APPENDIX A

REPORT TO: CABINET

DATE: 5th MARCH 2019

West of England Waste Treatment Procurement 2020

Purpose of Report

To note the outcome of the West of England waste treatment procurement process.

To seek approval of Cabinet to enter into the contracts for residual waste as set out in this report.

Recommendation

Agree that Bristol City Council can enter into three contracts with the successful bidders (for 10 years plus potential 10 extension) option as a party to the West of England Waste Partnership (Bath and North Somerset, Bristol City Council, North Somerset and South Gloucestershire), for the provision of residual waste treatment.

In summary:

a) Contract with Viridor Waste Management Limited for treatment of up to 120,000 tonnes of residual waste;
b) Contract with SUEZ Recycling and Recovery UK Limited for treatment of up to 50,000 tonnes of residual waste; and
c) Contract with ETM Recycling Limited for treatment of up to 45,500 tonnes of bulky residual waste.
d) To delegate authority to the Executive Director: Growth and Regeneration, in consultation with the Cabinet Member with responsibility for waste, and the Director: Finance, to enters in to Inter-Authority Agreement with BaNES, South Gloucestershire and North Somerset Councils) covering the operation of contract, any arrangements for extensions (e.g. tonnage and duration and termination options.

Policy Background

1. The Landfill Directive (1999/31/EC) aims to reduce reliance on landfill as a disposal option. It set targets for diverting biodegradable waste from Landfill. The Landfill Allowance Trading Scheme (LATS) was introduced by the UK government in 2003 to help the UK meet its Landfill Directive targets. LATS and the system of fines for exceeding landfill allowances were suspended by the Government in 2011and withdrawn in 2013.

2. Current policy is heavily influenced by the revised Waste Framework Directive of which a key element is the waste hierarchy. The hierarchy gives top priority to prevention followed by minimisation, re-use, then recycling, energy recovery and, as a last resort, disposal through landfill. The aim is to drive waste up the hierarchy from disposal to prevention.

3. In 2018 the EU adopted the Circular Economy package, to develop closed loop material processing. The plan included legislative policy drivers for waste to encourage greater re-use and recycling, bringing benefits for both the environment and the economy. It also set further ambitious, legally binding EU targets for waste recycling and reduction of landfilling, including recycling 65% of waste by 2035. It is unclear at this stage, if/when the Circular Economy approach will be transposed into UK legislation.

4. The Council's Towards a Zero Waste Bristol: Waste and Resource Management Strategy was adopted in April 2016. One of its key targets is to "Send less than 5% of waste to landfill by 2030". The award of this contract should enable Council to meet this target far sooner than 2030.

West of England Background

5. BCC's waste services are provided by our Tekal partner Bristol Waste Company. The Bristol Waste Company provides all the household waste and recycling collections, street cleansing, manages two Household Waste Recycling Centres (HWRC) and two transfer stations where waste and recycling is bulked up for onward processing and treatment.

6. Currently BCC has 103,000 tonnes per annum of residual waste (black bag waste collected predominantly from households), which is treated in two local facilities, landfill and ad-hoc outlets. Up to 54,000 tonnes per annum is direct delivered by the Bristol Waste Company (BWC) into the New Earth Solution's Mechanical Biological Treatment (MBT) facility at Avonmouth. This facility was originally procured by the West of England Waste Partnership (WoEP) and is contracted to process up to 120,800 tonnes of residual waste per annum, with the four West of England councils providing the residual waste. This contract expires in 31 March 2020.

7. BWC separately manages the following:

    - 30,000 tonnes per annum which is direct delivered to SUEZ's Severnside Energy Recovery Centre near Severn Beach, this contact expires in 2021; and
    - 29,000 tonnes per annum on an ad-hoc basis through landfills and other outlets.

    Under the new arrangements it is anticipated that BWC would be made party to any agreements.

