

Cheshire East Council

Cabinet for 9th May Cabinet

Date of Meeting:	9th May 2017
Report of:	Peter Bates, Chief Operating Officer
Subject/Title:	Food Waste Collection, Organic Waste Treatment Solution
Portfolio Holder:	Cllr Don Stockton

1. Report Summary

- 1.1. The Council is seeking to provide a food waste recycling collection as part of our garden waste recycling service. This is an aspiration of our waste strategy to reduce the disposal of food waste which currently accounts for 40% of our residual black bin waste.
- 1.2. Following a cabinet decision of the 29th September 2015 a procurement process has been undertaken to seek a solution to recycle mixed household food and garden waste that would be collected in the existing garden waste bins.
- 1.3. This procurement process has identified a proposed preferred bidder (Lot 1 bidder 1). This bid would allow food waste recycling in the garden waste bin from 1st April 2019. The revenue cost of processing garden and food waste through this bidder's solution would be less than the current processing costs of this waste stream.
- 1.4. The solution would involve the allocation of land and a capital contribution by the Council for the construction of an in-vessel composting system on a 4ha site at the rear of Leighton Grange Farm, Crewe adjacent to the existing sewage works. The bidder would be responsible for the design planning and permitting, construction and operation of the plant for a 15 year period after which the asset would revert to the Council.
- 1.5. The proposed process involves the aerobic composting of the mixed food and garden waste within a vessel to produce the same quality compost currently produced by our garden waste system. The in vessel system provides the environmental controls required to prevent odour. This process does not produce bio gas or energy and hence does not require a gas or electricity grid connection. This report seeks approval from Cabinet to authorise all necessary actions to implement the proposal to bring to

final tender the procurement for the collection and treatment of food waste as a part of the garden waste bin recycling scheme.

2. Recommendation

- 2.1. Consider and approve the contents of this report and the findings of the Organic Waste Treatment Procurement: Final Tender Evaluation Report set out in Appendix A.
- 2.2. Approve the selection of Lot 1 Bidder 1 as the Preferred Bidder based on the Organic Waste Treatment Procurement: Final Tender Evaluation Report and the contents of this report.
- 2.3. Authorise the Corporate Manager for Waste and Environment Services as the Senior Responsible Officer for the Organic Waste Treatment Procurement in consultation with the Chief Operating Officer and the Director of Legal Services to clarify, specify and optimise the Preferred Bidder's final tender to enable the Council to enter into a legally binding contract with the Preferred Bidder.
- 2.4. Upon the satisfactory completion of the above clarification, specification and optimisation stage, delegate the final decision to award a contract to the Preferred Bidder to the Portfolio Holder for Regeneration and Assets.
- 2.5. Note the budget position to date and maintain the current capital budget allocated towards the cost of the Organic Waste Treatment Procurement in the Council's Capital Programme until all the Council's costs attributable to the Preferred Bidder's solution are identified.
- 2.6. Note that, if a contract is awarded to the Preferred Bidder, the implementation of the Preferred Bidder's solution will require a coordinated approach from the Council and its ASDVs including but not limited to:
 - The location subject to planning permission of the facility at the Council's site, at Leighton Grange Farm, Crewe detailed on the appended diagram;
 - Upgrading of part of the access road to the Council's Site and, if necessary, any improvement works required to the junction of the access road and the A530. Costs will be confirmed following site investigation however highways initial estimate is in the order of £500,000 to 1 million depending on services and ground conditions;
 - The supply and distribution of food waste caddies and bags to the relevant households estimated at approximately £322,000; and
 - A communications strategy to inform residents of service changes and drive behavioural change.

