

Somerset Waste Board meeting  
19 June 2015  
Report for decision

Paper I-2  
Item No. 9

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The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

### New Project Task and Finish Group Update

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<b>Forward Plan Reference:</b>	SWB/15/03/02
<b>Summary:</b>	This report seeks approval to proceed to an open procurement of services for the transferring, hauling and disposal of residual waste.
<b>Recommendations:</b>	<p>That the Somerset Waste Board</p> <ol style="list-style-type: none"><li>1. authorises the Managing Director:<ol style="list-style-type: none"><li>a) To proceed to a formal procurement process for the provision of residual waste treatment / disposal services.</li><li>b) To undertake the process in two stages; stage one involving securing sites for Waste Transfer Stations serving the East and West of the County and stage two the procurement of transfer, haulage and residual waste treatment services (noting that the opportunity for Viridor to make new proposals remains open to them).</li><li>c) In consultation with the Task and Finish Group Members, to proceed to secure options on the most suitable sites for locating Transfer Stations (noting that the T&amp;F group have discretion to defer any decision for a later meeting of the full Board to consider).</li><li>d) To prepare for a competitive with negotiation procurement process for the haulage and treatment elements.</li><li>e) In consultation with Task and Finish Group Members, to proceed to procurement at the earliest opportunity after sites have been secured (noting that the T&amp;F group have discretion to defer any decision for a later meeting of the full Board to consider).</li></ol></li><li>2. Continue to receive updates at all future Boards while the project is in progress.</li></ol>

<b>Reasons for recommendations:</b>	To seek competitive and affordable arrangements for the transfer, haulage and treatment of residual waste and to meet MTFP savings targets from 2016/17 onwards.
<b>Links to Priorities and Impact on Annual Business Plan:</b>	SWB Business Plan 2015-20 Action 1.1 is to seek economically viable alternatives to landfill.
<b>Financial, Legal and HR Implications:</b>	<p><b>Financial Implications</b></p> <ol style="list-style-type: none"> <li>1. The Board is seeking to make savings of £570K in 2016/17 and a further £760K in 2017/18.</li> <li>2. A budget of £100,000 has been set aside for external technical and legal advice.</li> </ol> <p><b>Legal Implications</b></p> <ol style="list-style-type: none"> <li>1. Following a selection process involving three potential suppliers with relevant experience by SCC's Legal Advisor and the Managing Director, Addleshaw Goddard have been appointed as legal advisors to the project. The indicative costs are £34,500.</li> </ol>
<b>Equalities Implications:</b>	<p>There are no general equalities implications arising from the project.</p> <p>Any relevant considerations or implications regarding potential impact of facilities on residential or business properties will be considered as part of the planning consent process.</p>
<b>Risk Assessment:</b>	Risks are set out in section 6 of the report.

## 1. Brief background with references to previous reports

- 1.1. As described in the background documents, the Board has followed the prescribed process set out in the Strategic Partnering Agreement (SPA) to work with Viridor to develop firm proposals to divert waste from landfill in such a way as to meet its wider strategic objectives and reduce treatment and disposal costs from 2016/17. Viridor have subsequently failed to meet the requirements of the SPA in relation to providing a cost effective landfill diversion option and, as such, Viridor's exclusive contractual rights to handle Somerset's residual waste was suspended following the resolution of the Board held on the 20<sup>th</sup> March 2015.
- 1.2. Although Viridor's exclusivity rights are now suspended, they are still contractually obliged to take our waste until such other time as we direct it to a third party.
- 1.3. A further resolution of the March Board was to instigate a soft market testing exercise; to include facilitation of a 'Supplier Day' event in order to determine the

level of market interest in handling Somerset's residual waste; the results of the day are further explored within Section 2.

- 1.4.** Both Devon County Council & Dorset Waste Partnership (DWP) expressed an interest in being party to the Supplier Day, with officer representatives from Devon aiding the management of the day. Devon County Council has since decided not to proceed to align their process with Somerset's but to keep a watching brief. DWP remain, on an informal basis, interested in considering any joint working opportunities that may arise.

