



Business Case

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Section 1 Executive Summary

The purpose of this Business Case is to establish whether the project is:

- **desirable**, taking into account the cost/risk/benefits balance;
- **viable**, in terms of the project's ability to deliver the product; and
- **achievable**, by determining whether the product will provide the benefits.

The Business Case will act as the reference document that the programme board will use to ensure that the project has clear definition, direction and that it provides evidence of what it seeks to achieve.

The Business Case will be used as a reference:

- when a major decision is taken about the project;
- at the end of key gateways during the project life cycle; and
- at the conclusion of the project to measure whether it delivered the benefits and outcomes.

The Council's environmental services are currently delivered by Enterprise Management Services Ltd (EMS) / Amey plc (Amey). The contract with EMS/Amey is due to expire on 3 June 2018.

The majority of the services represent statutory functions that the Council must deliver, therefore the reason for the project is primarily driven by statutory responsibilities that the Council must discharge.

The identification of the need for this project is also driven by the acknowledgement that the future delivery of the environmental services will require an increased annual budget to reflect the anticipated specification and quality standards for these services.

The project aims to:

- (1) identify the most suitable commissioning option for the delivery of the environmental services post 3 June 2018 (the conclusion of the options analysis is presented in section 2.3);
- (2) implement the selected commissioning option to ensure that the environmental services continue to be delivered to customers without disruption once the current contract expires (section 3 describes the key principles that will support the implementation of the selected option, section 4 describes how the project will be implemented and section 5 outlines the proposed governance); and
- (3) support and link to relevant aspects of the Corporate Plan 2016-2020, Securing Northampton's Future (section 2.2, business justification).

The following options were considered:

- Do nothing: this option was considered and rejected. The environmental services contract includes statutory services that the Council has a duty to discharge. The services are currently delivered as part of an agreement with Daventry District Council (DDC) and EMS/Amey due to expire in June 2018, so the option of Do nothing is not a viable consideration for this project.
- Alternative Option 1 – Extension of the current contract: the option of extending the current contract beyond June 2018 for another seven years was considered and rejected. The extension is only possible where the three parties agree to such arrangement and DDC took the decision not to extend the contract with NBC and

EMS/Amey in early 2016, therefore this option is not a viable consideration for this project.

- Alternative Option 2 – Local Authority Company (LAC): The option of “Delivering the services through a LAC” beyond June 2018 was considered and taken forward for additional analysis.
- Alternative Option 3 – In-sourcing: The option of “In-sourcing the services” beyond June 2018 was considered and taken forward for additional analysis.
- Alternative Option 4 – Contracting Out: The option of “Contracting Out the services” beyond June 2018 through a procurement process was considered and taken forward for additional analysis.

The option of a shared service model for the delivery of the environmental services was also explored. Consideration has been given to joint working either via joint procurement (similar to the current joint arrangement with DDC) or by joining an existing Local Authority Company. However none of these options was pursued because no suitable partner could be identified.

Similarly, engagement with Northamptonshire County Council (NCC) took place. The vision was to create an ‘end to end’ process for waste collection and disposal. This option could not progress and was therefore not taken forward to the options appraisal stage.

The Council appointed Eunomia Research & Consulting Ltd (Eunomia) to carry out the detailed review of the three alternative commissioning options. The consultants’ report¹ concluded that Alternative Option 4, Contracting Out, was the preferred option, given the ability of this service delivery model to achieve the ‘best’ balance of benefits and risks to the Council:

- a well understood solution with predictable implementation costs and timetable;
- the ability to transfer some significant financial risk to the selected contractor; and
- the opportunity to attract competition during the procurement process to secure best value and to deliver an innovative contract.

Management Board, acting as programme board for this project, endorsed the recommendations in the Business Case which will now be discussed at the Cabinet meeting on 11 January 2017, in particular:

- The **reason for the project** (section 2) and the proposed **project’s outcomes and benefits** (section 2.2.2)
- The **procurement strategy** (section 3)
- The **project’s implementation plan** (section 4), in particular: the **implementation timescales** (section 4.7), the **project plan** (Appendix 2) and the **people resource plan** (section 4.8)
- The project’s **governance and control** arrangements (section 5)
- The **project financials** (appendix 1²)
- The **risk log** (appendix 3)

¹ The Executive Summary of the consultants’ report was published in Appendix 1 to the Cabinet Report discussed at the Cabinet meeting on 16 November 2016.

(<http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=528&MId=8147&Ver=4>)

The full report contained commercially sensitive information and was therefore a confidential background paper available to Members of the Council under the guidance of the Borough Secretary.

² Note that this Appendix is not published with the Business Case, as it contains commercially sensitive information and is therefore available as a confidential background paper to Members of the Council under the guidance of the Borough Secretary.

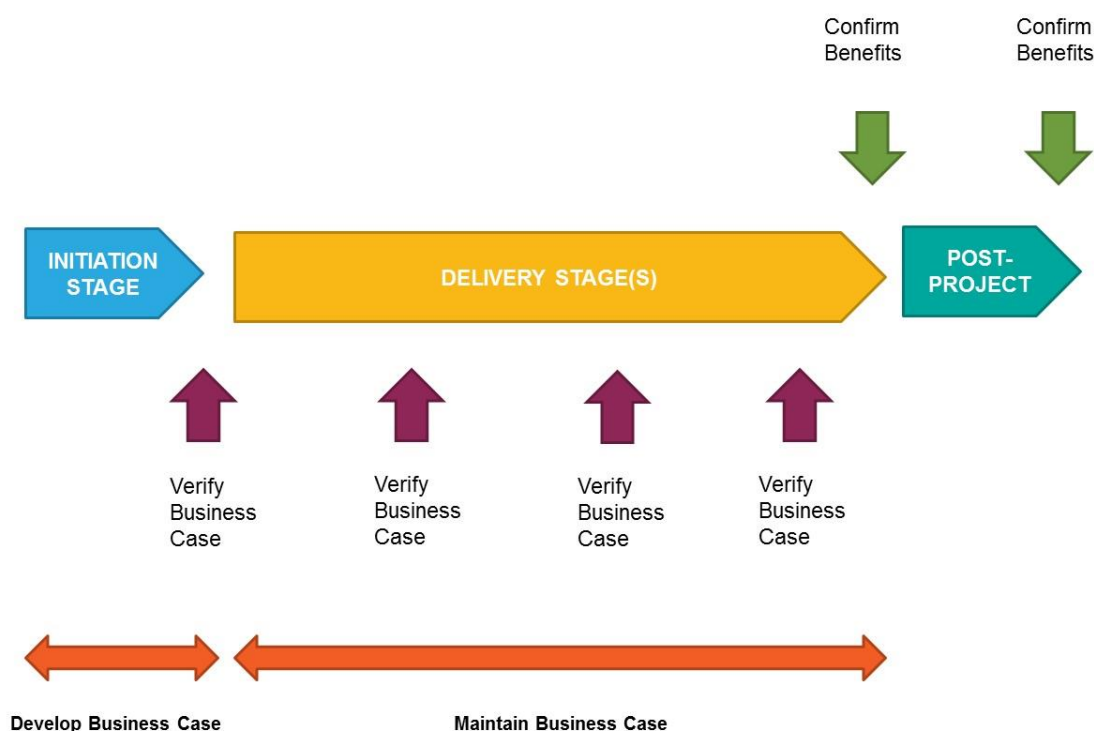
Section 2 Reason for Project

2.1 Why is the Project Needed?

2.1.1 The Purpose of the Project

The purpose of this Business Case is to establish whether the project is **desirable**, taking into account the cost/risk/benefits balance; **viable**, in terms of the project's ability to deliver the product; and **achievable**, by determining whether the product will provide the benefits.

The Business Case will not be a static document. It is used to gain the commitment and funding to the project. A key requirement will be to actively maintain and continually update it with current information on costs, risks and benefits. The Business Case will be reported back to Cabinet at the appropriate gateways during the delivery stage.



The Council's environmental services are currently delivered by Enterprise Management Services Ltd (EMS) / Amey plc (Amey). The contract with EMS/Amey is due to expire on 3 June 2018.

The majority of the services represent statutory functions that the Council must deliver, therefore the reason for the project is primarily driven by statutory responsibilities that the Council must discharge.

The identification of the need for this project is also driven by the acknowledgement that the future delivery of the environmental services will require an increased annual budget to reflect the anticipated specification and quality standards for these services.

2.1.2 What the Project is Aiming to do

The project aims to:

- (1) identify the most suitable commissioning option for the delivery of the environmental services post 3 June 2018 (the conclusion of the options analysis is presented in section 2.3);
- (2) implement the selected commissioning option to ensure that the environmental services continue to be delivered to customers without disruption once the current contract expires (section 3 describes the key principles that will support the implementation of the selected option, section 4 describes how the project will be implemented and section 5 outlines the proposed governance); and
- (3) support and link to relevant aspects of the Corporate Plan 2016-2020, Securing Northampton's Future (section 2.2, business justification).

2.2 Business Justification

2.2.1 Corporate Plan

The project aims to support and link to relevant aspects of the Corporate Plan 2016-2020, Securing Northampton's Future.

