

ABERDEEN CITY COUNCIL

COMMITTEE	Zero Waste Management Sub-Committee
DATE	30 April 2013
DIRECTOR	Pete Leonard
TITLE OF REPORT	Update on Waste Management Services Contract Variation
REPORT NUMBER:	ZWM/13/***

1. PURPOSE OF REPORT

The purpose of this report is to provide an update on Waste Management Services Contract variation.

2. RECOMMENDATION

That the Zero Waste Management Sub-Committee notes the report.

3. FINANCIAL IMPLICATIONS

The financial implications of the Zero Waste Project have been previously reported through report ZWM/12/005 Outline Business Case for Waste Treatment Facilities presented at the Sub Committee Meeting on 3 October 2012. The report identified that substantial investment is required to deliver these facilities and allocations have been made through the 2013/14 budget process, agreed at Council meeting of 14th February 2013.

4. OTHER IMPLICATIONS

Support from Finance and Legal and Democratic Services is required to complete undertake the variation process. Both departments will provide support to this project.

5. BACKGROUND AND MAIN ISSUES

On 10 October 2012, Council approved recommendations in the Outline Business Case report considered at the Sub-committee meeting on 3 October 2012.

A key element in delivering the recommendations in the report is the renegotiation of the Waste Management Services Contract (WMSC) with SITA

UK Limited. The contract commenced on 21 September 2000 and has a duration of 25 years.

The main element of the contract was the construction of an combined Energy from Waste (EfW) and Materials Recycling Facility (MRF) at the Altons Environmental Park. Planning permission for this facility was refused in 2004 and the contract has operated on an interim basis since.

By defining the infrastructure and service requirements in the Outline Business Case, the Council has now set the template for the remaining term of the WMSC. In order to implement all the elements of the OBC apart from an combined heat and power EfW plant, the WMSC must be varied.

This variation is, in essence, a complete 'reboot' of the contract and as such will require a significant amount of work from both the Council and the Contractor to develop suitable proposals at best value to the Council.

5.1 Scope of Contract Variation

The key objectives of contract variation are to renegotiate revised contractual arrangements with SITA(UK) Ltd for the provision of:

- Food and green waste processing,
- Development of a new materials recovery facility (MRF) for recyclable materials,
- Development of an interim refuse-derived fuel (RDF) export solution, pending development of a residual waste processing facility in Aberdeen and
- Development of a new Bridge of Don Recycling Centre

5.2 Supporting activities / project plan

In order to progress the project, the following supporting activities have been identified

- Set up project team & project documentation
- Procurement of technical advisors
- Development of a new data model and tonnage projections
- Work to identify potential sites for the EfW plant, and other facilities
- Transition plan – to plan implementation of the new collection regime and co-ordination with the introduction of new processing facilities. This may include the development of interim market solutions pending completion of new processing facilities.

At this stage the project plan is in draft and is likely to change following discussions with SITA regarding their ability to deliver to the proposed programme, and also once advisors have been appointed and the plan reviewed in the context of their role.

Provisional milestone dates in the draft plan at present are as follows:

• Data model & projections ready	late April
• Start-up meeting with SITA	early April
• Advisors appointed	3 rd wk. May
• SITA negotiations concluded	end September
• Advisors prepare reports & recommendations	October
• Sites / site options secured	late October
• Conclusions available for Project Board	early November
• ZWMP Sub Committee approval	4 th December
• Full Council Approval	18 th December

5.3 Implementation programme

A project plan has been developed that makes broad assumptions about how long it may take to conclude contract close with SITA following agreement, secure sites and planning permission and deliver operational facilities. A better estimate will be available as negotiations progress, but for the time being it is assumed that the new SITA facilities will be fully operational by 3rd quarter 2015.

Some elements of the proposals – particularly the RDF export solution (which is anticipated to use leased premises, and required only modest investment) are likely to be available much earlier – probably mid to late 2014.

5.4 Issues / Risks

A full risk register will be developed once the technical advisors are appointed and negotiations with SITA are under way, and will be kept under review throughout the project.

The highest risks identified to date are related to the potential difficulties of demonstrating that SITA's proposals offer value for money compared with an open-market solution and the risk that SITA's proposals are unaffordable, in the context of the general funding pressure on Council services which is likely to continue for several years. Both of these risks are mitigated by the structure of the renegotiation, employment of Technical Advisors and the extensive work already taken through the Outline Business Case to assess the costs and benefits of the options taken.

Furthermore, it is important to ensure that ACC Finance are appropriately represented on the project team from the start of the SITA negotiations.

It is intended that the project legal advisors (Brodies LLP) shall conduct any detailed negotiations related to contract terms and ensure legal compliance. Similarly, ACC Legal Services may wish to be represented at key meetings and reviews so as to be able to satisfy themselves that the final SITA proposals and contract changes are sound.

6. REPORT AUTHOR DETAILS

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