



**Deadline 7: Applicant's Response to the Examining Authority's Further Written Questions (ExQ4)**

**Appendix E – Norfolk County Council Cabinet Report – 6<sup>th</sup> July 2020**

**Wheelabrator Kemsley (K3 Generating Station) and Wheelabrator Kemsley North (WKN) Waste to Energy Facility Development Consent Order**

**PINS Ref: EN010083**

**Document 15.2**

**August 2020 – Deadline 7**



# Cabinet

Item No: 9

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| <b>Decision making report title:</b>   | <b>Residual Waste Contract Award</b>   |
| <b>Date of meeting:</b>  | <b>06 July 2020</b>  |
| <b>Responsible Cabinet Member:</b>   | <b>[REDACTED] (Cabinet Member for Environment and Waste)</b>                   |
| <b>Responsible Director:</b>   | <b>[REDACTED] (Executive Director of Community and Environmental Services)</b> |
| <b>Is this a key decision?</b>   | <b>Yes</b>   |
| <b>If this is a key decision, date added to the Forward Plan of Key Decisions.</b> | <b>24 January 2020</b>   |

## **Introduction from Cabinet Member**

Three contracts to treat and dispose of waste the County Council is responsible for end in 2021 and this report is about the contract award for residual waste services to start in April 2021.

Norfolk's local authorities receive around 200,000 tonnes a year of left-over rubbish, which is from collections of kerbside waste by District Councils and from the County Council's Recycling Centres.

In January 2020 Cabinet agreed to continue an arrangement with Suffolk County Council beyond 2021 for treatment of initially around 20,000 tonnes a year of this waste, and also agreed to start a procurement for services to deal with the remaining waste of around 180,000 tonnes a year beyond 2021.

This procurement process has now concluded and based on the evaluation of proposals from seven bidders the recommendation is to award a six-year contract to Veolia for services to start in 2021, with the option for an extension of up to two years. The new contract would deliver additional recycling, provide a service based on zero waste direct to landfill, deliver improved value for money and savings of £2m a year, and achieve significant carbon savings compared to landfill by using rubbish as a fuel in incinerators to generate energy within the United Kingdom. Due to the value of the proposed contract exceeding £100m a decision about contract award would be referred to Full Council to establish its view.

## **Executive Summary**

The report explains the outcome of a procurement for services to treat approximately 180,000 tonnes a year of Norfolk's residual municipal waste starting in April 2021 for a six-

year period, with the possibility to extend for up to a further two years. This procurement does not include arrangements with Suffolk County Council for the treatment of initially around 20,000 tonnes of waste a year from 2021 which have already been agreed.

The report recommends contract award based on the outcome of a procurement process so that the services to treat and dispose of waste can start when existing contracts expire in 2021. If a contract is awarded it would mean:

- a) Zero waste from Norfolk residents would be sent directly to landfill.
- b) All of Norfolk's left-over waste would be used to generate energy in the United Kingdom.
- c) More recycling, with metals and aggregate recovered from the used fuel.
- d) 47,000 tonnes of carbon emissions saved every year or over a quarter of a million tonnes of carbon emissions saved over the six years of the contract compared to sending the waste to landfill.
- e) Savings of over £2m a year based on current costs.

## **Recommendations**

- 1. Cabinet approves the provisional award of a contract to Veolia for residual waste treatment and disposal services from 2021 to 2027, subject to the contract not being awarded until the view of Full Council has been established.**
- 2. To delegate to the Cabinet Member for Environment and Waste in consultation with the Executive Director of Community and Environmental Services the authority to determine suitable arrangements to ensure a wider coverage of local delivery points for use by District Councils to supplement or replace existing arrangements.**
- 3. In accordance with the County Council's second Waste Policy, Cabinet is asked to carry out the annual review of arrangements for the *'incineration of waste or fuel derived from waste'* outside Norfolk by reviewing the information set out in para 8.5.5 of this report.**

## **1. Background and Purpose**

- 1.1. On 7 October 2019 Cabinet agreed starting a procurement process to secure services to process, treat and dispose of Norfolk's municipal waste using agreed evaluation principles.
- 1.2. On 13 January 2020 Cabinet agreed to continue the waste treatment arrangement with Suffolk County Council from 2021, initially for approximately 20,000 tonnes a year, and also agreed to take the effect of that into account with a reduction in tonnage to approximately 180,000 tonnes per annum in the approved procurement process.
- 1.3. The procurement process used 'Competitive Dialogue' and nine companies submitted pre-qualification applications as part of the first phase, allowing assessment across a

range of financial and technical criteria. All nine companies were shortlisted and invited to submit high-level outline proposals, nine were received and were discussed in detail before final bids were submitted.

