
EAST KENT JOINT WASTE PROJECT

To: **Cabinet – 11th February 2010**

Main Portfolio Area: **Environmental Services**

By: **Mark Seed – Director of Environmental Services**

Classification: **Unrestricted**

Ward: **All**

Summary: To set out the details of the East Kent Joint Waste Project, the agreement reached at East Kent Joint Arrangements Committee on 25th November and the review of the project undertaken by the Corporate Improvement and Budget Working Party and the Overview and Scrutiny Panel.

For Decision

1.0 Introduction and Background

- 1.1 The report attached at Appendix A was considered and approved at the East Kent Joint Arrangements Committee (EKJAC) on the 25th November 2009.
- 1.2 The report is being considered under the decision making processing at each of the five partner authorities across January and February with the aim of getting formal agreement to the proposals from each of the councils.
- 1.3 The proposal is also being reviewed through the Waste and Recycling sub-group of the Corporate Improvement and Budget Working Party (CIBWP) with the results of this being considered at a meeting of the Overview and Scrutiny Panel on 4th February.
- 1.4 This report seeks agreement to the recommendations below that are based upon the proposals set out in the EKJAC report in Appendix A.

2.0 Proposals and Discussion

- 2.1 The details of the proposals are set out primarily in section 2 of the attached EKJAC report and the associated annexes. These provide the basis for the project and an analysis of the financial benefits, procurement process underway at Dover and Shepway, and the legal issues associated with the project.
- 2.2 In addition, further information financial and service information relevant to Thanet has been considered by the CIBWP waste and recycling sub-group and this is set out in Appendix B. Notes of the meetings of this group on 4th December and 20th January are attached for reference.
- 2.3 On the basis of the details set out in the appendices it is proposed that the Council adopts the recommendations as set out in the report.

3.0 Corporate Implications

3.1 Financial

- 3.1.1 These are as set out in paragraphs 2.1 to 2.9 and Annexes 2 and 3 of the attached EKJAC report.
- 3.1.2 In addition, further details in relation to Thanet are set out in Appendix B to this report.

3.2 Legal

- 3.2.1 These are as set out in paragraphs 2.13 to 2.15 and within the Memorandum of Understanding (MoU) under Annex 1 of the attached EKJAC report.
- 3.2.2 A draft Inter-Authority Agreement between the five partner authorities has been drafted to reflect the specific legal requirements in Section 7 of the MoU. However, this draft is still in consultation with legal and technical officers and is aimed for completion by the time of Dover and Shepway's final contract documents being sent out in late February.

3.3 Corporate

- 3.3.1 A consideration of options and risks has been set out in section 5 and 6 of the EKJAC report
- 3.3.2 Wider corporate implications have been set out in section 7 of the EKJAC report.

3.4 Equity and Equalities

- 3.4.1 An equalities impact assessment will be undertaken in relation to the final version of the proposed collection arrangements, which are still subject to tender submissions, before these are introduced. However, the current tender proposals at Dover and Shepway contain provision for helping residents who need assistance with moving their waste and recycling.

4.0 Recommendation

4.1 That Cabinet recommends to Council the adoption of the following recommendations:

- a) That the principles of Nominal Operating Model (NOM), the financial payment arrangements and the Memorandum of Understanding (MoU) set out in the EKJAC report are agreed by the Council.
- b) That authority is delegated to the Director of Environmental Services in consultation with the Director of Financial Services to agree variations to the NOM based upon tender submissions to Dover and Shepway where these are beneficial in either in relation to service provision or the financial position of the Council, or the impact is not significant.
- c) That authority is delegated to the Director of Environmental Services in consultation with the Head of Legal Services to complete a legally binding

agreement incorporating the requirements set out in Appendix II to the MoU, in association with senior legal and technical officers in each of the other partner authorities.

- d) That authority is delegated to the Director of Environmental Services in consultation with the Head of Legal Services to agree minor changes to the MoU where these do not significantly compromise the position of the Council.**
- e) That authority is delegated to the Director of Environmental Services to take all the steps necessary to facilitate the delivery of the East Kent Joint Waste project.**

5.0 Decision Making Process

- 5.1 Due to the significance of the project in financial and service terms the report is being referred to Council for final consideration.**

Contact Officer: Mark Seed
Director of Environmental Services
(01843) 577742
mark.seed@thanet.gov.uk

APPENDIX A

EAST KENT JOINT ARRANGEMENTS COMMITTEE

25th November 2009

Subject:	East Kent Joint Waste Project
Director/Head of Service:	Mark Seed (on behalf of East Kent Waste Management Group)
Decision Issues:	These matters are within the authority of the East Kent Joint Arrangements Committee (EKJAC).
Decision type:	Non Key
Classification:	This report is open to the public.
Summary:	This report updates EKJAC on the progress made on the East Kent Joint Waste Project and seeks a recommendation from EKJAC that individual authorities should commit to the project in accordance with the EKJWP Memorandum of Understanding attached at Annex 1.
To Recommend:	<p>That Partner Authorities to seek approval from their respective authorities to commit to the East Kent Joint Waste Project (EKJWP) as set out in this report, and to:</p> <ol style="list-style-type: none">1. Agree to take forward the Memorandum of Understanding (MoU) attached at Annex 1 through their individual Councils decision making bodies.2. Delegate authority to the senior legal officer of each authority to prepare and complete a legally binding agreement incorporating the requirements set out in Appendix II to the MoU, with the agreement being to the satisfaction of the senior legal officer in each authority.3. Delegate authority to the senior officer for waste management in each authority to take all the steps necessary to facilitate the East Kent Joint Waste Project up to each partner authority agreeing to enter into a formal partnership agreement based on the memorandum of understanding.
Next stage in process	Partner Authority Approval

SUPPORTING INFORMATION

1. Introduction

1.1 Implementation of the Kent Joint Municipal Waste Management Strategy (JMWMS) requires future waste management services to develop beyond those currently offered to householders. The costs of these services are expressed across the two tiers of local government and as a result, effective cost minimisation requires an aligned approach and co-ordinated decision-making.

1.2 The East Kent Waste Management Group consists of officers from the four East Kent District Collection Authorities and Kent County Council as Disposal Authority. The group was charged by the Leaders and Chief Executives to develop a cost effective collection and processing proposal across the authorities to deliver the following key aims:

- To minimise exposure to the escalating costs of waste disposal
- To deliver cost efficiencies in collection systems,
- To increase the rate of recycling
- To develop a coordinated approach to managing waste across the two tiers of Local Government

1.3 This report details the progress to-date in achieving these aims and the next steps to be taken.

2. Detail Finance

2.1 Detailed modelling of differing collection methodologies has been undertaken and compared with Alternative Views for each District. The comparison between these two views is shown at Annex 2 to this Report. Agreement has been reached between KCC and the four Districts as to the most effective collection methodology, (referred to as the Nominal Optimum Model or NOM). In essence this would be based upon:

- Split Bodied, fortnightly collection of kerbside recyclables,
- Comingled fortnightly collection of Food and Garden Waste
- Fortnightly collection of residual waste (to alternate with recycling collections).

There may be some amendment to this collection methodology if, through the Competitive Dialogue Procurement process tenderers propose variations on this methodology which generate further benefits. The Competitive Dialogue Process is outlined in paragraph 2.10-11 and Annex 4 below.

2.2 Agreement has also been reached as to the likely avoided disposal costs and benefits of the implementation this system through financial modelling from 2013-20.

- Future costs of disposal are on average reduced by £2.9mn p.a. in this period,
- Overall recycling/composting performance in East Kent increases to 48%
- The cost of processing recycle reduces and its value is enhanced by segregating paper plus card at the point of collection.

2.3 In order to ensure that District Councils are not financially disadvantaged as a result of adopting the NOM, Kent County Council have undertaken to provide additional revenue funding of £1.419mn p.a. to:

- Allow for the additional costs of introducing the new collection system
- Refund lost recycling income
- Refund lost garden waste income

This funding level is indicative and may also vary subject to any changes in collection methodology derived from the Competitive Dialogue Process and future review of the Council incomes in their baseline year.

2.4 A table detailing the current revenue and capital impacts to each district is provided below:

Authority	Round saving	Enabling payment	Cost impact of NOM	Alternate view payment	Containerisation funding
Canterbury		£548k	£548k	£189k	£202k
Dover	£375k	£121k	£121k		£1,338k
Shepway	£584k	£517k	£517k		£667k
Thanet		£233k	£233k		£1,148k
Total	£959k	£1,419k	£1,419k	£189k	£3,355k

(Note; The enabling payments to Dover and Shepway have reduced from those shown previously and reflect current additional district cost that reduce the value of the recycling income. In Dover's case £98k of haulage and for Shepway additional MRF and processing costs of £77k.

KCC has also undertaken to finance containerisation costs of £3.35mn incurred by the districts as shown above to implement the changes in service.

