

WIRRAL COUNCIL

CABINET

7 NOVEMBER 2013

SUBJECT:	OPTIONS APPRAISAL FOR THE FUTURE TREATMENT OF WIRRAL'S KERBSIDE COLLECTED GARDEN WASTE
WARD/S AFFECTED:	ALL
REPORT OF:	MARK SMITH, HEAD OF ENVIRONMENT AND REGULATION
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR BRIAN KENNY, ENVIRONMENT AND SUSTAINABILITY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report outlines the options for the processing of all Wirral's kerbside collected garden waste post March 2014. Whilst the Council can legally make a charge for the collection of garden waste it has a statutory duty to dispose, or send for treatment this waste at no additional charge to householders. It is recommended that Wirral Council join an existing green waste composting contract between April and October 2014, currently let by Sefton Council, to enable Wirral Council to take part in a collaborative procurement exercise with all other Merseyside districts. This will ensure that Wirral enjoy the "economies of scale" that a large procurement project is likely to attract and limit the impact of increased processing costs that this industry has experienced over recent years.
- 1.2 Parts of this report relate to the commercial position regarding the existing contract and are therefore exempt from public disclosure in accordance with paragraph 3 of part 1 of schedule 12A of the Local Government Act 1972 and are contained in **Appendix 1**.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The current garden waste reprocessing contract is due to expire 31st March 2014. Wirral is projected to produce around 13,000 tonnes of garden waste per annum. This must be composted to PAS100 standards to enable the Council to claim recycling credits (£58.99 per tonne) and add this tonnage into Wirral Council's recycling performance figures. The current national median gate fee price for windrow treatment reported by WRAP is £24 per tonne (excluding haulage) making the value of this contract significant, and subject to OJEU procurement rules.
- 2.2 Please see **Appendix 1**.
- 2.3 All Merseyside districts are currently drafting a joint tender for green waste processing (led by Sefton Council). A soft market testing exercise has been carried out and the findings of this will inform the development of the ITT (Invitation to Tender). The

outcome of the procurement exercise will be known around April 2014, with a view to commencing November 2014. It is envisaged that the large scale of this tender will secure the most competitive direct deliver gate fee price. Bidders will also be requested to price for the bulking and transportation of garden waste where the facility is too far to deliver to directly by districts. It is likely that the most competitive tenders will come from bidders that source a treatment facility close the main cluster of districts. Therefore, Wirral will be required to arrange its own bulking and transport of waste to the facility, or pay an enhanced contractual gate fee price to include bulking and haulage. However, it is possible that the bidders of this large contract will “subsidise” these costs in order to secure the additional tonnage Wirral Council can offer.

3.0 PREFERRED OPTION: JOIN AN EXISTING COLLABORATIVE CONTRACT UNTIL OCTOBER 2014 AND TAKE PART IN A LONGER TERM JOINT PROCUREMENT EXERCISE WITH OTHER MERSEYSIDE DISTRICTS

A two year collaborative green waste processing contract was let by Sefton Council in November 2011 and has been extended until 31st October 2014. The contract was awarded to White Moss Horticulture, which is a family owned business and producer of horticultural products based in Kirkby. All Merseyside districts are entitled to use this contract at any time, subject to being “invited” by the contractor and operating within limited tonnages. Wirral Council has formally been invited to join this contract from any time up until the expiry date.

The direct deliver gate fee price is highly competitive, due to the larger scale of the contract, and the location of the White Moss Horticulture facility to the Merseyside districts. In addition, White Moss Horticulture are keen to work with Wirral Council, as they are aware we are part of the joint Merseyside procurement proposal.

Officers wish to accept the White Moss Horticulture offer to join that contract upon the expiry of the current contract. This will enable Wirral to fully evaluate the outcome of the joint procurement exercise (2.2 refers) and if desired, compare the future gate fee prices to an in-house option (see section 5.4 below) in spring next year in order to determine Wirral’s future route for garden waste processing.

The Sefton Contract only allows for the “receiving and treatment” element of the process, based on a direct deliver gate fee price. It is impractical for Biffa to direct deliver to this site, due to the 1.5 hour estimated turnaround time. Therefore it will be necessary for Wirral to tender for the bulking and haulage of the garden waste for the same period (April to October 2014.) The value of this contract will require Wirral to seek five quotes. Officers have received a quote from White Moss Horticulture which has provided an indication of the approximate cost.

4.0 RELEVANT RISKS

4.1 Please see **Appendix 1**.

5.0 OTHER OPTIONS CONSIDERED

5.1 Extension of existing contract with Armstrong Group

Please see **Appendix 1**.