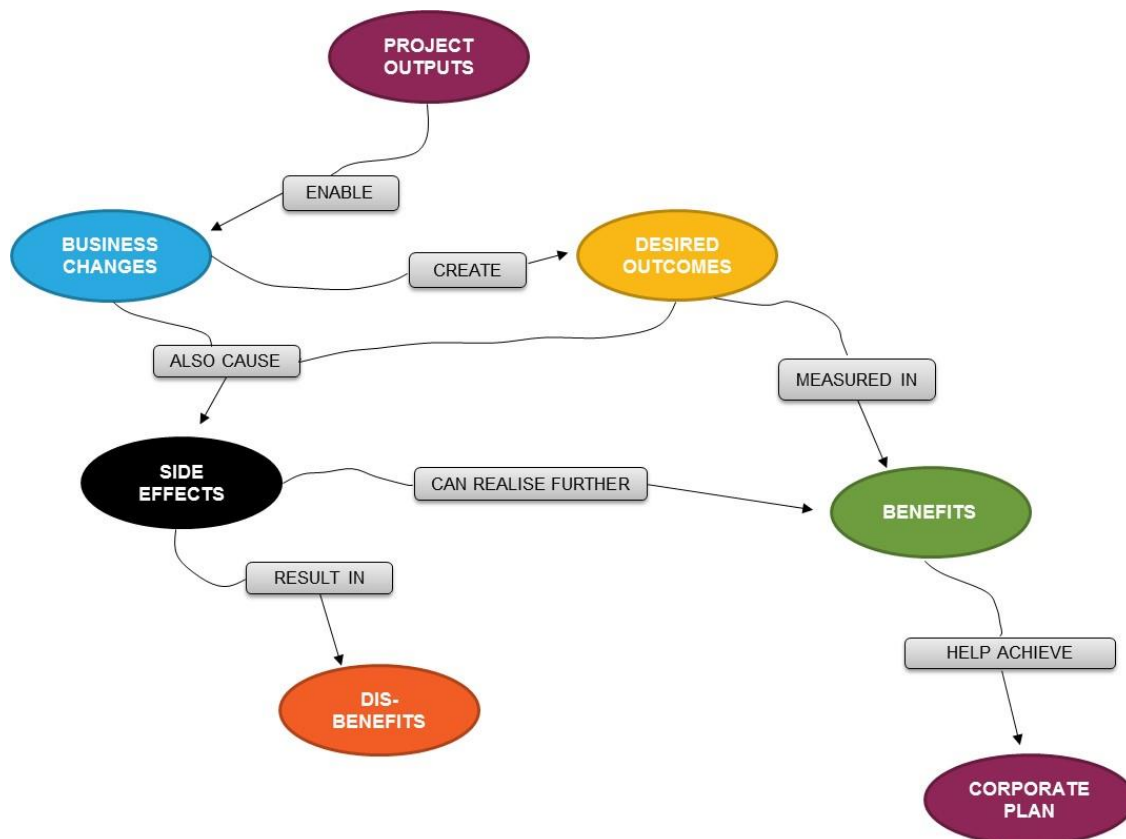
The priorities and outcomes are identified in the following table. The outcomes will influence the overarching procurement principles and the design of the contractual documentation that will be produced at the start of the procurement stage. Similarly, these outcomes enable the identification and management of the project's benefits that will be delivered during the contract management stage.

Theme	Priority	Outcome	Commitments
(1) Protecting Our Environment	A clean and attractive town for residents and visitors	Northampton to be kept clean and litter free with well-maintained green spaces	(a) Maintain high standards in our parks and green spaces and aim for Green Flag awards
			(b) Review environmental services and waste contract to ensure the best service for the people of Northampton
			(c) Commit to town centre cleaning regime
			(d) Zero-tolerance to fly-tipping and dog fouling
			(e) Support residents wanting an allotment
			(f) Have wide range of events in all parks
(2) Love Northampton	Enhancing and encouraging participation	Northampton to have a great community spirit, with people [...] taking pride in Northampton, its	(a) Support and encourage volunteering

Theme	Priority	Outcome	Commitments
		environment and its communities	
(3) Working Hard and Spending Your Money Wisely	Delivering quality modern services	Ensure the Council is economic, efficient and effective	(a) Consider application of Living Wage commitment in future contracts
			(b) Support apprenticeship schemes

2.2.2 Project’s Outcomes and Benefits

The graph below outlines the golden thread that will allow the project to deliver the priorities and the objectives in the Corporate Plan.



The following table outlines how the outcomes and the potential benefits will contribute to the delivery of the corporate plan. As the outcomes and the benefits will only be realized at the end of the project, the Business Case will be reviewed and maintained on an ongoing basis to ensure that they remain relevant and consistent.

Outcome	Potential Benefit	Corporate Plan
New provider secured through competitive procurement	Maximum value for money for the cost of the services and positive contribution to the Efficiency Plan	Ensure the Council is economic, efficient and effective
The requirements for the new contract set clear standards for the delivery of the street cleansing and grounds maintenance activities which have been negotiated and agreed during the procurement process	Northampton is attractive to residents and visitors because it is kept clean and there is a safe environment	Northampton to be kept clean and litter free with well-maintained green spaces
The requirements for the new contract deliver a solution for the waste collection service which enables flexibility and maximum value for money	Flexibility over the life of the contract to manage service changes successfully and efficiently	Ensure the Council is economic, efficient and effective
The requirements for the new contract place the customer at the centre of service delivery with a focus on creating a strong local identity and brand	Local communities are resilient and participate, where relevant, to the delivery of services	Northampton to have a great community spirit, with people actively [...] taking pride in Northampton and its environment [...]
The requirements for the new contract set adequate expectations for monitoring and performance management	The provider is held to account by the client team and has adequate resources to rectify poor performance	Ensure the Council is economic, efficient and effective

2.3 Business Options

2.3.1 Current Business Operating Model

NBC and DCC formed a partnership and entered a joint contract with EMS/Amey in June 2011. The services described in section 3.5 are currently included in the scope of the contract.

The contract is monitored on behalf of both authorities by the Partnership Unit, hosted by NBC. The Partnership Unit consists of two officers, employed by NBC.

EMS/Amey has an Account Director, who also acts as Contract Manager. There is a dedicated management team based in Northampton, with sole responsibility for delivering the services to Northampton customers.

The current total cost of the environmental services contract is £6.9 million per year. This includes both the annual contract cost and additional payments that the Council incurs, including payments toward staff pension costs and pension deficit lump sum payments that relate to transferred staff.

2.3.2 Options Analysis

This section describes the options analysis. High-level cost breakdowns for each option are detailed in Appendix 1³.

Do Nothing – continue as is	Option overview
Do nothing	The option of “Do Nothing” was considered and rejected. The environmental services contract includes statutory services that the Council has a duty to discharge. The services are currently delivered as part of a contract with DDC and EMS/Amey, so the option of Do nothing is not a viable consideration for this project.

Alternative Option (1)	Option overview
Extension of the current contract	The option of “Extending the Current Contract” beyond June 2018 for another seven years was considered and rejected. The extension is only possible where the three parties agree to such arrangement and DDC took the decision not to extend the contract with NBC and EMS/Amey in early 2016, therefore this option is not a viable consideration for this project.

Alternative Option (2)	Option overview
Local Authority Company (LAC) service delivery option	The option of “Delivering the services through a LAC” beyond June 2018 was considered and taken forward for additional analysis.

Alternative Option (3)	Option overview
In-sourcing service delivery option	The option of “In-sourcing the services” beyond June 2018 was considered and taken forward for additional analysis.

³ Note that this Appendix is not published with the Business Case, as it contains commercially sensitive information and is therefore available as a confidential background paper to Members of the Council under the guidance of the Borough Secretary.

Alternative Option (4)	Option overview
Contracting Out service delivery option	The option of “Contracting Out the services” beyond June 2018 through a procurement process was considered and taken forward for additional analysis.

The potential for developing a shared service model for the delivery of the environmental services was extensively explored over the past year. Consideration was given to joint working either via joint procurement (similar to the current joint arrangement with DDC) or by joining an existing LAC. However none of these options could be pursued further in the Business Case. Officers could not identify a potential partner as interest did not go beyond the initial feasibility discussions. Similarly extensive engagement with Northamptonshire County Council (NCC) took place over many years, and until very recently. The vision was to create an ‘end to end’ process for waste collection and disposal, as this option may have had the potential to achieve cost reductions and service improvements for both councils. This option was also not taken forward into the Business Case, as it was not possible to make progress with the development of the vision.

