

MAIDSTONE BOROUGH COUNCIL

CABINET

12 OCTOBER 2011

REPORT OF THE DIRECTOR OF CHANGE, PLANNING AND THE ENVIRONMENT

Report prepared by Steve Goulette

1. WASTE AND RECYCLING – TENDERING STRATEGY

1.1 Issue for Decision

- 1.1.1 This report considers the tendering strategy for the new waste and recycling contract together with proposals for street cleansing due to start in August 2013 and seeks approval to commit to a joint procurement with Ashford and Swale Borough Councils.

1.2 Recommendations of the Director of Change, Planning and the Environment

- 1.2.1 That Cabinet agrees the joint procurement arrangements as set out in the report.
- 1.2.2 That Cabinet approves the principles of financial disaggregation set out in the report.
- 1.2.3 That delegated authority be given to the Director of Change, Planning and the Environment in consultation with the Head of Legal Services and Cabinet member for Environment to agree the Inter Authority Agreement and enter into the agreement on behalf of the Council for a ten-year partnership with Ashford and Swale Borough Councils and Kent County Council.
- 1.2.4 That approval is given to commence the joint procurement of Waste Collection Services which includes refuse and recycling and the mechanical sweeping element of the street cleansing service.
- 1.2.5 That this Council takes the lead on the procurement process managing the various processes.
- 1.2.6 That delegated authority be given to the Director of Change, Planning and the Environment in consultation with the Head of Legal Services to agree and enter into a separate agreement with Canterbury City

Council for its inclusion in the procurement exercise but on the basis that there would be no detriment to the Council based on the financial disaggregation in the report.

1.3 Reasons for Recommendation

1.3.1 Following a best value review of refuse and recycling in 2009, the Council adopted a five-year Waste and Recycling Strategy. This built on the work of the Kent Waste Strategy which the council had signed up to, but identified the specific direction for waste and recycling to be reflected in the new contract arrangements for 2013.

1.3.2 The Strategy identified specific key elements:

- i) To increase the amount of household waste sent for recycling, re-use or composting to 50% by 2015 (above the national target of 45%)
- ii) To reduce the total household waste arisings by 10% by 2015 compared with 2005-2010 average
- iii) To meet any additional costs of operating the service through the support of the Kent Waste Partnership and efficiency improvements on the rest of the waste collection service.
- iv) To improve the value for money of the waste collection service.
- v) To improve residents' satisfaction with Maidstone Borough Council's waste and recycling services.
- vi) To increase glass recycling by up to 600 tonnes during the period of the plan.
- vii) To work with KCC to minimise the amount of recyclables sent for incineration and maximise the benefits of the value of those materials for both the Council and KCC.
- viii) To support the Council's objective of 3% annual carbon reduction through the optimum utilisation of resources, increased consideration of energy efficiency and higher priority given to service improvements which offer energy reduction.

1.3.3 The proposals identified in this report will help deliver the targets and improvements in all eight of the elements of the strategy.

1.3.4 The Council's refuse and recycling collection contract is due to be re-tendered in 2013 and discussions have been held with other adjacent

authorities whose re-tendering timescales coincides with Maidstone's i.e. 2013. This has led to the establishment of a Mid Kent Joint Waste Partnership (MKJWP) to consider the possibility of a joint procurement.

- 1.3.5 This project follows on from the East Kent Joint Waste Project which provided waste/resource Collection and Street Cleansing Services for Dover and Shepway District Councils, as well as food, garden and dry recyclate processing services on behalf of KCC in respect of Dover, Shepway and Thanet District Councils and Canterbury City Council. It was tendered in 2010 and the contract commenced on 16th January 2011. The project delivered an annual joint collection service saving of £900k to both Dover and Shepway District Councils. Future avoided disposal savings are dependent upon tonnages and movements in recyclate values but are forecast to average £2.9m p.a. from 2013-2021 in East Kent.

The tendering exercise will also consider the environmental aspects of collection arrangements, seeking ways to minimise carbon emissions and seeking innovative ways to use the recyclates that are collected.

- 1.3.6 The MKJWP encompasses the following districts in Kent that are renewing collection contracts in 2013:

District	Current Contract End Dates
Ashford Borough Council	31 st March 2013
Maidstone Borough Council	31 st July 2013
Swale Borough Council	13 th December 2013

- 1.3.7 In order to maximise the efficiency of the collection contract arrangements and to ensure the three contract areas finish at the same time, it is proposed that the partnership and contract arrangements continue for a period of ten years up until 21st October 2023.
- 1.3.8 The MKJWP seeks to provide the most cost effective means of collection and processing waste/resources. Learning from the experiences in East Kent the proposed collection methodology would provide for the following:
- Weekly Food Waste Collection;
 - Fortnightly Dry Recycling Collection; and
 - Fortnightly Residual Waste Collection.
- 1.3.9 To minimise collection costs the food waste is collected separately but on the same vehicle that provides for the residual waste and dry recycling collection service. To maximise the value of the recyclate and minimise material recycling processing costs mixed paper and

card is collected separately from glass, cans, plastic and tetrapak. This is being achieved on the same vehicle using split backed collection vehicles.

