

CABINET – 19 JANUARY 2011

PRINCIPAL SCRUTINY COMMITTEE - 24 JANUARY 2011

ENVIRONMENTAL SERVICES CONTRACT - STAGE 2 INTER AUTHORITY AGREEMENT

REPORT OF ASSISTANT DIRECTOR (HIGH QUALITY ENVIRONMENT)

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RECENT REFERENCES:

[CAB 2032](#) - Environmental Services Contract - Progress Report & Tender Evaluation Framework – 9 July 2010

CAB 2000 - Joint Working with East Hampshire District Council on Environmental Contract Services - Progress Report - 20 May 2010 (exempt)

CAB 1948 - Joint Working with East Hampshire District Council on Environment Contract Services –13 January 2010 (exempt)

EXECUTIVE SUMMARY:

Over the last year Cabinet have received a number of reports detailing progress made in the letting of the Joint Environmental Services Contract with East Hampshire District Council including the tender evaluation framework, future depot provision and the handling of the peripheral services outside of the contract specification.

The original report giving details of the proposal confirmed the need for an Inter Authority Agreement (IAA) as part of the contract letting process which would be completed in 2 stages (CAB2000 (Exempt) refers).

Stage 1 of the agreement was required prior to the publication of the OJEU notice and has already been signed.

This report provides details of the Stage 2 agreement which Members are asked to approve to conclude the administrative arrangements for contract management throughout the life of the contract.

This Report was not included in the Forward Plan as it was originally intended to be submitted to Cabinet in June. However, it has been necessary to bring it forward in order to meet the procurement timetable. The Chairman of Principal Scrutiny Committee has been informed.

RECOMMENDATIONS:

That:

1. Delegated authority be given to the Head of Legal Services to agree the detailed wording and enter into Stage 2 of the Inter Authority Agreement, in accordance with the principles set out in the report.
2. The cost allocation principles in Appendix 1 be agreed
3. The inclusion of sewage treatment maintenance works within the services delivered by the in-house streetcare team be approved.
4. Details of the establishment of the client team and establishment of the in house streetcare team be included within the proposed report to Personnel Committee on 28 February 2011 on the proposed phase 3 organisation development.

CABINET – 19 JANUARY 2011PRINCIPAL SCRUTINY COMMITTEE - 24 JANUARY 2011ENVIRONMENTAL SERVICES CONTRACT - STAGE 2 INTER AUTHORITY AGREEMENTREPORT OF ASSISTANT DIRECTOR (HIGH QUALITY ENVIRONMENT)1 Introduction

- 1.1 Over the last year Cabinet have received a number of reports detailing progress made in the letting of a joint environmental services contract with East Hampshire District Council including the tender evaluation framework, future depot provision and the handling of the peripheral services outside of the contract specification.
- 1.2 This report is the latest update on progress and seeks approval of the final stage of agreement required before the contract for these services can be let.
- 1.3 In order to govern the relationship between Winchester and East Hants, the original report on the proposal (CAB 2000 (Exempt) 20 May 2010 refers) confirmed the need for an Inter Authority Agreement (IAA) to be entered into between the two authorities. It was agreed that this would be completed in two phases, with the Stage 1 agreement being signed before the contract was advertised, and the Stage 2 agreement being signed once final details of the contract management and operation had been agreed.
- 1.4 Stage1 of the agreement was required prior to the publication of the OJEU notice and has already been signed. This agreement commits both authorities to an evaluation process and entering into the contract with the winning bidder provided it is within the budget allocated. Its content also covered:
 - a) The Contract Period - agreed to be up to seventeen years with an initial period of eight years, with the option for a further period of eight years after that, including provision for a one year extension to allow flexibility for possible future procurement options;
 - b) The Services to be included – the contract is packaged in two lots, namely a) refuse and recycling and b) grounds maintenance and street cleaning;
 - c) The process for the establishment of a Joint Committee to oversee the contract letting process and future management;
 - d) The appointment of East Hampshire District Council as the Administering Authority;
 - e) Details of the apportionment of costs of the Administering Authority (final agreement on the apportionment of contract costs was deferred, to be dealt with in the Stage 2 agreement).
 - f) Authority to the Administering Authority to issue the OJEU Notice and conduct the procurement on behalf of Winchester City Council;

- g) Agreement for the process to select a contractor and authorising the Administering Authority to let the contract within specified parameters based on an agreed tender evaluation framework;
- h) Provision for the termination of the Inter Authority Agreement in specified circumstances (e.g. if at the time of letting the contract the total costs would exceed the agreed budget).

