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5 October 2010

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a special meeting of the **CABINET** will be held **at the Offices of Shepway District Council (Civic Centre, Castle Hill Avenue, Folkestone CT20 2QY)** on Wednesday 13 October 2010 at 3.30 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Kate Batty-Smith on (01304) 872303 or by e-mail at kate.batty-smith@dover.gov.uk.

Yours sincerely

Chief Executive

Cabinet Membership:

Councillor P A Watkins	Leader of the Council
Councillor F J W Scales	Deputy Leader and Portfolio Holder for Economy & Special Projects
Councillor T J Bartlett	Portfolio Holder for ICT, Consumer Affairs & Human Resources
Councillor S S Chandler	Portfolio Holder for Community, Housing & Youth
Councillor N J Collor	Portfolio Holder for Access & Property Management
Councillor P G Heath	Portfolio Holder for Health, Well-Being & Public Protection
Councillor N S Kenton	Portfolio Holder for Environment, Waste & Planning
Councillor C J Smith	Portfolio Holder for Skills, Training & External Relations
Councillor I H Ward	Portfolio Holder for Corporate Resources & Performance

AGENDA

1. **APOLOGIES**
2. **DECLARATIONS OF INTEREST**

Members are required to disclose the existence and nature of a personal interest at the commencement of the item of business to which the interest relates or when the

interest becomes apparent. An explanation in general terms of the interest should also be given to the meeting. If the interest is also a prejudicial interest, the Member should then withdraw from the room or chamber.

3. **ISSUES ARISING FROM OVERVIEW AND SCRUTINY OR OTHER COMMITTEES**

To consider any issues arising from Overview and Scrutiny or other Committees not specifically detailed elsewhere on the agenda.

- East Kent Waste Contract (to follow)

BUDGET/POLICY FRAMEWORK – KEY DECISIONS

4. **EAST KENT WASTE PROJECT**

To consider the report of the Director of Property, Leisure and Waste Management (circulated separately). Appendices A, B and F are contained within the confidential section of the agenda.

5. **EXCLUSION OF THE PRESS AND PUBLIC** (Page 4)

The recommendation is attached.

MATTER WHICH THE MANAGEMENT TEAM SUGGESTS SHOULD BE CONSIDERED IN PRIVATE AS THE REPORT CONTAINS EXEMPT INFORMATION AS DEFINED WITHIN PART 1 OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AS INDICATED AND IN RESPECT OF WHICH THE PROPER OFFICER CONSIDERS THAT THE PUBLIC INTEREST IN MAINTAINING THE EXEMPTION OUTWEIGHS THE PUBLIC INTEREST IN DISCLOSING THE INFORMATION

BUDGET/POLICY FRAMEWORK – KEY DECISIONS

6. **EAST KENT WASTE PROJECT** (Paragraphs 3 and 5 – Information relating to the financial or business affairs of any particular person and Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings)

Appendices A, B and F to the report of the Director of Property, Leisure and Waste Management as outlined at Agenda Item No 4 (circulated separately).

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entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.

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- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact Kate Batty-Smith, Democratic Support Officer, telephone: (01304) 872303 or email: kate.batty-smith@dover.gov.uk for details.

Large print copies of this agenda can be supplied on request.

Report Number 131010/01

To: Joint Report to Dover and Shepway Cabinet
Date: 13 October 2010

To: Joint Report to DDC Extraordinary Council
Date: 3 November 2010

Status: Key Decision

Directors: Keith Cane, Landlord Services
Roger Walton, Property, Leisure & Waste Management

Cabinet Members: Councillor Nick Kenton, Portfolio Holder for Environment & Planning
Councillor Rory Love, Deputy Leader and Cabinet Member for Strategic Services

SUBJECT: EAST KENT WASTE PROJECT

SUMMARY: This report sets out details of the collaboration between the four East Kent authorities, Shepway, Dover, Canterbury and Thanet, and Kent County Council and following the conclusion of the competitive dialogue process seeks approval to:

- (i) Award the contract;
- (ii) Enter into the necessary inter authority legal agreement between Kent County Council, Dover District Council and Shepway District Council;
- (iii) Make and receive the necessary delegations to enable Dover District Council to manage the contract.

N.B. No authority can withdraw from the 10 year contract without also compensating the contractor and its partner district council and The Kent County Council for all the resultant costs and losses.

REASONS FOR RECOMMENDATIONS:

Agreement is sought to the recommendations set out below to enable the project to be progressed and legal agreements relating to the proposed contract and the partnership working between Shepway District Council, Dover District Council and Kent County Council to be completed and signed.

