

EXECUTIVE - 21 NOVEMBER 2013

SURREY JOINT WASTE CONTRACT - INTER AUTHORITY AGREEMENT & CONSTITUTION

Executive Summary

Woking is one of four councils in Surrey that, together with Rushmoor Borough Council have been exploring with the support of the Surrey Waste Partnership (SWP), the opportunity to enter into a joint procurement for a joint contract to deliver waste collection services. These authorities, with the exception of Rushmoor Borough Council, already provide more or less identical waste collection services, albeit that they are delivered under separate contract by different private management companies with various current contract end dates of between 2017-2019. With Woking's contract due for renewal in 2017, it would seem appropriate to explore the opportunities and benefits that may arise through joint contract procurement in terms of service innovation and contract savings in particular.

Relevant elected Members of the SWP and officers have worked up a Project Management Plan (Appendix 1) and Outline Business Case (Appendix 2) to support entering into a joint procurement arrangement which indicates that there could potentially be an annual saving to the Surrey tax-payer in the region of £2.22 million if a Joint Contract was successfully delivered.

This report requests that the Council enter into a Inter-Authority Agreement (Appendix 3) for the purposes of joint procurement and in doing so, makes a shared contribution to the joint procurement costs, with the overall aim to put in place a contract that will jointly deliver waste collection services and ancillary services as an opt-in/opt-out option for partner authorities, which encourages innovation, is high quality, provides value for money and yields significant savings and benefits to the Surrey-wide tax payer.

Based on a total project cost of £460,000 over three years (commencing April 2014), the Council's (and all other partner authorities) individual contribution is estimated at £44,000 for the 3 year project. This cost is favourable when compared to the procurement costs incurred by the Council when it last tendered its Waste Collection Service in 2009, which was in excess of £70,000. Additional project funding will be provided by Surrey Waste Partnership. It is proposed that funds are set aside from the 2013/14 underspend to meet this one off cost.

It is further proposed to establish a Joint Waste Collection Services Committee (the Committee) in accordance with the Constitution at Appendix 4 for the purpose of facilitating the partner authorities to work together through the procurement project. Represented by the Portfolio Holder for Waste and Recycling the work of the Committee would include them in pre-procurement, procurement and options for future joint contract management as maybe appropriate. Due to the identified functions that are being proposed to be under the Committee's terms of delegations, approval will be required from full Council for Woking to sign up to the Constitution for the Committee.

Reasons for Decision

To enable the Council to enter into a joint procurement exercise with other partner authorities in order to deliver a Joint Waste Collection Services Contract.

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Recommendations

The Executive is requested to:

RESOLVE That

- (i) the Council enters into the Inter-Authority Agreement for the procurement of a Joint Waste Collection Services Contractor;
- (ii) funds are set aside from the 2013/14 underspend to meet this one-off cost of £44,000; and

RECOMMEND to Council That

- (iii) **the Council joins the proposed Joint Waste Services Collection Committee and in doing so enacts the delegations as outlined in the Constitution of the Committee.**

The Executive has authority to determine recommendations (i) & (ii) above; (iii) will need to be dealt with by way of a recommendation to the Council.

Background Papers:

None.

