

13 December 2023		ITEM: Urgent Decision: 110686
Cabinet		
Award of the Waste Treatment Contract		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Andrew Jefferies, Cabinet member for Environment, Economic Development and Directional Leadership		
Accountable Assistant Director: Paul Southall, Interim Assistant Director for Street Scene and Leisure		
Accountable Director: Claire Demmel, Interim Director of Transformation (Public Realm)		
<p>The Report is Public with exempt appendices</p> <p>Appendices 2 and 3 of this report contain exempt information which falls under schedule 12A of the Local Government Act 1972. These appendices contain information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>		

Executive Summary

This report provides Cabinet with an update on the procurement and seeks permission for delegated authority to be given to the Interim Director of Public Realm in Consultation with the Portfolio Holder for Environment, Economic Development and Directional Leadership to award the waste treatment contract for residual (black bag) waste.

Cabinet approved delegated authority for the re-procurement of this waste disposal contract in November 2020 (Decision number 110535), as part of the approval to adopt the Municipal Waste Strategy 2021-2031.

The procurement was further ratified following the Section 114 notice when via email from the Finance Commissioner in March 2023 and the Strategic Approval Board (SAP) in April 2023.

The contract is for ten years, with a five-year extension option. The estimated value of this contract is £70 million over ten years.

1. Recommendation(s)

- 1.1 That Cabinet note the progress regarding this procurement process.**
- 1.2 That Cabinet approve the delegated authority for the award of the waste treatment contract to the Interim Director of Public Realm and the Section 151 Officer in Consultation with the Portfolio Holder for Environment, Economic Development and Directional Leadership.**

2. Introduction and Background

- 2.1 As a unitary authority, the Council has a statutory responsibility for both waste collection and waste disposal.
- 2.2 The Council's current contract is for seven years which expires in March 2024.
- 2.3 The current contract processes c43,000 tonnes per year and is for waste collected from our kerbside collections within the green/grey bins ("normal" household waste – non-recyclable) and for black bag waste (non-recyclable) collected at the Household Waste and Recycling Centre (HWRC).
- 2.4 This contract ensures that waste is sent to an Energy from Waste (EfW) plant. This waste is incinerated to produce heat and power, with small amounts of residual waste processed as "bottom ash" (via landfill) and metals (which are recycled).
- 2.5 As a result of this contract, very little of the Council's waste is sent to landfill with only 0.07% of the Council's household waste being sent to landfill in 2022/23.
- 2.6 The value for the current contract is £47 million. This contract is a seven-year contract with no extensions, and therefore the value is lower compared to the ten-year contract with a five-year extension that is being procured. There is 0.79% increase in price in comparison to this year's price.
- 2.7 The 2023/24 budget for all waste disposal contracts is £9.835m. Factoring in waste demographics, the total projected increase for waste disposal is £0.470m which is factored into the MTFs and gives a 2024/25 budget of £10.305m
- 2.7 The new contract considers both the current levels of tonnages and also housing growth. We do not guarantee any tonnages, however, the contractor

will have exclusive rights to this waste stream which means they will secure an income from the processing of this waste.

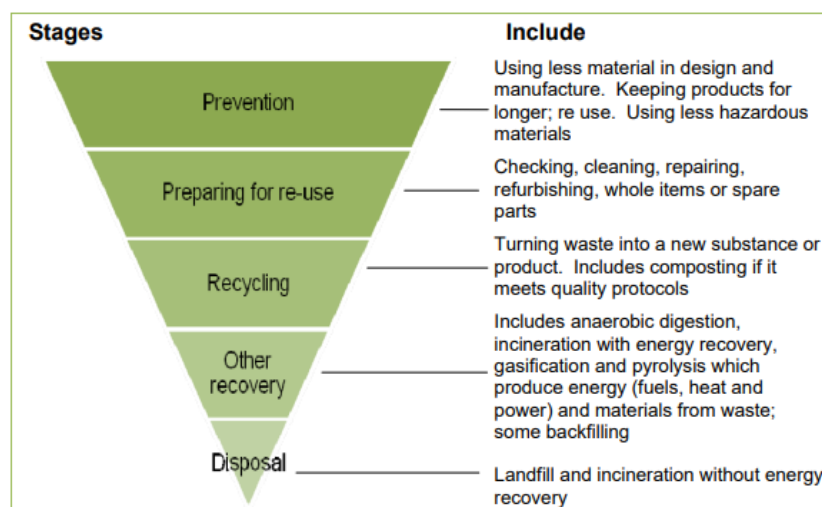
- 2.8 Prior to the procurement, officers carried out market testing with potential suppliers who operate waste treatment facilities. Several companies were approached, and four organisations attended.
- 2.9 Engagement with potential suppliers gave the Council the opportunity to inform the specification, making sure that the needs of the Council are met, whilst ensuring the contract has commercial viability.
- 2.10 The market testing covered the following issues:
- contract model types
 - length of contract
 - cost models
 - indexation
 - risk
 - performance measurement
 - carbon measurement
 - carbon capture
 - the Emissions Trading Scheme
 - haulage and transport
 - social value
 - procurement processes
- 2.11 As well as informing the specification, the market testing highlighted a key area of risk for this contract, regarding a future change to the Emissions Trading Scheme. This change (in 2028) will mean that Energy from Waste (EfW) plants will be included within this scheme and will have to buy permits for their emissions. Liability for this must therefore be considered in the context of this contract.
- 2.12 Due to the high value and risk profile of this contract, the Council employed the legal expertise of Sharpe Pritchard to mitigate the risks and help ensure that the Council procured a value for money contract. Sharpe Pritchard have expertise in waste contracts and have a track record in assisting local authorities with the procurement of similar contracts.
- 2.13 The Council has included a range of Key Performance Indicators to ensure that the Contract performs to agreed standards and delivers value for money throughout the life of the Contract. The table listing the performance measures included within this contract has been included in Appendix 1
- 2.14 The Contract will be managed by the Head of Waste and the Contract Manager for the Public Realm, to ensure that KPI's are met, and the contract delivers within agreed budgets.