2.5 The impact of the project would be to generate a net average avoided disposal benefit of £1.48mn per annum during 2013-20. With the phased introduction of new services and the lower early years disposal costs during the transition period Oct 2010 – April 2013 the disposal savings will not fully fund the enabling payments. Over the 2.5 year period this requires a total investment by KCC of £595k less collection savings derived from the competitive dialogue process.

2.6 Agreement has also been reached with Service Heads and Section 151 officers for collection savings arising from joint working to be included within the total project benefits for disaggregation (these savings exclude the benefit of moving to alternate weekly split bodied collections in Shepway and the change to alternate weekly collections of residual waste in Dover). The joint savings will also arise from the reduction in the number of collection crews across the East Kent area and the reduction in contractors overhead and management costs. Details of the extent of the collection savings arising from joint working across the four districts will be indicated by tenderers as part of the Competitive Dialogue Process. Collection savings generated in joint working partnerships elsewhere in the UK have typically been identified as between 5-10% of the contract value. With collection service gross costs exceeding £10m, collection savings of between £500k and £1m could be achieved. Furthermore there is potential for some rationalisation of depot and transfer arrangements generating additional savings. Whilst a provisional estimate of an additional

£500k has been made within the disaggregation modelling this will be discussed and detailed further as part of the Competitive Dialogue Process.

- 2.7 A summary of the potential project benefits, amounting to £4.4mn p.a. are detailed at Annex 3. The Annex also demonstrates how the potential additional benefit will be disaggregated to the partner authorities. The financial benefit accruing to the districts detailed on this schedule is in addition to the enabling payment and containerisation funding they will receive from KCC in order to make the change in service provision.
- 2.8 The disaggregation of this benefit is to be based on the following principles:
- The investment made to change services will be refunded from disposal and collection savings before any benefits are distributed.
 - Canterbury City Council to receive additional funding of £189k p.a. to compensate for the shortfall between its Project View and the Alternative View (excluding garden waste charging).
 - The remaining benefit (or overage) to be disaggregated between KCC and the District Authorities in accordance with the following:
 - a. 50% Kent County Council
 - b. 50% District Authorities.
 - The benefit derived to the district Authorities to be disaggregated in proportion to the number of households within each district area (subject to the agreement of an equalisation mechanism such that, over time, greater equity in KCC funding per household is achieved across all partner districts.)
- 2.9 With respect to Thanet District Council the enhancement in their recycling performance from an alternative view of 27% to a project view of 44% and the potential sharing of future disaggregation benefits has outweighed the potential alternative view.

Procurement

- 2.10 In view of the ending of existing contract arrangements for refuse collections and street cleansing services in Dover and Shepway from 30th September 2010 progress has also been made in the procurement of collection and processing capacity. A Procurement Board has been established consisting of officers from all partner authorities which reports to the East Kent Joint Waste Steering Group. A Competitive Dialogue approach is being adopted for the procurement as it enables tenderers to assist in the development of the best practicable solution. The Competitive Dialogue Timetable is attached at Annex 4 and outlines the key dates up to contract commencement.
- 2.11 The OJEU notice was dispatched on Friday 7th August and the Pre-Qualification Questionnaire (PQQ) subsequently sent out to 35 companies who had expressed interest. Of 12 respondents 9 companies successfully completed the PQQ stage and were invited to enter into the Competitive Dialogue Process. A Contract Descriptive Document outlining the aspirations of the Partnership was sent out on the 5th October to tenderers and introductory meetings held on 13th/14th October with 8 remaining tenderers. Outline responses were returned on the 6th November and meetings with tenderers undertaken on 10th/11th/13th November.
- 2.12 Final contract specifications are expected to be drafted in the New Year with contract award timetabled for April 2010.

Legal

- 2.13 Following meetings between Leaders and Chief Executives, the principles agreed at that meeting have been developed with the assistance of service heads and legal representatives from partner authorities into the Memorandum of Understanding (MoU) which is attached at Annex 1.
- 2.14 The MoU provides the basis for developing a legally binding agreement and includes reference to the key areas of agreement required as set out in Appendix II of the MoU. These are detailed below:
- 1 EKD & CC's are required to commit to the NOM collection methodology as refined and informed by the Competitive Dialogue Process in order to deliver materials in a single cost efficient manner; and
 - 2 DDC and SDC must commit to deliver their specified recycling waste streams to the transfer points and facilities specified by KCC in accordance with agreed contractual conditions from October 2010; and
 - 3 CCC and TDC must commit to deliver their specified recycling waste streams to the transfer points and facilities specified by KCC in accordance with agreed contractual conditions from April 2013, or earlier by mutual agreement; and
 - 4 KCC will fund enabling payments and containerisation payments to the EKD & CCs in accordance with the EKD & CCs compliance with the NOM collecting methodology; and
 - 5 KCC will provide processing capacity and or facilities for the materials collected by the EKD & CCs in accordance with the NOM collecting methodology in accordance with agreed contractual conditions; and
 - 6 All parties agree to be bound by the disaggregation principles set out in Appendix III of the MoU
- 2.15 The MoU provides the foundation upon which the project must develop. Accordingly it is now necessary for individual authorities to commit formally to the Project in accordance with the principles detailed within the MoU and enable the development of a legally binding agreement to be put in place by the January 2010.

3. Relevant Council Policy/Strategies/Budgetary Documents

- 3.1 This project delivers the principal objectives of the Kent Joint Municipal Waste Strategy (which have been adopted by all the partner authorities), namely:
- to deliver high quality services to the people of Kent, including an emphasis on waste reduction, recycling and diversion from landfill
 - to meet the statutory targets set for Kent, and
 - exceed them in areas where this is a locally agreed priority.
- 3.2 The project also addresses key environmental drivers for future service provision and development which include compliance with:
- National Waste Strategy 2007 (50% recycling by 2020 and progressive reductions in residual waste per individual).
 - Household Waste Recycling Act (provision of recycling collection service to all households by end of 2010).
 - Landfill Allowance Trading Scheme - the EU has imposed targets for member states

to reduce the amount of biodegradable municipal¹ waste sent to landfill; Government has transposed these into Landfill Allowances for Waste Disposal Authorities in England. Authorities exceeding their target will be fined.

- 3.3 The project is also consistent with the Delivering Value for Money in Local Government (the VfM Delivery Plan) which set an expectation that substantial savings (£2.8bn) would arise through smarter procurement.

4. Consultation planned or undertaken

- 4.1 Consultation to-date has been undertaken with leaders, chief officers, Programme Board members consisting of portfolio holders from Partner Authorities, East Kent Joint Waste Scrutiny Sub-Group and Local Authority employed staff in affected areas.
- 4.2 A Communications Strategy is now being developed which will include wider consultation with members, employees, Neighbourhood Forums and the provision of information to the wider public in a way that is appropriate to local service changes
- 4.3 Policy Moderation – in order to maximise the efficiency of the service consultation is being undertaken with service heads and portfolio holders to identify differences and red line areas on which councils require to be implemented. Any proposals to change existing policies will be brought back to councils for agreement.

5. Options available with reasons for suitability

- 5.1 The NOM has been developed from financial modelling based upon assumptions drawn from WRAP research, waste processors, council waste management and waste planning officers and experience from other Joint Working Waste Projects. The NOM will however be further developed through the Competitive Dialogue Process undertaken with interested tenderers over the next 3 months and only completed when the final specification is agreed in the new year. This approach ensures that all opportunities to maximise the benefits of cost effective collection and processing solutions are explored.
- 5.2 There is potential for authorities to seek some limited variation from the NOM collection methodology but where this incurs additional costs these will have to be borne by the authority. Specifically for example the extension of garden and food waste collections from the minimum figure of 60% to 85% in Shepway will generate additional disposal savings but as a consequence of the reduced tonnage collected per household these saving are not forecast to recover the full cost of the additional collections. The shortfall is estimated at £48k p.a. Should Shepway wish to implement this service enhancement then they would fund the additional cost.

6. Reasons for supporting option recommended, with risk assessment

- 6.1 The cost modelling for developing the NOM has involved assessing a range of alternative operating models, of which the NOM provided the greatest overall cost and performance benefits.
- 6.2 In terms of risk, the model has been tested for sensitivity across a wide range of recycle market conditions and contract disposal rates. The version chosen for the report represents an average view of potential costs and income for the period 2013-20, and still demonstrates a significant saving. However, sensitivity analysis is still continuing in order to ensure that the model remains robust. Recent analysis based on further reductions in KCC's waste stream and a 20% fall in paper income could reduce the annual disposal benefit from £2.9mn to £2.44mn and the net benefit would accordingly fall to £1mn. However recent fluctuations in waste streams and values are seen as a reflection of the

¹ The EU target is to reduce the amount of biodegradable municipal waste sent to landfill to 75%, 50% and 35% of that produced in 1995, by 2010, 2013 and 2020 respectively.

current economic conditions and the £2.9 is seen as a more realistic average assessment over the longer term period 2013-20.