Sustainability Impact Assessment
Equalities Impact Assessment

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1.0 Introduction

- 1.1 Woking is one of five Council's that have been investigating the opportunities, benefits and risks from the procurement of a joint contract to deliver waste collection services in its area. The other Surrey authorities are: Mole Valley District Council, Surrey Heath Borough Council and Elmbridge Borough Council. Rushmoor Borough Council in neighbouring Hampshire has also requested that it be included as it abuts Surrey Heath. There is also the potential for the contract to include Waverley Borough Council as they have been involved in all the discussions to date but are still considering whether to join the joint procurement project and therefore are not currently signatories to any of the accompanying documentation.
- 1.2 These authorities, with the exception of Rushmoor Borough Council, already provide more or less identical waste collection services, which are delivered under separate contracts by private waste management companies. A Project Management Plan (Appendix 1) has been developed and progressed under the oversight to date of the Surrey Waste Partnership (SWP) that would allow for the five (or more) authorities to jointly procure a single waste collection services contract – including waste and recycling services as well as street cleansing.
- 1.3 Any new joint contract would commence in each area at the end date of the respective Council's current contract. Due to the existing differing end dates in each area the joint contract would be phased-in between 2017-2019. This being the case, the opportunity to transfer current contracts to the new joint contract would be explored further to minimize delay and to ensure saving and benefits were maximized at the earliest opportunity.
- 1.4 For Woking, assuming the tendered rate and service offer is acceptable, the contract would start in September 2017, which is the current end date for the Biffa Waste contract. As the scope of this potential joint contract would include street cleansing, a function which is currently provided by Serco, there will be a need to review the impact of removing this element of work from the Council's Environmental Maintenance Contract, so that should there be any increased cost arising from the removal of this element of work, then the costs will be taken into account and allowed for before any joint contract savings are shared across the participating authorities. Members may recall that when the current extension to the Serco contract was agreed, the end date was made co-terminus with the waste contract in case we wished to pursue such a combined procurement of waste services in future.
- 1.5 The outcomes of a procurement exercise for a joint Waste Collection Services Contract would be expected to offer significant financial and service benefits across the authorities, although the extent of such savings will be dependent on the current contract rate that each Council currently enjoys, as well as the degree to which all authorities are content on ensuring the same service specification, as clearly the greater the similarity of offer, the greater the economies of scale.
- 1.6 As part of the Outline Business Case (Appendix 2), an estimate of the potential savings that could arise from a Joint Contract (in respect of Waste Collection Services only at this time) has been undertaken, together with an estimate of the shared procurement costs. The shared savings across all six authorities (the number of authorities who were participating at the time that the work was undertaken) have been estimated by the project team, independent agencies and a consultant which give rise to estimated savings between £1.5 to £4 million per annum with the median estimate (verified by both the IESE Ready Reckoner and Ricardo-AEA figures being in the region of £2.22 million (or £371,000 per Council)). However what should be remembered is that when considering the

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annual saving per Waste Collection Authority (WCA) this is an average and in reality will vary due to existing cost levels of the WCAs.

- 1.7 The full extent of the savings compared to current costs would only be known at the conclusion of a joint procurement process in 2016. Whilst the Inter-Authority Agreement (IAA) provides for all signatories to save at least £100,000 and/or 5% of existing service cost, whichever amount is greater and/or an increase in service quality compared to a base date of March 2016, in the event the savings were generally unsatisfactory to each individual Council, the project timings would allow for the project to be abandoned and for each authority to procure its own contract to start at the end of its current contract.
- 1.8 This report requests that the Council enter into the Inter-Authority Agreement (as outlined further below) and in doing so, makes a shared contribution to the procurement costs, with the overall aim to put in place a contract that will jointly deliver waste collection services and ancillary services as an opt-in/opt-out option for partner authorities, which encourages innovation, is high quality, provides value for money and yields significant savings and benefits to the Surrey-wide tax payer.

2.0 Inter-Authority Agreement (IAA) & Joint Waste Collection Services Committee

- 2.1 Last Spring, those interested authorities who wished to consider being part of a Joint Contract each agreed and signed a Memorandum of Understanding (MOU) to enable the joint development of an IAA (Appendix 3) setting out key matters such as the delegated authorities and decision making arrangements, key service features and the financial implications. Officer and Member representatives from each authority have met to consider and draft the IAA which is currently being formally considered by each participating Council. The IAA has been subject to examination and comment by relevant legal colleagues within each authority, as well as the Head of Finance at Surrey Heath Borough Council (on behalf of the Project and as a representative of the Surrey Chief Finance Officers). The proposed IAA details the commonly agreed service aspects, and the processes and funding necessary to procure a joint contract. These are summarized below:
- 2.2 Lead Authority: Elmbridge Borough Council would act as the Lead Authority with responsibilities for administering the project budget account and engaging consultants on behalf of the project. It would also support and administer the proposed Joint Waste Collection Services Committee (the Committee), as outlined below. The cost of undertaking these responsibilities would be shared by all authorities.
- 2.3 Service Scope: The IAA (Schedule 1) includes a brief description of the essential service elements to be procured, which is based on current services common to all i.e. a weekly food waste collection with an alternate weekly refuse and recycling collection service from wheeled bins, together with a fortnightly garden waste collection service as well as 'special' and clinical waste collection services. The IAA also includes an option for each authority to include its street cleansing services – a service which is currently provided for the Council under its Environmental Services Contract with Serco.
- 2.4 The IAA affords the Committee a high level of scope for innovation in determining how the services might be delivered which is considered essential for the efficient, effective and value for money service model. For example, to enable two 'vehicle shifts per day' in suitable areas, collections could take place over a longer period over the day, including Saturdays.
- 2.5 However, whilst the Service Specification for the Joint Contract would be developed by the Project Team in consultation with the Committee, its final approval prior to procurement

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would remain a matter for each authority to agree under the proposed scheme of delegations set out in the IAA (Schedule 2), as would the final award of contract.