- 1.4. Dialogue sessions with all nine bidders took place during the end of March and early April 2020. Seven bidders submitted proposals on 19 May 2020, which were evaluated using the approach and weightings approved by Cabinet in October 2019 as detailed in Appendix A. In summary these are 80% cost and 20% quality, with areas such as the carbon footprint of each proposal looked at in detail and some aspects being pass/fail. The pre-qualification assessment and the bid evaluation process involved external technical consultants, and internal procurement, financial, legal, health and safety and waste specialists.
- 1.5. Bidders were requested to provide a price per tonne in pre-determined tonnage bands or their own tonnage bands and had the opportunity to price for their own haulage of waste from local delivery points to the treatment or disposal facilities. To achieve better prices, contractors do require some guarantee on tonnage and in the procurement process this was limited to 75% of waste covered by the bids, allowing for the effect of increased waste reduction and recycling initiatives or other solutions to be pursued.
- 1.6. The procurement process allowed for multiple bidders to win contracts to ensure that offers for smaller or larger tonnages could be considered. If a first placed bidder were unable to handle all of Norfolk's waste treatment requirements, waste would also be allocated to the second placed bidder. In the event that the second placed bidder was unable to handle all the remaining requirements, waste would be allocated to the third placed bidder, and so on, until the entire quantity of waste was allocated.

## **2. Proposals**

- 2.1. Following the evaluation process the outcome is that one solution should be taken forward which is with Veolia Environmental Services (UK) Ltd. Veolia's proposal is to treat all waste at facilities in the United Kingdom and use it as a fuel in incinerators to generate electricity with the potential for heat use as well, and to recover metals and aggregates for recycling.
- 2.2. The proposal is based on the new Rookery South Energy Recovery Facility at a site near Stewartby in Bedfordshire, with delivery of waste by bulk haul articulated vehicles. Rookery South is a three-line facility with a treatment capacity of around 585,000 tonnes a year and is being developed jointly with Covanta who will operate the plant. The facility is in the latter stages of construction and is expected to open in late 2021 and Veolia has a requirement to fill 70% of the plant's capacity.

Veolia has an existing fleet of ten energy from waste facilities across the country and processes over two million tonnes of residual waste each year and Covanta is an operator of many similar facilities across the world, with this facility their first operation in the United Kingdom. Six visits a year for groups from Norfolk would be available.

- 2.3. Before the facility at Rookery South is available waste would initially be treated at an energy from waste facility at Kemsley in Kent, which has a total treatment capacity of around 550,000 tonnes and is operated by Wheelabrator. This facility would also act as a contingency solution during the term of the contract along with Veolia landfill sites at Ockendon Landfill in Essex and/or Springfield Farm Landfill at Gerrards Cross in Hertfordshire.
- 2.4. Veolia operates a large fleet of over 7,000 vehicles and currently provides waste haulage services on behalf of many local authorities across the country. To transport waste from Norfolk locations it is proposing to use a mix of directly delivered services and specialist haulage subcontractors, all using Euro VI compliant tractor units (ie trucks that haul loads) with 44 tonne walking floor bulk-haul trailers.

### **3. Impact of the Proposal**

- 3.1. The proposed new contract would deliver additional recycling, provide a service based on zero waste direct to landfill, deliver improved value for money and savings of over £2m a year, and achieve significant carbon savings compared to landfill by using rubbish as a fuel in incinerators to generate energy within the United Kingdom. Detail on the scope of these is covered in Section 6 '*Financial Implications*' and Section 8.5 '*Sustainability Implications*' below.
- 3.2. The proposal would also end exposure to the additional cost of a Dutch tax on refuse derived fuel imported in to the Netherlands and a Dutch carbon tax and remove the logistical issues of dealing with spikes in demand via an export model that have arisen when the Suffolk facility is closed for maintenance.

