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To: Cabinet – 17 October 2011

Subject: **MID KENT JOINT WASTE PROJECT**

Classification: Unrestricted

The annexes related to this report and set out in Part II of the agenda are exempt and are not for publication in accordance with paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 (as amended) refers.

Summary: The Mid Kent Joint Waste Project builds on the East Kent Joint Waste Project to deliver more cost effective waste collection, processing and disposal services and improved recycling performance in the County.

A business case has been prepared by the project partners (KCC, Ashford Borough Council, Maidstone Borough Council and Swale Borough Council) for the delivery of a Mid Kent Joint Waste Project which forecasts significant savings for the four authorities. Each partner authority now seeks internal approvals to commit to the project. This will take the form of the partners signing a legally binding Inter Authority Agreement.

This report sets out the next steps required by KCC for the project to move forward, as set out in the recommendations to Cabinet.

The financial and contractual implications related to the procurement of the waste services are set out in the Annexes which are in the exempt part of the agenda.

FOR DECISION

1. Introduction

1. (1) The attached report in Annex A sets out in full the purpose and agreed detail of the Mid Kent Joint Waste Project. This follows more than 12 months of cooperation and in depth work between the project partners.

1. (2) The report recommends individual partner authorities now seek approval to commit to the project which, post procurement, will run from 2013 - 2023. All four councils are simultaneously seeking formal approval to: a) proceed with the project; b) commence procurement; and c) agree to enter into the 4 way Inter Authority Agreement.

1. (3) Once implemented, this project will represent a significant success for the Kent Forum and deliver savings to the Kent taxpayer. Cost-effective services, with increased performance, across both tiers of local government will be the visible result.

2. Cost-effective household waste services for Mid Kent

2. (1) The aim is to develop more cost effective waste collection, processing and disposal services to minimise exposure to escalating costs, deliver efficiencies, and increase recycling by working across the two tiers of local government. It envisages a single collection method to replace the current differing service and contractual arrangements between the three second-tier authorities. This will bring savings to each authority as well as to KCC as the waste disposal authority (WDA).

2. (2) The project is based upon the extensive financial modelling of the various costs and benefits to both waste collection and disposal authorities of various options, settling on an agreed method (Preferred Collection Method) for waste collection, and an agreed business case for taking this forward. This opportunity has arisen as all three Boroughs have an opportunity to let new contracts for collection in 2013.

2. (3) The agreed collection arrangements involve: -

- . Weekly food waste collection
- . Fortnightly collection of dry recyclables
- . Fortnightly collection of garden waste
- . Fortnightly collection of residual waste (to alternate with recycling collections)

The agreed arrangements are the same as those which are being implemented by the four East Kent Waste collection authorities under the East Kent Waste Partnership. The chosen waste collection model may be amended if the proposed Competitive Dialogue process with prospective tenderers indicates variations which would bring additional benefits.

2. (4) This optimal model for waste collection also generates savings to the WDA. Savings overall will be used to off-set costs incurred by the collection authorities when changing to the new collection regime, and will also provide overall savings to the Kent taxpayer for both the Boroughs and the County.

2. (5) Joint procurement of waste collection services will be commissioned by the Borough Councils in 2013 to roll out the new household waste collection contract, delivering waste and recyclates to locations agreed with the WDA.

3. Benefits of the project

3. (1) Consensus has been reached as to the likely avoided disposal costs and benefits of implementing this system through financial modelling from 2013-2023. These include:

- . Expanded recycling services, including enhanced dry recycling and food waste collections to all households

- . Enhanced recycling performance across the Mid Kent area
- . Annual Waste Collection Cost savings
- . Annual gross avoided disposal cost benefit, with a net avoided disposal cost benefit for KCC
- . A significant reduction in cost per household for waste collection and disposal services
- . Ability to strategically manage the waste streams to maximise the value of recycle; and
- . Removal of the distorting influence of the recycling credit payment mechanism.

3. (2) In order to ensure that Borough Councils are not financially disadvantaged as a result of adopting the Preferred Collection Method, KCC has undertaken to provide additional revenue funding as 'enabling payments' to:

- . allow for the additional costs of introducing the new system
- . provide support to meet Borough Revenue Benefits

3. (3) KCC has also undertaken to provide upfront capital investment for the projected containerisation and infrastructure costs to implement the changes in service. The financing cost of containerisation will be repaid from the global project savings.

3. (4) In addition, KCC is undertaking the redevelopment of Church Marshes Transfer Station and provision of a Transfer Station in Ashford, which are essential to provide local one stop delivery points for the bulking up and transfer of various kerbside material streams.

