

BOROUGH OF POOLE
Senior Responsible Officer Decision (on behalf of Strategic Waste Partnership Board)
Waste Disposal Variation Agreement – May 2014

Decision to vary the existing waste disposal contract with Viridor Waste Ltd to facilitate the disposal of residual waste for a set fee and to confirm the term of the contract until 2027

1. PURPOSE

- 1.1. To provide a value for money waste option that ensures Poole's waste is processed locally and effectively up until the full term of the current contract in 2027.

2. DECISION REQUIRED

- 2.1 That the Heads of Service for E&CPS, Legal and Finance make a delegated decision to permit the current contract to run for its full term of 25 years . In doing so they also approve the pricing restructure of the contract negotiated with Viridor Waste Ltd.

3. BACKGROUND/ INFORMATION

- 3.1 On 31st August 2004 Full Council agreed the Waste Disposal Contract with Viridor Waste Ltd. The contract was for the disposal / treatment of residual and recycling waste and was let for a period of 25 years (expires 2027).
- 3.2 At the time of letting the contract residual waste was mainly treated at landfill and recycling at a Materials Recycling Facility (MRF). Alternative treatment options were considered at this time but were not considered to be of sufficient maturity with a proven track record of process efficiency for the Borough to place its faith in them.
- 3.3 In 2005/6 Central Government also brought legislation which placed financial limits and penalties on the amounts of waste Local Authorities were permitted to landfill. This prompted Poole to make its first amendment to the contract with Viridor to allow for some of its waste to be treated at Viridor's energy from waste (EFW) plant at Slough. This option was not technically available at the time of the letting the original contract. Though more expensive than the original landfill option, EFW provided a robust and at the time cost effective strategy for landfill avoidance.
- 3.4 In 2013 the government abandoned its limitation on landfill waste and removed the risk of financial penalties for those Local Authorities who wished to use this form of treatment for its disposal. Landfill tax had long since over taken penalties as a method of changing behaviour. This led to the Borough of Poole to re-assess its disposal options with its strategic waste partner Viridor in an attempt to secure a reduction in overall disposal costs for waste.
- 3.5 We have now reached a position where by Viridor Waste Limited are prepared to process Poole's residual waste for a flat fee of £99.00 per tonne in return for the freedom to take that waste to whichever treatment site it chooses. This single fee would replace a series of charges (treatment dependant) of between £101.58 per tonne and £127.71 per tonne. The net result will mean an overall saving to the Borough of Poole in 2014/15 of £410,000. Viridor have offered this deal in return for the confirmation that the contract will run until 2027 (full term of the contract)

- 3.6 The proposed contract variation would also include two review periods to ensure that the contracted prices were in keeping with industry best value indices. This would be at 2021 and 2024 and would allow the price to be adjusted by a plus or negative of between 90 and 110% of the existing price.
- 3.7 Other items such a green and wood waste, soil & hardcore and Street sweepings would also be affected by this variation and will result in lower prices for each item than is currently in the contract. These prices will be subject to a three yearly market testing exercise to ensure continued best value.

4. REASON FOR REQUESTING DECISION TO ACCEPT NEW CONTRACT PRICING AND CONTRACT EXTENTION

- 4.1 The disposal of waste continues to be a significant expense to the council. The Borough is already in a long term contractual relationship with Viridor Waste Limited and the offer currently being made represents the best offer available following almost 12 months of negotiations. Early termination of his contract would be the only way to secure different terms for the Council and that could be at great risk and cost.

5. FINANCIAL IMPLICATIONS

- 5.1 Table attached details contract prices currently being paid and the proposed new prices:

Waste Type by Treatment (Existing Contract)	Current Price (per tonne)	Variation Price (per tonne)
*Residual Landfill	£101.58	£99.00
Residual EFW	£127.71	£99.00
Residual MBT	-	£99.00
Wood	£56.99	£47.00
Green Waste	£41.25	£37:00
Street Sweepings	£101.58	£80.00
Soil & Hardcore	£2.14	£12.50

All prices show are inclusive of transportation.

***Landfill Tax is set to rise by the rate of inflation post 2014**

6. LEGAL IMPLICATIONS

- 6.1 At the time of tendering this contract both parties were unable to foresee all possible disposal / treatment options that might arise during the 25 year lifetime of the contract. To this end the contract was let on a residual option (at the time landfill) and a recycling MRF option. The vehicle for determining any future contract development issues was a Strategic Waste Partnership consisting of representatives from both Viridor and the Borough of Poole.
- 6.2 The possibility of a formal challenge to the contract for using a treatment previously not specified in the original contract with Viridor can not be entirely ruled out although it is considered to be low in risk. This position has been reached due to the fact that the contract remains with Viridor and is able to demonstrate additional added value from the original contact position in 2004.

7. RISK MANAGEMENT IMPLICATIONS

7.1 The main risk is that Viridor retract their offer to deliver this variation option and that the Borough is forced to continue to pay for waste to go to specific sites with their varied and escalating costs.

8. EQUALITIES IMPLICATIONS

7.1 There are no equalities implications in varying this contract. All previous considerations in the main body of the contract will remain.

**Report Author: Ian Poultney
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Decision Agreed by SRO's for Waste Disposal Contract Variation:

**Shaun RobsonDate.....
Head of Environmental & Consumer Protection Services**

**Adam RichensDate.....
Head of Financial Services**

**Tim Martin.....Date.....
Head of Legal Services**