5.2 Procure Wirral's own interim contract

This option is only likely to generate competitive tenders from composting reprocessors who are reasonably local, as transport and bulking costs are very significant, and become unviable if a reprocessor is too far away. The current Sefton Contract with White Moss Horticulture offers a cheaper gate fee price than any others received in our green waste tendering exercise carried out in 2009. When comparing with 12/13 national gate fee prices published by WRAP, this price is also extremely competitive.

It is the view of officers that the existing Sefton contract is unlikely to be "beaten" by contracting without the enhanced tonnage from other districts. It is estimated that the amount of officer time taken to carry out this exercise will exceed 200 hours. Due to the reduction in staffing resources across a number of Council departments, it would be necessary to employ a consultancy firm to assist with this tender at an estimated cost of at least £15,000.

A benefit of this option would be to explore "direct deliver" options to nearby composting sites. However, based on previous/current known gate fee prices, and the additional cost of delivering waste to a facility outside of the borough is anticipated to be higher than the White Moss Horticulture offer.

As with the "preferred option", this option would enable the Council to work up an in house tender option from the Parks and Countryside Service as well as keep in consideration the outcome of the joint Merseyside procurement exercise.

5.3 Full Wirral "stand alone" procurement with an April contract start date

Tender prices submitted in 2009 were all higher than the White Moss Horticulture interim offer with the exception of the successful tender at that time – refer Appendix 1. White Moss Horticulture have also indicated in writing that the interim "offer" price may well be improved on through a collaborative procurement process.

Nationally, gate fee prices for Windrow Composting have reduced slightly in this year. This is due to higher competition amongst waste reprocessors for the waste product (as some local authorities use other processes such as anaerobic digestion and in-vessel composting to recycling organic waste containing kitchen waste). In addition, restrictions on the use of peat (to be phased out completely by 2020) have meant kerbside collected garden waste has become a popular alternative for compost producers.

It is therefore likely that a new stand alone procurement will produce similar or slightly lower gate fee tender prices than Wirral secured last time (with the exception of the successful tender). The amount of tonnage Wirral has to offer has reduced, which may offset any gains from current market values. However, the amount of tonnage to be treated as part of the collaborative procurement will be critical to local reprocessors and has the potential to attract new reprocessors to the area. This guaranteed supply of good quality organic waste will maximise competition and drive down the gate fee price. This has already been demonstrated in the existing collaborative tender with Sefton as this gate fee price is lower than districts pay individually to various contractors.

The previous procurement failed to secure a cost effective "in borough" composting solution. The garden waste had to be transported outside the borough. The tonnage

yield from Wirral's garden waste scheme has reduced by around 40% this year, making the likelihood of reprocessors offering a competitive direct deliver option within the borough extremely unlikely.

5.4 Secure an in-borough composting site and carry out the treatment process "in-house"

As in option 5.3, the reduction in tonnage as a result of the garden waste scheme will make the in-house reprocessing of the compost more expensive per tonne. Overheads and capital costs for setting up a composting facility will be the same for 13,000t (the maximum we are likely to yield for a chargeable garden waste service) as it would be for 20,000t (collected via a free service).

A number of other barriers currently exist:

- There is no existing facility or site in the borough so this will have to be identified and planning permission sought. (Relevant planning permission has been granted at a privately owned site near Storeton and the landowner is keen to engage with the Council over the future use of this site).
- Capital investment will be needed to carry out site works, develop infrastructure and purchase specialised equipment.
- The Council currently does not have the expertise and qualifications to ensure the waste is treated to PAS 100 standards.

Notwithstanding this, there are wider benefits to consider by taking on this function:

- The local agricultural soil quality could be improved for local farmers by utilising the compost.
- The carbon footprint from the garden waste kerbside collection service would be minimised as the waste will be recycled and used within the borough.
- There is an opportunity to develop partnerships with local businesses (Farmers and other land owners).
- Garden waste subscribers would be able to visit a local site to understand the process and collect free compost to take home.
- This could compliment a wider parks and countryside function and provide a free source of compost to be used by the Council and during other land restoration projects.
- Income opportunities exist by receiving green waste from the private sector.

Officers believe this option is worth exploring so that a true comparison of costs can be made between a collaborative procurement and in-house solution. Until the gate fee price from the collaborative procurement is known, this option should not be ruled out. The preferred option in this report allows time to explore this option if Members wish. It will be necessary to appoint a consultancy firm to carry out this work at an estimated value of around £15,000. This could be contained within existing budget provisions in 2013/14. The work must be concluded by 31st March 2014, to enable a comparison of costs and benefits with the joint Merseyside procurement.

6.0 CONSULTATION

6.1 Initial meetings have been held with all Merseyside Districts, the MRWA and Halton Council in order to develop the concept for a joint procurement.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 Included in the “offer” from White Moss Horticulture, is a gift of 1000 free bags of home compost that the Council can distribute to garden waste subscribers through a home compost giveaway (or through community organisations linked to gardening/growing). There are no negative implications for voluntary, community and faith groups.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 The cost of the interim green waste contract and the bulking and haulage is likely to be in the region of £230,000 (depending on tonnage yields for that period). A growth bid for next year has already been prepared as the existing provision for green waste processing is insufficient to cover the future costs. Officers estimate that an additional budget of £65,000 pa will be required upon retendering the existing contract.

8.2 The preferred option has the least impact on existing staffing resources. Sefton Council are leading the collaborative procurement exercise and all districts are inputting into that process. For example, St Helen’s Council produced a soft market testing document that has recently been posted on the CHEST. The responses are being collated by Sefton Council’s procurement team. The interim contract has already been procured and a minimum of 200 officer hours (legal, procurement and technical) will be saved by utilising this contract. Should Members wish an in-house feasibility study to be carried out, it is estimated this would cost around £15,000, which could be contained within existing budget provisions.

9.0 LEGAL IMPLICATIONS

9.1 With regards to the Sefton interim option, Wirral was named as a “contracting authority” in the OJEU notice (183347-2011-EN) and the “Tender for the Provision of a Green Waste Composting Service”. There is a tonnage limitation of approximately 10000 tonnes per annum. As this interim arrangement is for a seven month period, this tonnage will not be exceeded.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No because there is no relevance to equality.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 In order to ensure the garden waste we send for treatment can be classified as “recycled” it must be treated to “PAS 100” standards. All options within this report call for this standard. The recommended option in this report awards an interim contract to a Merseyside based reprocessor that offers a “closed loop” recycling solution. The product produced from the treatment process is used in a range of compost products”, including peat free and reduced peat products that are sold to the retail sector. The

carbon impact of transporting Wirral's garden waste to a new treatment facility will be reduced as the proposed interim facility is more local.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no planning or community safety implications arising from this report.

13.0 RECOMMENDATIONS

13.1 Members are requested to:

- (1) Approve the Head of Environment and Regulation's recommendation to pursue the preferred procurement option outlined in section 3.
- (2) Approve Wirral Council's full involvement in the proposed collaborative procurement exercise for Merseyside districts through a variant tender or variable pricing methodology (allowing Wirral the flexibility to determine its long term options) as detailed in section 2.3.
- (3) Instruct the Head of Environment and Regulation to carry out a feasibility study of delivering composting services in-house through the Parks and Countryside Services Section as outlined in section 5.4.
- (4) Instruct the Head of Environment and Regulation to report the outcome of the collaborative procurement exercise and feasibility study once the gate fee prices of the joint procurement exercise are known.

14.0 REASON/S FOR RECOMMENDATIONS

14.1 A comprehensive appraisal of options has been evaluated and the current "offer" from White Moss Horticulture is deemed to be extremely competitive. Current and previously tendered gate fee prices are higher than this "offer". In the opinion of officers, letting our own interim contract for the same period would lead to an increased gate fee price offer from White Moss Horticulture (as it is not part of the existing Sefton contract) and would not result in a more competitive offer from other bidders. This option proposes to utilise the same bulking station that we currently deliver garden waste to which eliminates any risk of service disruption to our garden waste subscribers and any increased cost claims from the waste collection contractor, Biffa.

14.2 In such times of austerity it is important that Wirral Council maximise opportunities for partnership working and identifying collective savings from working with other local authorities. The total amount of garden waste tonnage due to be processed through a joint contract is around 60,000t, compared to a maximum of 13,000t from Wirral acting alone. Therefore this contract is large enough to attract new operators to Merseyside which will incentivise all bidders to tender as competitively as possible, benefiting all districts involved.

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APPENDICES

Appendix 1: Information regarding existing contract with Armstrong Group (EXEMPT).

REFERENCE MATERIAL

OJEU notice 183347-2001-EN (10/06/2011) <http://ted.europa.eu/TED>

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet: Contractual Review of Green Waste Processing Contract with Armstrong Group	23 June 2011
Cabinet: Update Report Contractual Review of the Garden Waste Processing Contract With Armstrong Group	12 January 2012