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To: Cabinet 30 November 2009

Subject: East Kent Joint Waste Project- partner authority approvals

Classification: Unrestricted

Summary:

The East Kent Joint Waste Project is a groundbreaking initiative across both tiers of local government to deliver more cost effective waste collection, processing and disposal services and improved recycling performance in East Kent.

The attached report from the project partners (KCC, Thanet DC, Dover DC, Shepway DC and Canterbury City Council) has been submitted to the East Kent Joint Arrangements Committee on 25 November, recommending each partner Authority now seeks their own internal approvals to commit to the project. This will take the form of each partner signing a non-legally binding Memorandum of Understanding, and a formal legal agreement based on the principles of the Memorandum as soon as possible thereafter.

This paper sets out the next steps required by Kent County Council to achieve this, as recommendations to Cabinet.

For decision

1. Introduction

- 1.1 The attached report to East Kent Joint Arrangements Committee (EKJAC) on 25 November 2009 sets out in full the purpose and agreed detail of the East Kent Joint Waste Project. This follows more than 18 months of cooperation and in depth work between Kent County Council, Canterbury City Council, Thanet, Shepway and Dover District Councils.
- 1.2 The report recommends individual partner authorities now seek approval to commit to the project which runs from 2013–2020, with participation by Dover and Shepway Districts from autumn 2010.
- 1.3 This project, once implemented, will represent a significant success for the Kent Partnership, bringing savings to the Kent taxpayer through visible demonstration of the scope for enhanced working to deliver modern, cost-effective services across both tiers of local government.

2. Cost-effective household waste services for east 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, working across the two tiers of local government. It envisages a single collection method and contract in place of the current differing arrangements between the four second-tier authorities. This will bring savings to each authority as well as to KCC as the waste disposal authority.

- 2.2 It is based upon extensive financial modelling of the various costs and benefits to both waste collection and disposal authorities of various options, settling on an agreed method (Nominal Optimal Model) for waste collection, and an agreed business case for taking this forward.
- 2.3 The agreed collection arrangements involve
- Split Bodied vehicles, fortnightly collection of kerbside recyclables
 - Food waste will be collected weekly, comingled fortnightly with Garden Waste, and collected with the residual waste on the other week
 - Fortnightly collection of residual waste (to alternate with recycling collections)
- 2.4 This optimal model for waste collection also generates savings to the disposal authority. Savings overall are to off-set costs to the collection authorities of the shift to the new collection regime, but additionally provide overall savings to the Kent taxpayer. The chosen waste collection model may be amended if the current Competitive Dialogue process proposes variations which would bring additional benefits.
- 2.5 Joint procurement of waste services is underway to enable Dover and Shepway Districts to roll out the new household waste collection contract from the autumn of next year, delivering waste and recyclates to locations agreed with KCC, as waste disposal authority.
- 2.6 The current joint procurement involving KCC, Dover and Shepway Districts is the start of a process to minimise costs across the four east Kent authorities in the period to 2020, with Canterbury City Council and Thanet District Council to implement by no later than 2013.

3. Benefits of the project

- 3.1 Agreement has been reached as to the likely avoided disposal costs and benefits of the implementing this system through financial modelling from 2013-20:
- Future costs of disposal are on average reduced by £2.9m 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.
- 3.2 In order to ensure that District Councils are not financially disadvantaged as a result of adopting the Nominal Optimal Model (NOM), Kent County Council has undertaken to provide additional revenue funding of £1.419m p.a. as 'enabling payments' 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.

KCC has also undertaken to finance containerisation costs of £3.35m incurred by the districts, to implement the changes in service.

- 3.3 The impact of the project would be to generate a net average avoided disposal benefit of £1.48m per annum during 2013-20.