- 2.15 The Council has existing budgets for the processing of residual waste and will need to continue to include annual price increases based on the Consumer Price Index (CPI) into the budget.
- 2.16 Following legal advice, the Council opted for Competitive Dialogue as its preferred procurement route and issued a Contract Notice and Invitation To Tender (ITT) on 9 June 2023.
- 2.17 All Tenderers responded to the Selection Questionnaire by the 10 July 2023.
- 2.18 The Competitive Dialogue meetings commenced on the 11 September 2023 and the revised ITT was reissued on 15th September 2023
- 2.19 The closing date for the submission of tenders was on the 18 October. Evaluations have now taken place.
- 2.20 Evaluations have been made based on 60% price, 40% quality, as per the agreement of the Commissioners.
- 2.21 Appendix 2 and 3 details the procurement and evaluations including the details of the scoring and the highest scoring solution. These Appendices are commercially sensitive, so exempt from the public,

3. Issues, Options and Analysis of Options

- 3.1 **Option 1** – To award the waste treatment contract to a solution that offers incineration of the waste and with energy recovery to the bidder that scored the highest, whose tender represented the highest score in terms of both quality and price. This award would mean that the Council can fulfil its statutory obligation to dispose of its waste. This option is in keeping with Objective 5 in the Council’s Municipal Waste Strategy 2021-2031 ‘To become an Authority that wants to send zero-waste to landfill’, and the priorities as set out in the Government’s Waste Hierarchy (see Figure 1), with recovery, higher up on the hierarchy than disposal.

Figure 1 Waste Hierarchy ([Waste hierarchy guidance \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/101504/waste-hierarchy-guidance.pdf)).



- 3.2 This Contract would commence on 1 April 2024.

- 3.2 **Option 2** – Do nothing – This is not an option, as the Council’s current contract will expire on 31 March 2024 and the Council requires a disposal contract to fulfil its statutory obligations.

4. Reasons for Recommendation

- 4.1 The award to the bidder that scored the highest is in keeping with the Council’s statutory obligations under the Government’s Waste Hierarchy, and the landfill diversion priorities set out in the Council’s Municipal Waste Strategy 2021-2031 as highlighted in 3.1 above.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 Officers have consulted with Cabinet, the Commissioners and the Strategic Approval Board regarding this procurement.

5.2 Permission to procure was also granted by Cabinet in November 2020.

6. Impact on corporate policies, priorities, performance and community impact

6.1 A waste treatment contract will ensure that the Council can meet its statutory obligations, and that performance remains high with regards to landfill diversion.

6.1 It is in keeping with the objectives set out in the Municipal Waste Strategy 2021-2031 and is the most cost-effective route of disposal for the Council.

7. Implications

7.1 Financial

Implications verified by: **Laura Last**
Finance Manager

Increases in waste demographics, collection and disposals costs have been modelled for the 2024/25 budget. The total projected impact of increased waste costs on the 2024/25 budget is an estimated £0.735m - of which £0.470m relates to Waste Disposal.

The 2023/24 budget for all waste disposal contracts is £9.835m. After factoring in the estimated £0.470m of growth, the 2024/25 provisional budget figure is £10.305m.

The Energy from Waste contract is the largest of the council's waste disposal contracts. Most waste disposal contracts are impacted by changes to the cost per tonne and by changes to the number of tonnes processed by each waste type per year. In addition, some contracts are subject to quarterly price fluctuations; however for the Energy from Waste contract the price per tonne is calculated once for the full financial year which means this is easier to forecast spend in year.

There is a financial risk that changing the service delivery model (to achieve proposed savings) may result in increased tonnage going through the Energy from Waste contract. This is because residents who do not take up the option of the paid garden service may use their residual waste bin for their garden waste. At current tonnage rates, the cost of residual waste (disposed of via the Energy from Waste contract) is double the cost per tonne compared to garden waste. This will be mitigated through targeted comms, recycling messaging and ongoing community engagement promoting recycling.

Any additional cost resulting from this procurement exercise will need to be met from the existing base budget for waste disposal and the 24/25 overall growth element. The impact of any proposed savings will also need to be considered regarding estimated disposal rates across the different workstreams.

7.2 Legal

Implications verified by: **Kevin Molloy**
Principal Solicitor Contracts Team

The Council has a statutory obligation from waste disposal under Section 45 of the Environmental Protection Act 1990, as amended (EPA 1990). Whilst there are no extra legal implications from this report officers are requested to keep Legal Services informed as the proposed procurement progresses to ensure compliance with national legislation and the constitution.

7.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**
Community Engagement and Project Monitoring

There are no diversity implications within this report. The market testing covered social value which will be taken into consideration when procuring this contract.

7.4 Other implications (where significant) – i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

There are no other implications.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- 4 The Municipal Waste Strategy 2021-2031- [- Waste Strategy Update.pdf \(thurrock.gov.uk\)](#)
- 5 EPA 1990 [Environmental Protection Act 1990 \(legislation.gov.uk\)](#)
- 6 [Waste hierarchy guidance \(publishing.service.gov.uk\)](#).
- 7 [Agenda for Cabinet on Wednesday, 11th November, 2020, 7.00 pm | Thurrock Council \(moderngov.co.uk\)](#)

9. Appendices to the report

- 8 Appendix 1 KPI Details
- 9 Appendix 2 Evaluation (exempt)
- 10 Appendix 3 Procurement report (exempt)

