

Report to Steve Read, Assistant Director (Environment and Public Protection)

March 2022

Extension of the Refuse Derived Fuel Contract

Report by Head of Waste Services

Electoral division(s): All

Summary

A Refuse Derived Fuel (RDF) contract was awarded in April 2018 to West Sussex Britaniacrest Seneca Partnership (WSBSP) for the collection, transport, treatment and disposal of RDF.

The RDF Contract was procured with an initial contract term of five (5) years with an option to extend the RDF Contract in minimum increments of whole calendar years, for up to a further five (5) calendar years. As such the Council is required to confirm its intention to extend or not no later than twelve (12) months prior to the expiry of the Initial Contract Term. This means that WSBSP need to be informed no later than 5 April 2022 of the Council's intention to extend the contract from April 2023.

To assist with the decision regarding any extension to the RDF contract, the Council carried out a market consultation in September 2021 for the management of RDF produced at the Mechanical Biological Treatment (MBT) facility.

Market advice suggests letting a new contract for loose RDF is likely to result in a more cost-effective contract. It is therefore suggested that the existing contract is extended for just one year and a new procurement is undertaken in that period.

Recommendations

The Assistant Director (Environment and Public Protection) will be asked to approve the allowable extension of one year from 6 April 2023 to 5 April 2024 with the contract value set out in section 5 of the report.

Proposal

1 Background and context

- 1.1 The Council, acting in its capacity as Statutory Waste Disposal Authority (WDA) is responsible for the disposal of waste collected by the District and Borough (D&B) Councils in West Sussex. The current RDF Contract is one of the three

major waste contracts commissioned by the Council to meet the disposal obligation.

- 1.2 RDF is produced as an output from the MBT facility at Brookhurst Wood, north of Horsham, as part of the Materials Resource Management Contract (MRMC) with Biffa.
- 1.3 The MBT facility shreds incoming waste separating biodegradable waste (mainly food and animal waste) from the remaining material (mostly paper and plastic). The biodegradable fraction is liquidised and passed through an Anaerobic Digestion (AD) process which generates methane and a Compost Like Output (CLO). The methane is burned to produce electricity and the CLO is used in land restoration projects. The majority of the remaining fraction is used to produce RDF for energy from waste processes. Separated metals and grit are sent for recycling and a small minority (less than 10%) which is unsuitable for energy recovery is sent to landfill.
- 1.4 The current RDF contract was let in April 2018 and runs until April 2023 extendable by up to five (5) years (with twelve (12) months' notice). It was procured, after market consultation, on the basis that the material will be bailed for onward haulage. Bailing adds processing cost but was assumed to reduce haulage and handling costs for the off-taker as conventional HGV trailers can be used, resulting in a more competitive overall price.
- 1.5 While the current RDF Contract has provided disposal savings compared with landfill, it is recognised there have been difficulties with the export market, such as customs clearance costs and haulier shortages due to Brexit, along with increased costs from European governmental taxes imposed.
- 1.6 Since the contract was let more UK facilities have come on-line and there is an increased preference for loose material. Market advice received in Autumn 2021 suggests letting a new contract for loose RDF is likely to result in a more cost-effective contract.
- 1.7 Further to this the Council will need to explore options to meet forthcoming national legislation and to be compatible with any new working arrangements for the West Sussex Waste Partnership.
- 1.8 Council owned land adjacent to the MBT, known as 'Site Ha' is to be improved to allow for the parking of HGV trailers associated with the offtake of RDF, subject to a separate decision.
- 1.9 It is therefore suggested that the existing contract is extended for just one year and a new procurement is undertaken in that period. The recommendation to commence a procurement for the disposal of refuse derived fuel until 2035, with a possible extension until 2040, forms part of a wider Report to Cabinet on strategic options for waste disposal, with a decision expected to be taken in March 2022.
- 1.10 The decision to extend the contract by one year does not preclude any further extensions, up to a further four years, should circumstances change.

2 Proposal details

- 2.1 The Council aims to provide the residents of West Sussex with a cost effective and carbon efficient recycling and waste service, that will maximise the recovery of valuable natural resources. The County Council will ensure this service is compliant with forthcoming national legislation and compatible with any new working arrangements for the West Sussex Waste Partnership (the joint working with the D&Bs).
- 2.2 The main objectives to meet this ambition are:
- Continue to provide a feedstock of suitable composition for energy recovery, maximising the use of backhaul capacity.
 - Keep overall emissions as low as practicable given current technology and waste composition.
 - Maintain waste to landfill at 9% or less
 - Reduce the Council's cost of disposal
- 2.3 By extending the current RDF contract by one (1) year, a new procurement can be undertaken in this period and the RDF can continue to be diverted from landfill during this period achieving the main objectives outlined at 2.2.

