Operational Services uses a wide range of IT systems and products including:

<b>Product</b>	<b>Purpose/used for</b>
ActiveSync	Downloading refuse cart PDAs
Remedy	Recording/reporting of service issues
Woisme	Looking up missed bins, contaminated waste
Epitaph	Cemeteries
SKOOP	Intranet
Meridio	EDRMS – document and records storage
Kofax	Scanning software
Kahootz	Enables data sharing for projects and groups
GIS	Graphical information system – map layering
Waste database	Bin ordering
Cedar	Financial systems
Cadcorp	Map editor
Pitch bookings	Pitch bookings and Allotment bookings (On old tower PC systems not on Winterm)
DVLA	Direct link to the DVLA to check vehicle ownership (stand alone PC)
Phoenix Triscan	Fuel usage system

## **2. Identified Options**

**Option 1-** Service as-is

**Option 2-** Outsource to a Private Contractor

**Option 3-** Local Authority Partnership/Contracting Option

**Option 4-** Outsource to a JVC

(c) Public/Public

(d) Public/Private

The options in this study have been built upon information gathered via workshops, site visits and meetings with relevant groups and individuals.

In the creation of this document (and associated appendices) the following have contributed:

- Cabinet Lead - Cllr Tony Briggs
- Corporate Director
- Executive Head - Marketing & Development - Delivering Differently Lead
- Executive Head - Environmental Services
- Service Manager – Operational Services
- Service Manager Joint - Waste Contract (Option 2 & 3)
- Service Manager- Marketing and Customer Relations (Option 2 & 4)
- Service Manager- Marketing and Customer Relations
- Corporate Programme Office (Option 2 & 4)
- HR (Option 2 & 4)
- Legal HBC (All options)
- Legal Counsel (Option 4a)
- Procurement (Option 2 & 4)
- Finance Business Partner (Option 2 & 4)
- Norse Commercial Services Group (Option 4a)
- Suffolk Coastal Norse (Option 4a)
- TOR2- (Option 4b)



**Option 1- Service AS – IS:**

<b>Description</b>
<p>This option will mean that the council will continue to provide the same services on the same frequencies at the same cost.</p> <p>As part of the 2015/16 business plan a number of projects were identified which could increase income and/or reduce costs as part of the on-going drive to reduce net costs to the council of the in-house option:</p> <ul style="list-style-type: none"> <li>• Cemeteries-Identify a private sector operator to run HBC cemeteries by advertising a 'concessions contract' and also develop a new cemetery at West of Waterlooville MDA at nil cost to the Council.</li> <li>• Pursue self management options for allotments sites and sports facilities- Transfer of services to user groups resulting in a reduced reliance on Council resources</li> <li>• Beach Huts ~ a site for an additional 36 Beach huts has been identified, subject to planning and ecology advice as part of this project which will generate an estimated additional income of £28,000 per annum. The project is also looking at options for increasing income from existing licences which may result in a further £60,000 per annum from 2017/18. This would involve transferring from existing arrangements of licences for plots to leases for plots and huts.</li> <li>• Review of open spaces management including grass cutting regime ~ initial estimates suggest we could save approximately £25,000 per annum by reducing the frequency of grass cuts and creating a more natural environment in some areas of our parks &amp; open spaces. More detailed analysis is required to verify this.</li> </ul>

<b>HR features</b>
Remain as-is
<b>Legal features</b>
N/A
<b>Timescale and achievability</b>
N/A
<b>Governance</b>
Remain as-is

<b>Advantages</b>	<b>Disadvantages</b>
Flexible service with ability to respond to local issues / service changes	Budget savings unlikely to be significant following previous savings of £750K over the past few years.
Local flexibility to councillors	High maintenance approach to managing sickness and performance, and cost to the Council through sickness absence.
No procurement costs	Lack of commercial acumen
Ability to review services if required as part of budget setting process	
Retention of vehicle workshop and ability to generate income	
Retention of local knowledge	
Ability to respond to emergency situations	