- 6.3 The project also allows for the processing of comingled food and garden waste through in-vessel composting (IVC) whereas the current processing of garden waste is undertaken through open windrow composting. Open windrow composting is not suitable for food processing but is cheaper than IVC. However it is envisaged that within the project time span open windrow processing may no longer be acceptable and will move to enclosed composting which will increase the cost. The additional cost of this change to KCC, based on current garden waste tonnage, would be £211k p.a. This additional cost is not reflected in the base case modelling but if included the average gross benefit of the project against the higher base case would rise to £3.1mn and the net benefit to £1.69mn (or £2.65mn and £1.2mn based on the recent sensitivity analysis detailed at 6.2 above).
- 6.4 The East Kent Joint Scrutiny Committee considered the principles set out in this report at its meeting on 19th October 2009 and made the following recommendations:
- That the NOM be amended to guarantee that a minimum of 85% of households within the Shepway District Council area receive the expanded recycling service (including garden and food waste collections).
- This option has been costed within paragraph 5.2 above.**
- That it be confirmed that the NOM will guarantee that weekly food waste collection services will be provided to all households in East Kent.
- From an analysis which compares the current collection methods in each authority with the proposed collection methods (including the NOM) it appears that all properties that currently have a weekly collection of food will retain this service. In the case of the NOM food can be put in the garden waste collection one week and the residual collection the following week if desired. The specific details of the changes will form part of the reports taken through the decision making processes of each authority.**
- That the reports to each Council's Executive comprehensively set out the figures for any lost income that arises from the implementation of the NOM.
- Reports developed for decision at each authority will include more specific financial details and revenue impacts to support the overall figures set out in this report.**

7. Implications

(a) Financial Implications

See 2.1 to 2.9 above and Annex 2 and 3 to this Report.

(b) Legal Implications

The Memorandum of Understanding attached at Annex 1 sets out the principles upon which the Partnership is founded. In order for the project to progress and to maximise the efficiency to be derived from the current round of procurement all parties must commit to the undertakings within the Memorandum of Understanding. This provides clarity for each authority's commitments in respect of service changes, financial obligations and benefits. Signing the Memorandum of Understanding will also commit the authority to completing the binding legal agreement referred to within it.

Other implications

(c) Staffing/resource

The majority of operational staff affected by these changes are currently working for existing contractors. The table below identifies those services provided by contractors and those services which are currently provided in house:

Authority	Waste Collection – Residual and Recycling	Street Cleansing
Dover District Council	SITA	SITA
Shepway District Council	VEOLIA	In House
Canterbury City Council	SERCO	SERCO
Thanet District Council	In House	In House

TUPE regulations will apply to the transfer of staff between contractors and from councils. Subsequent discussions on contract management arrangements will form part of the East Kent councils' wider discussions on the provision of joint services. This will potentially affect client staff in all the districts and KCC.

- (d) **Property Portfolio**
Properties available for use at the present time to the successful tenderer are detailed below:

Depot	Council
Military Road Depot, Folkestone	SDC
Tower Hamlets Depot, Tower Hamlets Road, Dover	DDC

- (e) **Environmental/Sustainability**
Not only does the project drive up recycling performance from an average of 37% to an average of 48% across East Kent but it also:
- Maximises cost effectiveness removing artificial barriers across the two tiers of Government
 - Enables cross border operation to deliver more efficient collection practices,
 - Reduces collection and transfer/haulage mileage,
 - Encourages opportunities for co-location of transfer, processing and depot facilities
 - Enables environmental criteria to be included within the contract evaluation.
- (f) **Planning/Building Regulations**
Contractors will be responsible for ensuring any facilities provided for use in this contract have the appropriate planning and building regulation permissions.
- (g) **Human Rights issues**
The proposals are consistent with Human Rights legislation.
- (h) **Crime and Disorder**
No significant implications.
- (i) **Biodiversity**
No significant implications.
- (j) **Safeguarding Children**
No significant implications.
- (k) **Energy efficiency**
An outcome of the proposals will be to reduce vehicle and property requirements to the minimum, which will lead to reduced energy and fuel usage.

8. **Conclusions**

The East Kent Joint Waste Project enables the implementation of the Kent Joint Municipal

Waste Strategy in East Kent and in the process delivers significant benefits to Partner Districts and Kent County Council.

Districts will benefit from:

- Expanded recycling services including garden and food waste collections to at least 60% of district households
- Enhanced recycling performance averaging 48% across the East Kent area
- Additional annual funding from KCC to net off the budget impact of the changes
- Additional capital funding to finance the changes in containerisation required
- 50% share of disposal benefits after investment costs have been recovered.

KCC will benefit from:

- 50% share of disposal benefits
- Ability to strategically manage the waste streams within East Kent
- Removal of distorting influence of recycling credit payment mechanism

Both parties also benefit from

- More certainty through securing long term processing capacity
- Better coordination of recycling, prevention and minimisation initiatives
- Environmental benefits such as reduced carbon emissions from more efficient transport arrangements.

In order for the Project to move forward and deliver these benefits Partner Authorities are requested to commit formally to the Memorandum of Understanding attached at Annex 1.

9. Background Papers

Annex 1 - Memorandum of Understanding
Annex 2 – Project View/Alternative View
Annex 3 - Disaggregation Views
Annex 4 – Procurement Timetable

Contact Officer: Mark Seed Telephone: 01843 577742

East Kent Waste Partnership
Memorandum of Understanding

DRAFT MEMORANDUM OF UNDERSTANDING FOR
THE EAST KENT JOINT WASTE PARTNERSHIP

1) **PURPOSE OF THIS MEMORANDUM OF UNDERSTANDING**

- i) The purpose of this Memorandum of Understanding is to:-
- (a) Set out in simple, non legalistic, terms the way that the Partners (see definition) to the Memorandum will work together towards the objective of procuring a waste management contract for the collection of recyclable and residual waste materials, processing of recyclable materials, and the provision of street cleansing services and associated arrangements,
 - (b) Establish overarching principles for taking joint working forward to deliver the agreed work streams.

2) **DEFINITION AND INTERPRETATION**

Term	Definition
Alternative View	Each Council's developed views as comparative go-it-alone options
CCC	Canterbury City Council
DDC	Dover District Council
EKJAC	East Kent Joint Arrangements Committee
Enabling Payment	Annual Revenue Funding from KCC required by the EKD & CC's to fund the additional net costs of expanding services and where applicable the lost income from charging for garden waste collections and lost recycle income. This funding will be added to recycling credit funding and any other agreed KCC funding streams and termed as an East Kent District Award. Recycling Credits will no longer be paid but an amount equivalent to the value of recycling credits paid in the last full year prior to the relevant council entering into the EKJWP Service Contract will be added to the Enabling Payment. Elements of the Enabling Payment that relate to changed service costs will adjust in line with the annual contract review mechanism.)
Containerisation Funding	Capital Funding from KCC required by the EKD & CCs to fund changes in containerisation necessary to introduce the NOM.
EKD & CC's	East Kent District and City Councils
First Phase of Procurement	<ul style="list-style-type: none"> A) The procurement of waste collection and street cleansing services for DDC and SDC to commence from October 2010. B) Facility infrastructure or capacity for materials handling for recycling and composting materials arising from DDC and SDC from Oct 2010 and extended to CCC and TDC from April 2013.
Households	Household numbers are as defined for National Performance Indicators
Host Authority	DDC for the first phase of the procurement process, and then to be subject to further discussion and agreement.
KCC	Kent County Council
Lead Officer	The officer responsible for the delivery of waste management services in each authority
Memorandum	Memorandum of Understanding
NOM	Nominal Optimal Model – refers to the use of split bodied vehicles for kerbside collection of dry recycle, comingled collection of garden and food waste and alternate weekly collection of residual waste.
Partners	CCC, DDC, KCC, SDC and TDC

Partnership	The Partners working together in an evolving relationship which will be reflected in a Partnership Agreement
Partnership Agreement	A legally binding agreement drafted in accordance with the principles of this Memorandum
Procurement Board	Sub Group of Steering Group with specific responsibility for progressing the procurement of the East Kent Joint Waste Contract. Reports back to Steering Group.
Programme Board	Consists of elected members from all Partners responsible for overseeing the work of the Steering Group and overall progress of the East Kent Joint Waste Project.
Project View	Each Council's view of the Project benefits used to contrast against Alternative View (see definition above).
the Project	Includes the first and second stages of procurement
Second Phase of Procurement	The procurement of waste collection and street cleansing services for CCC and TDC commencing from April 2013.
SDC	Shepway District Council
Steering Group	Formed from Lead Officers from Partners with responsibility for progressing the East Kent Joint Waste Project. Reports to Programme Board
TDC	Thanet District Council
WCA	Waste Collection Authority
WDA	Waste Disposal Authority

