



CABINET – 13 DECEMBER 2016

**APPRAISAL OF OPTIONS FOR THE TREATMENT / DISPOSAL OF
RESIDUAL WASTE POST-2020**

REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT

PART A

Purpose of the Report

1. The purpose of this report is to inform the Cabinet of the outcome of a soft market engagement process that has been undertaken with Leicester City Council in relation to commissioning options for the treatment / disposal of residual waste post-2020 and to seek approval of the preferred option.

Recommendations

2. It is recommended that:
 - a) The outcome of the options appraisal for the treatment / disposal of residual waste post-2020 be noted;
 - b) Option 3 as set out in the report be agreed, namely for the County Council to enter into medium term (up to 2028 – 2031) merchanting arrangements to utilise available waste treatment and disposal capacity within the marketplace;
 - c) The Director of Environment and Transport be authorised to –
 - i. Procure and/or modify existing arrangements as appropriate to secure capacity for residual waste treatment / disposal from 1 April 2020;
 - ii. Engage with colleagues from the City Council to investigate the potential for joint commissioning arrangements following the expiry of Leicester City Council's waste Private Finance Initiative (PFI) contract in May 2028, including agreeing a Memorandum of Understanding with Leicester City Council if appropriate.

Reason for Recommendations

3. Option 3 (medium term merchanting arrangements up to 2028 – 2031) offers the greatest flexibility for the County Council and may provide opportunities to secure financial savings and for a collaborative commissioning approach to be

considered with Leicester City Council for joint waste treatment and disposal arrangements following the expiry of the City Council's PFI contract in 2028.

Timetable for Decisions (including Scrutiny)

4. This report will be considered by the Environment and Transport Overview and Scrutiny Committee on 12 December 2016 and its comments will be reported to the Cabinet.
5. If the recommendations above are approved, a procurement exercise and/or modification of existing arrangements will be undertaken to ensure continuity of service for residual waste treatment and disposal from 1 April 2020. The outcomes of this process, including consideration of any waste transfer requirements, will be reported to the relevant Scrutiny body and the Cabinet in future as required.

Policy Framework and Previous Decisions

6. Market engagement activity was undertaken in line with the Council's outcomes-based approach to commissioning as set out in the Commissioning and Procurement Strategy approved by the Cabinet in February 2015.
7. This process supports the County Council's Transformation Programme objective to 'work the Leicestershire pound' in order to reduce costs thereby maximising funding available to the Council and other bodies.
8. The latest Leicestershire Municipal Waste Management Strategy was adopted by the County Council in 2012 and sets out how the Leicestershire Waste Partnership (consisting of the County Council and the seven Leicestershire district councils) intends to manage municipal waste up to 2020.
9. The County Council has a statutory duty as a Waste Disposal Authority (WDA) to arrange for the treatment and disposal of controlled waste collected in Leicestershire under the Environmental Protection Act 1990 (as amended)(the Act).

Resource Implications

10. The current (2016/17) budget for waste treatment and disposal is £16.4 million per annum. The current Medium Term Financial Strategy (MTFS) 2016/17-2019/20 approved by the County Council on 17 February 2016 does not identify any specific savings associated with this project. Subject to the outcomes of a procurement exercise and/or modification of existing arrangements as appropriate, any potential savings identified will be incorporated into future MTFS targets.
11. Waste disposal arrangements are normally commissioned on a medium to long term basis (seven to thirty years). Excluding inflation, the value of the waste disposal and treatment service being considered in this process could, therefore, be in the order of £114 million to £492 million.

12. The Director of Corporate Resources and the Director of Law and Governance have been consulted on this report.

Circulation under the Local Issues Alert Procedure

13. None.

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PART B

Background

14. The County Council has a statutory duty as a WDA to arrange for the treatment and disposal of controlled waste collected in Leicestershire under the Environmental Protection Act.
15. The County Council treated / disposed of circa 170,000 tonnes of residual municipal waste in 2015/16. This was made up of 127,000 tonnes of black bag waste collected from the kerbside, 11,000 tonnes of trade waste and 32,000 tonnes of bulky waste collected from the Recycling and Household Waste Sites and the kerbside. It is anticipated that by 2020 the amounts of such waste will increase and current forecasts suggest that this could rise by one percent per year over this period.
16. The County Council currently has a number of contracts for residual municipal waste treatment and disposal with different suppliers, to enable it to meet its duties under the Act. These contracts can be ceased from 31 March 2020 onwards if required.
17. In 2015, the County Council reconsidered its position on waste disposal and treatment and concluded that the Authority should consider 'partnering' with the public/private sector to secure future capacity and greater price certainty. This led to discussions with a number of neighbouring authorities and an agreement to conduct a soft market engagement exercise jointly with the City Council as outlined below.
18. The City Council is a unitary authority and as such is responsible for both the collection and disposal of municipal wastes in Leicester. The City Council treated/disposed of circa 90,000 tonnes of residual (i.e. non-recyclable) municipal waste in 2015/16.
19. The City Council has a twenty five year PFI contract for the collection, treatment and disposal of household waste. Services include kerbside recycling and residual waste collections and the operation of two Household Waste Recycling Centres. This contract is due to terminate in May 2028.

Legislative Framework

20. The Waste Framework Directive 2008 requires 50% of household waste to be reused / recycled by 2020. The European Union (EU) Circular Economy package proposes to increase the reuse and recycling target for municipal waste to 60% by 2025 and 65% by 2030. The County Council's current (2015/16) municipal waste recycling rate is 46.9%.
21. It is currently unclear what waste legislative requirements will be following the United Kingdom's withdrawal from the EU. Waste flow modelling will be undertaken, as required, as part of commissioning the future service.