RECOMMENDATIONS:

That each Cabinet:

- 1. Receive and note the report.**

That SDC's Cabinet:

- 1. Subject to the completion of an inter authority agreement between DDC, SDC and KCC, the standstill period and the completion of legal formalities to the satisfaction of the Head of Environmental Services in consultation with the Head of Corporate Services and the relevant Cabinet Member:
 - (a) awards the contract for Recycling & Waste Collection and Street Cleansing services to Bidder F;**
 - (b) pursuant to the Local Government Act 2000 and the Regulations made under it, delegates the executive functions relating to the management of the contract, detailed in paragraph 8.2 of this Report to Dover District Council.****
- 2. Delegates the finalisation of the inter authority agreement between DDC, SDC and KCC to the Head of Corporate Services in consultation with the relevant Cabinet member.**

That DDC's Cabinet:

- 1. Subject to the completion of an inter authority agreement between DDC, SDC and KCC, suitable mitigation of any remaining significant risk items, the standstill period and the completion of legal formalities to the satisfaction of the Director of Property, Leisure and Waste Management in consultation with the Solicitor to the Council and the Portfolio Holder for Environment & Planning:
 - (a) awards the contract for Recycling & Waste Collection and Street Cleansing services to Bidder F;**
 - (b) authorise the Director of Property, Leisure and Waste Management to discharge the executive functions accepted by the Council pursuant to the recommendation set out below.****
- 2. Delegates the finalisation of the inter authority agreement between DDC, SDC and KCC to the Solicitor to the Council in consultation with the relevant Cabinet member.**

That DDC's Council:

- 1. Pursuant to the Local Government Act 2000 and the Regulations made under it, accepts the delegation of executive functions from SDC and KCC relating to the management of the contract, detailed in paragraph 8.2 of this Report.**

1. INTRODUCTION

- 1.1** The respective Cabinets will be aware that the East Kent authorities, namely Dover, Shepway, Thanet and Canterbury (EKD&CCs) have been working with Kent County Council (KCC) for the past two years to develop a partnership approach to the provision of recycling and waste services. This project built on

some initial bilateral work between Shepway and Dover based on the similar end dates for our existing contractual commitments.

1.2 This partnership has resulted in proposals for introducing new services which are based on a complex business case which, in summary, sees KCC as the waste disposal authority supporting the District Councils as collection authorities by using monies derived from savings in disposal costs to fund changes in the collection services.

1.3 The principles of the project were agreed by East Kent Joint Arrangements Committee (EKJAC) on 25 November 2009, by DDC on 11 January 2010 and by SDC on 5 January 2010 following which a Memorandum of Understanding was entered into setting out the broad terms of the agreement. In line with the agreed recommendations, this has been developed into a formal five-way agreement which has now been signed committing the authorities as follows:

- The East Kent Districts commit to a Nominal Operating Model (NOM).
- DDC and SDC commit to deliver recyclates (including composting materials) as specified in the NOM to the transfer points and facilities specified by KCC from 2011.
- CCC and TDC commit to deliver recyclates (including composting materials) as specified in the NOM to the transfer points and facilities specified by KCC not later than 2013.
- KCC will provide processing capacity and or facilities and necessary haulage thereto for the waste streams collected by the DDC and SDC in accordance with the NOM from 2011 and for CCC and TDC not later than 2013.
- KCC provide financial support in relation to the change in collection methodology and containerisation costs.
- The East Kent Districts agree to use best endeavours to keep households within their administrative areas informed as to the new methods of waste collection.

2. NEW SERVICE METHODOLOGY

2.1 At the core of the entire project is the requirement for the collection authorities to commit to the (NOM) collection methodology.

The precise details of this methodology have been developed in discussion with the bidders as part of the competitive dialogue process and informed by the results of a public consultation undertaken across Shepway and Dover. This has led to the development of a refinement to the collection methodology, the Alternative NOM (Alt NOM) that has been shown to offer significant advantages over the original NOM. This was agreed by EKJAC on

19 May 2010, by DDC on 5 July 2010 and by SDC on 28 July 2010. These proposals have also been accepted by each of the other partner authorities.

- 2.2 The Alt NOM will see the introduction of the following service methodology:
- a) Weekly collection of food / kitchen waste (segregated);
 - b) Alternative weekly collections of recyclables and residual waste; plus
 - c) Fortnightly collection of garden waste (existing service arrangements maintained).
- 2.3 A standard household will have a wheeled bin for residual waste, a wheeled bin for cans, plastic, bottles and other dry recyclables, and a box for paper and card. A smaller bin will be provided for the storage of food/ kitchen waste outside the house prior to collection. The containment arrangements for garden waste are unchanged.
- 2.4 These changes are expected to increase the recycling rates within the two authorities from the current figures of 31% (DDC) and 36% (SDC) to close to 48%.

