

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	CABINET	
Report of:	Acting Strategic Director of Place	
Date of Decision:	28 June 2016	
SUBJECT:	Update on the Development of a Waste Strategy for Birmingham	
Key Decision: Yes	Relevant Forward Plan Ref:001104/2016	
If not in the Forward Plan: (please "X" box)	Chief Executive approved	<input type="checkbox"/>
	O&S Chairman approved	<input type="checkbox"/>
Relevant Cabinet Member(s):	Councillor Lisa Trickett - Clean Streets, Recycling and Environment Councillor Majid Mahmood – Value for Money and Efficiency	
Relevant O&S Chairman:	Councillor John Cotton – Health, Well-Being & the Environment Councillor Mohammed Aikhlaq – Corporate Resources and Governance	
Wards affected:	All	

LATE REPORT

*** To be completed for all late reports, ie. which cannot be despatched with the agenda papers ie. 5 clear working days notice before meeting.**

Reasons for Lateness

The key issues set out in the report were considered at a meeting of EMT, held on Tuesday 21st June 2016. Feedback from that meeting has been used to update the report accordingly.

Reasons for Urgency

The timetable for the procurement of a new contract for the treatment and disposal of waste has been identified as a key project risk. This report updates Cabinet on recent progress and sets out a challenging timetable to complete the required procurement.

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Relevant Cabinet Member(s)	Councillor Lisa Trickett, Cabinet Member for Clean Streets, Recycling and Environment Councillor Majid Mahmood, Cabinet Member for Value for Money and Efficiency	
Relevant O&S Chair:	Councillor John Cotton, Health, Well-Being & the Environment Councillor Mohammed Aikhlaq, Corporate Resources & Governance	
Wards affected:	All	

1. Purpose of report:
<p>1.1 This public report provides Cabinet with details on progress towards a new waste strategy for Birmingham including a relevant procurement timetable for the treatment and disposal of waste from 18th January 2019 onwards.</p> <p>1.2 The private report contains recommendations around the commercial framework for the Overrun Agreement.</p>

2. Decision(s) recommended:
<p>That Cabinet:-</p> <p>2.1 Notes progress made to develop a new waste strategy for Birmingham.</p> <p>2.2 Notes the provisional procurement timetable, being developed as part of a new waste strategy for Birmingham, for the treatment and disposal of household and municipal waste due to expire on 17th January 2019.</p>

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3. Consultation

3.1 Internal

Members of the cross-party Steering Group have been actively involved in developing the principles, aims and objectives that are reflected in the future vision for waste. The Steering Group has also received regular progress reports against each of the workstreams set out in this report. A copy of the Steering Group Terms of Reference and the overarching governance arrangements for the Future Waste project are included at Appendix 1 to this report.

Senior officers from Legal, Finance, Procurement and Birmingham Property Services have been involved in the preparation of this report.

3.2 External

Although no external public consultation has been undertaken in respect of the preparation of this report section 5.5 provides details of:

- a) the public engagement workstream commissioned to support the development of a new waste strategy, and
- b) a further public consultation exercise due to run from 29th June for four weeks that will seek views on the vision, aims and objectives of the new waste strategy. The results of this consultation exercise will be reported to a subsequent Cabinet meeting.

3.3 External stakeholder workshops were held in March 2015 and March 2016 with participants drawn from the local business community, academic institutions such as Birmingham and Aston Universities, organisations that have a waste policy remit such as Friends of the Earth, and companies from the wider waste sector. Their views and feedback has been used to inform the vision, aims and objectives that will form the basis of the consultation described in 3.2(b) above.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

4.1.1 The work undertaken to date will contribute to the following outcomes set out within the Council's Business Plan and Budget 2016+

Sustainable Neighbourhoods – Clean & Green

- **SN6: Reduce Reuse Recycle – Reconfiguration of waste services**

4.2 Financial Implications

- 4.2.1 The proposed Waste Strategy sets out the longer term vision and targets for the service and the commissioning/procurement process will ensure that the services are delivered cost effectively for the citizens of Birmingham.
- 4.2.2 The future service will need to be delivered within the current service approved cash limits as set out in the of the Council's Business Plan and Budget 2016+ (for 2016/17 to 2019/20 after taking into account the approved step up and new savings). These cash limits will be subject to further review and may be updated to take into account future local government resource allocation settlements.
- 4.2.3 The full financial implications will be evaluated as the option appraisal process is completed as part of the Commissioning and Procurement process. These will be detailed in full as part of the procurement strategy report that will be presented to Cabinet in December 2016. Any financial implications will need to be included in the long term financial plans of the City Council over the duration of the life of the contract.
- 4.2.4 The Council has approved resources of £1.2m for the development of the Waste Strategy and the procurement of the new service in 2019. This is being phased at £0.220m in 2015/16, £0.490m in 2016/17 and £0.490m in 2017/18. This resource will be used for project support, specialist technical advisors, legal advisors and financial advisors. Any additional resources that may be necessary to complete the project will be considered as part of setting the Budget for 2018/19.