3. Other Options Considered

- 3.1. The Council has previously investigated an alternative collection methodology for food waste in which it would be collected separately in an additional container with a new dedicated vehicle collection system. This method was rejected as it was estimated it would increase revenue costs by an additional £2million a year.
- 3.2. The Competitive dialogue procurement also sought to identify a potential gate fee bid at an existing facility (Lot 2). The Council only received one incomplete bid in this section. Due to the increase in revenue costs and distance of this facility from Cheshire East this bid has not been progressed.
- 3.3. The Council could continue to collect food waste in the residual waste bin for disposal. Not recycling food waste however would increase costs and endanger the Councils ability to achieve future recycling targets.

4. Reasons for Recommendation

- 4.1. Throughout the procurement process the Council sought to achieve a number of key objectives:
 - To provide the infrastructure for organic waste treatment as set out in the Waste strategy.
 - To maintain the current three bin kerbside waste and recycling collection system.
 - To increase the Council's recycling rate through the collection of food waste.
 - To provide a cost effective recycling solution for food waste in the garden waste bin.
 - Not to exceed the current revenue costs of processing food and garden waste.
 - To reduce disposal costs and the environmental impacts of not recycling food.
 - To provide a quality soil improving recycled compost.
 - To enable the Council to receive a share in profit from the acceptance of commercial waste at the facility.
 - To enable the Council to receive a share in profit from the sale of any energy generated by the process.
- 4.2. This procurement process has delivered on all the aims that it set out to achieve except for the provision of local energy. It sought the most economically advantageous outcome for the Council from ongoing revenue spend perspective.
- 4.3. The opportunity for a 10% share of the commercial element of the waste, going to the new processing plant, in addition to a highly competitive gate fee, is to be commended.

- 4.4. On the national strategic level, there is a target for the authority to recycle 50% of its waste. Wales and Scotland have set a target to recycle 70% of their waste by 2025 whilst the European Commission has recently adopted its revised Circular Economy package, with a 65% recycling target by 2030. If we are to deliver on these targets, the Council needs to collect food waste, which makes up over 40% of the waste going to disposal.

5. Background/Chronology

- 5.1. On 29 September 2015, Cabinet resolved that the Portfolio Holder and Chief Operating Officer should carry out a market engagement and undertake a procurement process to identify and engage a joint venture partner with the intention of entering into a contract to design, finance, build and operate a facility to recycle co-mingled green and food waste from domestic collections.
- 5.2. In addition it resolved that - further Cabinet approval be sought to enter into a contract with the preferred bidder following either a competitive dialogue or competitive procedure with negotiation procurement route.
- 5.3. In May of 2016, the Council began a competitive dialogue procurement process seeking a solution for the recycling of mixed food and garden waste to enable food waste recycling in the garden waste bin. The Council set out a target gate fee for acceptance of this waste of £25.00 per tonne however our overall affordability taking account current disposal cost of food waste is £39.00 per tonne. The documents identified two options for the proposed facility. Lot 1, which was to design, build and operate a plant on Council-owned land under a 15-year contract. At the end of the contract the facility would revert to Council ownership. Lot 2, which was to collect the waste from the Council's facility at Cledford Lane and haul it to an existing facility, either owned by or contracted to the bidder, also under a 15-year contract.
- 5.4. Seven companies/consortia responded positively to the procurements initial stage of a pre qualification questionnaire. After evaluation, one company was deemed to have failed the evaluation criteria for both lots and were eliminated and notified accordingly. The other six companies were invited to submit outline solutions.
- 5.5. Outline Solutions were submitted in August 2016 by three companies. Dialogue meetings have been held with all 3 bidders who proposed different methods of recycling the waste, at very different capital costs. Following further dialogue, final tenders were received in March 2017; two bids were received for lot 1 and one for lot 2. The bids were subject to an appropriate evaluation process resulting in a preferred bidder emerging.
- 5.6. The proposed preferred bidder (lot 1 Bidder1) is offering a relatively simple in vessel composting plant, sited at the rear of the Council-owned Leighton Grange Farm, adjacent to the existing sewage works. The plant has an annual processing capacity of 60,000 tonnes. The solution is sized for

Cheshire East's Waste of between, 40,000 – 45,000, with an additional capacity of 15,000 – 20,000 tonnes for commercial food waste. This will be assessed during the tender optimisation phase to ensure the plant has capacity for the projected housing growth.