3. PROCUREMENT OF NEW SERVICES

- 3.1 Dover District Council's current contract with SITA for the provision of recycling, waste collection and street cleansing services was awarded as a seven year contract commencing in October 2001 and has now been extended to 15 January 2011.
- 3.2 Shepway District Council's current contract with Veolia for the provision of recycling and waste collection services commenced in April 2000 and has now been similarly extended to 15 January 2011. SDC's Cabinet agreed in July 2009 to include street cleansing services as part of the procurement process. This will involve the transfer of SDC's street cleansing workforce to the successful bidder in accordance with the TUPE Regulations.
- 3.3 The procurement process for the new services has now been progressing for 12 months, which is quite usual for a complex procurement process such as this, and has been undertaken in accordance with the competitive dialogue process under the Public Contracts Regulations 2006. This has proved to be a very complex process but does have some significant benefits in that the dialogue with bidders enables the Councils to have detailed discussions over the proposed specification, resourcing levels and costs before finalising the service specification..
- 3.4 The Public Notice was published in the Official Journal of the European Union in August 2009 seeking expressions of interest for a 10 year contract regarding:
- Provision of recycling, waste and street cleansing services in the districts of Shepway and Dover;

- Waste Transfer, Material Recycling and Organic Waste Processing capacity/facilities to sort and market the recycle and organic output generated by Dover / Shepway from 2010 and Canterbury / Thanet from 2013.

3.5 The following nine bidders were selected following evaluation of the pre-qualification questionnaires:

- Biffa Waste Services Ltd
- Cory Environmental Municipal Services (CEM) Ltd
- FOCSA Services Ltd
- Kier Support Services Ltd
- Serco Ltd
- SITA UK Ltd
- Urbaser SA
- Veolia ES Ltd
- Verdant Group PLC.

3.6 As the process developed, Urbaser, Biffa, Kier and Cory have each withdrawn for a variety of reasons leaving us with five bidders at the close of dialogue on 13 August 2010. The councils issued a Call for Final Tenders (CFT) on that date with tenders returned on 23 August 2010.

3.7 Since then the Project Team has been working on the formal evaluation of the five submissions to determine the quality and financial scores and to assist in the selection of the preferred bidder.

4. TENDER ASSESSMENT

4.1 The evaluation criteria for the project form part of the formal tender documentation and extend to many pages. In summary, The Evaluation Methodology operates across three tiers of criteria and associated weightings. The Tier 1 evaluation criteria and weightings are shown below:

Tier 1 Evaluation Criteria Descriptions	Weighting
Financial Submission	45.0%
Technical (includes Legal)	40.0%
Quality Management Systems	5.0%
Environmental Considerations	5.0%
Added Value	5.0%
Total	100%

- 4.2 In assessing the financial submissions, the evaluation of each bid aims to take account of the whole life costs of the project over the ten year contract term. Services costs are scored relative to their variation from the arithmetical mean and, as the project seeks to deliver a cost effective solution taking account of both collection and disposal, an adjustment made for the impact of the respective solution on disposal costs.
- 4.3 The evaluation of the technical submissions was based on a detailed review of the Service Delivery Plans submitted by the bidders as part of the Response Requirements. The weighting of each aspect of the submission was as follows:

Technical Tier 2 Criteria	Section Weighting	Overall Weighting
Refuse/Recycling/Garden and Food Waste Collection	22.5%	9.0%
Bulky Waste	1.5%	0.6%
Clinical Waste	1.5%	0.6%
Management of Bring Banks	1.5%	0.6%
Trade Waste	1.5%	0.6%
Street Cleansing	22.5%	9.0%
Waste Transfer	7.0%	2.8%
Recyclate Processing	7.0%	2.8%
Garden/Food Waste Processing	7.0%	2.8%
Paper and Card Processing	7.0%	2.8%
Call Centre	5.0%	2.0%
Legal Issues	16.0%	6.4%
Total	100.0%	40.0%

- 4.4 In addition to the primary areas of financial and technical, bids were assessed in terms of quality management, environmental issues and added value. The weighting of each aspect of the submission was as follows:

Quality Management Tier 2 Criteria	Section Weighting	Overall Weighting
Contract Management	20%	1.0%
Performance Management	20%	1.0%
Health and Safety	20%	1.0%
Maintenance Plans	20%	1.0%
Contingency Planning	20%	1.0%
Total	100%	5.0%
Environmental Considerations Tier 2 Criteria	Section Weighting	Overall Weighting
PART A - Environmental Strategies	60%	3.0%
PART B - Reduced Carbon Emissions	40%	2.0%
Total	100%	5.0%
Added Value Tier 2 Criteria	Section Weighting	Overall Weighting
Cost Saving	75%	3.75%
Improved Service to customers	25%	1.25%
Total	100%	5.0%

5. ASSESSMENT OF BIDS

- 5.1 Following the issue of the Call for Final Tenders on 13 August, submissions were received from the five remaining bidders on 23 August. The Tender report prepared following the evaluation process (included at Appendix A) sets out in some detail the analysis of each solution.
- 5.2 The combined evaluation scores for financial and non-financial for each of the solutions are set out in Appendix A (Paragraph 4.1) and based on this evaluation process it is clear that the highest scoring bid has been submitted by Bidder F. It should be noted that a key identifying each of the bidders is included at Appendix B.

6. BUDGET IMPACT

- 6.1 Members will recall that the project has been developed with the aim of establishing new arrangements for recycling and waste collection and

disposal which offered the most cost effective solution for the taxpayer of East Kent overall. Funding arrangements have been developed which see KCC supporting the East Kent Districts by means of enabling payments drawn from the savings on disposal costs.

- 6.2 This business case had been fully modelled as part of the development of the project but now that actual tender costs are available it is possible to fully assess the impact on the Council's budget, although this is complicated to some extent by the phased roll out of the new services and the mid financial year start. A summary of the impact of the new service costs on the current medium term financial plan is included at Appendix E which shows that the cost of the new services are slightly lower than the business case model predicted with savings on both the collection and processing elements of the contract.

7. CONTRACT AWARD

- 7.1 On the basis of the evaluation of the bids and the budget analysis noted above, each Cabinet is therefore asked to agree to the award of the contract for the provision of recycling and waste collection services, street cleansing and waste processing for the period 16 January 2011 to 15 January 2021 to Bidder F.
- 7.2 The Regulations provide for a Standstill Period of at least ten calendar days following the notification to the bidders of the decision to award the contract in principle. Thereafter, an award notice will be published in the Official Journal of the European Union and the contract will be entered into with the successful bidder. Following this detailed implementation discussions with the contractor will commence.
- 7.3 It should be noted that whilst the new contractual arrangements will start on 15 January 2011, the roll out of the new collection arrangements is unlikely to commence much before June 2011 and will extend over a number of months with completion projected for autumn 2011.

8. GOVERNANCE ARRANGEMENTS

- 8.1 The governance arrangements for the new contract have been drafted on the basis of DDC acting as the lead authority for the new contract. This, in part, has required the development of a detailed three-way legal agreement between DDC, SDC and KCC to link the project agreement with the contractor with the principles contained within the 5-way inter-authority agreement between the East Kent Districts and KCC.
- 8.2 In order for DDC to be able to act on behalf of SDC and KCC it is necessary for the two authorities to formally delegate certain functions to DDC. These are as follows:

8.2.1 Delegations from KCC to DDC

In accordance with the approved budgets of Kent County Council to exercise the powers and discharge the responsibilities of Kent County Council arising under the East Kent Waste Contract 2010 and to manage and administer the contract on the council's behalf subject to obtaining prior authority in relation to the following:

- Any payments against Bill of Quantity 6A or 6B;
- The placing of any orders relating to containerisation;
- Any instruction or action which may result in additional costs to KCC in excess of [value to be agreed] (or such other amount as KCC may notify to DDC from time to time);
- The taking of any action pursuant to Clause 13 (Relief Events, Force Majeure and Excusing Causes) or Clause 14 (Changes to the Services) under the Project Agreement;
- The taking of any default action relating to any of the services described in Service Delivery Plans 7(Waste Transfer) ,8 (Recyclate Processing) and 9(Garden & Food Waste Processing);
- The taking of or responding to any dispute resolution relating to the services described in Service Delivery Plans, 7(Waste Transfer) ,8 (Recyclate Processing) and 9 (Garden & Food Waste Processing);

8.2.2 Delegations from SDC to DDC

In accordance with the approved budgets of Shepway District Council to exercise the powers and discharge the responsibilities of Shepway District Council arising under the East Kent Waste Contract 2010 and to manage and administer the contract on the council's behalf subject to obtaining prior authority in relation to the following:

- Any instruction or action which may result in additional costs to SDC in excess of [value to be agreed] (or such other amount as SDC may notify to DDC from time to time);
- The taking of or responding to any dispute moving to external resolution procedures pursuant to Clause 53.4 of the Project Agreement;
- The decision to exercise step in rights under Clause 32 of the Project Agreement;
- The decision to agree or settle any payments to be made or received pursuant to Clauses 36 and 37 (Council Default), 38 and 39 (Contractor Default) and 40 and 41 (Force Majeure);
- The taking of any steps to assign the contract, terminate the contract or materially vary the terms of the contract;
- Any variation of the Parent Company Guarantee or release from the obligations contained therein.