### **4. Evidence and Reasons for Decision**

- 4.1. The recommendation was arrived at after following a procurement process that adhered to the evaluation principles approved by Cabinet, which incorporated a refinement suggested by Infrastructure and Development Select Committee.
- 4.2. The reason for the decision is to allow the County Council to continue to fulfil its role as a Waste Disposal Authority when existing arrangements to treat and dispose of waste the County Council is responsible for end in 2021

### **5. Alternative Options**

- 5.1. Existing contracts cannot be extended beyond March 2021 and the agreement with Suffolk is initially only for approximately 20,000 tonnes a year.
- 5.2. Failure to award as recommended would mean the County Council has to rely on short term measures for an extended period to fulfil its statutory obligations for dealing with left over rubbish or use emergency powers. Both of these would expose the County Council to greater costs.

### **6. Financial Implications**

- 6.1. The proposal is estimated to deliver savings of over £2m a year compared to existing arrangements, and more if the additional burden of the Dutch tax on import of refused derived fuel in to the Netherlands, which was introduced in 2020, is taken into account and which applies to some existing arrangements. Over the life of the contract the total saving would therefore be more than £12m in today's money compared to the cost existing arrangements.
- 6.2. The value of the six-year contract is around £102m in today's money, which is due to the length of the contract being six years and because it provides for haulage, treatment and disposal of around 180,000 tonnes of waste a year.

## **7. Resource Implications**

### **7.1. Staff:**

None within the County Council but some limited transfer of undertakings implications between contractors may arise.

### **7.2. Property:**

None.

### **7.3. IT:**

None.

## **8. Other Implications**

### **8.1. Legal Implications**

- 8.1.1 The County Council has a statutory duty under Section 51 of the Environmental Protection Act 1990 to arrange for the disposal of left-over rubbish collected by all the Local Authorities in Norfolk including from the County Council's recycling centres.
- 8.1.2 The estimated value of the proposed contract is around £102m in today's money and in line with the County Council's Contract Standing Orders Appendix 15, Section 3.6.1 decisions which commit the County Council to spending over £100m must be referred to Full Council.

### **8.2. Human Rights Implications**

- 8.2.1 Appropriate clauses are included in the contract documents to guard against modern slavery risks in the supply chain.

### **8.3. Equality Impact Assessment (EqIA)**

- 8.3.1 There is no relevant impact relating to this proposal.

### **8.4. Health and Safety Implications**

8.4.1 Waste management and recycling is a high-risk industry. The specification of the service, shortlisting of reputable contractors, evaluation of tenders and subsequent monitoring of the contract is all undertaken in accordance with guidance from the Health and Safety Executive.

8.5. **Sustainability Implications**

8.5.1 In accordance with waste policy 20, the carbon footprint of tendered solutions was part of the evaluation process (policy 20 is *‘The carbon footprint is to be part of the evaluation of any proposal to treat waste that the County Council is responsible for as a Waste Disposal Authority’*). The assessment of carbon footprint takes account of reduced or avoided carbon emissions from any recycling, energy recovery and landfill diversion that proposals could achieve as well as the effects of transport.

This evaluation process established that the proposal would save around 47,000 tonnes of carbon emissions every year and save over a quarter of a million tonnes of carbon emissions over the six years of the contract compared to sending the waste to landfill.

When bids were ranked on carbon footprint the range of scores were from zero to 6.6 out of a maximum of 10, with the proposal scoring 6.4, and all scores were used in the *‘Carbon footprint analysis’* evaluation criteria to contribute to the overall score as shown in Appendix A – Evaluation Model. The relative performance of bids was most influenced by how much landfill featured in the bid and the relative efficiency of any treatment facilities used.