- 2.6 Service Cost Apportionment: The principles under which the costs and income of the various procured services might be apportioned between the authorities are set out in the IAA (Schedule 4). In the event of the IAA being agreed by all participating authorities, these principles could only be changed with the mutual agreement of the authorities, as these matters are not delegated to the Committee.
- 2.7 However, in acknowledging that an authority is not bound to accept the outcome of the procurement process, there is also provision for any or all of these principles to be reviewed by the Committee with the outcome of the review recommend for consideration and agreement by each authority.
- 2.8 Withdrawal: An authority is able to withdraw from the procurement project at any time under the IAA, although any contributions and expenditure incurred would not be refundable. There is however some minimal risk attached to this approach in that a withdrawal would firstly increase the costs of the project for the remaining authorities and secondly, depending on the timing of the withdrawal, could cause the procurement to be abandoned for legal reasons.
- 2.9 Joint Waste Collection Services Committee (the Committee): The proposal is that a Committee will be formed in accordance with the Constitution attached at Appendix 4. The purpose in establishing such a Committee is to facilitate the Councils in working together to procure a joint contract, and shall include their involvement in work relating to: pre-procurement, procurement and options for future contract management.
- 2.10 Made up of elected Member representatives from each of the participating WCA's as well as Surrey County Council as the Waste Disposal Authority (WDA) and supported by appropriate Officer's, the Committee would exist for the purpose of managing the procurement phase, and then depending on any resultant award of Contracts (decision taken by each individual authority), the Committee would look to re-align itself in terms of overseeing joint contract delivery.
- 2.11 The key procurement matters to be delegated by each authority to the Committee and Project team are set out in the IAA (Schedule 2). Having overseen the procurement process, the Committee would recommend the appointment and terms of the Joint Contractor and how service costs should be apportioned for the consideration of each authority. It should be noted that the Committee would not be authorized to agree significant matters such as the Service Specification or the award of Contractor, although the Committee would be expected to make recommendations on such matters.
- 2.12 Each participating authority is therefore being asked not only to enter into the IAA but also to agree to the establishment of the Committee in accordance with the Constitution as attached. Due to the identified functions that are being proposed to be under the Committee's terms of delegations, approval will be required from full Council for Woking to agree to signing up to the Constitution.

3.0 Implications

Financial

- 3.1 The IAA includes a financial commitment from each authority to the 3-year project costs. The Council's total contribution is estimated at approximately £44,000 and funds will be set aside from this year's underspend to meet the one-off cost. This cost is favourable

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when compared to the procurement costs incurred by the Council when it last tendered its Waste Collection Service (2009) which was in excess of £70,000.

- 3.2 The intention is that this joint contracting project will also receive funding from the Surrey Waste Partnership towards the procurement costs, which will be partly met from existing funds as well as by foregoing 2% of the annual 3% uplift on recycling credits for 2014-15, which has been allowed for within the draft budget for 2014-15.

Human Resource/Training and Development

- 3.3 Elmbridge Borough Council will act as the Lead Authority for the Joint Contracting Project and will as a result be responsible for engaging a Project Manager during the procurement phase – the costs of which will be met from the shared contributions from participating authorities. Woking colleagues currently involved in waste and recycling activities will continue to support the project.
- 3.4 Whilst specific expertise maybe brought in to support the project, on-going support and advice will be given by various participating authorities with, to date: Surrey Heath providing the financial support to the project, Mole Valley the legal advice and Woking the procurement advice.

Community Safety

- 3.5 There are no specific issues arising from this report.

Risk Management

- 3.6 Withdrawal by a partner authority at any stage of the procurement process could lead to the project costs escalating for the remaining partners. Attempts have been made to mitigate this by getting appropriate buy-in up front, by 'loading' the contribution costs from each authority in year 1 (2014-15) of the project.
- 3.7 As with any joint partnership working, the risk on such a joint project is that partners travel at the speed of the slowest. It is hoped that with the approach being taken to the establishment of a Joint Waste Collection Services Committee that ensures elected Member and identified Officer support from commencement of the project, together with a clear Project Management Plan with identified measureable timelines which will be lead by a dedicated Project Manager, that this risk is reduced.
- 3.8 Finally, should the tendered rate for the Joint Contract for Woking not be acceptable, there is sufficient time built into the timeline to allow the Council to decide on its approach to an alternative procurement option.