2 Stage 2 Inter-Authority Agreement

- 2.1 The Stage 2 IAA covers the remaining matters which need to be agreed before the contract can be let. It covers a numbers of aspects relating to the operation of the Joint Contract together with any funding implications. The significant aspects are detailed below.

Customer Services

- 2.2 It has been proposed that the City Council will provide these on behalf of the partnership through a service level agreement with appropriate cost apportionment to both authorities based on usage. This is based on an evaluation of the options available. The next stage will be detailed process-mapping, and in the unlikely event that a different solution might be preferable, a report back to Cabinet would be made.
- 2.3 The costs of Customer Service provision will include all those costs of personnel, software, equipment, accommodation and those required support services including IT, legal and financial services, human resource services, and such other costs required to set up the provision of Customer Services.
- 2.4 The initial cost apportionment model for the provision of customer services will be based on a 50:50 cost sharing in the first year, after which it will be reviewed to assess the fairness of sharing the costs equally, based on usage/ volume of calls as appropriate. These principles are included within the costs allocation principles of the Stage 2 Inter Authority agreement which allows for flexibility between the Authorities from time to time.

Client Team

- 2.5 It is proposed to move towards the establishment of a joint client team, to come into effect from April 2011. The joint client team would manage the existing contracts in the two authorities, whilst at the same time preparing for the implementation of the new contract. The detailed human resources issues arising from the establishment of the joint client team will be subject to the usual consultation and will be reported to the next Personnel Committee meeting together with more detailed information regarding the establishment of the Streetcare function within the Access & Infrastructure Team.

Agreement application

- 2.6 Both the Stage 1 and Stage 2 agreements will apply throughout the joint arrangements. As set out above, the contract will include extension provisions, subject to agreement. The Stage 2 agreement will set out how

these extension provisions will provide for the situation whereby agreement between the two authorities over an extension cannot be reached, and will allow (subject to the law applicable at the time) for one authority to take on the contract on its own, releasing the other from further commitment.

- 2.7 Cost Allocation and variations of cost; the main principle for the allocation of the core costs of the administration authority is that these will be split 50:50. Ongoing contract costs will be split according to service volumes. Full details of these allocations are set out in the cost apportionment model attached as Appendix 1. The Stage 2 agreement will also include mechanisms allowing changes to these allocations to reflect changes in volumes attributable to each authority.
 - 2.8 Dispute resolution: the procedure for resolving any disputes are outlined using officers initially and the Joint Committee if required, with an independent arbitration process if agreement cannot be reached. It should be noted that the agreement allows for variations to be made to the contract, and there is encouragement for such variations to be agreed between the two authorities, but it is not possible for one authority to impose a variation within the other authority's area
 - 2.9 Termination: each authority has the right to end the agreement at the end of the first 8 year period without being liable for costs. Termination outside the provisions of the Stage 2 Agreement at any other time would lead to the terminating authority being responsible for the costs of the other authority, including the costs of re-letting the main contract if this were to be necessary.
 - 2.10 Public Conveniences Contract: as previously agreed (CAB 2000 refers) this will be let jointly with East Hampshire but as a separate contract to the two main Environmental Services lots. It is proposed to bring a report on the process for letting this contract to the March meeting of Cabinet.
3. Associated Services update
- 3.1 CAB 2000 confirmed that it was originally proposed to include sewage treatment works within the grounds maintenance contract lot for procurement purposes. However since then further work has been carried out on linking these services to the proposed arrangements for establishing the in-house streetcare operation within the City Council which, for operational reasons, will be managed by the Access and Infrastructure Team.
 - 3.2 The City Council's sewage treatment plants which service current and former Council housing are specialised and have very particular requirements in terms of maintenance and care. The existing contractor's staff are familiar with the technical aspects of their maintenance and the requirements for monitoring and compliance with environmental standards. Following a more detailed consideration of options it is believed that finding a contractor who could fulfil this specialist function would be difficult and also expensive.
 - 3.3 The preferred option is therefore to bring the existing service and relevant staff in-house and manage them through the Project Engineering section within Access and Infrastructure. This aligns very well with the future

provision of street-care functions and will ensure that staff are used in the most effective and efficient manner.

