Report to the Cabinet
Meeting to be held on Thursday, 12 March 2020

Report of the Head of Service – Waste

Part I

Electoral Division affected: (All Divisions);

The Treatment of Residual Waste from 2025

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Executive Summary

The council is currently reliant on landfill for the disposal of a significant quantity of the residual waste collected from households in Lancashire. Our existing landfill contract ends in 2025.

The Waste service is seeking approval to procure a 15 year contract for the thermal treatment of Lancashire's residual waste from 2025, providing a better environmental solution for the county and potentially reducing costs. The contract would commence in April 2025 and may result in the private sector development of new waste treatment infrastructure within or outside of Lancashire, the utilisation of existing infrastructure nationally, or both.

The estimated value of the contract is in the region of £40m per annum.

This is deemed to be a Key Decision and the provisions of Standing Order No. C19 have been complied with.

Recommendation

Cabinet is asked to:

(i) Approve the procurement of a contract for the treatment of residual waste in Lancashire from 2025 on the basis outlined in the report ;and

(ii) Authorise the Head of Service for Waste, in liaison with Procurement and Legal services, to make any appropriate amendments to the proposed contract during the procurement process to ensure that the council achieves the best financial and environmental outcome from the procurement exercise. Insofar that the basic principles of what is to be procured as outlined in the report are not significantly changed.

Lancashire County Council

Background and Advice

Lancashire produces around 400,000 tonnes of household residual waste (grey bin rubbish) a year. Around a half of this residual waste is processed into Refuse Derived Fuel (RDF) through the waste recovery parks at Farington and Thornton and used to produce electricity through thermal treatment (often referred to as 'Energy from Waste') or is used in the cement industry. The remainder is landfilled.

The county council's existing landfill contract was procured in 2006 in order to provide a disposal solution for the east of Lancashire, which had no identified alternative treatment option at that time, and to dispose of residues from the processes at Farington and Thornton. The contract ends in 2025.

The end of the landfill contract provides the opportunity for Lancashire to move away from landfill for all but the wastes that cannot be dealt with in any other way. Industry engagement has demonstrated that alternative treatment processes are available, or can be delivered, for the long term treatment of the county's residual waste in a more sustainable and environmentally responsible manner.

On this basis, the Waste service is seeking to procure a contract (or contracts) for the thermal treatment of residual waste from 2025. Thermal treatment can take a number of forms, but it is intended that we seek a technology which is proven in terms of both its operational and environmental performance. As a minimum requirement, the treatment process will need to demonstrate additional beneficial outcomes such as energy production, combined heat and power schemes or industrial benefit such as use in manufacturing.

Key elements of the procurement are outlined in the following table:

Contract duration	Initial period of 15 years commencing 1st April 2025 with options to extend the contract, beyond the initial term for further periods of 5 years, commencing: 1st April 2040 and ending 31st March 2045; and 1st April 2045 and ending 31st March 2050.
Location	The location of any final treatment process will not be prescribed but transport costs to any delivery point will be included in the evaluation.
Tonnage	In the region of 250,000 to 300,000 tonnes per annum based on catchment areas. This may be as a minimum tonnage or by offering exclusivity to the waste generated within each catchment area; or a combination of both.
Pre-treatment	The tender will allow for the treatment process to receive waste with or without pre-treatment; i.e. in the form of RDF or straight from the household.
Lots	Three or four lots or a global bid will be considered.

Evaluation	75% Financial 25% Quality (Quality to include 10% social value)
Value	Estimated value £600m over the initial 15 years term (£40m per annum)

Due to the length and value of the contract, it is imperative that flexibility is available within the procurement process in the form of negotiation or competitive dialogue. As such, elements of what is offered may be reviewed during the process. Specialist advice is being received in order to develop the procurement model.

It is intended to procure the contract in a manner that permits other interested local waste disposal authorities to benefit from the arrangements.

Early procurement will allow potential providers to deliver new treatment infrastructure to accommodate Lancashire's residual waste, although existing treatment capacity will also be considered.

<u>Recycling and the Environment</u>

The Waste Hierarchy (Waste (England and Wales) Regulations 2011) ranks waste management options in terms of what is best for the environment as follows:

1. Prevention
2. Re-use
3. Recycling
4. Energy recovery
5. Disposal (landfill)

The Government's Resources and Waste Strategy sets out ambitious recycling targets for local authorities and it should be stressed that meeting these targets through the prevention, re-use and recycling of waste will continue to be the council's priority in managing Lancashire's waste.

However, there will always be some waste that cannot be recycled, or is not separated by householders; and it is essential that we are able to manage this waste as well. The tonnage to be offered within this treatment contract allows for potential reductions in waste growth as a result of national initiatives as well as assuming significant improvements in recycling rates within Lancashire.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Financial

From a financial perspective alone the implications are that the escalating cost of landfill tax is such that landfill is not a viable long term solution for managing residual waste. Whilst the outcome of any procurement exercise cannot be predicted the current market prices for landfill and thermal treatment respectively indicate that the council could anticipate a significant saving in comparison to ongoing landfill costs.

Risk management

Operational

The amount of residual waste generated in Lancashire fluctuates each year. Over the long term, the amount of residual waste produced could increase by significant quantities. However, the Government's waste strategy could have the opposite effect. Mandatory food waste collections are likely to be implemented and the recycling targets proposed could see significant reductions in residual waste.

Estimating the impacts on waste arisings of the various changes that could happen is extremely difficult. By 2035 it is estimated that Lancashire could be producing anywhere between 300,000 and 500,000 tonnes of residual waste per annum.

It is proposed within this contract to offer for treatment in the region of 250,000 to 300,000 tonnes of residual waste per annum. This will allow for potential variations in waste arisings and is based upon Lancashire meeting the currently proposed recycling targets during the term. But it does carry the risk that the council may not have enough treatment capacity for all of the residual waste it produces.

Should this be the case additional, shorter term, treatment contracts may need to be put in place and market capacity will need to be reviewed during the term of the contract.

The county council has a statutory duty to manage the residual waste produced in Lancashire and whilst its priority will be to increase re-use and recycling, even meeting the most ambitious target will leave residual waste that requires treatment. The only alternative to thermal treatment would be to continue to landfill the waste at increased cost and environmental detriment.

Financial

Financial risk is based largely on competition in the market place. Engagement with the industry and market testing exercises confirm sufficient market interest. Breaking the contract down into lots will help to ensure that competition is increased.

Early procurement and the length of contract will allow the option for the development of new treatment infrastructure within, or outside of, Lancashire. This option, along with the option to contract with existing national infrastructure, should maximise competition in the market.

List of Background Papers

Paper	Date	Contact/Tel
None		

Reason for inclusion in Part II, if appropriate

N/A