

From: Simon Jones, Corporate Director, Growth, Economy and Transport

To: David Wimble, Cabinet Member for (the Kent) Environment

Subject: Folkestone & Hythe Transfer Station – Delivery Options

Key Decision: 25/00068

Classification: Unrestricted

Past Pathway of Report: N/A

Future Pathway of Report: for Cabinet Member Decision

Electoral Division: Folkestone & Hythe – Elham Valley

Summary Kent County Council has a legal duty under section 45 of the Environmental Protection Act (1990), as the waste disposal authority, to dispose of the waste collected at kerbside by the waste collection authorities (the districts) within their administrative boundaries. KCC does this by accepting the waste at a site known as a waste transfer station facility.

KCC currently has a temporary arrangement with a contractor (Veolia) at Ross Way, Folkestone, to provide an interim waste transfer facility until 2028. This facility is very small and cannot accommodate all the waste streams collected at the kerbside and, therefore, cannot meet the needs of Folkestone and Hythe District Council as the waste collection authority or KCC as the waste disposal authority. A more sustainable provision is therefore required.

Recommendations:

The Cabinet Member for (the Kent) Environment is asked to:

1. PROCEED with option 3, which is to utilise waste reserve funds to close the budget gap and extend the developer contribution collection period to 2040, thus allowing the continuation of development of the site near junction 11 of the M20.
2. DELEGATE authority to the Cabinet Member for (the Kent) Environment to approve the capital funding for this project and to the Director of Infrastructure to approve the purchase of the land.
3. DELEGATE authority to the Director of Environment and Circular Economy in consultation with the Deputy Leader of the Council and Cabinet Member for (the Kent) Environment, to take relevant actions, including but not limited to, awarding, finalising the terms of and entering into the relevant contracts or other legal agreements, as necessary, to implement the decision as shown at Appendix A

1. Introduction

- 1.1** Kent County Council has a legal duty under section 45 of the Environmental Protection Act (1990), as the waste disposal authority, to dispose of the waste collected at kerbside by the waste collection authorities (the districts) within

their administrative boundaries. KCC does this by accepting the waste at a site known as a waste transfer station facility. At the waste transfer station, waste collection vehicles deposit the separate waste streams into individual large bays. To ensure haulage efficiency, it is then loaded on to artic lorries for onward transport to its final disposal location.

- 1.2** To operate as a waste transfer station, the site must have full planning permission as well as an environmental permit issued by the Environment Agency. The waste infrastructure in Folkestone and Hythe is currently insufficient to handle the amount of waste produced by existing housing levels. The development of Otterpool Garden Town will exacerbate this issue.
- 1.3** KCC currently has a temporary arrangement with a contractor (Veolia) at Ross Way, Folkestone, to provide an interim waste transfer facility until 2028. This facility is very small and cannot accommodate all the waste streams collected at the kerbside and, therefore, cannot meet the needs of Folkestone and Hythe District Council as the waste collection authority or KCC as the waste disposal authority. This interim measure has cost KCC over £400,000 in 24-25, with costs increasing in 25-26 due to essential maintenance works that will consequently result in an increase in fees.
- 1.4** As a result, food and residual (black bag) waste is currently tipped at the KCC waste transfer station in Ashford. This out of district tipping means that legally KCC must pay compensation to Folkestone and Hythe District Council. This cost KCC over £87,000 in 2024-25. Tipping away payments apply when the County Council, acting as the waste disposal authority is unable to provide the District and Borough Councils (waste collection authorities) with a suitable location to tip waste within a reasonable distance of the boundary of their area.
- 1.5** Out of district tipping at Ashford is operationally challenging for all parties due to long queuing times and limits to the permitted tonnes of waste as set out in the environmental permit for the site. This does not allow for efficiency in waste collection or disposal activities, with waste collection authority vehicles having to travel further. This pressure to the site will only increase due to the housing growth in Ashford and the intended growth in Folkestone and Hythe which has been forecast to increase by 28.3% between 2020 and 2040.
- 1.6** In 2019, a bid for capital monies for the development and delivery of a new waste transfer station for the Folkestone & Hythe district was submitted to KCC's capital officer group. The project was estimated to cost £7M. The budget at the time was based upon costs to develop the recently opened Ashford waste transfer station and a site owned by Folkestone and Hythe District Council near junction 13 of the M20, which was to be sold to KCC at cost.
- 1.7** Funding for the project would comprise of KCC capital monies as well as developer contributions collected by Folkestone & Hythe district. Developer contributions is a collective term used to refer to the Community Infrastructure Levy (CIL) and Planning Obligations (commonly referred to as 'Section 106' obligations). These are used to secure financial and non-financial

contributions to provide infrastructure to support development and mitigate the impact of development on the local area.

