



## **CABINET - 17 DECEMBER 2024**

### **FUTURE APPROACH TO RESIDUAL WASTE MANAGEMENT POST-2031**

#### **REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT**

#### **PART A**

##### **Purpose of the Report**

1. The purpose of this report is to seek the Cabinet's approval of the proposed future approach to managing residual waste from 2031 onwards through a low investment merchanting approach following consultancy work completed by Frith Resource Management (FRM). A synopsis of the FRM report on the future approach to managing residual waste is appended to this report.

##### **Recommendations**

2. It is recommended that the Cabinet:
  - (a) Notes the outcome of the consultancy work completed by Frith Resource Management;
  - (b) Approves the adoption of a low investment merchanting approach for the future management of residual waste, either through the continuation of the current arrangements (option F) or through re-merchanting (option A);
  - (c) Authorises the Director of Environment and Transport to procure and/or modify arrangements as appropriate to secure capacity for residual waste treatment / disposal for the period 2031 onwards.

##### **Reasons for Recommendation**

3. The consultancy work includes significant detailed work in the area of residual waste management both specific to the Council and the wider industry. The conclusions provided take into account technology, legislation and market forces and as such provide robust outputs and rationale based on a detailed options appraisal and a bespoke cost model.
4. The recommendations of the consultancy work carried out by FRM are to adopt a low investment merchanting approach. The synopsis of the report produced

by FRM, appended to this report, contains further detail on the rationale within the results and conclusion.

5. The delegation to the Director of Environment and Transport to procure or modify waste treatment / disposal contracts enables flexibility to adapt to changes in the market and swift engagement with suppliers where required. This will support an optimal competitive tendering process and contractor engagement to provide best value for the Council.

### **Timetable for Decisions (including Scrutiny)**

6. The Environment and Climate Change Overview and Scrutiny Committee considered a report on 11 November 2024 and its comments are set out in paragraph 28 below.
7. These options are being considered at this time as this is the last opportunity to offer direction with all options still feasible from a project timescale perspective, considering that the current contracts have varying end dates and feature break clauses which may be triggered within the next five years.

### **Policy Framework and Previous Decisions**

8. In December 2016, the Cabinet resolved that the Council could enter into medium-term (up to 2028-2031) merchanting arrangements to utilise available residual waste treatment and disposal capacity within the marketplace. The Cabinet also agreed that the Director of Environment and Transport could engage with Leicester City Council to investigate the potential for joint commissioning arrangements following the expiry of the City Council's waste Private Finance Initiative contract in 2028.
9. The Leicestershire Resources and Waste Strategy 2022-2050 (LRWS), adopted by the Cabinet in April 2023, considered the potential forthcoming legislative changes and these are reflected accordingly within the Strategy. The assumptions in the LRWS were aligned with the market review, modelling and options appraisal outlined in this report.
10. The management of residual waste supports the objectives of the Council's Environment Strategy 2018-2030 and the 'Clean and Green' outcome within the Council's Strategic Plan Refresh 2024-2026.

### **Resource Implications**

11. The current budget for residual waste treatment and disposal is c. £21.3m (excluding haulage) per annum.
12. Whilst the consultancy work is not designed to provide future costs of the options identified, it is noted from the outputs of the consultancy work that the Council's revenue expenditure for residual waste treatment and disposal will likely increase as a result of the following factors:

- (a) The impact of the introduction of Energy from Waste (EfW) facilities to the scope of the Emissions Trading Scheme from 2028;
- (b) Market variability and uncertainty for power prices, including the possible extension of the Electricity Generator Levy (currently scheduled to be withdrawn in March 2028).

13. The Council would have to address the pressures above regardless of the decisions required as part of this report and growth, as identified, will be addressed through future Medium Term Financial Strategy processes.
14. The Director of Corporate Resources and the Director of Law and Governance have been consulted on the content of this report.

### **Circulation under the Local Issues Alert Procedure**

15. This report will be circulated to all members.

### **Officers to Contact**

Ann Carruthers  
Director, Environment and Transport Department  
Tel: (0116) 305 7000  
Email: [Ann.Carruthers@leics.gov.uk](mailto:Ann.Carruthers@leics.gov.uk)

Joanna Guyll  
Assistant Director, Environment and Waste Management  
Tel: (0116) 305 8101  
Email: [Joanna.Guyll@leics.gov.uk](mailto:Joanna.Guyll@leics.gov.uk)