.4. Legal Implications

4 (1) A Four Way Inter Authority Agreement (IAAA) is being drafted to set out the legal framework for joint working. The key Partner obligations are as follows:

- . Mid Kent Borough Councils commit to the Preferred Collection Method as far as practically possible across each administrative area so as to reach the maximum number of Households;
- . the Mid Kent Borough Councils commit to deliver recyclates (including composting materials) in accordance with the Preferred Collection Method to the transfer points and facilities specified by KCC and in accordance with the Mid Kent Joint Waste Contract 2013;
- . KCC will provide or procure processing capacity and/or facilities and necessary haulage and transfer facilities thereto in accordance with the Mid Kent Joint Waste Contract 2013 for the waste streams collected as follows: -
 - i. For Ashford Borough Council with effect from 1st April 2013
 - ii. For Maidstone Borough Council with effect from 1st August 2013
 - iii. For Swale Borough Council with effect from 14th December 2013
- . The Mid Kent Borough Councils agree to use best endeavours to keep Households within their administrative areas informed as to the new methods of waste collection; and
- . KCC will pay 'Enabling Payments' and provide Containerisation Funding to the Mid Kent Borough Councils in accordance with the details set out in the IAA.

4 (2) The IAA provides the foundation upon which the project is required to develop. Accordingly it is now necessary for individual authorities to commit formally to the Project in accordance with the principles detailed.

5. Equality Impact Assessments

5 (1) There are no equality impacts with respect to KCC as no public services provided by KCC are being changed.

6. Risk and Business Continuity Management

6. (1) A full risk register has been initiated and will be reviewed throughout the project life. The most significant risk currently is that partners fail to secure agreement for the Project by the end of October 2011 to enable the procurement process to commence. Any delay beyond this date will impact upon the procurement timescale potentially either reducing the effectiveness of the Competitive Dialogue process or delaying the commencement date of the new Contract which could impact on the timing and volume of savings.

6. (2) There is a risk that the benefits forecast by the modelling are not delivered through the procurement. However the collection cost modelling has been based on tender information derived from the East Kent Joint Waste Project and tender competition for Mid Kent is expected to match, if not exceed, that for East Kent. With regard to Disposal, the rates used are perceived as deliverable. The modelling of processing costs reflect current KCC contract rates which can be improved upon based on pricing assessment recently undertaken. This, combined with the headroom provided for within the Excess Avoided Disposal benefit, provides KCC with the confidence that they are not unduly financially exposed by this project. This view is underpinned by external specialist opinion.

7. Consultation and Communication

7. (1) Consultation to-date has been undertaken with Leaders, Chief Officers, Portfolio Holders from Partner Authorities, and Local Authority employed staff in affected areas.

7. (2) Public Consultation on collection methodologies has been undertaken by Ashford and Maidstone Borough Councils within the last 2 years and the proposed collection system is consistent with the recycling aspirations of the public.

7. (3) A Communications Strategy is now being developed by the Boroughs 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 manage local service changes.

8. Sustainability and Rural Proofing Implications

8. (1) Not only does the Mid Kent Joint Waste Project provide substantial environmental enhancement by increasing the recycling rate across the boroughs, but it also:

- . Provides access to an extensive waste collection service across all 169,000 rural and urban households in Mid Kent;

- . Maximises cost effectiveness by 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; and
- . Responds to public demand for enhanced recycling services.

9 Are there any Personnel or Health and Safety Issues which are relevant?

9. (1) There are no significant Health and Safety Issues.

10. Alternatives and Options

10. (1) Alternative collection methodologies were explored with individual Boroughs, financial assessments completed and comparisons made to the Preferred Collection Method.

11. The Way Forward and Project Timelines

11. (1) Annex C to this report details a draft timetable for the procurement of a joint collection contract through Competitive Dialogue. The primary advantage of this approach being the opportunity to discuss solutions in order to maximise the efficiency and savings across the three boroughs. In order to complete this form of procurement it is recommended that publication of an OJEU notice is undertaken by the end of October 2011.

11. (2) KCC's procurement of the required waste transfer and processing for recyclates, food and garden waste will run in parallel to the Boroughs procurement of the joint collection contract.

12. Next Steps

12. (1) The next steps are for each project partner to seek approval from their respective authorities to commit to the project, as detailed in the Recommendations below.

13. Recommendations

Cabinet is asked to:

- i. endorse KCC's commitment to the Mid Kent Joint Waste Project in accordance with this report and its exempt annexes;
- ii. and subject to him being satisfied as to the detailed terms and conditions, the Corporate Director – Enterprise and Environment, in consultation with the Director of Governance and Law and the Cabinet Member for Environment, Highways and Waste, be delegated authority to:
 - a) take all necessary steps to progress the project together with the project partners, including supporting the Borough Council

- procurement of Preferred Collection Method, and, separately undertaking the necessary procurement of the waste transfer and processing of recyclate, food and garden waste;
- b) negotiate and agree the terms of and enter into any legal agreements as may be necessary between Kent County Council, Ashford Borough Council, Maidstone Borough Council and Swale Borough Council, and any other necessary third parties (i.e. the waste contractor).