## **2. Report of Supplier Day**

- 2.1.**
- A positive response with around 15 companies represented, ranging from small local site operators to national waste and international energy production companies
  - There is a clear interest from the market to supply a solution.
  - We believe the attendees would have taken away a sense that we are serious about looking beyond the current Viridor contract to find a solution.
  - Feedback suggested that most but not all of these suppliers would move waste out of county, several via export.
  - A follow up questionnaire is being drafted and will be issued shortly to those who either attended or expressed an interest in the Supplier Day. This is to determine that our preferred procurement plan is suitable and will elicit significant market engagement.
  - It is intended to use the questionnaire to explain our preferred option and seek comments on it
  - The lack of existing Transfer Stations proved to be the major issue raised by those attending the Supplier Day and was suggested to be the main barrier to progressing quickly to procurement.
  - Devon County Council found the lack of a suitable waste transfer station to be the main stumbling block during their failed procurement exercise in 2014.
- 2.2.** The companies attending indicated they could offer one of broadly three types of solution:-
- Provision of an energy recovery facility using Advanced Thermal Treatment to process and dispose of waste within Somerset. This would mean direct delivery to the facility by Refuse Collection Vehicles (RCVs) working within a radius of the facility, with one or more transfers station provided elsewhere in the county where waste would be bulked and transferred to larger vehicles which would deliver to the facility. This would mean long term investment and consequently a long term contract (20+ years).
  - Provision of two or more local processing facilities. Waste would be delivered directly to the facilities by RCVs and the waste sorted to create a Refuse Derived Fuel (RDF). This would then be baled and hauled out of county for disposal elsewhere, probably exported to Northern Europe for use at energy recovery facilities. This level of investment would require at least a medium term contact (probably 5-15 years)
  - A simple process whereby waste would be picked up untreated from two or more local Waste Transfer Stations and taken either to a facility elsewhere for

processing into Refuse Derived Fuel as described above or taken directly to a disposal facility within the UK. This could either be energy recovery or Mechanical Biological Treatment (MBT). This could offer a short term solution (2-5 years) requiring low levels of local investment and could be an interim solution pending development of a longer term strategy. Alternatively this type of arrangement could become more normal in the future, taking advantage of surplus capacity in the UK or Europe.

- 2.3. Viridor attended the Supplier Day on the same basis as other interested parties and have expressed a clear wish to continue the positive relationship it has with the Somerset Waste Board and are taking a close interest in the process we are seeking to adopt. It has, however, been made clear to Viridor that the procurement process will be completely open to the market. Contractually it still remains open to Viridor to make a new project proposal, under the terms of the Strategic Partnering Agreement, at any time.
- 2.4. Following the positive Supplier Day, the lack of any further proposal being forthcoming from Viridor and (subject to the consideration of any comments in the supplier follow up questionnaire) it is proposed that we proceed to a formal procurement process for the provision of residual waste treatment / disposal services.

### **3. Preferred Procurement process**

- 3.1. A competitive with negotiation procedure is recommended.
- 3.2. This process is preferred as it has the benefit of allowing a great deal of flexibility around the lots/options/proposals put forward and can be scaled back to a more simplistic process if the definition of requirements makes this possible.
- 3.3. The main alternatives are
  - A restricted/open procedure which, although familiar to the market, allows little scope for dialogue/negotiation,
  - Competitive dialogue. This procedure is more appropriate where contracting authorities have little or no knowledge of the kind of solution that might meet requirements, and have to develop this in conjunction with the market.
- 3.4. A two stage procurement approach is recommended;
  1. Locate & secure suitable land plots that could subsequently accommodate the development of new waste transfer stations, prior to the start of the formal procurement process
  2. Offer these land plots as part of the substantial procurement process for the waste transfer, haulage & treatment/disposal solution. Any potential bidder would not be constrained to use these sites and could propose alternatives.
- 3.5. A comprehensive search for potential sites has been commenced and a long list of some 74 sites in, or very close to the county, has been reduced to 15 for further investigation. This will be pursued with the assistance of the SCC Property team. The shortlist will be outlined at the meeting. It is important that this exercise is treated as confidential to avoid the risk of inflating site values.

