
Meeting: Executive
Date: 17 August 2010
Subject: Central Bedfordshire Energy and Recycling (BEaR) Project – Additional Elements Approval
Report of: Cllr David McVicar, Portfolio Holder, Safer Communities and Healthier Lifestyles
Summary: This report, through approval of the recommendations, seeks the endorsement by the Executive of the inclusion of additional elements into the scope of the BEaR Project procurement exercise.

The report includes detail of the additional elements proposed to be included and the reasons for doing so, the key benefits and risks of including them and a financial appraisal of each element, to enable the Executive to make an informed decision.

Advising Officer: Gary Alderson, Director of Sustainable Communities
Contact Officer: Ben Finlayson, BEaR Project Manager
Public/Exempt: Part Exempt (Appendix B)
Wards Affected: All
Function of: Executive
Key Decision Yes
Reason for urgency/ exemption from call-in (if appropriate) This decision is urgent as the procurement is currently at the Pre-Qualification evaluation stage and the scope of the procurement needs to be finalised ahead of the next stage commencing. Legal advice has stated that the Council would be at risk of challenge if additional elements were included in the scope and then withdrawn at a later date, therefore a decision is required now to allow the extensive procurement documentation to be finalised and issued to bidders at the Invitation To Participate in Dialogue (ITPD) stage due to commence in October 2010.

CORPORATE IMPLICATIONS

Council Priorities:

The recommendations of this report contribute to Central Bedfordshire Council (CBC) meeting National and European targets for landfill diversion, reducing the increasing impact of landfill tax and waste disposal costs and helping to achieve long-lasting environmental benefits. This will assist with the delivery of the Council's priority of managing growth effectively, as increased population will lead to additional waste being produced in the area and a greater burden on existing facilities. The recommendations also contribute to CBC becoming a standalone authority with sufficient waste infrastructure to manage its own waste effectively in the long-term.

Financial:

The BEaR Project is a financially critical scheme with the potential to realise long-term savings and reduce the risk of escalating costs of delivering waste management services for the authority. Due to the commercial nature of the costs identified within this report they have been removed and are instead included in Appendix B (not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972).

Based on prudent assumptions, as outlined in the Background Report (Appendix A), delivering the full suite of services through an integrated contract offers financial savings to the authority over continuing with current services. Alongside the financial analysis, a full appreciation of the risk and benefits of letting an integrated contract has been undertaken and is included in Appendix A.

The primary risks that could affect the costs of the integrated solution are the ability of the authority to deliver funding through Prudential Borrowing at the required time and any additional unforeseen development costs that might be incurred. In undertaking the overall financial assessment, prudent assumptions have been made to provide a robust affordability position.

Real prices will not be known until the procurement is undertaken and a key focus of the process will be the reduction in price of proposed solutions. The evaluation criteria will be used to drive down the price of each element being procured.

The intention of the Project, as well as reducing risk to the authority and delivering an environmentally sustainable solution, is to save money in the long-term. Members should be aware of the following factors which could influence the financial assessment:

1. Financial modelling is only able to provide a snapshot and is based on a large number of assumptions. The true costs of any solution will not be known until the procurement takes place.
2. The costs detailed in this report assume the delivery of bespoke facilities, built to the authority's requirements; however, it is likely that bidders will come forward proposing the use of existing facilities which could provide even better value for money to the authority.
3. The procurement is open to all technology options therefore ensuring that bidders have the ability to come forward with the best integrated solutions.

Legal:**- Waste Elements**

CBC is a Waste Disposal Authority (WDA) under Sections 51 and 55 of the Environmental Protection Act 1990 and is under a duty to dispose of controlled waste collected within its administrative area. The additional elements outlined in this report and recommended to be included within the BEaR Project procurement provide the necessary infrastructure for CBC to meet these duties.

The authority must act in accordance with EU Procurement Directives and ensure all procurement activity is conducted in compliance with the Public Contracts Regulations 2006. In undertaking an open, competitive procurement process utilising the Competitive Dialogue procedure, the authority is meeting all EU procurement requirements.

As stated in the contract notice, the Project team intends to let a single contract for the

combined services outlined in this report. Splitting the procurement into individual lots would not allow the benefits of an integrated approach to be achieved.