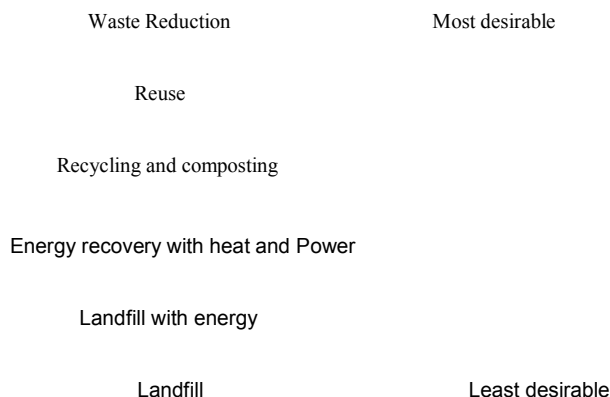
3) STATUS OF THE MEMORANDUM AND THE PARTNERSHIP

- i) The Memorandum is an operational not contractual document, however it is acknowledged by the Partners that the following areas will need to be agreed and entered into as legally binding documents as soon as practicable hereafter. The areas to be embodied in the legally binding agreement are outlined at Appendix II to this Memorandum.
- ii) The Partners have (by signing the Memorandum) agreed to use all reasonable endeavours to achieve the objectives of the overarching principles of the Memorandum.
- iii) The Partnership is not a legal entity. Accordingly, it cannot employ staff or enter into contracts in its own right. In those respects it will have to act through an agent - normally one of the Partners acting as a Host Authority. For the purposes of the first phase of procurement the Host Authority, subject to resource review, and agreement of all Partners will be DDC. The Host Authority for the second phase of the procurement is to be determined and this phase will commence from 1st January 2011.
- iv) The Partners will from time to time consider and if appropriate grant delegated powers to their lead and other officers to facilitate the working of the Partnership.

4) KEY OVERARCHING PRINCIPLES

- i) The Partners recognise that the co-ordination of action in procuring waste collection, recycle processing and street cleansing arrangements will be more effective than individual action by a single authority

- ii) The Partners recognise the guiding principles of the Best Practicable Environmental Option (BPEO) and the European Community (EC) hierarchy of waste management:-



- iii) The Partners will work to deliver the objectives of the Joint Municipal Waste Management Strategy for Kent,
- iv) The Partners commit themselves to the most economically advantageous and closest co-ordination possible of waste collection and disposal arrangements in East Kent, within the law and practical achievement.
- v) The EKD & CCs will participate in an optimum, most economically advantageous procurement solution to deliver the NOM. Procurement solutions to commence in 2010 for DDC and SDC and in 2013 for CCC and TDC.(or before this for TDC if achievable)
- vi) KCC will participate in this process and include the procurement of all the necessary arrangements, post collection, to provide capacity, for the handling, and processing of waste. KCC, in undertaking this obligation, will however have to take into account its commitments to Allington and other existing contracts.
- vii) The Partners will adopt the optimum most economically advantageous options as a result of the procurement process to include unified contract management arrangements and pan boundary collection efficiencies

5) STEERING GROUP

- i) The Partners shall be supported by a Steering Group consisting of a minimum of one Lead Officer responsible for waste from each of the Partners.
- ii) For the avoidance of doubt membership of the Steering Group should remain as constant as possible but may vary at the discretion of each Partner as appropriate to the topic or issue being considered and may include additional members as appropriate to the topic or issue being considered.
- iii) Officers of each Partner shall be required to and be responsible for reporting decisions to their own Council and implementing Partner decisions (once adopted by all Partners) and the Steering Group shall monitor the implementation of those decisions.
- iv) The Steering Group may agree to the setting up of other Officer sub/working groups to discuss and take forward any particular issues with particular emphasis on Joint Working. Such working groups will be accountable to the Partners through the Steering Group.
- v) The Steering Group shall, by applying pooled resources, employ (through the Host Authority) a Project Officer and/or use of Consultants, to advance the aims and objectives of the Partnership. The work programme for the Project Officer and/or use of Consultants will be determined by the Partnership and monitored by the Steering Group.

6) SCRUTINY ARRANGEMENTS

Partners will be encouraged to conduct scrutiny through their individual scrutiny arrangements.

7) SPECIFIC PRINCIPLES

- i) The EKD & CCs will resolve by January 2010 to the legal commitments detailed at 3.i above.
- ii) The EKD & CCs will take all reasonable steps to achieve delivery of collection arrangements by a single contractor by 2013. This is envisaged to be achieved either by a 2 or 3 stage contract arrangement with separate commencement dates building on the existing specification work carried out by DDC and SDC (which would be the method by which a single contractor could be best achieved), or by 2 separate contracts let in 2010 by DDC and SDC, and in 2013 by CCC and TDC with a view to combining the contracts in 2020.
- iii) Further, all reasonable steps will be used to include as part of these contracted services processing capacity to achieve a more unified collection and processing contractual arrangement in East Kent, either through the use of 1 single contractor, or some better arrangement which gives best market price. Under both (ii) and (iii) of this section, in-house contractors will not be prevented from applying.
- iv) KCC will, in return for these commitments, agree to make enabling payments to the EKD & CCs in order for them to deliver the NOM as envisaged. This agreement will be entered into as part of the agreement of the EKD & CCs to collect according to the NOM, and to seek a single contractor outcome. Enabling Payments to District Councils will be made in accordance with the introduction of the changes in service required to deliver the NOM.
- v) KCC will also agree to fund the Containerisation changes required to deliver the NOM.
- vi) Disposal Savings will be determined, through open book accounting, by contrasting disposal costs delivered through the implementation of the project against base case disposal costs which represent the forecast disposal costs that KCC would have incurred if the Project had not been implemented. This base case will form part of the legal agreement to which all parties will commit.
- vii) Collection savings will be determined through the competitive dialogue process as tenderers define the benefits to be delivered:
 - a. Through joint working with DDC and SDC,
 - b. Through joint working across the Partners.
 - c. Through co-location of depot, transfer and processing facilities.
- viii) The principles of benefit disaggregation are detailed at Appendix III to this MoU.
- ix) The benefit to be disaggregated will exclude DDC and SDC savings already discounted from the Project.
 - a. In respect of SDC the discounted savings arise from the change from kerbside sort collection to the NOM collection method. The operational saving delivered by this change is estimated at £580k, (being a reduction in the number of rounds required to provide a fortnightly comingled collection service in comparison to the existing weekly kerbside sort service) **less** the processing costs and changes in recyclate value incurred in respect of the comingled collection as informed by the competitive dialogue procedure.
 - b. In respect of DDC the discounted savings arise from the change from weekly residual waste collection to alternate weekly residual waste collection. The operational saving delivered by this change is estimated at £375,000 being the reduction in the number of residual waste collection rounds from 8 to 5. The true value of the saving will be identified through the competitive dialogue procedure and within the Contract Bill of Quantities as rates for both collection methods will be required.

- x) The benefit to be disaggregated will also exclude any savings which may accrue through on changes in street cleansing functions.
- xi) This will provide the EKD & CCs and KCC with a clear financial incentive to agree and deliver the efficiencies and improvements which will lead to these future savings. These mechanisms are to be enshrined within the Partnership Agreement referred to above.
- xii) Disaggregation benefit to be assessed annually and not subject to adjustments from previous years.

8) CONFIDENTIALITY AND PUBLICITY

- i) The Partners shall hold confidential any information in respect of the Project, subject to their obligations at law or other requirements of an appropriate regulator (including the Audit Commission).
- ii) No Partner shall use any information received from another Partner in connection with the Project within its own organisation except to the extent necessary for the implementation of the Project save with the consent of the other Partner, such consent not to be unreasonably withheld or delayed.
- iii) If a Partner (the “**Receiving Partner**”) receives a request under the Freedom of Information Act 2000 ("FOIA") it shall be for the Receiving Party to decide if such information should, as a matter of law, be disclosed and having acted reasonably and decided that it is legally obliged to disclose, it shall be entitled to so disclose.
- iv) The Receiving Partner shall use its reasonable endeavours to consult with those Partners that may be affected by such disclosure prior to deciding whether to disclose information pursuant to the FOIA but it shall not be obliged to so consult where to do so would put it in breach of this Act.
- v) The Partners shall comply with the Data Protection Acts 1984 and 1998.
- vi) Subject to clauses 8 (iii) and 8 (iv) (Confidentiality) no Partner shall make any public statement or issue any press release or publish any other public document relating to, connected with or arising out of this Memorandum, or the matters contained therein.

9) DISPUTE RESOLUTION

- i) In the event of a dispute under this Memorandum which cannot be resolved by the Partners the matter concerned will be referred to EKJAC. If any Partner disagrees with the decision of EKJAC the matter will then be referred to an independent adjudicator chosen by the Partners and whose decision will be binding on all Partners.