## **PART B**

### **Background**

16. In 2018, the Government published its Resources and Waste Strategy for England (Our Waste, Our Resources: a Strategy for England) which sets out key objectives for dealing with waste at a national level, promoting resource efficiency and aiming to establish a circular economy where products are used again and again, or for longer through reuse, repair, and recycling.
17. Following this, the Environment Act was passed into law in 2021 paving the way for key waste reforms setting out how Government policy will be implemented. The Act supports transition to a more circular economy, incentivising people to recycle more, encourages businesses to create more sustainable packaging and supports the achievement of a 65% recycling target for municipal waste by 2035. It sets legally binding targets for waste and resource efficiency, including a legislative target to halve the amount of residual waste per person (excluding mineral waste) that is sent to landfill and incineration for England by 2042 compared with 2019 levels.
18. The Government published the Net Zero Strategy in 2021 committing action towards the near elimination of biodegradable municipal waste being sent to landfill from 2028 and providing separate food waste collections for all households from 2026. In recent years, the Government consulted on several separate, but interlinked, legislative changes known as the Collection and Packaging Reforms (a Deposit Return Scheme for drinks containers, the Extended Producer Responsibility for Packaging, Simpler Recycling and Digital Waste Tracking). These changes are being introduced with the intention to reduce waste and increase recycling, although with the current Government in office, there remains some uncertainty on implementation dates.
19. The Council has a statutory duty as a Waste Disposal Authority to arrange for the treatment and disposal of controlled waste collected in Leicestershire under the Environmental Protection Act 1990. The current budget for the treatment and disposal of residual waste is c. £21.3m (excluding haulage) per annum. The Council currently has a number of contracts with different external suppliers for residual municipal waste treatment and disposal, to enable it to meet its statutory duties (which encompass pre-treatment, EfW facilities and some landfill). These contracts have varying end dates, but feature break clauses across the period of 2028-2031. It is therefore essential for the Council to review how it manages the treatment and disposal of residual waste to ensure that it is appropriate to the current and potential future policy and legislation, and the most efficient method considering the risks and impacts associated with the changing landscape.

### Consultancy Work and Options Appraisal

20. FRM consultants were engaged in July 2022 to carry out an options appraisal and make recommendations for the best approach to managing residual waste from 2028-2031 onwards.
21. A summary of the FRM options appraisal report is appended to this report. The stages of the options appraisal process were as follows:
  - (a) Forecast future residual waste arisings;
  - (b) Research options for managing waste including a focus on new and emerging technologies;
  - (c) Review legislation and map potential impacts to apply to the waste arisings forecast;
  - (d) Create a cost model to compare waste management options;
  - (e) Provide options for waste management and complete an options appraisal using cost model, comparison of carbon footprint, deliverability and operational resilience.
22. For clarity in reading the options detailed at paragraph 23 below, the following definitions apply:
  - (a) 'Merchanting' in this context refers to contracts through external suppliers to manage a given waste activity (for example at present the Council has a number of contracts with different external suppliers for residual municipal waste treatment and disposal, to enable it to meet its statutory duties which encompass pre-treatment, EfW facilities and some landfill).
  - (b) 'Mixed residual waste' for the purposes of this report refers to all wastes that cannot be otherwise recycled or reused (which broadly relates to traditional black bag household waste from kerbside collections or brought to the recycling and household waste sites).
  - (c) 'Bulky waste' for the purposes of this report refers to all other non-size limited residual waste (which broadly relates to waste deposited at the recycling and household waste sites and through bulky waste collection schemes and residual trade waste which is too big to fit in a standard wheelie bin). Bulky waste goes to either landfill or requires pre-treatment/shredding ahead of processing through an EfW facility. It should be noted that waste containing Persistent Organic Pollutants (i.e. sofas and armchairs) has not been included in the calculations for any of the options as per the requirements of Persistent Organic Pollutants statutory guidance published in December 2022.
23. The detailed options appraised by FRM compared the following nine options:
  - (a) Merchanting for mixed residual waste combined with merchanting for the pre-treatment of bulky waste.
  - (b) Merchanting for mixed residual waste combined with the development of a Council owned pre-treatment / shredding facility for bulky waste.

- (c) Partnership with other local authority for merchanting of mixed residual waste combined with the partnership merchanting of pre-treatment / shredding facility for bulky waste.
- (d) Partnership with other local authority for merchanting of mixed residual waste combined with the development of a Council owned pre-treatment / shredding facility for bulky waste.
- (e) Partnership with other local authorities to develop a dedicated EfW facility combined with the development of a Council owned pre-treatment / shredding facility for bulky waste.
- (f) Continue with the current arrangements.
- (g) Continue with the current arrangements for mixed residual waste combined with the development of a Council owned pre-treatment / shredding facility for bulky waste.
- (h) Develop own treatment EfW facility for the management of Leicestershire municipal residual waste only combined with the development of a Council owned pre-treatment / shredding facility for bulky waste.
- (i) Develop own treatment EfW facility for the management of Leicestershire municipal residual waste and third-party waste combined with the development of a Council owned pre-treatment / shredding facility for bulky waste.

