

TELFORD & WREKIN COUNCIL

CABINET - 23 FEBRUARY 2012

WASTE MANAGEMENT PROCUREMENT OPTIONS APPRAISAL REPORT

REPORT OF THE LEAD CORPORATE DIRECTOR FOR ENVIRONMENTAL SERVICES

1. SUMMARY OF MAIN PROPOSALS

- 1.1 The purpose of this report is to seek Cabinet approval on the future waste management service options prior to the Council entering into formal procurement.
- (Waste management collection, disposal and treatment contracts are due for renewal from 2014 up until to 2019 - **Appendix 1**).
- 1.2 Based upon the factors and findings detailed within section 3 of this report an Outline Services Framework has been scoped prior to formal procurement (**Appendix 2**). This framework sets out the 'packages' of service elements which are likely to be procured through a single procurement exercise to maximise best value opportunities. This could then lead to a series of phased contract start dates depending upon the expiry of current contracts.
- 1.3 Common waste industry practice is to offer a contract in 7 year blocks. At Telford & Wrekin a 14 year contract(s), commencing 2014, is the likely most suitable option as it will provide the opportunity for private sector investment into the whole waste management infrastructure and will reduce procurement costs and risks over the longer term.
- 1.4 A detailed options appraisal has been undertaken by the Council. This demonstrates that the use of a waste bulking/transfer station within or adjacent the borough is likely to be necessary if the Council is to utilise and gain best value from treatment and disposal facilities outside of the borough. This presents the lowest cost, least risk and most flexible solution for managing the deliveries of residual and dry recyclable waste to such treatment and disposal facilities when assessed against all known alternatives to a waste bulking/transfer facility.
- 1.5 A further assessment of options for bringing a potential waste/bulking transfer station into operation within or adjacent to the borough through a future contract has indicated that this is likely to be via three options for contractors to consider:
- a. The Council makes available land and, if it is able, obtains outline planning permission (secured if possible in parallel to procurement) and the future contractor builds and operates a facility
 - b. The future contractor is able to provide land on which to design, build and operate a facility
 - c. The future contractor is able to have access to an existing facility
- 1.6 To test the likely market response of the options referred to in 1.2 (detailed in Appendix 2, Outline Services Framework), 1.3 and 1.5, the Council has been

advised that it should hold a market sounding event with potential bidders. To maximise interest, bidders will be invited to attend a market sounding event. Further Cabinet approval will be sought prior to commencement of the formal procurement process.

2. Recommendations

2.1 That:

- Cabinet agree the Outline Services Framework (Appendix 2) to support the procurement process.
- Cabinet agrees that the Council holds a market sounding event to inform the procurement process
- Cabinet agrees that the recommendations within this report are used to update the Municipal Waste Strategy 2005-2021
- Cabinet notes that a further report will be brought to Cabinet by May 2012 to commence formal procurement.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific service objective(s)?	
	Yes	The key themes of the Council's Municipal Waste Management Strategy are to deliver a value for money waste management solution that gives priority to increasing performance to reduce, re-use, recycle and compost waste. The remaining residual waste to be diverted away from landfill
	Will the proposals impact on specific groups of people?	
	Yes	The delivery of the waste management service will have a borough wide impact. As the detail of the future service begins to emerge an appropriate equality impact assessment will be undertaken to assess the impact proposals will have on specific groups.
TARGET COMPLETION/DELIVERY DATE	A a market sounding event will be held prior to a further report to Cabinet for approval in May 2012 to commence formal procurement.	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	The Council's aim will be to maximise best value through the procurement of new contracts listed in Appendix 1, For the purposes of the OJEU Prior Information Notice (PIN)an indicative contract value range of £80 million to £100 million will be used. This figure reflects the total funding available for the life of the contract (2014 to 2028). £100k is included within the revenue budget strategy for both 2012/13 and 2013/14 to meet the costs of specialist support for the