10) DURATION

- i) The arrangements set out in this Memorandum of Understanding will remain in operation until the Partnership is disbanded or the Partnership Agreement is entered into whichever is sooner. Arrangements may, however, be varied by written agreement of all of the Partners.
- ii) Any Partner may withdraw from the Partnership by giving not less than 6 months notice in writing but not before such a proposal has been considered by the Partnership and the withdrawal shall not take effect until the following 31st March. The withdrawing partner may be liable for costs incurred by one or more Partners as a result of their withdrawal

11) APPENDICES - WORK STREAM SPECIFIC AGREEMENTS (Examples)

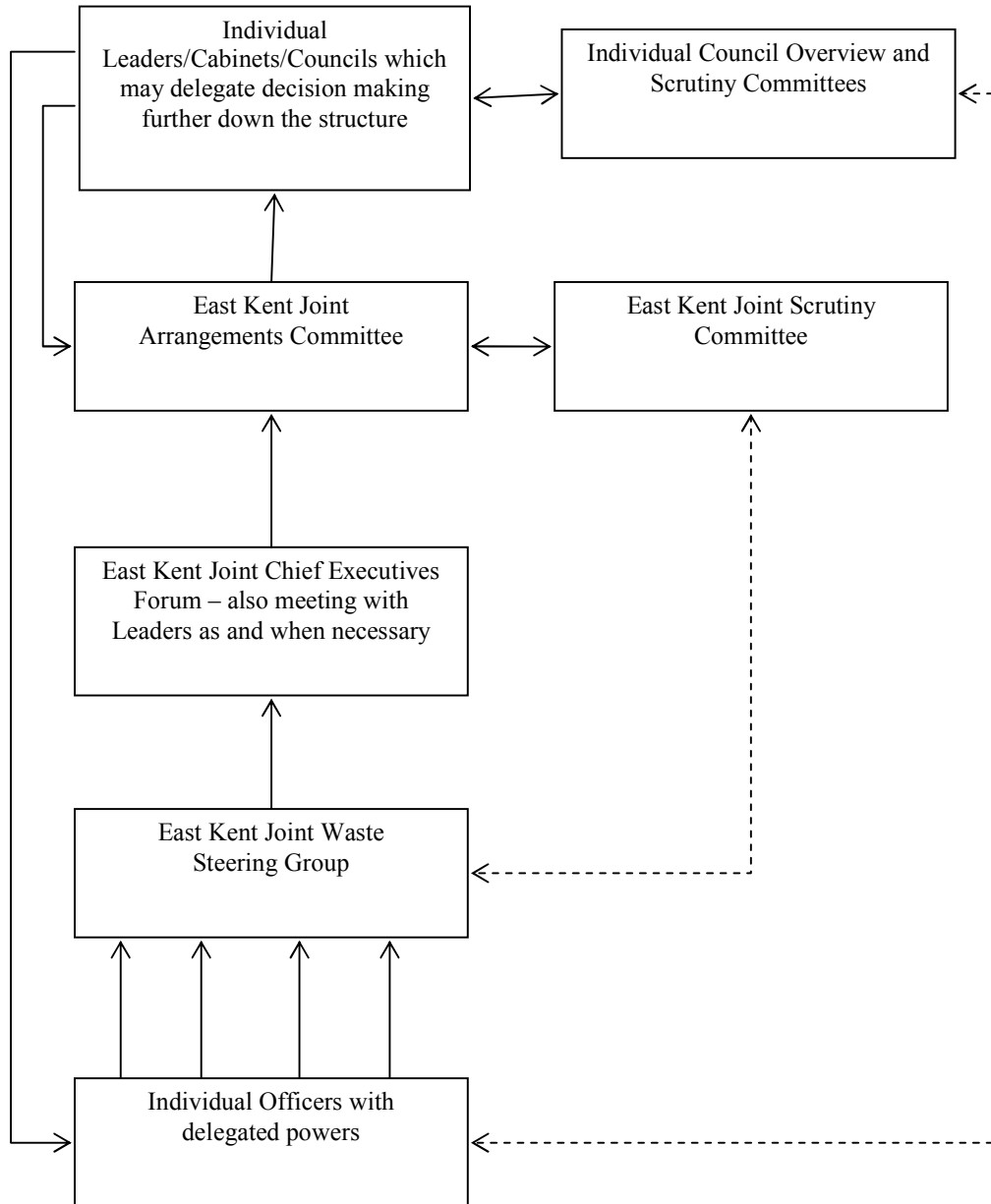
- a) APPENDIX I – Reporting Structure
- b) APPENDIX II – Legal Commitments
- c) APPENDIX III – Benefit Disaggregation Principles

This Memorandum of Understanding is agreed by the following:-

PARTNER	SIGNED	DATED
The Kent County Council Canterbury City Council Dover District Council The District Council of Shepway Thanet District Council		

Appendix I

Reporting Structure for East Kent Joint Waste Steering Group



Appendix II

LEGAL COMMITMENTS

In order for the Project procurement to progress through to the Final Tender Specification stage the Partners shall, as soon as practicable hereafter, make the following Inter Authority Commitments:

- 1 EKD & CCs are required to commit to the NOM collection methodology as refined and informed by the Competitive Dialogue Process in order to deliver materials in a single cost efficient manner; and
- 2 DDC and SDC must commit to deliver their specified recycling waste streams to the transfer points and facilities specified by KCC in accordance with agreed contractual conditions from October 2010; and
- 3 CCC and TDC must commit to deliver their specified recycling waste streams to the transfer points and facilities specified by KCC in accordance with agreed contractual conditions from April 2013, or earlier by mutual agreement; and
- 4 KCC will fund enabling payments and containerisation payments to the EKD & CCs in accordance with the EKD & CCs compliance with the NOM collecting methodology; and
- 5 KCC will provide processing capacity and or facilities for the materials collected by the EKD & CCs in accordance with the NOM collecting methodology in accordance with agreed contractual conditions; and
- 6 All parties agree to be bound by the disaggregation principles set out in Appendix III of the MoU

Appendix III

Benefit Disaggregation Principles

Partners agree to pool future avoided disposal savings and savings derived specifically from joint working across Waste Collection Authorities and Waste Collection/Disposal Authorities

Benefits to be disaggregated as follows:

- Investment to be refunded to KCC prior to the distribution of collection and disposal benefits.
- CCC to receive additional funding of £189k p.a. to compensate for the shortfall between its Project View and the Alternative View (excluding garden waste charging)
- Remaining Benefit to be disaggregated between KCC and the EKD & CCs in accordance with the following:
 - 50% KCC
 - 50% EKD & CCs
- The benefit derived to the EKD & CCs to be disaggregated in proportion to the number of Households within each district or city area (subject to the agreement of an equalisation mechanism) such that, over time, greater equity in KCC funding per household is achieved across all EKD & CC administrative areas

Annex 2

Project View/Alternative View Comparison Table

Authority	Project View		Alternative View	
	Rec. Rate	Financial impact	Rec. Rate	Financial Impact
Canterbury City Council	51%	Existing Budget maintained £548k Enabling Funding and £202k Containerisation Funding to expand services	<u>Opt 1</u> 47% <u>Opt 2</u> 36%	Existing budget reduced by £737k (End market income) Existing budget reduced by £1,605k (End Market recycle and Garden waste Income)
Dover District Council	44%	Existing Budget reduced by £375k Round saving £121k Enabling Funding to replace lost income and £1,338k Containerisation Funding	25%	Existing budget reduced by £407k (GW Income and 1 vehicle round saving)
Shepway District Council	52%	Existing Budget reduced by £584k Round saving £517k Enabling Funding to replace lost income and £667k Containerisation Funding	39%	Existing Budget reduced by £584k (vehicle round saving). Shepway retains GW income and new comingled end market income
Thanet District Council	44%	Existing Budget maintained plus £233k Enabling Funding £1,148k Containerisation Funding to expand services	27%	Existing budget reduced by £561k Containerisation funding of £332k required
Kent County Council	48%	Generates avoided disposal benefit of £2.9mn . Requires enabling funding of £1.42mn . Containerisation Funding of £3.35mn . Overall future budget requirement reduced by £1.48mn .	33%	Additional budget cost up to £367k .