- Highways Depot

For the period post-disaggregation to July 2010, Bedford Borough Council was the continuing authority and hence assumed the Bedfordshire Highways Contract with Amey. A Contract novation process was approved at Executive 13th July 2010, and Deed of Novation is now due to be signed, meaning full transferral of the Contract to Central Bedfordshire Council.

The disaggregation process assumed a 62/38 split, which should include London Road, Bedford depot; but not the Dunstable depot, which is within Central Bedfordshire. Post-novation agreement is therefore required on the ownership split of the depots, the share of payments and the split of risk. Split of the Bedford depot has not been necessary to date, given that although approval has been received to do so, the Contract is not novated at the time of writing.

Risk Management:

There are a number of risks that need to be considered when reviewing the recommendations outlined in this report. The BEaR Project has a robust risk management process in place to ensure that these risks are monitored and mitigated where possible. Key risks are reviewed by the Project Board on a monthly basis. A key objective of delivering a solution for the authority is to transfer as much risk as is sensible to the successful contractor.

Risks arising from not including the additional elements within the scope of the Project include:

- Increased costs through inflation and availability of infrastructure and sites to deliver services in future years;
- Existing facilities becoming obsolete or contracts expiring with only high cost replacement services available;
- Inability of CBC to be self sufficient in delivering its waste management / highways services;
- Greater risk of health & safety and accessibility issues at the Household Waste Recycling Centres.

Staffing (including Trades Unions):

- Waste Elements

There may be a requirement to assist the new contractor to TUPE staff from any existing contractors. No requirements to TUPE staff from or to the Council. Full TUPE regulations will be observed.

- Highways Depot

Approximately one hundred Amey staff are split between the two existing depots. The relocation of these staff is dependant upon the location of a facility delivered for CBC. The Highways maintenance contract is due to be re-tendered in 2016, at this point the new distribution of facilities would be incorporated into the new contract.

No CBC staff currently resides at either depot, although other directorates may wish to include provision for staff accommodation if the proposal were taken forward.

Equalities/Human Rights:

Access will be a key consideration in the design of any public-facing facilities, especially the Household Waste Recycling Centres (HWRC's) which will require the provision of access for the elderly and people with disabilities. The procurement process has the requirements of equality legislation built into it, ensuring a suitable contractor is selected.

Community Safety:

Redevelopment of the HWRC sites would provide improved safety for residents utilising the facilities. Provision of additional salt storage will ensure that winter gritting services run more efficiently and can cover a greater area, therefore improving road safety.

Sustainability:

Landfilling waste leads to the release of substantial amounts of methane, a potent greenhouse gas with over twenty times the global warming potential of carbon dioxide. The BEaR Project aims to significantly reduce the amount of waste going to landfill thereby reducing the impact of waste disposal on the environment.

The delivery of the recommended additional elements will make the current waste service more sustainable by:

- Securing additional waste treatment capacity, thus further avoiding landfill and its associated impacts;
- Reducing the transport impact of waste through the delivery of a Waste Transfer Station (WTS);
- Providing localised services such as the Highways Depot, Salt Barns and HWRC's, therefore adhering to the proximity principle;
- Encouraging recycling and hence diversion of waste from landfill by delivering high quality services such as the HWRC's.

The full environmental impact of all elements included in the final contract scope will be assessed as part of the tender evaluation process to ensure that the chosen solution reduces the environmental burden of waste disposal, thus meeting the Council's objectives of reducing the carbon footprint of its services (NI186).

This proposal meets the requirements of Waste Strategy for England 2007, the corporate policies and priorities of the Council, the Bedfordshire Authorities Municipal Waste Management Strategy 2006, the Bedfordshire and Luton Minerals and Waste Local Plan, adopted 2005 and the Waste Core Strategy Preferred Options Consultation (April 2010).

Summary of Sustainable Communities Overview and Scrutiny Comments:

Overview and Scrutiny Members were asked to comment on which options should be taken forward for further more detailed analysis during their review of the BEaR Project Business Case on the 25th March 2010. These comments led to the further work being undertaken and the subsequent recommendation to include the elements outlined in this report within the scope of the contract.

