

Leicester
City Council

WARDS AFFECTED
All Wards
Mowmacre

Cabinet

29 January 2001

PFI AND WASTE MANAGEMENT

Report of the Director of Environment and Development

1. Purpose of Report

To update Members on progress of the PFI Waste Management project. To seek Member approval for actions to be taken which will facilitate the implementation of the PFI Waste Management procurement process and which will contribute to the overall deliverability of the PFI project.

2. Summary

In September 2000 the Council was successful in its PFI bid to assist in the development of a new integrated waste management service. The Council will now be asking contractors to bid for a contract to build and operate a new waste recycling and recovery service, which will meet the city's needs for the next 25 years. Details of the notice for the new contract are set out in recommendation 3.3 below and paragraph 5 of the background report.

The procurement programme, for the new contract, is expected to take 18 months, and an indicative timetable is included in the background report at paragraph 3.4

Member commitment and involvement throughout the process is important in ensuring the successful delivery of the project and also in Members making key decisions and developing an appreciation of the nature and financial consequences of the contract being entered into. It is important that a robust and flexible mechanism for member involvement is agreed at this early stage of the project.

A Project Board has been established with overall responsibility for project delivery. The terms of reference and membership of the Board are set out in the background paper at paragraph 3.3 and at appendix 1

To facilitate the project a site for the new development will be made available to potential contractors on a leasehold basis lasting the length of the contract. Members are asked to approve, at recommendation 3.2 below that a council owned sites, be offered to contractors as part of the procurement process.

3. Recommendations

It is recommended that Cabinet approve the following recommendations:

- 3.1 That the Director of Environment & Development prepare and issue a notice in the Official Journal of European Community (OJEC) inviting interest to be declared from potential contractors to provide the Council with a new integrated waste management service, as detailed in paragraph 5 of the background report.

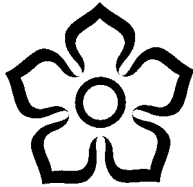
- 3.2 That the Director of Environment and Development, under delegated powers, in consultation with the Cabinet Member with lead responsibility for environment will be responsible for approving all key decisions (as detailed in Appendix 1) relating to the PFI procurement. Such decisions include the preparation and award of the 25-year contract for the new integrated waste management service.
- 3.3 That a Council owned site at Bursom Industrial Estate be offered to contractors as part of the procurement process, and that the Director of Environment and Development approve the disposal whether freehold or leasehold of the site and the terms and other matters to which the disposal is subject.

4. Financial and Legal Implications

- 4.1 Approval of the PFI scheme will mean that additional revenue support will be provided on the capital element of the project, through the provision of PFI credits. It is estimated that this additional annual revenue support will be in the order of £3.2 million at the start of the scheme and reducing to £1.2 million by the end.
- 4.2 To facilitate the project a site for the new development will be made available to potential contractors, with recoupment of this cost being sought through the procurement process. It must be noted however that a potential contractor may have their own site and not wish to make use of the Council's sites, and therefore any cost the Council incurs in securing a site is at risk, although such costs are not significant. Officers are working to secure possession of sites at minimum financial cost to the Council. Members are asked to note that, if the Council decided not to offer a site and contractors are asked to supply their own site, it will introduce a major uncertainty in contractors' minds when they tender, which will of course increase the price.

5. Report Author/Officer to contact:

Cathy Loughhead Manager (Waste Strategy) Ext: 3146



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PFI AND WASTE MANAGEMENT

1. Purpose of the Report

1.1 The report provides background and supporting information on the PFI Waste Management procurement process and project management arrangements.

2. Background

2.1 The Council has an EMAS target of recovering 40% of municipal waste by 2004. Whilst the target set by the Council is seen as challenging it is also seen as necessary in light of the economic and environmental pressures on continuing with landfill disposal. The landfill sites currently used by the Council are projected to be full by 2003/4, pressures on landfill disposal will be further intensified with the introduction of the EU Landfill Directive and the increasing cost of Landfill Tax.

2.2 In September 2000 the Council was successful in its PFI bid to assist in the development of a new integrated Waste Management service for the city. On 18th September Cabinet approved for actions to be taken to facilitate the implementation of the PFI and Waste Management procurement process, including the appointment of external advisors and indicative project timetable.

2.3 The following advisors have been appointed: The 4P's are providing advice with overall project management; Nabarro Nathanson are providing Legal Advice; and Ernst & Young are providing financial advice. Cabinet gave approval for the funding of advisors from reserves, pending reimbursement from the successful contractor, on the 18th September 2000. An indicative timetable for the project was also reported to Members on 18th September and is detailed at paragraph of the background report.