Disaggregation Views						
SAVINGS BREAKDOWN:						
£k (annual averages for project period)	Original			Amended		
	NOM - Disposal Benefits Only			NOM - Collection and Disposal Benefits		
Adjusted NOM Savings						
Gross Disposal Savings			2,897			2,897
Joint Contract Collection Savings			0			1,000
Joint Contract Disposal/Collection Savings			0			500
Revised Gross Disposal Savings PLUS project savings			2,897			4,397
Inflation Impact Removed			0			0
Landfill Impact Removed			0			0
Containerisation Costs			0			0
Revised Gross Disposal Savings LESS adjustments			2,897			4,397
Enabling Payments			(1,419)			(1,419)
Additional Canterbury Enabling Payment			(189)			(189)
Revised WCA Funding			(1,608)			(1,608)
Adjusted Total Net Savings			1,289			2,789
Project Savings Sharing Proposal						
Revised Gross Disposal Savings (from above)			2,897			4,397
Revised WCA Funding			(1,608)			(1,608)
KCC Net Saving			1,289			2,789
		50%	644.5		50%	1,394.5
District Net Saving			1,289			2,789
		50%	644.5		50%	1,394.5
Adjusted Total Net Savings			1,289			2,789
District Sharing	Hholds	%	Savings	Hholds	%	Savings
(Households used as apportionment basis)	2007/8	Share	Share £k	2007/8	Share	Share £k
Canterbury	61,605	28.7%	185.0	61,605	28.7%	400.2
Dover	47,730	22.2%	143.1	47,730	22.2%	309.6
Shepway	45,135	21.0%	135.3	45,135	21.0%	292.8
Thanet	60,365	28.1%	181.1	60,365	28.1%	391.9

District Net Saving (apportionment view)	214,835	100.0%	<u>644.5</u>	214,835	100.0%	<u>1,394.5</u>
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Procurement Timetable

Stage	Date	Task
	2009	
Pre-Qualification Questionnaire	10 August	Pre-qualification questionnaires available on request.
Procurement Board	18 August (14.00)	Review progress.
Procurement Board	Tues, 1 September (14.00)	Review progress.
Open Day	10 September	Briefing & Depot Open Day for all prospective tenderers.
Procurement Board	Tues, 15 September (14.00)	Review progress.
Pre-Qualification submission deadline	Fri, 18 September	For inclusion in the shortlist completed PQQ. Documentation must be returned by no later than noon 18 September 2009.
Review PQQ's	Tues, 22 September	MC to meet with Waste Consulting.
PQQ Scoring	Weds, 23 September (10.00 to 17.00, Room 405, SDC)	Review submissions and score.
Procurement Board	Tues, 29 September (14.00)	Review progress.
Invitation to participate in initial dialogue on Outline Solutions	2-5 October	Short listed Tenderers will be notified and sent an outline specification inviting them to participate in a dialogue on outline solutions.
Opening Dialogue meetings	Tues/ Weds, 13/14 October (SDC)	First stage meetings.
Procurement Board	Tues, 27 October (14.00)	Review progress.
Bidders submit Outline Solutions	6 November	
Dialogue on Outline Solutions	Tues/ Weds 10/11 November (SDC)	Second Stage Meetings
Invitation to submit Detailed Solutions	13 November	Short listed Tenderers will be notified and invited to participate in a dialogue on detailed solutions.
Procurement Board	Tues, 24 November (14.00)	Review progress.
Bidders submit Detailed Solutions	4 December	
Dialogue on	Tues/ Weds, 8/9	Third Stage Meetings

Detailed Solutions	December (SDC)	
Invitation to submit Refined Solutions	14 December	Short listed Tenderers will be notified and invited to participate in dialogue on Refined Solutions.
Procurement Board	Tues, 22 December (14.00)	Review progress.
	2010	
Bidders submit Refined Solutions	9 January	
Dialogue on Refined Solutions	Tues/ Weds, 12/13 January (SDC)	Fourth Stage Meetings
Closure of Dialogue Process	18 January	Short listed tenderers will be notified and invited to participate in dialogue on Refined Solutions.
Procurement Board	Tues, 19 January (14.00)	Review progress.
Issue Final Tender documentation	January/ February	
Bidders submit Final Tenders	February/March	
Clarification Period	March	
Identification of Preferred Bidder	March	
Bid Refinement	March	
Contract Award	April	
Contract Run-in Period	April - September	
Contract Commences	1 October 2010	(Or such other date as may be agreed).

APPENDIX B

Corporate Improvement and Budget Working Party - Sub Group - Waste & Recycling 20th January 2010

The following details give more information in relation to the current modelling for the introduction of the Nominal Optimal Model (NOM) in Thanet. This expands on the figures that were contained within the report to the previous meeting of the sub-group on 4th December.

Enabling Payment

The enabling payment reflects the additional funding required to maintain the existing budget position of each District Council and to deliver the enhanced service provision required through the project. In addition to this funding, Districts will continue to receive the recycling credit income as at the level achieved in the financial year prior to commencement of the new collection contract. For services commencing in April 2013 this would be the recycling credit income for 2012/13.

The key components of that enabling payment are:

- Funding of lost garden income
- Funding of lost end market income
- Funding of enhanced services

The original calculation also allowed for the interest funding of the containerisation programme. This is no longer required and the amended calculation removes this, updates the garden waste income, the end market income and has been adjusted for slight changes in the standard refuse freighter costs. The original and amended enabling payment breakdowns are shown below:

Thanet	Original	Amended
Enabling Payment		
Finance bins	19,148	0
Garden Income	82,000	94,013
End Market Income	99,374	105,476
Finance and Income Sub Total	200,522	199,489
Optimisation – Residual	(275,834)	(273,125)
Optimisation – Recycling	(138,447)	(136,562)
Optimisation – Garden	447,550	457,484
Optimisation – Total	33,269	47,797
WCA Funding / Optimisation	233,791	247,286

However, these will need to be recalculated on the basis of tenders submitted as part of the Dover and Shepway contract process.

Service Enhancement

The cost of the new collection service reflects:

- the additional resources required to provide the extended garden and food waste services (to a minimum of 60% of residents),
- the addition of glass into dry recycling collection rounds,

- the optimisation of existing services and
- the provision of more local transfer facilities.

The exact operation of the service is subject to the proposals that are being submitted as part of the current Dover and Shepway tender process, in which Canterbury and Thanet are playing a part to ensure that the chosen process will be suitable for our areas. However, the main basis of the service will be as follows:

- Residual rubbish will be collected in black lidded bins provided to approximately 80% of properties on alternating weeks. Currently black bins serve over 75% of properties on a 2 week cycle. There are around 63,000 separate properties in Thanet.
- Green waste and food waste will be collected in green lidded bins on alternating weeks free of charge and is modelled to cover 60% of properties. Small kitchen caddies will be provided to hold food waste. Currently a charged green waste service is used by 4,300 properties.
- Paper, card and related material will be collected on alternate weeks based on a presumption that this will be in reusable sacks to 80% of properties. As Thanet has provided blue lidded bins to over 75% of properties these are almost certain to be retained for recycled waste.
- Cans, plastics and glass will be collected from 80% of properties on alternate weeks, again based on a presumption that this will be in boxes, but the same issue in relation to blue lidded wheeled bins applies as for paper and card.
- There are properties for which wheeled bins will not be an option so alternative arrangements are being sought from contractors to try and maximise access to recycling services. Residual waste will probably have to remain collectable in sacks, but the Council is trying out the seagull proof bags in Eastcliff shortly which may be an alternative.
- There will remain blocks of flats whose current waste collection arrangements would be difficult to alter so these are unlikely to change.
- The tenderers for the Dover and Shepway contract are all currently proposing alternatives to the NOM. Most of these expand on the likely % coverage for recycling, and split out green from food waste. This then provides an option for councils to retain or introduce a green waste charge, and reduces downstream processing costs. On this basis the food waste collection could cover over 90% of properties. However, this will be subject to the evaluation of tenders in late March 2010.

Optimisation

The outcome of the original modelling identified capacity within the existing residual and recycling service which would partially offset the cost of the expanded service provision. However there is a need to review this Service Enhancement/ Optimisation cost in the light of:

- the expansion of Thanet's Recycling service in the last 12 months,
- changes in its transfer arrangements and,
- any changes in the collection methodology resulting from the Competitive Dialogue Process

The service capacity originally identified in Thanet for the cost modelling has to some extent been utilised through the expansion of kerbside services and consequently additional funding is likely to be required. A review of the Enabling Funding will take place at the conclusion of the Competitive Dialogue Process when any changes in collection methodology have also been agreed.

For the purposes of the cost modelling, in relation to additional rounds to allow the introduction of the new service, the following information was used. These were based on average drive by rates on other Council contracts to calculate the number of rounds required. These also take into account the reduced drive by rate that occurs as a result of using wheeled bins, which the waste collection services has been absorbing over the last 3 years. This has and continues to use up any spare capacity on rounds inherited from SITA, and will need to be reassessed again as a result of the wheeled bins roll-outs over the last year and being planned for the current year.