8.3 Reserved Functions

Importantly, certain matters are expressly excluded from the delegation and will still require decisions of the individual authorities in accordance with their own decision making arrangements. These are as follows:

8.3.1 SDC

- The approval of the Service Plans and budgets;
- The discharge of the Authorities functions in its capacity as landlord of the Ross Depot lease.

8.3.2 KCC

- The approval of the Service Plans and budgets
- The taking of or responding to any dispute involving third party external resolution procedures pursuant to Clause 53 of the Project Agreement or otherwise.
- The decision to exercise step in rights under Clause 32 of the Project Agreement;
- The decision to agree or settle any payments to be made or received pursuant to Clauses 36 and 37 (Council Default), 38 and 39 (Contractor Default) and 40 and 41 (Force Majeure) under the Project Agreement;
- The taking of any steps to assign or terminate the Project Agreement or materially vary the terms of the Project Agreement;

The first of these matters namely, the approval of Service Plans and budgets, is likely to be of the greatest significance for practical purposes. It is through the annual approval of service plans and budgets that the individual authorities will control, in accordance with their own particular decision making arrangements, the manner in which the services under the Project Agreement are performed in so far as they relate to their individual functions.

8.4 Legal commitments

No authority can withdraw from the 10 year East Kent Joint Waste Contract 2010 without compensating the Contractor, its partner district council and the Kent County Council for all the resultant costs and losses. This long term commitment underpins the business case of the Five-Way Inter Authority Agreement, and is the basis on which bidders have submitted their bids.

8.4.1 Under the East Kent Joint Waste Contract 2010 each of the authorities are jointly and severally liable for breaches of contract committed by the others.

8.4.2 In addition to setting up the governance arrangements, the Three-Way Inter Authority Agreement allocates liability as between the authorities in the event of early withdrawal or breach of contract by one of the authorities. In either case, the withdrawing or defaulting authority must compensate the others for all their costs and losses.

- 8.4.3 The losses can be extensive: the non-defaulting or continuing authorities are to be compensated to the extent they are put into the position they would have been in had the party not withdrawn or defaulted. The contractor may also be entitled to compensation if the withdrawal or breach of contract results in the East Kent Joint Waste Contract 2010 being terminated.
- 8.4.4 However, DDC, in carrying out the Lead Authority's functions, will not be liable to KCC or SDC or both for actions done in good faith.
- 8.4.5 The authorities are also liable to each other if they breach any of the terms of the Three-Way Inter Authority Agreement, which includes varying or withdrawing any of the functions delegated to DDC.

9. OPTIONS AVAILABLE TO THE COUNCIL WITH ASSESSMENT OF PREFERRED OPTIONS

- 9.1 Given the expiration of the current contracts and that the proposals have been previously agreed by EKJAC, the East Kent Districts and the County Council, no alternative options are being put forward for consideration.

The recommendations contained within this report are made as the Project Team believes the project will deliver significant improvements to services within current budget allocations.

10. INFORMATION TO BE CONSIDERED IN TAKING THE DECISION

- 10.1 Community consultation has been an integral part of developing the new services and a District-wide consultation process has been undertaken in both Shepway and Dover between April and June 2010 with almost 1000 responses to the questionnaire being received in each District. The results were highly supportive of the proposed service changes and details are included at Appendix C.

- 10.2 In particular it is worth noting that as regards Dover residents:

- 95.6% of residents considered the achievement of 45% recycling by 2015 and 50% recycling by 2020 to be important or very important to them.
- 95.2% of residents considered the collection of additional plastics to be important or very important to them.
- 73.8% of residents considered the introduction of separate weekly collections of food waste to be important or very important to them.
- 87.2% of residents considered the provision by the Council of containers for waste to be important or very important to them.
- 93.7% of residents considered better co-ordination between street cleansing and refuse collections to be important or very important to them.

Workshops were held with a cross-section of those who responded in Sandwich on 8 September. A summary of the issues raised at this event is included at Appendix D.

