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M E R S E Y S I D E W A S T E D I S P O S A L A U T H O R I T Y

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Enquiries to: Miss A Valentine  
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Your Ref: Our Ref:  
Date: 8th Sept 2004

Dear Councillor,

**MERSEYSIDE WASTE DISPOSAL AUTHORITY MEETING**

You are requested to attend the Authority's Annual Meeting to be held on Thursday 16th September 2004 at 10.00 a.m. The meeting will take place at 7th Floor, North House, 17 North John Street, Liverpool. Councillors who are unable to attend the meeting can forward their apologies to me on the above telephone number or email [mandy.valentine@merseysidewda.gov.uk](mailto:mandy.valentine@merseysidewda.gov.uk).

A copy of the agenda is attached for your information.

To assist new Members, North House entrance is situated to the immediate right of Bar Zero. An intercom system is in place at the main entrance and Members should select the button marked 'Merseyside WDA' and await a response.

Yours faithfully

**Mandy Valentine**  
**Support Services Manager**



## agenda

### MERSEYSIDE WASTE DISPOSAL AUTHORITY

**DATE:** Thursday, 16 September 2004 **TIME:** 10.00 a.m. **VENUE:** North House

**Membership: Knowsley Borough Council – Councillor B Swann**  
**Liverpool City Council** - **Councillors**  
**R Oglethorpe**  
**P Keaveney**  
**N Small**

**St Helens Borough Council** - **Councillor J Fletcher**  
**Sefton Borough Council** - **Councillors**  
**D Tattersall**  
**K Cluskey**

**Wirral Borough Council** - **Councillors**  
**J Salter**  
**S Moseley**

<b>Item No.</b>	<b>Title</b>	<b>Page</b>
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**Merseyside Waste Disposal Authority**

**At a meeting of the Authority  
held on Friday 13<sup>th</sup> August 2004**

Present: Councillor Fletcher  
Councillor Swann  
Councillor Oglethorpe  
Councillor Keaveney  
Councillor Small  
Councillor Cluskey  
Councillor Salter  
Councillor Moseley

1. **Appointment of Chairman**

It was moved and seconded that Councillor Fletcher be appointed Chairman.

**Resolved** that Councillor Fletcher be appointed Chairman for the 2004/05 Municipal Year.

2. **Appointment of Deputy Chairman**

It was moved and seconded that Councillor Swann be appointed Deputy Chairman.

**Resolved** that Councillor Swann be appointed Deputy Chairman for the 2004/05 municipal year.

3. **Apologies for Absence**

An apology for absence was received from Councillor Tattersall.

4. **Declaration of Interest by Members and Officers**

Councillor Fletcher declared an interest in Item 9 of the agenda, recorded hearwith as minute 9 in relation to his position as Chairman of the Board of Mersey Waste Holdings Limited.

5. **Minutes of Meeting held on 7<sup>th</sup> May 2004**

**Resolved** that the minutes of the meeting held on 7<sup>th</sup> May 2004 be approved and signed as a correct record.

6. **Membership of the Authority**  
**WDA/43/04**

A report was submitted informing the Authority of the changes in Membership following notification from the constituent district councils of Merseyside.

**Resolved** that the report be noted.

7. **Scheme of Delegation**  
**WDA/37/04**

The Authority reviewed the Scheme of Delegation which supports the new decision-making system adopted by the Authority from 1<sup>st</sup> April 2004.

**Resolved** that the current Scheme of Delegation be adopted for the 2004/05 Municipal Year.

8. **Questions on the Discharge of Functions**  
**WDA/36/04**

The Authority considered a report seeking nominations as to which Members should be responsible for answering questions on behalf of the Authority at their respective constituent Council proceedings.

**Resolved** that the under mentioned Councillors be nominated to answer questions at their Council proceedings on the discharge of functions of this Authority, in accordance with Section 41 of the Local Government Act 1985.

Knowsley MBC	Councillor Swann
Liverpool CC	Councillor Small
St Helens MBC	Councillor Fletcher
Sefton MBC	Councillor Cluskey
Wirral MBC	Councillor Salter

9. **Appointments and Representations**  
**WDA/28/04**

A report was submitted outlining the roles and responsibilities of Members and the terms of reference and powers of the Authority to be delegated to an Appeals Committee and a proposed Governance and Audit Committee. Members considered the membership of these Committees and representation on other bodies. The Chairman informed Members that although his nomination as the Authority's representative on the

Board of Mersey Waste Holdings was not due to expire until 2005, he proposed to resign his position and sought nominations for representation on this board, as recorded in paragraph 4 (c) below.

**Resolved that:**

1. the roles and responsibilities of Members be defined for the 2004/05 Municipal Year as follows:
  - a. Councillor Fletcher (Strategy and Forward Planning, Finance, Performance Management, Best Value, Communications and PR)
  - b. Councillor Cluskey (Procurement, Risk Management and Audit)
  - c. All Members (Scrutiny, Public Consultation)
2. the terms of reference and the delegation of powers of the Authority to the Appeals Committee and the Governance and Audit Committee be approved as presented at the meeting;
3. Membership of the Authority's Committees be as follows:
  - a. Appeals Committee  
Councillors Salter, Swann, Cluskey and one opposition Member
  - b. Governance and Audit Committee  
Councillors Swann, Small and two opposition Members
4. representations on other bodies for the 2004/05 Municipal Year be as follows:-
  - a. The Board of Mersey Waste Holdings Limited  
  
Councillor Swann
  - b. The Board of Bidston Methane  
  
Councillors Fletcher, Swann and Salter
  - c. North Western Local Authorities' Employers' Organisation  
  
Councillor Fletcher

10. **Audit Plan 2004/05**  
**WDA/39/04**

A report was submitted detailing the content of the Audit Plan for 2004/05 to be undertaken by the Audit Commission.

**Resolved** that the content of the Audit Plan 2004/05 be approved.

11. **Financing of Capital Expenditure**  
**WDA/41/04**

The Authority considered a report detailing capital expenditure and its resourcing for 2003/04 and seeking approval of formal determinations required under Part IV of the Local Government and Housing Act 1989.

**Resolved** that:

1. Members note the Capital Outturn and Financing for 2003/04;  
and
2. the following Determinations be made as required under the Local Government and Housing Act 1989:-
  - a. Section 63(1) Determination  
£366,046 to be charged to revenue accounts in respect of Minimum Revenue Provision set aside as provision for credit liabilities in 2003/04.

12. **Statement of Accounts**  
**WDA/40/04**

A report was submitted presenting Members with the Statement of Accounts for 2003/04 for their approval.

**Resolved** that:

1. the Statement of Accounts 2003/04 be approved; and
2. the Chairman signs and dates the Statement of Accounts as required.

13. **Exclusion of the Public**

**Resolved** that the public be excluded from the meeting during consideration of the following item for the reason stated.

<b><u>Minute</u></b>	<b><u>Reason (under the Local Government Act 1972)</u></b>
14	Exempt information relating to the proposed terms in the course of negotiations for a contract (Paragraph 9 of Schedule 12A)

14. **Household Waste Recycling Centres  
Best Practice Assessment Report  
WDA/39/04**

The Authority considered a report outlining the findings of a recent assessment of Merseyside Household Recycling Centres (HWRC's) carried out by Network Recycling. Members were asked to consider implementing a system to restrict the use of certain classes of vehicles delivering waste to the HWRC's and negotiate additional operational changes proposed in the Network Recycling report to minimise waste and improve recycling performance.

**Resolved** that:

1. the operational changes and the intentions of the Director to implement these as soon as possible subject to negotiations with Mersey Waste Holdings Limited (MWHL) be noted; and
2. a system of waste input control be approved, utilising a ban on commercial vehicles and certain trailers together with a permit system for residents whose only viable form of transport is a commercial-type vehicle and that following discussions with MWHL, a detailed proposal be the subject of a future Executive Decision by the Director.

**WASTE STRATEGY – OVERVIEW**  
**WDA/48/04**

**Recommendation**

That:

1. Members note the report;
2. Members agree to the development of an Inter-Authority Agreement to assist in the implementation of the Joint Strategy
3. The Director of Waste Disposal consult with Members and report progress on an Inter-Authority Agreement to the next appropriate meeting.
4. Members agree in principle to explore the potential for joint working with Greater Manchester Waste Disposal Authority, in particular in relation to the development of end-markets for recycled materials.



**WASTE STRATEGY - OVERVIEW**  
**WDA/48/04**

Report of the Director of Waste Disposal

**1. Purpose of Report**

This report describes the strategic context for the development of the waste management projects, which are subject to full reports elsewhere on this agenda. An overview of the interrelationships between the major elements of waste strategy is provided. Members are requested to agree to the development of an Inter-Authority Agreement.

**2. Strategic Context for the Development of Waste Management Projects**

2.1 Waste management projects, as with all Local Authority services, must be developed, and continually assessed, within the context of an overall strategic planning framework that reflects local, national and international policy objectives.

2.2 In particular, waste management projects must demonstrate clear links to the objectives of the European Landfill Directive, the National Waste Strategy (Waste Strategy 2000) and Regional Waste Strategy and be able to show that local performance standards for recycling and composting match or exceed local performance standards set under Best Value, as detailed below:

<b>European Landfill Directive</b>	Reduce the amount of Biodegradable Municipal Waste (BMW) going to landfill by: <ul style="list-style-type: none"> <li>• 25% of 1995 levels by 2010</li> <li>• 50% of 1995 levels by 2013</li> <li>• 65% of 1995 levels by 2020</li> </ul>
<b>Waste Strategy 2000</b>	<ul style="list-style-type: none"> <li>• Recycle or compost 25% of household waste and recover value from 40% of municipal waste by 2005</li> <li>• Recycle or compost 30% of household waste and recover value from 45% of municipal waste by 2010</li> <li>• Recycle or compost 33% and recover value from 67% of municipal waste by 2015</li> </ul>
<b>NW Regional Waste Strategy (Draft)</b>	<ul style="list-style-type: none"> <li>• Reduce growth in MSW to 2% by end 2003, to 1% by 2010 and 0% before 2014 across the Region</li> <li>• Recycle or compost 25% of household waste by 2005, 33% by 2010, 45% by 2015 and 55% by 2020</li> <li>• Recover value from 40% of MSW by 2005, 45% by 2010 and 67% by 2015 (same as Waste Strategy 2000)</li> </ul>
<b>Best Value Performance Standards</b>	Individual recycling rates set for each local authority aimed to increase national recycling rates to at least 25% by 2005/06. Merseyside standards are detailed in the waste strategy report elsewhere on this agenda

**Merseyside Waste Disposal Authority**  
**16<sup>th</sup> September 2004**

- 2.3 In the UK, the European Landfill Directive has been transposed into law via the Waste Emissions Trading Act 2003 (WET) Act, which allows for the Government to restrict Biodegradable Municipal Waste to landfill by issuing Waste Disposal Authorities with tradable landfill permits, through the Landfill Allowances Trading Scheme. If an Authority exceeds its allowance, it must buy permits from Authorities that have spare. Authorities can be fined if they do not buy additional permits where they exceed their allowance. The level of fine has been set at £200 per tonne. The Secretary of State has powers to intervene in cases of poor local authority performance. The Waste Emissions Trading Act will be implemented on 1<sup>st</sup> April 2005.
- 2.4 The Government has also proposed additional funding in the form of a Performance Reward Grant for local authorities achieving or increasing their recycling levels. It is not known at present, how much additional funding may be made available to the best performing authorities.

**3. The 'Building Blocks'**

- 3.1 Waste management projects should ideally be developed within a predefined strategic context where the basic building blocks are already defined. Those building blocks are the subject of the reports elsewhere on this agenda, namely:

- **Joint Municipal Waste Management Strategy**
- **Waste Local Development Document (Local Plan)**
- **Procurement Strategy**

3.2 Joint Municipal Waste Management Strategy

3.2.1 The Waste Emissions Trading Act 2003 imposes a statutory duty on all Merseyside Waste Collection Authorities together with the Waste Disposal Authority to produce a Joint Municipal Waste Management Strategy by 1<sup>st</sup> April 2005.

3.2.2 The method for delivering national objectives must be set within a Joint Municipal Waste Management Strategy. Waste Strategy 2000 underlines the importance of moving towards an integrated waste management system, based on active partnership between the various tiers of local government and other appropriate organizations.

3.2.3 The Joint Strategy should form the framework for the local management of municipal waste. It should incorporate integrated policies and proposals for collection, treatment and disposal and must take account of local partnership arrangements between the Waste Disposal Authority and Waste Collection Authorities, neighbouring authorities, community groups and local businesses.

3.2.4 The waste strategy flows from the conclusions of several previous pieces of work, in particular:

- Waste Strategy Best Value Review 2002
- AEAT report on Technical options 2003
- Ernst and Young report on Financial options 2003
- Results of Public Consultation 1998-2004
- Waste Minimisation Strategy Report 2004

The Joint Municipal Waste Management Strategy will:

- Clearly set out the Partnership's objectives and targets for the service
- Include policies and action plans on how to achieve these;
- Identify and seek to manage significant risks
- Provide a framework for monitoring and evaluating progress;
- Communicate these plans to government, key stakeholders, partners and the wider community

### 3.3 Waste Local Development Document

3.3.1 There is a need to get as much certainty into the process as possible prior to the procurement of major facilities, to reduce the risk for all and to encourage companies bidding for contracts.

3.3.2 Local Planning Authorities are responsible for preparing a Waste Local plan (now being replaced by the concept of a Local Development Document, consistent with revised national and regional planning guidance). The plan should cover the treatment and disposal of all waste, including household waste. The plan will set out the land use policies applying to the provision and location of waste management facilities and will take account of the Joint Municipal Waste Management Strategy. Good practice on community engagement, in order to help defend challenges at a later stage will be necessary.

### 3.4 Procurement Strategy

- 3.4.1 Given the legislative and policy requirements outlined above, the results of the development of the Joint Municipal Waste Management Strategy identify the need for significant long-term changes in service delivery, technology and systems investment.
- 3.4.2 Consideration will need to be given to the procurement of one or more projects to deliver investment on the scale required. The different options or routes to the procurement need to be considered very carefully in order to select an approach which best manages the various risks and the complex legal and financial positions of the different organisations. In the case of Merseyside this will include:
- The Merseyside Waste Disposal Authority
  - The five Waste Collection Authorities
  - Mersey Waste Holdings Limited (the Local Authority Waste Disposal Company)
  - Possibly other neighbouring authorities

## 4. **Interrelationship between the 'building blocks' and associated risks**

- 4.1 The Waste Strategy and the Waste Local Development Document should be compatible with each other to ensure the delivery of local strategic aims.
- 4.2 The adoption of the Waste Local Development Document is a key milestone because it should incorporate the outcome of the Joint Municipal Waste Management Strategy and provide the planning framework for developing the waste management infrastructure to deliver that strategy.
- 4.3 Ideally, the Waste Local Development Document should be in place before an Authority proceeds with its procurement, as the risk of failing to secure planning consent for facilities represents perhaps the greatest single risk to the delivery of the entire strategy.
- 4.4 Unfortunately, this ideal sequence of completion of one stage before progressing onto the next in the order of Waste Strategy – Local Development Document – Procurement, cannot be achieved on Merseyside (as with many other parts of the UK) due to the pressure of time in beginning the procurement process to limit the financial impact on all authorities. However, it is possible to 'triple-track' the processes involved, so that at key milestones, at least key decisions have already been made, enabling the overall programme to proceed in a satisfactory way.

