

EAST AYRSHIRE COUNCIL

CABINET: 17 DECEMBER 2008

UPDATE ON THE DEVELOPMENT OF A LONG TERM WASTE TREATMENT SOLUTION FOR AYRSHIRE

Report by the Executive Director of Neighbourhood Services

1. PURPOSE

- 1.1 To inform Members of the progress being made towards the identification and development of a long-term waste treatment facility for residual municipal wastes arising in Ayrshire.

2. BACKGROUND

- 2.1 At the meeting of the Ayrshire Joint Strategic Waste Management Project Group (AJSWMPG) on the 28th August 2008 a presentation on the Project Initiation Document (PID) was provided by Alastair Young of Partnerships UK (PUK). The document outlined a suggested timetabled approach towards the delivery of a long term residual waste treatment facility. In addition, the PID, which is yet to be finalised, strongly recommends the establishment of an officer led Joint Project Board with appropriate Inter Authority Agreement (IAA), which in turn would oversee an appropriately resourced Project Team. It would be the responsibility of the Project Team to make use of internal/external advisors as required.
- 2.2 Following the presentation by PUK the Group discussed the establishment of an Energy from Waste Facility (EfW) and the manner in which such a plant could be funded and operated. As per the financial modelling exercise carried out by external consultants Entec, the capital funding required for the construction of an EfW plant are estimated at £50M, plus or minus 30% - 50%, plus an additional £10M for site preparation and architectural aesthetic costs, plus the cost of borrowing which is presently unknown. The three Ayrshire authority partners agreed to independently consider the content of the PID, including the financial implications, and report back to the next AJSWMPG meeting scheduled for 23rd October 2008; it has subsequently been agreed to report back to the Group at December's meeting.
- 2.3 As recommended in the PID a Prior Information Notice (PIN) was issued through the Official Journal of the European Union (OJEU) by East Ayrshire Council's procurement section. The PIN exercise allows for early market testing of potential residual treatment service providers without any Council commitment to proceed with the project if circumstances change. Service providers expressing an interest in the

project were sent a questionnaire which may be of use in the production of a future procurement strategy.

3. PROPOSAL

- 3.1 Following the issue of the PIN and related questionnaire in which 17 firms expressed an interest, 8 firms, returned a completed questionnaire. Of those interested firms at least 4 stated previous experience of EfW technology. Through the exercise, interested parties were of the view that the Councils should identify suitable sites due to timescales that can be involved in this type of exercise. This would also assist in meeting the timeframe set out within the PID.
- 3.2 As part of work carried out for the Ayrshire Joint Planning Steering Group and in association with Entec, a list of potentially suitable sites for the accommodation of a residual waste treatment facility has been drawn up. This is however only a suggested list and further work is required to look at each of the sites identified in order to determine their suitability and proximity to the three Ayrshire authorities. The revised East Ayrshire Local Plan, which is currently in draft format, includes robust policies and guidance relating to waste management activities within the authority. It is hoped that when finalised, the Council will be in a position to better deal with planning applications for a residual waste treatment facility.
- 3.3 In order to deliver the project as suggested within the PID an adequately resourced Project Team should be established. However, due to current budgetary restrictions it may not be possible to form a Project Team as initially proposed due to the costs involved, although there is general agreement for the requirement to appoint a Project Manager. It is recommended that the role of the Project Manager is clearly defined to ensure the long term waste solution best meets the needs of all three Councils and is not biased to any one individual authority.
- 3.4 It is proposed that the Project Manager, who should have adequate administrative support, report to a Project Board comprising of lead waste officers from the three Councils and one from the Ayrshire Joint Planning Steering Group. In turn, it is proposed that the Project Body report to a Sponsor group comprising of Members and Officers from each of the 3 Councils, perhaps in the form of the current AJSWMPG. Such a reporting mechanism would support the principles of Projects IN Controlled Environments 2 (PRINCE 2) methodology - the Councils chosen method for effective project management.
- 3.5 As there are a wide range of technologies available for the processing of residual wastes and further to determine which process would best meet the requirements of the partner authorities there is general agreement from Council waste officers on the need for external advisors to be appointed to the project. To ensure that the most

appropriate consultancy body is appointed, waste managers from the three Councils alongside the Project Manager would be required to produce a detailed statement of intent/description of the service requirements. It is anticipated that the project would run for up to 5 years and that the external advisors would be retained throughout this period. It is therefore highly likely that the finance required will exceed the OJEU threshold of £139k over the term of contract.

3.6 Appointment of external advisors can be made in one of two ways, the first through a full OJEU process taking approximately 3 months after agreement of the requirements has been reached. The second option would be to utilise the Office of Government Commerce (OGC) framework contract for “Environmental Advice, Support and Delivery Services”. Established through the full OJEU process, the OGC framework is available to all public bodies and can be issued via a mini tender. Completion of this process can be accomplished within a few weeks once the statement of requirements has been reached. In order to avoid any legal challenge, the Council would ensure the award of contract is compliant with Public Contracts (Scotland) Regulations 2006. The OGC option would fulfil these obligations and allow the Councils to comply with the timescale as outlined in the PID.

