

**CABINET MEETING – 14 JANUARY 2009**

**EXECUTIVE SUMMARY SHEET - PART 1**

**Title of Report:**

Wastes Management- Ancillary Procurements

**Author(s):**

Director of Community and Cultural Services

**Purpose of Report:**

To confirm revised arrangements for the ancillary contracts with the introduction of initial contracts for a term of three years from April 2010 with options for a series of one year extensions thereafter (prior to the award of contracts for the previously agreed periods); and to seek approval to subject those initial contracts to a competitive tendering exercise.

**Description of Decision:**

Members are recommended to:

- a) approve amendments to the proposed contract periods to provide for an initial term of 3 years (prior to the award of contracts for periods of 10 years as previously approved) for:
  - i) Recycling of Dry Recyclables (Materials Recycling facility); and
  - ii) Green waste recycling (without food waste); and
- b) agree to procure necessary landfill arrangements for an initial period of 3 years;
- c) agree that all proposed contracts allow for a series of up to three one-year extensions beyond the initial contract term in order that arrangements and facilities will be available in the event of any delays in the commissioning of strategic sub-regional waste treatment facilities;
- d) approve a competitive tendering exercise in respect of the proposed contracts.

**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 Landfill Allowance trading Scheme (LATS). to provide for a smooth transitional period between current and future long-term collection systems and treatment arrangements that maximise efficiencies and cost effectiveness

**Alternative options to be considered and recommended to be rejected:**

i) The procurement of services could proceed on the basis of the contract periods previously identified. This does not take into consideration the linkages between contracts in addressing long-term solutions and the need to maximise efficiencies and the consequent requirements of each Council.

ii) Procurement could proceed on the basis of shorter contract periods than those identified in the body of the report. This would necessitate the repetition of a tendering exercise within a very short timescale and is not considered to offer best use of resources.

iii) Do – nothing. This does not offer a legally compliant alternative.

**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**

**WASTES MANAGEMENT- ANCILLARY PROCUREMENT**

**1. PURPOSE OF REPORT**

- 1.1 To confirm revised arrangements for the ancillary contracts with the introduction of initial contracts for a term of three years from April 2010 with options for a series of one year extensions thereafter ( prior to the award of contracts for the previously agreed periods); and to seek approval to subject those initial contracts to a competitive tendering exercise.

**2 RECOMMENDATIONS**

- 2.1 Members are recommended to:

- a) approve amendments to the proposed contract periods to provide for an initial term of 3 years (prior to the award of contracts for periods of 10 years as previously approved) for:
  - i) Recycling of Dry Recyclables (Materials Recycling facility); and
  - ii) Green waste recycling (without food waste); and
- b) agree to procure necessary landfill arrangements for an initial period of 3 years;
- c) agree that all proposed contracts allow for a series of up to three one-year extensions beyond the initial contract term in order that arrangements and facilities will be available in the event of any delays in the commissioning of strategic sub-regional waste treatment facilities;
- d) approve a competitive tendering exercise in respect of the proposed contracts.

**3. BACKGROUND**

- 3.1 Cabinets of the three Councils of the South Tyne and Wear Waste Management Partnership (Gateshead, South Tyneside and Sunderland) received a report in Summer 2008 (26 June) regarding Waste Management Partnership Arrangements and approved a recommendation that the method of procurement and nature of the contracts for those waste services outwith the PFI supported procurement be as set out in the body of that report.
- 3.2 A further recommendation was to approve a procurement exercise for interim waste management arrangements for 3 years, with extensions for up to a further 3 years, from April/ May 2009 that reduce reliance on landfill.

- 3.3 The report identified that arrangements for the recycling of dry recyclables (Material Recycling Facility) and green waste recycling with/without food waste would both be sought for a 10 year term.
- 3.4 Furthermore landfill requirements and associated contractual arrangements would initially be kept separate from the PFI supported Residual Waste treatment solution. The end date for the landfill contract would be contiguous with the proposed contract for interim arrangements.
- 3.5 The requirement to improve recycling performance in recent years led to each Council introducing collection schemes for recyclables (Kerb-It) and garden waste (Green-It). Consequently each Council (or its contractors) has significantly increased its fleet of large, high-value vehicles.
- 3.6 Refuse collection and recycling vehicles are significant users of diesel (approximately 1 mile per litre). The volatility of oil prices over recent months with unprecedented peaks in the summer of 2008 significantly increased operational costs. Whilst more recent price reductions will alleviate that budget pressure price volatility and security of supply remain major concerns.
- 3.7 The growth in municipal waste locally (and nationally) has abated and total quantities of waste handled are reducing. This situation appears to be reinforced by the prevailing economic conditions.

#### **4 REVIEW**

- 4.1 Officers from the three Councils have had the opportunity to consider at length future collection arrangements for recyclable and compostable materials, the implications for waste treatment facilities and of the interrelationship of each contract with the other.
- 4.2 Principal considerations in planning for changes to collection arrangements are:
- i) limiting / reducing the number and environmental impact of large vehicles used to collect materials and securing efficiencies from the use of such high capital value items.
  - ii) the continuing requirement to identify 3% per year cashable efficiencies.
  - iii) the anticipated further challenges for local government finance in light of the current prevailing economic conditions.
  - iv) the volatility of markets for recycled commodities and the need to maximise marketability and value from collected materials.
  - v) the need for customer-focused service delivery with ease of use and understanding for customers.
  - vi) changing demographics e.g. ageing population, increased numbers of single occupants.

- vii) health and safety implications for staff engaged in service delivery.
- viii) costs of fuel (derv), price volatility and future supply.
- ix) the requirement for flexibility to allow a transition between current and future service delivery arrangements.

