

REPORT TO: Executive Board
DATE: 29th March 2007
REPORTING OFFICER: Strategic Director, Environment
SUBJECT: Waste Management
WARD(S): Borough-wide

1. PURPOSE OF REPORT

- 1.1 This report seeks to update Executive Board on the progress made with the developing partnership arrangements with the Merseyside Authorities, the procurement of waste treatment services and facilities and the financial consequences as a result. The report also seeks approval of the Council's Waste Action Plan and of the Council's Contract Procurement Strategy with the Merseyside Waste Disposal Authority.

2. RECOMMENDED: That;

- 2.1 Executive Board note the progress being made with the procurement of waste treatment services and facilities and the developing partnership arrangements with the Merseyside Authorities;
- 2.2 Executive Board approve the adoption of Halton's Waste Action Plan and of the Contract Procurement Strategy with the Merseyside Waste Disposal Authority.

3. BACKGROUND

- 3.1 Members will recall that at their meeting of 21st September 2006, Executive Board approval was given for the establishment of a formal partnership with the Merseyside Waste Disposal Authority (MWDA) for the procurement of appropriate waste treatment & disposal services and facilities (EXB 40/2006 refers). Officers subsequently declared Halton's intentions to the MWDA and at a meeting of 17th November 2006, the Merseyside Waste Disposal Authority Board Members approved Halton's inclusion in the Merseyside Waste Partnership.
- 3.2 Members of the Board will also be aware that as a member of the Merseyside Waste Partnership, Halton was required to align both strategically and operationally with Merseyside and to achieve this officers have been working, with the support of external consultants, to accomplish a number of objectives, including the development of an updated Waste Management Strategy, a Waste Action Plan, and a formal Inter Authority Agreement between the two parties.
- 3.3 Halton was also required to commit the financial expenditure required to deliver the future waste treatment infrastructure and to this end consultants were commissioned to produce a Financial Analysis Report to establish the financial consequences of working in partnership with Merseyside to allow the Council to fully consider the implications of such a commitment.

4. SUPPORTING INFORMATION

Waste Management Strategy Update

- 4.1 To successfully develop the Partnership with Merseyside, Halton's Waste Management Strategy was required to be updated and restructured to align with that of Merseyside. Funding for direct consultancy support has recently been approved by Defra in order to carry out the updates of both Halton's and Merseyside's Strategies. Initial meetings and preparatory work has already commenced and the draft strategies are expected to be complete by October 2007.
- 4.2 The new waste strategy will incorporate a detailed action plan for waste prevention, with a prioritised programme of key initiatives for waste avoidance, minimisation and reuse, timescales, resource estimates and responsibilities for implementation and delivery.
- 4.3 The overall aim is to ensure that Halton's Waste Management and Prevention Strategies, together with the associated Waste Action Plan, (see Para 4.8) are sustainable. The consultant's work will therefore provide a sound basis on which existing and developing documents can be appraised now, as part of this exercise, and in the future.
- 4.4 Where appropriate, the aims, objectives, targets and pledges will remain as described in Halton's current document. Key areas where an update will be required include Legislative changes and new Government policies, including UK Sustainable Development Strategy, Climate Change Action Plan, Sustainable Procurement Action Plan and the revised National Waste Strategy.
- 4.5 The revised national waste strategy is due to be published by the end of March 2007. Although at the time of writing this report no date for the publication had been confirmed, recent updates from Government Office North West representatives indicates that the following outcomes are likely:
 - A proposed 40% recycling target by 2010.
 - Beyond that higher targets may be proposed but subject to further consultation
 - Greater working on linking commercial/business waste and local authorities
 - The landfill tax escalator will be reconsidered and consultation on setting higher rates will be expected. The tax is likely to rise more than the current £3 per year increase and above the current £35 maximum.
 - It is envisaged that 25% of the residual waste stream will be utilised in energy from waste EFW facilities.
 - There will be a new target for residual waste per household
 - Local Authority powers for direct charging for household waste and consultation is likely to be decided by the current "Lyons" review.

Pooled Targets

- 4.6 A pooled recycling target proposal, submitted on behalf of the Merseyside Waste Partnership (including Halton), was approved by the Minister of State

for Local Environment, Marine and Animal Welfare on 19th December 2006. The amended targets for Halton and Merseyside are detailed below:

Authority	Existing Target 07/08	New Pooled Statutory Target 07/08
Knowsley	20%	20%
Liverpool	20%	20%
Sefton	21%	23%
St Helens	20%	23%
Wirral	20%	23%
Merseyside WDA	22%	26%
Halton	20%	25%
Merseyside & Halton Pooled Target	–	26%

- 4.7 The pooling of standards strengthens the cooperation between Halton and the Merseyside authorities and shows our commitment to joint working and it is anticipated that Halton will achieve this new stretched statutory performance target by the end of 2006/07.

Waste Action Plan

- 4.8 Halton has commissioned consultants to produce a report that sets out its aims for future collection services and Halton's Waste Action Plan sets out future plans for the further introduction of recycling services within the borough. Essentially, the plan is to extend the current dry recyclables (paper) kerbside collection to a multi-material collection. The aim is to encourage participation in the scheme and to increase the tonnage of recyclable materials collected. Plastic bottles, cans and cardboard will be added to the collection scheme, with the potential to include glass if practicable.
- 4.9 It is proposed that initially, a trial will be undertaken with approximately 6,000 properties receiving the multi-material collection service. The blue 140 litre wheeled bins will continue to be used to collect the multi recyclable materials, in addition to paper, and the frequency of collections will increase from four weekly to fortnightly. The increased collection of recyclable materials will facilitate the collection of residual waste on a fortnightly basis from these properties. If successful, the scheme will be rolled out across the Borough to all suitable properties from 2008/09 to 2009/10. This would see the collection of co-mingled recyclable materials (as well as the kerbside garden waste collections) provided to approximately 36,000 properties and would facilitate the provision of alternate weekly collections of refuse at these properties.
- 4.10 The multi material recycling collection service will be extended to all remaining properties in 2010, however, those properties that cannot be serviced with a wheeled bin collection, or those with particular waste receptacle storage difficulties, will remain on a weekly collection of residual waste.
- 4.11 A report commissioned by the Department for Food and Rural Affairs (DEFRA), and carried out by independent consultants has found that the alternate weekly collection of residual waste does not increase the risk of

infestation, and despite recent fears, the report found that there is also no health risk to members of the public with the introduction of such a scheme.

- 4.12 The draft Waste Action Plan is attached as Appendix 3 and the table below summarises the direct additional annual costs for the introduction of the additional services up to 2010/11;

Budget Year	Additional Annual Growth
	£'000
2008/2009	161
2009/2010	185
2010/2011	182

- 4.13 The Household Waste Recycling Act 2003 requires all English waste collection authorities to collect at least two types of recyclable waste from all households in their area by 31st December 2010. This target is a statutory performance indicator (BVPI 91b) and Halton's current performance of 57% places the authority in the bottom quartile.
- 4.14 A recent Audit Commission report highlighted that one area that the Council needed to address was to increase the level of recyclables collected from Households and the Waste Action Plan details the Council's plans to meet this requirement by annually extending number of households served by such collections.
- 4.15 A commitment to develop and approve a Waste Action Plan was required in order for Halton to be accepted as a partner in the procurement process with Merseyside.

Contract Procurement Strategy

- 4.16 The Council continues to pursue a '3 contract' procurement strategy for;
- Landfill Disposal - This contract provides for landfill disposal facilities for residual waste from 1st February 2008 until 1st October 2013 (or when fully integrated within the MWDA arrangements, which ever is sooner.)
 - Waste Management & Recycling - This contract includes the Operation and Management of Recycling and Household Waste Centres (RHHWC's), the Management of Materials Recycling Facilities and the Management of Waste Transfer Stations as from 1st October 2008, for a contract period of between 15 and 20 years.
 - Resource Recovery - This contract includes the construction and operation of Residual Waste Treatment plants as from October 2008 for a period of 25years.
- 4.17 The Council is to be included in the joint procurement arrangements for the Waste Management & Recycling Contract and the Resource Recovery Contract with Merseyside, but as the MWDA had already issued an OJEU notice and PQQ for Landfill Disposal prior to Halton's involvement in the partnership, Halton is required to make it's own contractual arrangements for landfill disposal.

- 4.18 Furthermore, as the Councils contractual arrangements for the Management and Operation of Recycling and Household Waste Centres (RHHWC's) end on 31st January 2008, and the new contractual arrangements with Merseyside will not commence until 1st October 2008, interim contractual arrangements are required to put in place to continue this service during that period. Following Executive Board approval on 25th January 2006, Waste Management Officers are currently proceeding with arrangements to ensure that all necessary contractual arrangements are in place as from 1st February 2008. The associated procurement costs, estimated to total £260,000, are to be met from within existing Waste Management budgets and the procurement timetable for all major contracts is attached as Appendix 1.

Financial Analysis Report

- 4.19 Previous forecasts predicted that the costs of working in partnership with Merseyside represented no greater financial burden to the authority than previous partnership options and an exercise has recently been undertaken to identify the costs of the Joint Working Arrangement with Merseyside Waste Disposal Authority. The scope of the exercise was to produce financial modelling of the costs associated with:-

4.19.1 The 'Do Something Option' which would see Halton entering into a joint working arrangement for the Authority to jointly procure with MWDA a Waste Management & Recycling Contract and a Resource Recovery Contract. The outcome of this course of action produces a funding gap between forecasted budgets over a 26 year period of £67m.

4.19.2 A 'Do Nothing Option' with Halton continuing with the status quo, which assumes a continuing dependence on landfill for the disposal of residual waste. The outcome of this course of action produced a funding gap over the same period of £82m.

- 4.20 A summary of the report is attached as Appendix 2, and the table below highlights the short and medium term increases in the Waste Management Services budget required to achieve the above options. The large increase in budget year 2011/2012 in the 'Do Something' column represents the new facilities coming on-line.

Budget Year	'Do Something'	'Do Nothing'
	£'000	£'000
2008/2009	-142	121
2009/2010	178	645
2010/2011	274	865
2011/2012	1374	1188
2012/2013	284	1455

- 4.21 These figures include Halton's apportionment of the costs of acquiring land upon which to site new waste treatment facilities, and assumes a payment mechanism whereby Halton is charged on a tonnage basis for waste treated through the various joint contractual arrangements.

Inter Authority Agreement (IAA)

- 4.22 A Memorandum of Understanding (MoU) containing partnership principles between Halton and the MWDA was agreed and signed by both parties. Work is continuing on the preparation of a formal Inter Authority Agreement (IAA), although, two key issues remain unresolved at this time;
- 4.22.1 The IAA will represent an agreement for MWDA to procure facilities on behalf of Halton Borough Council, however, the definition of "procurement" and exactly what it is that Halton will be delegating to the MWDA has yet to be determined.
- 4.22.2 As Halton is not constitutionally permitted to sit on the MWDA Board, and therefore has no voting rights, Governance remains a key area of concern for Halton. The setting up of a joint Committee with decision making powers currently appears to be a favourable option for both parties.
- 4.23 Work is continuing on the IAA and when completed it will be submitted to a future meeting of this Board for approval.

MWDA Progress Update

- 4.24 The Reference Project being taken forward by MWDA identifies the need for 2 Large Combined Facilities delivering Mechanical Biological Treatment (MBT) together with Energy Recovery (ERF), though the MWDA is pursuing 4 sites in order to deliver two strategic facilities. The Authority is taking two sites forward to the planning stage and holding two in reserve and have taken this approach in order to mitigate the risk of failure should any particular preferred site or application stall for unforeseen reasons. It is intended that the MWDA will present to the Merseyside Leaders and Chief Executives the final list of sites to be taken forward to acquisition and planning.
- 4.25 A revised Outline Business Case (OBC) for PFI Credits of £90m will be submitted by the MWDA for reconsideration on 17th April 2007. The revised OBC includes Halton as member within the Merseyside Waste Partnership.
- 4.26 With regard to the Waste Management and Recycling Contract, 9 expressions of interest were received, and the Pre-Qualification stage is now nearing completion. Due to it's complex nature, this contract will be procured through a competitive Dialogue process with an evaluation report, and approval of short list, expected in May 2007.

5. FINANCIAL ISSUES

- 5.1 The relevant financial issues are covered within this report.

6. POLICY IMPLICATIONS

- 6.1 The relevant policy implications are covered within this report

7. OTHER IMPLICATIONS

- 7.1 There are no other implications arising from this report.

8. RISK ANALYSIS

- 8.1 Failure to approve the Waste Action Plan or failure to commit to the expenditure required to move forward with the procurement of facilities and services with the MWDA will jeopardise Halton's membership of the Merseyside Waste Partnership and leave the authority vulnerable to the significant financial and other risks associated with failing to deliver facilities required to meet future waste management targets.

9. EQUALITY AND DIVERSITY ISSUES

- 9.1 There are no specific equality or diversity issues as a result of this report.

3 CONTRACT PROCUREMENT - KEY DATES TIMETABLE**Halton Landfill Contract**

Issue of OJEU notice	19.03.07
Deadline for receipt of completed PQQs	30.04.07 (42 days)
Evaluation of PQQs (Enviros)	30.04.07 – 21.05.07
Consideration of recommendations	07.06.07
Issue of ITT documentation	11.06.07
Deadline for receipt of completed ITTs	06.08.07
Evaluation of ITT's (Enviros)	07.08.07 – 11.09.07
Consideration of recommendations	18.10.07
Award of contract	22.10.07

Recycling Contract and Waste Management Contract (Joint Halton and MWDA)

OJEU Notice Issued	November 2006
Descriptive Document & PQQ issued on receipt of EoI	November 2006
Bidders Conference & Completed PQQ returned	December 2006
PQQ Evaluation & Prequalified List of Bidders	January 2007
Open CD and Invitation to Submit Outline Solutions	March 2007
Outline Solutions Completed	April 2007
Evaluation and dialogue on Outline Solutions	May 07 – Oct 07
Evaluation report and approval of short list	May 2007
Refinement of key documents to reflect issues raised	June 2007
Issue Invitation to Submit Detailed Solutions	June 2007
Bidders complete Detailed Solutions and on-going Dialogue	September 2007
Evaluation, Clarification and Dialogue on Detailed Solutions	November 2007
Assess readiness to close dialogue	December 2007
Potential further dialogue and Refinement of Solutions	December 2007
Close Competitive Dialogue and Call for Final Tenders	December 2007
Final Tender Completed	February 2008
Final Evaluation. Preferred Bidder selected.	April 2008
Final Clarifications, Due Diligence and Approvals	May 2008
Financial Close	July 2008

Recovery Contract (Joint Halton and MWDA)

Notice in the official journal of the European Union published	26 March 2007
PQQ Return date	7 May 2007
Invitation to submit outline solutions	13 July 2007
Invitation to submit detail solutions for short listed bidders	29 October 2007
End of Dialogue Phase and Call for final tenders	26 May 2008
Appoint preferred bidder	3 October 2008
Contract award notice	20 February 2009

APPENDIX 2

Halton Borough Council Waste Treatment Cost Projections

Implementing The Waste Strategy								
Year Ending Amount	Accumulative Total up to 2033 £'000	31-Mar-08 £'000	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000	31-Mar-12 £'000	31-Mar-13 £'000	31-Mar-34 £'000
Recycling Contract	66,909	0	872	916	1,001	1,896	1,990	3,665
Recovery Contract	127,293	0	0	0	0	0	2,379	7,750
Land Prudential Borrowing	3,501	0	135	135	135	135	135	135
Landfill Contract	25,956	0	2,271	2,440	2,596	2,759	436	1,115
LATS	1,504	0	0	368	486	650	0	0
Total Costs	225,163	0	3,278	3,859	4,218	5,440	4,940	12,665
Projected Budget	147,649	3,161	3,420	3,681	3,944	4,066	4,192	7,948
Funding Gap (before PFI credits)	77,514	-3,161	-142	178	274	1,374	748	4,717
PFI Income	10,202	0	0	0	0	0	464	464
Funding Gap (after PFI credits)	67,312	-3,161	-142	178	274	1,374	284	4,253
Maintaining Status Quo								
Year Ending Amount		31-Mar-08 £'000	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000	31-Mar-12 £'000	31-Mar-13 £'000	31-Mar-34 £'000
Recycling Costs	70,498	0	1,183	1,255	1,330	1,411	1,496	5,137
Landfill Contract	125,735	0	2,358	2,592	2,832	3,023	3,157	8,062
LATS	33,540	0	0	479	647	820	994	1,717
Total Costs	229,773	0	3,541	4,326	4,809	5,254	5,647	14,916
Projected Budget	147,649	3,161	3,420	3,681	3,944	4,066	4,192	7,948
Funding Gap (before PFI credits)	82,124	-3,161	121	645	865	1,188	1,455	6,968
PFI Income	0	0	0	0	0	0	0	0
Funding Gap (after PFI credits)	82,124	-3,161	121	645	865	1,188	1,455	6,968

Project Waste Treatment Costs