2.3.3 Recommended Option

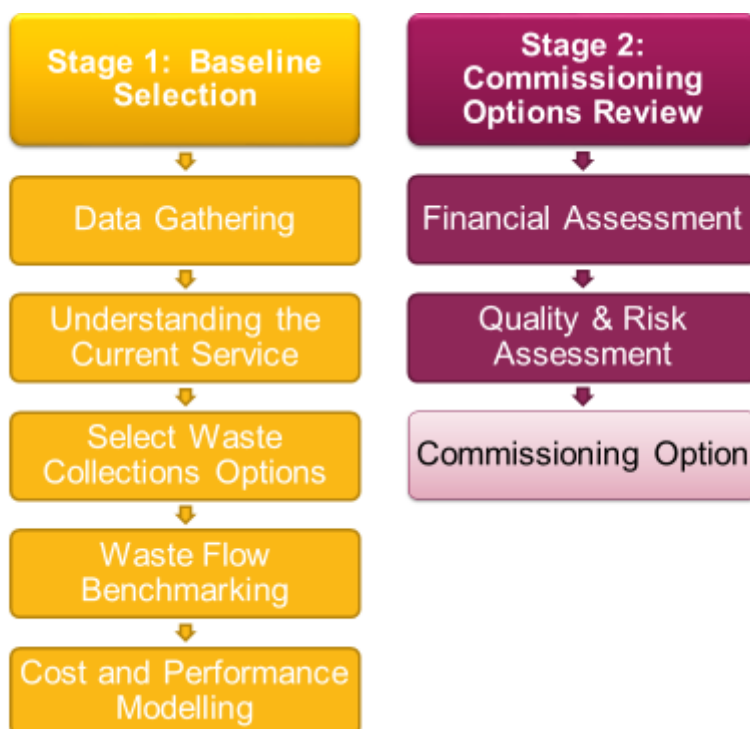
The Council appointed Eunomia Research & Consulting Ltd (Eunomia) to carry out the detailed review of the three commissioning options shortlisted from section 2.3.2:

- (1) LAC option
- (2) In-sourcing option
- (3) Contracting Out option

The consultants undertook a detailed commissioning options analysis and the findings were presented to Cabinet at the meeting on 16 November 2016⁴.

The following paragraphs describe the methodology used during the commissioning options review and the graph below outlines the modelling stages.

⁴ The Executive Summary of the consultants’ report was published in Appendix 1 to the Cabinet Report. (<http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=528&MId=8147&Ver=4>) The full report contained commercially sensitive information and was therefore a confidential background paper available to Members of the Council under the guidance of the Borough Secretary.



Stage 1: Baseline Selection

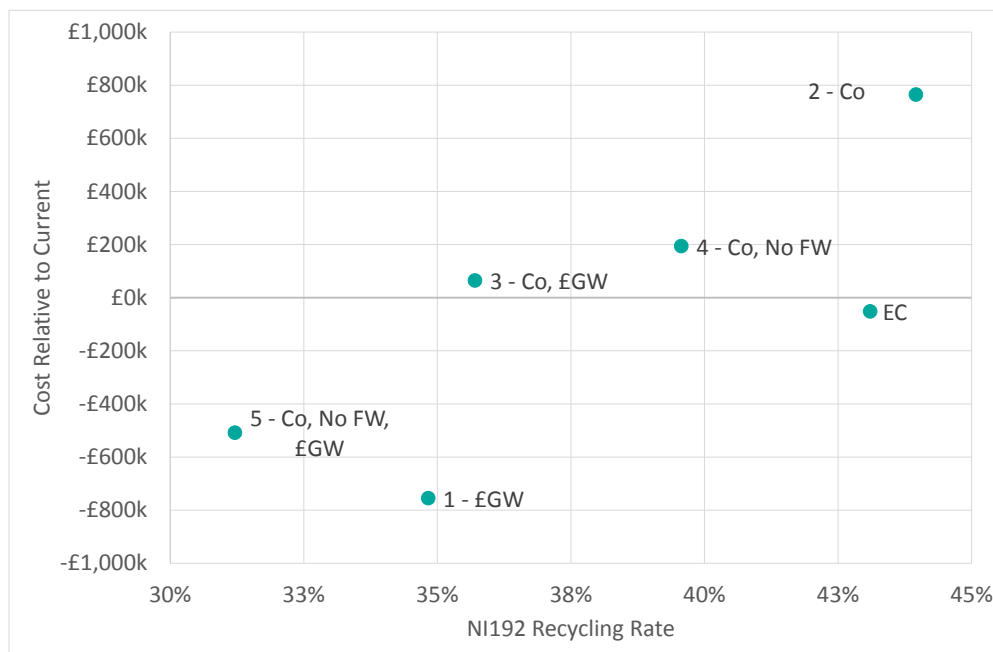
The output of this stage determined the selection of the service baseline for the waste collection service to be used as an input into the commissioning options stage. Whilst this stage may ultimately inform the decision as to which collection system should be implemented, the objective of this stage was limited to providing a realistic service baseline against which the commissioning options could be compared.

The waste collection options selected for the initial modelling are outlined in the following graph.

	Current	Enhanced Current	1 (KS £GW)	2 (Co)	3 (Co £GW)	4 (Co, No FW)	5 (Co, No FW, £GW)
Dry Recycling	Weekly Kerbside Sort 			Fortnightly Co-mingled Wheelie Bin or Weekly Co-mingled Boxes 			
Food Waste	Weekly 			No Service			
Garden	Free 	Charged 	Free 	Charged 	Free 	Charged 	Charged
Residual Waste	Fortnightly 240 L Wheelie Bin or Weekly Limited Sacks 						
	Current	Enhanced Current	1 (KS £GW)	2 (Co)	3 (Co £GW)	4 (Co, No FW)	5 (Co, No FW, £GW)

Following the waste flow benchmarking and cost and performance modelling, the project team selected the Enhanced Current waste collection service option as the baseline option for the commissioning options analysis.

The comparison of cost and recycling performance of the options against the current service are outlined in the following chart.



The assumptions for the street cleansing and grounds maintenance services were that the analysis undertaken in the Target Operating Model (TOM)⁵ was sufficiently robust and therefore those assumptions would be carried forward as inputs to the commissioning options modelling.

It is important to stress that the objective of this stage was limited to providing a realistic service baseline against which the commissioning options could be compared. The purpose of this stage was not to identify the budget requirements for the environmental services post June 2018 or develop the service design for the environmental services post June 2018.

Stage 2: Commissioning Options Review

During the next stage of the options analysis, the consultants assessed the three commissioning options against the two primary criteria of: cost and quality/risk.

Cost Modelling

The consultants produced detailed financial models for each commissioning option, using data and a set of assumptions arising from industry experience.

The results of the cost modelling concluded that:

- the LAC option delivered the lowest modelled cost solution for running the environmental services;
- the Contracting Out option delivered a modelled cost that was approximately £400k higher per year than the LAC; and
- the In-sourcing option delivered a modelled cost solution which was marginally higher than the Contracting Out option.

⁵ The TOM is a model developed by the Council to enable risks to the continuity of the current environmental service contract to be mitigated.

Quality/Risk Assessment

The methodology used for the qualitative assessment of the commissioning options review was based on a risk assessment of criteria developed with officers and the members of the Cabinet Advisory Group. The quality and risk assessment concluded that:

- the Contracting Out option performed best in the risk assessment by some margin;
- the LAC option performed reasonably well in the risk assessment; and
- the In-sourcing option performed worse than the other options in the risk assessment.

Commissioning Option

The two criteria of cost and quality/risk were subsequently combined into a single 'score' using the weighting of:

- cost – 40%; and
- quality/risk – 60%.

The application of the weighting determined the overall ranking presented in the following table.

Criterion	Cost	Quality/Risk	Total	Rank
LAC	40	55	95	2
Contracted Out	39	60	99	1
In-Sourcing	38	52	90	3

The consultants' assessment concluded that Contracting Out is the recommended option for the project⁶, as this option is capable of delivering the 'best' balance of benefits and risks to the Council:

- a well understood solution with predictable implementation costs and timetable;
- the ability to transfer some significant financial risk to the selected contractor; and
- the opportunity to attract competition during the procurement process to secure best value and to deliver an innovative contract.

Officers developed the Cabinet Report seeking approval to select Contracting Out as the preferred commissioning option for the delivery of the environmental services from June 2018. Cabinet discussed the report at the meeting on 16 November 2016⁷ and approved the recommendations. Following call-in and the hearing at the Overview and Scrutiny Committee meeting on 29 November 2016⁸, Cabinet confirmed the decision to implement Contracting Out as the preferred commissioning option at the meeting on 7 December 2016⁹.

⁶ Although the LAC option did not emerge as the preferred commissioning option, it is clear that an existing LAC could bid for the opportunity to deliver the environmental services when the procurement starts.