6. Wards Affected and Local Ward Members

6.1. All Wards. If this procurement process culminates in a contract being awarded, it is intended that the resulting facility will handle green and food co-mingled waste for the whole of Cheshire East. The proposed site for the facility at Leighton Grange farm is within the Leighton Ward.

7. Implications of Recommendation

7.1. Policy Implications

7.1.1. Realising value from waste streams is a key objective of CECs waste strategy. The following high level objectives of the waste strategy are relevant:

- to continue to exceed national targets for recycling;
- to provide all households with a simple, easy to use, kerbside recycling collection service and work to increase the types of recyclable materials collected;
- ensure that residual waste is managed to support waste prevention, reuse and recycling, minimising waste produced; and
- to reduce disposal to landfill to 0 and achieve 100% disposal to waste to energy generation

7.2. Legal Implications

7.2.1. The value of the proposed contract with the Preferred Bidder is above the applicable EU threshold and the award of the contract is therefore subject to the Public Contracts Regulations 2015 ("PCRs"). The PCRs require the Council to treat all economic operators equally and without discrimination. In addition, the Council must act in a transparent and proportionate manner.

7.2.2. The Council has followed the Competitive Dialogue procedure, which is a compliant procedure under the PCRs. In addition, the Council has fully complied with its own Contract Procedure Rules during this project. The use of the Competitive Dialogue procedure has allowed the Council to test the market whilst remaining technology neutral.

7.2.3. From the inception of this project, the Council has engaged external legal, technical and financial experts to act as specialist advisors. In particular, Sharpe Pritchard were appointed as the Council's legal advisors and have advised on the choice of procurement route, the structuring of the Competitive Dialogue, the procurement documentation

and the draft contractual documentation. This use of external experts to supplement the Council's internal departments has ensured that a robust and compliant procurement process has been followed throughout.

7.2.4. The selection of Lot 1 Bidder 1 as the Preferred Bidder will allow the Council to clarify, specify and optimise Bidder 1's final tender. Although Bidder 1's final tender contains all the elements required and necessary for the performance of the project, it will still be necessary to clarify, specify and optimise Bidder 1's final tender in order to produce a suite of contractual documents to create a legally binding arrangement between the Council and Bidder 1. It is important to note that such clarifications, specification or optimisation, or any additional information, may not involve changes to the essential aspects of Bidder 1's final tender or of the procurement, including the needs and requirements set out in the contract notice or in the descriptive document, where variations to those aspects, needs and requirements are likely to distort competition or have a discriminatory effect.

7.2.5. It is recommended that the final decision to award a contract to the Preferred Bidder is delegated to the Portfolio Holder for Regeneration and Assets. This will allow a further and final consideration of all the legal implications of entering into a contract with the Preferred Bidder to be reported before the final decision is made.

7.3. Financial Implications

7.3.1. The Council would need to commit capital investment in order to make the scheme viable. The total Council contribution for the preferred bidder of £5.5 million in addition to highways works and the purchase of food waste caddies would be within the scope of the current capital budget allocated towards the cost of the Organic Waste Treatment Procurement in the Council's Capital Programme.

7.3.2. Any contribution from the Council would only be made following due diligence on the preferred bidder and the development of a detailed business case.

7.3.3. The preferred solution would enable the collection of food waste within the green garden bin therefore negating the need for expensive changes to vehicles and collection rounds. It would cost the Council an estimated £2million to collect food waste separately. Around 40% of the Cheshire East residual waste is currently food costing in the order of £110 a tonne to dispose of.

7.4. Equality Implications

7.4.1. The development of a Dry AD facility is likely to result in a borough wide scheme recycling of food waste. The Council operates an assisted bin collection service for residents who have difficulty moving their bins. The collection of food waste will be covered by this scheme.