RECOMMENDATION(S):

that the Executive:

- (a) **Approves the inclusion of the following elements within the scope of the contract;**
- **The redevelopment of 3 and relocation & development of 1 Household Waste Recycling Centre (HWRC) and delivery of the service for the contract period;**
 - **The provision of Waste Transfer Services as required as part of an integrated solution;**
 - **The provision of organic waste treatment services; and**
 - **The provision of salt storage facilities.**
- (b) **Approves or rejects the inclusion of a Highways depot within the scope of the contract.**
- (c) **Endorses the updated affordability position for the Project, as outlined in Exempt Appendix B over the period 2016 to 2041, incorporating the approved elements and the previously approved residual waste treatment element.**
- (d) **Delegates authority to the Director of Sustainable Communities to make the necessary amendments to the procurement evaluation criteria (previously approved by Members) following the outcome of the above Executive recommendations.**

<i>Reason for Recommendation(s):</i>	<i>Approval of the above recommendations will allow Central Bedfordshire to expand the current procurement process, seeking residual treatment services, to include the recommended elements providing an integrated disposal solution at a lower cost than securing the elements separately. Endorsement of the modelled affordability position will provide confidence to the market that the authority is committed to delivering the Project and will ensure best competition.</i>
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Executive Summary

The BEaR Project is seeking Executive approval to include a number of additional infrastructure elements within the BEaR Project procurement exercise that has recently begun. Delivering these elements as part of an integrated contracting approach will allow several services to be delivered via a single procurement exercise providing efficiency savings for the Council. As the recommended services are linked, significant savings could also be achieved through the co-location of new infrastructure and economy-of-scale of the contract itself. The procurement will be open to all options available, allowing innovative solutions to come forward and will ultimately be awarded to the Most Economically Advantageous Tender (MEAT).

Background

1. The BEaR Project's primary aim is to achieve landfill diversion through the delivery of a long-term waste treatment solution to deal with waste that is not recycled or composted (residual waste). Following Executive approval to proceed with the procurement exercise (06/04/10), a Contract Notice was dispatched on 25th May 2010 advertising a contract to deliver this service. The procurement exercise is now fully underway with 10 Pre-Qualification Questionnaires returned by interested bidders.
2. The Executive also approved the inclusion of a number of additional elements within the contract scope, subject to more detailed financial information being made available. Subsequently, the Contract Notice was specifically drafted to allow additional services to be included within the procurement. Should the Executive endorse the recommendation to include the additional elements, these will be included in the Outline Specification and Descriptive Documents issued to successful bidders following the pre-qualification stage of the procurement.
3. CBC is a high performing authority in terms of existing landfill diversion practices, with approximately 50% of waste diverted from landfill in 2009/10. As a Unitary Council, CBC has full control of both disposal and collection functions and can therefore plan to deliver services in the most beneficial way for residents, taking both quality and value for money into account. In terms of future waste growth the authority faces particular pressures from housing growth due to its location, connectivity and desirability as a place to live.
4. This report provides a brief overview and rationale for including the following elements within the main BEaR procurement. More detail is contained in Appendices A and B.
 - The redevelopment of 3 and relocation and development of 1 HWRC and delivery of the service for the contract period;
 - The provision of Waste Transfer Services as required as part of an integrated solution;
 - The provision of an organic waste treatment solution;
 - The provision of salt storage facilities; and
 - The provision of a Highways depot.

The report provides the evidence to allow Members to make an informed decision about which, if any of these elements, should be included in the main procurement exercise. Alongside a decision to include any elements, an overall affordability position has been set for approval to provide an upper affordability position for the procurement.

Business Case

5. The key benefits of delivering additional infrastructure items within a single procurement process include; procurement cost savings, co-location savings, reduction of interface risk and reduction in future contract management costs.

Each of the additional elements identified for inclusion within the contract scope are discussed below. A direct comparison of current services with those proposed is provided. More detail on each proposal, including a full financial appraisal can be found in Appendices A & B.

6. Household Waste Recycling Centre (HWRC) Redevelopment / Relocation:

CBC currently has 4 HWRC's under its control. The sites are operated by a contractor (Viridor) and are achieving high diversion using a performance based contract. The limits to the level of recycling that take place at these facilities are the end markets available for the materials and space at the facilities themselves. The sites would benefit from re-development to bring them up to modern standards thereby providing a public service that is fit for purpose and reducing Health & Safety risks and accessibility issues.