4.3 Legal Implications

- 4.3.1 The development of the waste strategy facilitates the discharge of the Council's duty as a waste disposal authority under Section 51 Environmental Protection Act 1990.
- 4.3.2 The Council has authority to grant leases, under S123 LGA 1972, on sites required for waste facilities that are owned by the Council and currently used for the delivery of the service.
- 4.3.3 Any outcome from the proposed options appraisal process that may result in a potential disposal of land will be subject to best value requirements and relevant approvals.

4.4 Public Sector Equality Duty

- 4.4.1 An Equality Impact Analysis will be completed and presented as part of the Outline Business Case which will be considered at the December 2016 Cabinet meeting.

5. Relevant background / chronology of key events:

- 5.1 In July 2014 a report from Overview and Scrutiny Committee set out a series of recommendations in respect of measures needed to ensure that waste management services were in a position to address the challenges and opportunities linked to the expiry of the 25-year contract with Veolia ES (UK) Limited and Veolia ES Birmingham Ltd (both collectively termed “**Veolia**”) for the management, treatment and disposal of the Council’s waste (the “**Council’s Waste Disposal Contract**”).
- 5.2 The scrutiny process set out a programme of eight recommendations that would ensure that Birmingham has the most sustainable and efficient waste and recycling strategy post January 2019.
- 5.3 In response to the scrutiny findings a programme of work (Future Waste) has been established, with the intention of addressing the eight recommendations and leading to the production of a new waste strategy. The following workstreams have been set up as follows:
- A. Citizen Engagement
 - B. Technology Foresighting & Best Practice
 - C. Understanding our Assets & Partnership Working
 - D. Developing A Future Commissioning Model
- 5.4 By undertaking this work the Council has a unique opportunity to fundamentally review how it manages waste going forward. In particular, the outcomes of the sub-programmes work needs to ensure that proper consideration is given to key issues such as:
- determining the optimal contract length to deliver value for money whilst offering flexibility over the longer term;
 - ensuring that new and emerging treatment technology is evaluated alongside existing disposal methods; and
 - that the value of waste, as a resource, is retained for the benefit of Birmingham residents.
- 5.5 The rest of this report provides details of progress to date, emerging key issues and key next steps.

5.6 Citizen Engagement Workstream: Utilising a range of engagement tools such as structured interviews and surveys has allowed the Council to better understand current behaviours, attitudes and awareness to current initiatives and potential barriers to change as they relate to reduce, reuse and recycle (3Rs)

The outputs from the engagement work have directly informed the development of a new vision and eight supporting objectives for the draft waste strategy and are set out below:

Draft Vision:

By 2035 Birmingham will be a City where:

- Waste is reduced wherever possible
- Recycling and reuse is maximised and the value of waste is realised
- Where we cannot prevent, reuse or recycle waste we will maximise recovery through generating energy
- Waste as a resource contributes to health, wellbeing and prosperity

The eight supporting objectives are:

1. We want Birmingham to reduce the amount of waste that is created, reusing and recycling what we can and recovering energy from any remaining waste
2. By 2030 we will recycle 70% of all our household and municipal waste (e.g. from litter bins and street sweepings)
3. We aim to reduce the amount of waste generated per person by 10% (compared to a 2014/15 baseline of 345kg per person) by 2020
4. We send about 7.5% of our waste to landfill. Sending waste to landfill is the least desirable option environmentally and the cost of doing so continues to increase because of Landfill Tax. We therefore aim to eliminate waste sent to landfill by 2035
5. Managing our waste in a more sustainable way can make a positive contribution to climate change and help reduce carbon emissions. We will identify different ways to collect waste that provide better outcomes in respect of carbon reduction
6. As the composition and type of waste we collect changes over time, we will develop ways of prioritising the collection of recycling
7. Innovation and efficiency have an important part to play in ensuring that we improve our services, reduce costs and use the most appropriate technologies, now and in the future, to manage our waste
8. To achieve our recycling targets and to eliminate waste sent to landfill we need to increase the range of materials we (and our partner organisations) collect separately from other waste, for example food waste and/or textiles)

5.7 At the time of completing this report a new corporate Clean and Green campaign has gone live initially focusing on Sparkling Sparkbrook and local community litter picks. A mini- campaign focusing on reduce, reuse and recycle (3Rs) will launch at the end of July 2016 with further 3Rs campaigns scheduled through to 2019. In addition, the waste management service has been tasked with developing a new approach to public engagement to ensure that the views of residents, local businesses and other

stakeholders are routinely captured and used to directly inform future service improvements.

