

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Head of Environment	Report Number: N71
To: Strategy Committee	Date of meeting: 17 October 2013

SUFFOLK WASTE PARTNERSHIP INTER AUTHORITY AGREEMENT

1. Purpose of Report

- 1.1 The Inter Authority Agreement (IAA) replaces the Memorandum of Understanding (MoU) which sets out how District/Boroughs and the County Council will work together in the delivery of waste management services for the benefit of Suffolk residents.
- 1.2 The purpose of the IAA is to establish a clear and accountable framework under which the Suffolk Waste Partnership (SWP) will work in collaboration and agree funding over and above the requirements of the statutory regime alone.
- 1.3 The main body of the document identifies agreed general principles for joint working with project specific agreements contained in the annexes. Further annexes will be added as and when they are agreed by the SWP. It is considered that this modular format provides a flexible approach to waste management in Suffolk.
- 1.4 The SWP Members group has also agreed a number of project specific annexes. The annex relating to the SWP textiles scheme was agreed in June 2012 and the annexes relating to the IAA baseline mechanism, trade waste and cost apportionment were agreed in June 2013.

2. Recommendations

- 2.1 That Members approve the IAA document attached to this report along with the various Annexes identifying the contractual or project specific agreements.
- 2.2 That future Annexes to the IAA be developed to cover other waste streams, and that these will be agreed by the Head of Service, in consultation with the relevant Lead Member (John Hinton), unless they involve a significant change in budget or policy, in which case these would go back to Committee for approval.

The Committee is able to resolve this matter.

3. Financial Implications

- 3.1 There are possible financial implications associated with this report. The IAA sets out the funding that SCC will make to the WCA's by way of Recycling Performance Payments (RPP's). Through agreeing the IAA RPP's will continue at the current level for 2014/15.
- 3.2 The report also sets out in the annexes proposed financial arrangements for trade waste, textiles and the cost sharing arrangements for the MRF and Transfer Stations. The impact of these is difficult to set out but would be included as part of the Councils normal budgetary cycle.

It is not anticipated that there would be any significant adverse implication; in fact it is likely that the financial implications would be favourable to the Councils.

4. Risk Management

4.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to agree IAA and annexes will mean funding levels will be uncertain, leading to possible cuts in waste services in Suffolk.	Medium	High	Agreement of IAA and Annexes
Recycling levels may decrease.	Low	Medium	Agreement of IAA and Annexes

5. Consultations

5.1 The principles of the Inter Authority Agreement was discussed and agreed by the Suffolk Waste Partnership Members Group on 27 June 2012. There were a number of Annexes that needed to be agreed before the document was submitted to Council's for ratification.

5.2 Annex 1 – Textiles Financial Mechanism was discussed and agreed by the Suffolk Waste Partnership Members Group on 29 June 2012.

5.3 Annex 2 - IAA Baselines and Review Procedure was discussed and agreed by the Suffolk Waste Partnership Members Group on 27 June 2013.

5.4 Annex 3 – Trade Waste was discussed and agreed by the Suffolk Waste Partnership Members Group on 27 June 2013.

5.5 Annex 4 – Materials and Recycling Facility and Transfer Station Cost and Apportionment was discussed and agreed by the Suffolk Waste Partnership Members Group on 27 June 2013.

6. Equality Analysis

6.1 There are no equality issues arising from this report.

7. Shared Service / Partnership Implications

7.1 The Inter Authority Agreement is to be agreed by all Suffolk Local Authorities as part of the Suffolk Waste Partnership (SWP) to strengthen joint working and provide a clear and accountable framework under which the Authorities can continue to work together, in the context of Suffolk's Joint Municipal Waste Management Strategy, to deliver their respective waste management responsibilities.

8. Key Information

8.1 Suffolk's District/Borough Councils, as Waste Collection Authorities (WCAs), and the County Council, as Waste Disposal Authority (WDA), were the parties to a Memorandum of Understanding (MoU) sealed by all the councils in January 2008.

The MoU sought to strengthen the Suffolk Waste Partnership (SWP) by setting out how District/Boroughs and the County Council would work together in the delivery of waste management services for the benefit of Suffolk residents.