24. Each option was assessed against the following criteria:

- (a) Cost (total over a 20-year period);
- (b) Strategic level carbon modelling;
- (c) Deliverability – compared qualitatively considering the challenges of implementing each option;
- (d) Resilience (operational and cost).

25. The FRM report considered environmental implications in terms of high-level carbon modelling, which was produced using the Waste Resources Assessment Toolkit for the Environment. This lifecycle assessment showed that all realistic options resulted in no discernible variation in environmental impact.

26. A key factor in the report provided by FRM was the consideration of risk across the different options both in terms of implementation (deliverability) and longer-term resilience.

27. FRM recommended a low investment merchanting approach to the management of residual waste either through continuing current arrangements (option F) or through re-merchanting arrangements from 2031 (option A). The FRM report highlighted that due to the uncertainties, particularly around energy prices and Emissions Trading Scheme legislation, EfW profitability could not be assured and in the worst case, could be significantly more expensive than continuing or renewing merchanting arrangements. The synopsis of the report produced by FRM consultants contains further information, which provides rationale within the results and conclusion.

## **Consultation**

28. A report was considered by the Environment and Climate Change Overview and Scrutiny Committee on 11 November 2024. The Committee was supportive of the proposals of the report; the comments and officer responses are as follows:
- a) Modelled assessments for carbon impact had been carried out on all the options set out in the report and whilst all had a carbon impact, officers needed to understand that impact more. A commitment had been given to carbon being an important element when the joint LRWS was developed with district councils. It was recognised that strategic ambitions needed to be identified but realising them would be challenging within current budget constraints.
  - b) A low investment merchanting approach had been proposed in the report as the preferred way forward taking account of the detailed options appraised and risks associated with the Council commissioning its own waste treatment facility. The priority was to maintain an efficient waste management service for Leicestershire residents.
  - c) A member raised concerns about recycling at Recycling and Household Waste Sites in the county and asked that more resources be identified to ensure the service to residents was maintained. It was noted that recycling at the sites was not included in the report and the challenging financial position of the Council was understood.
  - d) Future contracts with providers would include a high level of flexibility to achieve maximum recycling or composting of garden waste and to meet new legislative changes. Members were informed that the LRWS developed with the district councils aspires to support achievement of the national target of 65%. Members were assured, however, that any new contracts would not prohibit the ability to achieve maximum targets for recycling.

## **Conclusion**

29. Arising from the conclusions of the work carried out by FRM, it is recommended that the Council adopts a low investment merchanting approach for the future management of residual waste, either through the continuation of the current arrangements (option F) or through re-merchanting (option A). Partnership working (option C) is not specifically recommended, although the Council will remain open to the opportunities in this area, should any arise in the interim period.
30. Should this approach be approved by the Cabinet, then the merchanting activity and any associated works will become part of standard operations by the waste service to provide the optimal competitive tendering process and contractor engagement to ensure the best value for the Council.
31. There are a number of future uncertainties that will need to be reviewed and considered over subsequent years. The timeline for all future works will include a number of project gateways to ensure that the service approach remains

appropriate to the evolving impact of legislation on the composition and volume of residual waste arisings alongside the wider market factors such as supply chain and energy costs.

### **Equality Implications**

32. There are no equality implications arising from the recommendations in this report.

### **Human Rights Implications**

33. There are no human rights implications arising from the recommendations in this report.

### **Other Implications and Impact Assessments**

34. There are no health or crime and disorder implications arising from the recommendations in this report.
35. As outlined in paragraph 25, there are no perceived environmental implications of this proposal. The high-level carbon modelling carried out within the FRM report resulted in no discernible variation across the options considered.

### **Background Papers**

24 April 2023 – Report to the Cabinet – ‘Leicestershire Resources and Waste Strategy 2022-2050’:

<https://democracy.leics.gov.uk/documents/s175771/Leicestershire%20Resources%20and%20Waste%20Strategy%20Cabinet%20240423.pdf>

December 2016 – Report to the Cabinet – ‘Appraisal of Options for the Treatment/Disposal of Residual Waste Post-2020’:

<https://democracy.leics.gov.uk/documents/s125068/Treatment%20Disposal%20of%20Waste%20Post%202020%20FINAL.pdf>

### **Appendix**

Synopsis of the Report produced by Frith Resource Management consultants