3 Other options considered (and reasons for not proposing)

- 3.1 The principal alternative would be not to extend the existing contract and commence a re-procurement process with a view to a new contract commencing in April 2023.
- 3.2 This option is not recommended as the Council is seeking a wider solution to the forthcoming need to process food waste as a result of new duties under the Environment Act 2021 and to seek, where possible, further savings in the overall cost of waste disposal. This is subject of a separate report to Cabinet as indicated at 1.9 above.
- 3.3 In order to allow for this process to be completed within a comfortable timescale the Assistant Director (Environment and Public Protection) is asked to approve the allowable extension of one (1) year from 6 April 2023 to 5 April 2024.
- 3.4 The only other option available would be to landfill the material which would be in conflict with the council's carbon reduction objectives and the waste hierarchy. It would also be more expensive compared to the current disposal route.

4 Consultation, engagement and advice

- 4.1 As part of the market consultation, the Council issued a briefing paper and questionnaire to interested parties from the previous RDF procurement and RDF market consultation along with some other companies known to operate within the RDF field. The market consultation ran from 3 September 2021 – 1 October 2021 inclusive.
- 4.2 Six (6) organisations, many of whom are key players within the UK and / or exporting waste industries have provided fairly detailed responses, with one submitting a summary email only. Responses were received from the main UK competitors, owners and brokers.

- 4.3 All consultees were supportive of an open procurement process; however, all encouraged some form of dialogue and/or negotiation to understand the Council's needs and ensure best value for money, especially with the complexities of the market and rate of change
- 4.4 Based on this information a Competitive Procedure with Negotiation (CPN) is likely to be recommended. The detailed process will be the subject of a future report. However, the proposed extension will also support the completion of this process in a comfortable timescale.

5 Finance

- 5.1 The proposed extension will be on the same terms and conditions as the current contract and will therefore be deliverable from within the existing resources for waste disposal.
- 5.2 Based on current tonnages and performance of the MBT it is estimated that the extension will cost up to £11m. This is based on a variety of gate fees for waste disposal under the terms of the contract and will be determined by the amount of RDF produced and baled and then disposed of.
- 5.3 The continuation of the contract will enable the County Council, in the short-term pending re-procurement, to continue to dispose of waste in the most cost-effective manner, avoiding costly landfill charges. The current contract saves approx. £0.900m per annum into the cost of landfill.

(a) Human Resources, IT and Assets Impact

No Human Resources or IT impact

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
That contract extension is not granted.	The RDF Procurement Strategy has been developed and approval to commence the RDF procurement is being taken through the relevant levels of governance.
Site Ha not developed within time.	WSCC is currently leasing neighbouring land and gaining approval for capital expenditure and 3 quote process for works to Site Ha.
Changes in the RDF specification as a result of changes in law.	It is not felt that any foreseen changes in law made during the period of the extension would change the composition of the RDF significantly, however there are appropriate clauses within the RDF Contract to cover Changes in Law if required.

7 Policy alignment and compliance

- 7.1 The recommendation supports Our Council Plan 2021-25 priorities by:
- making the best use of resources
 - assisting with the underpinning theme of Tackling Climate Change
 - supporting Key Performance Indicator 23: The percentage of Household waste recycled, reused or composted.

The proposal also supports the following outcome:

- Outcome 4 – Value for money

7.2 Equality duty and human rights assessment

The project aims to improve the delivery of public services and has no foreseen equality impact implications.

7.3 Climate Change

The Council has committed to being carbon neutral by 2030 for “scope 1” emissions arising from its own operations. Emissions associated with household waste processing / disposal largely fall within supply chain emissions known as “scope 3” and this is mainly determined by how much waste householders produce and the extent to which they separate it for recycling.

Nevertheless, the council can have some control over waste emissions through specification of how and where waste is processed.

In October 2021 the council commissioned a short study from consultants Tolvik to compare carbon emissions from various disposal options. The conclusions of the study are reported in more detail in the report referred to in paragraph 1.9. However, the study concludes that emissions from European EfW and UK EfW facilities are broadly comparable once the transport element has been included. Given the efficiency of the EU plants currently supplied, there would only be marginal term carbon benefit to be gained from bringing forward the procurement and not extending the contract. These do not outweigh the advantages of placing the future procurement in the context of the Strategic Options considered in the above-mentioned report.

7.4 Crime and Disorder

There are no crime and disorder implications identified as a result of this proposal.

7.5 Public health

There are no direct public health implications identified as a result of this proposal.

7.6 Social value

Social Value within the current RDF contract is minimal due to the nature of the contract/operations, this would remain in a no better/no worse position. That said, Seneca’s parent company Carey Group have a dedicated foundation ‘Based on the strong Carey family values which have underpinned the wider Group since 1969, the Foundation focuses on supporting those in need via three key areas: People, Charity and Volunteering.’

<https://www.careys.co/foundation>

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Appendices – None

Background papers - None