

FALKIRK COUNCIL

Subject: CONTRACT FOR THE PROVISION OF WASTE MANAGEMENT SERVICES
Meeting: FALKIRK COUNCIL
Date: 25 June 2008
Author: DIRECTOR OF DEVELOPMENT SERVICES AND DIRECTOR OF CORPORATE & COMMERCIAL SERVICES

1. INTRODUCTION

- 1.1 Falkirk Council, as lead Authority for the purchasing consortium of Falkirk, Stirling and Clackmannanshire Councils invited three tenders for the provision of waste management services for all three Council areas.
- 1.2 The report provides Members with information on the tenders the evaluation exercise and officers' recommendations in respect of the award of the contract.

2. CONTRACT DETAILS

- 2.1 Previous reports to the Environment and Heritage Committee have outlined the obligations upon the Council to meet the targets set out in the National Waste Plan and Area Waste Plan in addition to the requirement to stay within annual Landfill Allowances which are determined by the Scottish Government. These limit the amount of waste each Council can send to landfill. Exceeding such allowances would expose the Council to a fine but excess available allowance can be sold to other authorities.
- 2.2 The Council required to tender for a disposal contract to replace the existing arrangement that ends in August 2008. The tender focused upon the immediate need for landfill services after August 2008 but also allowed for sufficient flexibility for tenderers to offer any residual treatment facilities, that may be available during the term of the contract, which would assist the Council in achieving future waste diversion targets. These treatment facilities are required to process the remaining biodegradable fraction of the residual waste stream to meet the Landfill Directive and future Scottish Government targets for the reduction of biodegradable municipal waste sent to landfill. The contract period is from 15th August 2008 to 14th August 2013 with the option of two, one year extensions. The tender documents offered the following three options;
 - 1. Disposal of residual municipal waste to landfill
 - 2. Transfer and haulage of waste
 - 3. Residual waste treatment/disposal
- 2.3 As stated in paragraph 1.1 above Falkirk is acting as the lead authority on behalf of all three Councils, however, due to variance in locations and the impact this has on price for the respective authorities, each Council will enter into separate contracts.

- 2.4 In addition, option two detailed above was incorporated into the contract specification for the benefit of Stirling and Clackmannanshire Councils who have current contractual arrangements in place for the transfer and haulage of waste and therefore require a replacement service. As Falkirk currently operates its own waste transfer and haulage of residual waste it was not intended that Falkirk would participate in option 2. The Council therefore requires to choose between options 1 and 3.

3. TENDERS RECEIVED

- 3.1 Three tenders were received by the due date of Friday 23rd May 2008, and opened in accordance with Standing order 12 relating to contracts.
- 3.2 Two contractors priced the waste disposal/treatment element. (Option 3) The checked tendered prices ranged from £20,749,000 to £22,665,950. This includes the total cost to the authority and includes all associated costs of the treatment/disposing of waste at the facilities.
- 3.3 Three contractors priced the waste disposal element. (Option 1) The checked tendered prices ranged from £20,948,750 to £24,565,450. This includes the total cost to the authority and includes all associated costs of the disposing waste to the facility.
- 3.4 Two contractors priced the waste transfer and haulage element. Due to Falkirk not requiring this service no award for this service is recommended.

4. TENDER EVALUATION

- 4.1 Following evaluation of all tenders the option in relation to landfill/treatment received from Avondale Environmental Ltd of Polmont was selected as the preferred tender as it represented best value and the proposed treatment is in line with the objectives of the Forth Valley Area Plan and the Strategic Outline Case submitted to the Scottish Government, and offers sufficient waste treatment capacity to meet future waste diversion targets.

From the detailed costs mentioned above the total elements payable to Avondale Environmental Ltd incorporate gate fee, landfill tax and waste treatment resulting in a total contract value payable to Avondale Environmental Ltd of £20,096,500, following the deduction of existing in-house waste transfer costs, in addition yearly price increases in line with the relevant price index will be applied. The additional transfer arrangements and associated costs are currently operated by the Council and are part of existing budget arrangements.

- 4.2 As a result of the tender exercise the Council are now in position where a residual waste treatment facility will be available for use in 2010/11. This would ensure compliance with future waste diversion targets. In addition, it is estimated that, based on current levels of increase in landfill tax which is continuing to rise by £8 per tonne year on year, this contract could yield a saving over landfill only over the term of the contract.

- 4.3 Landfill tax levels have only been set to Financial Year 2010/11 and no decision has been made as to future increases beyond this date therefore, Members are asked to note that treatment may be more expensive than landfill in the short term. It is important to note, however, that, by selecting a treatment option, the Council is ensuring compliance with future waste diversion targets which in turn would allow the Authority to avoid any potential fines which may be as much as £150 per tonne. These costs have not been applied in the evaluation process as the financial penalties for failure to reach targets have still to be confirmed.
- 4.4 In addition, the selection of a local waste treatment facility would also comply with the Scottish Government policy in moving to a Zero Waste policy and Council officers will continue to explore any funding opportunities that may be open to the Council due to the innovative nature of our approach.

5. IMPLICATIONS

Financial

- 5.1 Ongoing increases in landfill tax will required to be budgeted for, year on year, in line with the landfill tax escalator.
- 5.2 The costs of treatment in year three of the contract will exceed the cost of landfill by £125,750. However, over the term of the contract based on current increases in landfill tax could result in a net saving of £199,750. In addition, the Authority would have excess landfill allowances which could be sold to other authorities.
- 5.3 Within the Waste Strategy budget there is currently a budget that assists & compliments the work funded by the Strategic Waste Fund (SWF). This enables further recycling projects to take place & therefore add to our recycling targets. Alongside this if the SWF funding continues at the same level, the expected funding for Revenue expenditure in 2011/12 is £764k then the additional cost of the treatment could be accommodated within these 2 current Council funding streams.

Legal

- 5.2 There are no legal implications other than those already mentioned in the body of the report.

Policy

- 5.3 The acceptance of a tender including the proposed residual waste treatment is in line with the objectives of the Forth Valley Area Waste Plan and the Strategic Outline Case submitted to the Scottish Government.

Personnel

- 5.4 None

6. RECOMMENDATIONS

It is recommended that Members:

- 6.1 In respect of Falkirk Council only and in accordance with Standing Order 6.2(iv), approve the acceptance of the tender submitted by Avondale Environmental Ltd, Polmont in the sum of £20,096,500, for the five years of the contract 15th August 2008 to 14th August 2013 with an option to further extend this contract by a further two one year extensions.
- 6.2 Note the positive impact residual waste treatment will have in achieving future waste diversion targets.

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DIRECTOR OF DEVELOPMENT SERVICES
25 June 2008

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LIST OF BACKGROUND PAPERS

- 1 * Tender documents and tender evaluation matrix
- 2 Landfill Tax Escalator
- 3 Landfill Allowance Scheme Regulations