- 3.2 For these reasons, this work was excluded from the tender specification and work is progressing to relocate this work within the new in-house Streetcare team as part of the Access and Infrastructure Team with effect from 1 October 2011. The cost of providing this service is already included within the Council's budget and there should not be any significant resource implications arising from this proposal.

4. Next Steps

- 4.1 Completed tenders have been received and the evaluation is nearing completion. The results will be reported on 31 January 2011 to the Environmental Services Contract Joint Committee which has delegated authority to select a contractor and award the contract (provided the total costs to the Council do not exceed the budget). The financial impact will be considered in this Council's Annual Revenue Budget report next month.
- 4.2 Work will continue to implement the establishment of the Joint Client Team in preparation for a planned mobilisation start date of 1 April 2011, in preparation for the new contract start date of 1 October 2011.
- 4.3 In the meantime, work is also continuing on the letting of contract for the last remaining contracted services (public conveniences cleansing). This will be tendered by East Hampshire. A further report on the letting of this contract will be brought back to Cabinet in due course. Arrangements for the delivery of the remaining peripheral services through an in-house Streetcare team are also being progressed (CAB 2000 refers). TUPE information has been obtained from the City Council's existing contractor and proposals to establish this in-house operation will be included within the report to Personnel Committee referred to in para 2.3 above. For operational reasons, sewage treatment maintenance works will be delivered by this team rather than let as a separate contract as originally indicated in CAB 2000.

OTHER CONSIDERATIONS:

5. SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO)

- 5.1 The delivery of the contracted services within the Environmental Services Contract make a significant contribution to a number of priorities within the Sustainable Community Strategy; namely
- a) High Quality Environment outcome
 - b) Access to Services priority
 - c) Reduction in the District's CO₂ footprint priority

6. Resource Implications

- 6.1 There are no specific resource implications from the completion of the Stage 2 Agreement. The cost allocation principles for the contract are as set out in Appendix 1.
- 6.2 The tenders received have now been evaluated and the results will be reported to the next meeting of the EHDC/WCC Joint Environmental Services Committee on 31 January 2011 who have the delegated authority to let the contract provided it is within the previously agreed budget. It will then be possible to confirm any budget savings achieved as a result of the procurement process.

BACKGROUND DOCUMENTS:

See previous reports described above and project papers.

APPENDICES:

Appendix 1 – Stage 2 IAA cost allocation principles

Cost Apportionment Agreement

Joint Working in Waste: Winchester City Council (WCC) and East Hampshire District Council (EHDC)

Phase 2

As a general principle, where costs/ income can be directly attributed to a specific council, this will be the actual cost/income recharged to the council. Where services/ costs are shared these are to be apportioned according to the ITT Pricing Document where available.

1. Refuse

Apportioned according to the pricing document - unit rate per household, multiplied by the number of households in each council at the start of the financial year (1st April).

Currently estimated as WCC 49,782 EHDC 48,765

Clinical Waste

Cost to be shared equally between the councils (50:50 split) in the first year, based on the assumption that levels of demand are similar between the councils and the service will require one man and a van. This will be subsequently reviewed after year one and move to a recharge based on usage / demand, where significant differing levels of demand exist between the councils.

Should one council's requirements later exceed the contract capacity (i.e. needs a further vehicle and crew), and the contractor is required to gear up, this cost will be borne solely by the council incurring the additional cost to the contract, until such time as both councils are over the initial capacity at which time the cost sharing will revert back to sharing equally.

Bulky Waste

Split 50/50 and then subsequently revised after one year according to usage / demand.

2. Recycling

Apportioned according to the pricing document - unit rate per household, multiplied by the number of households in each council at the start of the year.

Currently estimated as WCC 49,782 EHDC 48,765

Bring Site

Costs apportioned according to the ITT Pricing Schedule - re "Schedule of charges" price per tonne from the contractor; recharged according to the individual council collection requirements.

Emptying of skips – 24 cubic metres priced according to lifts undertaken – this applies to WCC only
Bills/schedules of rates will be adjusted to reflect this.

3. Grounds Maintenance

Costs to be apportioned according to the ITT Pricing Schedule - Re Schedule of charges for common activities with a separate price per council from the contractor for council specific services.