## **4. Preferred option for service specification**

**4.1.** In proceeding to procurement, it is important that the service specification should follow the specification previously contained in the original Request for Proposal to Viridor in April 2014. This allows any potential bidder to propose a solution without being constrained on technology (provided it is compliant with all relevant legislation) or geographical location (ie it could be in or outside of Somerset/UK)

**4.2.** It is proposed, subject to feedback from the supplier follow up consultation process, to offer the service as follows:

- Separate lots for the provision of transfer station (we are not constraining bidders to use either or both of the secured sites as outlined in 3.4 above), haulage and the actual treatment /disposal end destination.
- Separate lots for the east and west of the county (50/50 basis in terms of weight)
- Seek discounts where a supplier is bidding for more than one lot
- Include waste from Recycling Centres as well as kerbside collections
- Offer exclusivity rather than a minimum tonnage guarantee.
- Offer three options for end dates:
  - 31 March 2020 (3.25 years from Dec 16)\*
  - 31 March 2022 (5.25 years from Dec 16)\*\*
  - 31 March 2031 (14.25 years from Dec 16)\*\*

\* 3-5 years is a typical short term contract duration for export

\*\* These dates align with the current Viridor contract end dates in 2022 and the optional extension date to 2031.

- It is acknowledged these options do not allow for a longer timeframe which might be a pre-requisite for investment in significant local infrastructure. In anticipation of comments arising on this during the consultation, we will seek legal advice on being able to extend the period beyond that in the original Request for Proposal to Viridor.

## **5. Timeline**

**5.1.** Seek suitable land plots and secure option agreements where required, this to run concurrently with the drafting and preparation of substantial procurement tender documents – expected to be completed by the September Board.

**5.2.** Issuing of the OJEU Notice in October would follow with the ‘competitive with negotiation’ process expected to last for between 6 to 8 months. During this period planning permissions and Environment Agency permits would be sought for the provision of suitable Waste Transfer Stations on the previously secured land plots.

**5.3.** Although the procurement timescale is tight, should we achieve a successful conclusion to the procurement process, it is expected that a recommendation to award the contract would be brought to the March 2016 Board.

**5.4.** Should it be agreed to award the contract in March 2016, it is anticipated that to build the waste transfer station infrastructures would take up to 6 months, full

mobilisation of the plants and the other associated contractual elements (haulage & treatment/disposal) taking a further 3 months post build.

- 5.5. If achieved, the new contracted service would commence in December 2016/January 2017, with the associated MTFP savings commensurate from that date.
- 5.6. It would be envisaged that December 2016 would be provided within the tender documents as the backstop delivery date, with financial drivers included to encourage earlier delivery.

## **6. Risks**

- 6.1. The securing of a transfer station is possible in the timeframe but there is a risk of slippage. The primary risk is that the secured sites may not obtain planning permission or Environment Agency consent.
- 6.2. There are also risks around delays to the remainder of the procurement process.
- 6.3. Any delay to the timetable as outlined will result in delay to savings, which are intended to commence in 2016/17.
- 6.4. The magnitude of savings cannot be determined prior to the procurement process.

## **7. Background papers**

- 7.1. Report to Somerset Waste Board of 28<sup>th</sup> March 2014, Paper E, Item No 9 – Extension of Strategic Partnering Agreement with Viridor
- 7.2. Report to Somerset Waste Board of 20<sup>th</sup> June 2014, Paper F, Item No 11 – Viridor New Project Task & Finish Group
- 7.3. Report to Somerset Waste Board of 19<sup>th</sup> December 2014, Paper G, Item No 10 – New Project Task & Finish Group – Quarterly Update & Consideration of the Preliminary Stage Project Proposal
- 7.4. Report to Somerset Waste Board of 20<sup>th</sup> March 2015, Paper E, Item No 9 – New Project Task & Finish Group – Update on the New Project Approval Process (NPAP) and Consideration of Options