Service Area	Av. Baseline Routes	Av. New Routes
Domestic Residue	9.6	7.6
Recycling Dry & Bring	5.6	4.6
Garden Waste/Food Waste	0.8	3.8
Other Routes (limited access and flats)	2	2
Total Routes	18	18

Crew Numbers Gross Staff	Av. Baseline Crews	Av. Crew Number	Av. New Crews	Av. Crew Number
Loaders				
Domestic Residue	22.9	2.4	18.9	2.5
Recycling Dry & Bring	19.1	3.4	17.1	3.7
Garden Waste	2.4	3.0	8.4	2.2
Other Routes *	2.5	1.3	2.5	1.3
Number of Loaders	46.9		46.9	
Drivers				
Domestic Residue	9.6	1	7.6	1
Recycling Dry & Bring	5.6	1	4.6	1
Garden Waste	0.8	1	3.8	1
Other Routes *	2	1	2.0	1
Number of Drivers	18		18.0	
Total Drivers and Loaders	64.9		64.9	

Containerisation

The following table sets out more details in relation to the costs and numbers of containers that are currently assumed within the financial model. Again these numbers will change if alternate proposals outside the NOM are accepted:

Containerisation Costs:	£
Wheelie Bins	1,062,981
Recycling Sacks	40,000
Kitchen Caddie Purchases	45,890
Total Costs £	1,148,871

Containerisation Requirement:

Wheeled Bins

Domestic Residue	61,186
Recycling Dry	35,000
Garden Waste	36,712
Less Existing Bins (180L/240L only)	-
Net Volume Required	82,280
	50,618

Recycling Sacks - Reusable to segregate paper

Recycling Dry	40,000
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Kitchen Caddie Purchases	36,712
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APPENDIX C

CORPORATE IMPROVEMENT AND BUDGET WORKING PARTY - SUB GROUP - WASTE & RECYCLING

Minutes of the meeting held on 4 December 2009 at 10.00 am at Montefiore Room, Council Offices, Cecil Street. Margate.

Present: Councillor Mike J Harrison (Chairman); Councillors Crotty and Mrs Roberts

1. ELECTION OF A CHAIRMAN

On the proposals of Councillor Mrs Roberts, seconded by Councillor Crotty, it was agreed that Councillor Harrison be elected Chairman.

2. APOLOGIES FOR ABSENCE

There were no apologies for absence.

3. DECLARATIONS OF INTEREST

Although there were no formal declarations of interest, Councillors Harrison & Mrs Roberts asked to be recorded as being residents who currently paid for collection of green waste.

4. EAST KENT JOINT WASTE PROJECT - REPORT TO EAST KENT JOINT ARRANGEMENTS COMMITTEE ON 25 NOVEMBER 2009

Consideration was given to a report of the Director of Environmental Services to the East Kent Joint Arrangements Committee (EKJAC) on 25 November 2009, updating EKJAC on the progress made on the East Kent Joint Waste Project and seeking a recommendation from EKJAC that individual authorities should commit to the project in accordance with the East Kent Waste Partnership (EKJWP) Memorandum of Understanding (MoU).

The recommendations specifically made in the Report were as follows:

- 1) Agree to take forward the Memorandum of Understanding (MoU) attached at Annex 1 through their individual Councils' decision-making bodies;
- 2) Delegate authority to the senior legal officer of each authority to prepare and complete a legal binding agreement, incorporating the requirements set out in Appendix II to the MoU, with the agreement being to the satisfaction of the senior legal officer in each authority;
- 3) Delegate authority to the senior officer for waste management in each authority to take all the steps necessary to facilitate the East Kent Joint Waste Project up to each partner authority agreeing to enter into a formal partnership agreement based on the MoU.

In answer to a Member's query, Mark Seed, Director of Environmental Services, stressed that no firm decision had yet been taken to proceed with the joint waste proposals. The Council would first have to ratify the terms of the MoU. Scrutiny was presently involved in considering the proposals as part of the Council's decision-making process.

At the outset, reservation was expressed about the proposals to have food and garden waste commingled. The Director of Environmental Services pointed out that the tenderers would have the opportunity to include a proposal for separate collection of food on a weekly basis, but the overall benefit of such a course of action would have to be demonstrated (see 2.1 of the Report).

As a background to the report to EKJAC, and in response to Members' questions, the Director of Environmental Services provided information as follows:

- a) In view of the major impact that the provision of waste management and street cleansing services had on the Council's budget, it made sense for the Council to endeavour to achieve economies of scale by jointly sharing waste and cleansing services with neighbouring authorities.
- b) The reason for involving Kent County Council (KCC) was to provide a direct link between the way in which waste was collected and managed and the way in which it was disposed of. A key objective was to find the optimum method of collection and the optimum locations to which waste could be transferred. The current cost of disposal of waste was £100 per tonne.
- c) There needed to be a shift away from the current arrangements whereby residual waste was being transported to Shelford and Allington. At the site at Allington, there was a "waste to energy" facility which generated electricity from the process of burning waste. Food waste was not an ideal material for this process as it was relatively wet.
- d) The overarching objective of the joint waste project was to provide enhanced services at a reduced cost. It made sense, therefore, to join up services as much and as uniformly as possible.
- e) As indicated in Section 2 of the Report, financial modelling had taken place to compare the impact on cost of using different collection methodologies. Consequently, a Nominal Optimum Model (NOM) had been determined for all the East Kent District & City Councils (EK D & CCs). The NOM was considered to be relatively conservative in relation to cost modelling. In recognition of the tendency of paper value to fluctuate, figures included for paper were below the current value. Prices nearer the minimums, rather than potential maximums, had been used in the model.
- f) Kent County Council would compensate, by means of an "enabling payment" each district/city council for the increased cost of providing enhanced services and for any lost income on recyclables and garden waste.
- g) Time spent by Officers on the project had not been taken in account in the financial calculations; basically, involvement in the project had been perceived as part of Officers' normal jobs. However, consultants' fees that had been incurred had been shared between the EKD & CCs – each contributing £20K and KCC (£100K).
- h) None of the containerisation funding to be provided by KCC (see 3.4) would have to be reimbursed by EK D & CCs.
- i) One of the scoring mechanisms to which the tenderers would be subject would relate to how well they could demonstrate that their proposals impacted favourably on the carbon footprint.
- j) Under the proposed MoU, Dover & Shepway would be jointly contracting for waste services in 2010. Thanet would be involved in helping with the development of that contract. Canterbury would not be in a position to enter into a new contract until 2013. Although Thanet could have joined with Dover & Shepway at the present time, it was felt that it was in its interests to see what prices came out of the tendering process and to use those for the purpose of undertaking its own financial modelling. If the prices were favourable, it was expected that Thanet would join Canterbury in a procurement process in 2013.
- k) The Company who was successful in the current tendering process stood in good stead for any subsequent contract between Thanet and Canterbury, but there was no guarantee that that Company would be appointed. Each company would be judged on its merits, as compared with competing tenderers at the time.

- l) The contract between Dover & Shepway would be for 10 years.
- m) Although still a significant factor, price was no longer the sole determining factor when it came to appointing a tenderer. A model for weighted scoring had been devised for the new joint waste services contract, and took into account such things as technical issues, sustainability and innovation.
- n) Question: surely, “deal makers” for any contract should include the extension of collectable recyclables to such things as glass, rubber, plastics and polystyrene, and a “deal breaker” would be the commingling of food and garden waste?

Commingling seemed to be working well in Tunbridge Wells.

Question: Was there any evidence to support effectiveness of commingling in districts that were less affluent than Tunbridge Wells?

- o) Collection of green waste on its own could be charged for, whereas green waste commingled with food must be collected free of charge. The cost associated with collection of green waste on its own was more than if commingled with food, but the processing cost was less. If contracts came up with a proposal which would improve services beyond those reflected in the NOM, without increased associated cost, that would be extremely beneficial. (See 2.1 of Report: “There may be some amendment to this collection methodology if, through the Competitive Dialogue Procurement process, tenderers propose variations on this methodology which generate further benefits”.)
- p) The idea was to have black-lidded wheelie bins for residual waste, green-lidded bins for food and green waste, and a mixture of bags and boxes for recyclables (See 2.1 of Report).
- q) Question: Would different coloured bags be used at properties where there were no wheelie bins?

Thanet was believed to be currently achieving in excess of the target of having food and garden waste collected from at least 60% of properties in the area. A system would have to be worked out for the remaining properties, perhaps with food waste being retained in residual waste. It had been found that many people had not used blue bags for the purpose for which they had been provided. Recycling could not be facilitated “at any cost”. There had to be a sensible financial reason for doing so.

- r) Wheelie bins continued to be rolled out to properties in the district. Two roll-outs occurred in 2009 and one was expected to take place in 2010. About 75% of properties were now served by wheelie bins, and that percentage was expected to increase to the upper 70’s during the following year. It was estimated that just over 85% of properties could accommodate wheelie bins.
- s) Currently, between 15 and 20% of the population were on “alternate collections”. It would be beneficial, but challenging, to include glass as a collectable recyclable. Collections of recyclables should only be made to areas where it made economical sense.
- t) The partnership would operate on an “open book system”, with responsibility for ensuring that the contractor delivered its targets.
- u) It made sense to have route maximisation of collection vehicles across district boundaries.