## **Option 2- Outsource to Private Contractor**

<b>Description</b>
<p>This would involve the Council contracting the delivery of the services to a private contractor whilst the council would retain overall responsibility for the services. The contractor would deliver services on behalf of the Council in accordance with appropriate specifications identified within a commercial contract. A contractor would use its combined extensive resources, experience and expertise to increase cost efficiency and raise standards where possible.</p> <p>Any contract to outsource this service would need to comply with the Council's and EU procurement rules.</p>

<b>HR features</b>
<p><b>TUPE-</b> Transfer of Undertakings (Protection of Employment) regulations.</p> <p>The principles are common to all options involving staff transfer to an external body:</p> <ul style="list-style-type: none"><li>• Where services are transferred to an external body, staff will normally transfer to that body under TUPE</li><li>• Where the transfer is to a commercial organisation additional TUPE requirements need to be met</li><li>• Demonstrate the ability to provide conditions of service, which are not less favourable than those provided by the Council, which may include any Organisational, Economic and Technical changes.</li></ul> <p>TUPE regulations apply to those staff directly delivering the services to be transferred. A lot of detailed work would be required including the creation of a transfer plan detailing:</p> <ul style="list-style-type: none"><li>• What work/services to be transferred</li><li>• Staff numbers</li><li>• Personal contract details</li><li>• Liabilities</li><li>• Collective agreements</li><li>• Trade union recognition</li><li>• Continuous employment</li><li>• Legal guidance</li></ul> <p>This information would have to be provided within one month of mobilisation.</p> <p><b><u>Pensions</u></b></p> <p>Where staff transfer to a new employer under TUPE, the new employer must apply to join the Local Government Pension Scheme (LGPS) as an "Admitted Body". A pass-through agreement would be required whereby the contractor would only be responsible for current contribution levels at the point of transfer.</p>

All responsibility for past and future liability would remain with Havant Borough Council.

**Legal features**

An EU procurement exercise would need to be undertaken and any arrangement entered into with a contractor would be subject to the Councils terms and conditions of contract, including a specification setting out the services included, financial arrangements, and standards required.

**Timescale and achievability**

- Preparing services of this value for transfer to a Private Contractor would involve a full EU procurement exercise. This will be very time consuming, up to 18 months from commencement, due to strict time guidelines, and costly due to the amount of officer/specialist time involved i.e. producing detailed specifications (these have not been produced since the days of Compulsory Competitive Tendering – CCT in the 1980's & 1990's), evaluation of bids and the provision of TUPE information. This could cost £85,000 - £100,000 (one-off) as it may even need a Consultant to undertake and complete this work.
- It is imperative that the contract contains a robust specification relating to the delivery of existing services and also includes a mechanism for future service changes and/or enhancements. At present no formal specification exists
- The transfer of services to the commercial sector is an accepted procedure and there is expertise available to ensure that the transfer happens within the required rules and regulations.
- Market research has indicated that there are likely to be commercial providers interested in tendering for HBC services.

**Governance**

- The contract would be governed through effective contract management arrangements, which would include KPI's and regular contract review meetings. The Council would carry out the aforementioned through a contract monitoring team, this would be a direct annual cost to the council of £200,000 (estimated).
- The Council would have less flexibility in making changes to the contract specification without incurring additional costs

<b>Advantages</b>	<b>Disadvantages</b>
Potential budget savings	Interpretation of service specifications may result in uncertainties
Service provision guaranteed for length of contract	Potentially reduced ability to respond to emergencies unless covered and priced for in the contract