8. The remaining residual waste is bulky and is predominantly from the two HWRCs and flytips. The majority of this waste is sent for disposal to a local landfill.

9. The WoEP consists of Bath and North East Somerset, Bristol City Council, North Somerset and South Gloucestershire. The WoEP was formed in 2005 with the intention of developing a strategy to manage residual waste in a more sustainable manner and to meet landfill diversion and the then relevant LATS targets. The original Joint Waste Strategy created a framework for managing residual waste in the West of England area over a period from 2007 through to 2027.

10. The current contract with New Earth Solutions (after entering administration now owned by Panda Group). Was procured by WoEP and was originally a five-year contract and has been extended by a further four years, ending on the 31 March 2020. There is no remaining provision for a further extension. Currently the partnership sends for treatment 120,800 tonnes of residual waste per annum to the MBT facility in Avonmouth. The tonnage split is currently as follows:

Authority	Percentage of tonnage	Tonnage
Bath and North East Somerset	8%	9,100
Bristol City Council	44%	53,600
North Somerset Council	15%	18,100
South Gloucestershire	33%	40,000
TOTAL		120,800

11. The Partnership governance was formalised by the Joint Working Agreement which was signed by the current four partners in 2008. It was supplemented by an Inter-Authority Agreement (IAA) made in 2011. The current IAA which covered the existing contract management and re-procurement will

expire on the 1 April 2020. A new IAA will be required for the next phase and will need to be negotiated to cover the contract management, extension options and termination arrangements.

12. The partnership is now seeking to secure a longer-term treatment contract. All four partners are committed to continuing to work together in partnership. Working in partnership has provided many benefits including economies of scale, reduced gate fees, shared contingencies, shared overheads, and opportunities to develop shared working in other areas.

Procurement Background

13. The procurement to secure long term treatment capacity has been undertaken by an integrated project team consisting of members from all four authorities. North Somerset has led the procurement and South Gloucestershire will be the lead authority for the operational phase for the new contracts. The partnership will jointly provide funding to South Gloucestershire to undertake the lead and the current part time partnership officer will TUPE across from Bristol City Council to South Gloucestershire.

14. The total tonnage of residual waste available across the WoEP was 170,000 tonnes. Combining all the tonnage into a single procurement and then allocating lots was designed to maximise competition and to ensure that any spare capacity in existing treatment facilities can be utilised to WoEP's advantage. The allocation of tonnage will be split into lots with bidders invited to offer the maximum tonnage they can process in their treatment facilities. BCC will provide up to 80,000 tonnes of residual waste.

15. The procurement approach also provides for residual waste of a large bulky nature e.g. sofas, mattresses and other difficult to recycle materials. This waste stream is currently sent to landfill but could be shredded with recyclables being extracted and remaining material diverted from landfill. BCC will contribute up to 15,000 tonnes per annum.

16. During the autumn of 2017 soft market testing was undertaken. Following this an OJEU notice was issued in the spring and a competitive procurement process with negotiation was adopted and has been undertaken. This was to ensure that quality and robustness of solutions was maintained and to provide a comparator to ensure that the prices submitted were competitive. This approach also reduced uncertainty and risk by allowing dialogue before final submission of bids.

17. The new contract(s) will have an initial term of 10 years with options for a further 10 years through extensions. 10 years is considered to be a sufficient period to allow tenderers to recover any capital investment they may need to make into their facilities whilst also providing the WoEP with a reasonable level of contract certainty. Bristol will be entering into the contracts with each contractor jointly with Bath & North East Somerset, North Somerset and South Gloucestershire Councils. A longer initial contract was not considered acceptable as future legislation is unknown and there may be opportunities arising from developments in the circular economy and advances in recycling.