- 1.8** Approval to plan status was given by capital officers group and feasibility work on the site near junction 13 was undertaken. However, this determined it to be unviable due to recently granted residential planning permission on half of the site. Several rounds of site searches were subsequently undertaken between 2019 and 2022. 35 sites, including Ross Way in Folkestone, were investigated and discounted. The preferred site for the development was therefore concluded by KCC to be the site off junction 11 of the M20.
- 1.9** In August 2022, Folkestone and Hythe District Council concluded an appraisal of all the site searches and added their support to the KCC preferred site near junction 11 of the M20. Since then, work to deliver a new waste transfer station near junction 11 has been developed in partnership with Folkestone and Hythe District Council and Otterpool garden town promoters (as adjacent landowners).
- 1.10** KCC has progressed the design works for the project, with a robust cost plan reviewed by independent quantity surveyors. A planning application was submitted in July 2024 and approved August 2025 and a four-year option agreement to purchase the land was entered into in February 2024. A site plan is included in Appendix B for reference.
- 1.11** Planning permission for the development includes a number of conditions which include the need for additional land to accommodate tree screening and ecology requirements. Folkestone and Hythe District Council has the benefit of an option to acquire this additional land and subject to necessary approvals and agreements, Folkestone and Hythe District Council has confirmed that they will fund the cost of the additional land acquisition and put in place appropriate ownership and access arrangements that will enable KCC to deliver the new waste transfer station. Costs associated with implementing the tree screening and ecology requirements, as well as management of the additional land, is fully budgeted and will be the responsibility of KCC as an integral part of the project.

2. Budget Deficit

- 2.1** A review of the project budget in January 2025 highlighted that the income from developer contributions was significantly lower than originally profiled, creating a budget gap of £4.4M, as shown in Table 1.
- 2.2** This is partly due to the delay in the delivery of the Otterpool Park development (S106 payment) but largely due to reduced Community Infrastructure Levy (CIL) payments resulting from key developments not being delivered. Folkestone and Hythe District Council have since updated their profiling to predict an annual income to KCC of £350,000-£420,000. The lower of these values has been used in the options analysis in this paper.

Table 1: Budget gap

£M	Original figures	Current position
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Cost	15.380	15.380
Funded by:		
KCC Capital borrowing	6.165	6.165
CIL to 2030/31	5.691	3.603
S106	1.653	1.208
Total Funding	13.509	10.976
Gap	1.871	4.404

- 2.3** The budget deficit of £4.4M cannot be designed out and therefore is a budget pressure. Alternative options to close the budget gap have been assessed to allow KCC to deliver a waste transfer station within the Folkestone and Hythe district in a financially viable manner that limits the risk to the Council and delivers to operationally imperative timeframes. This paper reviews the options available to progress the project, provides a detailed risk rated analysis of the viable options and the whole life cost for each.
- 2.4** In 2025/26, KCC placed in reserve £13.288M, specifically for the management and disposal of household waste. This money has been set aside to support the Council in its mitigation from the forthcoming impacts of the Emissions Trading Scheme (ETS) and to make changes to infrastructure due to legislative changes to either save money or avoid future unfunded cost pressures. Using some of this reserve to fund the budget gap and/or forward fund developer contributions has been considered in the options detailed below. The Emissions Trading Scheme is a cap-and-trade system that applies an additional cost to fossil-based emissions released by the incineration process. The expansion of the Emissions Trading Scheme to include Energy from Waste (EfW) plants will bring additional costs to KCC.

3. Options

- 3.1 Option 1 Do nothing – pause project (not viable).** The need for this project remains, however, with slower housing growth in the Folkestone and Hythe district, as evidenced by reduced developer contributions, this option considers the potential to pause the project.

Option 1 is not viable for the following reasons:

- KCC only has a four-year option agreement on the land, which expires in 2028. By pausing the project, this agreement may expire, and design work and other expenditure to date on development of this land will have been wasted.
- Developer Contributions must be used or given back to the District Authority after 10 years. Delaying the project limits the timescale for development of the site and leaves the Council in a position where these contributions must be returned and therefore the budget gap would increase.