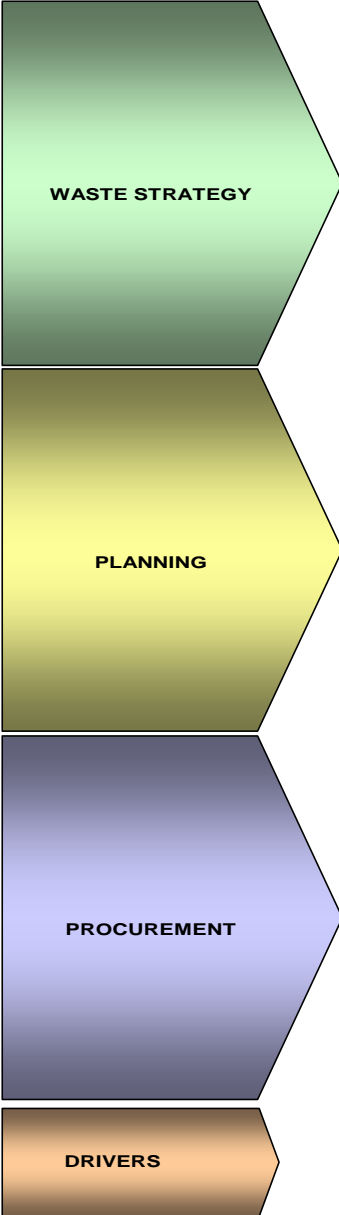
4.5 For example, although the Local Development Document process may take several years to formal adoption, the major, and potentially more contentious, waste management facilities will not need to be build until 2010 onwards. By this time, the Local Development Document should be in place and will smooth the process of making application for planning consent for such facilities. In the meantime, applications for smaller and less contentious facilities will stand or fall on their merits in the normal way.

4.6 The following diagram shows the Inter-relationship and timetable between the strategic 'building blocks'.



OVERVIEW OF THE WASTE STRATEGY AND THE PLANNING AND PROCUREMENT PROCESSES

2004/05      2005/06      2006/07      2007/08      2008/09      2009/10      2010/11



<p><b>1st April 2004:</b> Merseyside performance stands at 10% compared to a statutory target of 12%</p>	<p><b>1st April 2005:</b> Statutory Requirement to produce Waste Strategy Landfill Tax increases by £3/te LATS Allocation=10% less BMW to landfill compared to 2001/02</p>	<p><b>1st April 2006:</b> Landfill Tax increases by £3/te LATS Allocation reduced by 5% Recycling target 22%</p>	<p><b>1st April 2007:</b> Landfill Tax increases by £3/te LATS Allocation reduced by 5%</p>	<p><b>1st April 2008:</b> LATS Allocation reduced by 5% <b>30th September 2008:</b> Current Waste Contracts Expire</p>	<p><b>2009/10</b> LATS Target Yr Reduce BMW to Landfill to 75% of 1995 Arisings</p>	<p><b>2010/11</b></p>
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**5. Interaction with/Impact on the Merseyside Waste Partnership and other stakeholder groups**

- 5.1 The Joint Municipal Waste Management Strategy Action Plan, when fully developed, will confer obligations on the Waste Disposal Authority and the Waste Collection Authorities, who will each need to commit to their delivery, provide the resources and manage the ongoing delivery of projects, if the synergies and economies of scale inherent in the strategy are to be realized.
- 5.2 In order to determine the necessary scale and cost benefit of different residual waste treatment systems for inclusion in the procurement reference case, each district will be required to define how much waste and what materials it is committing to recycle and how much waste it will be consigning to the Waste Disposal Authority over time for subsequent treatment and disposal.
- 5.3 Waste Collection Authorities are required by the Waste Emissions Trading Act 2003 to discharge their duty “in accordance with any directions about separation of waste given by the waste disposal authority for its area”.
- 5.4 Each Partner will therefore be required to commit to an Inter-Authority Agreement to assist in the delivery of the various elements required to fulfill the strategy.

**6. Inter-Authority Agreement**

- 6.1 An Inter-Authority Agreement is built from an initial Memorandum of Understanding, but requires a more detailed and certain level of commitment from each of the Partner organizations. It is a method of securing the necessary delivery of each element of the waste strategy and ensuring that each Partner pulls their weight and is an essential part of attracting funding as it provides certainty to the lender. There may be mechanisms within the Agreement to ensure that the costs of implementing the different parts of the strategy delivery plan are fairly apportioned and shared between the Partners. It is proposed to discuss the terms and conditions of an Inter Authority Agreement at the Senior Officer Working Group and to consult District Members before reporting back the next appropriate Authority meeting.

**7. Procurement**

- 7.1 The partnership will need to ensure appropriate representation on the Procurement Group and that attendance at Merseyside Waste Disposal Authority Member strategy workshops remains a high priority.

7.2 Other key stakeholders whose requirements will be considered in the procurement are:-

- Mersey Waste Holdings Limited
- The Waste Management Advisory Group
- The Recycling Officers Group
- The Community Recycling Forum
- The Clean Merseyside Centre Steering Group
- The District Planning Officers Group
- The Planning, Environment and Transport Group
- Leaders, Joint Boards and Chief Executives Group

7.3 An approach has been made by the Greater Manchester Waste Disposal Authority to explore the possibility of joint-working with the Merseyside Waste Disposal Authority, especially in relation to developing end-use markets for recycled or recovered materials. Members are recommended to agree in principle to exploring such joint-working opportunities.

## **8. Consultation**

8.1 Public consultation with the Citizens Juries on Merseyside and through Area Committees or citizens groups in the District authority areas, as well as more widespread public consultation will continue to be important component of the process. The Authority will coordinate an integrated communications and consultation plan with the Waste Collection Authorities.

## **9. Risk Management Implications**

9.1 The main risks arising from a failure to produce a joint strategy are as follows;

- Failure to fulfil statutory duty
- Failure to effect procurement of residual facilities on time
- Failure to achieve statutory recycling and diversion targets

9.2 The knock-on effects of these risks are:

- Very large potential additional costs to collection and disposal authorities (both in terms of continuation of landfill disposal, and in terms of the cost of collection/treatment facilities)
- Loss of reputation
- Loss of credibility
- Possible Government Intervention

9.3 The strategy proposes to address the main risks by aiming for high household recycling and composting rates to help meet Landfill Directive targets (and avoid having to buy permits under the



Landfill Allowance Trading Scheme), as well as the development of an output-based service contract, which when procured, will divert significant quantities of waste, especially Biodegradable Municipal Waste, away from landfill.

## **10. Financial Implications**

- 10.1 New Government legislation means that the financial implications of action or inaction are very significant. Waste management costs on Merseyside (as in the rest of the UK) are set to rise substantially, as collection systems for recycling are put in place and as treatment and disposal methods other than landfill are implemented.
- 10.2 If sound joint waste strategies are delivered, these cost increases can be kept to a minimum. However, inaction or delay will result in penalties and/or intervention. The potential costs of delay, or of failure to deliver the joint strategy are truly daunting.
- 10.3 The total cost of implementing this strategy is likely to be significantly lower than continuing with current practices.
- 10.4 A best-case scenario, where a joint strategy is agreed, where targets are reached on time and where residual treatment and disposal facilities are procured and built on time and at reasonable cost, might produce an increase in overall costs of waste management on Merseyside of £39M a year by 2014.
- 10.5 However, if delay occurs, there could be an increase in costs of £42M a year by 2014, a difference of some £3M a year, even without the impact of the Landfill Allowance Trading Scheme.
- 10.6 These figures are based on the AEAT and Ernst and Young Reports 2003, which exclude the potential impact of the Landfill Allowances Trading Scheme or landfill penalties.
- 10.7 Under the provision of the Waste Emissions Trading Act 2003, the Authority will be given progressively reducing landfill allocations for biodegradable waste. If it fails to divert sufficient waste away from landfill it will be faced with either a requirement to purchase additional allowances from other Waste Disposal Authorities or face penalties of £200 per tonne.

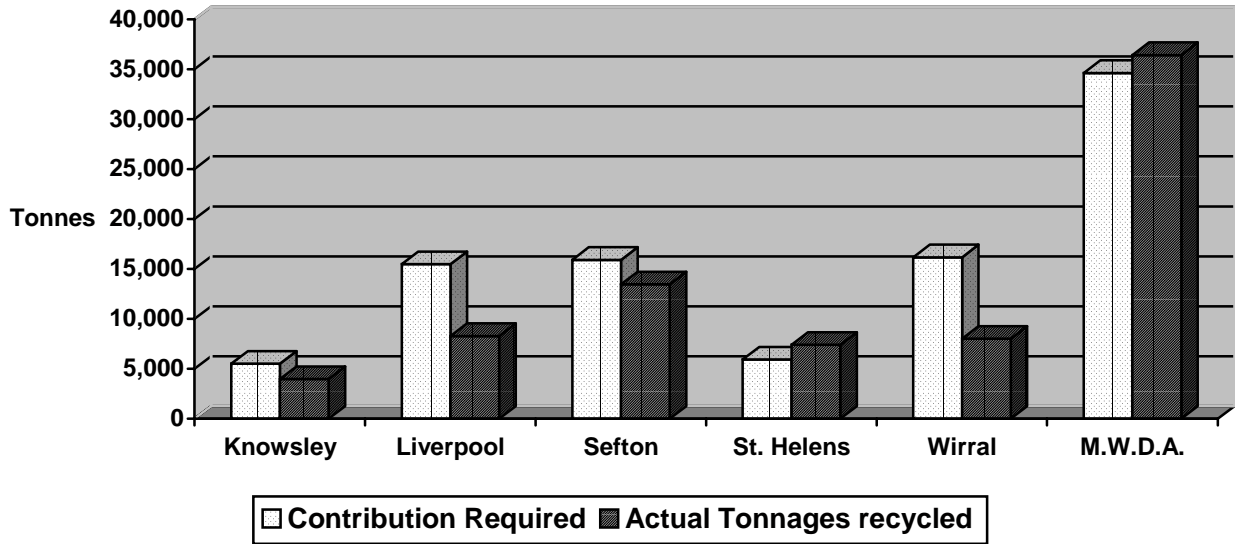
## **11. Landfill Allowance Trading Scheme Implications**

- 11.1 The Authority has received notice of its Landfill Allocations from 1<sup>st</sup> April 2005 up to and including 2020. These allocations limit the amount of Biodegradable Municipal Waste (BMW) which can be

sent landfill to achieve the Landfill Directive Targets for 2010, 2013 and 2020 (See Table at Para 2.2 above).

11.2 Current performance (Biodegradable and other recycling)

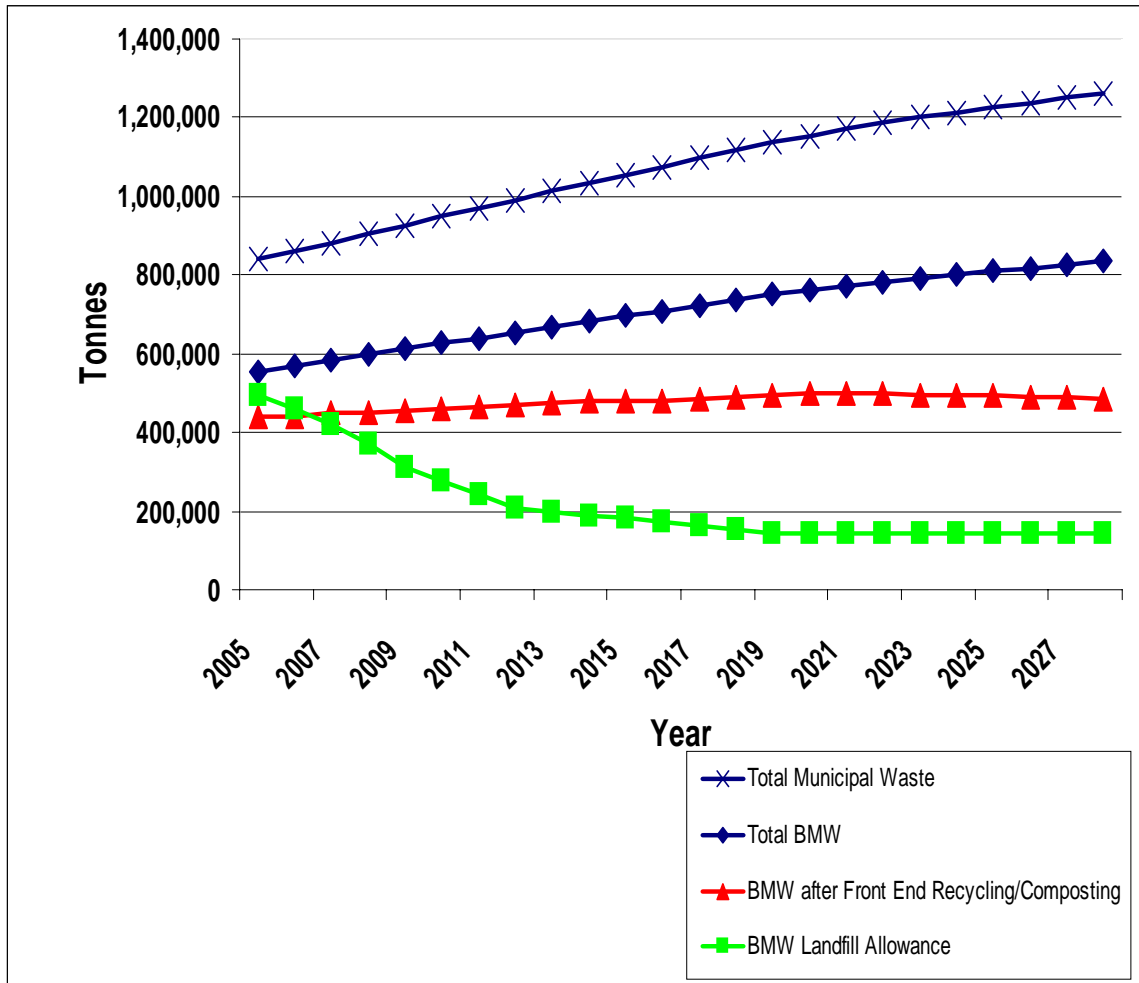
**Merseyside Waste Authorities Recycling Performance 2003/2004**



11.3 The current emphasis of most recycling schemes has been on collecting dry recyclables such as cans, paper, glass, etc., not all of which are Biodegradable Municipal Waste.

11.4 On present evidence it cannot be relied upon that every District will meet its statutory or aspirational targets. Previous technical advice suggests that the Authority should plan on front end recycling (Kerbside collections, bring sites and Household Waste Recycling Centres) contributing 36% by 2028. That is to say that the Authority will be responsible for procuring solutions for the vast majority of waste (see diagram below).

