

EAST AYRSHIRE COUNCIL

COMMUNITY SERVICES COMMITTEE – 15TH NOVEMBER 2000

WASTE DISPOSAL

Report by Director of Community Services

1. PURPOSE OF REPORT

- 1.1 To invite the Committee to consider the extension of the Waste Disposal Contract by two years subject to the satisfactory conclusion of detailed negotiations.

2. BACKGROUND

- 2.1 In September 1995 the Council awarded a contract for the disposal of up to 90,000 tonnes of waste following tendering procedures in line with the EC procurement process.
- 2.2 This contract was won by Barr Environmental who provided a landfill at Garlaff near Skares and constructed two refuse transfer stations at Southhook, Kilmarnock and Garlaff. The original contract commenced in May 1996. The original contract is due to terminate in May 2001.
- 2.3 The procurement process for the new contract has commenced to ensure that the new contract is in place prior to May 2001.
- 2.4 However, Barr Environmental Ltd have now approached the Council to determine if the Council wishes to take up the option contained within the existing contract to extend it for a period of two years with resultant significant financial savings to the Council.

3. DISCUSSION

- 3.1 While there may be some advantage in the Council offering a new contract over a far greater contract period (eg. 15-20 years), there are a number of other factors which have to be taken into account at the present time.
- 3.2 The EC Directive on Landfill requires the Council to reduce the amount of biodegradable waste sent to landfill to 75% of the quantity produced in 1995. This target is to be achieved by 2006 and increased to 50% by 2009. The final reduction target (35% of the 1995 figure) has to be met by 2016 (although it is possible that the UK might use a derogation which would allow these dates to be put back four years).
- 3.3 The Council is also included in a Waste Strategy Area Group comprising the three Ayrshire Councils and Dumfries and Galloway Council. The Group was set up the by the Scottish Environmental Protection Agency

(SEPA) as part of the latter's responsibilities in respect of preparing a National Waste Strategy and any long term contracts offered by the Council should reflect the aspirations of the Waste Strategy Group.

- 3.4 At the present time the Scottish Executive has not yet defined the 1995 tonnages for each individual Council and until these are agreed (and in turn diversion tonnages are computed) it will be difficult for officers to prepare a contract specification which protects the Council's interests in the future. Any subsequent significant change to the contract may incur financial penalties.
- 3.5 It therefore seems in the best interest of the Council to actively consider the option of extending the existing contract for a further two years at the end of which the exact diversion tonnages will be known.

4. FINANCIAL IMPLICATIONS

- 4.1 Any extension of the existing contract will result in savings for the Council resulting from the fact that the contractor would be expected to have recovered his original capital outlays during the initial five year contract period. The contract price/tonne for the extension period should therefore be lower than the present rate. It is anticipated that the annual saving will be approximately £90,000 per annum on RPI adjustment figures.
- 4.2 Given the fact that any long term contract at the present time must provide for the cost of diverting waste away from landfill, it is not possible to quantify the financial implications of a replacement contract at this time.

5. LEGAL AUTHORITY/IMPLICATIONS

- 5.1 An option exists within the existing contract to extend the contract for up to a period of two years.
- 5.2 Scottish Executive advice is that any Council failing to meet its obligations in terms of the EC Directive in Landfill will be subject to pecuniary fines which will be levied on a day by day basis (rather than a single one-off financial penalty).

6. POLICY IMPLICATIONS

- 6.1 Nil

7. CONCLUSIONS

- 7.1 The Council's existing five year contract for transfer loading and waste disposal is due to end in May 2001 and the contractor has indicated a willingness to exercise a contract extension option for a further two years.

7.2 While there might be some benefit in the Council seeking alternative bids from the Waste Management Industry for a replacement contract over a much longer contract period, a number of factors (including the EC Directive in Landfill and the SEPA Waste Strategy) suggest that it would be in the Council's interest to exercise the extension option for a two year period. Such extension would allow the Council to become fully apprised of all its legal obligations for the next two decades and allow a much more detailed tender to be offered.

8. RECOMMENDATIONS

8.1 The Committee is invited to:-

- (i) agree in principle to extend the existing waste management contract by up to two years;
- (ii) authorise the Director of Community Services to enter into negotiations with Barr Environmental Ltd and if acceptable terms can be achieved, conclude the contract extension subject to approval by the Chair of this Committee; and
- (ii) otherwise note the contents of this report.

William Stafford
Director of Community Services

WS/JFC/SAM

24th October 2000

LIST OF BACKGROUND PAPERS

Nil

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AGENDA