

NORTH LINCOLNSHIRE COUNCIL

**HIGHWAYS AND NEIGHBOURHOODS
CABINET MEMBER**

EXTENSION OF THE LANDFILL DISPOSAL CONTRACT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform the Cabinet Member of the option to extend the landfill disposal contract;
- 1.2 To secure future capacity for the disposal to landfill of municipal waste collected by the council;
- 1.3 To approve the extension to the landfill disposal contract.

2. BACKGROUND INFORMATION

- 2.1 The council procured a landfill disposal contract for its collected municipal waste in 2011. This contract was for one year with options for two further extensions of two years. It was structured this way to provide flexibility as the council was undertaking the procurement of a long term municipal waste treatment contract at the same time.
- 2.2 The successful tender offered a gate fee at 18% of the price that the council were then paying. This equated to savings in the region of £30,000 per week. The procurement had delivered significant savings and demonstrated excellent value for money.
- 2.3 In the years since the contract award the gate fee paid by the council has consistently been at the bottom end of comparative benchmarking prices. This demonstrates that the contract has provided excellent value for money. For this reason the council exercised its option on the first extension period for April 2012 to March 2014.
- 2.4 The council's option to enact the second extension must be confirmed by formal notice to the landfill contractor no later than 31 December 2013.
- 2.5 The latest benchmarking report shows that the current gate fee paid by the council is at the bottom end of those paid for non-hazardous waste. This demonstrates that the current landfill disposal contract continues to offer excellent value for money.

- 2.6 The service from the landfill operator has been very good and there have been no major problems. There are no operational reasons not to continue with them.

3. OPTIONS FOR CONSIDERATION

- 3.1 **Option 1:** To utilise the extension available to the council under the contract. This will secure future capacity for the disposal to landfill of municipal waste at the current contract rate.
- 3.2 **Option 2:** To undertake a compliant procurement to secure future capacity for the disposal to landfill of municipal waste collected by the council.

4. ANALYSIS OF OPTIONS

- 4.1 **Option 1:** Utilising the extension option secures landfill disposal capacity for two years at a known rate. The contractor has also provided a very good level of service. There is no reason why this would change. The two year extension does not conflict with the council's strategy for a long term treatment and disposal solution. If the council utilises the extension option it must formally notify the contractor by no later than 31 December 2013.
- 4.2 **Option 2:** The alternative is to undertake a procurement to find an alternative for disposal given that there is not a do nothing option. Any procurement must comply with the EU regulations due to the value of the service. This should take approximately four to six months. Unfortunately there is no guarantee that the procurement will deliver a gate fee lower than that currently paid. On balance this seems unlikely. Market intelligence obtained via the WRAP annual gate fees report shows that the gate fee currently being paid is one of the lowest in the country. The contractor has also provided a very good level of service. Waste Services are already committed to complete two other EU level procurements by the end of next March. This additional procurement would add considerable strain on the team. Taking all these issues into account there would seem to be a higher risk profile for a new procurement than the option to extend the current contract.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 **Legal** – due to the value of the landfill contract any procurement must comply with the EU procurement regulations. This would probably take four to six months. Utilisation of the extension clause avoids the need to re-procure to remain legally compliant.
- 5.2 **Financial** – since its original award the gate fee paid under the contract has consistently been at the bottom end of comparative benchmarking prices proving that the contract remains excellent value for money. The current competitive gate fee will be inflated by RPIX during the two

extension years. Utilisation of the extension clause secures price certainty and assists budget planning for the four year plan. There is no guarantee that the procurement will deliver a gate fee lower than that currently paid.

- 5.3 **Procurement** - the decision to utilise the extension clause does not undermine the council's current procurement of a long term waste treatment solution.

6. **OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

- 6.1 A completed Integrated Impact Assessment demonstrates that there are no impacts other than those associated with the collection and transportation of waste using vehicles. The impacts are reduced by the use of local facilities.

7. **OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

- 7.1 The Director of Policy and Resources confirms that utilisation of the extension clause provides the best value for money for the council.

8. **RECOMMENDATIONS**

- 8.1 To approve Option 1 and extend the landfill disposal contract to secure future capacity for the disposal to landfill of municipal waste collected by the council.

DIRECTOR OF PLACES

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Background Papers used in the preparation of this report: None.