Diagram showing extent of waste diversion required to reach landfill allowance level

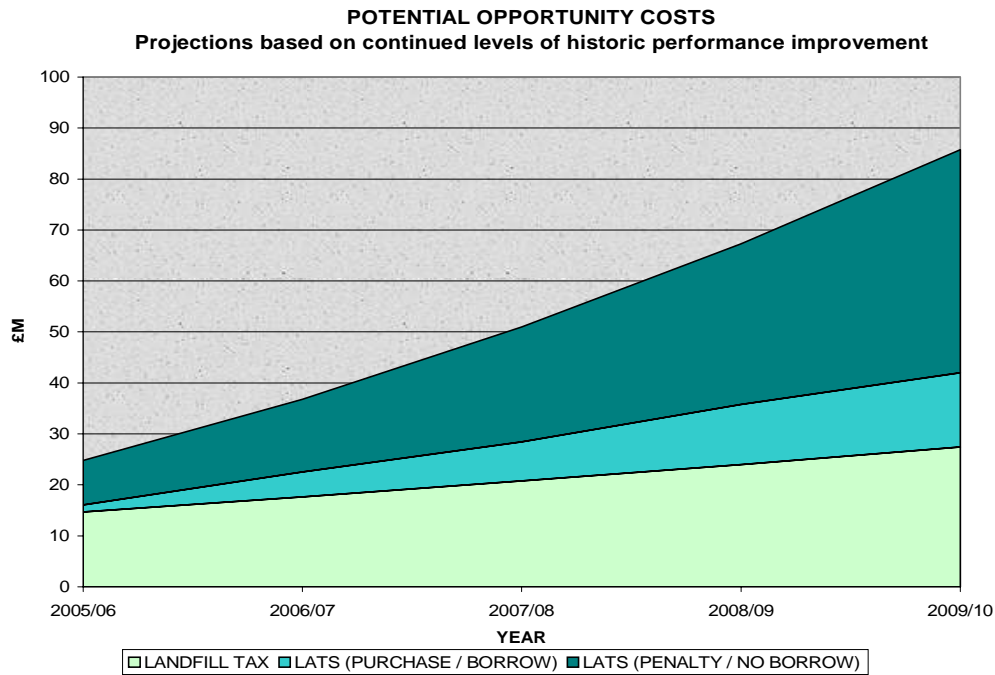


11.5 To illustrate, as at 2003/04, the Merseyside Authorities diverted about 80,000 tonnes of municipal waste from landfill, of which about 45,000 tonnes was Biodegradable Municipal Waste (BMW).

11.6 Initial projections indicate that the Authority will not have enough landfill allowances to dispose of its Biodegradable Municipal Waste. Based on current diversion performance, there will be a shortfall of approximately 50,000 tonnes of Biodegradable Municipal Waste in 2005/06. This will mean that the Authority will either have to purchase additional permits from other authorities if available, borrow up to 5% of allowances from future years, or face stringent penalties.

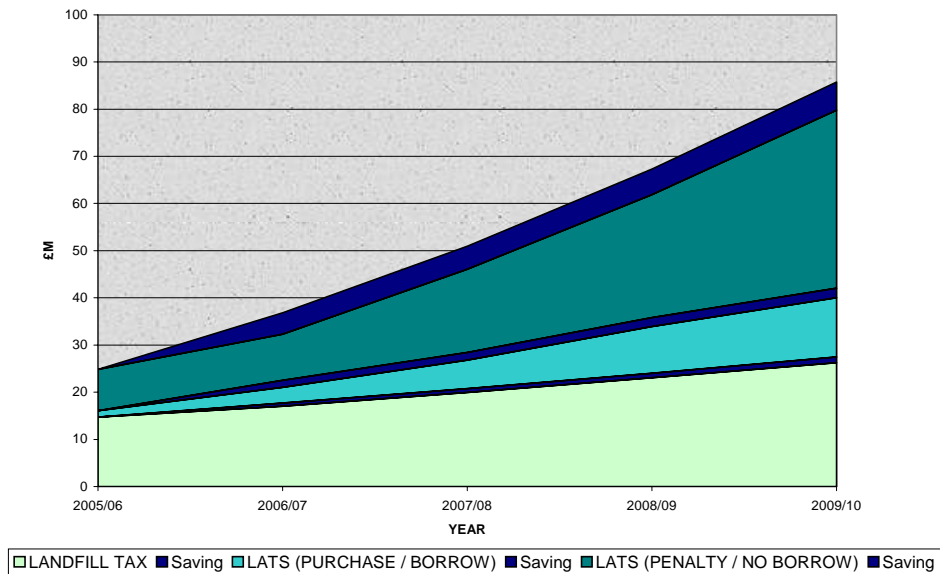
- 11.7 By 2010/11 we will have to divert around 400,000 tonnes/y of Biodegradable Municipal Waste to stay within our landfill allowance, and by 2020 about 600,000 tonnes/yr of BMW. This is a 20-fold increase in BMW treatment capacity.
- 11.8 The 'BMW after front end recycling and composting' line indicates what AEAT calculated was realistically achievable through recycling and composting. Assuming, this level of recycling were actually achieved, the amount of Biodegradable Municipal Waste indicated by the area below this line would remain to be treated by other technology which would be subject to procurement through the Waste Disposal Authority.
- 11.9 It should be noted that the Authority is also likely to need to procure services and facilities to handle dry recyclables and residual wastes. Contracts for all wastes would need to handle 800,000 tonnes/y by 2028, even with the level of front-end recycling (at 36%) which AEAT maintain is realistically achievable by 2028. This means that the procurement must include for recycling and diversion to be achieved through the MWDA contracts to avoid landfill penalties, as well as procuring for residual landfill itself.
- 11.10 In an attempt to evaluate the effect of the financial drivers described above, a projection has been completed with an assumption that the purchase price for landfill permits will be approximately £50 per tonne (the actual price will not be known until trading commences and will be determined by market forces).
- 11.11 In addition to the Landfill Allowance Trading Scheme financial drivers above, the Authority has also had to pay Landfill Tax charges (currently £10.5M per annum) and which are about to increase by £3 per tonne per year (an increase of £2.3M per annum).
- 11.12 Drawing together all of these financial penalties, now and in the future, provides an overwhelming justification for diverting these costs into investments which will achieve long term reductions in Biodegradable Municipal Waste to landfill.

11.13 The following chart illustrates the potential opportunity costs based on projections which reflect current progress levels.



11.14 The Authority is already making investments, in particular the Bidston/Gillmoss Project which will achieve a reduction in Biodegradable Municipal Waste of approximately 30,000 tonnes per year once the site becomes operational in 2006. The following chart illustrates the savings that will therefore be achieved in avoidable costs from that initial investment.

**TOTAL AVOIDABLE COSTS**  
**Potential Savings Identified (Bidston / Gillmoss Project)**  
**Based on additional 30K Tonnes BMW Diverted**



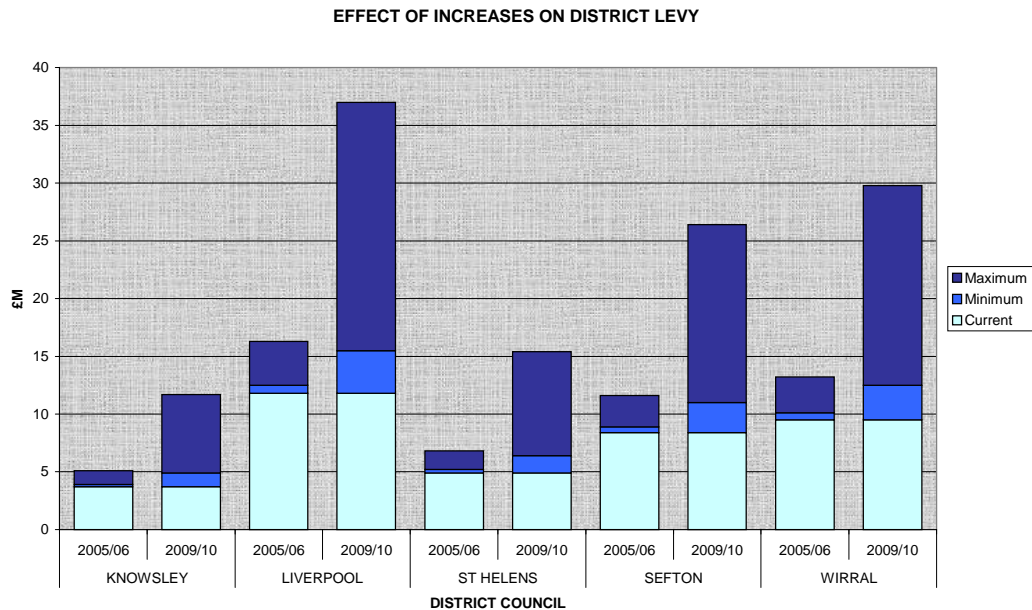
11.15 The Authority must liaise with the district councils to agree the provision of collection and treatment methods which will provide the optimum diversion of Biodegradable Municipal Waste. Market development will also be an important factor to support high levels of diversion.

**12. Overall Financial Picture**

- 12.1 The increase facing the Authority in 2005/06 as a result of the introduction of the Landfill Allowances Trading Scheme and the escalator in Landfill Tax ranges from £2.3M up to £12.4M. The precise increase will be determined by market forces for the purchase of additional permits and how the Authority manages the shortfall of allowances in that year.
- 12.2 By 2009/10, using the same assumptions, the range of increased costs would be between £12M and £70M compared with current budget levels. This equates to between £1M and £5.8M per month.
- 12.3 Without change the above increases would form part of future budget levels for the Authority and therefore would result in higher levies on the district councils and higher levels of Council Tax with no tangible benefits to the services provided by the Authority and the District Councils (See Para 12.7). Ernst and Young estimate that the costs of implementing a strategy might add £39 to £42 Million to existing overall costs by 2014 as compared to a possible

£70 Million cost of continuing to landfill (at 2009/10). Obviously landfill costs would be considerably higher than this by 2014.

- 12.4 The method of apportionment for the Waste Disposal Levy can be any basis for which there is unanimous agreement. If agreement is not reached, the fallback position is that Council Tax Taxbase is used, i.e. the Levy is apportioned on the number of Band D properties in each of the constituent districts. This fallback position is currently used on Merseyside.
- 12.5 The Authority is continuing to seek to change the basis of apportionment to a more tonnage related basis which would better reflect the 'polluter pays' principle. The latest proposal has been sent to the five district Leaders on Merseyside for their approval.
- 12.6 On the national level, DEFRA is consulting with Waste Disposal Authorities and Waste Collection Authorities with a view to changing the default mechanism. This is likely to be brought into effect from April 2006.
- 12.7 Based upon the 2004/05 Tax Base (the default position), the effect of the above increases on District Councils would be as follows:



*Base Levy Year 2004/05.*

- 12.8 The above significant increases in cost clearly demonstrate that a 'do-nothing' option will have significant financial repercussions and is essentially untenable. Furthermore, any delayed action to invest will lengthen the time the Authority must pay for non-productive expenditure. In simple terms, a policy of 'Invest to Save' seeks to minimise the level of 'dead' money.

- 12.9 The level of investment required to implement a strategy will cost less than that which would result from penalties for inaction. Decisions about the balance of investment between collection systems and treatment/disposal now need to be made as a matter of urgency.
- 12.10 Rapid and effective joint working between the waste disposal authority and the constituent district authorities is therefore essential if the above non-productive costs are to be avoided. Securing and making more effective use of financial resources is necessary to achieve the 'step-change' required for Biodegradable Municipal Waste diversion.

**13. Next Steps - How the conclusions of the strategic reports will be taken forward**

- 13.1 In relation to the Joint Municipal Waste Management Strategy, it is intended, subject to Members views, to embark on a process of further technical modeling through the Senior Officers Working Group and consultation with the various stakeholders, including the general public, prior to finalizing the strategy for Authority approval by March 2005. At the same time there will be a process of producing a joint delivery mechanism in the form of an Inter-Authority Agreement.
- 13.2 In relation to the Waste Local Development Document, the Merseyside Leaders have agreed in principle to begin the first phase broad search of land-use allocations. Subject to the funding being made available through the Merseyside Waste Disposal Authority, a Task Group established under the auspices of the District Planning Officers group will take the process forward.
- 13.3 In relation to procurement, The Merseyside Waste Disposal Authority will convene the Procurement Group at the earliest possible opportunity, with representation from the Constituent District Councils, and chaired by the Lead Member Councillor Cluskey (Sefton) to develop the Procurement Strategy. It is proposed that the Merseyside Waste Disposal Authority as a collective body act to authorize each 'Gateway' stage of the procurement process. The Audit Commission (District Auditor) will be invited to take an observer role on the Group.
- 13.4 In relation to support requirements, this will be subject to further refinement, in particular reassessing the costs of advisors to the procurement following the market sounding exercise, with a view to securing the main resource through the Merseyside Waste Disposal Authority budgetary processes.



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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil

**JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY FOR MERSEYSIDE  
WDA/45/04**

**Recommendation**

That:

1. Members views are invited on the draft joint strategy
2. Members agree the proposed timetable of consultation, with a view to producing a revised strategy by the end of March 2005

**JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY FOR MERSEYSIDE  
WDA/45/04**

**REPORT TO AUTHORITY**

**1. Purpose of report**

- 1.1 This report seeks Members' views on a draft Joint Municipal Waste Management Strategy for Merseyside, and agreement to a process of further consultation, prior to finalisation of the strategy later in the year.
- 1.2 This report should be read in conjunction with the Waste Local Development Document Report (Ref WDA/46/04), and the Procurement Report (Ref WDA/44/04) submitted elsewhere on this agenda.

**2. Background**

- 2.1 The EU Landfill Directive sets targets for reducing Biodegradable Municipal Waste going to landfill (reducing BMW to landfill by 25% of 1995 levels by 2010, 50% by 2013 and 65% by 2020).
- 2.2 In Waste Strategy 2000 the Government set national targets for recycling and composting household waste (25% by 2005, 30% by 2010 and 33% by 2015) and in addition targets for the recovery of value from municipal solid waste (40% by 2005, 45% by 2010 and 67% by 2015). The Government has set the landfill tax escalator to help encourage diversion of waste from landfill.
- 2.3 The Waste and Emissions Trading Act 2003 (WET Act) is intended to help the UK meet its European obligations under the Landfill Directive and places a statutory duty on authorities in two-tier areas (as in Merseyside) to have in place by April 2005 a joint strategy for the management of municipal waste. Guidance on the scope and process of developing joint strategies is expected from DEFRA in the near future. Officers of the Authority have attended a number of workshops to assist in the development of that guidance and have used the knowledge gained to inform the draft strategy. Clearly however, the strategy may have to be adjusted to take account of the final guidance once it is published.
- 2.4 The Authority has established, with the constituent District Councils, a Senior Officer Working Group and a Waste Management Advisory Group to take forward the development of the strategy and the delivery of projects on the ground.
- 2.5 Following consultations with the public and discussions with Districts over several years, and having had the benefit of technical

and legal advice about different scenarios which might be feasible in terms of the strategy, it is now possible to propose a draft long-term, semi-integrated, Joint Strategy.