## **5. MATERIALS AND COLLECTION ARRANGEMENTS**

5.1 Further consideration of the most appropriate (if any) collection arrangements for the collection of food waste is required. There are uncertainties in respect of future facilities associated with the treatment of food waste and possible changes in the levels of that waste within the overall waste-stream.

5.2 Current indications such as changing consumer habits, availability of treatment facilities and potential costs; do not suggest that food waste is collected separately but we should continue its collection with residual waste and undertake further evaluation to determine whether to implement a separate collection of food waste or a mixed collection of food and green waste beyond 2013.

5.3 The following factors support the view that newspapers, magazines and pamphlets (and other paper) should continue to be separated at the point of collection (although the position may change in line with demand):

- the recent collapse in demand and prices for recyclable commodities
- warnings from WRAP regarding their future marketability
- the need to avoid unnecessary processing difficulties and costs.

This may necessitate the provision of a separate receptacle, container or bag to householders for that purpose.

5.4 Other recycled commodities could be mixed (co-mingled) to simplify systems for the householder but would require sorting at a Materials Recycling Facility (MRF).

5.5 The distinct components to be collected would, therefore, be:

- i) residual waste (from a wheeled bin)
- ii) green waste (from a wheeled bin)
- iii) mixed recyclables (glass, cans, card, textiles, plastics), (from a wheeled bin); and
- iv) paper (newspaper, magazines) (from a separate bag or caddy).

5.6 A review of possible scenarios and vehicle types indicates that a system using refuse collection vehicles with divided compaction bodies would satisfy the requirements of 5.4 and 5.5 and offer efficiencies in vehicle utilisation (numbers and operating costs) in the mid to longer term.

## **6. TRANSITION ARRANGEMENTS**

- 6.1 The current Kerb-It contracts for each of the partner Councils come to an end on 31 March 2010.
- 6.2 Contracts for the acceptance and treatment of green garden waste from Green-It or similar schemes terminate on 31 March 2010 for Sunderland and Gateshead Councils but 31 March 2013 for South Tyneside Council.
- 6.3 Termination dates for existing landfill contracts vary between the partner Councils.
- 6.4 Each of the partner Councils will need to consider replacement of its fleet of Kerb-It vehicles during 2009/10 and 2010/11 as they come to the end of their economic life. Other front-line refuse collection vehicles are replaced on a cyclical basis according to arrangements adopted by each Council.
- 6.5 The introduction of a further wheeled-bin for collection of mixed recyclables to all conventional dwellings will be a large task and will require a phased programme to be established and implemented.
- 6.6 The utilisation of refuse collection vehicles with twin- compartment compaction bodies would provide for further flexibility in the event partner Councils wished to vary collection arrangements for residual and recyclable elements of the waste stream.
- 6.7 The transition between existing and new collection systems necessitates utilisation of the waste treatment infrastructure in the sub-region as it currently exists or is planned.

As the transition is completed there will be a need to move to arrangements where a “one-stop” discharge facility is provided by the contractor(s) where all components of the waste stream can be accepted in order to maximise the efficiency of vehicles. Such a facility may be local to each Council or centrally located to them all. Facilities that satisfy this requirement will need to be planned and developed accordingly.

## **7. CONCLUSION**

- 7.1 A number of factors point to the requirement to reconsider the contract periods for the ancillary waste contracts including:
  - the efficiency benefits of seeking to secure a “one-stop” facility for the deposit of all components of the waste stream;
  - the requirement for a (at this stage indeterminate) transition period to introduce new containers to every (conventional) dwelling and to change vehicles;

- the potential for the strategic residual waste solution to be under construction within the next three years but with the precise timing of delivery uncertain;
- as well as the differences in current contract terms between the partner Councils.

7.2 Contract periods of three years commencing 1 April 2010 will allow flexibility for all of the matters set out in 7.1 to be addressed ahead of entering into a longer-term contract possibly involving new and significant capital investment. The provision of optional one- year extensions to the initial terms will ensure that arrangements and facilities will be available in the event of any delays in the commissioning of strategic sub- regional waste treatment facilities.

7.3 In order to provide for flexibility it is proposed that the tender documents provide for the possibility of a contract for each component/commodity to cover all three Councils or lots that fulfil individual Councils requirements.

## **8. REASONS FOR DECISION**

8.1 For the following reasons:

- to achieve the objectives of the Joint Municipal Waste Management Strategy
- to ensure LATS compliance
- to provide for a smooth transitional period between current and future long-term collection systems and treatment arrangements that maximise efficiencies and cost effectiveness

## **9. ALTERNATIVE OPTIONS**

9.1 The procurement of services could proceed on the basis of the contract periods previously identified. This does not take into consideration the linkages between contracts in addressing long-term solutions and the need to maximise efficiencies and the consequent requirements of each Council.

9.2 Procurement could proceed on the basis of shorter contract periods than those identified in the body of the report. This would necessitate the repetition of a tendering exercise within a very short timescale and is not considered to offer best use of resources.

9.3 Do – nothing. This does not offer a legally compliant alternative.

## **10 RELEVANT CONSIDERATIONS/CONSULTATIONS**

### **10.1 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 Landfill Allowance Trading Scheme (which the approach outlined in this report is seeking to avoid) 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.

**11. BACKGROUND PAPERS**

11.1 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) Report of the Director of Community and Cultural Services- Waste Management partnership Arrangements- Cabinet 26 June 2008
- v) South Tyne and Wear Waste Management Partnership Joint Municipal Waste Strategy 2007-2027