- 8.2 The duration of the MoU was 5 years, with an expiry date set for 31 March 2013. At this point it was anticipated that it would be superseded by a further agreement (the Inter Authority Agreement, IAA)
- 8.3 The MoU acknowledged that an IAA would be required to support the future development of long term waste disposal arrangements. As part of the Energy from Waste (EfW) contract that was latterly procured by Suffolk County Council, the SWP began the process of developing and agreeing an IAA.
- 8.4 The aim of the IAA is to provide all parties with a longer term degree of certainty in relation to service delivery and the funding of all municipal waste systems be that reuse, recycling, composting or residual waste treatment or disposal.
- 8.5 This report recognises that there needs to be an agreement between the Waste Collection Authorities and the Waste Disposal Authority to ensure continued and improving effectiveness in delivering joint waste service contracts in Suffolk.
- 8.6 The purpose of the IAA is to establish a clear and accountable framework under which the SWP Authorities can continue to work together, in the context of Suffolk's Joint Municipal Waste Management Strategy, to deliver their respective waste management responsibilities. It does this by providing the SWP Authorities with a set of principles and agreements from which all waste planning activities can be developed with the full commitment, understanding and support of each other.
- 8.7 The IAA provides an on-going agreement as to how waste management services are conducted and funded, over and above the requirements of the statutory regime alone. As such the IAA will provide a mechanism by which the WDA and WCAs can clearly define agreement on matters relating to waste service funding, collection services, and long term disposal arrangements.
- 8.8 The IAA sets out the agreements between the WDA and WCAs. The main body of the document identifies agreed general principles for joint working with project specific agreements contained in the annexes. Further annexes will be added as and when they are agreed by the SWP. It is considered that this modular format provides a flexible approach to waste management in Suffolk. This principle for this modular approach was agreed by the SWP Member group in June 2012.
- 8.9 The SWP Members group has also agreed a number of project specific annexes. The annex relating to the SWP textiles scheme was agreed in June 2012 and the annexes relating to the IAA baseline mechanism, trade waste and cost apportionment were agreed in June 2013.

9. Appendices

Title	Location
(a) Suffolk Waste Partnership Inter-Authority Agreement	Attached
(b) Annex 1 - Textiles Financial Mechanism	Attached
(c) Annex 2 - IAA Baselines and Review Procedure	Attached
(d) Annex 3 – Trade Waste	Attached
(e) Annex 4 – MRF and Transfer Station Cost and Apportionment	Attached

10 Background Papers

None.

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Appendix A

Suffolk Waste Partnership Inter-Authority Agreement

1 Introduction

- 1.1 The aim of this Inter Authority Agreement (IAA) is to recognize that there needs to be an agreement between the Waste Collection Authorities (WCAs) and the Waste Disposal Authority (WDA) to ensure continued and improving effectiveness in delivering joint waste service contracts in Suffolk.
- 1.2 This agreement will be subject to a periodic formal review period of 5 years, or sooner subject to Section 2 of this document.
- 1.3 The main body of the document identifies the agreed general principles with Annexes identifying the contract or project specific agreements. These will be added as agreed by the SWP. It is considered that this modular system provides a flexible approach to waste management in Suffolk.

2 Principles

- 2.1 That WCAs and the WDA will work together as members of the Suffolk Waste Partnership to fulfil their responsibilities as regards waste collection and disposal.
- 2.2 That the Joint Municipal Waste Management Strategy for Suffolk (JMWMS) will provide the agreed strategic direction for the partnership, and that this supports the SWP in carrying out its functions in accordance with the Waste Hierarchy.
- 2.3 That the four key principles of (a) Transparency, (b) Consultation, (c) Co-operation and (d) Best Value should underpin the way in which the collective responsibilities of the SWP are fulfilled.
- 2.4 That procurement of waste services will be carried out to maximise benefit to the council tax payer.
- 2.5 That all partners will benefit equally from savings and efficiencies arising from the contracts and costs/benefits are apportioned (i) appropriately (ii) and proportionately.
- 2.6 That there is a need for medium term security of financial mechanisms to ensure appropriate service budget planning.

3 Existing Payments and Reviews

- 3.1 Existing arrangements and payments will continue as stated in the pre-existing MOU until either
 - 3.1.1 Contracts come up for renewal, review, or procurement
 - 3.1.2 Changes by all parties concerned are agreed
- 3.2 Recycling Performance Payments (RPP) are stated in the table below:

Table 1	2013/14	2014/15
Babergh District Council	54.76	54.76
Forest Heath District Council	54.76	54.76
Ipswich Borough Council	54.76	54.76
Mid Suffolk District Council	54.76	54.76
St Edmundsbury Borough Council	54.76	54.76
Suffolk Coastal District Council	54.76	54.76
Waveney District Council	54.76	54.76