- 2.6 A semi-integrated strategy is one where some aspects of collection and disposal operations are aligned and agreed, for example, the basic method of collection, but where collection and disposal contracts are managed separately. Such a strategy is clearly different to a fully integrated strategy, being one where all collections and disposal operations are contractual bound together, with perhaps both collection and disposal managed as a single contract.
- 2.7 The report is designed to form the basis of consultations with District Councils and other stakeholders at this critical point in the evolution of the Merseyside Strategy. Members are requested to agree the proposed consultation timetable at Appendix 2. The final strategy is dependant on their views. In addition, meetings of the Senior Officer Working Group are proposed to examine the financial and operational impacts on constituent District Councils of alterations to the targets contained within the strategy, together with an exploration of the potential for further integration between collection and disposal operations.

### **3. Scope of the Strategy**

- 3.1 In simple terms the aim of the Municipal Waste Management Strategy must be to:
- Reduce the overall **environmental** impact of waste management
  - Increase the **economic** benefit by treating waste as a valuable resource and creating jobs
  - Increase the **social** value from waste recycling and treatment
- 3.2 The strategy follows the waste hierarchy in explaining what the Merseyside Authorities will do to fulfil the aim of managing waste more sustainably. Objectives and targets are set and an Action Plan proposed to ensure delivery.
- 3.3 The Joint Municipal Waste Management Strategy will:
- Clearly set out the Partnership's objectives and targets for the service
  - Include policies and action plans on how to achieve these;
  - Identify and seek to manage significant risks
  - Provide a framework for monitoring and evaluating progress;
  - Communicate these plans to government, key stakeholders, partners and the wider community

- 3.4 A consultation programme is proposed, with the aim of reaching a final agreed strategy by the end of the year (and in any event before April 2005).
- 3.5 The draft joint strategy is attached at Appendix 1. The draft consultation programme is attached at Appendix 2.

#### **4. Risk Management Implications**

- 4.1 In the light of the legislative background, targets and financial imperatives, it is important that any Joint Municipal Waste Management Strategy seeks to manage the associated risks in the best way possible.
- 4.2 The main risks arising from a failure to produce a joint strategy are as follows;
- Failure to fulfil statutory duty
  - Failure to effect procurement of residual facilities on time
  - Failure to achieve statutory recycling and diversion targets
- 4.3 The knock-on effects of these risks are:
- Very large potential additional costs to collection and disposal authorities (both in terms of continuation of landfill disposal, and in terms of the cost of collection/treatment facilities)
  - Loss of reputation
  - Loss of credibility
  - Possible Government Intervention
- 4.4 The strategy proposes to address the main risks by aiming for high household recycling and composting rates to help meet Landfill Directive targets (and avoid having to buy permits under the Landfill Allowance Trading Scheme (LATS)). In addition the strategy suggests a Procurement for Treatment and Disposal Services which achieves high levels of Biodegradable Municipal Waste diversion from landfill.
- 4.5 The Strategy also proposes meeting with waste management companies at an early stage to help attain an understanding of what is achievable and affordable, with a view to promoting a partnership approach to contracting over the long-term.

#### **5. Financial Implications**

- 5.1 The financial implications of action or inaction are very significant. Waste management costs on Merseyside (as in the rest of the UK) are set to rise substantially, as collection systems for recycling are put in place and as treatment and disposal methods other than landfill are implemented.

- 5.2 If sound joint waste strategies are delivered, these cost increases can be kept to a minimum. However, the potential costs of delay, or of failure to deliver the joint strategy are truly daunting.
- 5.3 The total cost of implementing this strategy is likely to be significantly lower than continuing with current practices.
- 5.4 A best-case scenario, where a joint strategy is agreed, where targets are reached on time and where residual treatment and disposal facilities are procured and built on time and at reasonable cost, might produce an increase in overall costs of waste management on Merseyside of £39M a year by 2014.
- 5.5 However, in a worse-case scenario, these costs could amount to an increase in costs of £42M a year by 2014, a difference of some £3M a year.
- 5.6 These figures are based on the AEAT and Ernst and Young reports 2003, which exclude the potential impact of the Landfill Allowances Trading Scheme or landfill penalties. Under the provision of the Waste Emissions Trading Act 2003, the Authority will be given progressively reducing landfilling allocations. If it fails to divert sufficient waste away from landfill it will be faced with either a requirement to purchase additional allowances from other WDA's or face penalties of £200 per tonne. The purchase price is unknown but will be determined by market forces.

The potential impact of the Landfill Allowance Trading Scheme is shown in sections 11 and 12 of the Waste Strategy Overview Report WDA/48/04.

- 5.7 Rapid and effective joint working between the waste disposal authority and the constituent district authorities will therefore play an important role in delivering the systems required on time with the least possible impact on the levels of Council Tax.
- 5.8 Further work needs to be carried out on the whole system costs (collection/recycling/treatment/disposal) of different options, with cost modelling at both the WCA and WDA level undertaken. This will be achieved through the Senior Officer Working Group.
- 5.9 There are significant costs in the short-term in preparing for the procurement of contracts for residual waste treatment facilities and services. These are addressed in the sub-strategy report on Procurement, elsewhere on this agenda.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil

# TRANSFORMING OUR WASTE

DRAFT

## JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY FOR MERSEYSIDE





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# Introduction

Merseyside faces major challenges in the way it deals with waste. All of us throw away a huge amount of waste each year, and nearly all of it has been going to landfill.

European and Government targets have now been set to change all this – especially to move away from landfill and to get more value from our waste. Merseyside must do its bit.

The Merseyside Waste Disposal Authority, together with its constituent District Councils Knowsley, Liverpool, St. Helens, Sefton and Wirral, has formed a Partnership to transform the way in which waste is managed in the future.

This strategy has been formulated drawing upon the results of public consultation, detailed technical, financial and legal reports and stakeholder views. All of these have helped shape our thinking and have been used to develop the options we are now considering.

The Strategy will have a major impact on entire Merseyside community, as everyone will not only be given the opportunity to recycle – but will be positively encouraged to do so. In particular, the Merseyside Waste Disposal Authority and District Councils will have to manage new contracts, collectively worth millions of pounds, and make sure high quality services are delivered to residents.

By transforming the way we manage waste we can turn it into a valuable resource, create and secure jobs and improve the overall environmental impact our waste causes.

Help us to make this happen. Please take the time to read the draft strategy and let us know what you think. You can find out how to contact us and get involved in the consultation in the Section “How can I have my say?” on page\_\_\_\_\_.

## STRATEGIC CONTEXT

Waste management projects, as with all Local Authority services, must be developed, and continually assessed, within the context of an overall strategic planning framework that reflects local, national and international policy objectives.

In particular, waste management projects must demonstrate clear links to the objectives of the European Landfill Directive, the National Waste Strategy (Waste Strategy 2000) and Regional Waste Strategy and be able to show that local performance standards for recycling and composting match or exceed local performance standards set under Best Value, as detailed below:

<b>European Landfill Directive</b>	Reduce the amount of Biodegradable Municipal Waste (BMW) going to landfill by: <ul style="list-style-type: none"> <li>• 25% of 1995 levels by 2010</li> <li>• 50% of 1995 levels by 2013</li> <li>• 65% of 1995 levels by 2020</li> </ul>
<b>Waste Strategy 2000</b>	<ul style="list-style-type: none"> <li>• Recycle or compost 25% of household waste and recover value from 40% of municipal waste by 2005</li> <li>• Recycle or compost 30% of household waste and recover value from 45% of municipal waste by 2010</li> <li>• Recycle or compost 33% and recover value from 67% of municipal waste by 2015</li> </ul>
<b>NW Regional Waste Strategy (Draft)</b>	<ul style="list-style-type: none"> <li>• Reduce growth in MSW to 2% by end 2003, to 1% by 2010 and 0% before 2014 across the Region</li> <li>• Recycle or compost 25% of household waste by 2005, 33% by 2010, 45% by 2015 and 55% by 2020</li> <li>• Recover value from 40% of MSW by 2005, 45% by 2010 and 67% by 2015 (same as Waste Strategy 2000)</li> </ul>
<b>Best Value Performance Standards</b>	Individual recycling rates set for each local authority aimed to increase national recycling rates to at least 25% by 2005/06. Merseyside standards are detailed in the waste strategy report elsewhere on this agenda

In the UK, the European Landfill Directive has been transposed into law via the Waste Emissions Trading Act 2003 (WET) Act, which allows for the Government to restrict BMW to landfill by issuing Waste Disposal Authorities with tradable landfill permits, through the Landfill Allowances Trading Scheme (LATS). If an Authority exceeds its allowance, it must buy permits from Authorities that have spare. Authorities can be fined if they do not buy additional permits where they exceed their allowance. The level of fine has been set at £200 per tonne. The Secretary of State has powers to intervene in cases of poor local authority performance. The WET Act will be implemented on 1<sup>st</sup> April 2005.

The Government has also proposed additional funding in the form of a Performance Reward Grant for local authorities achieving or increasing their recycling levels.

## SCOPE OF THIS STRATEGY

The waste strategy flows from the conclusions of several previous pieces of work, in particular:

- Waste Strategy Best Value Review 2002
- AEAT report on Technical options 2003
- Ernst and Young report on Financial options 2004
- Results of Public Consultation 1998-2004
- Waste Minimisation Strategy report 2004

The Joint Municipal Waste Management Strategy will:

- Clearly set out the Partnership's objectives and targets for the service
- Include policies and action plans on how to achieve these;
- Identify and seek to manage significant risks
- Provide a framework for monitoring and evaluating progress;
- Communicate these plans to government, key stakeholders, partners and the wider community

## Where are we now?

### Performance

Performance Indicator BVPI 82 a + b (Recycling and Composting)

	MWDA Estimate 2003/04 %	Target 2003/04 %	Target 2005/06 %
Knowsley MBC	5.74	8	15
Liverpool MBC	4.27	8	15
St Helens MBC	10.03	8	15
Sefton MBC	12.06	14	21
Wirral MBC	5.94	12	18
MWDA	19.11	18 (implied)	34 (implied)
Total	10.05	12	22

## Costs

The financial implications of action or inaction are very significant. Waste management costs on Merseyside (as in the rest of the UK) are set to rise substantially, as collection systems for recycling are put in place and as treatment and disposal methods other than landfill are implemented.

If sound joint waste strategies are delivered, these cost increases can be kept to a minimum. However, the potential costs of delay, or of failure to deliver the joint strategy are truly daunting.

The total cost of implementing this strategy is likely to be significantly lower than continuing with current practices.

A best-case scenario, where a joint strategy is agreed, where targets are reached on time and where residual treatment and disposal facilities are procured and built on time and at reasonable cost, might produce an increase in overall costs of waste management on Merseyside of £39M a year by 2014.

However, if delay occurs, there could be an increase in costs of £42M a year by 2014, a difference of some £3M a year, even without the impact of LATS.

These figures are based on the AEAT and Ernst and Young Reports 2003, which exclude the potential impact of the Landfill Allowances Trading Scheme (LATS) or landfill penalties.

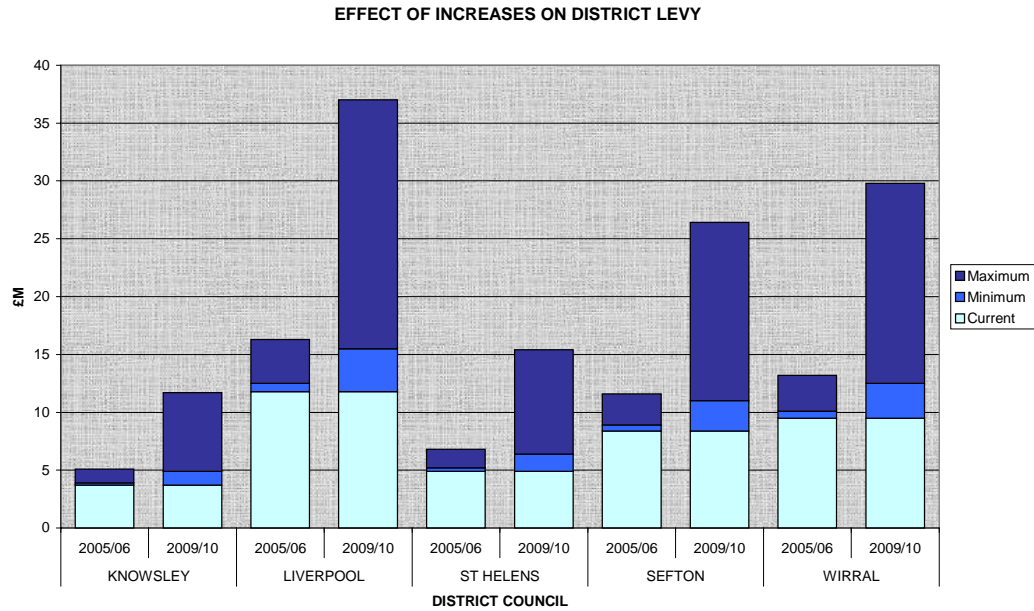
Under the provision of the WET Act 2003, the Authority will be given progressively reducing landfill allocations for biodegradable waste. If it fails to divert sufficient waste away from landfill it will be faced with either a requirement to purchase additional allowances from other WDA's or face penalties of £200 per tonne.

The increase facing the Authority in 2005/06 as a result of the introduction of LATS and the escalator in Landfill Tax ranges from £2.3M up to £12.4M. The precise increase will be determined by market forces for the purchase of additional permits and how the Authority manages the shortfall of allowances in that year.

By 2009/10, using the same assumptions, the range of increased costs would be between £12M and £70M compared with current budget levels.

Without change the above increases would form part of future budget levels for the Authority and therefore would result in higher levies on the district councils and higher levels of Council Tax with no tangible benefits to the services provided by the Authority and the District Councils.

Based upon the 2004/05 Tax Base (the default position), the effect of the above increases on District Councils would be as follows:



The above significant increases in cost clearly demonstrates that a ‘do-nothing’ option will have significant financial repercussions and is essentially untenable. Furthermore, any delayed action to invest will lengthen the time the Authority must pay for non-productive expenditure. In simple terms, a policy of ‘Invest to Save’ seeks to minimise the level of ‘dead’ money.

Rapid and effective joint working between the waste disposal authority and the constituent district authorities is therefore essential if the above non-productive costs are to be avoided. A more effective use of financial resources is necessary to achieve the ‘step-change’ required for BMW diversion.

## What you told us

To be completed

## Getting on with it

To be completed

## Where Are We Going?

The purpose of setting out our aims, objectives and targets is to ‘stretch’ the different organisations to achieve the best possible levels of performance, in line with the

principles of Best value and to seek to manage the significant risks which could arise from any failure to deal with waste effectively.

