

JOINT WASTE DISPOSAL BOARD

NOTICE OF MEETING

THURSDAY 7 JULY 2011

TO: ALL MEMBERS OF THE JOINT WASTE DISPOSAL BOARD

You are invited to attend a meeting of the Joint Waste Disposal Board on **Thursday 7 July 2011 at 6.30 pm** in the David Hicks Room (formerly Committee Room 1), Civic Offices, Shute End, Wokingham. An agenda for the meeting is set out overleaf.

Mark Moon
Project Director

Members of the Joint Waste Disposal Board

Councillor Iain McCracken, Executive Member for Culture, Corporate Services and Public Protection

Councillor Mrs Dorothy Hayes MBE, Executive Member for the Environment

Councillor Paul Gittings, Reading Borough Council

Councillor Rachel Eden, Reading Borough Council

Councillor Gary Cowan, Wokingham Borough Council

Councillor Rob Stanton, Wokingham Borough Council

EMERGENCY EVACUATION INSTRUCTIONS

If you hear the alarm:

- 1 Leave the building immediately**
- 2 Follow the green signs**
- 3 Use the stairs not the lifts**
- 4 Do not re-enter the building until told to do so**



JOINT WASTE DISPOSAL BOARD
Thursday 7 July 2011 (6.30 pm)
David Hicks Room (formerly Committee Room 1), Civic Offices, Shute End,
Wokingham.

AGENDA

Page No

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST**
Members are required to declare any personal or prejudicial interests and the nature of that interest, in respect of any matter to be considered at this meeting.
3. **MINUTES OF THE MEETING OF THE JOINT WASTE DISPOSAL BOARD** 1 - 4
To approve as a correct record the minutes of the Joint Waste Disposal Board held on 16 March 2011.
4. **URGENT ITEMS OF BUSINESS**
To notify the Board of any items authorised by the Chairman on the grounds of urgency.
5. **PROGRESS REPORT** 5 - 14
To inform the Board of progress since the last meeting.
6. **AUDIT OF RE3 JOINT WASTE PFI** 15 - 54
To inform the Board of the result of the recent audit of the re3 Joint Waste PFI.
7. **REVIEW OF JOINT WORKING AGREEMENT** 55 - 68
To update the Board on the result of a review of the Joint Working Agreement (JWA) and proposed amendments.
8. **EXCLUSION OF PUBLIC AND PRESS**
To consider the following motion:

That pursuant to Regulation 21 of the Local Authorities (Executive Arrangements) (Access to Information) Regulations 2000 and having regard to the public interest, members of the public and press be excluded from the meeting for the consideration of item 14 which involves the likely disclosure of exempt information under the following category of Schedule 12A of the Local Government Act 1972:

(3) Information relating to the financial or business affairs of any particular person.

Report Containing Exempt Information

9. RISK REGISTER

69 - 72

To note the updated Risk Register.

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Agenda Item 3

JOINT WASTE DISPOSAL BOARD 16 MARCH 2011 (6.30 - 8.45 pm)

Present: Bracknell Forest Borough Council
Councillor Mrs Dorothy Hayes MBE
Councillor Iain McCracken

Reading Borough Council
Councillor Ricky Duveen

Wokingham District Council
Councillor Gary Cowan
Councillor Rob Stanton

Officers Pete Baveystock
 Oliver Burt, re3 Project Manager
 Pete Thompson, Reading Borough Council
 Janet Dowlman, Bracknell Forest Council
 Dave Fisher, Reading Borough Council
 Kevin Holyer, Reading Borough Council
 Steve Loudoun, Bracknell Forest Council
 Mark Moon, re3 Project Director

Apologies for absence were received from:
 Councillor Stanway, Reading Borough Council

25. **Declarations of Interest**

There were no declarations of interest.

26. **Minutes of the Meeting of the Joint Waste Disposal Board**

RESOLVED that the minutes of the meeting of the Joint Waste Disposal Board held on 16 December 2010, be approved as a correct record and signed by the Chairman.

Regarding matters arising from the minutes the following were discussed:

- Further amendments to the Joint Working Agreement had been finalised and once legal advice had been sought the finalised agreement would be signed off by the Executive of all three Councils. It was requested that the draft amended Joint Working Agreement be brought to the next before being signed off.

(Action: Oliver Burt)

27. **Urgent Items of Business**

There were no urgent items of business.

28. **Appointment of Vice-Chairman**

RESOLVED that Councillor Duveen be elected Vice-Chairman of the Board.

29. Progress Report

The Board considered a report informing of progress since the last meeting on 16 December 2010. The report covered:

Operations and Facilities – Works at Smallmead on the fire protection system had been completed and the contractor was expecting written confirmation from the insurers confirming cover.

A letter thanking the staff at both Household Waste Recycling Centres (HWRC) in recognition of the continued high levels of satisfaction expressed by site users was signed by the members. It was noted that the staff at both centres had performed highly and the Board expressed their thanks.

Longshot Lane Mini-MRF – As a result of trials regarding a Mini-MRF at Longshot Lane and the use of a mechanical 'grab', it has been agreed between the Contractor and Officers, that a mechanical 'grab' be used to extract mixed recyclables.

Retail Outlet Replacement – Work with Sue Ryder Care had begun at both the HWRCs collecting various bric-a-brac for re-sale. The scheme had been considered successful by both site and Sue Ryder staff. An update on the ongoing work regarding the scheme would be brought to the next meeting. **(Action: Oliver Burt)**

Haulage Contract Re-Let – The Haulage Market Testing process was approved by the members on the 21 September 2010 and since that time five formal Invitations to Tender (ITT) had been issued. Four bids were received by the closing date of the 25 March and the proposals would be assessed by WRG. Officers would relay the result as soon as it was known and the re3 Project would be liaising with both the contractor and council account teams to enable budgeting for any increases in the rate of haulage.

Savings Proposals – Discussions had taken place with council officers, the PFI contractor and the Waste Recycling Group (WRG) regarding savings and income generation. A number of proposals relate to the current year and the re3 Project Team have secured approximately £600,000 for the partner Councils supplementing the overall PFI underspend. Savings for subsequent year were being considered and officers have engaged with the private sector partners WRG to consider proposals. A meeting would also take place between the council's Chief Executives and the Chief Executive of WRG to consider saving proposals.

Finance – Regarding the re3 PFI waste outturn the project was reported to have savings of approximately half of the projected underspend totalling £1.2 million for 2011/11. This amount was significantly higher than the £400,000 underspend previously reported due to a number of significant savings. Due to a saving by the Contractor in PFI insurance costs the Councils are entitled to a share of this which amounts to £68,500. Also as a result of work undertaken by the re3 Project Team the Councils are entitled to a share of income received from the sales of recycle which is estimated at £362,500. The actual payment and allocations would be finalised once the full year figures were available.

It was requested that the amounts received for trade waste be brought to the next meeting. Also Members requested that investigation be made into dealing with trade waste for Wokingham Borough Council and Bracknell Forest Council.

(Action: Oliver Burt)

The development of work with The Green Machine regarding paint recycling was discussed by the Board. The Project Officers had been investigating how to facilitate a scheme at the recycling centres and further information would be brought to the next meeting. **(Action: Oliver Burt)**

Performance – The Board noted the provisional performance figures and received a presentation regarding maximising the contribution of existing kerbside recycling collections.

Joint Municipal Waste Management Strategy – A review of the strategy was scheduled for 25 March 2011 and an update of progress would be forwarded to the Board.

Use of re3 Facilities by West Berkshire Residents – The Board discussed the response received from the Corporate Director of Environment at West Berkshire regarding the outstanding amounts relating to use at the re3 facilities. The Board decided on the following actions –

- 1 A letter from the Chairman would be sent to the Chief Executive and the Leader of West Berkshire Council outlining the views of the Board.
- 2 Signs would be erected at Longshot Lane and Smallmead as soon after the 1 June 2011 as possible.
- 3 Officers would report back to the Board regarding gating options at both sites.
- 4 The Joint Waste Agreement would reflect the details of the terms for any agreement entered into with another council who would wish to use the recycling sites.

(Action: Mark Moon/Oliver Burt)

Issues regarding sub-contracts were also discussed by the Board and it was suggested that investigation work be carried out on the matter. **(Action: Oliver Burt)**

30. **Dates of Future Meetings**

Due to officer availability the next meeting date was to be decided. The Board noted the subsequent dates –

Tuesday 20 September 2011 – Bracknell Council Offices
Thursday 15 December 2011 – Reading Council Offices
Thursday 22 March 2012 – Wokingham Council Offices.

31. **Workshop Dates**

The workshop dates were to be decided.

32. **Exclusion of Public and Press**

RESOLVED that pursuant to Regulation 21 of the Local Authorities (Executive Arrangements) (Access to information) Regulations 2000 and having regard to the public interest, members of the public and press be excluded from the meeting for the consideration of item 9 which involves the likely disclosure of exempt information under the following category of Schedule 12A of the Local Government Act 1972:

- (3) Information relating to the financial or business affairs of any particular person.

33. **Risk Register**

The Board received and noted a report containing exempt information relating to its Risk Register.

Risk items 15a and 16 on Register were discussed and it was noted that on-going work would be undertaken to address any future issues.

CHAIRMAN

TO: JOINT WASTE DISPOSAL BOARD
7th July 2011

JOINT WASTE DISPOSAL BOARD - PROJECT UPDATE
(Report by the Project Director)

1. INTRODUCTION

- 1.1 The purpose of this report is to inform the Joint Waste Disposal Board (JWDB) of progress since its last meeting on 16th March 2011.

2. RECOMMENDATIONS

- 2.1 To note progress made since the last meeting on 16th March 2011.
- 2.2 That Members approve option 2 (at 3.31 below) and instruct the re3 Project Team to negotiate with the Contractor to effect the change.
- 2.3 That Members endorse the proposal described at 3.39 below and instruct the re3 Project Team to develop the proposal further with the Contractor for future approval by the JWDB
- 2.4 That Members approve the draft design of the entrance sign to the Household Waste Recycling Centres as attached at Appendix 3.

3. SUPPORTING INFORMATION

Operations and Facilities

- 3.1 The Contractor is developing a business case for making some amendments to the MRF. The amendments will be aimed at recovering recyclables from material currently rejected.
- 3.2 The benefits from such a change would be in increased recycling and thus a reduction in disposal cost. Increased recycling should lead to greater income for the Contractor and potentially the councils.
- 3.3 The Contractor has suggested that the councils could contribute to the capital expenditure for the project. Officers will supply details of the proposed amendments and aspects of the business case as soon as they are available.
- 3.4 At the previous JWDB meeting, Members requested detail on the amount received for trade waste through the contract. Officers can confirm that in the 2010/11 year the amount of third party trade waste received at the sites was 39,400 tonnes and that translated into a payment to the councils of £91,000.

Retail Outlet Replacement

- 3.5 Members have previously requested updates about the support for Sue Ryder which the councils and contractor are providing via the Household Waste Recycling Centre's (HWRC's).
- 3.6 Sue Ryder Care is a charitable organisation which provides palliative and end-of-life care. They are well established in and around the re3 area with beds at the Nettlebed Hospice and management of services provided at the Duchess of Kent House Hospice in Reading.

- 3.7 Since the arrangement with them began in March 2011, Sue Ryder have been collecting items set aside by contract staff and making them available for sale via their network of charity shops in the region.
- 3.8 They estimate that, to date, the items retrieved from the re3 HWRC's have raised as much as £6,000 for Sue Ryder.
- 3.9 At the present time especially, this kind of arrangement is greatly appreciated by Sue Ryder.

Community Repaint

- 3.10 At the previous JWDB Meeting, Members asked for more detail on the proposal by Green Machine to establish a Community Repaint scheme for the re3 councils.
- 3.11 Green Machine is a Community Interest Company (CIC) set up by Bracknell Forest Council.
- 3.12 There is a network of Community Repaint schemes operating across the UK. They collect unwanted and surplus paint and redistribute it to individuals and communities in need. In doing so, they seek to deliver economic, social and environmental benefits.
- 3.13 Green Machine had prepared a proposal to work as a sub-contractor at the HWRC's. Under the proposal, they would offer a saving on the high costs (c£280,000 pa) of managing unwanted paint through our HWRC's.
- 3.14 The basis of their proposal was to divert, for community re-use across the re3 area, 40% of paint currently received at the sites for a payment equivalent to 30% of the total annual cost. As a result, the councils should ultimately have been able to see a saving equivalent to 10% of the total cost (c£28,000 pa).
- 3.15 Since developing that proposal however, the Contractor has proposed to process all paint received at the HWRC's via a facility they own. Officers have no detail at present but we are told the new arrangement will be as much as £100,000 cheaper than the current total cost of paint processing.
- 3.16 If the reduced cost is realised, that would have implications to the Green Machine proposal – reducing the value of the 30% they would expect to receive. It is as yet unclear whether Green Machine would be able to operate the service for a reduced payment (c£54,000 pa).
- 3.17 As such, Green Machine has proposed that they begin the Community Repaint scheme and operate for 9 months (receiving at least two quarterly fixed payments). In that time it is expected that detail will have emerged about the Contractor's proposal and discussions between them and Green Machine will have progressed to enable both to operate alongside one-another.

Haulage Contract Re-let

- 3.18 Members have approved (JWDB 21st September 2010) the early commencement of the Haulage Market Testing process contained within our Private Finance Initiative (PFI) contract.
- 3.19 Since that decision the re3 Project Team have been working with the contractor in order to follow the processes described within the contract for the market testing of the haulage required and to seek to minimise any increase in costs.

- 3.20 The process, as laid-out within the Contract, was not followed precisely 'to the letter' as it required adherence to some of the principles of the EU Procurement Regime (as if the Contractor were a public body). As a result both parties have agreed to restart the process.
- 3.21 It is still the intention of the Contractor that the new haulage arrangements commence in December 2011 as intended. However, the Contractor is also negotiating with the incumbent haulier about a short extension of the existing arrangement in case there is a further unforeseen delay.

Savings Proposals

- 3.22 Council Officers have been engaged in discussions with colleagues from our PFI Contractor, Waste Recycling Group (WRG), in relation to savings and income generation.
- 3.23 The requirement to make savings across public services is clear. Officers have taken their lead from the Cabinet Office and HM Treasury who are working with cross departmental suppliers and 'portfolio' contractors to make savings within Public Private Partnership (PPP) Contracts across Government. They are keen that local authorities do the same.
- 3.24 Among proposals which have so far emerged from discussions with our PFI contractor, are two which Members will wish to give consideration to. The two proposals are described from 3.25 to 3.34 and 3.35 to 3.41 below.
- 3.25 The first proposal involves the provision within the PFI contract of resources for two members of the staff to deliver the education and waste minimisation functions of the contract. As a very broad description, their role includes running and maintaining the educational facilities at Smallmead and Longshot Lane, visits to schools and the coordination and production of both information/education material for service users and some contractual documents.
- 3.26 In practice, the education and waste minimisation staff have often been engaged in activities for the contractor in addition to those described above.
- 3.27 From the start of the contract until September 2010, the roles were carried-out most ably by the appointed staff. Unfortunately, both individuals left the employment of WRG at that point.
- 3.28 In light of the need to make savings, and at the suggestion of the re3 Project Team, the contractor recruited one member of staff to replace those who had left in September 2010. Unfortunately, that did not appear to work very well as the absence of available support meant that the individual was constantly stretched.
- 3.29 When the replacement member of staff left in January 2011, it was agreed to delay the recruitment of replacement staff while a review was conducted. This delay affords the re3 councils an opportunity to consider the value of the service and its role in the future of the re3 partnership.
- 3.30 At the commencement of the contract, £100,000 per annum was put aside from the councils payments to fund education and waste minimisation activities. A further £50,000 was put aside to fund staff costs for the two posts. Both sums are subject to the application of RPI and in the current year amount to £121,600 and £60,800 respectively.

- 3.31 There would appear to be three workable options, as described below.
1. Retain the service, including continuing to contribute full payment, as described within the contract.
 2. Retain the service broadly as described within the contract but seek to revise the terms and conditions so that the staff were seconded (or similar) to the councils rather than being separate from them. Alongside this change, the councils could also renegotiate a reduced budget for activities, thereby realising a saving alongside the retention of this service.
 3. Realise the full saving of £182,400 (correct for 2011/12), whilst procuring on an annual basis those reports and activities which the councils wish the contractor still to deliver, and subsume the appropriate education and waste minimisation activities within the existing complement of appropriate staff across the three councils.
- 3.32 To effect a change, the contractor is likely to require the councils to submit a Notice of Council Change according to the PFI Contract.
- 3.33 While the exact and specific benefit of the education and waste minimisation role is impossible to quantify, it is widely believed (amongst officers) to have been valuable to the three councils.
- 3.34 The re3 Project Team therefore recommend that Members approve option 2 (at 3.31 above) and furthermore that Members instruct them to enter into the necessary negotiations with the Contractor, via a Notice of Council Change.
- 3.35 The second proposal is for a change to the opening hours of the two Household Waste Recycling Centre's at Smallmead in Reading and Longshot Lane in Bracknell.
- 3.36 At the request of the re3 Project Team, the Contractor has considered the potential saving that might be made from reductions in opening hours at the HWRC's.
- 3.37 The savings proposed are as follows:
1. For closure of both sites for two hours per day during Summertime (6pm-8pm daily between 1 April and 30 September): £38,000 per annum
 2. For closure of both sites for one day per week (although not both on the same day): £94,000 per annum
- 3.38 However, the re3 Project Team would like to propose an alternative to the outright closure of the HWRC's which we hope would be more consistent with the outlook of the re3 councils and make a bigger contribution to the search for savings or income generation.
- 3.39 The proposal would still see the HWRC's closed to householders for a part, or parts, of the week. However, rather than the sites sitting idle, they could be opened-up for local traders and SME's who would pay a fee to recycle and dispose of their trade waste.
- 3.40 This kind of proposal could have some advantages to all concerned. These could include the following:

- Addressing the need, as previously identified by the re3 councils but now also included in the recent Government Review of Waste Policy in England 2011, to support local businesses through our facilities.
 - Reduce some of the operational tension at the HWRC's between receiving waste from traders and householders and help to ensure that council tax payers are not footing the bill for trade waste.
 - Provide the simple basis upon which to be open for business to traders who are prepared to support our aim to recycle and recover as much as possible.
 - Generate an income stream for the councils based on a charging scheme which is reasonable for traders and easily administered – the aim being to make it simple for small businesses.
 - Provide another service area in which the councils and our Contractor can collaborate.
- 3.41 The re3 Project Team therefore recommends that Members endorse the proposal described at 3.39 above and that the re3 Project Team be instructed to develop the proposal further with WRG for future approval by the JWDB.
- 3.42 The Contractor has been asked to assess the level of revenue received from the councils in relation to both the Mini-MRF and Retail Outlet elements of the Contract (referred to previously at 3.4 and 3.8 respectively) up to the point at which replacements for those undertakings were in place.

Finance

- 3.43 The provisional financial position for 2010/11 is attached under Appendix 1.
- 3.44 The project is reporting a collective under spend of £777,000 for 2010/11; this is lower than the £1.2million under spend reported at the last meeting.
- 3.45 Quarter 4 actual costs were higher than anticipated, primarily due to an increase in contract waste in March, assumed to be related to the warm and dry weather.
- 3.46 However, the main factor in the reduction of the reported under spend is related to the Councils' share of the Contractor's income from sales of recyclate.
- 3.47 As reported at the March meeting, the Contractor had advised that they were due to significantly overachieve in terms of modelled income, and estimated the Councils' share of the saving to be £362,500 for 2010/11. However, the Contractor has recently advised that they have recalculated the Councils' share of the income.
- 3.48 The Contractor's revised calculation showed that there was no longer any share of excess income due to the Councils. The re3 Project Team have scrutinised the calculation and do not agree with several components and are currently in discussions with the Contractor concerning this matter.
- 3.49 In order to be prudent, the 2010/11 outturn has been adjusted to reflect the worst case scenario, which is that the Councils are not due any income.
- 3.50 On behalf of the Councils, the Chair of the JWDB and the Reading Borough Council Chief Executive recently met with the Chief Executive of WRG to discuss savings options and future aspirations for the Partnership. The Councils expressed their desire to reach an agreement over the adoption of cost transparency arrangements. The Councils feel that with greater transparency, the issue described in 3.47 above could possibly have been avoided.

- 3.51 A statement of expenditure against the re3 Management budget is included under Appendix 2 and shows an under spend of £52,500 for 2010/11.

Performance

- 3.52 Provisional 2010/11 performance results are detailed below. Note that these results are subject to validation by Waste Data Flow.
- 3.53 Bracknell's provisional NI 192 (percentage of waste recycled and composted) result for 2010/11 is 40.2%. This is an improvement on the 2009/10 score of 37.8%.
- 3.54 77.6% of Bracknell's municipal waste was diverted from landfill in 2010/11, compared to 55.5% in 2009/10.
- 3.55 Reading's provisional NI 192 result for 2010/11 is 34.9%. This is an improvement on the 2009/10 score of 33.4%.
- 3.56 71.4% of Reading's municipal waste was diverted from landfill in 2010/11, compared to 47.5% in 2009/10.
- 3.57 Wokingham's provisional NI 192 result for 2010/11 is 41.1%. This is an improvement on the 2009/10 score of 38.4%.
- 3.58 79.4% of Wokingham's municipal waste was diverted from landfill in 2010/11, compared to 55.4% in 2009/10.
- 3.59 The improvements in rates of diversion from landfill are largely due to full availability of the Lakeside Energy from Waste facility in 2010/11; due to delayed commissioning the facility was only partly available in 2009/10.

Use of re3 Facilities by West Berkshire Residents

- 3.60 Payment has now been received from West Berkshire, according to the agreed methodology, for the 2008/09 and 2009/10 years.
- 3.61 West Berkshire paid £200,000 "on account" in 2010/11. A reconciliation process now needs to be undertaken to establish the actual charge due for the period and the appropriate reconciliation invoice will be raised.
- 3.62 Attached at Appendix 3 is a draft design for an entrance sign to the HWRCs. The design shown is for Smallmead and therefore includes space for a removable sticker depicting the West Berkshire logo. This is so that they and any other Council that we form a reciprocal agreement with, can feature on the sign. For practical reasons it is not proposed that the West Berkshire logo appears on the Longshot Lane sign, but the same principle could apply.
- 3.63 Members are requested to approve the draft design at Appendix 3.

Risk Register

- 3.64 The Risk Register has been updated and will be considered at the appropriate point in the agenda.

BACKGROUND PAPERS

Board Report 16th March 2011

CONTACTS FOR FURTHER INFORMATION

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Appendix 1

re3 PFI Budget Monitoring

2010/11 Waste PFI Outturn

		BFBC £	RBC £	WBC £	TOTAL £
Apr-10	Actual	497,336	685,025	772,635	1,954,996
May-10	Actual	481,157	602,854	713,664	1,797,675
Jun-10	Actual	485,946	684,446	739,851	1,910,243
Jul-10	Actual	484,102	635,306	709,172	1,828,580
Aug-10	Actual	441,736	621,984	728,334	1,792,054
Sep-10	Actual	461,383	742,234	733,559	1,937,176
Oct-10	Actual	452,156	601,809	681,821	1,735,786
Nov-10	Actual	451,693	618,326	685,887	1,755,906
Dec-10	Actual	409,348	591,746	637,932	1,639,026
Jan-11	Actual	463,491	664,797	727,283	1,855,571
Feb-11	Actual	426,565	547,284	612,292	1,586,141
Mar-11	Actual	490,098	682,678	738,721	1,911,497
TOTAL		5,545,011	7,678,489	8,481,151	21,704,651
Business Rates		106,441	138,055	144,829	389,325
EfW Adjustment (note 6)		-6,929	-8,987	-9,428	-25,344
Waste Min Refund (note 7)		-32,194	-43,107	-44,699	-120,000
Insurance Saving (note 8)		-18,393	-23,971	-26,224	-68,588
Estimated Recyclate Income (note 9)		0	0	0	0
2010/11 Outturn		5,593,937	7,740,479	8,545,629	21,880,044
2010/11 Budget		6,011,277	7,874,406	8,949,805	22,835,488
Revised 2010/11 Budget		5,832,480	7,874,406	8,949,805	22,656,691

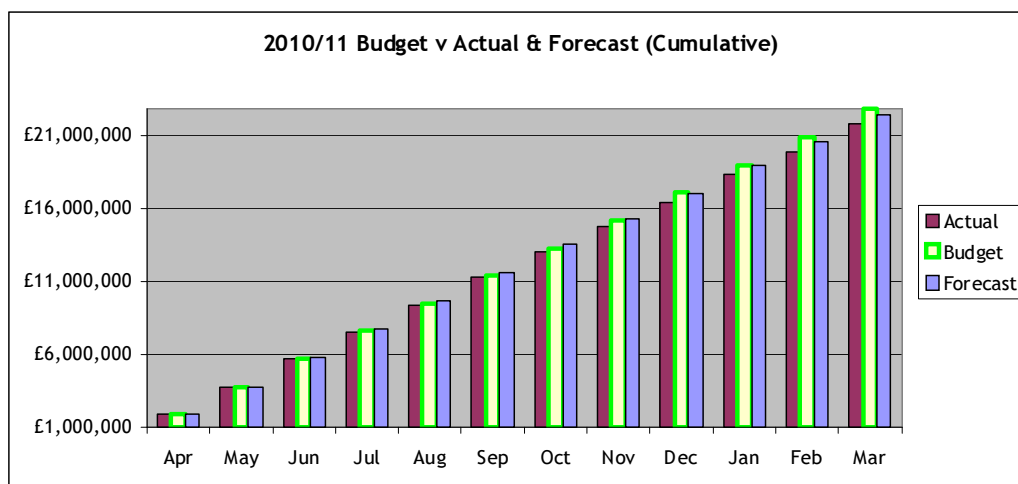
Projected Underspend **-238,543** **-133,927** **-404,176** **-776,647**

-3.4%

Notes

1. Based on actual invoices
2. Trade waste disposal included in RBC costs & budget.
6. The EfW Adjustment is a refund due to lower than anticipated residue, resulting in slightly lower gate fee. during this period. (Qtr 4 2010/11 not yet available so will change slightly).
8. Insurance saving due to lower than modelled premium.
9. Annual Recyclate Income Payment from WRG is now under discussion with WRG. Currently assuming worst case scenario of no income.

re3 Management Budget/Costs not included



Appendix 2

JWDB - re3 Waste PFI Management Costs 2010/11				Period to 31 March 2011
Employees	Budget	YTD Cost	YTD Variance	Comments
	£	£	£	
Salaries, NI & Super	166,800	145,206	-21,594	
Training	3,000	475	-2,525	
Employees sub total	169,800	145,681	-24,119	
Other Costs	Budget	Cost	Variance	Comments
Transport				
Travel Expenses	1,000	566	-434	
Supplies & Services				
Equipment	3,500	0	-3,500	
Stationery	500	28	-472	
Consultancy Fees	134,548	117,375	-17,173	
Purchase of Computer Equipment	6,700	800	-5,900	
Mobile Phones	400	358	-42	
Support Services/Recharges	20,900	20,000	-900	
Other Costs sub total	£167,548	£139,127	-£28,421	
2009/10 Total	£337,348	£284,808	-£52,540	
Note: Eversheds invoices for legal advice regarding additional EfW are split equally between Reading & Wokingham.				
Council Recharge 2010/11		£		
Bracknell		£70,856		
Reading		£107,126		
Wokingham		£106,826		
Total		£284,808		

Recycling Centre



Public Access
Cars
below 1.95m



No trade waste

This facility is provided under Section 51 of the Environmental Protection Act (1990) and is for use only by residents of:



Reading
BOROUGH COUNCIL



WOKINGHAM
BOROUGH COUNCIL



Proof of residence may be requested

The Council reserves the right to refuse entry to anyone who does not meet the above criteria

TO: JOINT WASTE DISPOSAL BOARD
7th July 2011

JOINT WASTE DISPOSAL BOARD
REPORT ON AUDIT OF THE re3 JOINT WASTE PFI
(Report by the Project Director)

1. INTRODUCTION

- 1.1 The purpose of this report is to inform Members of the result of the recent audit of the re3 Joint Waste PFI.

2. RECOMMENDATIONS

- 2.1 **To endorse the audit report relating to the re3 Joint Waste PFI (appended to this report).**
- 2.2 **To approve the Management Responses, and associated actions, included within the audit report.**

3. SUPPORTING INFORMATION

Audits Findings

- 3.1 The audit report concludes that there is substantial assurance as to the adequacy and effectiveness of the control framework put in place by the re3 councils.
- 3.2 The audit makes 15 recommendations. There are no high priority recommendations. Seven are medium priority and eight are low priority.
- 3.3 The re3 Management Team have responded to the audit recommendations and both are included within the Management Action Plan section of the audit report (page 7).

Audit Process

- 3.4 A previous report on this matter (1st July 2010) highlighted how different approaches across the three councils may have contributed to some issues which could make it difficult to address audit recommendations across the partnership.

- 3.5 As a result, it was agreed that the PFI would, henceforth, be audited as follows:

1. The re3 joint waste PFI to be audited biennially, starting in 2011.
2. With both the council partnership and our ongoing contractual arrangements with WRG in mind, each audit will look at:

Finance

Facilities

Governance

Relationships

3. Reading Borough Council to carry out audits (in its role as administering authority) liaising with the Audit Teams at Bracknell Forest Borough Council and Wokingham Borough Council as appropriate.
- 3.6 It was also specified that the Audit process be carried out in accordance with the usual standards of such a procedure - Terms of Reference to be agreed in advance and in liaison with appropriate officers at each of the three councils. The findings and recommendations were to be reported to the JWDB in order that the adoption of measures to address the recommendations, particularly those which relate to the Joint Working Agreement between the re3 councils, could be agreed and addressed fully at the partnership level.
- 3.7 In accordance with the above, the report is presented to Members for their information and endorsement.
- 3.8 Members are asked to approve the responses and the associated actions in order that the recommendations of the audit can be addressed.

BACKGROUND PAPERS

Reports to JWDB (1st July and 21st September 2010)

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**Reading Borough Council
Internal Audit Services**

Annual Audit Plan 2011/12

Re3 - Waste PFI Contract

Report No.03/11

Audit Assurance Substantial

Report Distribution List

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Steve Loudoun	Chief Officer for Environment and Public Protection (BFC)
Mark Moon	Strategic Director Place Based Services (WDC) and Project Director
Joint Waste Disposal Board	Joint Waste Disposal Board members

Report Content:

- Executive Summary
 - Introduction
 - Objectives
 - Audit Assurance
 - Main Conclusions
- Management Action Plan
- Detailed Findings

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The assistance of staff at Re3 and WRG in providing help and hospitality during the audit is gratefully acknowledged.

EXECUTIVE SUMMARY

Introduction

Re3 is the name given to the partnership between 3 Berkshire local authorities (Bracknell Forest, Wokingham and Reading) and the Waste Recycling Group Limited. The contract is funded as under the Private Finance Initiative scheme for 25 years and is due to run until 2031. The scheme will cost the 3 councils over £600m across the lifetime of the contract; however this is offset by a contribution from central government in the form of PFI credits.

The key task of the partnership is to manage the waste from more than 160,000 households across the three boroughs against the backdrop of increasing government targets for the recycling of waste. Whilst each borough is responsible for the collection of waste, the subsequent disposal of waste is processed initially through either of two new facilities, Smallmead or Longshot Lane

Responsibility for the day to day administration of the scheme is maintained by a small team of RBC officers based at Smallmead and who are supervised by a Management Team of senior officers from each of the constituent boroughs, and in particular the Project Director. In turn, supervision and governance arrangements are overseen by the Joint Waste Disposal Board (JWDB), which is comprised of two councillors from each of the member authorities. Ultimately it is the JWDB that is responsible to the constituent authorities for the management and delivery of the Re3 project. The administrative and governance arrangements for Re3 are set out in a Joint Working Agreement (JWA).

The review of Waste PFI Contract is undertaken as part of the programmed work specified in the 2011/12 Internal Audit Plan for the 3 boroughs in the Re3 partnership.

Objectives

The objectives of the audit review are fully detailed in the Terms of Reference as agreed by all partners.

Overall Audit Assurance

Based on the findings in this audit, there is **Substantial** assurance that Internal Audit can place reliance on the current adequacy and effectiveness of the internal control framework within Waste PFI Contract. Definitions of the audit assurance levels are provided in Appendix A.

Main Conclusions

Finance

Pay mechanisms are well documented within the contract and joint working agreement. However variations to these are in place on three charges. Although there is a shared acceptance as to the fairness and appropriateness of these variations they are yet to be formally agreed by all partners.

Audit testing found a robust payment request checking process with appropriate levels of separation of duties within these tasks. Some minor areas of improvement have been identified, the majority of which relate to payment recording affecting the Administering Authority only. There is regular reconciliation of income and expenditure leading into partnership budget monitoring reports.

There continues to be a disagreement with West Berkshire County Council in relation to the charge based on actual usage reported in the annual user surveys. Whilst alternative options continue to be discussed at Board level there still remains an outstanding settlement spanning several years.

Facilities

Maintenance schedules and service records were supplied that support both planned and reactive maintenance. Records appear complete and well managed. Operating manuals were supplied and it was noted that these continue to be at draft.

It is Audits belief that there are adequate controls that discharge health and safety obligations. Required documentation was found to be current and appropriately displayed and likewise records support regular risk assessments and appropriate training of personnel.

Incidents of reported accidents are recorded and reported to the Management Team and where necessary an investigation is undertaken. Evidence was noted where this resulted in a revised risk assessment.

Business continuity requires the greatest undertaking to develop agreed plans and actions. There has been some very recent moves towards formalising controls to secure contingency third party contractors should the need arise, however this is just the tip of the iceberg. A co-ordinated approach is required to identify possible scenarios that may significantly impact on the service including lack of availability of all types of resources required to provide the service and that would satisfy all partner standards. Although actual incidents have been experienced the 'lessons learned' have not been documented nor formalised.

The 2011-12 Re3 Project service plan brings together the three councils, strategically broad, service plans. The workshop which took place during October of 2010 aimed to get service and political direction and this has gone

some way to bring some specific focus into the plan. An increased level of Officer and Member input may be required to retain client driven direction.

Governance

From meetings and correspondence with a number of personnel there appears to be a detailed knowledge and understanding of roles and responsibilities across the partnership with a shared desire to achieve a mutually respected working relationship. However, the informal groups whilst active may benefit from a more formal arrangement to encourage joint ownership and empowered strategic thinking.

The Management Team has a number of controls in place to aid continuous management of the contract on a short term/planned absence basis but some do require review and up dating. A business continuity plan for the unplanned continuation of the Management Team role would further improve the robustness of the existing control framework. Clearly there is a significant amount of implicit knowledge gained through experience of key officers, specifically the Project Manager and the Project Director and this should also be reflected in the business continuity arrangements.

The structure of the partnership has been adapted to ensure that appropriate staff of all levels have the opportunity to in put into the mechanisms that inform the decision making process. This is with the exception of Chief Executive Officers. It is understood that negotiations are in place to further investigate the possibility of this. Given the current economic situation, this could provide the opportunity for high level strategic discussions and negotiations at this level. The main conduit throughout the whole structure of the partnership is the Project Manager and Project Director.

Due to the Management Team's diligence in checking and verifying the suggested outcome of the retendering methodology of the haulage contract, concerns were identified that raised doubt over the robustness of the exercise. The significance of a less than transparent process and risks to the partnership relationship and to the Council are momentous. Issues have been resolved by way of executing another tender process.

It appears there is a lack of expected risk management documented responsibilities and documentation, this casts some doubt as to the level of embedment of risk management within the partnership. There are certainly some expected controls in place such as operational policies, quality reporting, regular auditing of the internal control framework and the maintenance of a partnership risk register which contains a variety of type of risks detailing actions and allocating risk owners, it is difficult to accept that without focussed and clear strategic objectives that all risks including up and coming events are identified. There are some actions, such as the CEO input and strategy workshop, that are attempting to bring out a clear strategic direction which once agreed should feed into the risk management process.

Only high and medium risks are reported to the Board, therefore it is only the Management Team that is aware of all risks.

Contract Monitoring

Currently there are two ways the Re3 partnership monitors and measures performance. The first is through the Performance Mechanism, whereby the contractor reports on outputs against specific service measurements defined in the contract, and the second is through the contract monitoring programme(s) that have been initiated over the last year.

In relation to the Performance Mechanism, a sample of the service standards was tested, and generally the contractor was able to provide the necessary information to support the reported outcomes. Furthermore, it was apparent there was a good level of knowledge of the contract requirements amongst the contractor's staff team, and that the systems in place to measure and report on performance were generally both accurate and robust. However specific recommendations are made in the report to improve the reliability of these records further. In particular systems used to measure turnaround times and to record the reason(s) for failure(s) appear to have weaknesses and these need to be investigated further, and the format of the Site Diary (for both sites) although appearing appropriate needs to be investigated further to make sure it meets the requirements laid down in the contract.

A significant development for the Re3 partnership has been the appointment of a Contract Monitoring Officer in 2010. In this time the officer has established a framework for a more proactive focused approach to the monitoring of the contract. The work done thus far has been sound but Re3 need now to develop this further to make it more appropriate to its business needs and to reflect the partnership's principal objectives, as well as its principal risks. The Project Manager recognises this and believes the time is now right to undertake this review, building on experiences so far, as well as drawing on comments and recommendations arising from this audit review.

Performance standards were assessed as being tightly prescribed, and generally well understood by the principal parties on both the client and contractor's sides. These were generally up to date and relevant to the 3 boroughs' corporate priorities in relation to waste and recycling. Prior to the appointment of the Contract Monitoring Officer however, monitoring of the contractor was generally reactive in focus, and dependent on performance monitoring information supplied by the contractor. Now an opportunity to develop a proactive approach to contract monitoring exists, and to build on the positive work undertaken in the last year and a number of specific recommendations are made in the report about how this should be done.

Management Action Plan

Our recommendations are set out in the following management action plan. We have assigned priority ranking to each of them to reflect the degree of risk to which the Authority is exposed, and hence the urgency with which the actions should be taken. The categorisation of recommendations is shown in Table 1.

In summary, of the 15 recommendations raised in this report, none have been categorised as Priority 1, 7 as Priority 2, whilst the remaining recommendations have been categorised as Priority 3.

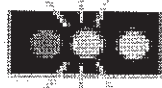
In relation to the principal component areas, the recommendations are analysed as follows:

Topic	Priority 2	Priority 3
Finance	-	3
Facilities	3	-
Governance	1	2
Monitoring	3	3

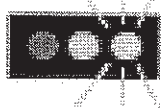
Table 1 Recommendation Categorisation



Priority 1 (High): A fundamental system weakness, which presents material risk and required urgent attention by management.



Priority 2 (Medium): A significant weakness, whose impact or frequency presents an unacceptable risk to objective, which should be addressed by management.



Priority 3 (Low): The system objectives are not exposed to any significant risk, but the recommendation merits attention.

<u>Rec No.</u>	<u>Recommendation</u>	<u>Cat.</u>	<u>Audit Risk Identified</u>	<u>Management Response</u>	<u>Target Date</u>
R1	<p>Formalisation of key documents should be completed promptly. This includes, but not limited to:</p> <ul style="list-style-type: none"> Variations to the Joint Working Agreement, consideration should also be given to including a penalty for late payments. Operating manuals Service delivery plan 	Priority 3	<ul style="list-style-type: none"> Legal challenge Financial burden on the Lead Authority Poor Governance 	<p>The recommendation refers to several areas of the PFI contract in which live documents are maintained. Whilst acknowledging the terminology used within the Terms of Reference for this Audit, we do not feel that the issues raised indicate the realisation of 'poor governance' as a risk.</p> <p>The Joint Working Agreement amendments are being presented to the Joint Waste Disposal Board (JWDB) at its next meeting. If the councils are in agreement about the measures to ensure that undue costs are not felt by the Administering Authority due to late payment, then these will be included.</p> <p>The Operating Manuals, held and maintained by the Contractor, have been in use since the opening of the facilities. Due to a dispute between the Contractor and Construction Engineers, they remain as 'draft'. That situation is in hand and facilities are operated and maintained according to the existing manuals.</p> <p>The PFI Project Team have developed an appropriate Service Plan and are working towards its objectives.</p>	Late Payment: this issue will be addressed by the end of 2011/12

<u>Rec No.</u>	<u>Recommendation</u>	<u>Cat.</u>	<u>Audit Risk Identified</u>	<u>Management Response</u>	<u>Target Date</u>
R2	<p>It is recommended that for completeness:</p> <ul style="list-style-type: none"> • Sample checks of waste types cover all types of waste over an agreed period of time (6 monthly/yearly) • Verification controls are established where third party contractors supply tonnage data 	Priority 3	<ul style="list-style-type: none"> • Reduced assurance over the accuracy of payment request 	<p>Agreed.</p> <p>Random checks on samples are already carried out but we will review that element of the process to ensure that each waste type is tested.</p>	Immediate
R3	<p>It is recommended that the Administering Authority ensures that payments made to Re3 are reflected in the creditors system. This is principally an internal issue, but consideration should be given to, but not limited to:</p> <ul style="list-style-type: none"> - Raising an annual purchase order to which the paid invoice can be scanned - Passing the invoice to the Creditors team to allocate funds to the Oracle code 	Priority 3	<ul style="list-style-type: none"> • Incomplete data held on the creditors system • Lack of transparency 	<p>We do not agree that there is a lack of transparency. Payments made are recorded in Oracle and are also reflected in budget monitoring reports to the Accountants at each authority and also to the Joint Waste Disposal Board.</p> <p>Payment by CHAPS enables payment to be made quickly, in accordance with the PFI contract, and we feel this should remain. We will review how payments can be reflected in the creditors system.</p>	By end of 2011/12

<u>Rec No.</u>	<u>Recommendation</u>	<u>Cat.</u>	<u>Audit Risk Identified</u>	<u>Management Response</u>	<u>Target Date</u>
R4	<p>It is recommended that business continuity plans be established from both an operations (contractor) and contract management (team) point of view. Formal arrangements should be in place with all services and contractors relied upon for implementing an agreed continuity plan and are linked to the objectives of a focused strategic plan.</p> <p>It is also recommended that discussions be held with an agreed Business Continuity officer / source to aid and facilitate in establishing a plan that satisfies all partner requirements. All procedures/processes should be documented and these should be up to date and accurate.</p>	Priority 2	<ul style="list-style-type: none"> • Lack of continuity of service • Financial loss 	<p>Agreed.</p> <p>It is one of the purposes of a PFI/PPP style contract that risk is transferred, ideally, from the client to the contractor. As such, much of the operational requirement of a Business Continuity Plan is already addressed via the contract itself or by the internal systems of the contractor.</p> <p>Nevertheless, on behalf of the councils, the re3 Project Team have initiated discussions with the contractor in order to bring together all the existing elements, and anything outstanding, into a formal plan. The contractor is cooperating willingly. The plan should be approved and subsequently reviewed by the JWDB taking advice from appropriate Emergency Planning/Business Continuity Staff across the re3 partnership.</p>	Adoption of Business Continuity Plan by end of 2011/12

<u>Rec No.</u>	<u>Recommendation</u>	<u>Cat.</u>	<u>Audit Risk Identified</u>	<u>Management Response</u>	<u>Target Date</u>
R5	<p>It is recommended that the risk management framework be reviewed to make it more robust and objective focussed. The framework should include:</p> <ul style="list-style-type: none"> • An agreed risk policy • Documented roles and responsibilities: owner of the risk management process, scrutiny for managing risks, key personnel • Agreed risk appetite • Threat/opportunity identification methods • Methods of treating, managing and reporting all multi-partner owned risks • Directly linked to a focussed strategic plan which has been informed by members and senior officers • A link to inform performance monitoring strategies • A link to business continuity arrangements 	Priority 2	<ul style="list-style-type: none"> • Unforeseen events impact on the service • Reputational and political damage • Risks are not managed 	<p>Agreed in principle.</p> <p>With input from Members and Officers, the re3 risk register has been an evolving document. This recommendation is a helpful addition to that process.</p> <p>To address the recommendation fully (alongside other strategic demands) will require a change to the degree of strategic planning between the partner councils. The inherent support between neighbouring authorities, and benefit of a collective approach to risk, was the principal reason for the creation of the re3 partnership. The necessary conditions for such a relationship have, therefore, been demonstrated through the procurement process for the shared PFI contract.</p> <p>The councils will review this recommendation and decide upon the best way to address it. Proposals will then be made to the JWDB for approval.</p>	By end of 2011/12

<u>Rec No.</u>	<u>Recommendation</u>	<u>Cat.</u>	<u>Audit Risk Identified</u>	<u>Management Response</u>	<u>Target Date</u>
R6	<p>Audit recommend the Board consider the following:</p> <ul style="list-style-type: none"> The impact of not providing a proactive waste education service to the aims of the partnership and the review of the allocated budget in the medium and long term. Formalising the roles and responsibilities of the 'informal' groups to encourage joint ownership and empowered strategic thinking. 	Priority 2	<ul style="list-style-type: none"> Lack of strategic direction Poor governance Lack of accountability 	<p>It is agreed that the issues identified must be considered. However, we would contend that they do not suggest a 'Lack of Strategic direction' and certainly do not identify either 'Poor Governance' or a 'Lack of accountability'.</p> <p>The councils will review the options, within the context of prevailing budgetary and organisational change pressures, and make proposals to Members.</p>	July 2011
R7	<p>It is recommended that the Re3 Project Manager investigates the reasons for the outturn results in respect of the turnaround outturn figures as reported for April 2010. In particular he should:</p> <ul style="list-style-type: none"> determine why different results were reported (then and now) identify whether this was due to system weaknesses or human error and, if the former, should ensure the weakness in control is remedied by making any system change necessary. 	Priority 2	<p>Unless there are reliable systems in place for the accurate monitoring and reporting of performance, there is a potential risk that (client) management could be unaware of operational weaknesses.</p>	<p>Changes to the reporting system, and measurement criteria used by the contractor, had already been agreed following discrepancies identified by client monitoring activities.</p> <p>The accuracy of reported turnaround figures is tested and any resulting concerns are raised with the contractor.</p>	Implemented since Audit.

<u>Rec No.</u>	<u>Recommendation</u>	<u>Cat.</u>	<u>Audit Risk Identified</u>	<u>Management Response</u>	<u>Target Date</u>
R8	It is recommended that the process(es) used to identify and record the reasons for a turnaround failure are agreed by the project team and monitored thereafter.	Priority 3	<ul style="list-style-type: none"> An incorrect description could be used to record the reason(s) for a turnaround failure. 	This has been addressed. Discussions regarding the drop-down options from which weighbridge staff can select the reason for a turnaround failure have been undertaken. The turnaround failures listed in the Performance Report are currently checked on a monthly basis and are queried with the councils if necessary.	Implemented since Audit.
R9	The General Manager and Project Manager should ensure that the format and content of the Site Diary meets requirements of the Environment Agency in accordance with SO8:7.	Priority 3	<ul style="list-style-type: none"> Unless it is known what the requirements of the Environment Agency are, there is a risk that the current Site Diary may not be compliant with the stipulated standard(s). 	This has been addressed. Officers contacted the EA and conformation was provided that the current permitting regime does not stipulate exactly what should be included in the site diary. A list of general inclusions was provided. Both site diaries were subsequently viewed and believed to be compliant with the current EA guidance.	Implemented since Audit.

<u>Rec No.</u>	<u>Recommendation</u>	<u>Cat.</u>	<u>Audit Risk Identified</u>	<u>Management Response</u>	<u>Target Date</u>
R10	It is recommended the Project team reviews the contract monitoring programme and strategy it has initially developed to reflect on its relative strengths and weaknesses. Moreover, it is recommended that the contract monitoring programme and strategy reflects the partnership's principal risks, as well as the constituent councils' corporate priorities in relation to waste / recycling. Once this has been reviewed by the Project Manager, it is recommended that it is discussed and reviewed by the Project Team and then formally endorsed by the JWDB.	Priority 2	<ul style="list-style-type: none"> Differences between the monitoring strategy in place to monitor the contract and the partnership's documented key risks 	<p>The audit recognises the progress on contract monitoring that has been made in line with the need to monitor.</p> <p>As is acknowledged at Objective 15 (below) and alongside R4 and R5 (above) this recommendation contributes to the future development of contract management.</p>	By end of 2011/12

<u>Rec No.</u>	<u>Recommendation</u>	<u>Cat.</u>	<u>Audit Risk Identified</u>	<u>Management Response</u>	<u>Target Date</u>
R11	<p>It is recommended that a procedure is formally agreed with WRG and the Joint Waste Disposal Board for:</p> <ul style="list-style-type: none"> resolving questions and requests for information arising from specific contract monitoring activity. Preferably this could specify a liaison contact within WRG and a target period within which responses should be supplied; and raising specific issues arising from contract monitoring work at the monthly meetings between the contractor and client side representatives, or at all an alternative appropriate forum. 	Priority 2	<ul style="list-style-type: none"> The lack of a clear and agreed procedure for reviewing and resolving issues arising from contract monitoring activity could lead to delays in resolution of these, and in driving performance improvement. 	<p>The Contract Meeting remains the appropriate place for contractual issues to be recorded and for subsequent meetings to record progress in addressing them (or lack thereof). The PFI Contract does also contain mechanisms by which resolution can be achieved.</p> <p>Officers feel that relationships are important in achieving resolution. Alongside the contractual processes, the councils have maintained a dialogue with members of the contractors' Board of Directors. Since the audit, that has been supplemented by a strategic meeting between the contractors Chief Executive and both the Chair of the JWDB and the Chief Executive of Reading (representing the CX's of Wokingham and Bracknell Forest). That dialogue is set to continue as circumstances and developments require.</p>	<p>Implemented since Audit.</p> <p>We feel that addressing this recommendation will also require an ongoing process between client (councils) and contractor.</p>
R12	The Re3 project team should consider the use of photographs, where appropriate, particularly in relation to contract monitoring activity.	Priority 3	<ul style="list-style-type: none"> Without photographic evidence, it may be occasionally challenging to verify reported issues or performance. 	<p>The re3 project team will consider the use of photographic evidence for use in documenting unresolved or disputed issues where it is appropriate.</p>	October 2011

<u>Rec No.</u>	<u>Recommendation</u>	<u>Cat.</u>	<u>Audit Risk Identified</u>	<u>Management Response</u>	<u>Target Date</u>
R13	<p>In relation to the retention and location of contract monitoring documentation, it is recommended that:</p> <ul style="list-style-type: none"> the Contract Monitoring Officer retains the record of all monitoring activity for that period, as this should provide evidence of issues and activity that can be referred back to if necessary; this information is filed and retained in a coherent fashion on the project team's shared drive. 	Priority 3	<ul style="list-style-type: none"> Lack of a permanent audit trail 	<p>A spreadsheet has been produced to summarise the outcomes of the initial contract monitoring period. This spreadsheet links back to Word documents (one for each service output) which include a full record of any questions asked, responses given and evidence seen. These documents will be stored on a shared drive so that an up-to-date record is available for other members of the team.</p>	Immediate
R14	<p>As part of the review of the contract monitoring strategy, it is recommended that the Contract Monitoring Officer compiles a programme or schedule of planned activity for the year(s). This should be ratified as appropriate by the Project Board.</p>	Priority 3	<ul style="list-style-type: none"> The lack of a pre-defined and pre-determined programme of contract monitoring activity could lead to uneven coverage or focus on the contract. 	<p>This is the intention of the re3 Project Team following the review which will take place after completion of the initial contract monitoring phase. (See R10.). Officers also feel that it will be useful to build-in appropriate guidance or requirements from the recent review of waste undertaken by DEFRA.</p>	By end of 2011/12

<u>Rec No.</u>	<u>Recommendation</u>	<u>Cat.</u>	<u>Audit Risk Identified</u>	<u>Management Response</u>	<u>Target Date</u>
R15	<p>It is recommended the partnership undertakes assessment and benchmarking of the financial and operational performance of the Re3 contract against similar PFI or industry models. Whilst it accepted that this may not be straightforward given the relative nature of the contract, there may be examples of good practice or performance that could be learned from elsewhere. This will be particularly useful in ascertaining the ongoing value for money of the contract and contribution of the contractor in this area.</p> <p>Equally the Project Manager should consider the benefits of learning any lessons, tips or techniques from other (non-waste related) PFI funded contracts by liaising with and developing contacts with his counterparts elsewhere, such as the North Whitley PFI Housing Contract within Reading.</p>	Priority 2	<ul style="list-style-type: none"> The opportunity to maximise the performance and efficiency of the contract could be reduced if systems or processes do not represent best practice. Moreover, the councils have a clear need to demonstrate that the contract is delivering on its business case and continuing to offer value for money. 	<p>Agreed.</p> <p>Operational: Initially monitoring has taken place against the performance standards as detailed by the contract. Where the contract has not been clear or where it refers to industry standards, other parties have been contacted for guidance.</p> <p>Financial: Officers have recently asked the contractor to agree to increased financial transparency in line with steps being taken by HM Treasury and the Cabinet Office related to PFI Contracts. We await feedback from the contractor.</p> <p>General: In both cases, officers will seek to develop an approach to benchmarking which informs the councils even where a statutory or established indicator does not exist.</p>	31.3.12

Detailed Findings

Objective 1

Billing arrangements are timely and accurate for the three Boroughs

The pay mechanisms are well documented within the schedules of the Joint Waste Agreement. The Principal Finance and Administration Officer has responsibility to check that the payment requests are accurate and in accordance with the agreement.

The Principal Finance and Administration Officer has confirmed there to be 3 mechanisms which vary from the agreement. The variations have not yet been formally agreed/amended in the agreement but audit was advised these are generally accepted as common sense and are in the early stages of being formally agreed. The variations to the agreement are:

Landfill payment

JWA - based on residual tonnage

Actual - based levels taken to landfill - anything not recycled or green

10,000 additional tonnes purchase in Energy For Waste not in the JWA

JWA - This has been purchased since the agreement and therefore was not part of the original JWA

Actual - split 50/50 split RBC and WDC

Bring Bank

JWA - based on historic tonnage

Actual - actual tonnage by site/borough data is available and therefore this is used

There are 2 main types of billing:

- Monthly on-account billing - is calculated using tonnage forecast figures. These forecast figures were found to be agreed between the Finance Manager of Re3 and the Chief Accountant of the Lead Authority. The use of a set of excel spreadsheets shows the calculation of each element of the monthly billing all feeding into the final bill. The Principal Finance and Administration Officer confirmed that in addition to checking individual billing element calculations the spreadsheet formula is checked to ensure that the figure pulled through to the summary is accurate.
- RPI indexing is applied which is clearly documented on each billing element.

The Quarterly reconciliation - is calculated 6 weeks in arrears using actual tonnage figures. A formatted weighbridge tonnage report is supplied by the contractor for each of the months which the Principal Finance and Administration Officer sample checks against the source data to obtain assurance over accuracy. Manual files are maintained which provide a

transparent trail of the level of checking and investigation into queries undertaken and the resulting amended bill. The difference between the monthly on-account payments and the quarterly reconciliation is adjusted in the following monthly on-account invoice.

The Chief Accountant confirmed that the Principal Finance and Administration Officer supplies the final agreed version of the invoice and supporting data which he reviews for any obvious differences to those expected. He instigates the CHAPS payment and invoicing documentation to all partners for monies to be exchanged on the 5th working day of the following month. All partners receive an invoice and email notification of the amount due along with supporting data for their use.

Objective 2

There is prompt collection and receipt of all income due from member boroughs and other customers

Following a robust checking process the Lead Authority issue debtors invoices to partner Boroughs and payment to RE3 to be exchanged by CHAPS payments on the same date, Audit was advised this is usually the 5th working day of the month. This ensures that the Lead Authority is not financially compromised by effectively loaning partner Boroughs their share of the charge.

Audit reviewed CHAPS payment requests and income receipt dates and established:

- 1 payment was made on the 6th working day of the month
- 1 payment was made on the 4th working day of the month
- Both were in accordance with the payment terms printed on the invoice
- 1 payment was received late

The Chief Accountant advised that generally there are no issues with receiving income from partners and this instance was not the norm. The Assistant Accountant responsible for cash flow and treasury management confirmed there was a financial impact of £90 to the Lead Authority. R1

In addition to the 3 member Boroughs West Berkshire residents also use the Longshot Lane facility and have been charged at a rate of 7%. Both Reading Borough and Wokingham Borough pay a 50% share of West Berkshire's portion which is later recharged.

The billing process to West Berkshire is not via the JWA but an historic joint arrangement in place from the Berkshire County Council period, Audit was advised this is purely an historic reason and no other.

Objective 3

Payments are reasonable, accurate and authorised

Audit tested two monthly on-account payment requests and the first quarter reconciliation for 2010 - 11.

Two monthly on-account billing documents, April and June 2010, were reviewed and recalculated using the forecast tonnage figures. No anomalies were identified.

The first quarter reconciliation for 2010-11 was recalculated using the weighbridge data supplied by the contractor. Some minor issues were identified.

- It was noted that the third party contractor supplies weighbridge data to WRG which the management team are unable to independently verify. Whilst this is a small control framework risk the use of this third party contractor is coming to an end.
- The monthly actuals worksheet for June is quoting .09-10 forecast tonnage. Audit has confirmed with the contractor, via the Principal Finance and Administration Officer that these forecast figures in this workbook do not link to any other reporting data and will be amended.
- Weighbridge data is supplied by WRG both formatted report and raw data. A sample of waste lines in the formatted report is checked against the raw data which is selected as a random sample. To further improve this control the sample should cover all waste lines across the year. **R2**

Manual files are maintained which provide a transparent trail of the level of checking and investigation into queries undertaken and the resulting amended bill. The difference between the monthly on-account payments and the quarterly reconciliation is adjusted on the following monthly on-account invoice.

In addition to the 3 member Boroughs West Berkshire residents also use the Longshot Lane facility and have been charged at a rate of 7%. A review of user survey reports carried out in years 2008, 2009, and 2010 which identifies users by postcode area clearly shows this percentage no longer reflects actual usage:

<u>2008</u>	<u>2009</u>	<u>2010</u>
11.9%	13.5%	14.0%

Discussions have been held at Board level as to how to proceed.

Objective 4

There are regular reconciliations for both income and expenditure

The Principal Finance and Administration Officer supplies the Management Accountant at RBC with payment and allocation figures on a monthly basis who monitors the expense and receipt of income reconciling it to the Lead

Authority's financial system. Audit tested monies owed and monies due for the 2010-11 financial year and found no anomalies. Performance deductions as quoted in the corresponding monthly performance report have been applied.

It was noted that whilst the expense and income shows in the financial system and likewise the income received is recorded via the debtors system, Re3 invoices are not recorded in the creditors system. The current CHAPS payment process does not allow for the invoice to be recorded or scanned on to the creditors system. R3

The Principal Finance and Administration Officer performs the partnership monitoring by producing forecasting of year-end outturn using both agreed forecast costs, provisional un-reconciled actuals and reconciled actuals. These are supplied to the accountants of each partner along with a more detailed breakdown of charges.

The projection forms part of the progress report presented to the Joint Waste Disposal Board.

Objective 5

There is adequate separation of duties over financial tasks

There are three distinct areas where financial duties are performed: namely within Re3, within the Project Team and the Lead Council Accountancy section.

Through testing and discussions with personnel with financial responsibility within the Management Team and the Lead Council Accountancy section Audit is satisfied that the current staffing structure allows there to be adequate separation of duties between:

- Identifying billing, confirming its accuracy and arranging payment to the contractor
- Calculation of the recharge to partner councils and authorisation of payment request
- Monitoring receipt and payment of monthly charges

Objective 6

Procedures for the effective operation and maintenance of facilities are in accordance with the contract

The WRG Administration Manager, upon request, provided a copy of insurance certificate. It was noted that from detail available on the certificate the indemnity levels are in accordance with part 2 of schedule 23 of the agreement. The current period of insurance cover is 4th December 2010 - 3rd December 2011.

Audit requested sight of:

- Copies of operating manuals
- Maintenance schedules
- Evidence of maintenance to show compliance with the agreed schedule
- Accident reports

Operating Manuals

A series of volumes make up the operating manual for each site. Audit has not made an opinion as to completeness as this would require expertise in this field and a greater detailed knowledge of assets and equipment held and operated on each site.

Each volume included the following data and documentation:

- Details of item/asset/equipment installed
- Supplier recommendations
- Operating instructions
- Material specifications
- Certifications
- H&S requirements i.e. COSHH
- Warranties

All of these heading would appear appropriate. It was noted that the manuals are in draft format and are held with the Contractor (Mark Tipton) who has advised that the Council will receive a copy, electronic and manual, once finalised. There would appear to be a good working relationship between the Management Team of the Council and the Contractor and indeed all information requested has been forthcoming. R1

There are a separate set of operating and maintenance volumes specifically for the MRF which included:

System description and operating information including:

- Equipment data
- Studies and resulting actions
- Risk assessments
- Safety instructions and emergency procedures
- Operating instructions
- Technical drawings

Maintenance Schedules and Documentation

Servicing contracts and service job sheets are held to support both planned and reactive maintenance. In addition to service contracts a series of spreadsheets are maintained which record planned cleaning and servicing schedules by regularity. Each task was found to be linked to its corresponding maintenance manual and signed off by the 'cleaner/inspecting officer' against the date inspected. No gaps were found in these records.

Objective 7

There is are established contingency arrangements in place in the event of breakdown or other unforeseen circumstances

A provision has been made in the contract for the annual review of contingency arrangements. Evidence has been seen to support submission of such contingency arrangements having been reported to the management team.

Audit reviewed the most recent contingency arrangements and made the following observations:

- The contingency makes the assumption that only one of the facilities covered by the arrangements may be unavailable
- Use of third party transfer station as agreed with Councils
- Materials will be transferred to a third party MRF (a) in the Central Berkshire area before considering (b) outside the Central Berkshire area
- Direct delivery to third party green waste sites if available

It appears that contingencies do not include loss of other resources such as:

- Man power
- Power and other facilities
- Access restrictions
- Loss of a key third party contractor
- Loss of IT

During discussion with Mark Tipton, General Manager Audit was advised that there are informal agreements with 3rd party contingency suppliers with annual checks undertaken. However it is accepted that this process needs to be more robust and there are discussions occurring to increase the level of checks and monitoring to that of suppliers on the 'off takers' list. This will include formalising verbal contracts with monthly checks of required permits, licences, insurance and policy certificates.

There is no formal or complete business continuity plan. However, actual incidents have resulted in actions, agreements and procedures which have enabled a service to be maintained. R4

Objective 8

There are arrangements in place for discharging Health and Safety obligations

The contract agreement clearly discharges the responsibility of health and safety to the contractor. In respect of insurance provision the contract requires, upon request, that evidence be provided to the councils that shows an insurance policy is in full force. This was requested by the Project Manager and provided to Audit when it was noted that public liability is included in the policy at £50m.

A sample of other expected health and safety elements providing discharged duties were reviewed:

Hazardous waste licence

An annual registration of hazardous waste at Smallmead Civic Amenity Site, start date 18th July 2010 was supplied under registration number NIT922.

Risk assessments

Two folders were supplied for testing covering the MRF, recycling centre and the transfer station. Audit reviewed both folders and established there to be at least annual review's documented. Some small anomalies were found:

- Incorrect assessment date for asbestos handling - quoted as 2012
- 2 previous assessments missing in folder

There was also evidence of a new assessment being undertaken as a result of a health and safety incident.

Training records

Training records for operator staff are held in files by name by year. At the end of each year a summary is included which identifies training attended in year and training needs for the forth coming year.

A folder is available for each site/area, recycling centre, MRF and transfer station.

A certificate is held which details training course attended, date and objectives of the course.

H&S Documents

Companies are required by law to display the following posters/documentation:

- H&S Law
- H&S Policy
- Public Liability Insurance Policy

All documents were located at the signing in area on the ground floor and on the second floor of the building.

First aider

Photographs and contact numbers are displayed outside the general office on the second floor at the Smallmead site.

Incident reporting

The Project Manager confirmed that all incidents are recorded on an incident log and also to the management team. Audit reviewed the incident log for 2010-11 and found:

- 53 incidents at Smallmead of which 11 were investigated

- 7 incidents at Longshot Lane of which 2 were investigated

Details of incidents were found in the supporting reports presented at the contract management team monthly meetings.

Objective 9

There is a strategy for the promotion of facilities and the raising of awareness of waste and recycling issues

Currently the direction of strategy is determined by the Joint Municipal Waste Management Strategy 2008-13 which is driven centrally by Government, due for review during the 2011-12 financial year. However, all partners have individual service plans which culminate into the Re3 Project Service Plan with no one authority priorities given greater significance. The aspirations of the plan are, in its nature, broad but include increasing recycling and composting through existing and/or new services. The expected activity to achieve this is documented as:

- To work with the contractor to increase the range of materials recycled at the Re3 facilities. This will be measured by comparing actual range of recycled waste year on year. An annual report details the range of recycled waste, two reports are available spanning three financial years 2007-08 to 09-10 which indicates one additional type of recycled waste has been added.
- Development of ideas and opportunities which increase the level of utilisation of the Re3 facilities, particularly those which can increase income to the Re3 councils.
- To develop (where necessary non-contractual) indicators which serve to identify potential service improvement areas and which influence the private sector partner to strive for continuous improvement. The Project Manager believes this can be achieved through the existing monitor framework which includes satisfaction surveys, performance management, complaints and enquiries. In addition, a detailed focused strategic plan could also provide a means by measuring achievements to needs.
- Implementation of the repaint scheme. The implementation of this scheme is imminent.

The Project Manager advised that a workshop took place in October 2010 which facilitated strategic discussion attended by three Heads of Service and three Members. A follow up workshop is planned to take place in September 2011. The development of these priorities is also included as an action in the 2011-12 service plan. A greater strategic focus would also provide some continuity within such a currently fragile political environment. R5

The contract provides for the engagement of an Education and Waste Minimisation Officer, this post remains vacant at this time. The responsibilities of this post are:

1. To develop local markets for recycled materials as well as working with local community groups in order to promote and encourage recycling markets
2. To communicate with the general public, promote the public acceptance of the need for an integrated waste management system in the Councils
3. Encourage public participation in waste Recycling and Composting initiatives

Although this post is currently vacant it has been found that progress is being made in the following areas:

- Repaint scheme and development with Charity organisations
- Local newspaper 'wrap around' distributed to all partner residents on a monthly basis

However it would appear that at present the proactive educational aspect of this role is lacking. A clear decision is required as to the longer term impact of not providing this service and how the Board wish to proceed. **R6**

It has been established that the Lead Authority has responsibility for responding to Re3 Partnership public relations in an agreed partner co-ordinated fashion regardless of where the question has arisen.

Objective 10

There is an understanding by all partners of the key elements of the contract and of the roles and responsibilities of the main parties as defined in the Joint Waste Agreement (JWA)

Responsibilities and delegated responsibilities are documented within the JWA. The structure has been developed to allow for all partner and all levels of management (with the exception of CEOs) to partake and inform direction and performance. The added groups within the formal structure are quite appropriate but there has been no formalisation of roles and responsibilities. Whilst each operate under the JWA, to ensure the success and performance of the Principal Contract and the Agreement, a more formal governance arrangement may facilitate a more empowered and greater joined up and transparent governance arrangement. **R6**

Heads of Service for each of the partner Councils were contacted for their comments, opinion was unanimous that the structure is fit for purpose. Reasons given include:

- Key players are present on the Board
- Unofficial groups support and inform with a common link of the Project Manager
- The structure allows for individual partner priorities to be discussed and identify joint working initiatives
- All partners inform the direction which the Management Team need to take

- Discussions address both individual Council and Partnership needs
- Discussions are undertaken in an open, fair and respectful manner

Through discussions between the Project Manager and the Contractor the JWA was reviewed in 2008. Suggested amendments went to the Board in September 2008, and are in the process of being supplemented and formally accepted and approved by all partners. This was last discussed by the Board and minuted for the meeting of 16th March 2011. The Project Manager advised the service delivery plan is due to be reviewed in early summer of 2011.

Objective 11

There are adequate arrangements in place for the continuous management and supervision of the contract and personnel to provide for proper accountability throughout

Generally the same management team has been in place since the commencement of the contract providing a level of expertise in this area that may be difficult to replace or cover should the need arise. Indeed there are two low risks identified on the partnership risk register surrounding this. Through discussion with the Project Manager and the Principal Finance and Administration Assistant, Audit has established the arrangements that should minimise the effect of a change in personnel. This includes:

- Documented procedures, although the Principal Finance and Administration Officer confirmed that some require updating.
- Electronic files located on a shared drive. The Project Manager advised that some house keeping is required in this area.
- Shared drive accessible from other Lead Council sites.
- Actual business continuity incidents such as snow and floods. However, lessons learned from these incidents have not culminated into a formal business continuity plan.

It is likely that in the short term or for a known period of absence the remaining management team member(s) would have sufficient knowledge of systems and the contract to provide a continuous service with the assistance of other key players such as the Chief Accountant, who is an original member of the negotiations of the PFI. R4

Objective 12

There are appropriate reporting arrangements that allow for effective challenge and appropriate accountability

The Joint Waste Disposal Board (JWDB) administer the operation of the waste disposal arrangements of the Councils in accordance with the Joint Working Agreement and in accordance with the Principal Contract (schedule 4, Project Plan). The Joint Working Agreement (JWA) is the formal agreement between the three Councils. The JWDB is supported by:

- The waste project management team

- Legal services supplied by Bracknell Forest Council
- Public relations services supplied by Reading Borough Council

Formal and informal groups are established to enable the waste project team to report and recommend actions to the JWDB in accordance with the contract and JWA. A monthly contract meeting is required between the Contractor and the Councils. Minutes support there to have been 11 meetings during 2010-11. In addition the following informal groups have been established:

- Accountants meetings - attended by accountants of all Councils
- PFI Management team - attended by Heads of Service of all Councils
- Waste Management and Officers - attended by Heads of Service and Waste Officers of all partner Councils prior to the meeting above
- Re3 Com - attended by waste project team and Waste Officers.

Currently there is no attendance by CEOs, however the Project Manager has advised negotiations are underway with the aim to establish this.

Audit reviewed the available minutes and can confirm that:

- Contracted required meetings generally are in line with the meeting schedule
- PFI Management team and pre-meeting with waste officers are in accordance with the schedule
- There are insufficient minutes to substantiate the regularity of Re3 Com meetings and accountant meetings
- Indeed minutes of agreed actions may need to be referred to should disagreement or reporting differences occur

The main conduit between all groups and meetings is the Project Manager.

Through discussion with the Project Manager Audit was advised there has been an issue regarding the retendering process of the haulage contract. This is the first re-tendered contract which was brought forward due to the possible lead in time required for the winning contractor to obtain haulage vehicles to fulfil the contract requirement. This was agreed by the Board and documented in the minutes of 21st September 2010. The Project Manager advised other sub-contracts are due for renewal next year.

The contractor is required to undergo a robust and transparent tender process and seek the comments and agreement from the Management Team who will present the agreed proposed outcome to the JWDB for formal approval.

Issues regarding the retendering process have been highlighted during Management challenge, which has resulted in the Contractor executing the retendering process again to fulfil the required tendering standards as detailed in the contract.

It should be noted that Audit was unable to find any minutes from the monthly contract meetings where issues have been documented. Despite this it would appear that the Management Team are fulfilling their scrutiny function. **R5**

Objective 13

There is an established risk management process that allows for a full and proper risk register that reflects the partnership's key risks

Audit reviewed various versions of the risk register and noted changing risk rating of recorded risks indicating this to be a 'living' document. A discussion of high and medium risks is a standing agenda item for Board meetings.

The Project Manager advised that the full register is not discussed with the Board and is utilised by the Management Team to inform discussions with other groups. He also advised that responsibilities are not documented for key elements of risk management such as:

- Setting the risk policy
- Setting the risk appetite
- Identifying threats
- Individual risk ownership

R5

A review of the risk register identified 5 main areas of risk:

- Lakeside Energy from Waste (4, 5)
- LATS (15, 16)
- Relationships (18)
- Performance - both client and contractor (21, 22, 23)
- Health and Safety issues - fire detection and methane gas build up (24, 25)

The full risk register covers a variety of risk types:

- Knowledge risks
- Relationship risks
- Health and safety/accident risks
- Performance risks
- Financial risks

There may be the opportunity to further improve on the risk management process by carrying out a 'SWOT' analysis and to utilise different methods of risk identification, specifically scenario based and up-and-coming events. It was noted that there are no risks relating to retendering process of sub-contracts.

The risk management process should be directly linked to clear strategic, operational, reporting and compliance objectives which should be agreed and documented in a focused service plan.

Objective 14

There is a robust programme in place to ensure that performance is monitored and, where necessary, remedial action taken in the event of inadequate or poor performance

Each month the contractor is required to provide a report summarising performance for the previous month. Essentially the report is a summary of performance analysed against the main areas of operation and performance as defined in the Performance Mechanism detailed in schedules 25-26 of the contract, namely:

- S01 Waste Management & disposal
- S02 Waste reception & transfer
- S03 Civic Amenity & Bring Back sites
- S04 Markets for recovered products
- S05 Interface with the public
- S06 Contingency plans
- S07 Contract management and expiry plans
- S08 Service management
- S09 Health & safety

Where performance does not meet the standard prescribed in the contract, the report also details performance deduction(s) associated with this under-performance. The report is compiled by the Administration Manager using the contractor's own records as supporting evidence, as is discussed as part of the monthly performance meeting. A series of sample checks were made by Internal Audit to ensure that the performance outputs reported by the contractor for April 2010 were accurate and fully supported by records.

A sample of 8 service area targets across the range of performance topics was selected for testing and the contractor asked to provide evidence to support the reported performance, as summarised below:

S01:1 Availability of sites

There is an obligation under the contract requires that the sites "are not unavailable". The contractor maintains a spreadsheet listing where either Smallmead or Longshot were unavailable for use at any time. The reasons for closure principally are for reasons of weather, fire drill etc. Where a facility has to be unavailable, the contractor will usually tell the Project Manager or one of his team.

For April 2010 the spreadsheet showed no occasion(s) where either facility was unavailable and hence, no issues were noted as arising.

S02:2 Turnaround times

Under the terms of the Performance Mechanism, it is specified that the "Contractor shall ensure that each Authorised Vehicle spends no longer than 20

minutes from the time(it) is weighed in at the weighbridge" to the time it is weighed out.

In order to achieve this, the data is downloaded from the system and interrogated to identify times in excess of 20 minutes. In the case of April 2010 it was noted in the Monthly Performance Report that there had been 11 reported cases of turnaround failures although only one was outside of the tolerance allowed and a total of 5 default points applied.

As part of the Performance Report the instances of turnaround performance failures are listed together with an assessment of whether the reasons for these were acceptable or excusable as defined in the Performance Mechanism Schedule). In the case of April 2010 the calculation was re-run by the Contractor at the request of Internal Audit and then re-checked for both the Smallmead and Longshot Lane sites. In turn this was checked back against the details of performance failures listed in Section 11 of the Monthly Performance Report to ensure consistency, and it was found that:

- The analysis now showed a total of 18 (not 11) turnarounds being outside of the 20 minute target
- In the case of both Smallmead and Longshot Lane 5 out of 9 instances agreed and 4 did not
- One failure listed in the original Monthly Performance Report (29/4/10 vehicle reg no YJ53 UEK) was not recorded on the recent system analysis

The Contractor's Administration Manager advised that since the details were reported as part of the April 2010 Performance Report, that the report was re-run some 3 months later producing the different results. It had not been reported to the client side and offset against later months reported figures. R7. Changes to the measurement criteria used by the Contractor, identified by client side staff as a result of the discrepancies above, are being agreed.

Furthermore regarding the decision to record the reasons for the turnaround failure, Internal Audit was informed that this is down to the discretion of the weighbridge office staff, who decides from a selection of options using a drop down facility. Client side staff have reviewed the drop down list and have proposed the removal of only one reason. R8

SO2:6 Recyclate quality check

All loads are visually inspected once they have been tipped. These inspections are not evidenced, however in cases of significant spoiling or contamination, these are photographed and reported to the Project Team. In the case of the month sampled, April 2010, no issues were noted.

SO3:4 Operation of Bring Bank sites

A schedule in the Performance Mechanism specifies the number of working days, and regularity each Bring Bank should be emptied. This is monitored by

WRG using check lists completed by the bring bank lorry driver(s) and then the results are entered on to a spreadsheet, when actual performance is monitored against defined targets.

In the case of the sample month reviewed - April 2010 - it was noted that two bring bank sites had not been emptied on target or within the allowed rectification period, and hence incurred performance deductions. These deductions were highlighted and clearly summarised in the monthly Performance Report.

SO5:5 Correspondence monitoring

As part of the SO5:4 standard, WRG is required to have a system for receiving, acknowledging and responding to complaints. Under SO5:5 the contractor is required to allow the councils access to all correspondence.

To test compliance with both elements, Internal Audit requested sight of the complaints and correspondence spreadsheet that tracks the flow of correspondence / complaint. It was noted that the correspondence is scanned and then hyperlinked against the relevant entry in the spreadsheet, which provides a coherent and consolidated record.

SO8:7 Monitoring - sites

SO8:7 of the Performance Mechanism relates to the monitoring at each facility. The contractor achieves this by using a detailed standard proforma addressing numerous issues (environmental hazards, fire equipment, first equipment, risk assessments, procedures and training etc). Each heading is then broken down into a series of sub-issues against which the assessor is required to indicate compliance or otherwise.

Non-compliance with the standard required then results in a series of actions that are separately listed at the end of the form, together with initials of the person(s) responsible for the action(s) and the date(s) these need to be completed by. These actions should be tested or verified by the Re3 Contract Monitoring Officer. The Re3 Contract Monitoring Officer has requested sight of the inspection reports and we anticipate the assistance of the Contractor in addressing this issue.

SO8:13 Site diary

The Site Diary for last year was provided by Operations as evidence of activities and personnel on site. According to the Performance Mechanism Schedule, the site diary should be in a form required by the Environment Agency. The current EA permitting regime does not stipulate exactly what should be included in the site diary. However, a request for information from the EA by the re3 Contract Monitoring Officer elicited a helpful response and confirmation that it is expected that the following issues were generally required:

- details of visitors to the site (except site users);

- details of maintenance and breakdowns of any plant and machinery;
- details of inspections for vermin and/or insects, including control measures taken;
- accidents to any person visiting the site as well as damage to vehicle and infrastructure;
- notification of incidents reported to the Environment Agency;
- notification made to the Councils of site closures; and
- the site diary will be made available to the Councils when requested.

The entries for April 2010 for the Smallmead site were checked and generally the detail in the Re3 site diary found that similar sorts of issues (as above) were logged. The site diary for the Longshot Lane site was not viewed however.

R9

S09:7 Site rules

The Site Manager's Rules were viewed and assessed as appropriate and comprehensive. It was also noted that against the signing in sheet for visitors, there is a column against which visitors should indicate whether they had read these rules.

Objective 15

There is a clear programme and methodology in place to test the contractor's performance to ensure the partnership's objectives are (being) met

This strategy is aligned / refers to the Re3 risk register

Proactive contract monitoring by the client side is still relatively new, given that the initial phase(s) of the contract was intentionally concerned with bedding the system in and establishing systems were robust. However within the past year a specific client side contract monitoring post has been filled by an applicant with some previous related experience.

Prior to this time, the basis for monitoring was focused on performance reporting principally by the contractor. What was not so clearly defined was what happened in a proactive way from a client side perspective to test the quality of the outputs. Nevertheless as above, it was always anticipated that a contract monitoring strategy / programme would be developed in time.

The Contract Monitoring Officer started in 2010, and her initial focus was to read and understand the contract and in particular to identify the required performance standards, notably the key ones. This contract monitoring function relates to both Smallmead and Longshot Lane sites. A specific issue relating to completion of a full risk assessment delayed the Contract Monitoring Officer having unfettered site access. Without this WRG did not agree to unsupervised site access, making the process more difficult and less intuitive. After some delay, clearance was formally agreed by the contractor in respect of Smallmead and for Longshot Lane sites. The principal objections related to where and how contract monitoring might take place.

The Contract Monitoring Officer has developed a contract monitoring programme that breaks down the each performance element / service outcome, and defines what is required to confirm to meet the particular outcome. For example "The documents referred to in the detailed maintenance plan should be updated on an appropriate basis so as the detailed maintenance plan can be considered up-to-date. As far as possible, we need to ensure that these documents are followed by the contractor. The detailed maintenance plan itself should be provided no later than one month prior to the start of each contract year." (SO1:5) The findings arising from the contract monitoring programme then describe what the client side's view is. If there is a improvement issue that needs to be addressed then this is raised with the contractor.

The audit review recognises that progress has been made in developing a more proactive approach to contract monitoring by the client side, and further details of this strategy are outlined elsewhere in this report, however the principal observation is that there is no defined link between the contract monitoring programme being used (and developed further), the Re3 risk register or the constituent 3 boroughs' own corporate priorities in terms of waste disposal. This is recognised by the Project Manager who has commented that the findings of this audit will be helpful in determining future practice and forming the basis of a full review. R10

Objective 16

The standard(s) of performance are agreed, up to date, relevant and clearly defined

There is a clear relationship between performance monitoring strategies and the boroughs' own objectives

Where performance is below target then the reasons are investigated and remedial action taken

As above, the Contract Monitoring Officer has only been in post for less than a year, hence the proactive contract monitoring by the client is in its relative infancy. Nevertheless since her appointment the Contract Monitoring Officer has started to develop a programme and timetable of contract monitoring activities.

As part of this programme, the Contract Monitoring Officer has devised a spreadsheet to record contract monitoring. This is populated principally from specific issues and evidence as well as from the notes taken during the course inspections and testing. Generally these were assessed as being of a good standard, documenting the issues in adequate detail. All actions are dated on the spreadsheet, and the discrete sections of the spreadsheet are colour coded to denote status etc. Audit review of the spreadsheet and of the supporting documents noted that:

- The Contract Monitoring Officer asks lots of questions of the contractor, and generally has had answers to these from the General Manager

- Where the responses were inconclusive, then these have been followed up by the Contract Monitoring Officer. The contract monitoring records show the Contract Monitoring Officer has shown a determination to get answers to her questions and queries and where the need to highlight issues has been necessary then she has done so with the Project Manager. This focus or tenacity is an important aspect of contract monitoring and it was evident in much of the documentary evidence reviewed.
- Most issues arising from contract monitoring enquiries are detailed in emails, and correspond to the highlighted areas /issues on the monitoring spreadsheet
- Generally as a consequence of the above actions, the responses or information received back from the contractor is specific and unambiguous.

As well as documenting contract monitoring outcomes on the spreadsheet the Contract Monitoring Officer also maintains manual files that document:

- a) the Contract Monitoring Officer's documented on site observations;
- b) the detail of the service objectives (SO 1 - 9). This documents the detail from the contract, together with the associated questions and answers, and reflects the need the specification detail of the contract and the required outcomes against each area of the specification.

Nevertheless a number of issues were noted in relation to current contract monitoring where it is Internal Audit's view that further improvements could be made:

- a) the contract monitoring spreadsheet specifically does not reflect latest risk register and has not been agreed or signed off. Moreover, many of the issues are complex and detailed, and there is potential that the key risks and issues might not be focused on, given that there is no clear relationship between the partnership's risks and the contract monitoring strategies in place. **R10**

- b) the process(es) for responding to contract monitoring enquiries - and the formal issues arising as a result - have not been agreed by all parties. WRG has asked that these issues be fed through a named / specific WRG employee, although the Project Manager's view is that these are real issues that should be addressed as part of the regular formal monthly progress, attended by the WRG General Manager, Finance Manager and Operations Manager as well as the relevant partner borough officer representatives. **R11**

- c) currently photographic evidence is not used to record any matters arising. **R12**

- d) the spreadsheet record that the Contract Monitoring Officer has devised is updated / and overwritten each month (ie a separate one is not maintained to record activities, notes, observations etc for each period / month). Furthermore some of the supporting documentary evidence has been saved to

date on the Contract Monitoring Officer's H drive, rather than the shared drive. R13

d) the Contract Monitoring Officer produced a timetable for contract monitoring activities across (the remainder of) 2010/11, although to date no similar timetable had been developed for 2011/12. R14

e) to date, those systems and check(s) used by client side officers to gauge or measure how the Re3 contract is performing and managed (and specifically how it is monitored) against other comparable models operating elsewhere in the UK. Equally although performance is obviously monitored, no evidence was seen to demonstrate that the performance is benchmarked against any industry standard. R15

Objective 17

The main contractor monitors its own performance and is required to report the outcomes to the partnership

Under the terms Part VI of the Project Agreement (ref 33.2), the contractor is required to carry out a monthly performance monitoring exercise. The contractor does this by reporting on its performance against the standard objectives and is required to provide evidence of this in the monthly Performance Report. See section 3.5 for further details.

Prior to the appointment of the Contract Monitoring Officer these reports were not tested by the project team for accuracy or compliance, although they were reviewed by the Project Manager and discussed as part of the monthly contract meetings between WRG, and officer representatives from each of the boroughs.

The audit looked for evidence of discussion of the monthly Performance reports at the monthly contract meetings for the period April - June 2010. Generally the minutes showed a healthy and open discussion of issues arising from the performance reports, although evidence of the April agenda and minutes as well as the agenda for the May meeting was not on held on the shared drive.

As well as conducting proactive monitoring tests and exercises, the Contract Monitoring Officer now tests the accuracy of the performance data submitted by WRG in the monthly performance reports, although the basis for the testing is determined by her own judgment and her assessment of risk, rather than being informed by the corporate Re3 agreed risks. R10

INTERNAL AUDIT Assurance Opinion Guidance

Appendix A



Reading
BOROUGH COUNCIL

Assurance Opinion Guidance

The four levels of assurance opinion can be defined as follows:

Full Assurance	"There is a sound system of control designed to achieve the system objectives with controls being consistently applied."
Substantial Assurance	"Whilst there is a basically sound system, there are weaknesses which may put some objectives at risk".
Limited Assurance	"Weaknesses in controls are such as to put objectives at risk."
Minimal Assurance	"Control is generally weak leaving the system/service open to significant error or abuse."

Some degree of judgement is necessary in determining the level of assurance opinion in any given review but the following should provide a guide.

If the highest risk category is **Priority 3** then assurance should be either **Full** (if, for example, there is only one Low Risk) or otherwise **Substantial**.

If the highest risk category is **Priority 2** then assurance should normally be **Substantial** but could be **Limited** if, for example, there is a lack of commitment by managers to implement recommendations or there are medium risks in the majority of risk areas.

If the highest risk category is **Priority 1** then assurance should normally be **Limited** but could be **Substantial** if, for example, there is strong commitment by managers to implement recommendations and only one risk is high.

If the highest risk category is **Priority 1** and there are multiple high-risk recommendations, then assurance should normally be **Minimal**, unless in exceptional circumstances at the discretion of the Head of Internal Audit and Risk Management.

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TO: JOINT WASTE DISPOSAL BOARD
7th July 2011

JOINT WASTE DISPOSAL BOARD
REPORT ON AMENDMENTS TO re3 JOINT WORKING AGREEMENT
(Report by the Project Director)

1. INTRODUCTION

- 1.1 The purpose of this report is to inform Members of the result of a review of the Joint Working Agreement (JWA) and proposed amendments.

2. RECOMMENDATIONS

- 2.1 **That Members approve the changes to the Joint Working Agreement as detailed at Appendix 1.**
- 2.2 **That Members approve the plan for formalising the amendments as described at 3.5 to 3.8 below.**

3. SUPPORTING INFORMATION

Review of Joint Working Agreement

- 3.1 There have been two previous substantive reports on amendments to the JWA (30 September 2008 and 18 March 2009). Upon each occasion, Members indicated their approval for proposed changes.
- 3.2 Since that time, each council has sought and received the approval to adopt a list of changes to the JWA from its respective Executive.
- 3.3 Subsequent to that approval, further changes were identified and precipitated a review of the process to date prior to the formal **sealing** of a new JWA (and adoption of it as a working document for the partner councils). The process of **sealing** the document is akin to the process undertaken upon 'signing' the joint waste PFI contract on October 31st 2006. The JWA is part of the PFI contract.
- 3.4 At the last JWDB Meeting on March 16 2011, Members asked that the proposed changes to the JWA be brought to this meeting. Those changes are included at Appendix 1.
- 3.5 Officers have reviewed all the changes previously approved by the JWDB and those which they deemed, through regular use of the JWA, to be necessary. Those changes are proposed to the JWDB for approval.
- 3.6 Subject to approval by the JWDB, the changes will be included in a new version of the JWA and each council will be asked to propose the date of an appropriate Executive meeting at which they will approve it.
- 3.7 Subject to those approvals, officers will arrange for a date upon which the new version can be sealed.
- 3.8 It is proposed that the agreed dates, mentioned at both 3.6 and 3.7 above, be reported to Members at the next JWDB Meeting.

BACKGROUND PAPERS

Reports to JWDB (30th September 2008, 18th March 2009 and 16th March 2011)

CONTACTS FOR FURTHER INFORMATION

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re3 Project Team

REVIEW OF RE3 JOINT WORKING AGREEMENT 2011

Introduction

The Joint Working Agreement forms part of the re3 Joint Waste PFI. It describes the way in which the three councils will work together to bring about the successful delivery of the wider contract and to address their own obligations under it.

Since the commencement of the contract in December 2006, the councils have proposed a number of amendments to the Joint Working Agreement. Some of the proposed changes have been approved by the Joint Waste Disposal Board (JWDB) and some of the changes have been approved by the Contractor. At no time, however, have the changes been signed/sealed by all three councils and thus adopted.

There is a need to conclude the process and to that end a review has been undertaken which considers the previously proposed changes and newly identified ones. In keeping with the expectations of the JWDB (as per the minutes of the meeting on March 16th 2011) it is intended that a final, amended version of the JWA be created in consultation with our appropriate in-house legal advisors. It will pull together the approved, appropriate and necessary changes to the JWA. Once complete, and in an appropriate form, it will be put before the JWDB at its next meeting and, by an agreed date, subsequently adopted.

The changes included within the final version of this document will supersede all previously proposed changes.

	Original Text	Proposed Text
JWDB 30 Sept 2008	15.1.2 where the indemnity arises from Contamination at the Smallmead facility the costs will be split in the ratio 32% Wokingham District Council, 78% Reading Borough Council	15.1.2 where the indemnity arises from Contamination at the Smallmead facility the costs will be split in the ratio 39.5% Wokingham District Council, 60.5% Reading Borough Council
JWDB 30 Sept 2008	<p>PART 3: Apportionment of LATs Allowances as a Consequence of the Principal Contract</p> <p>21. APPORTIONMENT OF LATs ALLOWANCES</p> <p>A surplus or deficit in LATs Allowances may arise as a result of the Principal Contract. LATs Allowances are not a cash asset, but are an asset which may result in a cash flow to the Parties, and as such should be allocated between Parties in accordance with this Part 3 (Financial Allocation Mechanism).</p> <p>Where the Parties send a tonnage of BMW to landfill which differs from the Parties LATs Allowances, the resulting net LATs Allowance surplus or deficit is transferred between the Parties, for a peppercorn, in order that the net total LATs Allowance tonnage surplus or deficit for all Parties is allocated in proportion to the relative contribution of each Party to the Contract Waste Category A.</p>	<p>21. APPORTIONMENT OF LATs ALLOWANCES</p> <p>A surplus or deficit in LATs Allowances may arise as a result of the Principal Contract. LATs Allowances are not a cash asset, but are an asset which may result in a cash flow to the Parties, and as such should be allocated between Parties in accordance with this Part 3 (Financial Allocation Mechanism).</p> <p>Where each Party sends a tonnage of BMW to landfill which differs from their LATs Allowance a net LATs Allowance will result. Each Party shall retain its own LATs surplus or deficit.</p> <p>Any Party or Parties retaining a LATs Allowance deficit will have a first refusal to purchase, on terms to be mutually agreed, the surplus LATs Allowance</p>

JWDB 30 Sept 2008	<p>A. Allocation of Tonnages at Civic Amenity Sites</p> <p>A2 From the date of signature of this Agreement until the Completion of the MRF at Smallmead Civic Amenity Site related payments will be split on the basis of the proportions of Contract Waste Category A tonnages at the Civic Amenity Sites which are allocated to each of the Parties during the financial year prior to the date of this Agreement.</p> <p>A3 During the first complete Contract Year of the term of the Principal Contract an Independent Survey will be undertaken by the Parties to establish the levels of use of the Civic Amenity Sites by people living in each Parties administrative area. The scope and methodology for this survey and the identity of the person who will carry out the survey will be agreed by the Joint Waste Disposal Board. The Independent Survey will be completed over three 2 week periods in January/February June and October following the first Contract Year of the term of the Principal Contract. Subject to Clause A7 the levels of use established by the Independent Survey shall be used to set the proportion of the payments to be made by each party.</p> <p>A4 The survey detailed in sub-clause A3 shall be repeated in the third financial year of the remaining term of the Principal Contract and every other financial year thereafter and the results of the same shall be used to establish how payments shall be apportioned between the parties.</p>	of the other Party or Parties up to the limit of their deficit.
	<p>A Allocation of Tonnages at Civic Amenity Sites</p> <p>A2 From the date of signature of this Agreement until Full Service Commencement Civic Amenity site related payments will be split on the basis of the proportions of Contract Waste Category A tonnages at the Civic Amenity Sites which are allocated to each of the Parties during the financial year prior to the date of this Agreement.</p> <p>A3 Immediately following Full Service Commencement an Independent Survey will be undertaken by the Parties to establish the levels of use of the Civic Amenity Sites by people living in each Party's [Parties] administrative area. The scope and methodology for this survey and the identity of the person who will carry out the survey will be agreed by the re3 Project Manager. Unless otherwise agreed by the Joint Waste Disposal Board, the independent survey will be completed as part of the Contractual 'User Satisfaction Survey. Subject to Clause A7 the levels of use established by the Independent Survey shall be used to set the proportion of the payments to be made by each party.</p> <p>A4 The survey detailed in sub-clause A3 shall be repeated annually and the results of the same shall:</p>	

	<p>(i) apply from the beginning of the next Contract Year for a period of one year.</p> <p>(ii) be used to establish how payments shall be apportioned between the parties until the next survey results are applied.</p>	<p>(i) apply from the beginning of the next Contract Year for a period of one year.</p> <p>(ii) be used to establish how payments shall be apportioned between the parties until the next survey results are applied.</p>
<p>A7 For the purposes of the allocation of tonnages of household waste received at Smallmead Civic Amenity Site, Contract Waste arising from West Berkshire BC, shall be deemed to arise at Reading BC.</p>	<p>A7 For the purposes of the allocation of tonnages of household waste received at Smallmead Civic Amenity site, 50 % of Contract Waste arising from West Berkshire BC shall be deemed to arise at Reading BC and 50% of Contract Waste arising from West Berkshire BC shall be deemed to arise at Wokingham BC.</p>	
<p>B. Allocation of Tonnages at Bring Sites</p> <p>B2. From the date of signature of this Agreement until the Completion of the MRF at Smallmead, payments will be split, in accordance with this Schedule 1 (Financial Allocation Mechanism), on the basis of the proportions of Contract Waste Category A tonnages at the Bring Sites which are allocated to each of the Parties during the financial year prior to the date of this Agreement.</p> <p>B3 During the first complete Contract Year of the term of the Principal Contract, after the completion of the MRF at Smallmead, a Survey will be undertaken by the Parties to establish the levels of use of the Bring Sites by people living in each Parties administrative area. The scope and methodology for this survey and the identity of the person who will carry out the survey will be agreed by the Joint Waste Disposal Board. The survey will be completed over three 2 week periods in January/February June and October. The levels of use established by the survey shall be used to set the proportion of</p>	<p>B Allocation of Tonnages at Bring Sites</p> <p>B2. Contract Waste Category A Bring Site tonnages shall be allocated between the Parties based upon actual tonnage data provided by the Contractor and collected from Bring Sites falling within the relevant Borough.</p> <p>B3. In the event of actual Borough defined tonnage data no longer being available, a Survey will be undertaken by the Parties to establish the levels of use of the Bring Sites by people living in each Parties administrative area. The scope and methodology for this survey and the identity of the person who will carry out the survey will be agreed by the Joint Waste Disposal Board. The survey will be completed over three 2 week periods in January/February June and October. The levels of use established by the survey shall be used to set the proportion of</p>	

	<p>survey will be agreed by the Joint Waste Disposal Board. The survey will be completed over three 2 week periods in January/February June and October following the first Contract Year of the term of the Principal Contract. The levels of use established by the survey shall be used to set the proportion of the payments to be made by each party which shall be in the same proportion for each party as that party's proportion of use.</p> <p>B4 The survey detailed in sub-clause B3 shall be repeated two years after the First Survey and every other financial year thereafter and the results of the same shall be used to establish how payments shall be apportioned between the parties.</p> <p>B5. Payments shall be apportioned between the Parties on the basis of the results of any survey undertaken in accordance with clauses B3 and B4 in the next following Contract Year of the term of the Principal Contract.</p> <p>B6. For the avoidance of doubt Bring Sites Site Payments arising from Contract Waste delivered to the Bring Sites by members of the public outside the administrative areas of the Parties shall be apportioned equally between the Parties.</p> <p>B7. For the avoidance of doubt Bring Site Payments arising from new Sites established at the request of one of the Parties via the Schedule of Additional Rates in the Principal Contract shall thereafter be apportioned to the requesting Party.</p>	<p>the payments to be made by each party which shall be in the same proportion for each party as that party's proportion of use.</p> <p>B4. The survey detailed in sub-clause B3 shall be repeated two years after the First Survey and every other financial year thereafter and the results of the same shall be used to establish how payments shall be apportioned between the parties.</p> <p>B5. Payments shall be apportioned between the Parties on the basis of the results of any survey undertaken in accordance with clauses B3 and B4 in the next following Contract Year of the term of the Principal Contract.</p> <p>B6. For the avoidance of doubt Bring Sites Site Payments arising from Contract Waste delivered to the Bring Sites by members of the public outside the administrative areas of the Parties shall be apportioned equally between the Parties.</p> <p>B7. For the avoidance of doubt Bring Site Payments arising from new Sites established at the request of one of the Parties via the Schedule of Additional Rates in the Principal Contract shall thereafter be apportioned to the requesting Party.</p>
	<p>(B) The parties have decided to make joint arrangements for the provision of an economic efficient and effective Waste Management service. The Parties have agreed to enter into this Agreement for the purpose of regulating their respective rights and obligations to each other as a consequence of the joint arrangements for Key Project and in order to promote the efficient management of the Principal Contract</p>	<p>BACKGROUND</p> <p>(B) The parties have decided to make joint arrangements for the provision of an economic efficient and effective Waste Management service. The Parties have agreed to enter into this Agreement for the purpose of regulating their respective rights and obligations to each other as a consequence of the joint arrangements for the purpose of regulating their respective rights and obligations to each other as a consequence of the joint arrangements for</p>

		Key Project Facilities and in order to promote the efficient management of the Principal Contract
(C)	The parties have agreed to appoint Reading Borough Council as administering authority for the purposes of the Principal Contract throughout the Contract Period	(C) The parties have agreed to appoint Reading Borough Council as Administering Authority for the purposes of the Principal Contract throughout the Contract Period
"Principal Contract"	The Contract between the Parties and RE3 Limited dated 31 October 2006 commencing upon the 4 December 2006 and terminating upon the 3 December 2031 and including the following additional documentation :- and including the following additional documentation :- (1) a Direct Agreement dated the 31st of October 2006 between the Parties NIBC Bank NV and RE3 Limited	"Principal Contract" The Contract between the Parties and RE3 Limited dated 31 October 2006 commencing upon the 4 December 2006 and terminating upon 3 December 2031 and including the following additional documentation and including the following additional documentation :- (1) a Direct Agreement dated the 31st of October 2006 between the Parties NIBC Bank NV and RE3 Limited
10.1	For the purposes of the administration of the JWDB the standing orders of Bracknell shall apply and shall take precedence over the standing orders of the other Parties for this purpose	10.1 For the purposes of the administration of the JWDB the standing orders of Bracknell Forest Borough Council shall apply and shall take precedence over the standing orders of the other Parties for this purpose
26.3.2	if the termination has resulted from a Council Default which is the default of two or more Parties the Parties shall agree each Parties Confirmed Proportioned Financial Contribution in accordance with clause 19.1.3 and shall pay the Final Contractor Payment in proportion to their Confirmed Proportioned Financial Contribution (where all Parties have been in default) or pay the Financial Contractor Payment Pro Rata their respective	26.3.2 if the termination has resulted from a Council Default which is the default of two or more Parties the Parties shall agree each Parties Confirmed Proportioned Financial Contribution in accordance with clause 19.1.3 and shall pay the Final Contractor Payment in proportion to their Confirmed Proportioned Financial Contribution (where all Parties have been in default) or pay the Final Contractor Payment Pro Rata their respective Confirmed

	Confirmed Proportioned Financial Contribution (where two Parties have been in default) such calculation to be effected in accordance with the principles of apportionment contained in paragraph 23.3 and 23.4 of Schedule 1	Proportioned Financial Contribution (where two Parties have been in default) such calculation to be effected in accordance with the principles of apportionment contained in paragraph 23.3 and 23.4 of Schedule 1
	<p>27.1 The Parties shall meet on Review Date and at least 18 months but not more than 30 months before the Expiry Date of the Principal Contract or more frequently if such meeting is reasonably required by any Party to review the terms of this Agreement and the Constitution Agreement entered into in accordance with clause 8.1.1 and to agree any changes that may be required to any of the terms and conditions of either of the conditions of either of this Agreement or the Constitution Agreement</p>	<p>27.1 The Parties shall within two months of the Review Date and at least 18 months but not more than 30 months before the Expiry Date of the Principal Contract or more frequently if such meeting is reasonably required by any Party to review the terms of this Agreement and the Constitution Agreement entered into in accordance with clause 8.1.1 and to agree any changes that may be required to any of the terms and conditions of either of this Agreement or the Constitution Agreement</p>
	<p>32.4 The Parties shall co-operate fully and in a timely manner with any request from time to time of any auditor (whether internal or external) of any Party including any official of the Environment Agency, Best Value Inspectorate or any other statutory inspectorate to provide documents or to procure the provision of documents relating to the Principal Contract and to provide or to procure the provision of any oral or written explanation relating to the same. In particular any auditor of any Party shall be permitted access to any and all documentation in the possession custody or control of any Party (who shall procure that any person acting on its behalf who has such documents and/or other information shall also provide such access). This right will include the power to interview staff examine and take copies of any and all documentation and have access to and take copies of any computer data held for the</p>	<p>32.4 The Parties shall co-operate fully and in a timely manner with any request from time to time of any auditor (whether internal or external) of any Party including any official of the Environment Agency, or any other statutory inspectorate to provide documents or to procure the provision of documents relating to the Principal Contract and to provide or to procure the provision of any oral or written explanation relating to the same. In particular any auditor of any Party shall be permitted access to any and all documentation in the possession custody or control of any Party (who shall procure that any person acting on its behalf who has such documents and/or other information shall also provide such access). This right will include the power to interview staff examine and take copies of any and all documentation and have access to and take copies of any computer data held for the</p>

	of any computer data held for the purposes of the Principal Contract	purposes of the Principal Contract
	<p>36. PUBLIC RELATIONS AND PUBLICITY</p> <p>Each Party shall not by itself its employees or agents knowingly make any press releases or communicate with representatives of the press television radio or other communications media on any matter concerning the Agreement without the prior written approval of all the Parties which any Party may in its absolute discretion withhold</p>	<p>36. PUBLIC RELATIONS AND PUBLICITY</p> <p>36.1 Each Party shall not by itself its employees or agents knowingly make any press releases or communicate with representatives of the press television radio or other communications media on any matter concerning the Agreement without the prior written approval of all the Parties which any Party may in its absolute discretion withhold</p> <p>36.2 The Administering Authority will maintain and periodically review, in consultation with the Parties, a Communications Protocol which will describe the co-ordination of communications between the Parties.</p>
	<p>6. ENERGY RECOVERY PAYMENT</p> <p>6.1 Introduction</p> <p>The Energy Recovery Payment is allocated between the Parties in the proportions set out in Appendix 4, and in accordance with the following formula:</p> <p>EX=E*PROX</p> <p>Where:</p> <p>EX Is the Energy Recovery Payment for the relevant Contract Month attributable to the relevant Party</p> <p>E Is the Energy Recovery Payment for the relevant</p>	<p>6. ENERGY RECOVERY PAYMENT</p> <p>6.1 Introduction</p> <p>The Energy Recovery Payment is allocated between the Parties in the proportions set out in Appendix 4, and in accordance with the following formula:</p> $E_x = (ERL + (TL_m * EHRL) * I + X) * PRO_x + (GRL + TG_m * EHRG * I) * PRG_x$ <p>Where:</p> <p>E_x Is the Energy Recovery Payment for</p>

	<p>Contract Month as calculated in accordance with Schedule 24 (Payment Mechanism) of the Principal Contract</p> <p>PROX Is the proportion share for the relevant Party as set out in Appendix 4</p>	<p>the relevant Contract Month attributable to the relevant Party</p> <p>ERL Is the Lakeside Gate Fee (excluding the Haulage Element) multiplied by the Lakeside Chargeable Tonnage</p> <p>TLm Is the Lakeside Chargeable Tonnage and any tonnage above the “Maximum Annual Quantity” (as defined in the WPSA) delivered by the Contractor where such deliveries have been approved by the Councils pursuant to Schedule 2 (Lakeside Interface)</p> <p>EHRL Is the Haulage Price for Lakeside</p> <p>I Is Indexation</p> <p>X Without double counting, other amounts payable by or to be indemnified by the Council under Schedule 2 (Lakeside Interface)</p> <p>PRO_x Is the proportion share for the relevant Party as set out in Appendix 4</p>
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		<p>GRL Is the Grundon Gate Fee (excluding the Haulage Element) multiplied by the Grundon Chargeable Tonnage</p> <p>TGm Is the Grundon Chargeable Tonnage delivered by (or on behalf of) the Contractor</p> <p>EHRG Is the Haulage Price for Grundon</p> <p>PRG_x Is the proportion share for the relevant Party as set out in Appendix 4</p>
	<p>7.2 The Monthly Landfill Payment</p> <p>The Monthly Landfill Payment (excluding Recovery Performance Deductions and Diversion Performance Deductions) is calculated in accordance with the following formula:</p> $L_x = L * PCL_x$ <p>Where:</p> <p>L_x Is the Monthly Landfill Payment for the relevant Contract Month attributable to the relevant Party</p>	<p>7.2 The Monthly Landfill Payment</p> <p>The Monthly Landfill Payment (excluding Recovery Performance Deductions and Diversion Performance Deductions) is calculated in accordance with the following formula:</p> $L_x = L * PCL_x$ <p>Where:</p>

	<p>L Is the Monthly Landfill Payment for the relevant Contract Month calculated in accordance with Schedule 24 (Payment Mechanism) of the Principal Contract</p> <p>PCL_x Is the Percentage Contribution by the relevant Party to the total Residual Contract Waste Category A delivered to the Contractor in the relevant Contract Month</p> <p>7.3 Percentage Contribution to Residual Contract Waste Category A</p> <p>PCL_x = (TL_x) / (Σ_{xyz} TL)</p> <p>Where:</p> <p>PCL_x Is the Percentage Contribution by the relevant Party to the total Residual Contract Waste Category A delivered to the Contractor in the relevant Contract Month</p> <p>TL_x Is the tonnage of Residual Contract Waste Category A attributable to the relevant Party for the relevant Contract Month</p> <p>Σ_{xyz} TL Is the total tonnage of Residual Contract Waste Category A for the relevant Contract Month</p>	<p>L_x Is the Monthly Landfill Payment for the relevant Contract Month attributable to the relevant Party</p> <p>L Is the Monthly Landfill Payment for the relevant Contract Month calculated in accordance with Schedule 24 (Payment Mechanism) of the Principal Contract</p> <p>PCL_x Is the Percentage Contribution by the relevant Party to the total tonnage of Contract Waste Category A sent to landfill by the Contractor in the relevant Contract Month</p> <p>7.3 Percentage Contribution to Residual Contract Waste Category A</p> <p>Where:</p> <p>PCL_x = (TL_x) / (TI)</p>
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		<p>PCL_x Is the Percentage Contribution by the relevant Party to the total tonnage of Contract Waste Category A sent to Landfill by the Contractor in the relevant Contract Month</p> <p>TL_x Is the tonnage of Contract Waste Category A sent to landfill attributable to the relevant Party for the relevant Contract Month</p> <p>TI Is the tonnage of Contract Waste Category A sent to Landfill by the Contractor in the relevant Contract Month excluding for the avoidance of doubt the Burghfield Direct Tonnage</p>
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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