3.7 As detailed in the PID, the most appropriate OJEU procedure for EfW would be via Competitive Dialogue. This is a relatively new procedure introduced to deal with complex requirements, such as PPP procurements, and it allows contracting authorities to explore the available options and identify the solution best fitting the needs of the project.

4. POLICY IMPLICATIONS

4.1 Making a commitment to deliver a long term residual waste treatment solution is consistent with the aims of the Improving the Environment theme of the Community Plan and current national guidance.

5. LEGAL IMPLICATIONS

5.1 Scottish local authorities are obliged to comply with National Recycling/Composting Targets as established by the Scottish Government and the European Landfill Directive EC/1999/31/EC which places a requirement onto member states to minimise the quantity of biodegradable municipal waste (BMW) sent to landfill.

6. FINANCIAL IMPLICATIONS

6.1 The appointment of a Project Manager with administrative support will require appropriate funding, although the salary of the Project Manager and support staff has yet to be agreed. In addition, funding will be required for the appointment of external advisers whose associated costs will become available through procurement tender exercise. To

cover such costs it would be appropriate that the partner authorities utilise funding available from the Scottish Government's Zero Waste Fund (ZWF). Although it has yet to be confirmed as to how Councils can access this funding, the ZWF has been established to assist local government towards reaching its legislative waste obligations and further the Government's policy on zero waste targets.

7. CONCLUSION

- 7.1 As detailed within Entec's financial modelling report the capital required for the construction of an EfW plant could reach around £100M. If the Councils were to fund the purchase and operate the plant, capital finance would have to be borrowed, leading to additional financial costs. The operation of such a facility would require successful application for a Pollution Prevention Control (PPC) permit to allow the acceptance of wastes. In addition the Councils would be required to appoint a highly skilled workforce to operate the running of the plant. Additional costs would be incurred via the linking of the plant to the national grid and the daily operation of the facility. Further, on a recent visit to North Ayrshire Council, Cabinet Secretary for Finance and Sustainable Growth, John Swinney MSP indicated that it would be unlikely that funding for an EfW facility would be granted via the Scotland's Futures Trust.
- 7.2 Although it has not been possible to calculate the costs associated with a private alternative in the absence of a proposed gate fee, the level of risk, borrowing and variables associated with a publicly financed EfW plant may mean that a facility constructed and operated by a private sector organisation whereby the three Councils would be subject to an agreed cost per tonne would be preferable. An initial task for the appointed Project Manager and consultants would be to carry out a detailed option appraisal to confirm the optimum means of delivery and funding. Factors to be taken into account would include the ability to meet the Councils' requirements such as planning, location, gate fee, ability to meet timescales and the siting of transfer stations if required and sustainability criteria such as the social impacts, use of resources, carbon footprint and efficiency of the proposed technology.
- 7.3 In the interests of securing Best Value for the Ayrshire authorities, it is recommended that the three Councils work in partnership towards the identification of suitable sites for the location of an EfW Plant. The provision of a list, which should include privately owned land, would help to ensure that the best possible solution for long term treatment in Ayrshire is realised.
- 7.4 In order to deliver the long term waste solution that best fits the three partner authority's requirements there is general agreement for the appointment of a Project Manager. It is recommended that the Project Manager be answerable to a Project Board comprising senior officers from the three Councils and one from the Ayrshire Joint Planning

Steering Group. In turn, the Board would report to a Sponsor, perhaps in the form of the current AJSWMPG. The establishment of such a governance structure is in accordance with PRINCE2 methodology.

- 7.5 Although greater clarity is required regarding access to the Scottish Government's Zero Waste Fund (ZWF) and allocations, it is proposed that this be the source of funding to cover the costs associated with the appointment of a Project Manager and external consultancy. It is anticipated that the mechanism to access ZWF funding will be announced shortly.

8. RECOMMENDATIONS

8.1 It is recommended that Members:

- (i) support the Council's continued joint working with its partner authorities;
- (ii) support the appointment of a dedicated Project Manager with the formation of a Project Board in accordance with PRINCE2 project methodology;
- (iii) endorse the Council's proposals regarding the appointment of external consultants via an OGC mini competition exercise to assist the process of option appraisal to confirm the optimum means of delivery and funding the long term waste treatment solution for Ayrshire;
- (iv) agree that the costs of the proposed Project Manager and external consultants be met from the Scottish Government's Zero Waste Fund;
- (v) to otherwise note the content of the report.

Chris McAleavey
Head of Housing Services

21 November 2008
C McA/MR/DG

LIST OF BACKGROUND PAPERS

**Ayrshire Councils Strategic Outline Case Review of
Financial Modelling, August 2008**

North, South & East Joint Residual Waste Procurement

– Project Initiation Document

**Report to the AJSWMPG on Market Testing Exercise, Procurement
Options – Taking Forward the Strategic Outline Case**

Implementation Officer: chris.mcaleavey@east-ayrshire.gov.uk