⁷ <http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=528&MId=8147>

⁸ <http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=694&MId=8327>

⁹ <http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=528&MId=8146>

Section 3 Procurement Strategy

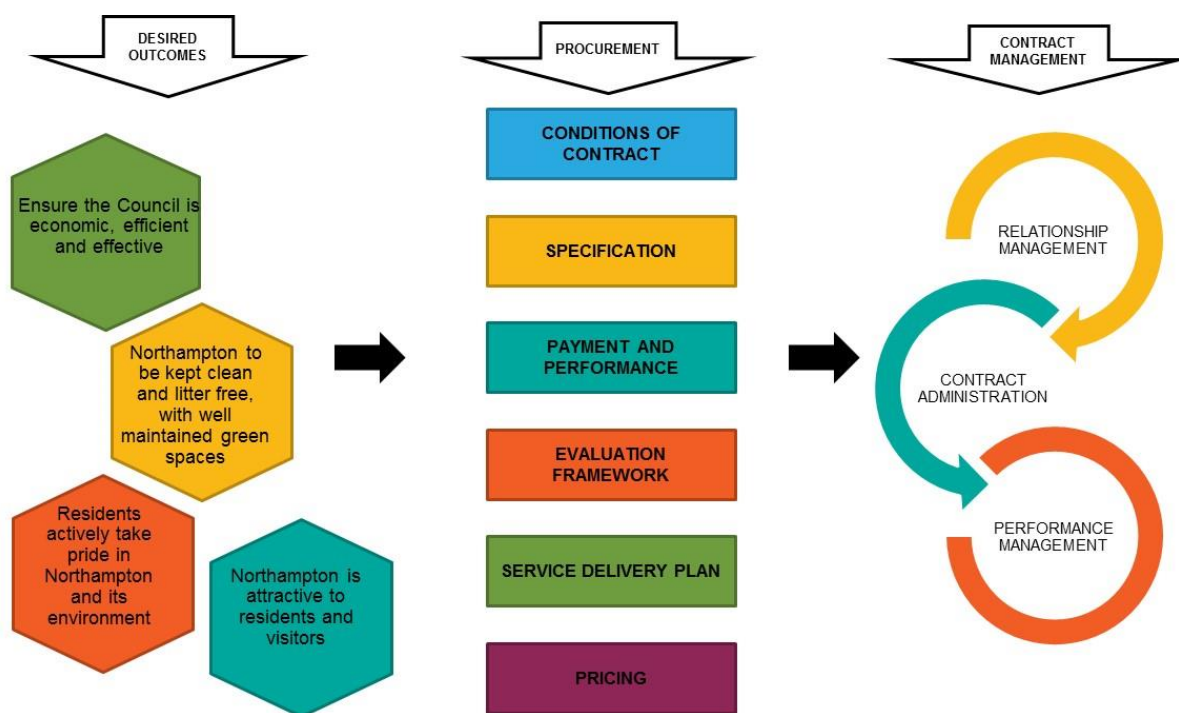
This section of the Business Case sets out the strategy and the principles that will be implemented during the procurement stage of the project.

Cabinet will consider the recommendation to implement this Procurement Strategy at the meeting on 11 January 2017.

3.1 Procurement Principles

Section 2.2 of the Business Case identifies the overarching outcomes and benefits that the project will aim to achieve and particularly how these will contribute to the delivery of relevant aspects of the Corporate Plan 2016-2020, Securing Northampton’s Future.

These outcomes will influence the design of the procurement and the contractual documentation that will be produced at the start of the procurement stage, as outlined in the following graph.



3.2 Single Borough Procurement

It is recommended that the project is delivered on the basis that the next environmental services contract will be a single borough contract.

NBC and DCC entered a partnership agreement with EMS/Amey on 20th April 2011 to deliver the current environmental services contract. The contract was entered for a period of seven years with an option to extend for an additional seven years, subject to the agreement of the three parties to the contract.

DDC decided against the extension to the contract early in 2016, therefore the option to extend the current contract is disregarded for the purposes of the NBC project.

Additional considerations which led to the recommendation of the single borough procurement are also included in section 2.3.2.

3.3 Contract Nature

It is recommended that the project is implemented on the basis that the next environmental services contract will continue to be delivered as one single package of services.

Reasons are as follows:

- Soft market testing: the Council engaged the market in a soft market testing exercise early in 2016. A total of 12 potential suppliers were invited to participate in the exercise which involved a written response to a structured questionnaire. One of the questions asked potential suppliers to express views on how the contract should be packaged in the event of an outsourced commission, either one contract covering the full range of services or a combination of lots. Most of the suppliers, primarily larger organizations, identified the single package as the preferred option, quoting lower costs through economies of scale, integration of services and reduced contract management requirements as reasons for their response. Conversely, smaller organizations identified the lot structure as the preferred delivery method, primarily because it would provide more opportunities to participate in the procurement process, and proposed a range of combinations of lots.
- Consultant report¹⁰: NBC engaged a consultant to undertake preliminary work to the commissioning options review stage (see section 2.3.3). The consultant assessed the single package of services option and a combination of six different configurations of lots. The consultant produced a traffic light matrix to assess the options against agreed assessment criteria and concluded that the single package of services was likely to deliver the greatest benefits to the Council, particularly in the Contracting Out commissioning option, as outlined in the following figure.

¹⁰ Environmental Services - Options Appraisal Report (May 2016)

		Efficiency / Synergies	Attractiveness to Bidders	Access for SME contractors	Contingency	Market Experience	Interface Risks	
		<p>Key</p> <p>Generally high/ good performance expected</p> <p>Generally moderate performance expected</p> <p>Generally low / poor performance expected</p>						
Individual Service Contracts		Red	Yellow	Green	Red	Yellow	Red	Opens the contract to smaller players, and potentially third sector suppliers. A wide range of possible bidders depending on the specific service in question. Fails to deliver cross service / integration efficiencies or potential contingency aspects. Greater contract management requirement & interface risks for multiple contracts than fewer, however some simplicity as regards focus for delivery by the contractor.
Contract Packaging options	1. Single 'Integrated service contract' (Collection + Street Cleansing + Grounds + Allotments / Cemeteries)	Green	Yellow	Red	Green	Yellow	Green	Minimises interface risks between services and maximises potential efficiencies. It enables strong staffing contingency in pinch points / emergencies. It has the potential to create a more complex contract management framework, and reduces the number of potential bidders for the work.
	2. Collection + Street Cleansing	Yellow	Green	Red	Green	Green	Yellow	Commonplace approach. Good synergies between the two services enables some efficiencies and potential staffing contingency where needed. A good number of bidders for this type of contract.
	3. Grounds + Allotments / Cemeteries	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Good synergies between services and small contract size means smaller companies could bid for the works. Does not benefit from the economies and efficiencies of linkage with street cleansing (e.g. parks waste).
	4. Street Cleansing, Grounds + Allotments / Cemeteries	Yellow	Green	Red	Yellow	Yellow	Yellow	Good synergies between cleansing and grounds maintenance and some capacity to provide staffing contingency across services. Wide range of bidders for this type of work, but no capacity to realise synergies and efficiencies between collection and cleansing.
	5. Collection and Grounds maintenance or Allotments / Cemeteries	Red	Yellow	Red	Red	Red	Red	No synergies between Collection and either Grounds or Allotments / Cemeteries. No real benefit in packaging these services.
	6. Street Cleansing and Grounds	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Good synergies between cleansing and grounds maintenance and some capacity to provide staffing contingency across services. Wide range of bidders for this type of work, but no capacity to realise synergies and efficiencies between collection and cleansing.
	7. Street Cleansing and Allotments / Cemeteries	Red	Yellow	Yellow	Red	Yellow	Red	Some, but limited synergies between Cleansing and Allotments / Cemeteries. Limited benefit in packaging these services alone.

- Council's priorities and desired outcomes: the following table summarizes the key considerations that led to the recommendation that the single package of services has the potential to deliver the Council's priorities and outcomes more effectively.

Factors	Considerations	Single Lot	Multiple lots
Attractiveness to Bidders	Both options have the potential to attract bidders. The multiple lots option has the potential to attract smaller organizations which are often unable to bid for contracts of this scale. This issue can be overcome, to a certain extent, by allowing sub-contracting and/or groups of economic operators to bid for the opportunity, as well as promoting the development of the local supply chain. A disadvantage of the multiple lots option is that the value of the contracts would be significantly reduced and this could make the opportunity less attractive to bigger organizations.	✓	✓

Factors	Considerations	Single Lot	Multiple lots
Service Delivery	The single lot option has the potential to minimize demarcation inefficiencies and interface risks at the point of delivery and overall can promote a stronger local brand and increased accountability.	✓	
Economies of scale	The single lot option, particularly in the context of the Contracting Out commissioning option, has the potential to deliver economies of scale compared to the multiple lots option. In particular, the multiple lots option would require separate operational and contract management structures which could increase costs to both parties.	✓	
Contingency	The single lot option has the potential to provide additional contingency to the contracting authority, particularly for its ability to enable stronger staffing and assets co-ordination in the event of operational failures.	✓	
Resilience	To the extent that the authority is placing its trust in a single provider under the single lot option, it could be argued that the multiple lot option could give rise to further resilience due to the participation of multiple suppliers in the arrangements. However, a procurement process that adequately analyses the robustness of the financial strength of a single provider and mitigates against this risk in the conditions of contract means that both options are viable.	✓	✓
Market Experience	There is experience of delivering environmental services contracts using both options.	✓	✓

In accordance with Regulation 46 (Division of contracts into lots) of the Public Contracts Regulations 2015, the legal advisers will provide the justification for the reasons for the decision not to subdivide the contract into lots.

3.4 Contract Length

It is recommended that the project is implemented on the basis that the next contract length will be for an initial term of 10 years, followed by the ability to extend for up to a further 10 years, the duration of the extension may range from 1 year to 10 years, with no lower or upper limit to the number of extensions that the Council can arrange, subject to not exceeding the maximum possible length of 20 years. The flexibility built into the extension provisions offers an opportunity to the Council to adapt to future service changes and technological advancements, innovation and financial pressures, taking into account the contractor’s performance and the council’s strategy at the point of contract extensions.

The following table summarizes the key considerations that led to the recommendation on contract length.