Service costs fixed, apart from population and inflation growth, for length of contract	Loss of vehicle maintenance work might affect viability of Vehicle Workshop unless other markets are developed or this facility is included in the contract packaging.
Less management time involved in managing sickness / performance	Cost of setting up and then managing contract.
Potential to reduce Support Services	Long timescale to set up & start contract – likely to be in late 2016/17.
Potential income from lease of Southmoor site to contractor.	Loss of flexibility
Potentially a wide choice of contractor	
Sustaining local community and keeping jobs and profits in the local area	
Potential Day one savings  <u>Savings profile:</u> <ol style="list-style-type: none"> <li>1. Reshaping service delivery to agreeable Council outcomes</li> <li>2. Reorganisation of resources</li> <li>3. Benefits released from transferring in or aligning additional services</li> <li>4. Introduction of 2 tier working</li> <li>5. Purchasing savings</li> <li>6. Bringing subcontracted services 'in house'</li> <li>7. IT system improvements</li> <li>8. Reduction in bureaucracy and more agile working</li> <li>9. Investment in more efficient equipment and vehicles</li> </ol>	
Possible Business/Commercial growth i.e. Vehicle Maintenance Workshop, Trade waste/recycling, Grounds maintenance etc	
Robust specification (you only get what you ask for)	
Access to wider markets	
Private Sector expertise / commercial acumen	
Economies of scale	

### **Option 3- Local Authority Partnership/Contracting Option**

<b>Description</b>
<p>Savings are often increased where two or more councils collaborate and let a shared contract with a joint contract team.</p> <p>There are a number of examples of local authority partnerships across the country with contracted core services, and in the local area as follows:</p> <ul style="list-style-type: none"> <li>• East Hampshire / Winchester (expires 2019/20)</li> <li>• Basingstoke / Hart (expires 2017/18)</li> <li>• Wealden / Eastbourne / Rother / Hastings (expire 2023/24)</li> </ul> <p>The approach for this option would either be:</p> <ul style="list-style-type: none"> <li>• Outsource to a Private contractor with a framework in place so that others can join</li> <li>• Join an existing contract (Legal implications below)</li> </ul>

<b>HR features</b>
As option 2
<b>Legal features</b>
<p>The legal advice on contracts was as follows:</p> <p><i>There are circumstances where it may be possible to add 10% additional work to the contract without the need to re advertise in the OJEU, however it would require a 'Notification of modifications of a contract during its term'.</i></p> <p><i>The new EU rules which came into force in Spring 2015 extend the above by allowing additional works that have become necessary or involve substantial inconvenience/duplication of costs limited to 50% of the price of the original contract. This change needs to have been unforeseeable and will require further testing by asking Counsel to advise on the validity of our actions before proceeding.</i></p> <p><i>Extending the contract by 10% does not pose any issues, over and above that will require further legal analysis.</i></p>
<b>Timescale and achievability</b>
<p>The timescale would depend on which approach is taken:</p> <ul style="list-style-type: none"> <li>• Outsource to a Private contractor with a framework in place so that other Local Authorities can join – similar to that of option 2</li> <li>• Join an existing contract- unless the contract is as per the legal implications we would have to wait until contract expiry of selected Local Authority.</li> </ul>

## Governance

As option 2

Advantages	Disadvantages
Potential budget savings of greater magnitude than single authority approach (Option 2)	May be costly to add / change services once contract let
Service provision guaranteed for length of contract	Interpretation of service specifications may result in uncertainties
Service costs fixed, apart from population and inflation growth, for length of contract	Potentially reduced ability to respond to emergencies unless covered in contract
Less management time involved in managing sickness / performance	Loss of vehicle maintenance work might affect viability of Vehicle Workshop unless other markets are developed or this facility is included in the contract packaging.
Potential to reduce Support Services	Cost of setting up and then managing contract.
Potential income from lease of Southmoor site to contractor.	Long timescale to set up & start contract – not likely to be until at least 2017/18 or even 2019/20.
Wide choice of contractor	Changes in service dependant on Partner(s)
Sustaining local community and keeping jobs and profits in the local area	Finding a potential Partner Authority with aligned objectives and similar timescales to Havant Borough Council.
Day one savings  <u>Savings profile</u> <ol style="list-style-type: none"> <li>1. Reshaping service delivery to agreeable Council outcomes</li> <li>2. Reorganisation of resources</li> <li>3. Benefits released from transferring in or aligning additional services</li> <li>4. Introduction of 2 tier working</li> <li>5. Purchasing savings</li> <li>6. Bringing subcontracted services 'in house'</li> <li>7. IT system improvements</li> <li>8. Reduction in bureaucracy and more agile working</li> <li>9. Investment in more efficient equipment and vehicles</li> </ol>	
Possible Business/Commercial growth i.e. Vehicle Maintenance Workshop, Trade waste/recycling, Grounds maintenance	