- 1.3.10 It is proposed that the collection of Garden Waste is included in the contract and will continue to be available at a charge.
- 1.3.11 There is still a national debate regarding the provision of weekly collections and the Government has recently introduced incentives for authorities with fortnightly collections to revert to weekly arrangements. However, the Council has already introduced a very successful weekly food collection with fortnightly dry recycling and residual waste collections. This has proved very popular with the public with participation around 80%. There are therefore no proposals to change these arrangements.

The proposed collection method is referred to as the Preferred Collection Methodology or PCM and the key difference between this and the current arrangements in Maidstone will involve separating the dry recycling to maximize the value collected. An insert or similar will be provided to go into the dry recycling bin in which paper will be separately stored prior to collection. In addition, glass can be placed in the recycling bin, although residents will still be able to utilize the glass bins across the district. The cost of the containerisation is to be provided by KCC.

- 1.3.12 Maidstone is currently achieving recycling rates in the mid 40% and this has reached 50% in times of high composting. However, the Government Waste Policy in England 2011 reaffirms the need for councils to increase their recycling rate to ensure, at the very least, meeting the EU framework directive of 50%. The Council has set a target of 50% by 2015, in the adopted Waste and Recycling Strategy.
- 1.3.13 It is possible that alternative collection methods may be proposed, if during the course of the tendering process greater collection/disposal savings can be delivered by adopting a variant to the PCM.
- 1.3.14 Street cleansing is also included in the current Waste Collection Services for both Ashford and Swale and the tender documents for these authorities will include both refuse and recycling collection and street cleansing. Both currently have an external contractor.

In Maidstone, the street cleansing service is provided "in house" and the merits of this compared with an external contractor are considered in *Appendix 1*.

In summary, the flexibility of the current arrangements combined with good performance and low price support the retention of the "in

house" service. However, it is recognised that there could be good opportunities for combined operations for mechanical sweeping and thereby good levels of potential savings. Whilst slightly increasing the complexity of the management of the service, this is considered the best option for the Council.

- 1.3.15 A detailed project review has been prepared by consultants working for the Kent Waste Partnership which identifies the potential savings of a joint procurement arrangement. This is provided in the *Exempt Appendix*. The modelling that has been undertaken has used prices from the tendering process undertaken for the East Kent Project.
- 1.3.16 In order to achieve the significant savings identified and to reflect the other benefits of partnership in the form of cross boundary operation, improved recycling rates and likely improved customer satisfaction. It is therefore proposed that the Council enters into an agreement with Ashford and Swale Councils for the joint procurement of a waste collection services contract, comprising of the refuse and recycling services and mechanical sweeping element of the street sweeping services to commence on 1st August 2013 and ending on 13th October 2023.
- 1.3.17 The changes to the current refuse and recycling contract can be summarized as follows:-
- The existing collection arrangements for the householder remain predominantly the same:
 - Weekly food waste collection
 - Fortnightly dry recycling
 - Fortnightly residual waste
 - Paid-for garden waste collection
 - The specific change, subject to the detailed procurement outcome, is that in order to extract the maximum value of the recycle, an insert will be provided in the recycling bin to allow the separate storage and collection of waste paper. It is also envisaged that glass will be able to be placed in the recycling bin.
 - There will be no other additional bins required.
- 1.3.18 It has been modelled that this should increase the Council's recycling rate to just above 50% which is in accordance with Government policy and will ensure the Council is in the top quartile of performance when compared to other districts.

- 1.3.19 The financial benefits to the Council are summarized in the *Exempt Appendix*.
- 1.3.20 Alternative options for a stand-alone tender, a partnership with one other authority and a co-mingled collection of recyclates have been considered and these are detailed in *Appendix 2*. However, the PCM and partnership procurement offer the best financial option for the Council.
- 1.3.21 It is therefore considered that the potential savings are so significant that the Council should enter into the joint procurement arrangements and the Inter Authority Agreement for a ten-year partnership with Ashford and Swale Councils.
- 1.3.22 The savings for street cleansing are modest in the region of £70k and by retaining the in-house service, the Council will retain the flexibility of its own workforce which is currently performing well.
- 1.3.23 A draft Inter-Authority Agreement (IAA) is attached at *Appendix 3*. The objective to this agreement will bind the four authorities to the procurement arrangements and financial disaggregation of the joint project with KCC set out in this report. Delegated authority is requested to agree the final version of the IAA and enter in the agreement on behalf of the Council.
- 1.3.24 It is proposed that each of the four authorities will seek agreement to enter into the partnership and the notice regarding the procurement will be published in October, in accordance with the timetable necessary to have the new contract arrangements in place by August 2013.
- 1.3.25 It has been agreed that subject to each authority agreeing the proposals Maidstone will act as the procuring authority and officers will, if the proposals are agreed, now work on the specific tender documents. All costs are to be met by KCC and it is recommended that this be supported.
- 1.3.26 As recently as the last week in September, Canterbury City Council has expressed a wish to be involved in the joint procurement arrangements. This would require a separate agreement between the current three partners and Canterbury.