8.5.2 Including the arrangement with Suffolk when the most recent performance for 2019/20 is compared with 2021/22 based on the outcome of the procurement the performance estimates below can be expected which is compatible with the County Council’s waste policies and Environmental Policy on *‘Increasing resource efficiency, and reducing pollution and waste’*:

| Year                                  | 2019/20 existing arrangements | 2021/22 new arrangements |
|---------------------------------------|-------------------------------|--------------------------|
| Recycled as metals                    | 3,740t                        | 4,278t                   |
| Recovered for use as aggregates       | 31,759t                       | 47,931t                  |
| Used to generate heat and electricity | 97,597t                       | 0t                       |
| Used to generate electricity          | 64,069t                       | 200,000t                 |
| Disposed of directly to landfill      | 39,789t                       | 0t                       |

This shows a major reduction in waste to landfill to zero, and an increase in recycled metals and the amount of materials recovered for reuse as an aggregate. The reduction to zero of waste used to generate heat *and* electricity reflects the end of export of waste as a refused derived fuel to facilities in the Netherlands and

Germany, which would instead be used to generate electricity only but in the United Kingdom, with the potential for heat to be used as well retained.

- 8.5.3 The proposal is expected to recover around 2 to 3% of input weight as ferrous metals and around 0.25% as non-ferrous metals. In addition, around 20 to 23% of aggregate is expected to be recovered from the incinerator bottom ash for reuse as replacement for virgin aggregate. Only 2 to 3% by weight would be expected to be produced as Air Pollution Control residue which could be used in acid stabilisation processes or disposed of in licenced hazardous waste disposal sites.
- 8.5.4 A contract length of six years and the use of a tonnage band above 135,000 tonnes a year allows flexibility to adapt to the changes in the amount and composition of the left-over rubbish the County Council must deal with, and the drive to further improve waste reduction and recycling. This flexible approach is in keeping with the County Council's waste policies and Environmental Policy on *'Increasing resource efficiency, and reducing pollution and waste'*, and aligns with the aims of the Government's Resources and Waste Strategy which proposes a range of measures to drive waste up the waste hierarchy, such as reducing plastics waste, improving consistency in recycling services and introducing collections of food waste.
- 8.5.5 The County Council's second waste policy requires that arrangements for the *'incineration of waste or fuel derived from waste'* outside Norfolk *'should be reviewed by Committee on an annual basis'* and in relation to this requirement the arrangements for the financial year 2019/20 are summarised below.

| <b>Service Provider</b>        | <b>Total tonnes</b> | <b>Combined Heat and Power tonnes</b> | <b>Energy from Waste tonnes</b> | <b>Landfill tonnes</b> |
|--------------------------------|---------------------|---------------------------------------|---------------------------------|------------------------|
| <b>FCC</b>                     | <b>100,429</b>      | 48,351                                | 25,288                          | 26,790                 |
| <b>Frimstone / Mick George</b> | <b>34,099</b>       | 21,100                                | -                               | 12,999                 |
| <b>Seneca</b>                  | <b>28,146</b>       | 28,146                                | -                               | -                      |
| <b>Suffolk CC</b>              | <b>38,781</b>       | -                                     | 38,781                          | -                      |
| <b>Totals</b>                  | <b>201,455</b>      | <b>97,597</b>                         | <b>64,069</b>                   | <b>39,789</b>          |

Current arrangements achieve a high level of diversion from landfill and are based on either:

- a) Export of bales of refuse-derived fuel for incineration in combined heat and power facilities in mainland Europe, where it is used to generate heat and electricity, or
- b) Incineration in energy from waste plants in the United Kingdom where it is used to generate electricity.

However, there has been increased landfill disposal in the United Kingdom as contingency, for example in response to the introduction of a Dutch tax on imported waste refused-derived fuel or due to lack of available treatment capacity particularly in the Netherlands.



## 8.6. Any other implications

This process has established suitable arrangements to treat waste the County Council is responsible for. A separate procurement will be undertaken to ensure a wider coverage of local delivery points for use by District Councils to supplement existing arrangements that are already in place.

## 9. Risk Implications/Assessment

- 9.1. Significant delay or failure of the procurement process would mean the County Council has to rely on short term measures for an extended period to fulfil its statutory obligations for dealing with left over rubbish or use emergency powers, both these would be expected to expose the County Council to greater costs.
- 9.2. The possibility of the introduction of an incineration tax has been raised by Treasury in recent years and the effects of such a tax or a change of law could affect prices. The risk of foreign exchange rates is not relevant to a proposal based on using facilities in the United Kingdom, but the risks of future indexation effects remains, as prices are not fixed in advance.
- 9.3. Business interruption of a contractor's activities, for example during periods of planned maintenance or unplanned downtime of a facility, is addressed by the requirement for the provision of contingency arrangements.
- 9.4. There is a risk that overall residual waste tonnages in Norfolk will increase, for instance linked to increases in the number of households, economic growth, climate change and weather patterns. Furthermore, an expansion of trade waste services by other local authorities or a recycling market collapse could also lead to increases in left over rubbish. However, the pattern of any future growth is a risk that would be significantly mitigated by the proposal, as with one contractor the largest aspect of the costs of dealing with waste would not vary by area.