Robust specification (you only get what you ask for)	
Access to wider markets	
Private Sector expertise	
Economies of scale	



## **Option 4 - Outsource to a Joint Venture Company - JVC**

<b>Description</b>
<p>This option involves forming a Joint Venture Company (JVC) with another Local Authority (Option 4a) or Private Company with profits (Option 4b).</p> <p>The Council retains a direct influence over the business operation, its governance and performance standards, as the Council and appropriate stakeholders would have equitable representation on the JVC Board, and would therefore have the ability to change and respond to changing events and issues.</p> <p>This approach reflects the culture change required by the local authority partner to take a collaborative approach rather than a 'command and control' approach which is a necessary feature in traditional contractual relationships.</p> <p><b><u>Joint Venture Models</u></b></p> <p><b><u>4a) Public/Public Joint Venture Company</u></b></p> <p>Under this model the Council would form a joint venture with another public organisation to deliver services. Entering into a Joint Venture (JVC) with a suitable partner would enable the Council to access and share external expertise with the objective of addressing its budget challenges.</p> <p>Public/Public Joint Ventures can deliver public services subject to the 'Teckal' criteria being satisfied. The Council, as one of the public partners, can then 'passport' its services to the JV company for delivery. The JV company would also undertake trading activities with the objective of providing a 'dividend' or profit share back to the JV partners.</p> <p>A joint venture company would use its combined extensive resources, experience and expertise to increase cost efficiency and raise standards. As well as operational benefits, Havant Borough Council would enjoy increased profit-share and the prospect of long term growth via the development of external revenue.</p> <p>At a time of unprecedented pressure on public finances, a joint venture company can generate external revenue streams in both public and private sectors leading to revenue streams for the Council and its stakeholders, ensuring value for money for the residents of Havant.</p> <p>Norse Commercial Services (part of the Norse Group, which is wholly owned by Norfolk County Council) is an example of a public organisation that has entered into joint ventures with over 20 other Councils. Research has failed to identify any similar suitable Joint Venture models.</p> <p>Examples of Council's that Norse has formed joint ventures with include:</p> <ul style="list-style-type: none"><li>• Wellingborough Borough Council</li><li>• Devon County Council</li><li>• Waveney and Suffolk Coastal Councils</li></ul> <p>These examples have been in place for several years, and have produced savings and profit sharing for the partner authorities, and also service developments.</p>

#### **4b) Public/Private Joint Venture Company**

Under this model, the Council would form a JV with a private sector organisation to deliver services. Entering into a JV with a suitable partner would enable the Council to access and share commercial expertise with the objective of addressing its budget challenges.

Unlike the public sector JV referred to above where the 'Teckal' exemption applies, a formal procurement process would need to be undertaken prior to establishing a private JV partnership. Assuming the competitive dialogue procurement process is followed; the procurement is likely to take 12-18 months and could be relatively expensive compared to the Teckal example. (With the Council being responsible for these costs).

- May Gurney (now Kier) are working with Torbay Council to deliver various services including: Waste and recycling collections, maintenance of highways, grounds and parks, buildings and the Council's vehicle fleet, street and beach cleansing and out of hours support.
- Amey working with Liverpool City Council to deliver its: highways repair and maintenance; street lighting repair and maintenance; environmental services; refuse and recycling; grounds maintenance and capital investment works.
- Kier working with the London Borough of Harlow to deliver Building Repair and Maintenance programme as well as environment service

#### **HR features**

##### **Options 4a and 4b**

##### **TUPE**

The HR principles are common to all options involving staff transfer to an external body:

- Where services are transferred to an external body, staff will normally transfer to that body under TUPE - Transfer of Undertakings (Protection of Employment) regulations.
- Where the transfer is to a commercial organisation additional TUPE requirements need to be met
- Demonstrate the ability to provide conditions of service, which are not less favourable than those provided by the Council, which may include any Organisational, Economic and Technical changes.