Market Engagement

22. The County Council worked collaboratively with the City Council to undertake a joint soft market engagement exercise in order to determine the range of potential options available. The County Council acted as lead authority for the process which was undertaken by a project team of waste and procurement officers from both authorities.
23. A Prior Information Notice (PIN)/Request for Information was published in the Official Journal of the European Union on 29 July 2016, providing information about the Councils' existing waste arisings and services and seeking outline solutions from the supply market place to provide cost- effective residual waste management solutions for both authorities, and to assist in shaping future strategy.
24. The County Council owns land at Bardon, near Coalville, which is believed to be suitable for waste management use. The PIN indicated that this land could be made available as part of a potential future commissioning process to enable the possible benefits of this approach to be assessed.
25. There were eleven responses received from UK and wider European waste management companies by the deadline of 31 August 2016, including from existing County Council and City Council suppliers.
26. The project team met with each of the responding organisations between 12 September and 14 October 2016 to explore further the proposed solution(s).

Options Appraisal

27. Six options emerged from the soft market engagement exercise, as outlined below.
28. **Option 1: Build a new Energy from Waste (EfW) facility on a council owned site.**
This option would involve the construction of an EfW facility on a council owned site with capacity to accept all of the residual waste from both the County Council and the City Council. The optimal size of the facility was considered to be in the region of 300-400,000 tonnes per annum (tpa). Surplus capacity could be made available for third party waste and/or partnerships with other authorities.
29. **Option 2: Utilise a new build Energy from Waste facility at a third party site within the County**
This option would involve sending all of the County Council and City Council residual waste to a third party EfW facility. The waste supplier has secured planning permission for a 350,000 tpa EfW facility in Leicestershire.
30. **Option 3: Medium term merchanting arrangements (up to 2028 – 2031)**

This option would involve the County Council entering into medium term merchanting arrangements to utilise available waste treatment/disposal capacity within the marketplace.

31. Option 4: Build a new ‘alternative treatment’ facility on a council owned site

This option would involve using a council owned site to allow the County Council and City Council to utilise emerging waste treatment technologies which offer an alternative to traditional EfW solutions.

32. Option 5: Long term merchanting arrangements (up to 2035+)

This option would involve the County Council and City Council entering into long term contractual arrangements to utilise spare capacity at existing facilities.

33. Option 6: Construct a ‘boutique’ facility

This option would involve the construction of a smaller scale waste facility sized to treat up to the available City Council and County Council residual waste only.

34. All options assume that City Council residual waste is not available until 2028 at the earliest following the completion of its PFI contract and that County Council residual waste is available from 2020.

35. Each option was assessed by the project team against the following criteria:

- a) Cost effectiveness
- b) Resilience
- c) Flexibility in capacity / service delivery
- d) Environmental impacts
- e) Social and public health value
- f) Opportunities for income generation
- g) Enable joint working with other authorities where advantageous
- h) Open to consider other waste management opportunities.

36. Operating costs provided by suppliers and utilised as part of the appraisal process were indicative as they are subject to optimising capacity and technology at the time of approaching the market. The price (i.e. gate fee per tonne) that is ultimately obtained will be influenced by a number of factors including finance options, the duration of the contract, and the certainty of the waste tonnage available.

37. Details of the advantages and disadvantages of each option when assessed by the project team are given in the Appendix to this report.

Conclusion

38. It is recommended that the County Council progresses Option 3, medium term merchanting arrangements up to 2028 – 2031, as the market engagement exercise suggested that there is sufficient capacity available within the market and that there may be opportunities for the County Council to secure financial savings.

39. This option also offers an opportunity for County Council and City Council contracts to cease at the same time. County Council and City Council residual waste could, therefore, become available to the market at the same time allowing for joint arrangements to be implemented in future, if considered beneficial by both parties. This may result in more cost effective residual waste treatment and disposal solutions being secured for both Councils due to economies of scale.
40. The medium term approach of Option 3 allows for the benchmarking of alternative, emerging technologies, which are presently being piloted both within the UK and Europe, and for the financial impact of the UK's withdrawal from the EU upon the waste industry to stabilise.
41. In addition, the proposed medium term approach will allow more clarity to develop in the national legislative framework following the UK's withdrawal from the EU.
42. To facilitate the proposed approach, it is recommended that the Director of Environment and Transport be authorised to seek to agree a Memorandum of Understanding with Leicester City Council to consider and, if appropriate, work towards a collaborative commissioning approach for joint residual waste treatment / disposal arrangements, following the expiry of Leicester City Council's waste PFI contract.

Appendix

Summary of Options Appraisal Assessment

Background Papers

Report to the Cabinet – 6 February 2015 - Commissioning and Procurement Strategy

<http://ow.ly/dtRk306liQA>

Report to the County Council – 23 May 2012 - Leicestershire Municipal Waste Management Strategy Update 2011

<http://ow.ly/YUVB306liFS>

Equality and Human Rights Implications

43. No equality or human rights implications are perceived at this stage.

Public Services (Social Value) Act 2012

44. The soft market assessment process sought to identify the maximum opportunities for social value in Leicester and Leicestershire within proposed solutions in terms of local economic development and growth, social, public health and environmental benefits. This included the provision of employment, training and volunteering opportunities to local people. A number of suggestions were identified and will be developed further in any subsequent procurement process.

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