

**CABINET MEETING – 26 JUNE 2008**  
**EXECUTIVE SUMMARY SHEET - PART 1**

**Title of Report:**

Waste Management Partnership Arrangements

**Author(s):**

Director of Community and Cultural Services

**Purpose of Report:**

To authorise further public consultation and to consider the procurement of waste services (outwith any future options for a proposed PFI arrangement) to meet the overall objectives of the Joint Municipal Waste Management Strategy and to ensure compliance with the Landfill Allowance Trading Scheme (LATS).

**Description of Decision:**

Members are recommended to:

- (i) Authorise further public consultation in respect of the procurement of strategic wastes management arrangements;
- (ii) Approve the method of procurement and nature of the contracts to be let for those waste services outwith the potential PFI supported procurement of strategic wastes management arrangements as set out in the body of the report;
- (iii) Approve the procurement exercise for a three year contract from April 2009 to March 2012 with extensions thereafter for interim wastes management arrangements that reduce the reliance on landfill as set out in the body of the report;
- (iv) Authorise the Director of community and Cultural Services, the City Solicitor and City Treasurer in conjunction with officers of the lead authority (Gateshead) to prepare the necessary tenders and contract documentation and proceed to advertise and invite tenders for the services set out in the body of the report.

**Is the decision consistent with the Budget/Policy Framework** \*Yes/~~No~~

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

For the following reasons:

- to achieve the long term objectives of the Joint Municipal Waste Management Strategy;
- to ensure compliance with LATS.

**Alternative options to be considered and recommended to be rejected:**  
 The individual authorities could procure separately but this would not result in the benefits afforded by economies of scale and the aim within the Joint Municipal Waste Management Strategy to procure under the auspices of the Partnership. All aspects of service could potentially be dealt with under a single procurement arrangement but elements of service require differing commencement dates and contract lengths and, therefore, separate contracts.

**Is this a "Key Decision" as defined in the Constitution?**      **Yes/No**

**Is it included in the Forward Plan?**  
**Yes/No**

**Relevant Review Committee:**

**Environment and Planning**

**REPORT OF DIRECTOR OF COMMUNITY AND CULTURAL SERVICES**

**WASTE MANAGEMENT PARTNERSHIP ARRANGEMENTS**

**1. PURPOSE OF REPORT**

- 1.1 To authorise further public consultation and to consider the procurement of waste services (outwith any future options for a proposed PFI arrangement) to meet the overall objectives of the Joint Municipal Waste Management Strategy and to ensure compliance with the Landfill Allowance Trading Scheme (LATS).

**2. RECOMMENDATIONS**

- 2.1 Members are recommended to:

- (i) Authorise further public consultation in respect of the procurement of strategic wastes management arrangements;
- (ii) Approve the method of procurement and nature of the contracts to be let for those waste services outwith the potential PFI supported procurement of strategic wastes management arrangements as set out in the body of the report;
- (iii) Approve the procurement exercise for a three year contract from April 2009 to March 2012 with extensions thereafter for interim wastes management arrangements that reduce reliance on landfill as set out in the body of the report;
- (iv) Authorise the Director of Community and Cultural Services, the City Solicitor and City Treasurer in conjunction with officers of the lead authority (Gateshead) to prepare the necessary tenders and contract documentation and proceed to advertise and invite tenders for the services set out in the body of the report.

**3. BACKGROUND**

- 3.1 Cabinet, on 5 December 2007, approved the recommendation to Council that the PFI Outline Business Case (OBC) in relation to the procurement of residual waste treatment services for the South Tyne and Wear Waste Management Partnership (STWWMP) be submitted to Defra. Council subsequently ratified the recommendation including its commitment to meet the affordability gap identified in the report.

## **Developments since Submission of the Outline Business Case**

- 3.2 The Joint Executive Committee, the establishment of which was agreed by Cabinet 10 October 2007, has met and considered key aspects in the development of the project. The Committee, together with other key members from the partner authorities has also visited a number of waste management facilities as part of an information and experience gathering exercise.
- 3.3 The Partnership has commenced development of a suite of documents which will be utilised in the subsequent procurement of the services detailed in the OBC.
- 3.4 The STWWMP Project Team has been strengthened by the addition of key members of staff, seconded from within the partnership authorities.

## **Additional Procurement Requirements**

- 3.5 The partnership authorities have adopted a Joint Municipal Waste Management Strategy (JMWMS) which was the subject of extensive consultation between July and September 2007, with common waste policies and targets. The STWWMP Stakeholder Agreement also declares a commitment by each of the three Councils not to individually enter into a procurement that would adversely impact upon the main residual wastes treatment contract.
- 3.6 In addition to the procurement of a strategic residual wastes management arrangements identified within the OBC for which PFI credits are sought, there is the need for the partner authorities to procure a wider range of services in order to meet the longer- term strategic objectives of the JMWMS. The financial implications for provision of these services are within the overall funding range/gap of the partnership.
- 3.7 At a meeting on 27 March 2008, the Treasurers and Directors Board considered reports on additional procurement requirements necessary to meet the needs of the Partnership and agreed that proposals for such arrangements should be agreed by the partner authorities' respective Cabinets.
- 3.8 One of the main drivers for the formation of STWWMP was to increase the attractiveness of any contract to the commercial market to stimulate interest and competition and secure value for money. In addition, a joint approach also affords savings in respect of joint professional support for the process including client arrangements. These principles remain valid for all procurements by the partnership authorities.

- 3.9 The incorporation of all aspects of service into a single procurement regime may slow the principal procurement of strategic wastes management arrangements. More importantly, different aspects of service provision require differing commencement dates and varying contract lengths which may be influenced by market forces, local factors and the level of capital investment associated with the service.
- 3.10 There is a need to procure services which are ancillary to the principal contract and will be part of the full scope of the services to be provided; and interim arrangements that will assist the partner authorities to secure an increase in recycling performance and compliance with their legal obligations in relation to Landfill Allowance Trading Scheme (LATS) targets.

### **Scope of Services**

- 3.11 The required wastes management services excluding refuse and recycling collection services; can be broadly categorised as follows:-
- (i) Residual Waste Treatment & General Waste Transfer Station Provision (including waste from wheeled bins, commercial premises, bulky waste collections, residues from Household Waste Recycling Centres (HWRC), parks, street sweepings, fly-tipping; animal carcasses, hazardous waste and household clinical waste)
  - (ii) Recycling of Dry Recyclables including Materials Recycling Facilities (MRF)
  - (iii) Green Waste Recycling (with or without food waste)
  - (iv) Food Waste Processing (with or without green waste)
  - (v) Household Waste Recycling Centres (HRWC) upgrades
  - (vi) Household Waste Recycling Centres- operations and management
  - (vii) Other Recycling (including that of bulky wastes and street sweepings)
  - (viii) Landfill
- 3.12. In preparing the Output Specification for the strategic residual wastes arrangements it may be more beneficial for the Partnership, in order to encourage wider competition, if landfill arrangements were procured by the authorities separately from the treatment facility in order to create a more level playing field for the tenderers. It is recognised, however, that there may be scope for the contractor selected to provide the strategic residual wastes management arrangements to secure its own landfill requirements at some point during the term of the contract.
- 3.13 It is also considered appropriate that arrangements for the upgrade and redevelopment of HWRCs are managed by the Partner authorities themselves in accordance their own capital programmes and differing local needs. It is also considered prudent for decisions regarding management of the HWRC's to remain with the Partner Authorities until the respective improvement programmes are complete and a common position can be established.

## **LATS Compliance Bridging Arrangements**

- 3.14 The OBC identifies anticipated shortfalls in LATS compliance facing the Partnership Authorities between 2009 and the anticipated date when the strategic wastes management arrangements are in place.
- 3.15 Based upon an analysis of the Partnership authorities' current performance against LATS targets both South Tyneside and Sunderland Councils could, subject to LATS values, make modest financial savings in some years against simple purchase of LATS permits (together with landfill costs).
- 3.16 The position is less clear in respect of Gateshead Council's requirements where LATS compliance would not be the key driver until 2012/13 at the earliest. Enhanced recycling rates are nevertheless required.

## **4. PROPOSAL**

- 4.1 Further public consultation in respect of the procurement of strategic wastes management arrangements will be undertaken principally through engagement with Community Spirit panels. Articles within the Council's Sunrise magazine and other local media will also provide information to residents and assist in seeking their views.
  - 4.2 It is proposed that a procurement exercise is undertaken to secure interim arrangements that reduce reliance on landfill for a three- year period from April 2009 with the option of three single year extensions thereafter as a contingency in the event of any delay in the commissioning of the strategic residual waste management arrangements. This covers the period commencing with the first principal LATS target year (2009/10- where authorities will have fewer flexibilities to achieve LATS compliance) and the earliest forecast date for operational commencement of the new strategic arrangements.
  - 4.3 It is proposed that separate contract packages and durations be adopted for the procurement of major elements of waste services as follows:-
    - a. Residual Waste Treatment & General Transfer Station Provision (25 + 3 yrs) – the principal
    - b. Landfill
- Items a) and b) above may be considered jointly or separately within the principal contract. This will afford the benefit of each option to be examined as part of the competitive dialogue process.
- 4.4 One option is to keep landfill separate in the initial period but reserve the right to bring it in, allowing flexibility and market testing for landfill at five years into the contract. Such an approach may be considered as beneficial to South

Tyneside and Sunderland Councils whose current landfill contracts can only be extended until the end of March 2010.

- 4.5 It is considered that the end date of any such landfill contract will be coterminous with the proposed contract for interim arrangements. This affords the Partnership continuity and flexibility between the interim arrangements and the long-term residual waste treatment contracts.
- 4.6 It is further proposed that the additional waste management arrangements to be procured under the following packages and terms:
1. Recycling of Dry Recyclables (Materials Recycling Facility) (10 yrs)
  2. Green Waste Recycling with/without food waste (10yrs)
  3. Food Waste Recycling (15yrs)
  4. HWRC Upgrades, Operations and Management – to be determined by each partner authority
  5. Other Recycling e.g. Street Cleansing, Bulky Waste (2+1yrs)

### **Proposed Procurement Timetable**

- 4.7 In accordance with agreed Governance arrangements, the Partnership may conduct the administrative processes of the procurement as a joint exercise on behalf of the partnership authorities. This will afford the opportunity for potential cost savings to be fully realised.
- 4.8 The Partnership will jointly procure each element of the services and it will be a matter for the Authorities themselves to enter into any subsequent contractual arrangements albeit, with identical contracts to the other partner authorities.

## **5. REASONS FOR THE DECISION**

- 5.1 For the following reasons:
- to achieve the long term objectives of the Joint Municipal Waste Management Strategy
  - to ensure compliance with LATS.

## **6. ALTERNATIVE OPTIONS**

- 6.1 The individual authorities could procure separately but this would not result in the benefits afforded by economies of scale and the aim within the Joint Municipal Waste Management Strategy to procure under the auspices of the Partnership.
- 6.2 All aspects of service could potentially be dealt with under a single procurement arrangement but elements of service require differing commencement dates and contract lengths and, therefore, separate contracts.

## **7. RELEVANT CONSIDERATIONS/ CONSULTATIONS**

### **7.1 a) Financial Implications**

The financial implications for the provision of these services are accommodated within the overall funding range/gap of the partnership. Waste Management has already been identified as a priority spending pressure within the Council's current Medium Term Financial Strategy.

The City Treasurer confirms that the costs arising from the procurement exercise will be addressed within the Council's Medium Term Financial Strategy for 2009/10 to 2012/13. There will be economies of scale as a result of working in partnership, which will result in reduced costs compared with each authority acting independently. Further details of the financial implications will be reported once procurements have been completed and the budgetary implications will be included within the Medium Term Financial strategy and future years' budgets.

### **b) Risk Management Implications**

There are very significant risks, in particular, failure to meet statutory targets, extra cost for longer exposure to LATS which would result in additional financial implications.

### **c) Legal Implications**

The City Solicitor has been consulted and his comments have been incorporated within the report

### **d) The Public**

The Joint Municipal Waste Management Strategy has been subject to wide public consultation. The Cabinet Member for Neighbourhood and Street services has been consulted on the proposals.

## **8. BACKGROUND PAPERS**

8.1 The following background papers were used in the preparation of this report:

- i) Report of the Director of Community and Cultural Services- South Tyne And Wear Waste Management Partnership – Governance Arrangements- Cabinet 10 October 2007
- ii) Report of the Director of Community and Cultural Services- Waste Management – Joint Municipal Waste Management Strategy – Cabinet 10 October 2007
- iii) Joint Report Of Director Of Community and Cultural Services, City Treasurer and City Solicitor- South Tyne And Wear Waste Management Partnership - Outline Business Case- Cabinet 5 December 2007
- iv) South Tyne and Wear Waste Management Partnership Joint Municipal Waste Strategy 2007-2027