The main risks arising from a failure to produce a joint strategy are as follows;

- Failure to fulfil statutory duty
- Failure to effect procurement of residual facilities on time
- Failure to achieve statutory recycling and diversion targets

The knock-on effects of these risks are:

- Very large potential additional costs to collection and disposal authorities (both in terms of continuation of landfill disposal, and in terms of the cost of collection/treatment facilities)
- Loss of reputation
- Loss of credibility
- Possible Government Intervention

The strategy proposes to address the main risks by aiming for high household recycling and composting rates to help meet Landfill Directive targets (and avoid having to buy permits under the Landfill Allowance Trading Scheme (LATS)). In addition it is proposed to conduct an open procurement for waste management contracts, which will achieve significant diversion of Biodegradable Municipal Waste from landfill.

## Our Aims

- 1. To work in Partnership to deliver integrated waste collection, processing, treatment and disposal systems to ensure that Best Value is delivered from WCA and WDA services.**
- 2. To seek solutions which are environmentally sound and add maximum value to the social and economic fabric of Merseyside.**

## Our Objectives

- 1. To exceed Government set statutory recycling, composting, energy recovery and landfill diversion targets**



*CONSULTATION POINT: This does not talk about simply meeting targets, but exceeding them – there are implications on all Partners to achieve this. There is a view emerging amongst Government and other Authorities that 50% front-end recycling is the right sort of long-term target (say by 2020). Some people maintain that very high levels of front-end recycling of 65% or more should be possible, but this is not the view of AEAT, given the starting position and socio-economics of Merseyside.*

*Some environmentalists argue that these levels should be achievable. Government is looking for high levels of front-end recycling in approving PFI Credits for residual waste treatment. Assuming that waste continues to grow at current rates (i.e. no effect of waste minimisation), we will have a growing proportion of waste that must be recycled over time. Equally we have a growing amount of waste to treat and dispose over time. At around 2020, for example even if we were to reach 50% front-end recycling, this would mean recycling about 800,000 tonnes per year and catering for about 800,000 tonnes of residual waste. This would mean recycling as much as we currently dispose of and procuring facilities to handle the 800,000 tonnes per year of residual waste.*

*Collection Authorities will have to rapidly scale-up and sustain their kerbside and bring bank activity. The MWDA will have to improve the recycling at HWRC's and provide treatment infrastructure when it is needed. This will require huge investment, excellent project management and a smooth journey through the planning process.*

**KEY QUESTION: WHAT LEVEL OF RECYCLING DOES THE PARTNERSHIP BELIEVE IS REALISTICALLY ACHIEVABLE BY 2020?**

## **2. To deliver Best Value services that reflect what people are prepared to pay**

*CONSULTATION POINT: Taking the lowest cost option is not necessarily the same as Value For Money or Best Value. The lowest cost technical option for residual waste (according to AEA Technology) is a large EfW facility, but this may not be the most Sustainable solution, or Best Value (i.e. services people WANT at a Price they are prepared to pay). The purpose of the next round of public consultation should be to firm up whether people are prepared to pay for residual treatment technologies which are less controversial than a large EfW facility, even though most alternatives still include an element of EfW)*

### 3. To manage waste as high up the waste hierarchy as possible

*CONSULTATION POINT: This has major implications for Collection Authorities as it assumes a very high levels of waste minimisation, kerbside recycling and bring site recycling. HWRC recycling by the MWDA would also fit under this. There is a need to ensure that public expectation matches what is realistically achievable. It would also mean developing an approach that takes account of new and emerging technologies.*

*However, it should be borne in mind that, after removal of materials for recycling and composting, residual material will remain that cannot easily and effectively be recycled or composted. Achievement of the challenging targets suggested later **will not avoid** the need for a significant amount of **residual waste** to be dealt with. The Contract Procurement process through the MWDA will have to focus on achieving the highest possible level of diversion of Biodegradable Municipal Waste (BMW) from landfill, to meet diversion targets and to avoid the punitive costs of Landfill penalties/permits as well as Landfill Tax.*

## Our Targets

Suggested:

**That we have single unified waste minimisation, recycling and diversion targets for Merseyside as a whole, whereby each District must contribute according to the level of waste arisings in that Borough.**

*CONSULTATION POINT: This accords with the Polluter Pays principle and is along the same lines as the tonnage based levy for downstream waste treatment and disposal.*

KEY QUESTION: DO WE AGREE THAT WE SHOULD HAVE SINGLE UNIFIED TARGETS, RELATED TO WASTE ARISING?

## Targets

## **Waste Minimisation**

- 1. To reduce the level of municipal waste arisings to below English average by 2006/07**
- 2. To reduce *residual* municipal waste to below English average by 2010**
- 3. To reduce the growth in waste to 2% by 2010 and 0% by 2020**

*CONSULTATION POINT: These targets apply equally to WDA and WCA's. Current growth rates are 3% per year. The North West draft Regional Waste Strategy proposes that the region as a whole should strive for a reduction of 1% before 2010 and 0% before 2014. However, these are the suggested targets emerging from a consultants report commissioned to look at achievable waste minimisation levels by the MWDA and Merseyside Districts(Griffin Hill report April 2004).*

KEY QUESTION: DO WE AGREE THESE TARGETS?

## **Re-Use**

KEY QUESTION: DO WE WISH TO SET RE-USE TARGETS?

## **Recycling and Composting**

- 1. 22% by 2005/06 (This is the current pooled target BVPI for Merseyside agreed with government).**
- 2. 25% by 2007 (Each WCA will collect at least 15% dry recyclables kerbside and 10% green waste kerbside)**

*CONSULTATION POINT: This was our previously agreed target. Do we still want to stick to this? It may be simpler to state 25% by 2007 and leave it at that. (This also allows the contribution from the MWDA through HWRC's to contribute more to the pooled target in the short-term)*

**3. 33% by 2010 (Government implied target 30%)**

*NOTE: There is a Government target of 33% by 2015.*

KEY QUESTION: DOES THE PARTNERSHIP AGREE ON A STRETCHING TARGET OF 33% recycling and composting by 2010?

**4. ?% by 2020**

*CONSULTATION POINT: AEAT have assumed that a target of 50% recycling will NOT be met based on the current rate of rolling-out kerbside collections. They have assumed only 36% front-end recycling by 2028. The implication is clear – if we want to set very high targets, it will require much more effort and investment in delivering very high levels of kerbside collection.*

KEY QUESTION : WHAT RECYCLING TARGET DO WE WANT TO SET FOR 2020 (AND 2030) ?

**Recovery**

**1. To recover 45% of the value from waste by 2010 (Government target)**

**2. To recover 67% of the value from waste by 2015 (Government target)**

*CONSULTATION POINT: There is an earlier Government target of 40% recovered value by 2005. If recycling and composting targets are met then this leaves us with the need to derive targets for other forms of value recovery:*

*CONSULTATION POINT: As yet there is no Government target for recovery beyond 2015. "Recover" means obtain value from wastes through the following means: Recycling, Composting, Other forms of material recovery (such as Anaerobic Digestion), or Energy Recovery (combustion with direct or indirect use of the energy produced, the manufacture of refuse derived fuel (RdF), gasification, pyrolysis, or other technologies.*

KEY QUESTION: WHAT DOES THE PARTNERSHIP AGREE AS RECOVERY TARGETS TO 2015?

### **Residual Waste Treatment**

- 1. To divert 25% of biodegradable municipal waste from landfill by 2010 (compared to 1995 levels)**
- 2. To divert 50% of biodegradable municipal waste from landfill by 2013 (compared to 1995 levels)**
- 3. To divert 65% of biodegradable municipal waste from landfill by 2020 (compared to 1995 levels)**

*CONSULTATION POINT: Biodegradable Municipal Waste diversion is the critical financial cost driver. The landfill allowances will be based on a downward straight-line projection from the tonnage landfilled in 2002/03 through to 2010, with reducing tonnage allowances each year. We now know what the actual limits will be. We will have to divert at around 300,000 tonnes/y of BMW by 2010, and 600,000 tonnes/y of BMW by 2020. The diversion will have to be achieved by the use of front-end recycling and residual waste treatment technology, such as MBT/RdF/EFW, EFW alone or 'new' technology of some kind. The MWDA is currently embarking upon developing an open-ended procurement strategy in conjunction with Districts to procure the residual treatment and disposal capacity.*

*Residual waste treatment to be considered includes Mechanical and Biological Treatments (MBT), Anaerobic Digestion and Energy from Waste incineration. Scenarios that combine available and proven technical options into practical integrated systems for managing Merseyside's municipal waste have been modelled for performance in meeting recycling, recovery and diversion targets as have the main financial management options.*

KEY QUESTION: DOES THE PARTNERSHIP AGREE TO SEEK CLARIFICATION THROUGH FURTHER PUBLIC CONSULTATION AS TO THE PUBLIC'S VIEWS ON THE DIFFERENT TYPES OF RESIDUAL TREATMENT AND DISPOSAL TECHNOLOGY AND THEIR WILLINGNESS TO PAY?

## How Will We Get There?

### Our Delivery Plan

#### **Waste Minimisation**

We will:

- **Reduce the amount of non-household waste in the municipal waste stream, principally collected commercial waste, Council waste and unauthorised deposits at Household Waste Recycling Centres (HWRC's)**
- **Actively promote and educate on waste minimisation to households**
- **Raise householder participation in home composting by at least 12% by 2006/07**
- **Increase the use of re-useable nappies and reduce nappy waste to an average of no more than 225kg per participating household by 2006/07**
- **Through the Clean Merseyside Centre, identify and develop at least five new innovative products that will reduce bio-degradable municipal waste (BMW) by 2005/06**

- **Put our own house in order by setting in-house targets for waste reduction in all the Partner Councils and the Disposal Authority**

## **Re-Use**

We will:

- **Research information about the extent of re-use initiatives that divert household waste away from landfill.**
- **Develop support for re-use organizations.**

## **Recycling and Composting**

We Will:

- **Introduce 3-stream kerbside collections (dry recyclables, garden and/or kitchen waste and residual waste) in all Districts. NB THIS MAY NEED REVISION IN THE LIGHT OF THE RECENT LANDFILL ALLOWANCE ALLOCATIONS AND FINANCIAL IMPACTS. ACTUAL TONNAGES TO BE COLLECTED/REMAINING FOR CONSIGNMENT TO MWDA COULD BE INCLUDED IN AN INTER-AUTHORITY AGREEMENT**
- **Install sufficient bring sites for recycling across Merseyside**
- **Make further productive and effective investment in recycling through the Household Waste Recycling Centres, working closely with our contractor, MWHL**
- **Improve participation rates and the capture rates of materials collected at the kerbside**

- **Make early investments in developing composting capacity**
- **Make early decisions on Materials Recycling Facilities (MRF's)**
- **Continue to work with the Community Recycling Sector to realise their full potential**
- **Continue to support the Clean Merseyside Centre in finding new uses and markets for recycled and composted products**

### **Recovery**

We will:

- **Include recovery performance and Landfill Allowance Trading Scheme compliance performance in feasibility studies of new technology.**
- **Evaluate the risks associated with markets for recovered materials eg. RdF**

### **Disposal**

We will:

- **Reduce the % of household waste landfilled by Merseyside through recycling efforts.**
- **Reduce our proximity profile by seeking the nearest viable landfills or alternative treatment and disposal facilities which represent Best Value.**

## **Longer-Term Options for Residual Waste**

Decisions need to be taken soon on the implementation of residual waste treatment systems to keep the cost down and to increase the amount of recyclable materials and BMW removed from the waste stream. Part of the reason for making a decision soon, is that the types of residual waste treatment plant that might be suitable can take many years to build. Whichever system is chosen for residual waste treatment, there will still be a need for landfill for some materials which cannot be recycled, or which contain little



or no recoverable energy. The Partnership has commissioned technical assessments of the types of proven residual waste treatment technology currently on the market. This includes Mechanical and Biological Treatments (MBT), Anaerobic Digestion and Energy from Waste. The technical assessments included environmental impact assessments, but also looked at costs and deliverability. However, the technology available to deal with waste is evolving fast. For this reason, the Partnership will:

- **Consult the public about their preferred technology options for residual waste and their willingness to pay for different options**
- **Take forward our Procurement Strategy based on the results of consultation and the technical assessments**
- **Investigate and secure landfill capacity as required**

(The procurement will invite waste management organisations at an early stage, to show how they will meet our performance target requirements, and, although public preference and technical assessments will be made known, will not specify at the outset, which particular technology should be used).

KEY QUESTION: DOES THE PARTNERSHIP AGREE THE ABOVE ACTIONS REGARDING LONGER-TERM RESIDUAL WASTE TREATMENT?

## Other Partnership action

We will:

- **Agree an Inter-Authority Agreement between all the partners to implement this strategy**
- **Develop best practice in kerbside collection methods at District level, including enforcement**
- **Evaluate the potential for maximising recycling diversion from the bulky household waste collections**
- **Integrate our collection, treatment and disposal services wherever possible**
- **Develop existing and new sites for waste management facilities**

- **Work with the Clean Merseyside Centre, external agencies and other stakeholders to develop end markets for our collected recyclable materials, developing opportunities for waste to be processed and re-manufactured locally**
- **Build on the synergies of dealing with commercial and industrial waste where these will assist in the delivery of the waste management strategy as a whole**
- **Co-operate in the collection of adequate and reliable data on waste streams and our performance against the strategy**
- **Review the policies for charging for waste collection services across the Partnership, including charges for commercial waste**
- **Improve our partnership working arrangements at a strategic and operational level between the MWDA and other partners**
- **In conjunction with District Local Planning Authorities, develop a Waste Local Development Framework (Waste Local Plan) for Merseyside in line with Regional Planning Frameworks and Guidance**
- **Vigorously pursue external funding and development opportunities which build on the Partnership approach**
- **Build relationships with the waste industry and other potential service providers, to ensure that there is good competition in any competition to provide waste services in Merseyside**
- **Provide the necessary capacity within our organisations, including the appointment of advisors and consultants as necessary, to get the job done**
- **Prepare reports on benchmarked waste strategy performance against 'best-in-class' organizations.**

- **Publish a 'live' waste management strategy update, taking into account the latest developments implemented by the MWDA, Districts, Social Enterprise and Community Recycling Organisations, the Clean Merseyside Centre and the waste management industry in Merseyside. The 'live' document will be posted on the web site and be printed on request.**
- **The waste management strategy will seek to link into wider regeneration and development strategies, to help achieve wider aims, e.g. the inclusion of recycling infrastructure and jobs in areas of high unemployment. The wider regeneration agenda offers the opportunity for securing significant strategic funding into the waste management strategy.**
- **Continuously research customer satisfaction levels about the overall level of satisfaction with the strategy and its implementation.**
- **Conduct research into the attitudes and behaviours of people involved in waste minimisation and recycling should be carried out to help anticipate and learn from waste minimisation and kerbside/WRC improvement projects.**
- **A financial strategy will be developed identifying what level of resource is expected to be necessary, where resources will come from and which elements of the waste management strategy those resources support.**
- **The programme of investment in waste infrastructure (facilities) will be continued. The planned construction phases will be agreed according to priority materials and the relative costs/benefits.**
- **Continue to seek maximum recycling through existing waste management contracts through agreed programmes of improvement.**
- **Carry out a baseline assessment of the sustainability of current waste management arrangements. As the strategy is rolled-out, performance can**

**be judged 'in-the-round' against this initial baseline assessment. This will entail an evaluation of the current state of the waste management strategy in terms of the 'triple bottom line' of economic, environmental and social impact, and will enable future plans to be assessed against BPEO and Sustainability Appraisal Toolkits.**

- **Explore opportunities for providing joint strategic facilities with adjoining authorities.**
- **Strengthen partnerships with the Social Enterprise and Community Recycling organizations where they help deliver the waste strategy and tangible benefits to local people.**

KEY QUESTION: DOES THE PARTNERSHIP AGREE THESE OTHER PARTNERSHIP ACTIONS?