- Delaying the project leaves it exposed to market conditions, with potential costs increasing due to inflation and rising fuel and material costs. This increase would again widen the budget deficit.
- Delays to the project puts the existing infrastructure under more pressure, both sites (Ashford and Ross Way waste transfer stations) are often at operational capacity, and increasing housing and therefore tonnages may lead to a failure in KCCs ability to provide this statutory service.

3.2 Option 2 Extend the developer contribution collection period to 2045 to close the gap (not recommended).

- 3.2.1 Developer contributions forecasting is currently to 2030. KCC has the ability to direct all Folkestone and Hythe District Council CIL monies it receives to this project for as long as necessary, plus ensuring that S106 requests are made for waste infrastructure. This option requires an extension of the developer contribution collection period to 2044/45 to bring in an additional £4.4M to close the budget gap.
- 3.2.2 This option is considered financially high risk as KCC would need to forward fund these contributions. To date the CIL projections have not delivered, and simply extending the contribution period does not ensure their delivery.
- 3.2.3 This option ringfences the CIL funding to waste infrastructure, meaning that other essential Council services such as highways, libraries and community learning will not be able to access this funding, which may have a detrimental impact to the surrounding area.

3.3 Option 3 Extend the developer contribution collection period to 2040 and utilise waste reserve funds to close the gap (preferred option).

- 3.1.1 Extension of the developer contribution collection period to 2040 to bring in an additional £3.5M is required. This date is in line with the KCC housing led forecast published in 2021¹, providing more certainty over delivery. KCC will forward fund these developer contributions plus fund the remaining budget gap of £0.9M from the waste reserve. Capital borrowing remains at the agreed £6.165M.
- 3.1.2 A robust cost plan has been developed for this option by an independent quantity surveyor based upon the detailed feasibility and outline design works undertaken to date.
- 3.1.3 This option proposes to use part of the waste reserve to forward fund developer contributions, as well as funding the remaining budget gap of £0.9M.

¹ [Housing Leds Forecast 2021](#)

3.1.4 The use of the waste reserve is considered for this option but not considered advisable for option 2, due to the amount required (which will greatly diminish the reserve) and the longer duration of payback. The Council will require the use of this reserve to mitigate the impacts of the Emissions Trading Scheme in 27/28, of which the liabilities are estimated to be between £12-17M.

3.1.5 Whilst this extension to the developer contribution collection period is only five years shorter than the extension proposed in option 2, the risks in this option are spread and much reduced, for the following reasons:

- The Council does not need to borrow the money to forward fund the developer contributions, reducing the amount of interest incurred and charged to revenue.
- There is no change to the original capital borrowing request, as £0.9M is funded via the waste reserve.
- The project can be delivered by Summer 2027, which delivers to our operational objectives.
- Developer contributions are accessible for other services by 2040.
- Risks related to the developer contributions delivering to the profile continue to exist here, but with the forward funding from the waste reserve, the risk is limited to reducing that reserve rather than incurring additional costs in interest.

3.2 Option 4 Change to a design, build, finance, operate model (not viable).

3.2.1 The budget gap would be funded through third party investment and extension of the developer contribution collection period to 2040 (forward funded from the waste reserve). The third-party investment would be recouped by the operating contractor and paid from KCC revenue. KCC would continue to work to secure planning at junction 11 and purchase the land. A contract to complete the construction drawings and operate the site with a financial investment of £0.9M would be procured.

3.2.2 Following procurement advice, this option is discounted as the route to market is very limited due to the significant progress that has been made on the project already. The project is already at a detailed design phase, with planning submitted. Any operator that would take on the project under this option is highly likely to want to be involved in the design at an earlier stage, or at the very least review the design and potentially make changes to suit their operations, which would result in delay to delivery. The Council would also need to be very prescriptive over the tender as we only require £0.9m to be invested which does not make this an attractive proposition to the market. For these reasons, this option is discounted.

3.3 Option 5 Procure a commercial facility to deliver the service (not viable).

3.3.1 Best value is continuously assessed within the Council's delivery model for this project. Consideration of a different delivery model was made following KCC, as the Waste Planning Authority, receiving a letter from Countrystyle Recycling Ltd to advise of their intention to build a waste transfer station at their Otterpool Quarry site (2 miles west of the KCC Junction 11 site).

3.3.2 The Quarry facility's suitability was assessed. This concluded that there is a fundamental issue for KCC as the Quarry site does not have the correct permissions to accept KCC's waste, as it can only accept certain types of commercial waste. This is therefore not a viable option for the Council.