		procurement process. See paragraph 5 for further details.
LEGAL ISSUES	Yes	The Council must have regard for the Public Procurement Regulations 2006 (as amended), together with the Council's own Constitution. There may also be TUPE issues arising but ongoing legal advice will be provided throughout the project.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	Procurement processes can bring a risk of challenge from bidders and the Council and its legal advisers will need to ensure the procurement is carried out in accordance with the legal requirements. There is also a risk of challenge if the procurement process is abandoned partway through or if the Council decides to vary its requirements (which is likely to lead to having to re-start the procurement process).
IMPACT ON SPECIFIC WARDS	Yes	The future waste management service will have a borough wide impact.

4. INFORMATION

4.1 Local Context and Background

Procurement

4.1.1. Current contracts, including contract periods are illustrated in **Appendix 1**.

4.1.2. On the 8 December 2008, Cabinet took the decision to cease a procurement exercise for a long term waste treatment and disposal contract. This was to enable the Council to carry out a detailed options appraisal to establish the best known viable solution for managing the treatment and disposal of both residual and dry recycled waste. This work is referred to in 1.4 and 1.5 which has determined that it would still not be beneficial for the Council to build its own waste treatment facility.

Waste Management Strategy

4.1.3. The Council's Municipal Waste Management Strategy 2005-2021 was scheduled for review in 2008 and again in 2012. The 2008 review led to the decision to cease the procurement exercise in the same year. In addition, to support forthcoming formal procurement a more detailed analysis has been undertaken (see 1.2, 1.3, 1.4 and 1.5 above), together with a range of community engagement exercises (referred to in 4.1.11). This work, together with the outcome of the procurement process will inform the second review and until then this report provides an update to the Council's strategic direction to waste.

Waste Composition and Targets

- 4.1.4. The key findings of analysis undertaken in 2006 on the average composition of kerbside collected residual waste within Telford & Wrekin established that 22% of materials could have been recycled through using the existing dry recycling kerbside collection service.
- 4.1.5. In 2011 this figure lowered to 17.5%, following a number of key changes made to improve the dry recyclable collection service for householders. These changes included the introduction of the collection of plastic bottles and trays and the provision of additional and alternative dry recyclable containers. The three main components of residual waste in 2006 compared to 2011 were:-

	2006	2011
Food waste	31.5%	36%
Plastic	18.5%	17.5% (2.1% of this is plastic bottles which could be recycled via the existing kerbside service)
Paper	13.5% (was already collected by the dry recyclable kerbside collection)	10.6% (half of which could be recycled via the existing kerbside collection service)

- 4.1.6. Household dry recyclable and green waste (combined) diverted from landfill was 43.69% in 2010/11, an increase from 35% in 2006. **It remains important that the Council maximises the amount recycled to reduce landfill costs.**
- 4.1.7. National statistics indicate that **a co-mingled recycling solution can increase the amount of dry kerbside recyclables collected by up to 24%**. Based on 2010/11 tonnages such an increase in Telford and Wrekin would raise recycling tonnages by 3,013 tonnes.
- 4.1.8. Of the top 13 improving authorities in England in 2010/11, 11 moved to co-mingled collections via wheelie bins. 26 of the top 30 performing councils in 2009/10 started using co-mingled collections. When combined with other systems it is estimated that recycling rates of over 70% can be achieved. There is the opportunity for the Council to assess a package of systems that deliver an increase in recycling rates where affordable.
- 4.1.9. The Council managed a total of 88,675 tonnes of Municipal waste in 2010/11. Of this 51,506 tonnes were land-filled, 37,152 tonnes were recovered or recycled and 16 tonnes of clinical waste were heat treated.

Population Growth and Community Engagement Findings

- 4.1.10. The current population model has recently been re-run using revised forecasts of housing growth (provided by the Council's Planning service) to take into consideration the current economic climate. This envisages a population projection of between 191,000 and 196,300 by 2026 depending on the level of development of allocated and expected future allocated housing land. The population of the Borough in 2010 was some 170,300 people – a growth of 1,500 from 2009.