Factors	Considerations	5 years	7 years	10 years
Vehicles	Vehicles are likely to represent the most significant area of capital investment and asset value realisation is a key consideration for the selection of the contract length. Longer contract terms will allow more time to efficiently recover the capital investment required.		✓	✓
Lifespan of assets	The lifespan expectation of refuse vehicles is now longer than the “historical” 7 years that the market and contracting authorities have used in the past, as a result of improved vehicle specifications, more adequate maintenance regimes, vehicles not driving over irregular terrain (i.e. landfill sites). Although 10 years is the maximum ceiling that should be considered, it is becoming more common practice for contracting authorities to consider contract lengths of between 8 and 10 years.			✓

Factors	Considerations	5 years	7 years	10 years
Assets replacement cycle	Most of the street cleansing and grounds maintenance assets tend to be depreciated over a five year period, therefore a 10 year contract would allow two complete cycles of depreciation.			✓
Attractiveness to the market	Officers engaged providers in a soft market testing exercise early in 2016. Most organisations, particularly larger organisations participating in the exercise, favoured a contract length of 10 years, as this period allows efficient recovery of the capital investment that will be required.			✓

3.5 Scope of the Services

It is recommended that the services within the scope of the current environmental services contract continue to be included within the next contract.

The OJEU notice and the procurement documents will be developed using this key consideration.

The full list of services in the scope of the contract will be:

- (1) Household Waste Collection Services: residual waste collection, dry recycling waste collection, food waste collection, garden waste collection, bulky waste collection, clinical waste collection
- (2) Hazardous Waste Collection Service
- (3) Street Cleansing Services: mechanical and manual street sweeping, fly tipping removal, graffiti removal, fly posting removal, litter bin emptying, litter picking, weed spraying
- (4) Public Conveniences Services: opening, closing and cleaning
- (5) Grounds Maintenance Services: grass cutting, shrub/hedge maintenance, litter picking, litter bin and dog waste bin emptying, winter and summer flower beds and hanging baskets maintenance
- (6) Parks Services: sports pitches maintenance, play equipment inspections
- (7) Allotments Services: management
- (8) Cemeteries Services: management and maintenance

- (9) Trees Inspection and Maintenance Services: trees in HRA open space, parks and open spaces
- (10) Customer Services
- (11) Communications and Education
- (12) Materials management

There are also services which the Council and, where relevant, its partners may decide to deliver differently as part of the next contract and a decision about those services will be taken during the course of the procurement stage. It is important to stress that the inclusion or exclusion of these services from the scope of the contract will not affect the project's success. These services are as follows:

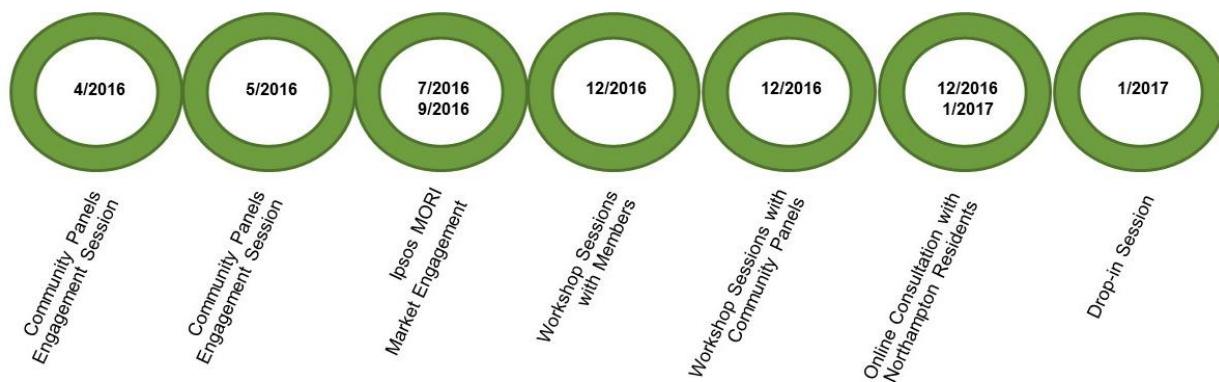
- (1) Services for which the Council and NCC have agreements in place, namely tree maintenance, grass cutting, weed spraying and shrub maintenance on highway land;
- (2) Services delivered to Northampton Partnership Homes (NPH), namely grass cutting, litter picking, shrub maintenance and other activities on council tenants' gardens;
- (3) Establishing whether parish councils could assume responsibility for aspects of grounds maintenance services as part of the next contract and the implications of this decision on the services specification;
- (4) Ancillary services which the Council may consider for inclusion within the scope of the contract, such as: maintenance and repair of play equipment facilities, delivering an enhanced tree maintenance service, managing the booking system for sports facilities, bloom management, grounds maintenance activities in community centres, commercial waste service, and support to the Council's enforcement functions.

Progress will be reported to Cabinet at the key gateways during the delivery of the procurement, as indicated in section 4.7.

Environmental services are not delivered on private land (except where listed explicitly in previous sections), so the scope of the services is limited to the public realm and the public place.

3.6 Key Elements of Service Design

Officers will develop the technical and services specification following endorsement of this Business Case at the Cabinet meeting on 11 January 2017 and prior to the publication of the OJEU notice in February 2017. This will also ensure that the results of the engagement with residents and members, which is currently undergoing, informs the detailed design of the specification. The following graph outlines the extensive programme of engagement that officers have designed and implemented as part of the project.



It is also recommended that the specification is designed so that it focuses primarily on the outcomes and the desired aspirations for the services and that input requirements are limited to a small number of areas or services. This will ultimately ensure that innovative solutions from the market can be considered and appraised accordingly. Furthermore, the considerations in section 3.7, which support the choice of the procurement procedure, provide the rationale for ensuring that the technical specification continues to evolve and be refined during the procurement stage.

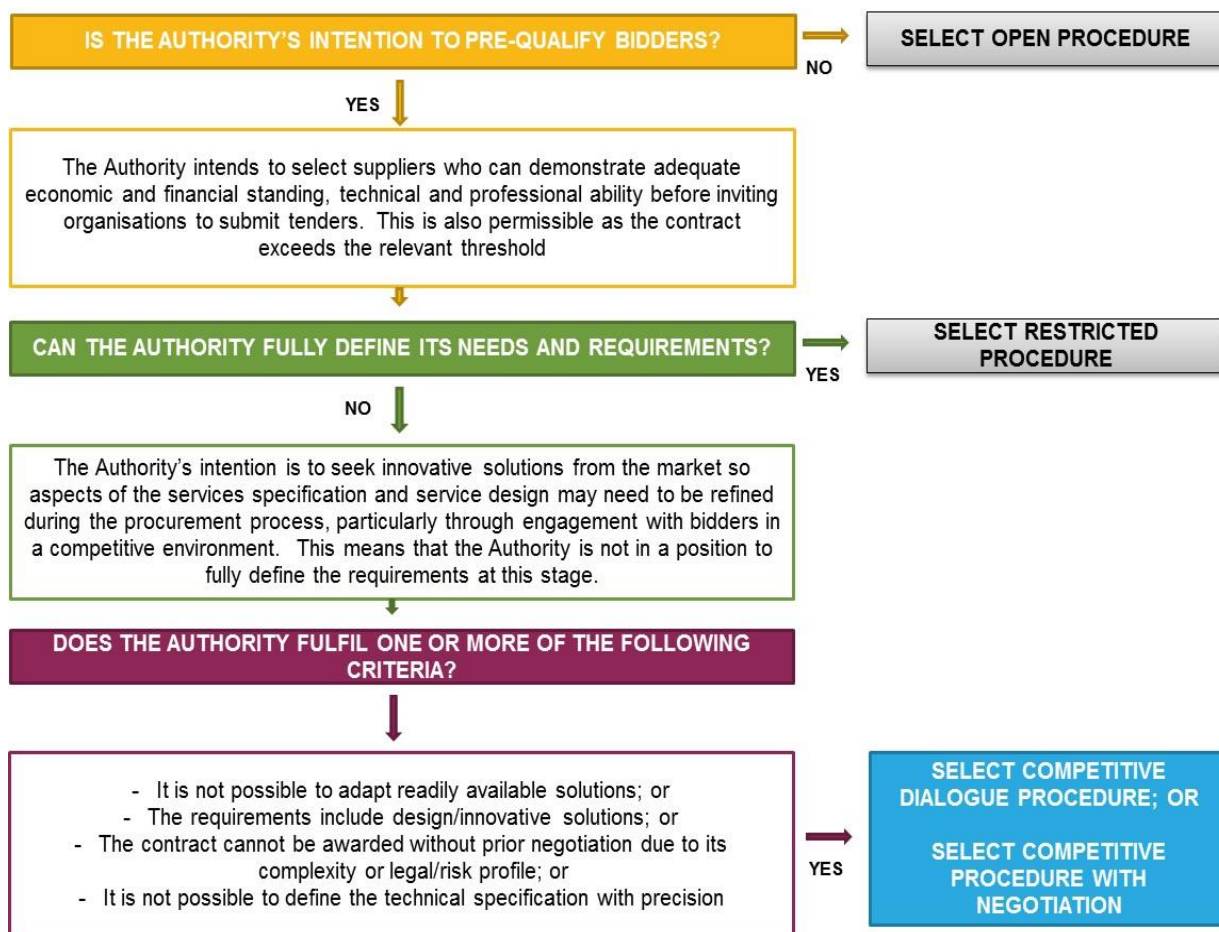
3.7 Procurement Procedure

It is recommended that the Competitive Procedure with Negotiation (CPN) is chosen as the procurement procedure for the delivery of the project.