TUPE regulations apply to those staff directly delivering the services to be transferred. A lot of work would be required including the creation of a transfer plan detailing:

- What work/services to be transferred
- Staff numbers
- Personal contract details
- Liabilities

- Collective agreements
- Trade union recognition
- Continuous employment
- Legal guidance

This information would have to be provided within one month of mobilisation.

### **Pensions**

Where staff transfer to a new employer under TUPE, the new employer must apply to join the Local Government Pension Scheme (LGPS) as an “Admitted Body”. A pass-through agreement would be required whereby Havant Norse would only be responsible for current contribution levels at the point of transfer.

All responsibility for past and future liability would remain with Havant Borough Council.

## **Legal features**

### **4a) Public/Public Joint Venture Company**

The ‘Teckal exemption’ applies where a local authority contracts with a Company which is in Local Authority ownership (whether with one or more Local Authority Members) and which provides services to the hosting local authority.

In summary the conditions for the exemption are that:

- The service provider carries out the essential part of its activities with the authority/authorities.
- The authority/authorities exercise the same kind of control over the service provider as they do over their own departments.
- There is no private-sector ownership of the service provider, nor any intention that there should be any.

Where these conditions are met it will not be necessary for the arrangement to be advertised in accordance with EU Procurement requirements.

We have sought advice from Counsel, February 2015 and have been advised that Teckal case law has not changed.

### **4b) Public/Private Joint Venture Company**

The ‘Teckal exemption’ does not apply where a local authority contracts with a Company which is not in Local Authority ownership.

An EU procurement exercise would need to be undertaken, compliant with the Council’s tendering rules, and any arrangement entered into with a contractor would be subject to the Councils terms and conditions of contract, including a specification setting out the services included, financial arrangements, and standards required.

### **Timescale and achievability**

#### **4a) Public/Public Joint Venture Company**

Preparing services of this value for transfer to a JVC would not involve a full EU procurement exercise. It is anticipated that the full mobilisation could take as little as 6 months. Officer time would be required to provide a workable specification, 'Due Diligence' information which would include TUPE

#### **4b) Public /Private Joint Venture Company**

Preparing services of this value for transfer to a Public/Private JV would involve a full EU procurement exercise. This will be time consuming, 12 to 18 months from commencement, due to strict time guidelines, and costly due to the amount of officer/specialist time involved i.e. producing specifications (these have not been produced since CCT), evaluation of bids and the provision of TUPE information. Timescale would be similar to Option 2, however, this could be slightly shorter as the specification process will reflect that of option 4a.

### **Governance**

#### **Options 4a and 4b**

The joint venture option would involve senior Members and Officers as members of the Board of Directors. It may be possible to negotiate the exact make up of the Board.

In addition to the Board of Directors, a Strategic Liaison Board is formed (reporting to the main Board.) This comprises of officers from the local authority, representatives of the partner and other stakeholders. i.e. End users, Members. This Strategic Liaison Board sets standards and provides direction for service outputs, and also deals with budget setting / savings targets etc. for the Partnership, which is locally managed.

This means that the Council would have a strong influence on the company's governance and operations, ensuring compliance with Council strategy, vision and change programme principles.