5.8 Technology Foresighting and Best Practice Workstream: This workstream has been prioritised, as part of the waste management service response to the Scrutiny recommendation RO3, in order to ensure that any future strategy and related procurement is informed by current and emerging best practice across each element of the waste hierarchy. External advisers (Ricardo-AEA) were appointed to undertake two separate but related reviews covering i) reduce, reuse and recycling best practice and ii) recycling and recovery technologies.

5.8.1 Report One looked at best practice in waste prevention, reuse, recycling and recovery. Across each element of the waste hierarchy the report examines a range of case studies from across the UK, Europe and internationally. In particular, each example of best practice highlights the type of measures undertaken, the target audience, the affected waste stream, the objectives and the outcomes.

5.8.2 Report Two examined existing and emerging waste treatment technologies that could be used by the Council to help deliver a more sustainable waste management strategy. A range of recycling systems, thermal treatment and biological treatment technologies were assessed against a set of criteria including cost, deliverability, community impact, carbon reduction and implications on waste collection arrangements.

5.8.3 The purpose of both these reports has been to allow the Council to consider a range of technical information and evidence when considering suitable future arrangements for waste treatment and disposal. The outputs from these reports will inform the decision making processes described in more detail in section 5.10 of this report.

5.9 Understanding our Assets & Partnership Working Workstream:

5.9.1 With the current treatment and disposal contract due to expire in January 2019 advance work needs to be completed to ensure that the Council maximises the value of Tyseley ERF and other related assets (e.g. household recycling centres, vehicles and plant used to support the current contract) and avoids inheriting unknown liabilities at the point when contract assets revert to the Council. Work is underway to determine the following critical exit information including:

- Current condition of the reverting assets (which will update the February 2015 partial condition survey completed by Veolia with detailed cost information)
- Veolia obligations in respect of the reverting assets
- Responsibility and cost of rectification 'to standard' at contract expiry
- Transfer of permit and licence obligations including any remediation of ground contamination
- Determining which non-fixed asset will revert for example, computer systems, operating manuals, safety equipment, etc.

- 5.9.2 Outputs from the due diligence work identified above will inform a handback strategy for Tyseley which will be reported to the Cabinet in December 2016 as part of the work to complete an outline business case. Section 5.10.7 of this report provides more detail. Relevant cost information in relation to post-2019 maintenance requirements (determined as part of the condition survey) will also inform the options appraisal exercise to ensure that future opex and capex requirements are properly considered when evaluating alternative arrangements.
- 5.9.3 In addition to the requirements to plan for the handback of Tyseley ERF in January 2019 the Council is exploring opportunities to develop a local heat network capable of meeting heat demands in and around the Tyseley Environmental Enterprise District (TEED) with one option connecting into the existing city centre heat network owned and operated by Cofely. An initial feasibility study has been commissioned by the Council's Energy Team to assess energy demand and supply and relevant distribution systems that will include assessing the costs and deliverability of the council-owned plant playing a central role from 2019 onwards. The feasibility study is due to report in September 2016.
- 5.9.4 The initial assessment is due to be completed by 29th June 2016 (with the detailed modelling being completed by the September deadline set out in section 5.9.3 above) and will need to inform the outcome of the waste strategy options appraisal because of the dependency of the heat network project on suitable, local energy producing facilities. Regular review meetings between officers from the waste and energy teams are taking place to ensure that the opportunities and risks linking both projects are managed effectively.
- 5.9.5 This workstream also includes a requirement to look at opportunities to work in partnership with neighbouring councils and other local organisations to support the development of projects and programmes to promote the 3Rs.
- 5.9.6 The Council has been approached by Local Partnerships (a body jointly owned by the LGA and HM Treasury) with a view to assisting the process of identifying any neighbouring councils that may wish to work more closely with Birmingham. A potential first output will map current treatment capacity and the associated contractual arrangements for waste facilities across the West Midlands. This will help identify neighbouring councils that may be working towards a similar process and timetable for procuring disposal contracts.
- 5.9.7 One of the tangible benefits of the extensive programme of stakeholder engagement has seen a strengthening in the relationships between the Council and a range of organisations delivering reduce and reuse projects. By working more closely with partners such as the Jericho Foundation and the Birmingham Recycling Network the Council can seek to extend the reach of its 3Rs key messages. A new waste prevention plan, which will be completed by November 2016 and submitted to Cabinet for approval in December 2016, will further promote the work of local charities, social enterprises and other voluntary organisations.