4. Street Cleaning

Costs apportioned according to the ITT Pricing Schedule.
"Schedule of charges" price per km of street cleaned from the contractor for common activities, recharged according to the schedule of per council collection requirements. For other cleaning services, e.g. bins, fly tipping, intensive areas use the actual individual council specific price from the contractor.

Note permanent presence (i.e. a man and a barrow) apportioned according to the numbers and costs of the individual site specific requirements for each council

5. Garden Waste

Costs apportioned according to the ITT Pricing Schedule.
Separate price from the contractor for each council.

Where the option selected results in a joint price in the contract (e.g. both have a chargeable garden waste service at the same anticipated take-up rate), the costs will be shared equally. Should one council's take up rate later exceed the contract capacity (i.e. needs a further vehicle and crew), and the contractor is required to gear up, this cost will be borne solely by the council incurring the additional cost to the contract, until such time as both councils are over the take-up capacity at which time the cost sharing will revert back to sharing equally. Should the extra capacity be manageable from slack from the other council requiring no gearing up by the contractor, the costs will continue to be borne equally, until such time as gearing up by the contractor may be required, at which time the council over the take-up limit will bear the cost, unless this is caused by both councils take-up rate exceeding the threshold, in which case costs will continue to be borne equally.

6. Kerbside Glass

Costs apportioned according to the ITT Pricing Schedule.
Use the council specific price from the contractor.
(Currently all EHDC)

7. Income

Where income can be directly attributed to a specific council this will be the allocated income.

Income from Sale of Glass

Allocated according to the actual tonnage collected by each authority.

Recycling income from Materials Resources Facilities (MERF)

Per the ITT Pricing Document, for council specific rounds: apportioned according to tonnage, for shared rounds: apportioned based on property numbers.

Recycling Credits

Income allocated according to rate from the county council for glass credits, multiplied by the tonnage of glass collected in each authority.

Income from chargeable Garden Waste

Fees collected directly by the council and apportioned according to the relevant council's take-up/ number of households signed up to the service.
Currently only EHDC charge for garden waste, although there is an option for chargeable garden waste at WCC in the tender.
Where only one council charge for garden waste, the cost of administering the service should be offset from the income.

Income from Hampshire County Council for Highways verge cutting

Apportioned according to the work undertaken per council.

Income from sponsored flower beds

Apportioned according to the work undertaken per council.

Trade Waste Income

Income apportioned according to the ITT Pricing Schedule.
Currently WCC only.

8. Optional services

Where the optional services are selected as part of the final contract, cost apportionment will be per the ITT Pricing Document and apportioned according to the appropriate service above.

Food Waste will be apportioned as per Refuse collection based on number of households, where both councils operate the service.

9. Admin Authority

The costs, from both councils, attributable to the Admin Authority and the Joint Client Team are to be agreed annually by the Joint Committee as part of the budget setting process and shared 50:50 between the two councils.

10. Client Costs

Salaries and on costs - as per CIPFA definition, (this includes but is not exclusive to pension and national insurance costs)

All salaries and on costs to be shared 50:50.

This may be reviewed and amended after the first year, with agreement of both councils, as part of the annual budget setting process, should the utilisation of resources indicate a significant disparity from the anticipated equal use between the two councils.

If additional resources are required by one council, the individual council will pick up the cost.

11. Set up costs

To be shared 50/50 where they relate specifically to both councils/joint working

12. Customer Services

To be shared 50:50 in the first year based on an annual budget agreed by both councils.

After the first year, cost sharing will be reviewed to assess the fairness of sharing the costs equally, based on usage/ volume of calls as appropriate.

13. Redundancy Costs

Where redundancy costs are a direct result of the joint working partnership, the costs are to be shared as follows:

To the extent that individual authority redundancy policy is in excess of the statutory amount that authority will bear the additional cost and the statutory minimum will be shared 50:50 (see IAA 2 section 6.9).

The current redundancy policies for the two council's results in the following cost sharing:

1. Where the redundancy cost arises from WCC, the redundancy cost will be shared WCC 1.6, EHDC 1, to reflect disparities in current redundancy policy.
2. for all other costs and where the redundancy cost arises from EHDC, the cost will be shared 50:50

14. Pension Strain

Where the pension strain cost is a direct result of the joint working partnership, the cost will be shared 50:50

15. Cost of the bond

Shared equally between the councils.