11. RISK MANAGEMENT ISSUES

11.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Not all partners sign the contract and associated legal agreement	High	Low	Proposal has already been discussed in detail within each authority.
Council's decision is subject to successful challenge by one of the unsuccessful bidders under the competitive dialogue process.	High	Low	The councils have taken care to ensure that the procurement process complies with the requirements of procurement law.

12. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

12.1 Legal Officer's Comments (JC – SDC/HR - DDC)

All relevant legal issues have been addressed in the main body of the Report . SDC's Head of Corporate Services and DDC's Solicitor to the Council have been heavily involved in this procurement as members of the Project Team for some months and have provided ongoing advice throughout the process. External legal advice has also been given by Eversheds during the procurement. In addition, DDC's Solicitor to the Council has contributed to the risk assessment at Appendix F.

12.2 Finance Officer's Comments (MD)

This financial comment addresses the financial implications of the tender process and the agreements with the other partner authorities on the basis of the "Alternative NOM".

The main financial elements of the project are the current net costs of the service including waste collection, waste recycling, street cleansing, recycling credits / income, "enabling payments" from KCC to the districts to meet the increase in service costs arising from the NOM, and the costs of containerization (the provision of new wheelie bins and containers).

These elements are summarised in the table below and the subsequent narrative.

Note			Refuse Collection £000	Recycling £000	Street Cleansing £000	Total £000
1	Current Service Costs for 2011/12 in MTFP¹	Current costs	1,446	1,276	1,039	3,761
2		Income from recyclates ²		(235)		(235)
	Sub Total		1,446	1,041	1,039	3,526
3		Less Assumed saving in 2011/12 budget	(200)	(200)	(100)	(500)
4	Total in MTFP for 2011/12		1,246	841	939	3,026
5	Predicted Service Costs following tender submissions	Contract costs based on tender submissions (based on 2011/12 full year)	878	1,285	1,349	3,512
6 & 7		KCC Enabling payment	(131)	(95)		(226)
		Share of collection savings to KCC	54			54
8	Total current costs		801	1,190	1,349	3,340
9	Shortfall / (savings) against current costs		(645)	149	310	(186)
10	Shortfall / (savings) against the MTFP		(445)	349	410	314

¹ MTFP = Medium Term Financial Plan

² Recycling Credits and Green Waste subsidy, paid by KCC to DDC, will be fixed at 2009 levels and will continue for the term of the agreement at those fixed levels. They are therefore neutral when comparing the above options and have, for simplicity, been omitted. They total £420,000 per annum.

Notes:

1. Current service cost is based on the 2011/12 costs of the current contract. The table is based on 2011/12 whole year costs of the full service. In practice there will be a phased roll-out of the new service. A more detailed analysis is provided at Annex E.
2. Income from recyclates is the income that DDC generates by selling the recyclates it collects. This is a forecast but is subject to market fluctuations.
3. The assumed savings were included in the MTFP as a forecast of the savings from re-tendering the service.
4. The assumed budget in the MTFP.
5. The predicted service costs are based on the bill of quantities from the preferred tender.
6. The KCC enabling payment includes £96k to compensate for lost recycling income. This is £140k less than the income from recyclate sales, because DDC also has to pay £140k for haulage of the recyclate.
7. The enabling payment also includes £131k for the additional costs of the collection methods, with a deduction of £54k for KCC's share of collection savings from joint contracting with Shepway.
9. The project shows a saving of £186k against current service costs.
10. As the MTFP assumed a total of £500k savings, there is a shortfall of £314k against the MTFP budget.

It should also be noted that the tenderers have been required to provide an analysis of their price between refuse collection, recycling and street cleaning, and for transparency this has been reproduced in the report. From this analysis it can be shown that the cost of street cleansing has increased by £310k.

However, the basis of pricing the tenders, and in particular, the attribution of overheads and shared costs across the elements of the service is not precise, a client cannot accept parts of the tender and reject others.

In addition to the above revenue costs, KCC will also pay £1,990k for purchase of wheelie bins for DDC, and a total of £135k for electronic address labeling of the DDC and SDC recycling bins.

KCC will also share any additional savings from reduced landfill costs if recycling is successful in diverting more waste away from landfill. This will be shared on the basis of 50% to KCC and 50% to the districts, and then shared between the districts pro rata to households. KCC will use the first £135k of any saving from this source to claw back the £135k for electronic address labeling.