4.1.11. A number of community engagement activities have been undertaken over the last 18 months to seek feedback on the future waste service, barriers to recycling and the food waste trial. A summary of responses from these engagement activities has indicated that:

- a. There is support to increase recycling rates to over 60%.
- b. There is an openness to increase the range of materials recycled, provided the system is kept simple and clean.
- c. The current kerbside dry recyclable system is complicated as the number of containers and bags are difficult to manage and require considerable storage space.
- d. There is a preference for a single wheelie bin dry recyclable system.
- e. The food collection system would be better received if liners were provided for the containers as there is concern about odours and cleanliness.

4.2 Emerging Legislative Considerations

4.2.1 Earlier this year the Government released proposals for future waste management, following a national review of Waste Policy. Government intend to consult on further restriction on waste which can be sent to landfill. There will be a consultation on banning wood waste to landfill during 2012 but also on textiles and biodegradable waste during the current Parliament.

4.2.2 Food waste is a key biodegradable waste and the review sets out the long term vision to treat this as a resource for renewable fuel and bio compost with none being sent landfill. Food waste could be banned from landfill before 2014 and any national funding to support this is not clear at this stage.

4.2.3 Although not specifically mentioned in the review, nappies are partially biodegradable and these may also be included in a ban on biodegradable waste to landfill.

4.2.4 The EU national targets to divert biodegradable waste from landfill were apportioned to individual councils by Government and managed through a landfill allowance trading scheme (LATS). At the point of the review the Government took the decision to remove the scheme which will end in 2013. However, national targets will remain until 2020 and the Government will use landfill tax as an incentive to meet national diversion targets.

4.2.5 To meet future targets it is estimated that the amount of biodegradable waste sent by the Council to landfill will need to be reduced by a further 29% (18,365 tonnes) per year. **If the current collection systems and disposal transport and treatment infrastructure continues (i.e. the Council does nothing to reduce biodegradable waste going to landfill) this could cost the Council an additional £698,000 per year.**

4.2.6 The Waste (England and Wales) Regulations 2011 introduced changes to the national 'waste hierarchy'. These changes place duties on local authorities to 'take all such measures available to it as are reasonable' to apply the waste hierarchy'. This means that the Council will have an increased legal responsibility to recycle, re-

use and minimise waste material. The Environment Agency will shortly publish guidance on how these requirements can be met in practice.

- 4.2.7 From 1 January 2015 measures must be taken to separately collect waste paper, metal, plastic and glass. However, a co-mingled collection is currently considered a separate collection which complies with this requirement.

5. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

- 5.1 Any EU procurement process carries with it the risk of legal challenge should transparency, openness and fairness not be adhered to throughout the process. There is also a potential for challenge if the Council materially changes the nature of its requirements during the process. Any challenge has the potential to result in significant financial and legal implications. Therefore, establishing the Council's requirements and future contract service model and the process by which it will be achieved is a critical element of preparing the Council for procurement.
- 5.2 To determine the procurement 'lots' it is essential that the Council establishes the nature of the future waste management service so that this can be broken down into contract elements for potential contractors to bid against.
- 5.3 The costs of the service as outlined in the Outline Services Framework at Appendix 2 will be determined during the tender process. The budget assumption is that the new contracts will be delivered within available budgets in 2014/15 (net of 20% savings). For the purposes of the PIN an indicative figure of £80m to £100m will be used. This reflects the total budget available for the whole life of the contract (2014 to 2028).
- 5.4 The procurement process will be managed by existing staff as far as possible in order to minimise costs, although specialist legal and financial support will be required on occasions. Provision has been made within the budget strategy for £100,000 of external support costs each year for two years, 2012/13 and 2013/14. The use and cost of external and specialist support will be monitored and controlled by the Waste Steering Group and reported through the financial monitoring process as necessary. Any unavoidable unbudgeted costs will be met from service underspends (if available) or the corporate contingency budget.
- 5.5 Financial advice and support will be provided throughout the procurement process and further reports will be brought forward for approval as necessary.