## How Much Will It Cost?

Beyond about 2006/07 any failure to reach higher levels of recycling transfers more and more costs from collection to disposal. From thereon, increasing landfill disposal costs and penalties rapidly escalate costs beyond more sustainable waste management options.

Waste collection costs show the most significant increases and demonstrate a need for early investment in increased collection capacity if early targets are to be met.

To be completed. Including results of further cost modelling to explore the optimum balance between collection, treatment and disposal costs given Landfill Allowances Trading Scheme costs/penalties.

# How Can I Have My Say?

## Consultation Plan

To be completed.

### SPECIFIC CONSULTATION QUESTIONS FOR MWDA AND DISTRICT AUTHORITIES

Q1. Do you agree to undertake a review of household and non-household (especially commercial waste) in your Authority, in conjunction with MWDA?

Q2. Do you agree to reviewing policies on minimising waste arisings, including commercial waste, in your organisation?

Q3. Do you agree with the approach to Waste Minimisation and the actions?

Q4. Do you think the projected waste minimisation/recycling/composting rates (targets) adequately reflect the strategy objectives? Do you think they are achievable or unrealistic?

**WDA/45/04**  
**APPENDIX 2**

**MERSEYSIDE WASTE STRATEGY DEVELOPMENT PROGRAMME**

<b><u>ITEM:-</u></b>	<b><u>TO BE COMPLETED BY:-</u></b>
Consultation with District Councils on Waste Strategy	September/October 2004
Finalise Draft Waste Strategy Public Consultation Document	October/November 2004
Undertake Public Consultation	November/December 2004
Incorporate Findings of Public Consultation into strategy document	January 2005
Approval of Public Waste Management Strategy Document	28 <sup>th</sup> January 2005 (Authority Meeting)
Printing of Public Waste Management Strategy Document	March 2005
Distribution of Public Waste Management Strategy	April 2005

**MERSEYSIDE WASTE LOCAL DEVELOPMENT DOCUMENT**  
**WDA/46/04**

**Recommendation**

- That:
- i) Members note the contents of the report
  - ii) Members agree to fund the first phase of a joint approach to the development of a Merseyside Joint Waste Local Development Document, in the sum of £90,000 to be met from reserves in 2004/05, with any further funding to be considered as part of the Authority's budget setting process for 2005/06.

**MERSEYSIDE WASTE LOCAL DEVELOPMENT DOCUMENT**  
**WDA/46/04**

**Report of the Director of Waste Disposal**

**1. Purpose of the Report**

- 1.1 To inform Members of the approach to waste land-use planning issues proposed by the District Planning Officers and Planning Environment and Transport Groups on Merseyside and the subsequent action from the Merseyside Leaders meeting on 26<sup>th</sup> March 2004, to begin the process of developing a Merseyside Joint Waste Local Development Document.
- 1.2 To highlight the urgent action required to enable the preparation of the Local Development Document, namely an agreement to the principle of this process and the funding of the process by all Merseyside Districts, through the Authority.

**2. Background**

- 2.1 The emerging Integrated Waste Management Strategy for Merseyside would require a significant increase in the number and size of waste management facilities across Merseyside. The planning issues in relation to the location of waste management facilities are critical.
- 2.2 The lead-in times for larger facilities are significant and may take up to 10 years to be developed. It is considered that facilities for waste management are of such strategic importance that waste planning policy should be considered at the sub-regional (Merseyside) level. Waste and planning professionals across Merseyside have been working together to consider the process necessary to develop a sub-regional strategy for municipal and commercial waste with the aim identifying strategic sites for waste management facilities. This will facilitate the implementation of the final Waste Strategy for Merseyside.
- 2.3 The Merseyside Leaders considered a report on 26<sup>th</sup> March 2004, from the Merseyside Waste Planning Group. The report provided an overview of planning issues and identified that a Merseyside Joint Waste Local Development Document as the right approach. This framework would be in line with Regional Planning Guidance and the new planning system.



2.4 The recommendation included the following: -

- To agree the principles proposed regarding locational criteria to be used in the development of the Local Development Document.
- To agree to the appointment of consultants to prepare a Merseyside Joint Waste Local Development Document to support the principles of the Merseyside Waste Strategy and satisfy the wider requirements of industry including industrial and commercial waste
- All Merseyside District Council and other partners should contribute towards the total cost for the appointment of planning consultants to undertake the work highlighted above and conduct site suitability assessments in line with the planning principles in the resulting document.

2.5 It is **essential** that all Merseyside District Councils sign up to the principles of establishing a Merseyside Joint Waste Local Development Document, as this is a critical element in the successful implementation of the Merseyside Joint Municipal Waste Management Strategy. It is understood that all districts, with the exception of Liverpool City Council, have agreed to fund the first phase of consultancy support.

2.6 The securing of a planning framework as soon as possible would help to reduce the single biggest risk in attempting to procure new waste management facilities and is central to how the procurement will be viewed by the waste management industry. For this reason, Members are recommended to fund the first phase of a joint approach to a Local Development Document.

### 3.0 **Current Situation**

3.1.1 Waste Planning Officers met on 21<sup>st</sup> April 2004, to consider the actions needed to develop the Merseyside Joint Waste Local Development Document. Discussions centred around need for all the Districts to agree to the approach and the timeframe needed in order to develop a project plan.

3.1.2 The main issues for the preparation of the Merseyside Joint Waste Local Development Document are:

- Political approval and ownership
- Resourcing
- Project Planning

- Implications of the new planning system -
- The requirement for Strategic Environmental Assessments (SEA's)

3.1.3 It is estimated that the timescale for preparing the Merseyside Joint Waste Local Development could be around 32 months, but until the process is agreed, it is premature to assign a timescale.

### **3.2 Connection with the Waste Management Strategy and Procurement Process**

3.2.1 The Authority is developing a Waste Management Procurement Strategy in order to procure major waste management facilities and long term service contracts, before the Authority's existing waste contracts expire on 1<sup>st</sup> October 2008.

3.2.2 The objective of the procurement strategy is to deliver a 'Best Value' procurement solution that fulfils the requirements of the Merseyside Waste Management Strategy. The successful delivery of this contract procurement is an important contribution to both local and national interests in terms of delivery more sustainable waste management systems.

3.2.3 Failure to secure the relevant planning permissions for facilities has historically been a very significant cause of delay in effecting a successful procurement.

3.2.4 The development of a Merseyside Joint Waste Local Development Document seeks to manage that risk by conducting a robust, strategic and consultative approach to the selection of the sites.

### **3.3 Regional Planning**

3.1 The recently reviewed Regional Planning Guidance (RPG) waste policies recommend that waste planning, disposal and collection authorities should:

"... Establish clear frameworks through their Municipal Waste Management Strategies and review of development plans for the provision of waste management facilities in their areas and allocate sites accordingly" and

" Waste planning and disposal authorities should work together at a sub-regional level to establish opportunities in their areas for the development of strategic facilities that could accommodate a range of waste handling facilities and associated reprocessing businesses..."

- 3.2 A Merseyside Joint Waste Local Development Document would comply with RPG.

#### **4.0 Risk Management Implications**

- 4.1 The risks associated with the delay or failure to develop a Merseyside Waste Local Development Document are as follows:
- Substantial additional costs for Merseyside.
  - Failure for Merseyside to reach its statutory recycling targets and landfill diversion targets through non-identification of strategic sites for waste treatment and their associated development
  - Difficulty in obtaining planning permissions
  - Delay in beginning the long lead-in times for waste management facilities
  - Failure to contribute to the Regional Waste Management Strategy
  - Failure to comply with Regional Planning Guidance

#### **5.0 Financial Implications**

- 5.1 The resources required to prepare a Merseyside Joint Waste Local Development Document are significant, not only in terms of consultancy, but for the District Merseyside Policy Unit, and the Environmental Advisory Service. A detailed assessment is to be completed as part of the overall Project Plan.
- 5.2 The Authority is requested to fund the cost of employing Planning Consultants to complete the first phase of the Local Development Document in the sum of £90,000 in 2004/05, to be funded from reserves. Any further funding would be considered as part of the Authority's Budget setting process for 2005/06.

#### **6.0 CONCLUSION**

Developing a planning framework which minimises the risk of failure to obtain planning permission for major waste facilities in the future, is critical to the fulfilment of any Joint Municipal Waste Management Strategy for Merseyside. Members are asked to endorse the joint working approach to the development of a Waste Local Development Document.

## **WDA/46/04 APPENDIX 1**

### **Delivery Plan**

The detailed project plan (Delivery Plan) would follow the key actions highlighted below:

- The plan would be developed by the Merseyside Planning Officer sub group as a priority and will involve the establishment of a project development and time and resources plan.
- The sub-group would develop the project plan for approval by the Waste planners Group, Merseyside Senior Officers Working, MWDA and the Merseyside Leaders/Chief Executives.
- A Consultants brief will be developed. Work will closely link with the Merseyside Waste Management Strategy implementation timetable.
- St. Helens Council would act as the client for commissioning of consultants for the Waste Local Development Document.
- Individual projects would go through the local planning process and require Environmental Impact Assessments (EIA) as appropriate.
- The Waste Local Development Document and Merseyside Joint Municipal Waste Management Strategy would provide a sub-regional framework for individual projects.
- The Needs Assessments would include commercial and industrial waste as well as municipal.
- The Waste Local Development Document would need to ensure synergies between minerals, waste, transport, re-use and recycling.
- Consideration will need to be given to how differences in approach can be addressed between each of the Merseyside Districts if consensus cannot be reached on the preferred sites and preferred waste treatment options.

In order to develop the Merseyside Waste Local Development Document the following key actions have been identified:

1. Establish Client Steering Group, formulate brief for 2 stage process and put out to tender for consultant support.
2. Appoint Consultants.
3. Complete Broad Based Search (Phase 1)

4. Complete Detailed Search (Phase 2)
5. Draft Joint LDD
6. Further Stages of Joint LDD production in accordance with Draft PPS12:
  - Joint Strategic Environmental Assessments (SEA/SA) – implementation linked to the timetable for release of guidance and the new planning system to be published by ODPM.
  - Separate public consultation with each Authority.
  - Joint Consideration of Responses.
  - Joint public examination and inspectors report.
  - Adoption by each local authority as LDD

The development of the Waste LDD is a key element in the development of the Merseyside Integrated Waste Management Strategy with related procurement programmes. The delivery of the LDD will be closely monitored through representation by the Director of Waste Disposal on the Merseyside Planning Officers Group.

**WASTE MANAGEMENT CONTRACTS - PROCUREMENT STRATEGY**  
**WDA/44/04**

**Recommendation**

That:

1. Members approve the development of a strategy for the procurement of waste management contracts to support the implementation of a Joint Municipal Waste Management Strategy for Merseyside.
2. Members approve the project organisational structure and initial project delivery plan.
3. The Procurement Group be delegated to conduct an initial market-sounding exercise for the appointment of advisors to the Authority
4. Following the market-sounding exercise, the Procurement Group be delegated to invite tenders and appoint external advisors to the Authority to assist in the development of the procurement strategy and throughout the process.
5. The Authority staffing levels be increased to include the appointment of three Project Management Assistants on two-year short-term contracts, and the appointment of support capacity to the Merseyside Policy Unit and Groundwork Wirral be approved.
6. Up to £720,000 be allocated from the Authority reserves to meet the potential cost of advisors and support capacity in 2004/05, and subsequent costs be included in the Authority's budget setting process from 2005/06.

**Waste Management Contracts Procurement Strategy**  
**WDA/44/04**

**Report of the Director**

**1 Purpose of Report**

- 1.1 To inform Members of the need to develop a strategy for the procurement of facilities and contracts to implement the Municipal Waste Management Strategy for Merseyside;
- 1.2 To seek Members' approval of the project organisational structure and initial project delivery plan.
- 1.3 The report sets out the drivers and risks associated with the appointment of advisors and the capacity needed to deliver the procurement.
- 1.4 Members are recommended to approve the allocation of up to £720,000 from reserves to meet the potential costs of advisors and support capacity in 2004/05, with subsequent costs to be included in the Authority's budget setting process from 2005/06.
- 1.5 This report should be read in conjunction with the Waste Strategy report (Ref WDA/45/04), and the Waste Local Development Document (Ref WDA/46/04), , submitted elsewhere on this agenda.

**2. Background**

- 2.1 In conjunction with its constituent District Councils, the Authority is developing a long-term waste management strategy to manage Merseyside's waste more sustainably. To implement the strategy it will be necessary to procure major waste management facilities and long-term service contracts, before the Authority's existing waste contracts expire on the 1<sup>st</sup> October 2008.
- 2.2 The objective of the procurement strategy is to deliver a 'Best Value' procurement solution that fulfils the requirements of the Municipal Waste Management Strategy. In simple terms the aim of the Municipal Waste Management Strategy must be to:
  - Reduce the overall **environmental** impact of waste management
  - Increase the **economic** benefit by treating waste as a valuable resource and creating jobs
  - Increase the **social** value from waste recycling and treatment

- 2.3 The successful delivery of this contract procurement is therefore, an important contributor to both local and national interests. MWDA currently manages the disposal of over 800,000 tonnes/yr of municipal waste from the five Waste Collection Authority (WCA) areas, representing both a significant impact and a significant opportunity in relation to the sustainability of Merseyside and the North West.
- 2.4 The scale of the impending workload, especially in terms of procurement, but also in Waste Strategy development and the Waste Local Development Framework, will demand considerable support resources. Many of those resources have already been secured in-house through the Best Value Review of Establishment, for example the Project Manager (Procurement). However, significant further capacity and skills will be needed, some of which are in very short supply nationally.

