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## CHAPTER 13: TREATMENT OF ASSETS AND UNIT COSTS

*This chapter outlines the mechanisms on how any existing facilities of District Councils being made available for future arc21 waste management contracts should be funded and how unitary charges for the use of services provided under future arc21 waste management contracts shall be applied.*

### **Treatment of Assets**

#### **Constituent Councils Assets**

- 13.1 The arc21 Councils have existing facilities which could be used for the benefit of meeting the requirements of future waste management contracts. It is intended that the financial arrangements to be put in place for the use of such facilities shall be based on normal commercial terms applicable at the time of the transaction.
- 13.2 The Council which provides assets for a particular waste treatment contract should enter into a separate contract with the Contractor for the use of the facilities during the period of the contract, and will take into account appropriate arrangements in the event of the early termination of the contract.
- 13.3 The financial terms agreed by the Council with the Contractor for the use of the facilities will be executed at an assessed market valuation in a clear, transparent and auditable process, which is capable of being independently verified.

#### **arc21 Assets**

- 13.4 Opportunities may arise in the future for arc21, in the interests of Best Value, to acquire facilities which could be used in meeting the requirements of future waste management contracts.
- 13.5 Should such opportunities become available to arc21, the financial arrangements that would be put in place shall be the same as those which apply to a Constituent Council, i.e. on normal commercial terms applicable at the time of the transaction and in a clear, transparent and auditable process, which is capable of being independently verified.
- 13.6 arc21 would enter into a separate contract with the Contractor for the use of the facilities during the period of the waste management contract, and will take into account appropriate arrangements in the event of the early termination of the contract.

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- 13.7 In relation to waste management facilities which are procured by arc21, the capital costs incurred shall be re-charged to the Constituent Councils in accordance with the Collaborative Agreement entered into by the Constituent Councils.

### **Public Ownership of Assets**

- 13.8 Assets made available by Constituent Councils and / or arc21 to Contractors for the provision of waste management services for future arc21 waste management contracts, shall remain in Public Ownership.

- 13.9 The reasons for the retention of ownership of assets in the public sector include ;

- the avoidance of the risk of a private sector monopoly after the end of the contract period
- the sale of the asset for a considerably enhanced value which would be potentially embarrassing for the public sector if large windfall profits were made following the contract period
- the impact of an outright sale to the private sector on any successor contracts, particularly where consented sites are involved
- the potentially preferential position the private sector owner would be placed, in any future tender. The private sector owner could be in the position as being the only viable bidder with sites capable of meeting future service requirements

- 13.10 In addition, in terms of Best Practice in relation to the public ownership of assets required for long term contracts, HM Treasury provides guidance on the standard contract terms that all public bodies should adhere to when negotiating contracts. The guidance indicates that the public sector should aim to provide sites under licence or lease to the private sector for the duration of the contract period, after which it reverts back to the public sector in order to be made available to future bidders on a level playing field basis.

- 13.11 The Waste Management Plan will adopt HM Treasury Best Practice in relation to the public ownership of assets required for future waste management contracts.

### **Unitary Charges**

- 13.12 The Collaborative Agreement states that the pricing specification of each arc21 contract for waste management services shall, where circumstances permit, provide for a standard waste tonnage acceptance charge, subject to an economic appraisal being commissioned.

- 13.13 In establishing arc21, a central purpose was to ensure economy of scale to the benefit of all Councils participating in each contract. This is achieved from having acted collectively in the tendering process and an evaluation of the tendered rates ensures that there is a net overall benefit to all of the participating Councils and that the rates achieved through the competitive tendering process could not have been obtained in the context of individual Councils going out to tender separately.
- 13.14 In the context of this plan the term Unitary Charge will be used to represent the standard waste tonnage acceptance charge.