Sustainability

- 3.9 There are no specific issues arising from this report.

Equalities

- 3.10 There are no specific issues arising from this report.

4.0 Consultations

- 4.1 Portfolio Holder for Waste and Recycling who is also the Council's representative on the Surrey Waste Partnership.

REPORT ENDS

EXE13-224

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APPENDICES

- Appendix 1 Joint Waste Collection Contract: Project Management Plan
- Appendix 2 Joint Waste Collection Contract: Outline Business Case
- Appendix 3 Inter-Authority Agreement (IAA)
- Appendix 4 Joint Waste Services Committee – Constitution

Equality Impact Assessment

The purpose of this assessment is to improve the work of the Council by making sure that it does not discriminate against any individual or group and that, where possible, it promotes equality. The Council has a legal duty to comply with equalities legislation and this template enables you to consider the impact (positive or negative) a strategy, policy, project or service may have upon the protected groups.

		Positive impact?			Negative impact?	No specific impact	What will the impact be? If the impact is negative how can it be mitigated? (action) THIS SECTION NEEDS TO BE COMPLETED AS EVIDENCE OF WHAT THE POSITIVE IMPACT IS OR WHAT ACTIONS ARE BEING TAKEN TO MITIGATE ANY NEGATIVE IMPACTS
		Eliminate discrimination	Advance equality	Good relations			
Gender	Men						
	Women						
Gender Reassignment							
Race	White						
	Mixed/Multiple ethnic groups						
	Asian/Asian British						
	Black/African/Caribbean/Black British						
	Gypsies / travellers						
	Other ethnic group						

		Positive impact?			Negative impact?	No specific impact	What will the impact be? If the impact is negative how can it be mitigated? (action) THIS SECTION NEEDS TO BE COMPLETED AS EVIDENCE OF WHAT THE POSITIVE IMPACT IS OR WHAT ACTIONS ARE BEING TAKEN TO MITIGATE ANY NEGATIVE IMPACTS
		Eliminate discrimination	Advance equality	Good relations			
Disability	Physical						
	Sensory						
	Learning Difficulties						
	Mental Health						
Sexual Orientation	Lesbian, gay men, bisexual						
Age	Older people (50+)						
	Younger people (16 - 25)						
Religion or Belief	Faith Groups						
Pregnancy & maternity							
Marriage & Civil Partnership							
Socio-economic Background							

The purpose of the Equality Impact Assessment is to improve the work of the Council by making sure it does not discriminate against any individual or group and that, where possible, it promotes equality. The assessment is quick and straightforward to undertake but it is an important step to make sure that individuals and teams think carefully about the likely impact of their work on people in Woking and take action to improve strategies, policies, services and projects, where appropriate. Further details and guidance on completing the form are [available](#).

Sustainability Impact Assessment

Officers preparing a committee report are required to complete a Sustainability Impact Assessment. Sustainability is one of the Council's 'cross-cutting themes' and the Council has made a corporate commitment to address the social, economic and environmental effects of activities across Business Units. The purpose of this Impact Assessment is to record any positive or negative impacts this decision, project or programme is likely to have on each of the Council's Sustainability Themes. For assistance with completing the Impact Assessment, please refer to the instructions below. Further details and guidance on completing the form are [available](#).

Theme (Potential impacts of the project)	Positive Impact	Negative Impact	No specific impact	What will the impact be? If the impact is negative, how can it be mitigated? (action)
Use of energy, water, minerals and materials				
Waste generation / sustainable waste management				
Pollution to air, land and water				
Factors that contribute to Climate Change				
Protection of and access to the natural environment				
Travel choices that do not rely on the car				
A strong, diverse and sustainable local economy				
Meet local needs locally				
Opportunities for education and information				
Provision of appropriate and sustainable housing				
Personal safety and reduced fear of crime				
Equality in health and good health				
Access to cultural and leisure facilities				
Social inclusion / engage and consult communities				
Equal opportunities for the whole community				
Contribute to Woking's pride of place				