However, the detailing modelling of the impact of including Canterbury has not been undertaken, although the consultant's initial view is that it should further improve the savings potential for all partners. It is therefore proposed that the Director of Change, Planning and Environment, in consultation with the Head of Legal Services, enter into a separate agreement with Canterbury City

Council regarding its inclusion in the procurement exercise but on the basis that there would be no detriment to the Council based on the financial disaggregating in the report.

1.4 Alternative Action and why not Recommended

- 1.4.1 The Council could decide to seek tenders independently but this would not generate the economies of scale of a joint procurement and would not produce the waste disposal savings to be shared by all the partners. A summary of the potential savings is shown in *Appendix 2*.
- 1.4.2 Tenders could be sought with just one partner but again this would not generate the economies of scale of a three way procurement and again, would not produce the waste disposal savings to be shared by partners. A summary of the potential savings of a two partner procurement are shown in *Appendix 2*.
- 1.4.3 The Council could decide to operate a different form of collection for dry recyclables by co-mingling the waste and not separating the paper. This would not produce the value for paper recycling as the paper would be "contaminated" and the possible savings would be reduced. Details are provided in *Appendix 2*.
- 1.4.4 It would be possible to seek a tender for street cleansing and this could form the modelled work providing an additional modest saving. However, this does not provide the flexibility currently provided by the "in house" service and is therefore not recommended.

1.5 Impact on Corporate Objectives

- 1.5.1 The refuse and recycling and street cleansing services are core services to the Council and contribute to the three main Council priorities, but particularly Priority 2 "*for Maidstone to be a decent place to live*".

1.6 Risk Management

- 1.6.1 A full risk register has been initiated and will be reviewed throughout the project life. The most significant risk currently is that partners fail to secure agreement for the Project by the end of October 2011 to enable the procurement process to commence. Any delay beyond this date will impact upon the procurement timescale potentially either reducing the effectiveness of the Competitive Dialogue process or delaying the commencement date of the new Contract. It is therefore important that all four authorities agree the way forward as soon as possible.

- 1.6.2 There is a risk that the benefits forecast by the modelling are not delivered through the procurement. However the collection cost modelling has been based on tender information derived from the East Kent Joint Waste Project and tender competition for Mid Kent is expected to match, if not exceed, that for East Kent. With regard to Disposal, the rates used are perceived as deliverable. The modelling of processing costs reflect current KCC contract rates which can be improved upon based on pricing assessment recently undertaken. This, combined with the headroom provided for within the Excess Avoided Disposal benefit, provides KCC with the confidence that they are not unduly financially exposed by this project.
- 1.6.3 There is a risk that should the Council decide to withdraw from the partnership, there will be financial consequences due to the need to compensate the losses of other partners.
- 1.6.4 Significant changes to collection arrangements can result in a temporary dip in public satisfaction. The proposed changes are relatively minor and given the experience of introducing food waste, with good communication this is not seen as a major risk.

1.7 Other Implications

1. Financial	✓
2. Staffing	✓
3. Legal	✓
4. Equality Impact Needs Assessment	✓
5. Environmental/Sustainable Development	
6. Community Safety	
7. Human Rights Act	
8. Procurement	✓
9. Asset Management	

1.7.1 Financial

The proposed arrangements will generate significant savings for the Council as detailed in the report.

1.7.2 Staffing

There will be staff implications regarding the tendering of the mechanical sweeping element of the street cleansing service. Staff affected will be TUPE transferred. The Council's procurement team will be leading the procurement arrangements. Discussions have been held with union representatives regarding the proposals.

1.7.3 Legal

A legal agreement in the form of an IAA will be signed by the four authorities.

1.7.4 Social Inclusion

An Equalities Impact Assessment has been undertaken and the initial screening is attached as *Appendix 4*.

1.7.5 Procurement

The four authorities have agreed that Maidstone will be the procurement authority. A timetable for procurement through Competitive Dialogue is provided at *Appendix 5*.

1.8 Conclusion

1.9 Background Documents

Appendix 1 - Street Cleansing Assessment

Appendix 2 - Alternative Options

Appendix 3 - Draft IAA

Appendix 4 - Equalities Impact Assessment

Appendix 5 - Tender Timeline

Exempt Appendix - Project Review

IS THIS A KEY DECISION REPORT?

Yes

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No

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If yes, when did it first appear in the Forward Plan? June 2011

This is a Key Decision because it affects the whole borough and has significant financial implication.....

Wards/Parishes affected:ALL