



CABINET - 20TH JANUARY 2016

SUBJECT: FOOD AND ORGANIC WASTE PROCUREMENT

SUBMITTED BY: CORPORATE DIRECTOR - COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 To update Cabinet on developments since the Heads of the Valley procurement failure.
- 1.2 To outline the options that have been considered to treat organic waste over the longer term, as part of our overall waste strategy.
- 1.3 To recommend to Cabinet that the Council procures its own food and green waste contract.

2. SUMMARY

- 2.1 This report sets out the background to decisions that have been made previously with respect to organic waste and updates Cabinet with respect to the options available in relation to food waste treatment outlets for the longer term.
- 2.2 The report then seeks approval from Cabinet in relation to the recommended long-term approach to food and green waste treatment contract procurement.

3. LINKS TO STRATEGY

- 3.1 Local Authority Waste Management has changed significantly over recent years with the collection of separate waste fractions influenced by statutory targets.
- 3.2 Caerphilly County Borough Council is committed to the delivery of its waste services in the most sustainable, cost effective and locally acceptable manner. This commitment is demonstrated by the cleaner, greener objectives within the Single Integrated Plan, Corporate Plan and Community & Leisure Services Divisional Service Plan.

4. BACKGROUND

- 4.1 The need for a new Waste Transfer Station to treat and dispose of our waste has been highlighted for some time and officers have been exploring various sites for waste transfer infrastructure for the last 13 years but to date no solution has been delivered "on the ground".
- 4.2 Ty Dyffryn was purchased by the Council in 2005, for use as a waste treatment plant.

Since that time there has been a long and mixed history over the use of the site. In 2009 the Living Environment Scrutiny Committee, Cabinet and Council accepted the need for a waste transfer station and on 5th May 2009 the Scrutiny Committee recommended Ty Dyffryn as the preferred site to Cabinet. Cabinet (21st July 2009) and eventually Council (6th October 2009)

decided on the former Trehir Landfill Site as the preferred site although the development has not progressed since that time and waste transfer facilities have continued to be provided from the authority's current WTS at Full Moon, Cross Keys.

In January 2013, Cabinet resolved that a planning application be submitted for the proposed change of use of Ty Dyffryn for waste transfer, civic amenity site and depot use and a financial proposal be prepared for consideration by Council subject to planning permission being approved.

In June 2015 planning permission was granted for change of use of Ty Dyffryn to a waste transfer facility and depot.

- 4.3 The supporting business case for the site at Ty Dyffryn was based upon the need to create a central facility to store and bulk all waste streams (including food and green waste) as well as a new civic amenity site and a central depot to house all associated Community Services vehicles.
- 4.4 Throughout the same period, the Council was part of a public sector collaboration for the procurement of a long-term food waste treatment contract with two other local authorities (Heads of the Valleys (HoV) Organics Procurement).
- 4.5 After a lengthy procurement process, the HoV Organics Procurement hub failed to move beyond the detailed solutions stage of the procurement as the remaining private sector bidders took decisions to withdraw from the procurement. Consequently, the procurement process ceased.

5. THE REPORT

- 5.1 Due to the collapse of the HOV procurement process it has been necessary for the Council to consider its position in relation to the HoV Organics Procurement. During this time the waste market has developed and matured with a number of Anaerobic Digestion facilities now located across the region. Furthermore, the Council has commenced work with Welsh Government consultants (as part of the WG Collaborative Change Programme) to model future collection and treatment options as we aim to move from our current recycling performance of approximately 58% to 64% and ultimately 70% by 2024/25.
- 5.2 Currently, food waste is collected with green waste and treated via in-vessel composting via a contractual arrangement that can be extended to 2018. It is recognised that food waste over the longer term needs to be collected and treated separately via Anaerobic Digestion in accordance with WG policy. However, the phasing of this must be considered in the wider context of the collections modelling that is currently underway.
- 5.3 As the modelling work is developing, it can already be seen that the need for a large central waste transfer facility, is no longer pivotal to our strategy, as our requirements for food waste, in particular, have changed. Given the developing market and availability of AD technology providers across the region, officers are confident that our food waste infrastructure and treatment requirements can wholly be met by the market in the locality at a competitive rate.
- 5.4 Furthermore, there are a number of alternative sites located across the county borough and the wider region that may be suitable to meet our current and future waste transfer requirements for residual and recycling materials. The exact nature and requirements of which, will be fully explored and developed as part of the collection modelling. The outcome of this work will be reported to Members once completed, during spring 2016.
- 5.5 Options available for consideration
- 5.6 Officers have been in constant dialogue with WG officials over recent months and the following options have been considered:

- i. Since the collapse of the initial HoV Procurement, Monmouthshire County Council have joined the consortium (this has previously been reported to Cabinet) and work has commenced on the construction of an outline HoV business case for a second procurement to which the Authority has not formally committed to date. The Council could once again embark upon a collaborative procurement as part of the HoV hub.
- ii. Facilitated by the WG, the Council has also been approached by the Rhondda Cynon Taff/Merthyr/Newport Organics Hub (Tomorrows Valley) who are keen for Caerphilly to use the spare capacity within the anaerobic digestion (AD) plant at Bryn Pica, Llwydcoed.
- iii. Our current contractor (Bryn Composting) has constructed an AD Plant at its site adjacent to Gelligaer, which will be available for use from early 2016 under our existing contractual arrangement until 2018.