- 3.3 The WCAs and the WDA will review the RPP for 2015/16 and subsequent years in the light of market conditions and inflation. Notice of changes will be as set out in para 3.5.
- 3.4 Trigger points for review of existing contracts or/and agreements (as set out in Annexes) will be;
 - 3.4.1 Change of systems/processes resulting in significant costs/savings or/and tonnages collected
 - 3.4.2 Expiry or termination of contracts requiring new contract arrangements to be put in place
 - 3.4.3 Budget changes
- 3.5 Where budget changes are proposed these will be either (i) mutually agreed or (ii) unilaterally imposed with a minimum of 15 months notice to the WCA or WDA.
- 3.6 Factors that could be considered as part of a review or the introduction of new processes/systems/schemes may include; RPP, savings/costs of WDA/WCA, income generated etc.
- 3.7 The WDA may have to change the location of existing delivery points and if this is necessary the WDA and WCA(s) will work together to minimise the financial impact of such change to either or both of them. The WDA will bear the reasonable costs (or benefits) of the WCA(s) of such change.

4 Partnering

- 4.1 Partnering means for each partner that they;
 - 4.1.1 work in good faith with the other parties to mutual advantage, resolve problems together with the other parties rather than taking an adversarial stance, act reasonably and in so far as is reasonably possible share information that could reasonably be expected to impact upon this IAA or the parties to this IAA;
 - 4.1.2 take all reasonable steps (without being obliged to incur expenditure) to mitigate any losses arising from a party's actions under this IAA;
 - 4.1.3 use all reasonable endeavours working together with the other parties to minimise waste and to improve the amount reused, recycled, composted and recovered from Suffolk's collected waste.

5 Dispute Resolution Procedure

- 5.1 Any disagreement or dispute concerning this IAA shall be first referred to a meeting of each of the parties who is involved in the disagreement or dispute to resolve the matter.
- 5.2 In the event that the disagreement or dispute is not resolved within a reasonable period of time by the parties, the disagreement or dispute shall be referred
 - 5.2.1 to a meeting of the chief officers of each of the parties involved and/or
 - 5.2.2 to the Suffolk Waste Partnership who shall enter into good faith negotiations to resolve the matter.
- 5.3 In the event that the dispute remains unresolved it shall be referred to a mutually acceptable mediator to see if they can bring the two parties together.

6 Current arrangements

Table 1 – Existing contracts

Contract Holder	Description	2013	2014	2015	2016	2017	2018	2019	Notes
SCC	PFI Contract RWTF disposal								Contract commences December 2014
SCC	FCC Environment landfill (inc transfer Red Lodge etc)								Contract expires 30/11/14 but extendable to 30/11/16
SCC	Viridor Masons Landfill								Awarded additional services until EfW service commencement.
SCC	Viridor Wangford Landfill								Contract terminates 15/05/14. Extension possible to 31/05/16
SCC	Viridor Colnbrook EfW (inc transfer)								Contract expires 31/03/14 unless terminated earlier or extended.
WDC	FCC Environment transfer Hadenham Rd								Year on year contract extension in place until 30/10/14
SRC	Viridor MRF								Contract expires 31/10/14. Transfer from Red Lodge and Haverhill after Lackford fire.
SCC	Tamar composting (Parham)								Contract terminates 31/03/16 but extension possible.
SEBC/FHDC	Tamar composting (Lackford)								Contract to terminate 31/03/16
IBC	Anglian Water Composting								Contract terminates 30/06/16
BDC/MSDC	County Mulch composting (Creting)								Current arrangements to run to 31/03/16
SCC	HWRC Management								FCC Environment contract terminates 15/05/19
SCC	Enviroco hazardous waste collection/disposal								Contract terminates 31/10/14
SCC	SRCL - Healthcare and Clinical								Contract terminates 31/10/14

Table 2 - Responsibility for payment

Contract	WCA kerbside recycle (MRF)	WCA bring banks	WCA kerbside organic	WCA trade waste	WCA kerbside recycle	WDA HWRCs
Collection						
Haulage	WCA					
Disposal/recycling contract			WCA	WCA	WDA	
Waste disposal facilities			WCA		WDA	WDA
Contract management	WCA	WCA		WCA	WDA	WDA
Collection costs			WCA	WCA	WCA	
RPP	WDA	WDA	WDA			

7 Specific arrangements

These will be negotiated as contracts are let. These will be drafted as Annexes to this document, as agreed by the SWP.