The Dunstable site also requires re-locating due to ongoing flooding/subsidence issues. The redevelopment/relocation of the HWRC sites could be incorporated into the contract as bidders have significant experience in delivering facilities of this nature. Additional benefits of upgrading sites could include; reducing maintenance costs, enhancing recycling performance and improving site accessibility and turnaround time.

7. Organic Waste Treatment Solution:

CBC currently collects approximately 4,550t of kitchen waste from the north CBC area, with the waste being delivered to an Anaerobic Digestion (AD) plant at Milton Ernest for treatment. If the authority plans to align its waste services in the future and roll out the scheme to the south CBC area, the tonnage could eventually increase to approximately 10 – 15,000t each year (taking future housing growth into account).

It is estimated that if the scheme were extended to the south CBC area, further diversion of approximately 4,500t of waste from landfill would be achieved with the offset of Landfill Allowance Trading Scheme (LATS) fines by up to 3 years from 2013/14 to 2016/17. The increased composting rate would also contribute to the authority achieving its target of 60% recycling/composting by 2020.

There are a number of options available for the future delivery of organic waste treatment, each of which are addressed in Appendix A.

8. Waste Transfer Services:

CBC currently sends both recyclable and residual waste to be bulked at Elstow Waste Transfer Station (WTS) with some residual waste also sent to the Luton WTS. The main Elstow contract is due to expire in 2021 and the Luton WTS contract expires in 2016. Following this date and possibly before, dependant on the location of the residual treatment solution, the authority will require a WTS to bulk waste before being transported for treatment. The requirements of the WTS are heavily dependant upon the other services delivered within the Project but could include provision for the bulking of recyclable materials, residual waste, garden waste and kitchen waste. Future waste transfer services cannot be delivered in isolation from the residual treatment element due to the inherent links between the two. Being delivered as part of a wider waste infrastructure procurement will ensure that the requirements for the WTS fully align with the other infrastructure being delivered.

9. **Salt Storage Facilities:**

CBC currently utilises salt storage facilities at the Highways depot in Bedford. This storage is limited in capacity and is not covered. Following the issues faced by authorities in the UK during the severe 2009/10 winter, new government regulations are likely to come into place forcing local authorities to provide capacity for set levels of gritting salt. Gritting salt should ideally be kept undercover to prevent surface run off into the water course and reduction in spreading efficiency. CBC therefore needs to provide adequate storage provision at strategic locations to ensure efficient, compliant service delivery in the future.

As outlined in the appendices to this report, the financial evaluation of the salt storage facilities has been undertaken together with the evaluation of the HWRC's as the two elements could be located together, providing co-location savings.

10. **Highways Depot:**

The Bedfordshire Highways Contract with Amey delivers CBC's Highways service from two depots located in Bedford and Dunstable. The service includes all highways maintenance, winter gritting and improvement projects up to 2016, pending Contract novation (report to Executive July 2010).

Both depots were former County Council buildings and were provided to Amey for use at the time of Contract award (October 2005). However, both facilities fall short of modern design standards, are generally life-expired and have impacted upon Amey's potential to deliver a high quality highways service. A modern facility, particularly when combined with other services, could deliver notable improvements to the efficiency and sustainability with which Amey and subsequent highways contractors can deliver services to Central Bedfordshire.

11. **Summary:**

The detailed information supplied in the attached appendices and included within this report has led to the recommendation to include the additional elements within the scope of the contract. Following the inclusion of these elements, amendments will be required to the previously approved evaluation criteria as described in Appendix A.

As shown in Appendix B, delivery of a suite of services within the BEaR Project procurement provides savings when compared to continuing existing services. On top of the financial benefits to the authority, the new services will assist CBC in achieving its recycling and composting aspirations and enable residents to enjoy long-term high quality public facing services. Taking an integrated approach to the contract will ensure that a well rounded service is delivered.

12. **Next Steps:**

Following approval to include the recommended elements within the contract, the Project team will work to finalise the documentation required for subsequent stages of the procurement. The overall procurement process is likely to last approximately twenty months, with delivery of the infrastructure following this and the achievement of any required planning permissions.

Appendices:

Appendix A – Background report

Appendix B – Financial Information (Exempt)

Background Papers:

None