The main financial risks of the project are :

Risk	Impact	Likelihood	Mitigation
Inflation – the enabling payments and the recycling credits and green waste subsidy are fixed for the 10 years of the agreement.	<p>Dependant on rate of inflation.</p> <p>At 2% inflation the payment would lose 22% of value over 10 years.</p> <p>At 5% it would lose 63%.</p> <p>Applied to enabling payments of £131k and the recycling credits of £420k the impact would be between £121k and £347k</p>	Dependant on rate of inflation.	The recycling credits may be withdrawn by Government at any time. This agreement locks KCC into paying these credits. So although they may be eroded by inflation, their continued payment is certain.
Containerisation costs may exceed £1,990 for DDC	Depends on actual costs.	Medium	KCC have agreed to cap the overall costs of containerization for DDC and SDC therefore any underspend for one authority could be used to meet the costs to the other.
Fluctuations in income from sale of recyclates.	DDC's annual income stream could fluctuate by as much as + or – 20% reflecting changes in the market for recycle.	It is not possible to reliably predict recycle market values.	The enabling payments from KCC provide certainty in place of market fluctuations. DDC is protected from market falls but does not benefit from market rises.

A further risk assessment is provided at Appendix F.

12.3 Diversities and Equalities Implications

An initial Customer Access Review screening has been undertaken in line with Council policy and this will be developed in partnership with the new service provider. .

13. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Roger Walton, Director of Property, Leisure & Waste Management, Dover DC and Head of Environmental Services, Shepway DC
Telephone: 01304 872420
email: roger.walton@dover.gov.uk, or roger.walton@shepway.gov.uk,

The following background documents have been relied upon in the preparation of this report:

None.

Appendices:

Appendix A: Tender report (Confidential)

Appendix B: Tender Evaluation Key (Confidential)

Appendix C: Results of Community Consultation

Appendix D: Summary of issues raised at consultation meeting on 8 September.

Appendix E: Budget Impact Analysis; Dover DC

Appendix F: Further Risk Assessment; Dover DC (Confidential)

Appendix C: Results of Community Consultation

Dover Survey:

Recycling and Waste Collections

Dover District Council and Shepway District Council, in partnership with Kent County Council, will soon be entering into a new, joint contract for recycling and waste collections. A joint contract will offer economies of scale which will help to ensure that we get the best price for our residents for the collection and disposal service. We would like to give you the chance to help shape the new service before a new contractor is appointed in July and before the new recycling and waste collections start.

You can do so by completing a short survey. The questions are below or you can complete the survey on-line.

For Shepway District Council residents please go to: www.shepway.gov.uk

For Dover District Council residents please go to: www.dover.gov.uk

A copy of the questions is also available from council offices

- 1. Residents have told us that they want opportunities to recycle more. In response to this, councils across Kent have jointly agreed an ambition to recycle 45% of waste by 2015 and 50% by 2020. How important is it to you personally that we help meet this ambition?**

70.5%	<i>Very important</i>	25.3%	<i>Important</i>	2.7%	<i>Not important</i>	0.7%	<i>No view</i>
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- 2. The only kind of plastic we currently collect is plastic bottles. How important is it to you that other types of plastic (for example yoghurt pots and margarine tubs) are collected and recycled?**

74.3%	<i>Very important</i>	20.9%	<i>Important</i>	3.0%	<i>Not important</i>	0.8%	<i>No view</i>
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- 3. We are looking at ways of how food waste could be collected every week separately from residual (dustbin) waste so that it can be composted. How important is it to you that food waste is collected weekly and composted and not sent to landfill?**

43.2%	<i>Very important</i>	30.6%	<i>Important</i>	22.3%	<i>Not important</i>	2.4%	<i>No view</i>
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- 4. How important is it to you that the contractors who collect your recycling and waste put your containers (wheelie bins, box and bags) back at the place where you left them?**

67.4%	<i>Very important</i>	26.9%	<i>Important</i>	3.3%	<i>Not important</i>	0.8%	<i>No view</i>
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- 5. Our current contracts do not enable us to collect recycling from larger blocks of flats. If you live in a block of flats, how important is it that we offer you a recycling collection in the new contract?**

12.5%	<i>Very important</i>	6.3%	<i>Important</i>	0.5%	<i>Not important</i>	51.9%	<i>No view</i>
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- 6. In Shepway waste collections currently start at 7.30 am. We could deliver a more efficient and cost-effective recycling and waste collection service if the earliest collection rounds started at 7am - which they already do in Dover. If you live in Shepway, how convenient would this be for you:**

7.9%	<i>Very convenient</i>	4.1%	<i>Convenient</i>	1.4%	<i>No convenient</i>	46.6%	<i>No view</i>
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- 7. How important is it to you that the council provides you with containers for your waste to minimise the risk of it escaping and being blown around/ripped into by seagulls etc?**

65.3%	<i>Very important</i>	21.9%	<i>Important</i>	10.1%	<i>Not important</i>	1.3%	<i>No view</i>
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- 8. How important is it to you we install bins in our town centres that can collect recycling as well as litter?**

49.5%	<i>Very important</i>	38.0%	<i>Important</i>	9.0%	<i>Not important</i>	2.3%	<i>No view</i>
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9. How important is it to you that litter in the street is recycled wherever possible after it is swept up?

