

CABINET MEETING – 16 APRIL 2014
EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Interim Waste Management arrangements commencing 1 April 2014

Author(s):

Deputy Chief Executive

Purpose of Report:

To inform of the urgent decision taken to enter into interim waste management arrangements with the Council's new PFI contractor, SITA South Tyne and Wear when existing waste management arrangements expired on 31 March 2014.

Description of Decision:

To note and endorse the urgent decision of the Deputy Chief Executive taken in March 2014 to allow the Council to enter into interim waste management arrangements with SITA South Tyne and Wear ahead of formal commencement of the new PFI contract when its existing waste contract expired on 31 March 2014.

Is the decision consistent with the Budget/Policy Framework? *Yes

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

Suggested reason(s) for Decision:

- To facilitate the continued service provision when the existing waste management arrangements ended on 31 March 2014.
- To avoid the excessive additional costs that would have resulted if the Council procured alternative arrangements and to take advantage of the waste treatment rates offered by SITA South Tyne and Wear ('SITA') ahead of service commencement.
- To ensure disruption to the new waste collection service was minimised by allowing the use of the newly constructed waste transfer facilities.

Alternative options to be considered and recommended to be rejected:

The Council could have extended its current waste contract on increased rates or procured an interim arrangement for an uncertain period of time. However these options would have been more costly and difficult to procure due to uncertainties on timescales..

Impacts analysed;

Equality **Privacy** **Sustainability** **Crime and Disorder**

Is this a “Key Decision” as defined in the Constitution? **Yes**

Is it included in the 28 day Notice of Decisions? **Yes**

Scrutiny Committee

**INTERIM WASTE MANAGEMENT ARRANGEMENTS COMMENCING 1
APRIL 2014**

REPORT OF THE DEPUTY CHIEF EXECUTIVE

1. Purpose of the Report

To inform of the urgent decision taken to enter into interim waste management arrangements with the Council's new PFI contractor, SITA South Tyne and Wear when existing waste management arrangements expired on 31 March 2014.

2. Description of the Decision.

To note and endorse the urgent decision of the Deputy Chief Executive taken in March 2014 to allow the Council to enter into interim waste management arrangements with SITA South Tyne and Wear ahead of formal commencement of the new PFI contract when its existing waste contract expired on 31 March 2014.

3. Background

The Council's Waste Management Contract ended on 31st March 2014 and there was no practical or affordable contractual option available to extend the contract beyond its term.

Service commencement for the PFI Energy from Waste (EfW) Contract was scheduled to begin on 1st April 2014 allowing for a seamless transition between contracts however, due to issues experienced with the steam turbine, which generates electricity at this key facility, commissioning was delayed. It is essential contractually that this issue is resolved before the completion works can be signed off by the external certifier representing the Council. The extent of the delay is not known.

Originally when the problems were first encountered with the EfW key facility in early 2014, and corrective actions were identified, delays were expected to be short term if at all and hence a delegated decision was taken on 17th February 2014 to cover interim arrangements for the service period between the 1st April and 7th April 2014, the latest expected service commencement date.

The known costs of the new PFI waste treatment service when compared to the known increase in landfill tax which comes into force on 1st April 2014, along with any additional charge that any new or existing service supplier would charge will result in major non budgeted expenditure if the Council continued to send its household waste to

landfill. This additional cost due to landfill tax increases and difference in gate prices would amount to at least £16,000 per week.

The Waste Transfer Stations ('WTS's') at Jack Crawford House and Campground have been developed in support of the EfW key facility as local delivery points for the Council's refuse collection vehicles and were expected to be signed off as complete by the external certifier before 1 April 2014.

Revised collection rounds were introduced to accommodate the new infrastructure and service efficiencies based around a four day week. The new collection service was timed for implementation to align with the start of the PFI contract. In order to ensure appropriate Waste Management arrangements were in place for 1st April 2014 until commissioning of the EfW key facility the following options were considered:-

- 1) Undertake a procurement process - this option was disregarded due to the unknown timescale caused by the delay, employee liabilities on transfer from the Council's existing service provider and the fact that EfW key facility may become operational prior to the procurement process being completed.
- 2) Extend the existing contractual arrangements with the current Contractor Alex Smiles - this option would incur additional escalated landfill tax charges (LFT) of £80 per tonne in addition to any negotiated gate fee charged for the entire tonnage managed during the interim period. An option disregarded due to increased costs.
- 3) Contract directly with SITA the new Contractor.

Option 3 was the preferred option as it provides a transition into the new arrangements with the commencement of usage of the newly developed WTS's and minimal impact and disruption on new revised collection rounds.

The following 3 waste management options for the residual waste delivered to the WTS's have been submitted by SITA:

- 1) Treatment by EfW at Teesside – Existing EfW lines 2&3 or commissioning to test the new EfW key facility which is fully operational.
- 2) Treatment at the Byker Mechanical Biological Treatment Facility to generate Refuse Derived Fuel (RDF)

- 3) Landfill via Path Head by way of contingency if none of the above treatment options were available for technical reasons.

The interim arrangement requires SITA to manage the Council's waste through the most sustainable and economically viable options which are illustrated above in order of priority.

The cost options submitted by SITA per tonne of waste material means that options 1 and 2 above are around £8 per tonne less expensive than the current contractors rate, that is before any inflationary and gate fee increases that may result from any attempt to negotiate a short term contract extension from 1 April 2014.

The period of the interim waste management arrangement is still expected to be short term, and may be concluded by 21 April 2014. In the unlikely event that the EfW key facility commissioning period is extended considerably, the Council has the option to procure alternative interim arrangements.

The Council's partners in the South of Tyne and Wear Waste Management Partnership, namely Gateshead and South Tyneside Councils, already deliver their waste to SITA UK and have been offered similar terms to those offered to the Council to use the new facilities pending the completion of commissioning works at the EfW key facility.

TUPE transfer arrangements would commence at the start of the interim arrangements making the transition from the temporary arrangements to the EfW Waste Management Contract as seamless as possible once the new facility is commissioned and operational.

3. Recommendation

It is recommended that the decision to proceed with option 3, to enter into an interim arrangement with SITA pending formal service commencement of the Waste PFI contract is endorsed.

4. Reasons for the Decision

4.1 For the following reasons:

- To facilitate the continued service provision when the existing waste management arrangements ended on 31 March 2014.
- To avoid the excessive additional costs that would have resulted if the Council procured alternative arrangements and to take advantage of the waste treatment rates offered by SITA South Tyne and Wear ('SITA') ahead of service commencement.

- To ensure disruption to the new waste collection service was minimised by allowing the use of the newly constructed waste transfer facilities.

6. Alternative Options

- 6.1 The Council could have extended its current waste contract on increased rates or procured an interim arrangement for an uncertain period of time. However these options would have been more costly and difficult to procure due to the uncertainties on timescales.

7. Relevant Considerations

Financial Implications – The decision has ensured the Council avoids additional costs of at least £16,000 per week.

Risk Analysis – The Council needs to ensure continued reliable and affordable supply of a waste management service.

Employee Implications – None.

Legal Implications –Legal advice is to enact the most efficient and cost effective measures on the grounds of urgency. Option 3 is supported.

Implications for other services – None.

Procurement – Corporate Procurement have been consulted on the course of action and support the proposals.

Sustainability Implications- The arrangements will offer the continued opportunity for sustainable waste treatment with reduction in the reliance on landfill.

8. Background Information

- 8.1 None