### **Option 4a - Public/Public Joint Venture Company**

<b>Advantages</b>	<b>Disadvantages</b>
Greater Council control than in a traditional outsourced arrangement	Potential lack of commercial acumen within existing staff
Flexibility in responding to Council priorities	Potential savings would be based on projections rather than contract price
Sustaining local community and keeping jobs and profits in the local area	
Opportunity to collaborate with other Hampshire districts who are also looking at this option	
Streamlined management and	

commercial culture	
Reduced procurement time–no need for a fully detailed specification or OJEU process, potential delivery early 2016.	
Reduced technical client requirement	
Opportunity to develop external revenue streams eg: Trade Waste Recycling, Vehicle Maintenance Workshop, Grounds Maintenance.	
Profit share on commercial income and potential budget savings	
Public service ethos with commercial flair with the ability to trade commercially	
Day one savings  <u>Savings profile</u> <ol style="list-style-type: none"> <li>1. Reshaping service delivery to agreeable Council outcomes</li> <li>2. Reorganisation of resources</li> <li>3. Benefits released from transferring in or aligning additional services</li> <li>4. Introduction of 2 tier working</li> <li>5. Purchasing savings</li> <li>6. Bringing subcontracted services 'in house'</li> <li>7. IT system improvements</li> <li>8. Reduction in bureaucracy and more agile working</li> <li>9. Investment in more efficient equipment and vehicles</li> </ol>	

**Option 4b - Public /Private Joint Venture Company**

<b>Advantages</b>	<b>Disadvantages</b>
Greater Council control than in a traditional outsourced arrangement	Long timescale to set up & start contract – likely to be in late 2016/17.
Flexibility in responding to Council priorities	Likely to be a greater Contractor profit motivated approach, with openness and transparency a critical requirement.
Sustaining local community and keeping jobs and profits in the local area	Potential lack of commercial acumen within existing staff
Opportunity to collaborate with other Hampshire districts who are also looking at this option	Potential savings would be based on projections rather than contract price
Streamlined management and commercial culture	

Reduced procurement time–no need for a fully detailed specification or OJEU process, potential delivery early 2016.	
Reduced technical client requirement	
Opportunity to develop external revenue streams eg: Trade Waste Recycling, Vehicle Maintenance Workshop, Grounds Maintenance.	
Profit share on commercial income and potential budget savings	
Public service ethos with commercial flair with the ability to trade commercially	
Day one savings  <u>Savings profile</u> <ol style="list-style-type: none"> <li>1. Reshaping service delivery to agreeable Council outcomes</li> <li>2. Reorganisation of resources</li> <li>3. Benefits released from transferring in or aligning additional services</li> <li>4. Introduction of 2 tier working</li> <li>5. Purchasing savings</li> <li>6. Bringing subcontracted services 'in house'</li> <li>7. IT system improvements</li> <li>8. Reduction in bureaucracy and more agile working</li> <li>9. Investment in more efficient equipment and vehicles</li> </ol>	

### **On-going service efficiencies 2015-16**

Regardless of the option proceeded with; it is good practice to ensure that the service is running as efficiently as possible.

The following are to be undertaken during 2015:

- Waste Service development opportunities which are currently being explored by the Waste Services Project Officer, together with all other core and associated services, including Streetscene and Grounds Maintenance.
- Capture as-is processes of the service and streamline to ensure its activities are as lean as possible.
- Following this- a capacity analysis will be undertaken by the Corporate Programme Office to identify any spare capacity.

## **Risks**

Risks are captured in the Risk Register - Appendix C

## **Recommendation**

Option 1- (Service AS - IS) This option is discounted due to the fact that:

- Unlikely to provide further major savings without significantly affecting the level of service delivery.
- Lack of commercial knowledge, acumen and resources within the service to develop into new business areas that would complement the core services.

Option 3- (Local Authority Partnership/Contracting) This option is discounted due to the fact that:

- Prolonged timescales not compatible with corporate objectives
- No profit share income
- No Partner Authority with aligned objectives and similar timescales to Havant Borough Council.