The following graph describes the process (and the rationale) that officers followed to select the procurement procedure in accordance with Regulation 26 (Choice of Procedures) of the Public Contracts Regulations 2015¹¹.

The graph shows that officers considered and didn't take forward the Open and Restricted Procedures and that the Competitive Dialogue (CD) and CPN were shortlisted for further analysis.

¹¹ Please note that the use of the Innovation Partnership Procedure (Regulation 31 of the PCR 2015) was excluded from the decision tool, as this is a procedure applicable to circumstances where the contracting authority's requirements are for the research and development of an innovative product, services or works that cannot be supplied by the current market.



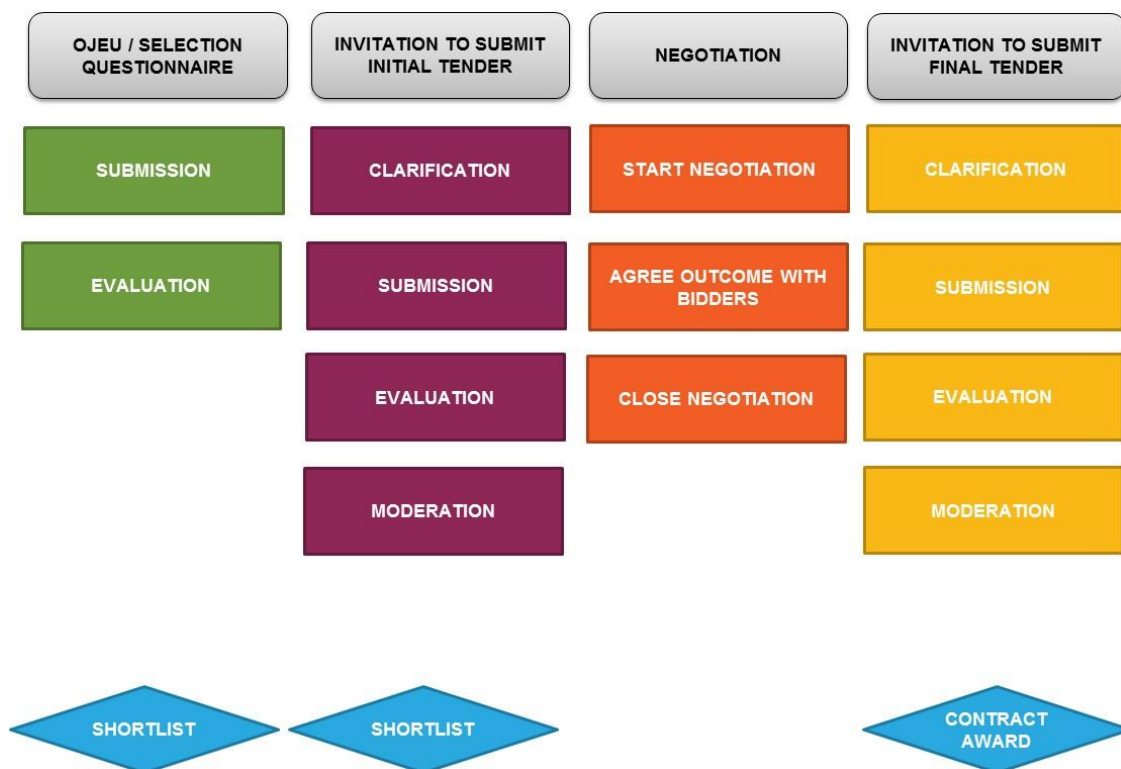
The following table outlines the additional considerations which led to the recommendation that the CPN procedure should be selected as the preferred procedure for the implementation of the Contracting Out option. In accordance with the requirements of Regulation 84 of the Public Contracts Regulations 2015, the Council's legal advisers will record and formally document the circumstances laid down in Regulation 26 which justify the use of the CPN procedure.

Factors	Considerations	CD	CPN
Time	<p>Both procedures envisage successive stages of negotiations to reduce the number of solutions before reaching final tender stage.</p> <p>Officers consider that the CPN procedure is capable of delivering the needs of the Council within a more condensed timeframe than the CD procedure. This is particularly relevant in the context of the Council's need to have adequate timeframe for the mobilisation stage. Reasons are as follows:</p> <ul style="list-style-type: none"> - The CPN procedure can deliver the same results through fewer successive stages of negotiation than the CD procedure. - The CPN procedure includes a provision for the Council to award the contract on the basis of the initial tenders without negotiation. - The CPN procedure optimizes the stages between evaluation of final tenders and contract award, as it does not allow negotiation after receipt of final tenders. 		✓
Quality	<p>Both procedures are elected by contracting authorities when the technical specification cannot be defined with precision and when the requirements will include innovative solutions which can only be delivered with the input of the market.</p>	✓	✓

Factors	Considerations	CD	CPN
Cost	<p>Members approved a total budget of up to £400,000 at the meeting on 16 November 2016¹². Robust budget monitoring will be in place through the application of adequate project governance and control. Officers developed the budget requirement based on input from industry experts who have also advised that the CPN procedure can deliver the same results but at lower cost than the CD procedure. It is important to note that the CPN procedure can reduce costs to bidding organisations as well, potentially increasing market interest for this project.</p>		✓
Scope	<p>The scope of the environmental services to be procured is the same regardless of the procedure selected.</p>	✓	✓
Benefits	<p>The benefits arising from the project are not dependent on the selection of the procurement procedure.</p>	✓	✓
Risk	<p>Officers have analysed both procedures in terms of risk and concluded that the CPN procedure offers advantages in the following risk areas:</p> <ul style="list-style-type: none"> - Market competition: the CPN procedure can cost less than the CD procedure to both the contracting authority and bidding organisations - Timeframe: the CPN procedure can be delivered within a shorter timeframe than the CD procedure. 		✓

The following graph shows how the consecutive stages of the CPN procedure will be implemented. Additional information about the implementation milestones is provided in section 4.7 and Appendix 2.

¹² <http://www.northamptonboroughcouncil.com/ieListDocuments.aspx?CId=528&MId=8147&Ver=4>



3.8 Negotiation Strategy

A critical success factor to the project will be the development and implementation of an appropriate negotiation strategy.

The Council could reserve the right to award on the basis of the initial tenders without negotiation, and this would be made clear in the OJEU contract notice, however, in the event that the Council is unable to identify a solution which meets its needs and minimum requirements following evaluation of initial tenders, the Council would use the negotiation stage to refine aspects of the technical specification, agree with bidders the most appropriate risk profile and refine other legal matters.

The negotiation strategy will be developed in due course during the procurement stage of the project, but it is likely to include:

- Dry recycling collection system
- Materials Management
- Procurement of vehicles and containers
- Depots
- Payment and Performance
- Partnership
- Pensions
- Change mechanism
- Risk and benefit share

Section 4.7 and Appendix 2 clarify that Cabinet will receive regular updates during the negotiation period.

3.9 Contract Award Criteria

In accordance with Regulation 67 (Contract Award Criteria) of the Public Contracts Regulations 2015, the Council will base the award of the contract on the most economically advantageous tender assessed from the point of view of the contracting authority.

Officers have considered alternative options and recommend that the contract award criteria is on the basis of price and quality and that these are equally weighted. Officers also recommend that the weighting to be applied to the contract award criteria stays the same at both invitation to submit initial tender (ISIT) stage and invitation to submit final tender (ISFT) stage. The following table sets out the tier 1 level of the contract award criteria for the project.

Tier 1 Level of Criteria	Weighting to apply at ISIT	Weighting to apply at ISFT
Price	50%	50%
Quality	50%	50%

Officers will produce the procurement documentation, including the detailed evaluation framework, following approval of the Procurement Strategy by Cabinet at the meeting on 11 January 2017. The evaluation framework will set out the detailed sub-criteria levels for price and quality.

The following table outlines the considerations which led to the recommendation that price and quality should be equally weighted.

Factors	Considerations	Price > Quality	Price < Quality	Price = Quality
Local priorities	The local aspirations, as far as we understand from the engagement activities undertaken so far, are that the quality standards of the next contract must improve compared to the standards of delivery of the current contract.		✓	✓

Factors	Considerations	Price > Quality	Price < Quality	Price = Quality
Efficiency Plan	The Council faces a difficult financial outlook. The procurement of the environmental services contract must contribute to the savings identified in the Efficiency Plan.	✓		✓
Choice of Procedure	It would be difficult to change the relative weightings between quality and price from the initial to the final tender stage. Officers recognized that an equal weight between the two components of quality and price would send the right signals to the market about the need to improve the quality standards of the services and the need to deliver maximum value for money.			✓
Market	Officers consider that there is an ample market for the provision of these services and as such equal weight between quality and price does not preclude the authority from achieving competitive tension from the procurement and therefore securing maximum value for money for residents.			✓

Section 4 Project Implementation

4.1 Delivering the Project

This section of the Business Case sets out how the project will be implemented and will act as the reference document that the programme board will use to ensure that the project has clear definition, direction and that it provides evidence of what it seeks to achieve.

This section of the Business Case will be used as a reference:

- when a major decision is taken about the project;
- at the end of key gateways during the project life cycle; and
- at the conclusion of the project to measure whether it delivered the benefits and outcomes.

4.2 Key Business Objectives

The key business objectives of the project are described in the following table.

