

## PLYMOUTH CITY COUNCIL

**Subject:** Approval to award a contract extension for the ongoing management of landfill gas at Chelson Meadow landfill site

**Committee:** Cabinet

**Date:** 15 July 2014

**Cabinet Member:** Councillor Vincent

**CMT Member:** Anthony Payne (Strategic Director for Place)

**Author:** Mark Turner, Head of Waste Services

**Contact details:** Tel: 01752 304991  
Email: mark.turner@plymouth.gov.uk

**Ref:** MT180614/draft I

**Key Decision:** Yes

**Part:** I

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### **Purpose of the report:**

The Council has a Waste Management Licence which details its statutory and operational obligations associated with the management of Chelson Meadow landfill site. Part of these obligations include the active management and control of gas and emissions generated from the landfill.

Plymouth City Council has a longstanding contract with a specialist landfill gas management company (Chelson Meadow Energy Ltd a subsidiary of CLP Envirogas) who manage the landfill gas and combust the extracted gas on the site to produce electricity which is sold into the National Grid.

The purpose of this report is to seek approval to extend the existing landfill gas management contract with the existing specialist landfill gas contractor (Chelson Meadow Energy Ltd a subsidiary of CLP Envirogas) with updated commercial terms to reflect partnering obligations and an equitable sharing of costs and incomes.

The option to use the exempt contracts procedure to extend this contract without a formal tender has been confirmed with legal, financial and procurement departments. It would not be possible to run an open tender due to the fact that Chelson Meadow Energy Ltd is a protected tenant of part of the site.

A separate Part II private report is also submitted to the meeting containing commercially sensitive information.

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### **The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:**

#### Pioneering Plymouth

The extension of this contract with its revised commercial terms will assist the delivery of the more accountable, flexible and efficient service with a more commercially beneficial risk sharing approach in partnership with the private sector.

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## **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:**

### Revenue implications

The revised commercial terms (see private Contract Award Report) offered as part of the proposed contract extension are estimated to benefit the Council by over £2m net additional revenue income over the life of the contract extension which will be 20 years maximum, or sooner if it agreed between the Council and the contractor that the continued operation of the landfill gas management contract is not commercially viable.

It is proposed that the additional net revenue income from this contract extension is initially retained as a management action within Street Services but becomes part of the Council's Commercialisation target in the GAME transformation programme once established.

### Capital implications

There are no direct capital implications to the Council as a result of this contract extension as the contractor will cover any capital investment associated with landfill gas extraction, transmission and management, and power generation and these costs will then be shared and deducted from revenue sharing.

### Land:

The contractor will continue to occupy a landfill gas management site compound at Chelson Meadow.

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## **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

Retaining the existing specialist contractor reduces the risk to the Council in many ways including:

- (i) Removal of the risk associated with losing significant 'grandfathered' financial green energy benefits associated with the existing arrangement which might not be transferred if another company took over the landfill gas management contract
- (ii) Reduced risk of PCC's being non-compliant with its statutory environmental waste management licence obligations associated with Chelson Meadow landfill site by retaining existing specialist landfill gas operators who are familiar with the site and its operation
- (iii) Reduced environmental, and health and safety risks by retaining existing specialist landfill gas operators who are familiar with the site and its operation

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## **Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? No - A formal EIA has not been undertaken as there will be no change to service provision and the landfill gas management contract does not interface with the public or communities

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## Recommendations and Reasons for recommended action:

It is recommended that the existing landfill gas management contract with the existing specialist landfill gas contractor (Chelson Meadow Energy Ltd a subsidiary of CLP Envirogas) is extended for a maximum period of 20 years with updated commercial terms on the terms and agreed amendments to contract conditions to include partnering obligations and an equitable sharing of costs and incomes as outlined in the attached private Contract Award Report.

Reason: To secure significant additional financial revenue benefits for the Council which might not be available if the contract were transferred and the 'grandfathered' green energy financial benefits (ROCs and LECs) were lost and to retain the existing site operational knowledge vested with the existing contractor.

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## Alternative options considered and rejected:

Three other options were considered:

1. Do Nothing – this option is not viable as the existing contract expires in September 2014 and landfill gas is still being generated at the Chelson Meadow site which still has to be actively managed
2. Retender the landfill gas management contract – this option was considered and discounted as there is a high risk that the significant green energy financial rewards available through the existing contractual arrangement will be lost if the electricity sales contracts were to be transferred to others. In addition the existing contractor has a protected tenancy at the site they occupy and it therefore would not be possible to offer vacant possession of the site to another party.
3. Manage the landfill gas in-house following contract expiry – this option has been discounted as there is a high risk that the significant green energy financial rewards available through the existing contractual arrangement will be lost if the electricity sales contracts were to be transferred to the Council. Furthermore the management and control of landfill gas is a specialist field which, at this point in time, is outside the capacity and expertise of the Council.

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## Published work / information:

None

## Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Signed Exempt Contracts form		X			X					

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## Sign off:

Fin	SRA25-6-14-PlaceF ESC1415 004	Leg	ALT/ 2059 0	Mon Off	DVS 20168	HR	N/A	Assets	N/A	IT	N/A	Strat Proc	NA/SP U/362/ CP/06 14
Originating SMT Member: Simon Dale													
Has the Cabinet Member(s) agreed the content of the report? Yes													