

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting14th November 2019

1. Title of Item/Report

Tees Valley Future Waste

2. Record of the Decision

Consideration was given to a report on Tees Valley Future Waste.

The Joint Waste Management strategy (“JWMS”) for Tees Valley was updated in 2018/19 to extend its validity from 2020 to 2035. It was adopted by all the Tees Valley Local Authorities in January 2019 following a period of public consultation. The aims and objectives of the JWMS included waste generation, reuse and recycling, waste recovery and landfill diversions; job creation and overall positive impact on the circular economy.

Stockton, Hartlepool, Middlesbrough and Redcar and Cleveland Authorities as the successor waste disposal authorities to Cleveland County Council operate residual waste disposal services under a single contract that they inherited from Cleveland. That contract that would to expire in March 2025. Darlington had its own waste treatment and disposal contract which would expire at the same time.

There was a recognition within the JWMS of the ongoing benefits of the Tees Valley waste disposal authorities working together. The report introduced an Outline Business Case (“OBC”) which had been developed to address the aims and objectives of the JWMS specifically for the future treatment of municipal residual waste (waste remaining after recycled material had been removed) collected by all the Tees Valley Authorities.

It was proposed to formalise the existing partnership working by entering into an Inter-Authority Agreement (“IAA”) that set out in detail the terms of the joint working arrangements for the project. The IAA proposed appointing Hartlepool Borough Council as Lead Authority with responsibility for carrying out the procurement milestones.

The Tees Valley Local Authorities excluding Darlington had a single contract for the treatment of residual municipal waste which ran until 2025. Darlington had a separate contract and that also expired in 2025. A

requirement to identify a new Tees Valley solution from 2025 had therefore been identified and the report detailed progress on a proposed joint procurement and set out how the authorities would work together to maximise competition for a Tees Valley solution and how the project would be funded over the immediate and the longer term.

Within the north-east region with the exception of Darlington, the incumbent contractor had over time established an effective monopoly on residual waste treatment contracts. The result was that without intervention to secure competition there was limited opportunity for other contractors to offer a residual waste treatment capacity. Consequently, for the Tees Valley authorities faced with going to the market, in order in order to ensure genuine competition it was apparent that the only realistic option would be to offer the market a site with a planning permission for a new residual waste treatment plant. Only by taking this approach would the authorities be able to promote a more level playing field that would increase competition and drive a value for money solution. This rationale was borne out by feedback from contractors at a Market Awareness day, held on 29th January 2019.

It was estimated that by 2025 around 200,000tpa of residual waste would require treatment in the Tees Valley, which was expected to increase to around 210,000tpa by 2050 as a result of housing and population growth. Government policy was expected to widen the definition of municipal waste to include similar commercial and industrial waste, effectively increasing the tonnage of material requiring treatment. This provided the Authorities an opportunity to attract income from third parties by treating additional waste through spare capacity and, thereby offsetting the gate fee. This opportunity was also confirmed during the Market Awareness day which was well attended by those organisations interested in this project.

Obtaining planning before procurement removed a significant risk which might otherwise reduce the number of bidders willing to participate or be priced into the contract. It also meant that any perceived “monopoly” advantage that the incumbent contractor had was mitigated. The procurement would use an output specification with evaluation based around criteria developed collectively by the Tees Valley Authorities. This meant that any technology that was compliant with the criteria would be considered. The project would seek to use any electricity or heat produced by the facility locally.

The Procurement of the solution would be governed through an Inter-Authority Agreement (IAA) between the five Tees Valley authorities. The agreement sets out the terms of joint working arrangements for the Project, the procurement milestones, and the appointment of Hartlepool

Borough Council as the lead authority in carrying out the key procurement milestones.

To support the delivery of the project and enable the inward investment of energy from waste facilities to Tees Valley it was proposed that the Combined Authority provide support to enable procurement of the project. As this was a complex project there was a significant funding requirement of up to £5m to cover the costs of the procurement, obtaining planning permission on the reference site, project management and external legal, financial and technical advice. The timetable contemplated in the OBC aimed to complete the procurement process during the summer of 2021, with construction of the facility completed by autumn 2024. This would enable operational commencement by April 2025. The funding arrangements for the £5m procurement costs were detailed in the Financial Implications section of the report.

The IAA dealt with the governance and co-operation of the Tees Valley Authorities during the procurement phase. Once a contractor was identified and the final contract was agreed, the authorities would need to enter into a Second Inter Authority Agreement setting out their respective rights and responsibilities with in the operational phase. This second agreement would include the matters set out in the heads of terms.

Four options for residual waste treatment were identified in the Strategic Outline Case and taken forward as part of an options appraisal (in the JWMS) with a number of waste collection and recycling options. The highest scoring option was the new build Energy Recovery Facility ("ERF"), with Combined Heat and Power and high-performance recycling systems. The new build ERF would be taken forward as the Reference Case. However, the procurement would be designed so that it does not preclude the possibility of alternative technologies being proposed, as long as they can demonstrate similar levels of performance and reliability and meet the requirements of the output specification

It was intended that participating Authorities would work together under the proposed Inter-Authority Agreement which binds the parties together in a binding agreement. This was a key issue raised by a number of the organisations at the Market Awareness day. Representatives from each Council would form the project delivery team which would be supported by technical, legal and financial advisers. This team would report into the Tees Valley Chief Executive's. The Combined Authority would be part of the Project Team. Further reports to Cabinet would be provided at key points during the project.

A copy of the Project Board Terms of Reference, Inter-Authority Agreement, Additional Financial Implications (Exempt) and the Outline

Business Case (Exempt) were attached to the report.

RESOLVED that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

At this point Members considered the exempt information that was attached to the report.

RESOLVED that:-

1. The Outline Business Case (Annex 4 Exempt) be agreed for the future treatment of municipal residual waste and the intention of the other four Tees Valley authorities to similarly agree the OBC be noted.
2. The Council enter into the Inter-Authority Agreement (IAA) (Annex 2) between the five Tees Valley Authorities in respect of Tees Valley Municipal Residual Waste Treatment project substantially on the terms annexed and to delegate approval of minor amendments to the IAA to the Director of HR, Legal and Communications and Director of Community Services.
3. The Terms of Reference for the Project Board (Annex 3) be noted.
4. The financial commitment be noted to Stockton's share of the procurement and project costs of £1m and subject to approval by full Council as part of the 2020/21 MTFP agree to release funding to be supported through borrowing. The Council entering into a loan agreement with the Combined Authority in respect of the £1m procurement costs. The final details of the agreement to be delegated to the Director of Finance and Business Services in consultation with the Director of Community Services and the Director of HR, Legal and Communications.
5. The Director of Community Services be authorised, in consultation with the Director of Finance and Business Services, Director of HR, Legal and Communications and the Cabinet Member for Environment and Transport to accept any minor or inconsequential changes to the Outline Business Case, the Inter Authority Agreement and Terms of Reference of the Project Board if required.

3. Reasons for the Decision

To ensure progress towards the aims and objectives of the Joint Waste

Management Strategy and to secure continuation of the treatment of residual waste from 2025 by enabling Stockton to participate in the joint procurement of the wider Tees Valley residual waste treatment.

Entering into the IAA sets down the parameters for the procurement, ensuring that risks are managed and shared, with no individual authority able to withdraw unilaterally without compensating the remaining authorities for a relevant share of procurement and other costs.

4. Alternative Options Considered and Rejected

None.

5. Declared (Cabinet Member) Conflicts of Interest

None.

6. Details of any Dispensations

N/A

7. Date and Time by which Call In must be executed

Midnight, 22 November 2019.

Proper Officer
18 November 2019