5.10 Developing a Future Commissioning Model Workstream:

- 5.10.1 To underpin the development of a new waste strategy work has been commissioned to model a long term view of future waste arisings, associated costs and relevant technologies capable of achieving the Council's draft objectives as follows:
- Reducing the amount of waste collected per person by 10% (compared to a 2014/15 baseline) by 2020,
 - Recycling 70% of all municipal waste by 2030
 - Achieving zero untreated residual waste to landfill by 2035
- 5.10.2 The waste flow modelling exercise will test the Council's objectives and allow the development of a range of costed scenarios that will inform any decision in respect of the re-procurement of the current treatment and disposal contract and/or the consideration of any alternative commissioning models. Further details of how this process will be managed are explained in sections 5.10.5 and 5.10.6 of this report.
- 5.10.3 Although the current contract with Veolia is not due to expire until January 2019 the re-procurement is considered to be complex and sufficient time therefore needs to be factored into the council's decision-making process to ensure that any new contracting arrangements can be properly mobilised ahead of January 2019.
- 5.10.4 Table 1 below sets out a provisional high level timetable to support the commissioning and procurement of the council's preferred solution.

Table 1

Milestone:	Deadline:
Develop waste flow model	July 2016
Complete options appraisal exercise	September 2016
Undertake relevant soft market testing	September 2016
Draft outline business case	October 2016
Agree outline business case	December 2016
Issue relevant OJEU Notice	January 2017
Complete short-listing of potential bidders	March 2017
Invite bidders to submit outline solutions	April 2017
Invite bidders to submit detailed solutions	September 2017
Complete competitive dialogue including financial close	June 2018
Contract Award	July 2018
Commence mobilisation of new contract (or commissioning model)	August 2018
Commence new contract (or commissioning model)	January 2019

- 5.10.5 One of the key tasks now underway is the identification of a preferred option in respect of the future treatment and disposal of residual waste. A working group consisting of officers and elected members will be participating in an option appraisal exercise, managed jointly by external advisers Ricardo and PWC, will be completing a series of technical working sessions designed to systematically review, test and

evaluate the range of technical options available to the council.

5.10.6 Over four separate working sessions, starting in mid-July 2016 and finishing in late September 2016, the group will undertake the following activities:

- Agree objectives, priorities and evaluation criteria against which all potential options will be evaluated
- Evaluate a potential long list of options against the agreed weighted evaluation criteria
- Determine a short list of the best ranking options for further detailed performance and cost modelling
- Evaluate the modelled short list options to identify a preferred option
- Consider the deliverability of the preferred option in terms of funding, technical deliverability, contractual and commercial frameworks.

5.10.7 The identification of a preferred option which will include a preferred technical solution and a financing strategy, will inform the development of an outline business case (OBC) for approval by Cabinet in December 2016 that sets out the council's approach to treatment and disposal of municipal waste beyond the expiry of the current contract. The OBC will include reference to:

- Council's strategic objectives
- Procurement strategy including outcome of the options appraisal
- Risk management
- Contract structure including output specification, payment mechanism and performance framework
- Sites and planning issues
- Cost, budget and finance issues
- Project management, governance arrangements and project resources
- Stakeholder management
- Project timetable

All of the above elements will inform a detailed procurement / commissioning plan that will form the basis for managing the procurement going forward. It should be noted that the detailed procurement plan will only be confirmed once the preferred option has been identified as the method of procurement and stages of selection may be influenced by the type of service / technology to be procured.

5.10.8 Cabinet is asked to note that the main purpose of selecting a preferred option is to allow the Council to plan for the procurement based on having selected an option that delivers the Council's objectives for the service within an agreed affordability envelope. However, it should be noted that the identification of a preferred option does not restrict the market from bringing forward technical solutions that may perform better than the preferred option against the Council's objectives. It is anticipated that a competitive dialogue process will best allow the Council to consider a range of innovative and alternative solutions.