18. The procurement was neutral on the acceptability of treatment types to increase competition and encourage more solutions to be brought forward. Landfill was considered not an acceptable treatment option. Two processing technologies were submitted from suppliers in the bidding process:
    - Mechanical and Biological Treatment (MBT) – Involves mechanical pre-treatment of waste prior to biological heating to reduce tonnages through moisture loss. The remaining waste is then bailed and used as Refuse Derived Fuel (RDF) and is normally exported to other European countries.
        - Strengths – Local existing facility, higher recycling and higher energy recovery performance when exported to facilities abroad where heat offtakes are in place.

- Weaknesses - Generates greater number of vehicle movements, there have been environmental issues with odour with the process, does not adhere to the proximity principle due to exporting RDF to other European countries and may result in sending waste to ERFs in the UK which do not have heat offtakes, financially less stable contracts, with Brexit greater risks of contract failing, recycling performance may reduce due to potential changes resulting from environmental permitting changes in DEFRA's "Our waste, our resource; a strategy for England 2018".

- Energy Recovery Facilities (ERF) – receive residual waste and use it to generate electricity primarily and can potentially provide heat into heat networks if there are in close proximity. The ERFs locally are very efficient and are RH1 classified (only approx. 40% ERFs in UK have achieved this status) and therefore are "recovery facilities" rather than disposal facilities.
  - Strengths – Existing local facilities, reliable treatment process, UK based so minimal impact of Brexit, ability in the future for heat to be provided to a heat network, opportunity to buy local produced energy, higher landfill diversion rates; majority of waste outputs are recycled e.g. bottom ash into aggregates and air pollution control residues into concrete blocks which equates to 10-13% recycling, financially more affordable, long term certainty, direct deliveries with minimal secondary movements reduces secondary vehicle movements.
  - Weaknesses – Can be more energy efficient with a heat offtakes in place.

19. There is no guaranteed minimum tonnage for any contract awarded and a 5% per year waste reduction/growth mechanism has been included to ensure increase reuse and recycling is prioritised. The recycling performance between treatment types can vary and can be mitigated by considering the best environmental option to reduce waste and increase the recycling of Bristol's waste. BCC is also aiming to retain around 10% of its residual waste to ensure recycling and reuse is optimised and new treatment technologies can be taken advantage of as they arise in the future.

Procurement Outcome

20. Five initial tenders were received in total of which four bids for both residual and bulky waste tonnage and one bid for bulky waste only. All bids were reviewed and evaluated by WoEP panel and three suppliers for residual and three suppliers for the bulky were asked to enter into the negotiation stage which took place in November 2018.

21. Following the negotiation stage final submissions were received from bidders. A review of the submissions by WoEP was undertaken and the proposed contact awards are as follows:

Material Lot	Supplier	Tonnage	Comments
Residual	Viridor	120,000	Energy Recovery Facility is in construction and is due to open on 1 April 2020 in Avonmouth.
Residual	Suez	50,000	Energy Recovery Facility (near Severn Beach) is operational and receives approx. 30,000tpa of Bristol's waste already.
Bulky	ETM	45,500	Local SME that is an established recycling and waste management operator who are currently refurbishing their facility to manage bulky residual waste.

22. BCC's allocation would be up to 80,000 tonnes of residual waste split between Viridor and SUEZ, and up to 15,000 tonnes per annum of residual bulky waste into ETM.

23. The estimated annual cost of the West of England residual waste contract across the West of England Partnership is £21m. The resulting contracts with the new suppliers are anticipated to

generate a saving of over £100,000 per annum for BCC. The awarding of these contracts will be managed to ensure there is no impact on Bristol Waste Company.

Alternative Options Considered

24. The alternative options have been consider and discounted as not being viable:
    - Do nothing – BCC's contracts expire in 2020 and 2021 and therefore due to the value of these contracts and Local Government procurement rules it would be illegal to do nothing;
    - Procure the services as an individual council. This would result in BCC either; competing against the WoEP which was seen a counterproductive as it could drive up prices, or could be left with fewer facilities that have capacity and less competition in the tendering process and thus driving up prices. Finally it would reduce the economies of scale that working the WoEP provides.