It was noted from the Procurement Timetable set out at Annex 4 to the Report that the third round of the competitive tendering dialogue would commence the following week, and that the decision making process in relation to the ratification of the MoU would involve consideration at:

- i. the extraordinary meeting of the Overview & Scrutiny Panel on 4 February 2010;
- ii. cabinet meeting on 11 February 2010;

and ultimate decision at

- iii. the extraordinary Council meeting on 23 February 2010.

It was AGREED that the Director of Environmental Services makes available to the members of the Sub-Group prior to its next meeting:

- 1. greater financial detail of the proposals;
- 2. more information on how the NOM affected Thanet, and relative costs;
- 3. a draft of the legal agreement based on the commitments set out in Appendix II to the MoU.

5. UPDATE ON THE CURRENT SITUATION

It was noted that an update had been incorporated in Item No 4 above.

6. DATE OF NEXT MEETING

It was AGREED that the next meeting takes place at 10.00 am on Wednesday, 20 January 2010.

Meeting concluded: 11.10 am

CORPORATE IMPROVEMENT AND BUDGET WORKING PARTY - SUB GROUP - WASTE & RECYCLING

Minutes of the meeting held on 20 January 2010 at 10.00 am at Montefiore Room, Council Offices, Cecil Street. Margate.

Present: Councillor Mike J Harrison (Chairman); Councillor Mrs Roberts

7. ALSO PRESENT:

Mark Seed – Director of Environmental Services

8. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Crotty.

9. DECLARATIONS OF INTEREST

There were no declarations of interest.

10. MINUTES OF THE PREVIOUS MEETING

The Minutes of the Corporate Improvement and Budget Working Party-Sub Group-Waste and Recycling meeting held on 4 December 2009, were approved by the Chairman, subject to an amendment replacing Councillor Mrs Rogers with Councillor Mrs Roberts. The minutes are to be signed at the meeting of the Corporate Improvement and Budget Working Party 26 January, 2010.

11. UPDATE ON THE CURRENT SITUATION - THANET FINANCIAL DETAILS

Mark Seed, Director of Environmental Services, updated Members on the current situation in relation to the current modelling for the introduction of the Nominal Optimal Model (NOM) in Thanet. Some minor adjustments around the issue of confidentiality were being proposed by Shepway who are now progressing with the HR, Housing and Waste projects only.

A competitive dialogue process including Dover, Shepway and KCC is underway to progress the formal tender documents which are expected to be ready for 22 February 2010 and awarded in April 2010.

Mark Seed indicated that at this stage we were agreeing to deliver our waste and recycling to locations required by KCC and to collect materials as set out in the NOM or an agreed alternative to this. TDC are not currently committing to the choice of a specific contractor or tender process. Value for money in making the choice of delivery would be the key factor, and that an alternative may come forward that achieved this. The contract for waste collection and disposal, and street cleansing services for DDC, SDC and KCC is due to commence from October 2010, and although TDC could have joined at this stage, it was decided to observe the results of the tender and contract delivery before a procurement decision is made at Thanet. Seven contractors are still participating in the current tender process.

All the 5 participating authorities are agreeing the MoU through their Scrutiny, Cabinet and Council processes at the moment. An inter-authority agreement between the 5 partners had been drafted and was currently being revised. A 3 way agreement between DDC, SDC and KCC was in preparation specifically to reflect the management of their joint contract. All these agreements were aimed to be substantially complete before the final tender documentation was sent in February and signed prior to the formal award of contract. TDC will use the information provided through the current tender to reassess the costs of its own waste and cleansing services in the light of the NOM

or an agreed alternative. This allows a decision to be made about whether to retain the services in-house or to participate in a tender process, either alone or in partnership with Canterbury. If this latter route is taken then this would be timed for completion in 2013 to match the end of Canterbury's current contract.

The Chairman of the Sub Group, Councillor Harrison asked how the expected 10% saving would be made and whether an 'exit' strategy existed if we thought that the project was not working. Mark Seed advised that savings had already been identified within the Works Service that did not specifically depend on the joint waste project. Service enhancements and savings arising from the joint project would be in addition to this work.

In relation to an exit strategy Mark Seed indicated that at present TDC was agreeing to two specific actions:

1. To deliver waste and recycling to locations as directed by KCC, which represents the current way of operating
2. To collect recycling materials as set out in the NOM or an agreed variant.

However, the driving force still remained value for money and this would be the determining factor in relation to TDC's future decisions on the delivery of waste services.

The figures below in relation to Thanet were considered by members of the sub-group:

Enabling Payment

Thanet	Original	Amended
Enabling Payment		
Finance bins	19,148	0
Garden Income	82,000	94,013
End Market Income	99,374	105,476
Finance and Income Sub Total	200,522	199,489
Optimisation – Residual	(275,834)	(273,125)
Optimisation – Recycling	(138,447)	(136,562)
Optimisation – Garden	447,550	457,484
Optimisation – Total	33,269	47,797
WCA Funding / Optimisation	233,791	247,286

However, these will need to be recalculated on the basis of tenders submitted as part of the Dover and Shepway contract process.

If the Council had to add new rounds in waste collection an increase in the enabling payment would be required. One of the current proposals in the NOM (Nominal Optimal Model) was to collect food and green waste together. Kitchen bi-products have to be dealt with differently but if these two were collected separately then the green waste could be composted in a cheaper process. Kitchen waste would have to go to an enclosed composting area due to environmental issues, for which the processing costs are considerably greater. The project savings were based on diverting waste material away from expensive processes. The collection of kitchen waste was based on the provision of 5 litre kitchen caddies to participating households..

The matter of packaging was discussed and Mark Seed advised that Kent Waste Partnership were soon to enter a joint project with Marks and Spencer about reductions in wasteful packaging and they were looking at changing to more recyclable materials. The analysis of reduction in packaging, whilst not wasting food, is important for the long term well-being of the environment.

The Dover/Shepway contract is aiming to expand the range of plastic that can be recycled (such as Tetrapacs). Also splitting out paper and card as this is much more valuable. Trying to choose plastic bags that are seagull proof was also being trialled in Eastcliff in the near future. Whilst wheeled bins work well some properties are not suitable to accommodate them and so potential alternatives still needed to be looked at.

For the purposes of the cost modelling, in relation to additional rounds to allow the introduction the new service, the following information was used. These were based on average drive by rates on other Council contracts to calculate the number of rounds required. These also take into account the reduced drive by rate that occurs as a result of using wheeled bins, which the waste collection services have been absorbing over the last 3 years. This has continued to use up space capacity on rounds inherited from SITA, and will need to be reassessed again as a result of the wheeled bins roll-out over the last year and being planned for the current year.

Service Area	Av. Baseline Routes	Av. New Routes
Domestic Residue	9.6	7.6
Recycling Dry & Bring	5.6	4.6
Garden Waste/Food Waste	0.8	3.8
Other Routes (limited access and flats)	2	2
Total Routes	18	18

Crew Numbers Gross Staff	Av. Baseline Crews	Av. Crew Number	Av. New Crews	Av. Crew Number
Loaders				
Domestic Residue	22.9	2.4	18.9	2.5
Recycling Dry & Bring	19.1	3.4	17.1	3.7
Garden Waste	2.4	3.0	8.4	2.2
Other Routes *	2.5	1.3	2.5	1.3
Number of Loaders	46.9		46.9	
Drivers				
Domestic Residue	9.6	1	7.6	1
Recycling Dry & Bring	5.6	1	4.6	1
Garden Waste	0.8	1	3.8	1
Other Routes *	2	1	2.0	1
Number of Drivers	18		18.0	
Total Drivers and Loaders	64.9		64.9	

The figure above (64.9) was an overestimate of current staff and the real figure is 56.

Containerisation

The following table sets out more details in relation to the costs and numbers of containers that are currently assumed within the financial model. Again these numbers will change if alternate proposals outside the NOM are accepted:

Containerisation Costs:

Wheelie Bins

£

1,062,981

Recycling Sacks	40,000
Kitchen Caddie Purchases	45,890
Total Costs £	1,148,871

Containerisation Requirement: QUANTITY

Wheeled Bins

Domestic Residue	61,186
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Recycling Dry	35,000
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Garden Waste	36,712
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Less Existing Bins (180L/240L only)	-	82,280
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Net Volume Required	50,618
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Recycling Sacks - Reusable to segregate paper

Recycling Dry	40,000
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Kitchen Caddie Purchases	36,712
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It was noted that the Legal agreement was still in its early Draft but would be completed by the time the contractual documents are sent out in February. The most important aspect was the Inter Authority Agreement and the principles of the Memorandum of Understanding. Members agreed with the principles of the project set out in the information provided, but more work on the specifics of delivery was required once further information was available to ensure the best possible value for Thanet residents.

12. **DATE OF NEXT MEETING**

To be decided.

Meeting concluded: 11.10am