In addition up to a further £1.5m pa savings are anticipated from joint working across four districts on waste collection, including cross boundary vehicle deployment, contract scale economies and management. The s.151 officers have agreed that these savings, net of costs, along with the disposal savings shall be shared (disaggregated), with 50% going to KCC and the remaining 50% to be shared among themselves according to household numbers. KCC's investment will be refunded from disposal and collection savings before any benefits are distributed. The financial assumptions of the project are built into KCC's draft future budgets.

4. Risks

- 4.1 The financial 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.
- 4.2 Recent analysis based on further reductions in KCC's waste tonnages and a 20% fall in paper income could reduce the annual disposal benefit from £2.9m to £2.44m and the net benefit would accordingly fall to £1m. However recent fluctuations in waste streams and values are seen as a reflection of the current economic conditions and the £2.9m is seen as a more realistic average assessment over the longer term period 2013-20.
- 4.3 Waste collection savings are based on an assumption that all four east Kent Districts work together to deliver economies. Whilst it is fully the intention of Canterbury CC and Thanet DC to implement the NOM by 2013, it will be important to secure overall value for the tax payer of Kent through the precise contractual or delivery choices that are made at that time.

5. Next steps

- 5.1 The overarching principles of the project, specific principles around the disaggregation of benefits across the parties to the project and process for taking forward joint working have been enshrined in a Memorandum of Understanding as Annex 1 to the EKJAC report appended. It is this Memorandum upon which a legally binding agreement between all five partner authorities will be based.
- 5.2 The next steps are for each partner authority to seek approval from their respective authorities to commit to the project, as detailed in the Recommendations below.

6. Recommendations

Cabinet is asked to:

- (i) express support and commitment to the East Kent Joint Waste Project by endorsing the Memorandum of Understanding set out as Annex 1 to the EKJAC report of 25 November;
- (ii) agree that the Leader of the County Council be authorised to sign this Memorandum of Understanding on behalf of the County Council;

- (iii) authorise the Executive Director of Environment, Highways and Waste to take all necessary steps to progress the project together with the partner authorities;
- (iv) agree that Kent County Council's participation in the legal agreement (based upon the Memorandum of Understanding) with the four east Kent authorities will be taken as a separate Key Decision by the Cabinet Member for Environment Highways and Waste.

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: **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:**

- 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 recyclate 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

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.

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 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 the 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

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Annex 1

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	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

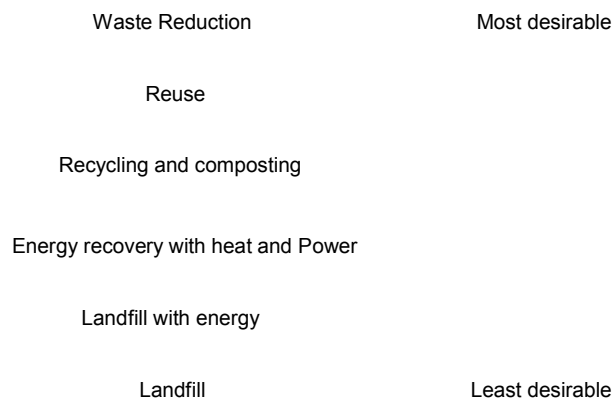
3) STATUS OF THE MEMORANDUM AND THE PARTNERSHIP

- 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)