4. Analysis of Options

Table 2: 25 Year Whole Life Cost Analysis

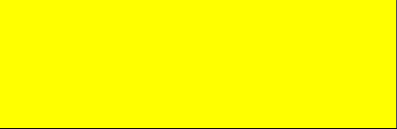
Option	KCC Capital Investment	Developer Contributions	EPR/Third Party Investment	Interest on Capital & Dev Con	Interest on Third party investment 4%	Operating Revenue Cost (25yrs)	Land Asset Value at Yr 25	Contract CE claims (FCC Haulage)	Whole Life Cost (WLC) to KCC 25 years	WLC Ranking	Net Present Value	NPV Ranking
1	NOT A VIABLE OPTION											
2	£6,165,000	£9,215,000		£3,835,449		£34,211,990	£3,000,000		£41,212,439	2	£29,217,049	2
3	£6,165,000	£8,311,415	£903,585	£2,495,592		£34,211,990	£3,000,000		£40,776,167	1	£27,983,747	1
4	NOT A VIABLE OPTION											
5	NOT A VIABLE OPTION											

Table 3: Risk Impact Analysis

Option	Political	Economic	Service Delivery	Legal/Commissioning	Local Government Reform (LGR)	Overall Score
1	NOT A VIABLE OPTION					N/A
2	Would require CIL to be ringfenced for Waste until at least 2044/45. This means that other KCC projects would not benefit from CIL funding for longer.	High risk, as CIL receipts are not fixed and this option would require collection for 7 years beyond current Local Plan profiled period. Additional revenue pressure as longer period of borrowing to forward fund CIL monies. Doesn't require additional capital borrowing. Project design to RIBA Stage 3 has been undertaken enabling a robust cost plan to be developed.	Allows WTS to be delivered to meet operational requirements (Spring 2027). Delivery of this site is only possible if F&HDC purchase the land adjacent to the site, which will enable KCC to discharge the requirements of the planning consent with regards to screening.	Low commissioning risk as uses existing frameworks and Contracts for delivery.	Uncertainty over security of future CIL receipts if LGR sees FHDC incorporated into a Unitary Authority during the lifetime of the required receipts. This has a greater impact on this option than Option 3, due to the increased reliance on CIL to close the gap. No guarantee that the new authority would support the project with the same amount of CIL receipts. Operational contract would need clauses allowing it to novate to the new authority.	16
	5	4	1	1	5	
3	Would require CIL to be ringfenced for Waste until 2040. This means that other KCC projects would not benefit from CIL funding for longer. More certainty over developer contributions as 2040 horizon fits with KCC housing forecast and closely with FHDC Local Plan to 2037.	Less reliance on CIL as increased KCC funding. Economic risk is reduced to low as it is spread between funding sources. More certainty over developer contributions as 2040 horizon fits with KCC Housing Forecast and closely with FHDC Local Plan to 2037. No additional KCC capital borrowing is required, budget gap is met by Waste EPR Reserves and extended developer contribution collection period. Project design to RIBA Stage 3 has been undertaken enabling a robust cost plan to be developed.	Allows WTS to be delivered to meet operational requirements (Spring 2027). Delivery of this site is only possible if F&HDC purchase the land adjacent to the site, which will enable KCC to discharge the requirements of the planning consent with regards to screening.	Low commissioning risk as uses existing frameworks and Contracts for delivery.	Uncertainty over security of future CIL receipts if LGR sees FHDC incorporated into a Unitary Authority during the lifetime of the required receipts. Operational contract would need clauses allowing it to novate to the new authority.	12
	4	2	1	1	4	
4	NOT A VIABLE OPTION					N/A
5	NOT A VIABLE OPTION					N/A

3. Med	4. High	5. Very high Likelihood is very high /vulnerable to change. Impacts are catastrophic.
2. Low	3. Med	4. High
1. Very Low Likelihood is very low / proposal is	2. Low	3. Med

robust. Minimal
impacts.



