

**DRAFT**

**HOUSING AND ENVIRONMENT COMMITTEE**

**24 August, 2010**

**WASTE MANAGEMENT SERVICES CONTRACT PROGRESS REPORT –  
H&E/10/122**

1. With reference to article 4 of the minute of meeting of the Urgent Business Committee of 6 August, 2010, the Committee had before it a report by the Director of Housing and Environment, which provided an update on the waste management services contract (WMSC) and provided an outline specification for the development of an alternative solution to the contract.

By way of background, the report advised that the WMSC had been signed in July, 2000 with service commencing in September, 2000. The contract duration was for 25 years (with 15 years still to run) and the main purpose of the contract was the construction of a combined materials recycling facility and energy from waste plant at the Altens Environmental Park. The report explained that planning permission for this facility had been refused in 2004, so an alternative solution had been sought, which would complement the Council's Waste Strategy and Transformation Strategy for Waste Management Services.

The Waste Management Services contractor, SITA UK Limited, had continued to provide baseline services as envisaged under the WMSC, and had in addition, addressed emerging needs required in response to the developing policies of the Scottish Government and the Council. The report detailed the five various baseline services, namely (1) to operate transfer facilities at Sclattie; (2) to provide transfer facilities in the south of the city; (3) to operate the four recycling centres in the city; (4) to provide landfill disposal facilities at Hill of Tramaud; and

(5) to manage the restoration and formal closure of the Ness Farm and Tullos Hill Landfill Site; and provided a synopsis of the new services developed in association with SITA UK Limited since the commencement of the WMSC.

The report advised that the Council's landfill site at Hill of Tramaud was likely to close in December, 2010, and that this situation had been catered for within the initial WMSC, but the development of an additional recycling facility and kitchen and garden waste facilities at Sclattie meant there was insufficient room for general refuse. It had been proposed, at the aforementioned meeting of the Urgent Business Committee, that a new building and ancillary works be constructed at Sclattie to enable the site to be used for transfer of all types of wastes. This would require an additional contract variation of approximately £450,000. The Director of Housing and Environment had been instructed at the meeting of the Urgent Business Committee of 6 August, 2010, to sign a contract variation with SITA UK Limited, to allow immediate start of works at Sclattie to ensure continuation of waste collection services.

The report advised that in addition to the works at Sclattie, it was proposed to undertake a limited renovation of the East Tullos Transfer Station to permit safe transfer operations to resume, and it was anticipated that it would cost approximately £700,000 to bring the facility back into use. The report suggested that the £1,244,000 of capital and revenue funding that had been allocated to the Council from the zero waste fund be utilised to finance these developments.

The report outlined the alternative solution, and advised that with the exception of the residual treatment requirement, all elements were assessed to be able to be delivered at best value when considering the capital repayment required for each facility. Capital expenditure would be required for the materials recycling facility and the organic treatment facility, with both facilities having an operating life of around ten years. This would result in capital depreciation being economically achieved before the end of the WMSC. The report continued that this was

unlikely to be the case for the residual treatment facility, where the scale of the investment was likely to be over £20,000,000 (and possibly as high as £50,000,000, dependant on the technology chosen). These facilities would have an operating life of around twenty years, with depreciation spread across this period. With the WMSC having fifteen years to run, and the timescales involved in getting the facility operational, it was likely that the facility would be commissioned with ten years or less of the WMSC remaining. The report therefore proposed that the residual treatment element of waste management be not included in the alternative solution, but instead, that an options appraisal be undertaken to consider the most appropriate method of delivering a residual treatment solution.

The report continued that in order to ensure that an appropriate and best value alternative solution could be achieved (1) the Council would have to provide the scope and specification for the alternative solution; (2) SITA UK Limited would have to develop a business model based on a contract waste data flow model; (3) the Council would have to validate the waste data flow model and instruct SITA UK Limited to develop and submit a full business model and proposal document; (4) the Council would have to review the business model and proposal document and undertake best value analysis which would require each element of the proposal to be scrutinised and, where necessary, benchmarked; (5) a period of discussion and refinement of proposals and costs would be required to ensure that the proposal met the requirements of the Council, and at an appropriate cost; (6) a continual review of contract documentation would have to be undertaken to ensure that contract terms and conditions were appropriate for the services to be provided; (7) officers would have to prepare a full alternative solution assessment report for consideration by this Committee; and (8) subject to Committee approval, a formal contract variation would be signed by the parties.

The report concluded that the current resources allocated to the WMSC were not adequate to undertake and complete all of the above tasks, and that specialist legal, technical, financial and business analysis support would be required.

**The report recommended:-**

that the Committee:-

- (a) notes the progress made to date on updating the waste management services contract;
- (b) **recommends that the Finance and Resources Committee approve the allocation of zero waste fund monies to development works at Sclattie and East Tullos Transfer Stations to allow continuance of efficient recycling and waste disposal services;**
- (c) approves the continuation of the development of an alternative solution based upon the following infrastructure and service development:
  - Development of a materials recycling facility at the 'four fields' site in Altens to handle commingled recyclables collected by the Council.
  - Development of two new recycling centres, one at the former Grove Nursery Site in Hazlehead and the other in the Bridge of Don area, this latter to replace the Scotstown Road site.
  - Operational improvements to the remaining three recycling centres (Sclattie, Pitmedden Road and Greenbank Crescent) to achieve substantial increase in recycling and landfill diversion.
  - The provision of organic waste treatment services to be defined following an options appraisal relating to the collection methods for kitchen and garden wastes.
  - The provision of refuse transfer services at two sites in the city until the development of a residual treatment facility; and
  - The provision of landfill disposal services.

- (d) instructs the Head of Finance, with the assistance of colleagues in Housing and Environment, to identify suitable financial and business analysis support for the development of an alternative solution;
- (e) approves the decision not to include residual treatment services in the alternative solution; and
- (f) instructs officers to undertake an options appraisal to determine the best method of procuring residual treatment services that conform to the requirements of the Aberdeen City Waste Strategy and to report back to this Committee on 12 January, 2011.

**The Committee resolved:-**

- (i) to welcome the initiative of officers in arranging to meet with members of the community in relation to the Grove Nursery site, and to instruct that a bulletin report be submitted at the next meeting, detailing the outcomes of these discussions;
- (ii) to amend recommendation (d) to read as follows: to instruct the Director of Housing and Environment to liaise with the Head of Finance to identify suitable financial and business analysis support for the development of an alternative solution, in consultation with the Convener and Vice Convener of this Committee; and
- (iii) to otherwise approve the recommendations as contained within the report.