3. **Project Management Structure and Initial Project Delivery Plan**

- 3.1 A standard methodology of project management based on the PRINCE2 model will be adopted, incorporating best practice recommended by the Office of Government Commerce (OGC).
- 3.2 It is proposed that the Members of the Authority, acting collectively, will perform the role of “Investment Decision Maker” and undertake “Gateway Reviews” at key stages in the project. The definitions for these terms can be found in the Project Delivery plan. Essentially, gateway reviews form a process of review and approval by the Authority before each major stage is embarked upon.
- 3.3 A draft Project Initiation Document setting out a proposed project structure and responsibilities and an overall project management approach is attached as Appendix 1 to this report.
- 3.4 The organisation of the procurement centres on a Procurement Group, chaired by a Lead Member. The Procurement Group will act as the Project Board, and will be responsible for the development of the Procurement strategy and the delivery of the project. Day to day matters will be the responsibility of the Project Manager.
- 3.5 **The Procurement Group will consider the following strategic issues:**
- Strategic objectives of the procurement
  - Management of strategic risks (Financial, Legal, Technical)
  - Position of Mersey Waste Holdings Ltd
  - Interaction between collection and disposal arrangements
  - Procurement options
  - Factors most relevant in selecting a preferred option



- Preferred option
- Key Milestones - when decisions might be taken
- Service Provider selection and evaluation criteria

3.6 The group will be supported by the following internal resource

- Director
- Contracts Manager (Project Manager)
- Project Officer (Procurement)
- Project Assistants (3)
- Support staff
- Business Support Manager (St.Helens)

#### 4. **Connection with Land Use Planning processes**

4.1 Land-Use Planning Strategy

This report should be read in conjunction with the report on the development of a Waste Local Development Document (Waste Local Plan) (WDA/46/04) elsewhere on this agenda.

4.2 Failure to secure the relevant planning permissions for facilities has historically been the single biggest cause of delay in effecting a successful procurement. The building of treatment facilities can be held up for many years by arguments about the best location for waste treatment plants.

4.3 The development of a Waste local Development Document seeks to manage that risk effectively by conducting an open and consultative approach to the selection of the most suitable sites. The approach follows Government guidance and involves an Examination in Public.

#### 5. **Risk Management Implications**

5.1 The risks associated with a delay or failure to procure suitable contracts for the management of waste on Merseyside are very large indeed, and the timescale is tight. The main strategic risks are:

- Failure to achieve statutory recycling and landfill diversion targets
  - Cost of Indecision
  - Reputation/Credibility
  - Failure to secure Value for Money in both use of advisors and eventual waste infrastructure/service contract

## 5.2 Cost of indecision

- 5.2.1 Any failure to procure a service solution, with sufficient lead-in time (2 years at least) will lead to a subsequent failure to achieve required recycling/diversion targets with consequent increase in costs.
- 5.2.2 The value of the waste management contract(s) post 2008 will be in the order of £1.5 Billion, or more, over 25 years. The cost of delay will add around £3M per year to the cost of waste management for each year facilities for residual waste are not available.
- 5.2.3 Even in a relatively 'best case' scenario (i.e. with the least expensive technology up and running), this equates to £57,000 a week, or £250,000 a month.
- 5.2.4 A worst-case scenario (where there is more expensive technology delivered late, with consequent Landfill Allowance Trading Scheme penalties at £200/tonne and landfill tax at £35/tonne), would add still further significant unnecessary cost per year. These may be as high as £70M by 2009/10 if no diversion of Biodegradable Municipal Waste has been achieved.
- 5.2.5 Any failure to meet recycling and diversion targets will also affect our prospects for attracting funding from the new Waste Performance Reward Grant (£unknown)

## 5.3 Reputation/Credibility

- 5.3.1 Failure to meet recycling/diversion targets will make Merseyside look like it does not have the strength to make progress and will affect every Districts CPA score, with potential consequences for attracting funding.
- 5.3.2 Government will also form a view of the Partnership in terms of its ability to deliver any potential PFI project, were this to be a procurement route we chose to follow.

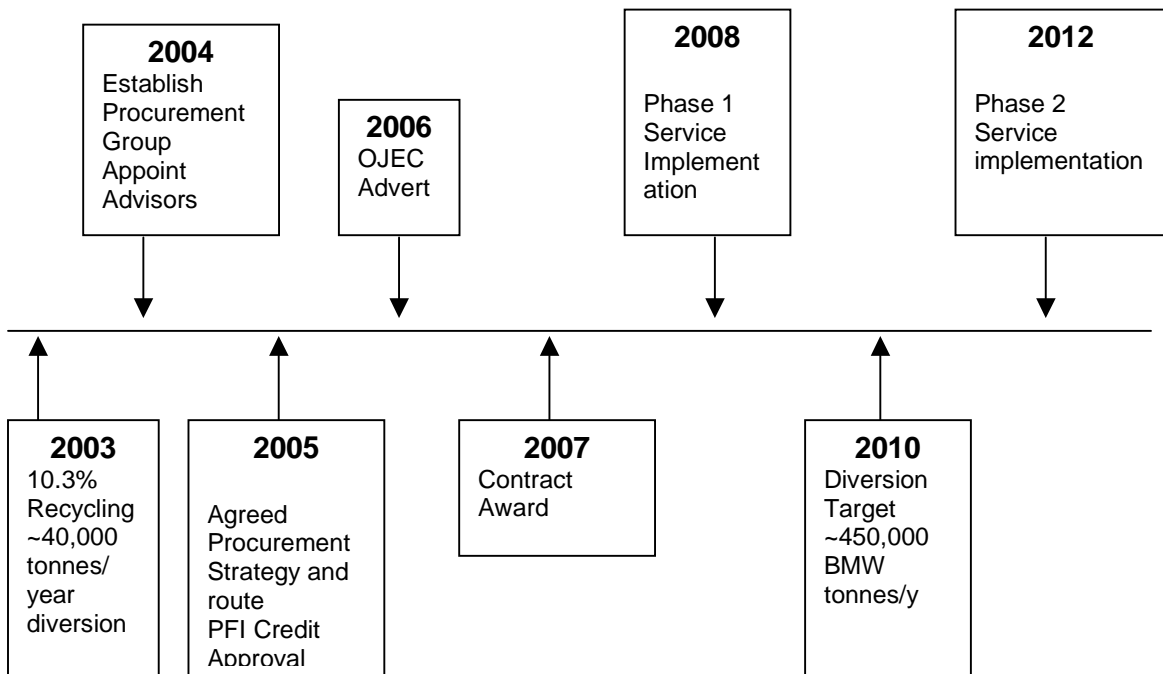
## 5.4 Value for Money

- 5.4.1 The appointment of advisors will be subject to two opposing forces. One is that if the appointment of advisors is left to a later date, the advisors market may be more developed, with prices more competitive. However, advisors will be faced with a larger 'deal flow' and will pick and choose which appointments they will tender for.

5.4.2 It is recommended therefore, that advisors be appointed at the earliest opportunity in order to allow Merseyside to 'lock-in' top advisors at the outset and ensure that they are on board throughout the various phases of procurement.

5.4.3 Good management of the advisors will be necessary to ensure that costs are controlled and that the work is delivered on time and to the required best level of quality. A market-sounding exercise will improve our ability to manage the potential cost and quality of the advisors work, as it will give us a good indication of where the advisors see the bulk of their staff time occurring within the different project stages.

## 6. Timescales



**NB. This assumes parallel work progresses satisfactorily in relation to the Joint Municipal Waste Management Strategy and the Local Development Document process**

## 7. Skills and capacity needs

7.1 Ernst and Young, in their report advised at least 2 additional members of staff to assist in the procurement project. However, discussions with the Greater Manchester Waste Disposal Authority have also taken place to identify the level of support required.

- 7.2 Greater Manchester Waste Disposal Authority have identified that a significant amount of time will be required from the Executive Team and also propose to appoint a Project Director (Procurement) and two Project Managers.
- 7.3 Applying this level of resourcing to the size and scale of the Merseyside Procurement Project, the following support needs are anticipated:
1. Executive Team. There will be a significant demand on the time of the following lead Members and senior officers of the Authority throughout the procurement:
    - Chairman
    - Lead Member Procurement
    - Director
    - Clerk/Lead Chief Executive
    - Treasurer
    - Solicitor
    - Business Support Manager
  2. Project Management. The appointment of professional project management support can provide significant added value by being pro-active, especially on ensuring that key risks are identified and managed effectively. There is a need to help organize and track the various stages of the procurement and to keep a full and detailed audit-trail of communications between the many parties, reports and decisions.
  3. Technical. There is a need for technical support to the development of waste strategy – especially sensitivity analysis and consideration of variations to the AEAT modelling.
  4. Financial. Further work on the financial modelling associated with changes to the waste strategy and in support of the procurement will be necessary, especially if a decision is made to seek Private Finance Initiative credit support.
  5. Legal. One of the main issues in the development of the procurement strategy will be the position of the Authority in relation to its Local Authority Waste Disposal Company, which may require further specialist legal advice.
  6. In-House Staff. Advice received from Ernst and Young financial consultants recommends the appointment of at least two dedicated project management assistants in-house to support the procurement exercise, for a period of

at least 2 years. Experience from Greater Manchester suggests that 3 procurement assistants on short-term contracts may be more judicial in terms of keeping the process moving forward at the required pace. Again there may be a limited market for such professionals, given the current demand for this type of knowledge and skills across the country.

7. Mersey Waste Holdings Ltd. Subject to decisions on the role of the company going forward, there will be a need for considerable input from senior Directors and other staff from MWHL, e.g. TUPE transfer
  8. Merseyside Policy Unit have suggested that part funding of £10,000 would enable them to recruit an Environmental Policy Officer to assist in the management of waste and other key environmental priorities included within the Merseyside Strategic Agenda and to coordinate work with the NW Regional Bodies (Assembly and Development Agency). This resource could also be used to link with the emerging NW Centre of Procurement Excellence.
  9. Groundwork Wirral have been invited to draw up plans for the coordination and delivery of an Environmental/Waste Education Programme utilizing the forthcoming Education facility at Bidston. Part funding of £10,000 for an Environmental Education Officer is sought.
- 7.5 Considerable work by external advisors on the legal and technical side has already been completed, and the preliminary estimate of £720,000 in 2004/05 reflects this fact.
- 7.6 The Establishment revisions agreed by Members last year have also clarified the role of the Contracts Manager, who will be heavily involved in the procurement from the Authority's side and some workload has been delegated to other managers and staff to allow sufficient time to be dedicated to the procurement. A Project Manager (Procurement) is in the process of being recruited, for which budgetary provision has already been made. In addition, support staffing is now up to full compliment.

## 8. **Approach to the appointment of advisors**

There are essentially two options to examine when considering the appointment of advisors.

### 8.1 Approach 1.

8.1.1 Seek to appoint a consortium of advisors, with one of the advisors undertaking a lead/co-ordination role. The advantages of this approach are:

- Ensures the right fit between the different elements of the advisory work
- Ensures the various advisors are comfortable working with one another.
- Brings a level of business management to the process

8.1.2 The disadvantages are:

- There is a need to resolve legal/contractual issues amongst the advisors such as joint and several liability, although this has been done successfully elsewhere
- Limited choice of particular advisors as consortia is free to choose mix of advisors
- The quality or price competitiveness of one advisor, especially the lead advisor, may hide a less good element of the advisory service, thus effectively underestimating the cost of the advisory work and making an effective working relationship more difficult

8.2 Approach 2.

8.2.1 Appoint advisors separately.

8.2.2 The advantages of this approach are:

- Client determines particular advisors for specialist tasks

8.2.3 The disadvantages are:

- Conflict between advisors may require considerable effort to resolve
- Many advisors to deal with on a day-to-day basis

## 9. **Market Sounding Exercise**

9.1 One way of seeking to resolve the question as to the best approach to the appointment of advisors would be to conduct a market-sounding exercise. This is a good opportunity to get the advisors market up to speed on the strategy and plans on Merseyside (i.e. to begin to market the project) as well as listening to views that may help to shape the thinking about the form of the procurement. The exercise should help to ensure that any bids subsequently received from advisors are relevant and appropriate to the situation on Merseyside. However, it does introduce some further delay in the overall procurement delivery plan.

## 10. Financial Implications

- 10.1 Waste management costs on Merseyside are set to rise significantly, as collection systems for recycling are put in place and as treatment and disposal methods other than landfill are implemented.
- 10.2 If the procurement of new contracts can be delivered successfully, these cost increases can be kept to a minimum.
- 10.3 The total cost of procuring new waste management systems and achieving the Municipal Waste Management Strategy Objectives is likely to be considerably less than continuing with current practices.
- 10.4 The value of the potential contracts is estimated at £1.5 Billion over 25 years.
- 10.5 A best-case scenario, where a joint strategy is agreed, where targets are reached on time and where residual treatment and disposal facilities are procured and built on time and at reasonable cost, might produce an increase in overall costs of waste management on Merseyside of £39M a year by 2014. (This figure is based on the AEAT and Ernst and Young reports 2003)
- 10.6 However, in a worst-case scenario, these costs could amount to an increase in costs of £42M a year by 2014, a difference of some £3M a year. (This figure is based on the AEAT and Ernst and Young reports 2003)
- 10.7 These figures exclude the potential impact of the Landfill Allowances Trading Scheme or landfill penalties. (This is shown in Sections 11 and 12 of the Waste Strategy – Overview Report WDA/48/04).
- 10.8 Under the provision of the Waste Emissions Trading Act 2003, the Authority will be given progressively reducing landfill allocations for biodegradable waste. If it fails to divert sufficient waste away from landfill it will be faced with either a requirement to purchase additional allowances from other Waste Disposal Authority's or face penalties of £200 per tonne. The purchase price is unknown but will be determined by market forces.
- 10.9 Both financial drivers thereby further increase the cost of continuing the current practices.
- 10.10 Rapid and effective joint working between the waste disposal authority and the constituent district authorities will therefore play an important role in delivering the systems required on time with the least possible impact on the levels of Council Tax.

- 10.11 There are significant costs in the short-term in preparing for the procurement of contracts for residual waste treatment facilities and services, particularly in appointing legal, technical and financial advisors (either as separate appointments or in a consortium). Experience from elsewhere, in terms of major waste contract procurement exercises, certainly suggests that this may be £750,000 to £1.5 Million under any option.
- 10.12 Advice received from financial advisors estimates that this could be as much as £6M, if Private Finance Initiative (PFI) funding were applied for in two tranches of £3M each between 2006 and 2012. PFI credit support offers substantial benefits in reducing the revenue costs to the Authority and therefore the disposal levy. It should be noted however, that no decision has yet been taken to pursue a PFI funding route.
- 10.13 If a PFI funding solution is sought then costs could be as high as £6M. Those costs would form part of the project bid and be funded accordingly. A possible route for the Authority would be a two stage procurement bid commencing in 2006 and 2012 respectively.
- 10.14 The PFI route also offers the benefit of PFI Credits which are payments made back to the Authority/Districts to offset the capital financing element of the annual revenue costs. The level of this offset would be over £7M per year if, for example, PFI credit support of £75M were approved. It should be noted however, that no decision has yet been taken to pursue a PFI funding route.
- 10.15 Effective project management arrangements and an effective procurement management team can help reduce unnecessary advisors fees.
- 10.16 Although these preparatory costs seem very high they should be viewed against the potential value of the contract at £1.5 Billion over 25 years.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil





# Project Initiation Document

## **Waste Management Contracts Procurement**

**First Draft**

<b>MWDA Project Initiation Document</b>		<b>Document Ref &amp; Version No: Draft V1.0</b>
<b>Programme:</b> Merseyside Waste Management Strategy	<b>Project:</b> Waste Management Contracts Procurement	
<b>Author:</b>	<b>Date:</b>	

**PURPOSE:**

This document has been produced to capture and record the basic information needed to correctly direct and manage the project. The PID addresses the following fundamental aspects of the project:

- *What is the project aiming to achieve*
- *Why it is important to achieve the stated aims*
- Who will be involved in managing the project and what are their roles and responsibilities
- *How and When will the arrangements discussed in this PID be put into effect.*

When approved by the Project Board this PID will provide the "Baseline" for the project and will become "frozen". It will be referred to whenever a major decision is taken about the project and used at the conclusion of the project to measure whether the project was managed successfully and delivered an acceptable outcome for the sponsor/user/customer.