Annex 1 – Textiles Financial Mechanism

Annex 2 – IAA Baselines and Review Procedure

Annex 3 – Trade Waste

Annex 4 - MRF and Transfer Station Cost & Apportionment

Annex 1 - Textiles Financial Mechanism

- 1) A baseline for the textiles collected at Bring Banks and HWRCs has been set based on 2011/12 data.
- 2) Actual arisings from Bring Banks and HWRCs following the introduction of the textiles scheme will be recorded on a monthly basis.
- 3) Tonnage variance from baseline to be monitored over the course of the financial year; if the variance is less than 5% for Bring Banks no financial reconciliation is required. Likewise if the variance is less than 5% for HWRCs no financial reconciliation is required.
- 4) Where the variance for either HWRCs or Bring Banks is greater than 5%, and only where the scheme has covered costs and provides an income, the calculated lost income to Waste Collection Authorities (WCA) and/or SCC is to be reclaimed from the scheme income at the end of the financial year.
- 5) Where costs/reclaims are to be apportioned between the Suffolk Recycling Consortium (SRC) and Waveney Norse, the split will be on an 83%-17% basis respectively. This has been calculated using the number of households in each authority area.
- 6) SCC to pay a Recycling Performance Payment to the WCAs on textiles lost through Bring Sites as per the tonnage variance in point 3. This is to be invoiced by each WCA as required.
- 7) SCC will not pay Recycling Performance Payment for those textiles collected through the kerbside scheme.
- 8) Any recorded scheme income, upon which costs/reclaim payments are based, must be net of all scheme costs. Scheme costs should include but are not necessarily limited to, bag packs, replacement bags, additional promotion, staff costs, gate fees.
- 9) Open book accounting from all parties, including SCC, The SRC, Viridor, Waveney Norse and NEWS is essential to support the reconciliation of costs. In particular with regard to material sold to the end contractor – Wilcox currently.

Annex 2 - IAA Baselines and Review Procedure

1. Introduction

- 1.1 The WDA and WCAs have each agreed a Baseline (WCA/WDA Baseline). The County Council's EFW contractor, SITA, has calibrated its facility and services on the basis of those Baselines and any future change in the Baselines may entitle the EFW Contractor to apply to the WDA for an adjustment to payments, relief from obligations or other compensation.
- 1.2 The purpose of the Baselines is to provide long term certainty and stability to the WDA for the purpose of managing the EFW contract and to avoid, as far as is possible, detrimental effect on the EFW contract. The WCAs shall not be prevented from undertaking their own waste minimisation or recycling schemes in accordance with the JMWMS (or otherwise changing their WCA Baselines) provided they comply with the Review Procedure below.