45.8% *Very important* 42.7% *Important* 8.5% *Not important* 2.3% *No view*

10. Streets can sometimes look dirty and untidy on collection days. How important is it to you that we provide better co-ordination between the recycling & waste collection and street sweeping services?

63.8% *Very important* 29.8% *Important* 3.3% *Not important* 1.1% *No view*

11. How would you prefer to receive information about the new waste services?

55.9% *Leaflet* 39.8% *Web site* 1.3% *Road shows* 14.1% *All three*

Is there any other way you would like to receive information? 16.5%

We would particularly like to hear your priorities for the new service if you have a disability or for any reason find it difficult to put out your recycling and waste for collection. Please add your comments below.

24.4%

Would you be interested in attending a small workshop to further discuss the waste and street cleansing contract? If so please provide contact details below:

16.9%

In order to help us understand the issues for particular areas, would you please let us have your town/parish and postcode.

Town/Parish 94.7%

Postcode 92.7%

Thank you for taking the time to complete this survey

**Appendix D:
Summary of issues raised at consultation meetings on 8th September**

1. WASTE WORKSHOPS: SANDWICH, 8TH SEPTEMBER

a) Feedback from 4pm and 7pm workshops

- Can Community refuse bins be provided in town centres?
- Will the box be big enough for two weeks?
- Box would be too heavy to carry with two weeks recycling.
- Large households need a larger bin or two.
- Could provide different colour bins for assisted collections.
- Introduce collections of clothing at the kerbside for textiles that charity shops don't want.
- Link food waste collections to community waste projects for anaerobic digestion.
- Extend street cleansing services in Sandwich to beyond the town walls.
- Ensure proper sweeping of pavements in Wingham.
- Have we considered that waste arisings will increase with moves to wheeled bins.
- Ensure clear communications to residents for new services.
- Need to ensure wider public are educated to participate in recycling.
- Need also to ensure contractor is properly trained to support services.
- Concerns over use of wheeled bins in areas of terraced housing or properties with limited storage.
- Consider on-street communal bins for residual waste.
- Provide smaller bins for elderly/ infirm/ single occupancy.
- Query as to whether food waste bin is big enough and if not what options would there be.
- Suggestion that we should use Town and Parish Councils to support publicity.
- Concerns that paper would blow away from black box.
- Suggestion we should give more publicity as to what happens with recycling.

**Appendix E:
Budget Impact Analysis; Dover DC**

Budget 2011/12

Refuse Collection	MTFP Budget Projections	Predicted Costs based on tender submissions
Budget Description	£	£
Contract payments.	1,446,000	878,018
In-year savings assumed in MTFP as a potential benefit from the introduction of the new services.	-200,000	0
Sub-Total	1,246,000	878,018
Recycling		
Budget Description	£	£
Contract payments.	1,116,720	1,284,878
Service Recycling Banks	19,250	Included above
Haulage Costs	140,000	Included above
Income from recyclable materials	-235,000	Included above
In-year savings assumed in MTFP as a potential benefit from the introduction of the new services.	-200,000	0
Enabling Payment from KCC (Recycling Income)		-95,525
Enabling Payment from KCC (Service Costs)		-131,259
Payment to KCC for share of collection savings		54,500
Sub-Total	840,970	1,112,594
Street Cleansing		
Budget Description	£	£
Contract payments.	1,039,080	1,349,413
In-year savings assumed in MTFP as a potential benefit from the introduction of the new services.	-100,000	0
Sub-Total	939,080	1,349,413
Overall Summary	MTFP Budget Projections	Predicted Costs based on tender submissions
	3,026,050	3,340,025
Estimated Budget Impact relative to MTFP provision +£313,975		

EXCLUSION OF THE PRESS AND PUBLIC

Recommendation

That, in accordance with the provisions of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000, the public be excluded from the remainder of the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the paragraph of Schedule 12A of the 1972 Act set out below:

<u>Item Report</u>	<u>Paragraph Exempt</u>	<u>Reason</u>
East Kent Waste Contract	3 and 5	Information relating to the financial or business affairs of any particular person and Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings