
ESSEX WASTE STRATEGY AND JOINT WASTE CONTRACTS

1 SUMMARY

- 1.1 The purpose of this report is to provide Members with an update on progress being made in relation to the Joint Essex Municipal Waste Strategy and the Essex Waste Management Contracts and, in particular, the key decisions that are now required to be made by all District and Borough Councils, in order to progress the contract procurement process.
- 1.2 Connected with this report, there will also be a presentation on the agenda from representatives of Essex County Council – Councillor Kay Twitchen and Nicola Beach, Waste & Recycling Manager, and a representative from their Legal Consultants.

2 INTRODUCTION

- 2.1 The amount of waste being generated in Essex is growing at a steady rate, which is requiring local authorities to find alternative ways of disposal. Landfill sites have limited capacity and, just as importantly, there have been a series of national and European measures introduced that impact on authorities' waste management practices.
- 2.2 The most significant measure is the Landfill Directive that requires Councils to divert increasingly significant quantities of biodegradable waste away from landfill sites. Failure to meet these limitations will result in heavy financial penalties under the Government's Landfill Allowance Trading Scheme (LATS).
- 2.3 Individual Councils have also been set testing new statutory targets for the amount of waste that they are able to recycle and compost. Rochford's target for 2003/4 was 10% rising to 18% for 2005/6, with further as yet unknown targets due to be set for 2007/8 and 2009/10.
- 2.4 In order to examine how best to address these issues, the County Council, the twelve District and Borough Councils of Essex and the Unitary Authorities of Southend and Thurrock, set up the Waste Management Advisory Board (WMAB), which is attended by both Members and officers of each authority. The current Member representative is Councillor Mockford.

3 BACKGROUND

- 3.1 In May 2002 the WMAB commissioned consultants to produce a draft of a Municipal Waste Management Strategy for Essex, Southend and Thurrock. This draft strategy took into account the key drivers such as the landfill targets

and also considered various mixes of waste disposal methods, including recycling, composting, mechanical biological treatment (MBT) and thermal treatment.

- 3.2 The draft strategy was presented to the Environmental Services Committee on 7 November 2002, whereby this Council gave preference for the option that maximised the levels of recycling and composting, accompanied by a low level of MBT. This in fact was the preferred option of a majority of the Essex Authorities. There was then a further report presented to the Environmental Services Committee on 3 April 2003, which gave Members an update on the development of the Essex Municipal Waste Strategy and, in particular, the detailed framework that had been produced that would enable the final draft of the strategy to be produced.
- 3.3 Further extensive research has been undertaken in order to establish long term solutions, infrastructure and disposal technologies that will be in operation by 2009/10 and deal effectively with these waste management issues within a “working together” partnership approach, linking the roles and responsibilities of both the Waste Collection Authorities (WCA) and the Waste Disposal Authorities (WDA).
- 3.4 Work has been carried out on the benefits of different levels of contractual integration between the WCA's and the WDA's, including the setting up of fully integrated waste management contracts.
- 3.5 Assessments have, in turn, been made in relation to the various contract procurement methods, such as Public Private Partnership (PPP) and Private Finance Initiative (PFI) with, at present, the seemingly most financially beneficial being the PFI route.
- 3.6 Recognition has been given to the size and diversity of Essex and the need for possibly more than one solution being implemented to best suit all the partner authorities. For this reason a three contract area approach has been taken for the moment, splitting Essex into a West area, East area and the Thames Gateway – in which Rochford is placed.
- 3.7 To meet the implementation target of 2009/10, as detailed in section 3.3 of the report, the County Council and all its partner authorities must have commenced the formal tendering process by January 2005. This in turn would link into the PFI timetable, whereby a formal expression of interest must be submitted to Government by 31 March 2005, to allow the Essex Waste Partnership to be considered for a PFI award.

4 KEY ISSUES / DECISIONS

- 4.1 To enable the contract procurement process to meet the timeframe outlined above, it is essential for the County Council to receive confirmation from each of the partner authorities in Essex on whether or not it wishes to be part of this

process. It has been agreed through the WMAB that the absolute deadline for the receipt of these key decisions is the end of December 2004.

- 4.2 **Waste Strategy** - the first decision relates to the adoption of the final draft of the Joint Waste Management Strategy for Essex, which is attached as Appendix A to this report.
- 4.2.1 Whilst this strategy document has been produced by the County Council, it has been done through extensive consultation with, and input from, all the other Essex Local Authorities via the Joint Waste Officer Steering Group, WMAB and the three area working groups, East, West and Thames Gateway.
- 4.2.2 Within the strategy is set out the way forward for the procurement of a long term management solution for Essex and once this has been officially adopted, the procurement process can begin in January 2005.
- 4.3 **Procurement Process** - the next decision is for the Council to decide if it wishes to engage in the joint procurement of services and infrastructure for the long term waste management solution for Essex.
- 4.3.1 Being part of the procurement process does not in any way commit the Council to enter into any long term waste management contract. However, it does provide the Council with the opportunity during the process to have input into specifications, evaluation of proposals, assess the potential benefits of joint working with other authorities and, most significantly, assess the potential financial savings that may be made by entering into an integrated contract.
- 4.3.2 One such benefit is that for a PFI bid to be successful, ambitious “stretch” targets need to be identified for recycling rates. Whilst individual authorities would be responsible for implementing schemes to meet their own Government set statutory targets, if the County Council required the District Council to achieve a higher percentage, then the County Council would meet all of the costs of achieving that extra percentage.
- 4.3.3 The only commitment that the Council have at this stage would be their share of the procurement costs. If the preferred PFI method of procurement is to be adopted, then the total procurement costs have been estimated at £2.1m over the next 2½ years.
- 4.3.4 The sharing out of these costs has been calculated using a similar model to that used in Shropshire, which was based on the WCA’s picking up 40% of the technical consultancy costs and 2.5% of the legal and financial consultancy costs and then split between those WCA’s, according to their level of waste arisings. This has resulted in Rochford’s share amounting to £9,271 in total over the 2½ years.

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- 4.3.5 At this stage, with no contractual commitment and comparatively low financial outlay involved, but with significant efficiency opportunities and financial savings to possibly be gained, it would seem appropriate to remain “in” rather than “out” of the process.
- 4.4 **Level of Integration** – the third decision for the Council is to express “in principle only” whether it wishes to support
- Full contractual integration.
 - System integration only.
 - No integration.
- 4.4.1 Full integration would involve the procurement of collection processing and disposal under one single contract, whereby system integration would mean the WCA aligning its own service so that it “fits” into the County contract, infrastructure and technologies that have been implemented.
- 4.4.2 It should be noted that those authorities opting to support either system, integration or no integration, would be excluded from discussions related to the procurement process and would also not be in a position to research and assess the opportunities for financial savings and efficiency gains, through integrated working.
- 4.4.3 These authorities would also receive much less benefit from any PFI credits that are shared out than those authorities choosing to contractually integrate and could also be subject to the WDA “power to direct” within two-tier areas.
- 4.4.4 Again, as in section 4.3.5 of the report, it would seem appropriate at this stage to support, in principle, contractual integration.
- 4.5 **Area Joint Committee** – the next decision relates to the setting up of an Area Joint Committee to manage and oversee the procurement process – if the Council supports either contractual or system integration. This committee would include an elected Member and relevant officer from each partner authority (the Draft Constitution is attached as Appendix B)
- 4.5.1 The reason for this committee would be primarily to enable the procurement process to run smoothly by being able to make decisions efficiently and therefore meet the required timescales in what will be a fast developing procurement process. The committee would take decisions related to the procurement process and offer advice to the partner authorities, but would not be empowered to commit the Council to any contractual arrangements.
- 4.6 **Communications Plan** – the final decision related to this process deals with the approval of the Draft Communications Plan for the implementation of the Waste Strategy, which is attached as Appendix C to this report.

- 4.6.1 The purpose of the Communications Plan is to set out methods of agreeing the key messages that are to be promoted to the public, and also to develop an effective and efficient protocol with all partner authorities for dealing with the media that ensures a consistent and appropriate information stream is implemented.
- 4.7 Due to the complexity, significance and anticipated pace of this project, it is also suggested that the Recycling Sub-Committee is reconstituted. This would be done with the proposed terms of reference:
- That the Sub-Committee meets as and when required to consider issues related to the procurement process.
 - To consider issues relating to the implementation and development of the Council's own kerbside recycling scheme.
 - The Sub-Committee would subsequently report into the Environment Overview & Scrutiny Committee or, on occasions where time is an issue, into either the Environmental Services Committee or Full Council as appropriate.

5 RISK IMPLICATIONS

5.1 Strategic Risk

Participation in the implementation of the Essex Waste Management Strategy will assist the Council in taking appropriate strategic decisions in relation to its waste management service.

6 ENVIRONMENTAL IMPLICATIONS

- 6.1 The provision of an effective waste management solution can contribute significantly to the overall environmental performance of the Council.

7 RESOURCE IMPLICATIONS

- 7.1 If the Council opts to engage in the Joint Procurement Process, then there will be a cost of £9,271 incurred between now and 2006/7 as its share of the overall procurement costs via a PFI route.

8 LEGAL IMPLICATIONS

- 8.1 Dependent on the outcome of the Essex Waste Management Procurement Process, the Council, if wishing to opt for contractual integration, would be required to enter into a legally binding agreement with the County Council / private contractor, for the provision of its waste collection service.

9 RECOMMENDATION

9.1 It is proposed that the Committee **RESOLVES**

- (1) That the Draft Joint Municipal Waste Management Strategy be adopted.
- (2) That this Council agrees to enter into the Joint Procurement Process for long term waste management solutions, with a view to utilising PFI credits to support three area contracts.
- (3) That, subject to a satisfactory contract procurement outcome, contractual integration of some or all of the relevant services is envisaged. Relevant services for these purposes may be regarded as refuse collection, recycling and street cleansing.
- (4) That the establishment of an Area Joint Committee to manage the procurement process be agreed.
- (5) That the financial contribution to the procurement process, as previously detailed in section 4.3.4 of the report, be agreed.
- (6) That the Draft Communications Plan be agreed.
- (7) That the Environmental Overview and Scrutiny Committee be requested to reconstitute the Recycling Sub-Committee with terms of reference as detailed in section 4.7 of the report.

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Background Papers:-

None

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