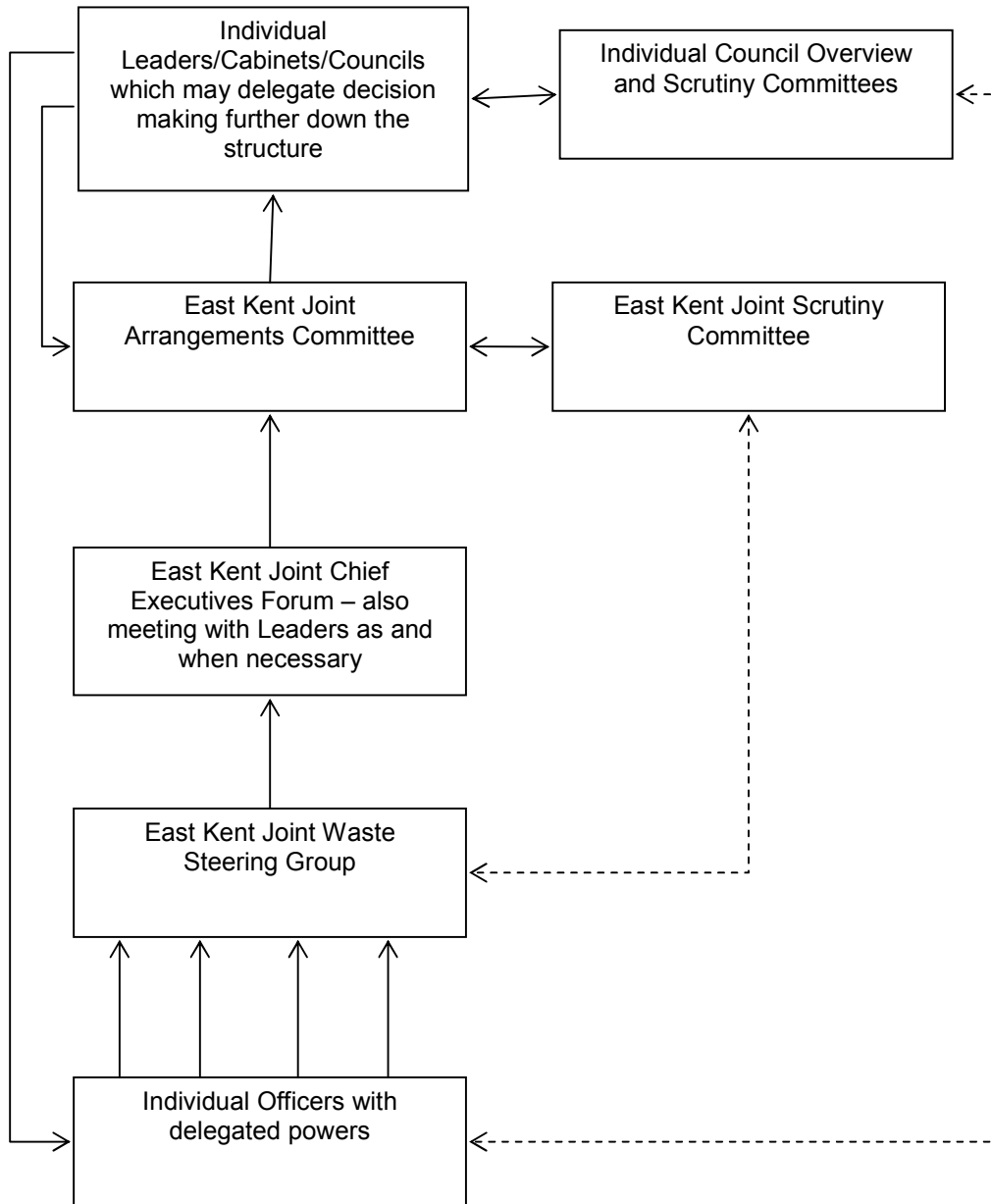
- a) APPENDIX I – Reporting Structure
- b) APPENDIX II – Legal Commitments
- c) APPENDIX III – Benefit Disaggregation Principles

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

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	Opt 1 47% Opt 2 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:						
	Original			Amended		
	NOM - Disposal Benefits Only			NOM - Collection and Disposal Benefits		
£k (annual averages for project period)						
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	50%	644.5	2,789	50%	1,394.5
District Net Saving	1,289	50%	644.5	2,789	50%	1,394.5
Adjusted Total Net Savings			1,289			2,789
District Sharing (Households used as apportionment basis)						
	Hholds	%	Savings	Hholds	%	Savings
	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%

644.5

214,835

100.0%

1,394.5

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	4 December	

Detailed Solutions		
Dialogue on Detailed Solutions	Tues/ Weds, 8/9 December (SDC)	Third Stage Meetings
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) 2010	Review progress.
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).