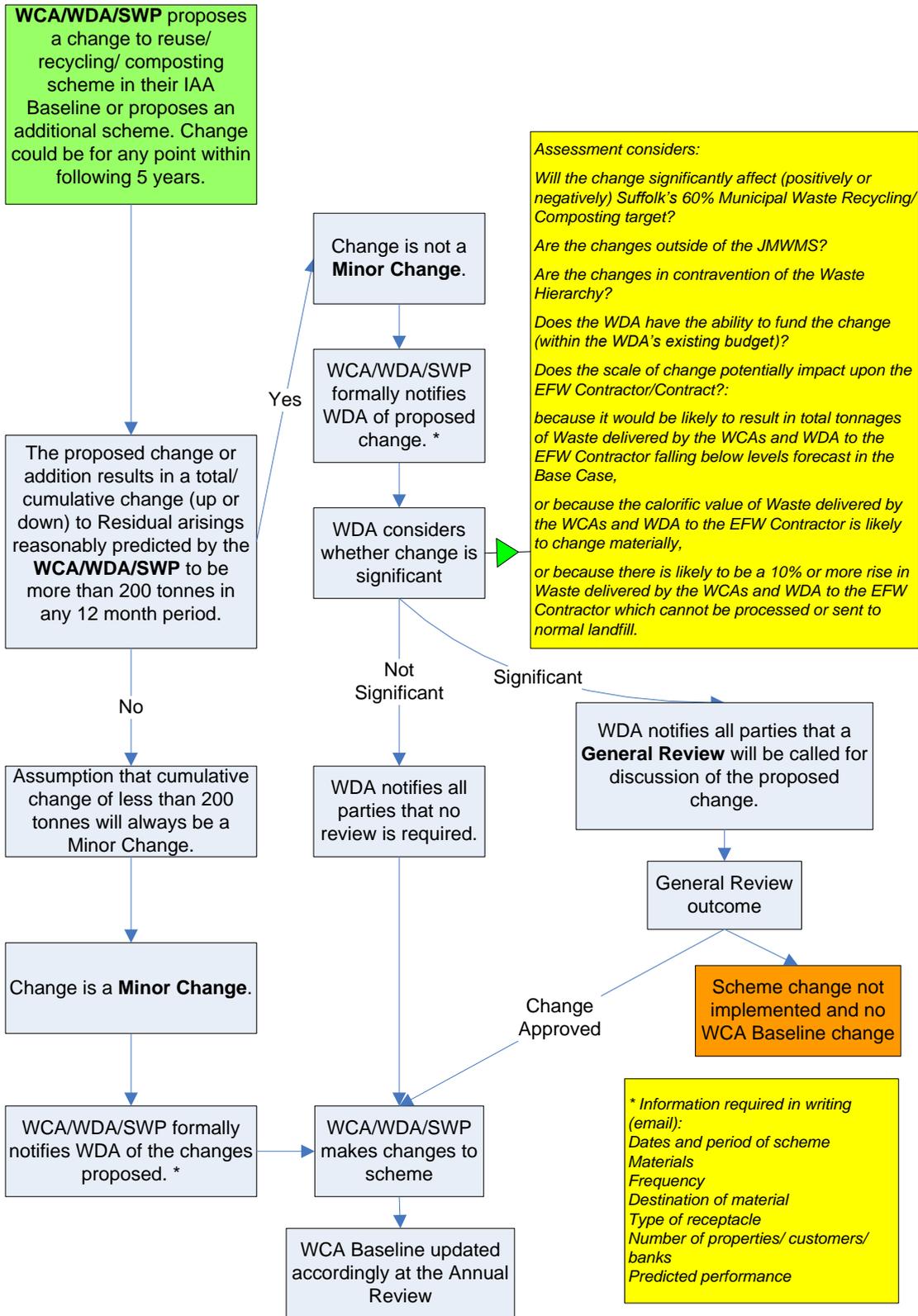
2. The Parties acknowledge that this IAA shall be treated and shall stand as:-

- 2.1.1 a direction of the WDA under section 51(4) of the EPA, directing the WCAs to deliver their municipal waste under the meaning of the relevant acts to designated delivery points and to reflect the provisions the WCA Baseline; and
 - 2.1.2 a direction of the WDA under section 31 of the WET Act directing the WCAs to separate waste before delivery as set out in the WCA Baseline; and
 - 2.1.3 a notice under section 48(2) of the EPA that the WCAs intend to retain the Waste identified in the WCA Baseline for their own recycling arrangements; and
 - 2.1.4 a notice under section 48(4) of the EPA that the WDA objects to any recycling arrangements made by the WCAs other than those identified in the WCA Baseline or agreed through the IAA Baseline Review Procedure.
- 2.2 Each WCA and the WDA hereby agrees to carry out services as set out in its Baseline and not to retain any Municipal Waste other than:
 - 2.2.1 as provided in its WCA/WDA Baseline; or
 - 2.2.2 as otherwise agreed between the Parties and effected in accordance with the Baseline Review Procedure below.
 - 2.3 The WCA Baselines and WDA Baseline shall be updated and reviewed annually between September and November (each time looking ahead to the following five years).

3. General Review

- 3.1. If a proposed change to a WCA or WDA Baseline is deemed to have a significant and adverse impact on the WDA's financial position or its ability to perform its contractual obligations under the EFW Contract, such change shall be approved, or not, solely at the WDA's discretion.

4. Baseline Review Procedure



Principles

1. PRINCIPLE 1 – The trade waste recharge should reflect the averaged costs of trade waste transfer and disposal across Suffolk as now. This should enable council trade services to continue compete with local private operators.
2. PRINCIPLE 2 – Where adjustments (Step 2) need to be made, these could be up or down, and should be in the overall interest of the taxpayer. But that councils would not be “subsidised” to artificially protect their market share.

Initial Agreement for Trade Waste Recharge (STEP 1)

3. The trade waste recharge be set at the EfW contract 'Band 2' gate fee (effectively the marginal cost of disposal), plus the average haulage (only) cost of trade waste from waste transfer stations to disposal (the marginal cost of trade waste transfer). This rate to apply from 1 April 2014, in order to allow a fixed rate for customers throughout the year. It also represents a reduction from current costs.