3. Project Management Arrangements:

3.1 Member Involvement

3.1.1 Members have taken a keen interest and have been very supportive in the development of the project. On 10th November 1998 Members of the Environment and Development Committee agreed to support the development of the Council's Waste Management Strategy and for a bid to be developed under the Private Finance Initiative. On 11th August 1999 the Environment Committee gave unanimous cross party support for the PFI bid document to be submitted to the Department of Environment, Transport and Regions. This year on 18th September Cabinet welcomed the announcement that the Council's PFI bid had been successful and approved actions to be taken to assist the implementation

of the project procurement process. The Cabinet Member with lead responsibility for environment reported the success of the PFI bid to full Council on the 30 November.

3.1.2 Members continued commitment and involvement throughout the procurement process is vital, particularly in Members developing an appreciation and accepting the nature and financial consequences of the contract being entered into.

3.3 Project Board

3.3.1 The Project Board has overall responsibility for the strategic management and delivery of the project. There are six critical aspects that it is particularly concerned with:

- Quality assurance
- Risk assessment and transfer
- Affordability and value for money
- Project deliverability consistent with the authority's objectives
- Member involvement
- Resource availability for the project (to include monitoring cost of procurement)

The terms of reference of the Project Board and key decisions where the Board will be involved, consistent with the above criteria, are set out in Appendix 1 of this report.

3.3.2 Membership of Project Board

The Director of Environment and Development, Peter Webster chairs the Project Board. Board Members are Chief Financial Officer, Mark Noble; Assistant Head of legal Services, Joanna Bunting; Assistant Director Arts and Leisure, Keith Osborne; Assistant Director Environment and Development, Alistair Reid.

3.3.3 Decision Making

The Director of Environment and Development will be responsible for approving, in consultation with the Cabinet Member with lead responsibility for environment, all key decisions (as detailed in Appendix 1) relating to the PFI procurement and award of final contract, including:

- Selection of potential contractor shortlist
- Selection of preferred bidder
- Final business case and impact on authority
- Final contract terms

The Project Board will report to Cabinet on a regular basis on key decisions and progress of the project.

3.4 Timetable

3.4.1 The procurement process is planned to start towards the end of January 2001. The target date for contract award is September 2002, from which date the PFI service provider will take over the operation of the current Materials Recycling facility (Planet Works) and the contract for disposal. The contractor will take over the remaining obligations, e.g. refuse collection, as current contracts expire.

3.4.2. An indicative procurement timetable has been developed and is currently being worked to. Following the appointment of advisors the procurement process

and schedule will be refined and an updated and detailed timetable will be presented to Members in due course

Indicative PFI procurement timetable

Key Dates	Start Date	End Date
Submit OBC to DETR	10 September 1999	
Receive approval from DETR/PRG	September 2000	
Appoint external advisors	October 2000	December 2000
Prepare draft Memorandum of Information, Output Specification, Pre-qualifying Questionnaire, Evaluation Criteria	October 2000	January 2000
Issue OJEC notice / responses received	January 2001	March 2001
Pre-qualification	March 2001	April 2001
Prepare draft Invitation to Negotiate (ITN) documentation,	August 2000	April 2001
Issue draft ITN to shortlisted companies for comment	May 2001	August 2001
Consider responses received/Bidder interviews	September 2001	December 2001
Issue finalised ITN/ Invite best and final offers	January 2002	
Tender period	January 2002	February 2002
Evaluation of bids	March 2002	April 2002
Select Preferred bidder	May 2002	
Negotiations to contract award with preferred bidder	June 2002	September 2002

3.5 Public Relations Strategy

3.5.1 A public relations strategy is currently being developed with assistance from the Communications Unit Chief Executives Office. This includes establishing communication systems to keep Members and the public informed throughout the project, identifying potential “flash points” in the project, and establishing a protocol for dealing with media enquiries.

4. Sites for new Recycling and Composting Facility

4.1 To facilitate the realisation of the project a site for the new development will be made available to potential contractors on a leasehold basis lasting the length of the contract. The success and deliverability of the PFI project relies on the Council being able to offer potential contractors a site on which to build the new facility. If the Council decided not to offer a site and contractors are asked to supply their own site, it will introduce a major uncertainty in contractors’ minds when they tender, which will of course increase the price. Recoupment of the cost to the Council in providing a site will be sought through the procurement process. It is also possible that a potential contractor may have a their own site, not necessarily within the city boundary.