Key Business Objectives	What the Objective will achieve and Contribution to the Corporate Plan	When the Objective will be achieved	Why it is important to achieve the Objective
Design and implement a successful procurement project	This objective will ensure that the Council meets the following commitment in the Corporate Plan: Review environmental services and waste contract to ensure the best service for the people of Northampton	June 2018	Procurement activities are highly regulated and it is important that the Council delivers a best in class solution to avoid legal challenges arising from the procurement process
Design and procure a contract for NBC which creates an attractive, clean and safe environment	This objective contributes to the following priority in the Corporate Plan: A clean and attractive town for residents and visitors	June 2018	This key business objective is delivered through the following commitments in the Corporate plan: <ul style="list-style-type: none"> - maintenance of high standards in parks and green spaces - commitment to town centre cleaning regime zero-tolerance to fly-tipping and dog fouling

Key Business Objectives	What the Objective will achieve and Contribution to the Corporate Plan	When the Objective will be achieved	Why it is important to achieve the Objective
Design and procure a contract for NBC which provides quality services that represent value for money and are affordable	This objective contributes to the following priority in the Corporate Plan: Working Hard and Spending Your Money Wisely	June 2018	This priority of the Corporate Plan is particularly important for the project, as the current forecast predicts that the next environmental services contract will cost more than the current contract, therefore the Council will need to evidence that it is delivering value for money services
Design and procure a contract for NBC which delivers services safely, respecting the needs of people and the environment	The objective will ensure that NBC meets its statutory requirements, including Health and Safety, Equality considerations, Environmental Protection	June 2018	Most of the services included within the scope of the contract represent statutory functions that the Council must deliver
Design and procure a contract for NBC which places the customer at the centre of service delivery	This objective contributes to meeting relevant aspects of the Love Northampton priority area of the Corporate Plan	June 2018	A key outcome of the Corporate Plan is to create a community spirit where people take pride in their environment. The procurement of the environmental services contract offers a great opportunity to encourage and enhance participation and support by local residents and communities.
Design and procure a contract for NBC which delivers and meets quality standards from day 1	This objective contributes to the following priority in the Corporate Plan: A clean and attractive town for residents and visitors	June 2018	A key outcome of the project is to ensure that the mobilisation timetable is safeguarded and that the contractor has enough time to prepare for the start of the new contract

Key Business Objectives	What the Objective will achieve and Contribution to the Corporate Plan	When the Objective will be achieved	Why it is important to achieve the Objective
Design and procure a contract for NBC which effectively utilizes the results of the extensive engagement with members and communities to design the services specification and the negotiation strategy	This objective will ensure that the Council meets the following commitment in the Corporate Plan: Review environmental services and waste contract to ensure the best service for the people of Northampton	June 2018	The administration placed community engagement at the heart of service design. The results of the consultation with residents and stakeholders (currently underway) will be analysed and considered during the development of the services specification in the context of delivering quality modern services and ensuring affordability
Design and procure a contract for NBC which effectively manages the lessons learnt from the current contract and considers the most appropriate balance in risk management	This objective will ensure that the Council meets the following commitment in the Corporate Plan: Review environmental services and waste contract to ensure the best service for the people of Northampton	June 2018	Lessons learnt from the current contract will be analysed and will inform the development of the contractual and procurement documentation so that going forward the council avoids the issues it faces with the current contract. The risk analysis undertaken during the commissioning options review will also be reviewed at key gateways to confirm the choice of commissioning option.

4.3 Key Measures

The measures that will be used to track the success of the project will be as follows:

- (1) cost: Members approved an implementation budget to be funded from the 'Delivering the Efficiency Plan' reserve to implement the Contracting Out commissioning option. Programme board will review progress as part of the monthly highlight reports or exception reports. The project manager, in agreement with the project sponsor, will follow due process to instigate change requests.

- (2) quality: adequate quality control functions will be in place. LGSS already provides this function as part of the monthly highlight report submission and this responsibility could be enhanced with in depth reviews at key gateways during the project life cycle.
- (3) effectiveness: the project implementation timetable in section 4.7 and the people resource plan in section 4.8 will be used to monitor progress toward achievement of the final product. Programme board will review progress as part of the monthly highlight reports or exception reports. The project manager, in agreement with the project sponsor, will follow due process to instigate change requests.

4.4 Constraints

The key constraints that we are aware of at this stage of the project are:

- (1) Timetable: the project implementation timescale in section 4.7 and the detailed project plan in Appendix 2 outline the pressure and demands that will be placed on officers and advisers. Effective decision making will be required given the limited timetable. Programme Board will need to provide adequate leadership and direction and ensure that resources are deployed to the project effectively.
- (2) Development of the procurement documentation: this activity needs to take place over a limited period of time (between the approval of the Procurement Strategy by Cabinet in January 2017 and the publication of the OJEU in February 2017) with the input and engagement of many different stakeholders.
- (3) Data room: a separate workstream will be set up to ensure that the Council can offer reliable information and data to bidders during the course of the procurement.
- (4) Resources: programme board will be accountable to the success of the project and will have responsibility for ensuring that key resources are adequately deployed to support the project.

4.5 Dependencies

There are four main dependencies which will need to be resolved during the procurement stage of the project:

- (1) Establishing whether the services that NBC delivers for NCC as part of the current environmental service contract will continue to be in scope as part of the next contract.
- (2) Establishing whether the grounds maintenance services on NPH land will continue to be in scope as part of the next contract. Whilst the inclusion or exclusion of these services from the scope of the contract does not have a considerable impact on the contract value, it is important that NBC and NPH work collaboratively to implement a successful solution for both parties, so that a decision to exclude these services from the scope of the contract does not affect negatively NBC's procurement timetable.
- (3) Establishing whether parish councils could assume responsibility for aspects of grounds maintenance services as part of the next contract and the implications of this decision on the services specification.
- (4) Establishing how the service configuration for the recycling service affects materials management, the relationship with NCC and the financial implications on NBC.

4.6 Assessing Project Impacts

4.6.1 Equality Impact Assessment and Community Impact Assessment

A Full Equality Impact Assessment has been carried out for stage 1 of the project and in support of the selection of the preferred commissioning option.

An equality impact assessment has not been undertaken at this stage of the project, as there are aspects that will be influenced by the procurement exercise. In particular the following should be taken into account:

- equality considerations will be central to the development of the services specification; and
- equality considerations will be included in the contractual conditions with the external provider.

A Community Impact Assessment will be undertaken ahead of contract award.

4.6.2 Environmental Impact Assessment

The project has not undertaken an environmental impact assessment at this stage of the project life cycle. However this will be a central aspect of the procurement and evaluation process.

4.6.3 Staff Impact Assessment

The project has not undertaken a staff impact assessment at this stage. This will be completed during the course of the procurement process, as the impact will be dependent on the bidders' solutions.

4.6.4 Initial Risk Consideration

The current risk log is included in Appendix 3. Programme Board will review risks and provide direction with risk management on an ongoing basis.

4.6.5 Health & Safety Considerations

The Council has a duty to ensure that the health, safety and welfare of all persons who may be affected by the operations and activities performed by the future contractor are safeguarded. Health and safety considerations will be a central part of the contractual conditions and the development of the Council's requirements. This will include the requirement that the contractor keeps and maintains a plan for managing all aspects of health and safety relating to the services, including adopting safe working practices, having due regard to regulations, industry good practice guidance, working rules and legislation, and ensuring continuous improvement of health and safety standards to protect the contractor's personnel, third parties and the public.