- 5.10.9 The Council is advised to plan for the contingency of a delay in the award of new contract(s) and service commencement under the new arrangements being after the date of the expiry of the Waste Disposal Contract. This may be managed by the Council entering into an Overrun Agreement with Veolia prior to the commencement of the procurement. The Overrun Agreement would set out the terms for the continuation of the Council's Waste Disposal Contract. The Overrun Agreement would only become operative when triggered by the Council in the event that this contingency is needed.
- 5.10.10 Further information in respect of the Overrun Agreement is set out in the Private Report.

6. Evaluation of alternative option(s):

- 6.1 Alternatives to entering into an Overrun Agreement are set out in the Private Report.

7. Reasons for Decision(s):

- 7.1 Detailed work is now underway to develop a new waste strategy for Birmingham that addresses a number of key recommendations from the former Transport, Connectivity and Sustainability Overview and Scrutiny Committee. This report therefore updates Cabinet on recent progress.
- 7.2 As part of the development of a new waste strategy for Birmingham the Council will need to re-procure or commission alternative arrangements, for the treatment and disposal of all household and municipal waste (i.e. all waste not sent for recycling), which is currently under contract to Veolia ES until January 2019. This report sets out a provisional timetable necessary to complete a relevant options appraisal, develop and approve an outline business case, and to procure (where necessary) a new contractor to be responsible for the treatment and disposal of the Council's municipal waste not sent for recycling.
- 7.3 Section 5.10.4 of this report sets out an overarching timetable for the completion of the waste strategy and the implementation of a relevant tender strategy. However, given the complexity of the arrangements under consideration it is considered prudent to put in place suitable contingency arrangements should competitive dialogue need to continue beyond the time allowed within the tender strategy. This will take the form of the Overrun Agreement as set out in the Private Report.

Signatures	<u>Date</u>
Cllr Lisa Trickett Cabinet Member for Clean Streets, Recycling & Environment
Cllr Majid Mahmood Cabinet Member for Value for Money and Efficiency
Jacqui Kennedy Acting Strategic Director, Place

List of Background Documents used to compile this Report:
1. From Waste to Resource: A Sustainable Strategy for 2019. A report by Overview & Scrutiny, Birmingham City Council. 1 July 2014
2. Best Practice in Waste Prevention, Reuse, Recycling and Recovery. A report by Ricardo-AEA for Birmingham City Council. December 2015
3. Waste Treatment Technology Foresighting. A report by Ricardo-AEA for Birmingham City Council. December 2015.
4. Progress Report on Implementation: From Waste to Resource. A Report to Economy, Skills and Sustainability Overview and Scrutiny Committee. December 2015.

List of Appendices accompanying this Report (if any):
Appendix 1. Waste to Resource Steering Group Terms of Reference
Dated 21st June 2016

Appendix 1. Waste to Resource Steering Group Terms of Reference

September 2015

Terms of Reference

Objective

To produce a vision and develop a strategy detailing the Council's approach to all aspects of waste management, from 2019 and beyond; including aspirations to reduce; reuse; recycling and disposal, to achieve cleaner streets. The Future Waste to Resource Programme has the following aims:

1. To engage citizens in the development of the new waste vision and strategy; ensuring that citizens are involved in the development of policy and options that take into account more localised views.
2. To develop a long term vision for citizen engagement that will enable, educate, and encourage citizens to take responsibility for minimising, re-using and recycling waste. In addition, educating, encouraging and enabling local businesses to support the implementation of the waste vision.
3. To consider best practice in the management of waste throughout the UK and Europe, whilst also appreciating the wider city and regional context; the strategy is to be complimentary and not at cross-purposes with other activities.
4. To understand the opportunities that partnerships can bring and to consider how the Council can develop future strategic and operational partnerships with local businesses; third sector; West Midlands metropolitan authorities and the wider waste industry.
5. To explore the potential of creating a Strategic Waste partnership and the potential role of the Combined Authority.
6. To understand the prevailing condition of the Council's existing assets (and/or liabilities) and to consider how these can be effectively optimised. Also, to develop an options appraisal, for the future operation of the Tyseley plant and the commercial opportunities to be exploited.
7. To undertake a review and produce an options appraisal of technological alternatives for waste treatment infrastructure and systems.
8. To develop an innovative commissioning and finance model to deliver the priority outcomes; also considering alternative delivery models and funding opportunities into the future.
9. To monitor the successful implementation of the agreed strategy and ensure appropriate resources (funding, skills and capabilities) are in place; to allow programme to succeed; including external tactical contracts
10. To develop the future service to enable the successful delivery of the strategy and manage any implications for staff.

Future Waste Strategy - 'Reduce, Reuse & Recycle' Programme Governance Arrangements