Therefore, the recommendations for cabinet approval are as follows:

- Cabinet agree to the relevant officers researching further options 2 (Outsource to a Private Contractor - PCC) and 4 (Outsource to a Joint Venture Company - JVC)
- Prior to a formal decision being made a Public Consultation is undertaken, and these options are also considered by the Scrutiny Board on 2<sup>nd</sup> June 2015
- To assist with this decision a presentation from a JVC contractor is arranged for all Members at that meeting on 2<sup>nd</sup> June.
- Officers continue to explore options for increasing the efficiency and driving down costs of the current in-house core services to ensure that Operational Services are fit for commissioning, taking on board issues within the Business Plan for 2015/16, which includes some items carried over from 2014/15.

## **Appendices**

**B - Service Costs**

**C – Risk Register**

## APPENDIX B

### SERVICE COSTS

<b>Refuse &amp; Recycling</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	896,400	889,263
*Supplies & Services	451,010	417,614
Income	-530,400	-587,500
Support Services	249,187	275,548
<b>Total</b>	<b>1,066,197</b>	<b>994,925</b>

<b>Green Waste</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	104,046	121,069
*Supplies & Services	87,352	60,800
Income	-334,000	-330,010
Support Services	71,509	100,279
<b>Total</b>	<b>-71,093</b>	<b>-47,862</b>

<b>Open Spaces</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	678,472	647,287
*Supplies & Services	560,734	435,008
Income	-300,822	-328,747
Support Services	146,039	170,996
<b>Total</b>	<b>1,084,423</b>	<b>924,544</b>

<b>Street Cleansing</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	591,421	591,468
*Supplies & Services	189,583	142,228
Income	-13,124	-8,000
Support Services	172,700	221,090
<b>Total</b>	<b>940,580</b>	<b>946,786</b>

<b>Public Conveniences</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	57,925	66,923
*Supplies & Services	60,167	13,765
Income	-12,077	-7,500
Support Services	25,550	48,517
<b>Total</b>	<b>131,565</b>	<b>121,705</b>



<b>Beachlands</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	211,118	130,912
*Supplies & Services	61,027	46,800
Income	-38,232	-5,810
Support Services	62,145	86,323
<b>Total</b>	<b>296,058</b>	<b>258,225</b>

<b>Allotments</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	0	35,559
Supplies & Services	6,474	4,500
Income	-34,808	-31,723
Support Services	0	10,076
<b>Total</b>	<b>-28,322</b>	<b>18,411</b>

<b>Cemeteries</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	178,535	139,979
Supplies & Services	30,012	31,523
Income	-172,084	-166,000
Support Services	37,315	67,134
<b>Total</b>	<b>73,778</b>	<b>62,636</b>

<b>Vehicle Maintenance Workshop</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	228,353	219,443
*Supplies & Services	319,805	310,960
Income	-404,319	-402,450
Support Services	58,663	74,791
<b>Total</b>	<b>202,502</b>	<b>202,744</b>

<b>Engineering Works Team</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	217,188	191,528
*Supplies & Services	21,907	23,718
Income	-597	0
Support Services	45,658	81,190
<b>Total</b>	<b>284,156</b>	<b>296,436</b>

<b>Beach Huts</b>	<b>2014/15</b>	<b>2015/16</b>
Employee Cost	0	37,635
Supplies & Services	11,961	8,800
Income	-204,895	-204,900
Support Services	0	498
<b>Total</b>	<b>-192,934</b>	<b>-157,967</b>

**‘Employee Costs’** – this includes;

- All officers directly responsible for delivering the services (Service Manager, Team leaders, Supervisors and team members)

**‘Supplies and Services’** – this includes;

- Vehicle costs i.e. MoT, servicing, repairs, maintenance, fuel, insurance, licencing, hire etc...
- Purchase of materials
- Purchase/Hire of equipment
- Uniforms/Health and Safety equipment

2015/16 savings have been made as a result of reviewing and reducing the amounts required.

It should be noted that fuel prices will vary throughout the year and it is very difficult to accurately predict expenditure in this area.

**‘Support Services’**– this includes;

- Legal services
- Printing and distribution
- Corporate Finance
- Transactional services
- Business Improvement
- IT
- Communications and Marketing
- Customer Services
- Corporate Admin Support
- Executive cost re-charges
- Depot overhead