**BACKGROUND AND PROJECT MANDATE:**

The Merseyside Waste Disposal Authority is developing a long-term waste management strategy that will aim to manage Merseyside's waste higher up in the waste management hierarchy. Recycling recovery and diversion targets within the strategy aim to achieve or exceed national performance standards. It is anticipated that the MWDA and constituent District Councils will agree the strategy in 2004.

In order to implement the preferred option identified by the strategy and achieve the required recycling recovery and diversion targets, it will be necessary to procure major waste management facilities and service contracts. The Authority's existing waste contracts end September 2008, and new arrangements will need to be in place by that date.

**DESCRIPTION OF THE PROJECT:**

This project will provide the facilities necessary to implement the Merseyside Waste Management Strategy. It will develop a procurement strategy and route for the letting of major waste management contracts. The likely value of the contracts will be over £1 Billion over perhaps 25 years.

**OBJECTIVES:**

The project will deliver the necessary waste facilities and service contracts to implement the Merseyside Waste Management Strategy.

The required outcome of the project is the delivery of a "best value" procurement solution that achieves the requirements of the Merseyside Waste management Strategy.

**SCOPE, EXCLUSIONS & INTERFACES:**

**Scope (Included)**

- Development of a procurement strategy in line with best practice procurement guidance;
- Determination of the procurement route;
- Determination of the optimum funding mechanism for the project;
- Consultation strategy and feedback;
- Update of procurement strategy and route;
- Production of output based specification for service delivery and model contract conditions;

- Competitive tendering exercise within EU and U.K. procurement rules;
- Award and implementation of contracts.

**Exclusions**

- Waste strategy development.

**Interfaces (Links to other Projects / Services)**

- Merseyside Municipal Waste Management Strategy;
- Government and EU waste policy;
- District Councils' Waste strategies.

**CONSTRAINTS:**

The Authority's existing waste management contracts expire not later than 30<sup>th</sup> September 2008, and the procurement process will need to reach contract award stage by *[Date]* to enable implementation of the project by this date. Finalisation of the Merseyside Waste Management Strategy is a key precedent in the process.

In order to carry forward the project successfully, additional expertise will be required by the Authority, through the appointment of financial, legal and technical advisors.

Considerable capital investment will be required to enable the development of facilities to support the waste management contract.

**SUPPORT REQUIREMENTS:**

- Commitment of all parties to the Procurement Group for the duration of the project is an important factor.
- It will be necessary to employ the services of specialists to support the work of the Group. Specifically, support in the areas of previous similar procurements, risk transfer, funding arrangements and project management will be required.
- The ability to obtain prompt sign off at the completion of each stage and gaining approval to start the subsequent stage will be an important support factor.

## **INITIAL BUSINESS BENEFITS / BUSINESS CASE:**

The business case for this project is contained within the draft Merseyside Municipal Waste Management Strategy, currently in the consultation stage.

## **FINANCIAL SUMMARY:**

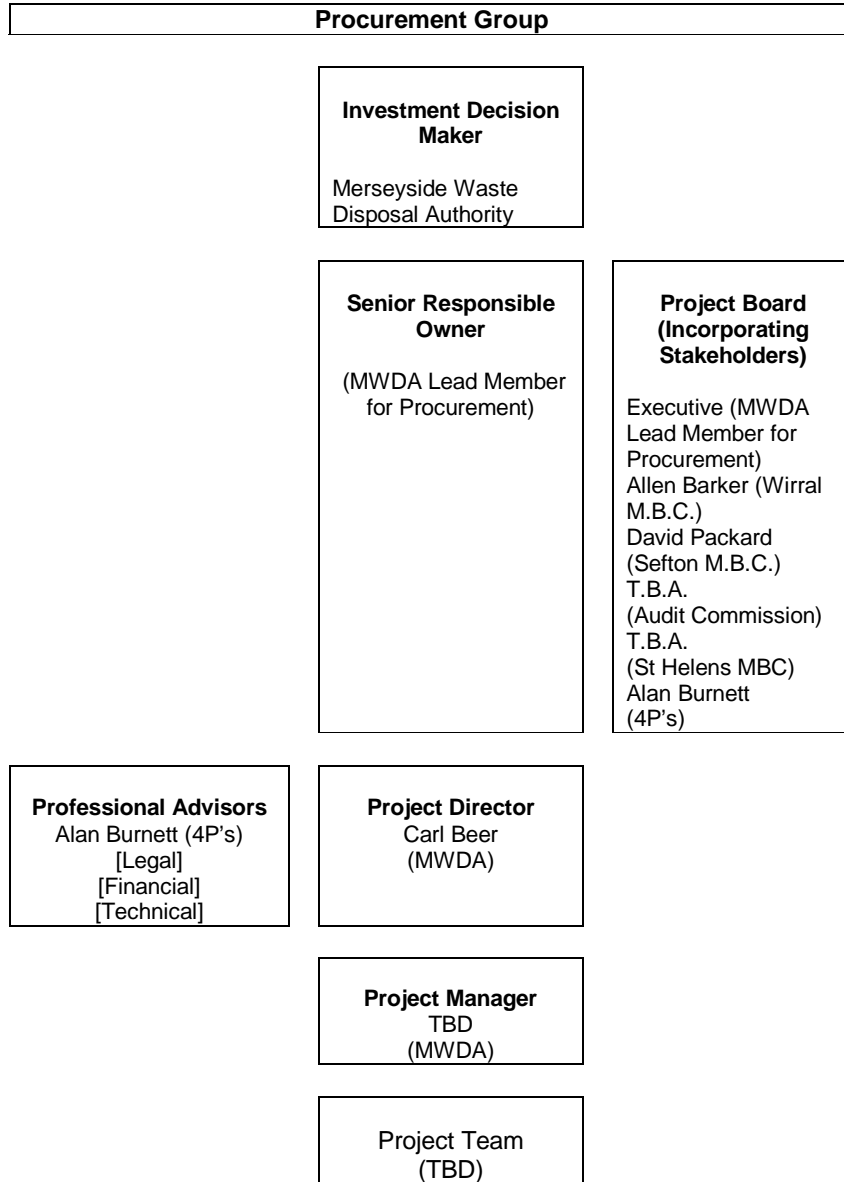
*[Outline here how the project is to be financed. Be clear what funding is in place and what funding is not secured / required. If it is possible, break down the expenditure into some meaningful classifications, such as Employees Costs/ Equipment etc..]*

There is likely to be a requirement for substantial support from external experts, dependent upon the procurement and financing options chosen by the procurement group. These options depend on the requirements of the Municipal Waste Management Strategy for Merseyside. The financial requirements cannot be accurately assessed until these decisions are made.

**INITIAL RISK LOG:**

<b>Description of Risk</b>	<b>Likelihood (1=Low 4=High)</b>	<b>Impact (1=Low 4=High)</b>	<b>Preventative Action</b>
<b>Project not attractive to market</b>	<b>2</b>	<b>4</b>	<b>Research market expectations and capacity to bid, advise and bank, as part of procurement strategy</b>
<b>Planning / licensing risk in facility development</b>	<b>3</b>	<b>4</b>	<b>Early consultations with LDD</b>
<b>Insufficient funding available to deliver project</b>	<b>3</b>	<b>4</b>	<b>Secure “in principle” MWDA, private sector and bank funding.</b>
<b>Waste strategy outputs not finalised</b>	<b>1</b>	<b>4</b>	<b>Plan for contingencies based on best estimates of waste strategy outputs.</b>
<b>Lack of capacity to deliver project</b>	<b>1</b>	<b>3</b>	<b>Early appointment of advisors, secure service level agreements with “in house” St. Helens M.B.C. legal / treasury support.</b>
<b>Time delays in project programme</b>	<b>1</b>	<b>2</b>	<b>Application of a proven project management methodology and ensuring the correct level of expertise and resource is provided to the project, appropriate membership of procurement group.</b>

**PROJECT ORGANISATION STRUCTURE:**



<b>Project Organisation Structure</b>			
<b>Position</b>	<b>Name</b>	<b>Role</b>	<b>Responsibility</b>
Investment Decision Maker	Authority	Commits funding for the project.	Ensures that viable and affordable business case exists for the project, and that the business case remains valid throughout the project. Undertaking “gateway reviews”. Signing off the completion of each stage and giving approval to start the subsequent stage.
Senior Responsible Owner	MWDA Lead Member for Procurement	Ensures that project meets its objectives and delivers outcomes.	Acting as Executive to the Project Board; <ul style="list-style-type: none"> <li>Ensuring that the project is subject to review at the appropriate stages;</li> <li>Development of the: Project brief and business case;</li> <li>Project organisation structure and plans;</li> <li>Monitoring and control of progress;</li> <li>Formal project closure.</li> </ul>
Project Director	Carl Beer	Provides the interface between project ownership and delivery. Ongoing management of project to ensure that the project objectives are delivered.	<ul style="list-style-type: none"> <li>Ensuring that an appropriate project management framework is in place;</li> <li>Securing resources and expertise to support the Project Director role;</li> <li>Receiving and reviewing detailed reports on the project from the Project Manager;</li> <li>Ensuring the Project Manager receives strategic (departmental) decisions on time.</li> </ul>
Project Board	MWDA Lead Member for Procurement – Executive  Allen Barker (Wirral M.B.C.)  David Packard (Sefton M.B.C.)  T.B.A. (Audit Commission)  T.B.A. (St Helens MBC)  Alan Burnett/Terry Bradley TBD (4P's)	Provides input to the Senior Responsible Owner to assist in decision-making and on going progress of the project.	Executive Responsibility: - <ul style="list-style-type: none"> <li>Signing off the Project Brief and Project Initiation Document;</li> <li>Agreeing all major plans and authorising all major deviations from agreed stage plans;</li> <li>Communicating information about the project to stakeholders as necessary;</li> <li>Ensuring that the required resources are available;</li> <li>Agreeing project tolerances for time, quality and cost;</li> <li>Providing overall strategic guidance for the Project;</li> <li>Approving the end project report and the lessons learned report.</li> </ul>
Project Manager	TBD MWDA	Leads and manages the project team, runs the project on a day-to-day basis.	Operating within agreed reporting structures: - <ul style="list-style-type: none"> <li>Designing and applying an appropriate project management</li> </ul>

			<ul style="list-style-type: none"> <li>framework for the project;</li> <li>• Planning and monitoring the project;</li> <li>• Overall progress and use of resources, initiating corrective action where required;</li> <li>• Change control and any required configuration management;</li> <li>• Reporting through agreed reporting lines on project progress;</li> <li>• Managing project administration;</li> <li>• Conducting end of project evaluation.</li> </ul>
Project Team	<i>[To be determined]</i>	Carries out the work detailed in the project plan, under the direction of the Project Manager	<ul style="list-style-type: none"> <li>• Assisting the Project Manager to deliver the project deliverables;</li> <li>• Within their technical expertise carrying out the elements of the project they are tasked with;</li> <li>• Providing administrative support to the Project Manager;</li> <li>• Advising the Project Manager if any risks arise that are likely to affect delivery of the projects objectives and to be part of the risk reduction process;</li> <li>• Providing information for the project documentation as required.</li> </ul>
Professional Advisors	4Ps (Legal, financial and technical to be determined)	Provides the Procurement Group with specialist advice.	To provide the Procurement Group with specialist advice within specific terms of reference, on the areas, to the depth, and at the time needed.

### ACCEPTANCE CRITERIA / QUALITY ASSURANCE:

Quality assurance will be achieved by the application of a proven project management methodology and ensuring the correct level of expertise and resource is provided to the project. Specifically, the support of Professional Advisors and 4p's will be utilised during the process.

Reports will be taken to the Authority (Investment Decision Maker) at each milestone of the project plan (see below) to act as "gateway reviews".

Milestone	Project Stage	Key tasks <i>[Pending finalisation of project plan]</i>
1. Strategic assessment	Establishment of Procurement Group	Stakeholders identified, High level options explored, Strategic risks (legal, technical and financial) evaluated, position of Mersey Waste Holdings within the procurement evaluated, Strategic business case developed, Membership and terms of reference of procurement group established, Draft project initiation document prepared, Project management method adopted, Professional advisors appointed.
2. Business justification	Development of	Outline business case developed, procurement



	Procurement Strategy and Procurement Route.	route and contract strategy determined, funding mechanism established, output based service specification developed, selection and award criteria decided, assessment panel nominated, official notices (PIN) published, consultation with market.
3. Procurement strategy	Competitive Procurement.	Competitive tendering process and negotiations, selection of preferred bidder.
4. Investment decision	Award and implement contract.	Contract awarded.
5. Preparation for service	Implementation phase 1.	First stage facility design, construction and commissioning, service provision commences
6. Implementation review	Implementation phase 2.	Second stage facility design, construction and commissioning, service provision.

### INITIAL PROJECT PLAN:

***N.B. Only major stages identified below – see project plan for detailed work breakdown. (Dates as per initial timetable (Appendix 3). Will need to be re assessed).***

Stage Description	Estimated Comp Date	Responsible Officer	Success Criteria
Establishment of Procurement Group.	September 2004.	Carl Beer	Group established.
Develop Procurement Strategy and procurement route.	June 2005.	Procurement Group	Procurement Strategy developed and agreed.
Competitive Procurement.	March 2007.	Project manager	Procurement process completed.
Award and implement contract.	March 2007.	Authority (Investment decision maker)	Contract awarded
Implementation phase 1.	March 2007.	Carl Beer	Phase 1 implementation commenced.
Implementation phase 2.	June 2012.	Carl Beer	Phase 2 implementation commenced

### APPROACH TO BEST VALUE:

#### **Compare – Reviewing Other Similar Projects**

Comparison will be carried out with other North West WDAs undertaking similar projects. (Sharing of information with Greater Manchester WDA and Lancashire County Council).  
Input from 4Ps and external advisors with experience of similar projects.

#### **Challenge – Ensure that the solution stands up in terms of Value for Money**

Waste Strategy reviewed the financial management options available. Project will be undertaken in accordance with financial management options. Reports will be taken to the Authority (Investment Decision Maker) at each milestone of the project plan to act as “gateway reviews”.

#### **Compete – Ensure that the procurement process is in line with Financial Regs**

The procurement process will be carried out in compliance with E.U. and U.K. Public Procurement framework to ensure competitiveness.

#### **Consult – Ensure that stakeholders are included in the project**

Consultation ensured by stakeholder representation on Project Board, plus consultation with Merseyside Senior Officer Working Group at major stages of project.

Reports will be taken to the Authority (Investment Decision Maker) at each milestone of the project plan to act as “gateway reviews”.

**ADDITIONAL COMMENT:**