5.7 A full appraisal has been carried out of each of the above options and each has its own distinct set of advantages/disadvantages. These are highlighted below:

i **Remain in the HoV hub as it commences its second procurement.**

Advantages

- Procurement as a hub would attract WG gate fee support at 25%
- Procurement cost support from WG
- Governance structure already in place
- Markets now more developed so a collaborative approach may stimulate better market interest

Disadvantages

- Uncertainty over likely future destination of facility – which may require waste transfer and haulage costs. Ability to demonstrate best value may be challenging with additional costs associated with waste transfer and haulage costs
- Council would need to procure separately green waste contract after 2018
- Possibility hub procurement could fail again leaving CCBC exposed to no firm contract after 2018
- Procurement process may exceed 2018 which may place CCBC at risk of additional costs due to no firm contract in place after 2018
- Unknown gate fee
- Procurement costs

ii **Join the existing Tomorrows Valley hub and transfer/bulk haul food waste to its Bryn Pica AD plant**

Advantages

- Able to access the facility immediately – no procurement necessary
- Known gate fee, with WG gate fee (20%) support
- Long term certainty of position
- No additional procurement costs

Disadvantages

- Waste transfer facility required with associated revenue costs
- Significant work on contract due diligence required due to late membership of the collaborative hub
- Sub-contracting arrangements would need to be procured for transfer station
- Green waste would need to be procured separately after 2018

- iii **Undertake a single procurement which will specify AD food waste treatment as well as separate green waste treatment and require the winning contractor to provide a transfer facility if the location of the destination plant requires it.**

Advantages

- Flexibility to procure other waste streams, including green waste
- Positive and developing market so likely to receive competitive rate
- May attract bids where waste transfer would not be required
- Existing contract in place until 2018 to allow us sufficient time to procure and align with collection modelling outcomes
- Potential to provide additional AD capacity to the region, which via our contract package will allow other local authorities to join if required
- Ability to build social and economic factors into procurement documentation
- Contractor to provide all necessary waste transfer facilities, if necessary

Disadvantages

- EU Procurement required
- No WG support for procurement or gate fees
- Unknown gate fee with possibility of increase

- 5.8 When analysing each of the options and in particular a comparison between options ii and iii – whilst option ii allows the council to access a long term contract which attracts WG financial support, the gate fee is 27% more than that available for AD treatment under our existing contract. When coupled with the need to include haulage and transfer costs, this equates to 67% more than our existing AD contract rate per tonne. Even when the cost of procurement is factored into this equation (which is estimated in the region of £20k) this option remains the most appropriate and cost effective proposal for the Council.
- 5.9 Option iii also allows the flexibility to the council to procure AD treatment, as well as green waste, (and any other waste stream if so required). If the winning contractor is based locally then we will be able to directly deliver to the treatment site, however, if this is not possible, the successful contractor will be required to provide the transfer facility as part of the contract sum.
- 5.10 Given the differential between Option ii and our current contract, coupled with the fact that there is now a mature and competitive market for AD technology available across the region, it is considered that to undertake a single procurement for both food and green waste would be most beneficial and appropriate, as it offers the council the most flexibility and a potentially competitive gate fee over a long contract term.
- 5.11 Having considered each of the options presented above, it is proposed that the Council commence with its own procurement for AD for the treatment of food waste and an alternative for green waste. The procurement will include for the contractor to provide food waste transfer infrastructure if necessary and will also be structured to allow other local authorities to join if they require, thereby assisting WG with offering further AD capacity across the region.

6. EQUALITIES IMPLICATIONS

- 6.1 There are no equalities implications associated with this report.

7. FINANCIAL IMPLICATIONS

- 7.1 The Council collects, treats and disposes of circa 10,900 tonnes of comingled kerbside food & green waste and 1,900 tonnes of green waste taken to Civic Amenity sites respectively, per annum. This costs £1,698k per annum, which is included within the departmental waste budget. It is important to note that the current budget does not include the costs associated with the operation of a waste transfer station and haulage costs.

7.2 Further to the financial details outlined in paragraph 5.9 of the report, the procurement cost estimates, detailed as in the region of £20k, relate to the need for specific one-off costs for financial, legal and technical advice for pre-procurement and procurement support that will be required throughout the tender process. These costs will be funded from the departmental waste budget.

8. PERSONNEL IMPLICATIONS

8.1 There are no personnel implications associated with this report.

9. CONSULTATIONS

9.1 The views of the listed consultees have been included in this report. These include:

- Christina Harrhy, Corporate Director, Communities
- Councillor Nigel George, Cabinet Member for Community & Leisure Services
- Nicolle Scammell, Acting Director of Corporate Services
- Liz Lucas, Head of Procurement
- Gail Williams, Acting Head of Legal Services

10. RECOMMENDATIONS

10.1 The Council formally withdraws from the HoV Organics collaboration.

10.2 The Council commences its own AD food waste and green waste treatment procurement and will consider all options available from the market, which may include food waste transfer infrastructure.

11. REASONS FOR THE RECOMMENDATIONS

11.1 To secure a cost effective long-term food and green waste treatment contract.

12. STATUTORY POWER

12.1 Environmental Protection Act 1990 – Functions of Waste Disposal Authorities.

12.2 Local Government Acts.

Author: Mark S Williams, Head of Community & Leisure Services
e-mail: willims@caerphilly.gov.uk tele: 01495 235070

Consultees: Christina Harrhy, Corporate Director Communities
Councillor Nigel George, Cabinet Member for Community & Leisure Services
Nicolle Scammell, Acting Director of Corporate Services
Colin Jones, Head of Performance and Property Services
Liz Lucas, Head of Procurement
Gail Williams, Acting Head of Legal Services