## 10. Select Committee Comments

- 10.1. Infrastructure and Development Select Committee received a report on 11 September 2019 that set out the proposed approach to securing new services from 01 April 2021. The Select Committee considered the proposed waste procurement strategy and evaluation model and commented *'that the weighting for carbon footprint should be increased or made pass fail'*. Concerns were registered that existing contracts included landfill and the flexibility of the proposed approach was explored to ensure it would allow for an increase in recycling and a change in the composition and volumes of waste over time.
- 10.2. In direct response to the Select Committee comments the weighting for *'carbon footprint analysis'* in the evaluation model was increased from 15% to 25% of the *'Quality'* score, with the weightings for *'Interface with deliveries of contract waste'* and *'Capabilities for dealing with contract waste'* both reduced from 25% to 20% of the *'Quality'* score as shown in Appendix A – Evaluation Model. The alternative suggestion that *'carbon footprint analysis'* should be a pass/fail criterion was not

incorporated, however the evaluation process was constructed to undertake a relative comparison of all solutions compared to landfill. In relation to the stated concerns by the Select Committee that existing contracts included landfill, it should be noted that the proposal is based on zero waste direct to landfill.

## 11. Recommendations

- 11.1. **1. Cabinet approves the provisional award of a contract to Veolia for residual waste treatment and disposal services from 2021 to 2027, subject to the contract not being awarded until the view of Full Council has been established.**
- 2. To delegate to the Cabinet Member for Environment and Waste in consultation with the Executive Director of Community and Environmental Services the authority to determine suitable arrangements to ensure a wider coverage of local delivery points for use by District Councils to supplement or replace existing arrangements.**
- 3. In accordance with the County Council's second Waste Policy, Cabinet is asked to carry out the annual review of arrangements for the 'incineration of waste or fuel derived from waste' outside Norfolk by reviewing the information set out in para 8.5.5 of this report.**

## 12. Background Papers

- 12.1. [Environment, Development and Transport Committee 18 September 2015 - Moving Towards Zero Waste – Delivering the County Council's Waste Policies](#)
- 12.2. [Infrastructure and Development Select Committee 11 September 2019 - Residual Waste Procurement Strategy](#)
- 12.3. [Cabinet 07 October 2019 - Residual Waste Procurement Strategy](#)
- 12.4. [Cabinet 13 January 2020 - Residual Waste: Procurement and Suffolk Inter-Authority](#)

### Officer Contact

If you have any questions about matters contained in this paper, please get in touch with:

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## Appendix A – Evaluation Model

A1.1 At pre-qualification stage pass/fail criteria were applied covering:

- a) Financial assessment of bidders.
- b) Past performance.
- c) References.
- d) Planning and permits.
- e) Health and safety track record.
- f) Modern slavery.
- g) County Council waste policies.

A1.2 To determine the most economically advantageous tender the agreed evaluation criteria were applied with the approved weightings set out below.

| Tier 1           | Tier 2  |
|------------------|---|
| Cost<br>(80%)    | Bid cost and cost of transfer and delivery (100%)   |
| Quality<br>(20%) | Carbon footprint analysis (25%)   |
|                  | Deliverability, robustness and contingency (including planning, permits and property) (25%) |
|                  | Capabilities for dealing with contract waste (20%)  |
|                  | Interface with deliveries of contract waste (20%)   |
|                  | Data recording and reporting (10%)  |
| Pass/fail        | Financial assessment  |
|                  | Past performance  |
|                  | References  |
|                  | Planning and permits  |
|                  | Health and safety   |
|                  | Modern slavery  |
|                  | County Council waste policies   |

The overall score from the evaluation for each bid was a percentage score allowing the bids to be ranked. The overall score was made up of a cost and quality score which in turn were composite scores of each lowest level criterion question scored out of five, other than those designated as pass/fail above.