7.5. Rural Community Implications

- 7.5.1. The development of the preferred solution has the potential to make a positive impact across all rural communities in terms of the processing of food and garden waste.

7.6. Human Resources Implications

- 7.6.1. The preferred solution does not currently require additional resourcing. However, any project would need to be considered on merit and weighed against the business case.

7.7. Public Health Implications

- 7.7.1. The collection and treatment of food and garden waste in the preferred solutions facility will have a positive impact through minimising waste to landfill and producing quality compost that will contribute to lower carbon emissions. It uses a tried and tested methodology.
- 7.7.2. The Recycling of food waste is also known to have a positive effect of making residents more aware of the amount of waste food they recycle leading to behaviour change contributing to a reduction in the amount of food prepared. Over the past decades, there has been a trend towards increasing portion sizes in many prepared food products. People may thus find it difficult to consume appropriately sized food portions (particularly when concerned about throwing away food) and it is well accepted that excessive portion size is a contributory factor to the development of obesity due to excess energy intake. It is of note that two thirds of Cheshire East adults are currently classified as overweight or obese.
- 7.7.3. Recycling food waste can also make people aware of the value of wasted food they are recycling which can change purchasing habit. The purchase of excessive food can have other negative public health outcomes through indirect effects e.g. unnecessary transportation of food to point of purchase and consumption and thus detrimental impacts on air quality. Whilst the additional provision of food recycling locally cannot mitigate against this, such provision would ensure that better options for managing the resultant food waste exist.

7.8. Implications for Children and Young People

- 7.8.1. There are no specific implications for Children and Young people identified.

7.9. Other Implications (Please Specify)

7.9.1. With the surrounding authorities to Cheshire East now collecting food waste and a move from Europe to ban food waste going to landfill it is likely that in the future the demand for food waste collection will increase. The development of this preferred solution will provide a long term disposal route for this increased demand across the borough.

8. Risk Management

8.1. The following is a non-exhaustive list of those items which are considered the greatest risks to the success of this exercise:

- Ground conditions (Lot 1) – To reduce feasibility costs, should Cabinet choose not to proceed with this project, the Council's information supplied to bidders on the Council's site has been limited to a desktop survey and an opportunity for bidders to conduct a site visit and undertake investigations and ground surveys of their own. As with all developments on land where no detailed ground surveys have been undertaken, there is a risk that the Lot 1 bidders will build this risk into their pricing structure or attempt to pass this risk on to the Council via the contract. As a green field site, this approach was seen to be proportionate to the risk.
- Planning consent (Lot 1) – There is a risk of the winning contractor failing to secure planning consent on their chosen site. This has been dealt with contractually by allowing the Council to either oblige the contractor to propose a Revised Project Plan or to terminate the contract at that point. A pre-application meeting has been undertaken with regard to the Council offered site at Leighton Grange, information from which has been made available to bidders for them to assess the likelihood of gaining planning permission, should they use our site.
- Non-performance by contractor during construction (Lot 1) - In the event that the contractor's construction is delayed, they will still be contractually obliged to accept delivery of the Council's waste and, if they are unable to process it at the site, they will haul it to another suitable recycling facility at their own cost until the target facility is operational.
- Non-performance by contractor during operation – Suitable contractual obligations introduced to safeguard the Council's position.

9. Access to Information/Bibliography

9.1. In accordance with paragraph 19.4 of the access to information procedure rules, the Tender Evaluation Summary Report is available to members on request. *This Report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (Information relating to the financial or business affairs of any particular person*

(including the authority holding that information)) and is therefore not for publication).

10. Contact Information

Contact details for this report are as follows:

Name: Ralph Kemp
Designation: Corporate Manager Commissioning - Waste and Environmental Services
Tel. No.: 86683
Email: ralph.kemp@cheshireeast.gov.uk

Appendix A

(Appendix [A] of this Report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) and is therefore not for publication).