Agreement to Review Trade Waste Recharge If Required (STEP 2)

4. If, once the EfW is operational and its impacts on the local trade waste sector are clear, it is apparent that district trade services are losing business due to uncompetitive disposal costs, AND if it is in the interests of the public purse overall, then the parties commit to negotiating a lower disposal recharge rate. (In this regard we would be acting as though we had a common budget, and transferring funds from one budget line to another to achieve the least cost solution overall, but not protecting trade market share if this puts up costs to the taxpayer overall). A future solution might need to reflect differences in the market for commercial waste disposal in different areas, so might not necessarily involve a single countywide rate of trade waste recharge.
5. On the other hand if the WDA trade waste recharge is lower than the prevailing market price then it is reasonable to expect trade waste to contribute towards the fixed costs of transfer provision. In these circumstances the parties commit to negotiating a higher disposal recharge rate. Again, this might not necessarily involve a single countywide rate.

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Trade Waste Recharge Rate:

6. Our current best estimates of the costs of landfill and energy from waste disposal for 2013/14, 2014/15 and 2015/16 are presented below. The highlighted figures are those reflecting the trade waste recharge proposal (Step 1) outlined above.

	Average disposal cost (mainly landfill)	Average disposal cost excl Colnbrook	Energy from Waste Band 1	Energy from Waste Band 2	Average Transfer Costs (Haulage only)	Proposed Trade Recharge = Marginal Transfer and EfW cost
2013/14	£103.60	£97.74	n/a	n/a		
2014/15	£110.55	£106.25	£87.37	£76.71	£8.81	£85.52
2015/16	n/a	n/a	£88.27	£78.62	£8.81	£87.43

Note: The increase in 2015/16 reflects changing landfill costs only

Annex 4 – MRF and Transfer Station Cost & Apportionment

Transfer Stations

- 1) The prime principle in the apportionment of the costs of transfer stations is ‘that all partners will benefit equally from savings and efficiencies arising from the contracts, and that costs and benefits will be apportioned (i) appropriately and (ii) proportionately.’
- 2) The costs are, therefore, apportioned appropriately on the basis of the residual and the non-residual waste streams, to the County Council and WCAs respectively, and proportionately on the basis of tonnes processed through the transfer stations.
- 3) The direct costs of the transfer stations to be apportioned include the capital financing costs of buildings (but neither land nor HWRC costs), the lease or rent of facilities, the operation of the facility, and the running costs of the building (such as utilities, NNDR, maintenance, etc.).
- 4) The contract for the operation of the transfer stations will also include payments for the haulage of residual waste to Great Blakenham, and in the case of the Lowestoft site the haulage of organic waste to Parham. These costs will be apportioned directly to the County Council for residual waste, and Waveney for the haulage of the organic waste.
- 5) In addition to the direct costs, there may be specific indirect costs falling on the County Council due to contract management requirements, such as quality control on recycle materials and/or composition analysis studies. If these costs, or others, can be identified separately then they will be apportioned in accordance with the principles stated above.
- 6) The costs included in the calculation of the apportionments should be (a) transparent (b) consultative (c) co-operative, and (d) Best Value.
- 7) The outcome from the apportionment calculation will be the costs of handling and hauling of residual waste, and a cost for the handling of recyclates (both dry and organic) at the transfer stations.

Waste Collection Authorities’ transport costs

- 8) The location of the core transfer station sites could lead to additional collection costs on WCAs through the increased mileage of residual and recycle vehicles, and possibly a requirement for additional vehicles. Similarly there may be reduced costs for other WCAs. These costs and benefits are to be included in an apportionment calculation. As the principle stated above splits the responsibility for costs between residual and non-residual waste streams, there will need to be an appropriate split of WCA costs and savings along these lines.
- 9) Alongside the core sites, there will be a procurement exercise to identify where savings could be made through the use of additional sites.
- 10) The amount of any WCA cost adjustments should be identifiable and open to scrutiny.
- 11) The outcome from the apportionment calculation will be an overhead to the residual and non-residual waste streams.

Material Recovery Facilities (MRFs)

- 12) The contract for MRF operations relates to the haulage of materials from transfer stations, and the processing and sale of materials as supplied by the WCAs.
- 13) In addition to these costs there are the handling charges of the transfer stations, as calculated using the process described above, and, again, any contract management costs that can be specifically apportioned to the recycle waste stream.
- 14) Similarly any WCA net costs or net savings resulting from the transfer station locations, as calculated above, will be included in this calculation.
- 15) The total cost, or income, of the entire MRF processes will be apportioned across the WCAs in relation to the tonnes provided by each WCA. In other words, there will be an average figure for each tonne of dry recycle that will be applicable to every tonne, and applicable to each WCA.