4.2 Officers over the last year have looked at a number of potential sites across the city for the proposed new facility. The general requirement against which sites were considered suitable related to: size, proximity to residential areas, road access, environmental impact, planning policy, availability within project timetable. It is important to note that the new facility will utilise the newest technologies of waste treatment and resource recovery, meeting both sustainability and environmental standards. Also that it is the contractor who is responsible for the design of the new facility and obtaining the necessary planning consents and approvals.

4.3A council owned site has been identified as being suitable for the new facility at Bursom Industrial Estate, appendix 2. It is recommended that this site be offered to contractors as part of the procurement process.

4.4 Given the potential for difficulties to arise in securing a single site a number of other sites are currently being investigated as suitable alternatives to offer contractors. Officers will report in due course should a further site become available to be offered to potential contractors within the procurement process

5. Notice for new Integrated Waste Management Contract

5.1 A contract tender notice will now be issued asking potential contractors to indicate their interest in providing an integrated waste management service for the collection, treatment and disposal of the city's domestic waste. This will include meeting national recycling and recovery targets and the providing the Council with the following key services and facilities:

- **Materials Recycling Facility (Planet Works)** - management of facility and staff
- **Domestic Refuse Collection** – provision of service
- **Bring Sites (Bottle Banks)** – maintenance of current facilities and replacement/ development of new facilities
- **Community Recycling Centres** – management of combined operation and haulage contracts
- **Public Cleansing** – provision of reception facility for street cleaning waste and grounds maintenance (green) waste

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References within Report
Equal Opportunities	No	
Policy	Yes	2.1
Sustainable and Environmental	Yes	2.1, 4.2
Crime and Disorder	No	
Human Rights Act	No	

7. Details of Consultations

Financial Strategy – Julian Allen
 Legal Services – Joanna Bunting
 Property Services – Chris Ingham
 Development Plans – Niles Holroyde
 Communications Unit – Madeleine Redway
 Town Clerk – Charles Poole

Waste Management PFI – Project Board

TERMS OF REFERENCE

The Project Board has overall responsibility for the strategic management and delivery of the project. There are six critical aspects that it is particularly concerned with:

- Quality assurance
- Risk assessment and transfer
- Affordability and value for money
- Project deliverability consistent with the authority's objectives
- Member involvement
- Resource availability for the project (to include monitoring cost of procurement)

The key areas where the Board will be involved consistent with the above criteria are set out below in chronological order. Please note that some of these are ongoing and others will overlap. Most if not all of the actions identified will of course be based on advice and recommendations from the project team and its advisers.

KEY DECISIONS

Project Start

- ◆ Agree Scope of project – *affordability, value for money and commercial interest*
- ◆ Approve, monitor and review project plan and timetable – *deliverability and resource availability.*
- ◆ Consider need for internal and external assistance - approve appointments of external advisers – *resource availability, quality assurance, deliverability, value for money.*
- ◆ Report to Members, and facilitate Member involvement– *member involvement*
- ◆ Agree procurement budget – establish monitoring and review arrangements – *resource availability, value for money.*

Pre-qualification Stage

- ◆ Approve final version of Information Memorandum pack – *quality assurance*
- ◆ Approve arrangements for Bidders briefing day and agree Authority representatives to attend – *quality assurance*
- ◆ Approve pre-qualification criteria – *quality assurance*
- ◆ Recommend shortlist to members – *project deliverability.*

Invitation to Negotiate (ITN)

- ◆ Agree stages of ITN process – *affordability and value for money, project deliverability*
- ◆ Review and agree key outputs of ITN documentation including:
 - Instructions to tenderers
 - risk analysis and transfer
 - payment mechanism
 - output specification
 - draft contract

Selection of Preferred Bidder

- ◆ Agree evaluation criteria for selecting preferred bidder – *affordability and value for money, deliverability*
- ◆ Agree authority's negotiating position on key points – *affordability and value for money, risk transfer, deliverability*
- ◆ Agree authority's negotiation team – *quality assurance*
- ◆ Recommend selection of preferred bidder – *affordability and value for money, risk transfer and deliverability*
- ◆ Oversee final negotiations - *affordability and value for money, risk transfer and deliverability*
- ◆ Review final business case, liaise with Department of Environment, Transport and The Regions (DETR) if required - *affordability and value for money, risk transfer and deliverability*
- ◆ Recommend final contract terms to Members – *affordability and value for money, risk transfer and deliverability*

Appendix 2

The Council is keen to facilitate the PFI Waste project and to this extent a site for the proposed new development will be made available to potential contractors, with consideration for this site being sought through the procurement process.