6. PREVIOUS MINUTES

- 6.1 8 December 2008 Cabinet report advised Members of progress regarding the establishment of new treatment and disposal services and approval was given to terminate the existing procurement without awarding a contract.
- 6.1.1 22 June, 2010 Cabinet report gained approval to make changes to the provision of the waste management infrastructure in the borough, including the construction of a new community recycling centre, to replace existing centres, co-located with a waste bulking station.

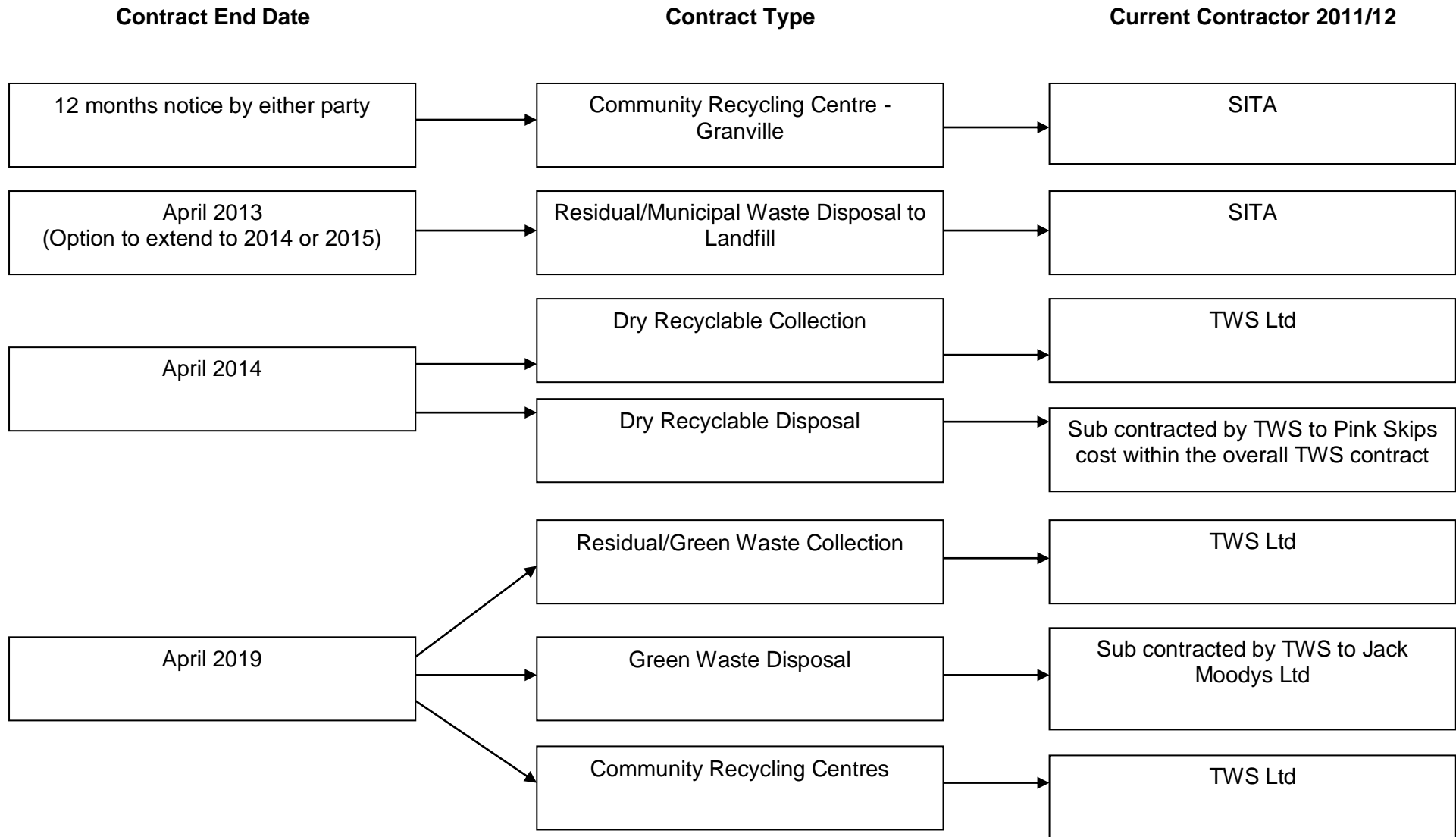
- 6.2 21 June 2011 Cabinet and 23 June 2011 Council, report on Service and Financial Planning 2010/11 outturn and 2011/12 update, amended the capital allocation available for the Waste Strategy.
- 6.3 10 November 2011 Cabinet and 24 November 2011 Council, report on 100 Day Review of 2011/12 Service and Financial Planning Strategy, deleted the capital allocation for the waste strategy which included for the provision of a bulking station, pending the outcome of the waste and recycling procurement exercise.

7. BACKGROUND PAPERS

- 7.1 Government Review of Waste Policy in England 2011.
- 7.2 Telford & Wrekin Council Municipal Waste Management Strategy 2005 to 2021.
- 7.3 Telford & Wrekin Population Estimates and Projections Report November 2011.

Report prepared by Debbie Germany, Organisational Improvement Manager (telephone: 01952 384065) in conjunction with Matt Whitfield, Strategic Waste Team Leader.

Appendix 1 – Waste Management/Treatment Contract End Dates and Arrangements



Appendix 2 - Outline Service Framework

Ref	Contract Elements - Lot/s to be confirmed after the Market Sounding day and before formal procurement	Single Procurement 2014 – 2028 (2014 – 14 years and 2019 – 9 years)		
		New Contract From	Existing Contract Expires	Comments
1.	Minimum Collection: a) Dry Recyclables - paper, glass, cardboard, cans, plastics, plus batteries, light bulbs, and textiles	2014	2014	<ul style="list-style-type: none"> • Maintain alternate weekly collection • Explore co-mingled solution for paper, glass, cardboard, cans and plastics • Explore combining food and co-mingling collections on one vehicle
2.	Possible Collection: a) Food b) Other materials	2014	n/a	<ul style="list-style-type: none"> • Weekly collection may be desirable - requirement may be essential depending upon legislative changes. • Appropriate containers to respond to resident feedback
3.	Minimum Collection: a) Residual b) Green	2019	2019	<ul style="list-style-type: none"> • Maintain alternate weekly collection. • Explore same vehicle collection of green and residual. • Up to 240L wheelie bins for green and residual waste.
4.	Treatment and Disposal: a) Build a waste/transfer bulking station facility (if necessary) b) Operation of a bulking station inc. de-watering of road sweepings/gullies (if necessary) c) Treatment and disposal, including onwards transport	2014 (no later than 2015) 2014 2019	Disposal: 2014 (MRF) 2013/2015 (landfill) 2019 (green)	<ul style="list-style-type: none"> • Council to assess the market for: a) Council makes available land and, if it is able, submits an application for outline planning permission (if possible, outline planning permission secured in parallel to procurement) for the future contractor to build and operate a facility b) future contractor is able to provide land on which to build and operate the facility. c) future contractor is able to have access to an existing facility • Meet the Council's statutory responsibility to minimise waste sent to landfill.
5.	CRCs: a) Site management and management of specialist destinations e.g. tyres b) Transport to bulking station and specialist facilities c) Support s local re-use scheme	2019	2019 (except Granville)	<ul style="list-style-type: none"> • CRC review outcome to determine site management arrangements.
6.	Bulk Collections	2019	2019	<ul style="list-style-type: none"> • Seek ways to encourage/support 3rd sector