

Greater Manchester Combined Authority

Date: 22 March 2023

Subject: Provision of Future Waste Disposal Services

Report of: Councillor Tom Ross, Portfolio Lead for Green City Region

Purpose of Report

This report makes recommendations for the future provision of waste disposal services from 2026 to 2034 through the extension of the WRMS and HWRCMS contracts.

Recommendations:

The GMCA is recommended to:

1. Approve the extension of the WRMS and HWRCMS contracts for waste disposal between the parties set out in section 1 of the report from 2026 to 2034.
2. Delegate the completion of contract documentation to the Executive Director – Waste and Resources in consultation with GMCA Treasurer and GMCA Solicitor and Monitoring Officer.

Contact Officers

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Executive Director, GMCA Waste and Resources Team

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Equalities Impact, Carbon and Sustainability Assessment:

Recommendation - Key points for decision-makers

To review and comment on the outcome of an options appraisal and make recommendations for the future provision of waste disposal services from April 2026.

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation	G	
Housing		
Economy	G	
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production	G	

Contribution to achieving the GM Carbon Neutral 2038 target	The proposal will address the development of a long term strategy for biodiversity enhancement across the operational sites; a review of potential for installation of solar PV and corresponding utilities requirements and costs with financial savings passed back to GMCA; an assessment of ability to include alternate fuelled vehicles and refuelling facilities in the life cycle plan; a detailed plan on how and when the HWRC recycling performance 60% target will be delivered and maintained; a proposal for acceptance and recycling of PTTS ahead of the commissioning of the replacement MRF; and a strategic review of the renew operation.
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G Positive impacts overall, whether long or short term.	A Mix of positive and negative impacts. Trade-offs to consider.	R Mostly negative, with at least one positive aspect. Trade-offs to consider.	RR Negative impacts overall.
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Carbon Assessment

Overall Score	#DIV/0!			
Buildings	Result	Justification/Mitigation		
New Build residential	N/A			
Residential building(s) renovation/maintenance	N/A			
New build non-residential (including public) buildings	N/A			
Transport				
Active travel and public transport	N/A			
Roads, Parking and Vehicle Access	N/A			
Access to amenities	N/A			
Vehicle procurement	N/A			
Land Use				
Land use	N/A			
No associated carbon impacts expected.	High standard in terms of practice and awareness on carbon.	Mostly best practice with a good level of awareness on carbon.	Partially meets best practice/ awareness, significant room to improve.	Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management

In order to support the decision making process, an options appraisal using external resources from KPMG (financial), DLA Piper (legal advice) has been commissioned to appraise the options.

Legal Considerations

In order to support the decision making process, an options appraisal using external resources from KPMG (financial), DLA Piper (legal advice) has been commissioned to appraise the options.

Financial Consequences – Revenue

In order to support the decision making process, an options appraisal using external resources from KPMG (financial), DLA Piper (legal advice) has been commissioned to appraise the options.

Financial Consequences – Capital

As above.

Number of attachments to the report: 0

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

19/2/2019 – Procurement of Waste and Resource Management Services, GMCA Meeting

15/12/23 – Provision of Future Waste Services, GMCA Meeting

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

Yes

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

GM Transport Committee

N/A

Overview and Scrutiny Committee

GMCA Overview and Scrutiny Committee 13 December 2023

1. Introduction

At the 15th December 23 meeting, GMCA considered a report on the options for provision of future waste disposal services once the initial 7 year term of the WRMS and HWRCMS contracts with Suez expires. That meeting made the decision to not undertake a procurement for new service providers from 2026 and instead to seek to extend the contracts.

Both contracts were awarded to Suez with contract commencement on 1st June 2019 with 2 optional periods of extension:

- A period of 3 years running from 2026 to 2029, actionable at the discretion of GMCA and priced at the time of the tender bid; and
- A further period of 5 years running from 2029 to 2034, subject to negotiation and actionable by mutual consent of the parties.

The GMCA decision to not undertake a procurement process means that, as a minimum, the 3 year extension will now be initiated by GMCA. However, Suez has also submitted proposals to GMCA for the further 5 year extension period which would therefore result in the contracts being extended from 2026 to 2034. This report sets out the outcome of negotiations and makes recommendations for the extension of the contracts to 2034.

2. Suez Proposal and Analysis

Suez has provided a proposal for the optional 5 year extension which is based on maintaining all current contract terms and conditions, specifications and contract targets. The additional costs are to be smoothed over the 8 year period from 2026 to 2034.

The Suez offer is contingent on certain works being undertaken to the Raikes Lane EfW facility in 2025 to enhance throughput and availability with works being funded by GMCA. There is value to GMCA in undertaking these works to get continued access to low cost disposal capacity as the Raikes Lane facility is the lowest cost treatment option available to us. The plant is of an age and design where it needs investment to

ensure continuity of operations through to the mid 2030's and undertaking the work soon will give longer term benefit.

The Suez proposal also includes the ability for pots, tubs and trays to be included in the kerbside collected dry recyclables stream ahead of the new MRF being developed at the Overhulton site (the development was approved at the 15th December 2023 meeting of GMCA).

The financial analysis undertaken by KPMG confirms that compared to a procurement for services commencing in 2029, the Suez proposal for the 8 year extension option offers better value for money than will be derived from approaching the market.

3. Market Intelligence

For services post 2029, GMCA would need to be commencing a procurement process in late 2026/early 2027, so the question is whether there will be effective competition in the market at that point in time. That gives 3 years for the market to develop and new entrants to appear. Our assessment is that we are not going to see much development in the market in this period that would create effective competition which supports the view that we are unlikely to get a financially attractive outcome from a procurement commencing in 2026/27.

The continued uncertainty over the Resources and Waste Strategy (RaWS) requirements and timeframes is also affecting the capacity in the market to bid and also the approach to risk allocation. There are at least 17 local authority waste contracts due to expire between 2025 and 2029. A number of these have indicated that they will extend arrangements for 2 to 3 years due to the ongoing delays with implementation of the RaWS, whereas others amongst them do not have the ability to extend their contracts so will progress to the market. This means that during the period from 2025 to 2029 there will be a significant number of waste procurements being run by local authorities which will impact on the ability of bidders to respond due to capacity constraints. This will be a factor in determining whether they respond to a GMCA procurement opportunity which will entail significant expenditure on bid costs.

4. Recommendation

On the basis of the negotiation outcome and value for money assessment, the recommendation is for GMCA to accept the revised Suez proposal and to extend the current contracts for the 8 year period from 2026 to 2034.

Extending the contracts to 2034 has the advantages of:

- Allowing time for the implementation plans for the National Resources and Waste Strategy to become clearer;
- Allowing the Materials Recovery Facility (MRF) development to take place with reduced risk transfer for operating costs;
- Allowing time for the market to develop and capacity to respond to future procurement opportunities to be increased;
- Reducing the level of risk transfer to GMCA compared to all other modelled options;
- Allowing continued operation of Raikes Lane at a guaranteed throughput and secures investment in the facility for operation to 2034;
- Enabling alignment with other GMCA waste contracts with an end date of 2034;
- Resulting in a more competitive financial outcome than running a procurement for services commencing in 2029; and
- Resulting in a more competitive offer from Suez than exercising the 3 year extension and then negotiating the 5 year extension at a later date.

5. Legal Advice and Process to Conclude

DLA Piper has provided a paper subject to legal privilege on the legal context. Both extension periods are envisaged in the Contracts and the terms and conditions, service specification and targets remain unchanged.

Following the decision by GMCA, the necessary notices will be developed by DLA Piper and published. Any contract drafting changes will then be completed and captured in Variations and updating of the Contract documentation. This process will be targeted for conclusion by July 24.