Scoring

- 4.1** Table 2 shows the whole life costs over 25 years to range from £40,776,167 to £41,212,439. Option 3 is the cheapest, however, the options are extremely close with a difference of £436,272 between the lowest and highest. A comparison of net present value (NPV) costs also showed the options to be financially close. The lowest being £27,983,747 and the highest £29,217,049, giving only a £1.23M difference between them.
- 4.2** A 40-year whole life cost was considered but discounted as an unsustainable approach due to the changing landscape of waste management, funding uncertainties and population growth forecasts. It should be noted that options 2 and 3 allow KCC to retain long term (26 years+) control of the facility and therefore local waste management arrangements.
- 4.3** As well as assessing the whole life costs and net present value, a further analysis of the options to consider the risks, (which have been broken down into political, economic, service delivery, legal and Local Government Reform) has been undertaken. This is presented as Table 3.
- 4.4** Table 3 shows that option 3 scores the lowest, representing the lowest overall risk to KCC, considering all factors excluding whole life costs. Option 3 has no very high risk impacts identified. It also has the lowest whole life and net present value costs. In terms of service delivery and legal/commissioning risks, this option presents very low risk to KCC.

5. Reasons for recommendation:

- 5.1** Based upon the risk analysis shown in Table 3 and the whole life and net present value costs, **option 3** is the recommended option. Option 3 represents the lowest overall risk to KCC and does not have any very high-risk impacts identified. In terms of service delivery and legal/commissioning risks, this option presents very low risk to KCC. It also has the lowest net present value and whole life costs.

6. Consultation

- 6.1** The project is supported by Folkestone and Hythe District Council and Otterpool garden town promoters.

7. Risk

- 7.1** Political, economic, service delivery, commissioning and local government reform risks are assessed in Table 3. These show the biggest risks for the preferred option 3 relate to political and local government reform ones. Economic, service delivery and commissioning risks have been mitigated through the design work undertaken on the project to date.

- 7.2** Risk considerations have been given to the land required for screening. To mitigate this risk, any option to purchase the land will only be progressed subject to KCC being able to fulfil all the requirements of the planning consent, which includes the purchase of the additional land by Folkestone and Hythe District Council for the screening of the site as detailed in paragraph 1.11.

8. Financial Implications

- 8.1** The proposed decision supports Securing Kent's Future as delivery of a Waste Transfer Station in Folkestone & Hythe will allow a sustainable waste service to be provided. Allowing KCC to move away from the current inadequate facilities, negating the need to pay high gate fees and tipping away charges. KCC has secured developer contributions towards this project and utilised frameworks to ensure best value is achieved.
- 8.2** The total project cost is £15.38M, including the cost of purchasing the land. This is financed through the following funding streams:
- £6.165M KCC capital borrowing
 - £0.9M from KCC waste reserve
 - £8.315M developer contributions (£6.81M of which is forward funded by the KCC waste reserve)
- 8.3** A robust cost plan has been developed for the project by an independent quantity surveyor based upon the detailed feasibility and outline design works undertaken to date. Work has been commissioned through existing frameworks to ensure value for money is achieved and financial risks are low.
- 8.4** In addition to capital costs for building the facility, revenue costs for operating the new facility of £1.59m pa will be incurred. To meet this requirement, £661k of these costs will be utilised from within the existing budget for current facilities/arrangements, with the remaining £929k included in the Medium Term Financial Plan in future years as a growth pressure. Financing costs for the element of the capital funding that relates to borrowing are included within corporate budgets.
- 8.5** Spend to date on the project is £492,032. Should option 3 not be progressed, these costs would become abortive and charged to revenue.

9. Legal/Commissioning implications

- 9.1** As detailed in Table 3, progressing with option 3 seeks to utilise existing Frameworks for the build and existing contracts for the operation of the facility. This is considered to pose a low risk.

10. Equalities implications

- 10.1** There are no impacts to equalities at this stage of the project. As and when the detailed design is undertaken an equality impact assessment will be produced.

11. Other corporate implications

- 11.1** We are working collaboratively on the development of the facility with colleagues in Infrastructure.

12. Governance

- 12.1** The Divisional Director of Environment and Circular Economy will inherit the main delegations for this project.

13 Recommendation(s):

The Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for (the Kent) Environment to:

1. PROCEED with option 3, which is to utilise waste reserve funds to close the budget gap and extend the developer contribution collection period to 2040, thus allowing the continuation of development of the site near junction 11 of the M20.
2. DELEGATE authority to the Cabinet Member for (the Kent) Environment to approve the capital funding for this project and to the Director of Infrastructure to approve the purchase of the land.
3. DELEGATE authority to the Director of Environment and Circular Economy in consultation with the Deputy Leader of the Council and the Cabinet Member for (the Kent) Environment, to take relevant actions, including but not limited to, awarding, finalising the terms of and entering into the relevant contracts or other legal agreements, as necessary, to implement the decision as shown at Appendix A

14. Background documents

Appendix A: Record of Decision
Appendix B Site Plan

15. Contact details

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