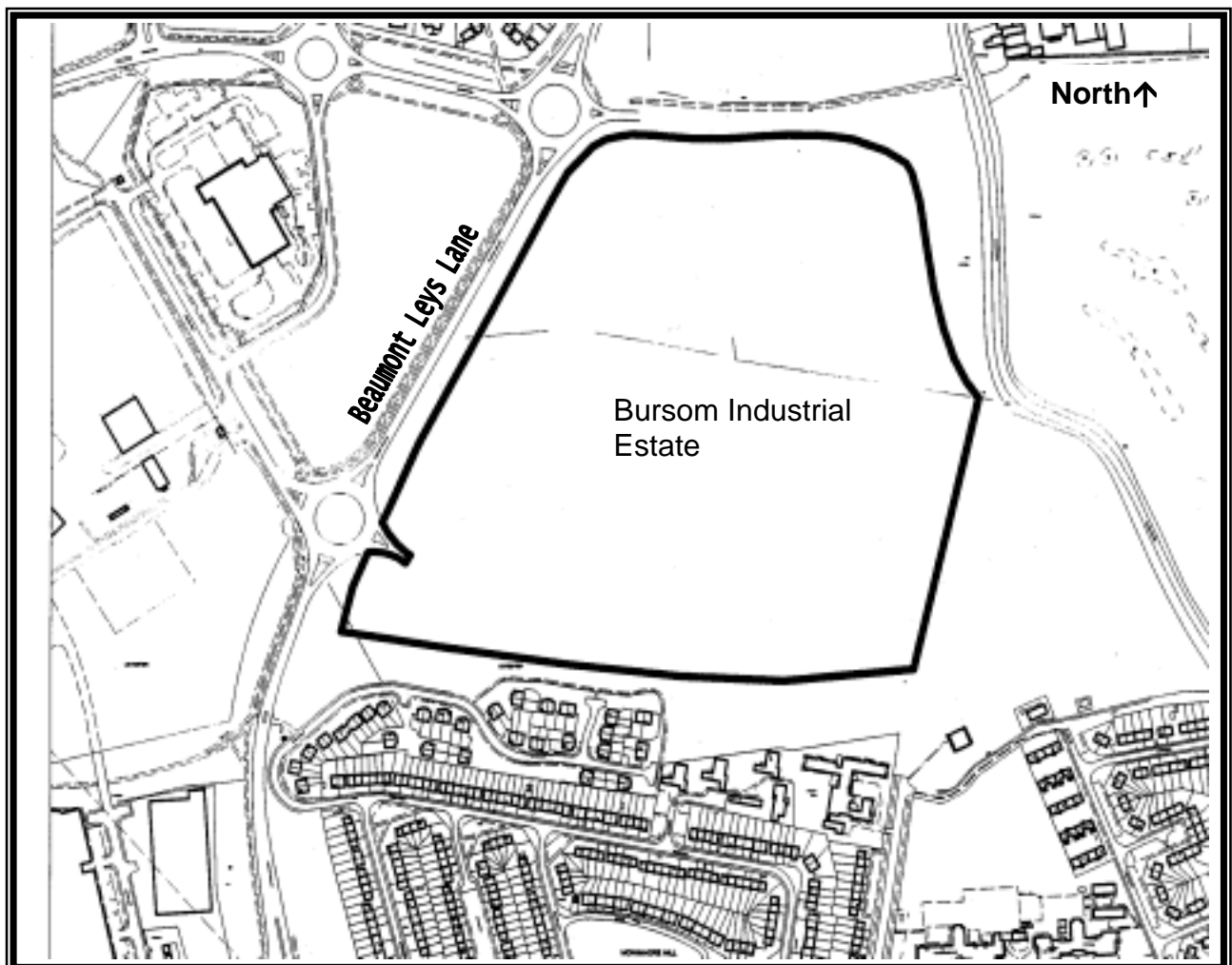
As stated in the background report, the general requirements against which sites were considered suitable related to: size, proximity to residential areas, road access, environmental impact, planning policy, availability within project timetable.

It is important to note that the new facility will utilise the newest technologies of waste treatment and resource recovery, meeting both sustainability and environmental standards. Also that it is the contractor who is responsible for the facility design and obtaining the necessary planning consents and approvals.

Examples of mixed waste composting facilities in France are shown below to give an indication of the possible design of the proposed new facility.

A site has been identified as being suitable for the new facility at Bursom Industrial Estate.

Bursom Industrial Estate: This site, which is designated for Employment Development proposals (class B1 Business) and owned by the City Council, is currently undeveloped. It is recognised that development in this location would need to be planned and designed to be compatible with the objectives of the Ashton Green Development to the north.



Aerobic Composting Facility - France



Aerobic Composting Facility - France