4.7 Major Project Implementation Timescales

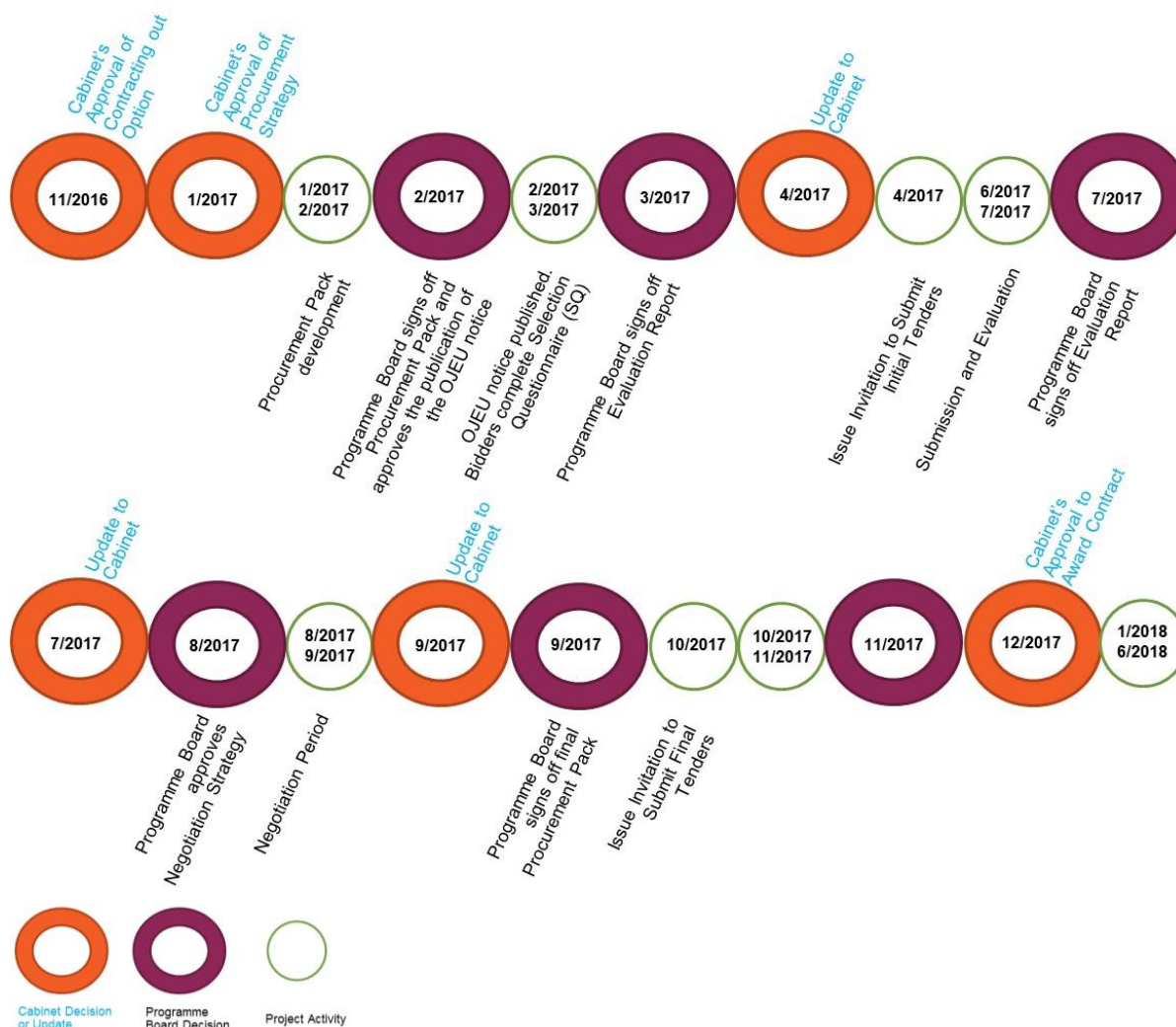
The project's preliminary implementation stages are described in the following graph. The detailed project plan is included in Appendix 2.

The project timetable has been developed on the assumption that Cabinet will make decisions at the following key gateways:

- November 2016: approval of the recommendation to implement the Contracting Out commissioning option;
- January 2017: consideration and approval of the Procurement Strategy and delegation of implementation of the procurement stage of the project to officers; and
- December 2017: consideration and approval of the recommendation to award the contract to the bidder selected through the procurement stage.

It is envisaged that Cabinet will receive regular progress updates during the procurement stage of the project and that these are likely to take place at the following stages:

- Spring 2017: between the conclusion of the selection stage and before invitation to submit initial tenders;
- Summer 2017: at the conclusion of the initial tender stage; and
- Summer 2017: at the conclusion of the negotiation stage and before invitation to submit final tenders.



4.8 People Resource Plan

The following table provides a high level outline of both the internal resources and the specialist resources required to deliver the project.

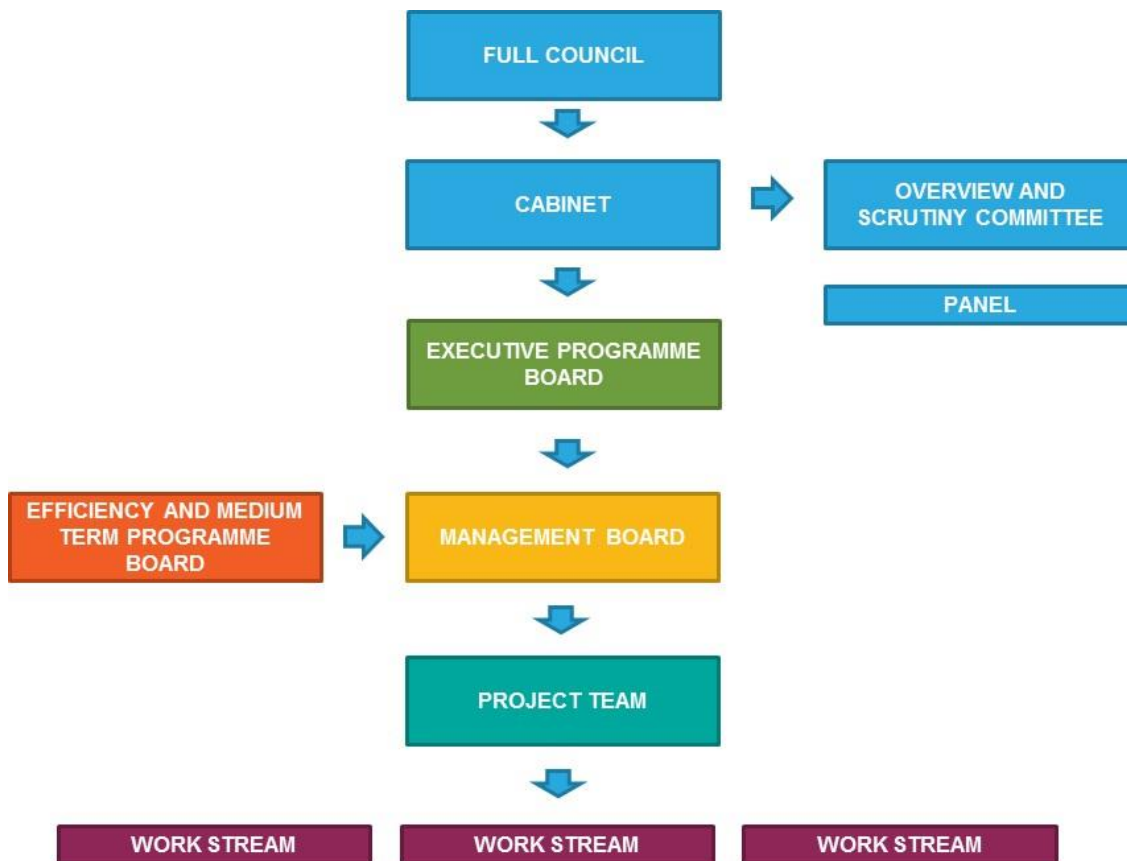
The programme board will be responsible for ensuring that internal resources are discharged to support the project adequately. The 'Delivering the Efficiency Plan' reserve will provide the funding source for the specialist tasks that will be provided by external resources.

Role	Name	Internal / External
Technical	Mick Tyrrell	I
Technical	Peter Hackett	I
Procurement	Susan Clerk	LGSS
Finance	Stuart Johnston	LGSS
Legal	Jackie Buckler	I
Property	Glenn Miller	I
HR	Lorraine Beange	LGSS
IT and Customer Services	Marion Goodman / Michael Dunne	I
H&S	Mike McCue	I
Community Engagement	Victoria Rockall	I
Communications	Deborah Denton	I
NPH services	Shirley Davies	NPH
Project Management / Procurement, Financial and Technical Support	Eunomia	E
Legal	Bevan Brittan	E
Pension	TBC	LGSS

Section 5 Governance

5.1 Governance

The graph outlines the proposed project’s governance and control functions.



5.1.1 Programme Board Members

The following table identifies the roles of the programme board members. Terms of Reference for the group setting out collective and individual responsibilities are in place.

Role	Name	Title
Executive	David Kennedy	CEO
Business Change Manager	Julie Seddon	Director of Customers and Communities
Programme Board Member	Francis Fernandes	Borough Secretary & Monitoring Officer
Programme Board Member	Glenn Hammons	Chief Finance Officer
Programme Board Member	Cathie Wright	HR, Business Change and Transformation

Role	Name	Title
Programme Board Member	TBC	Director of Regeneration, Enterprise and Planning
Programme Board Member	Mike Kay	NPH

5.1.2 Quality Assurance and Risk Management

Role	Name	Title
Risk Compliance	Alice Turrell	Transformation Project Manager
Quality Assurance	Alice Turrell	Transformation Project Manager

5.2 Communications

The high level communication plan is included within the project plan in Appendix 2. The project undertook a stakeholder mapping exercise which remains valid for the implementation stage of the project.

Section 6 Conclusion

The purpose of this Business Case is to establish whether the project is:

- **desirable**, taking into account the cost/risk/benefits balance;
- **viable**, in terms of the project's ability to deliver the product; and
- **achievable**, by determining whether the product will provide the benefits.

The Business Case recommends the implementation of Alternative Option 4, Contracting Out, to implement the project.

The Business Case has demonstrated that the project is:

- **desirable**, as the Contracting Out option offers the 'best' balance of benefits and risks to the Council:
 - o a well understood solution with predictable implementation costs and timetable;
 - o the ability to transfer some significant financial risk to the selected contractor; and
 - o the opportunity to attract competition during the procurement process to secure best value and to deliver an innovative contract , taking into account the cost/risk/benefits balance.
- **viable**, as the selection of the CPN procedure is based on the Council's ability to:
 - o exploit market competition through the procurement process; and
 - o maximise opportunities to refine the needs and the requirements through engagement with market leaders.
- **achievable**, as the selection of the CPN procedure is based on the Council's ability to make best use of the available timeframe whilst at the same time safeguarding the mobilisation phase.

Appendices

Appendix 1 Project Financial Analysis

Appendix 2 Project Plan

Appendix 3 Risk Log