

PROCUREMENT OF FOOD WASTE TREATMENT SERVICES

Cabinet Date	22 July 2020
Environment & Planning	Cllr Nigel Moor
Key Decision	Yes
Background Documents	None
Main Consultees	N/A
Planned Dates	Current service provision expires 30 th September 2021 New Contract to commence 1 st October 2021
Divisional Councillor	N/A
Officer	Contact; Andy Pritchard Tel. No.; 01452 427014 Email address; andy.pritchard@gloucestershire.gov.uk
Purpose of Report	To approve the establishment of a procurement process and award of a contract for the treatment of separated food waste to commence 1 st October 2021.
Recommendations Comment	That Cabinet delegates authority to the Executive Director for Economy, Environment and Infrastructure to: <ul style="list-style-type: none"> 1) Conduct a competitive procurement process in respect of a contract for the supply of food waste treatment services. Such services shall have as their purpose the treatment of Gloucestershire's food waste that has been collected separately from residual waste. The proposed contract shall, subject to the outcome of further pre-market engagement, continue for an initial period of 8 years and include an option to extend the term for a further period of not more than 2 years. 2) Award such contract(s) to the preferred tenderer(s);
Reasons for recommendations	The current contract for the treatment of food waste expires on 30th September 2021. Gloucestershire County Council has, as the waste disposal authority, a statutory duty to manage and dispose of all municipal waste. In line with the best practice, food waste separately collected by the district councils will either be composted and/or anaerobically digested.
Resource Implications	These are set out within the Exempt Annex 1. Existing Economy Environment & Infrastructure (EEI) revenue resources will be used to fund this however should there be insufficient resources then central corporate resources will be used.

MAIN REPORT CONTENTS

1. Background

1.1 General

- 1.1.1 The separate collection of food waste from households across Gloucestershire is undertaken by all six district councils in their role as Waste Collection Authorities (WCAs). In all cases, this is a weekly kerbside collection service. As Waste Disposal Authority (WDA), Gloucestershire County Council (GCC) has a statutory duty to provide the treatment facility for this.
- 1.1.2 The Gloucestershire Joint Municipal Waste Management Strategy has established objectives and targets for the reduction of residual waste, of which food is a significant component. In response, all Gloucestershire WCAs have invested in collection systems which support this objective. The collection of residual waste on a fortnightly basis in a container with limited capacity is a key component of this, and encourages residents to utilise the separate weekly collection of putrescible (food) waste and the recycling of other materials. These waste collection principles are well established within all kerbside services and help to reduce the amount of residual waste sent to landfill, or more recently to energy recovery.
- 1.1.3 A national Resources and Waste Strategy review is currently being undertaken by DEFRA and consultations are ongoing. This seeks to drive further performance improvement within the sector. This review includes the possible mandating of separate food waste collections, recognising the environmental benefits of recovering the resource value from this material. Reducing and separately collecting food waste for treatment by Anaerobic Digestion remain the preferred approach of national government to managing food waste. Approximately half of English councils currently provide a separate food waste collection. Mandating food collections in future will increase demand for food waste treatment, resulting in a likely increase in costs.
- 1.1.4 In recognition of the investments made by the WCAs in providing separate collection, and the related reduction in waste disposal costs, GCC has agreed to make performance based payments to all WCAs. In addition to the statutory payment of recycling credits required under the Environmental Protection Act, a further discretionary payment has been agreed. A new mechanism for calculating this payment was adopted by GCC cabinet in December 2019. This replaces an existing incentive payment and takes effect in July 2020.
- 1.1.5 In summary, there remains a strong strategic, environmental and financial benefit to the continued separate collection of food waste, and it is the statutory duty of the WDA to provide for the treatment of this material.

1.2 Contract History

- 1.2.1 Food waste collections have been introduced on a district by district basis since 2008. Cotswold District Council (CDC) was the first WCA to collect food waste and this was mixed with garden waste. An 'In-Vessel-Composting' (IVC) contract was established by the county council with a third party contractor in order to provide the treatment service. Over subsequent years, all other WCAs established separate food waste collections which excluded garden waste, with Stroud District Council the last to introduce this service in 2016.
- 1.2.2 In 2014 GCC entered into a five year 'build and operation' contract for the provision of food waste processing via Anaerobic Digestion (AD) with Andigestion Limited. The contract included an option to extend its term for a further two year period. This extension has been exercised, and the contract will therefore expire on 30th September 2021. Since 2014 the contract has provided treatment capacity for separate food waste collected by 5 of the WCAs. This process is not suitable for the treatment of mixed food and garden waste, therefore the mixed food and garden waste from CDC continued to be processed via the IVC contract. In March this year, CDC changed their collection methods and now separately collect food waste without garden waste. This has enabled food waste from all six WCAs to be treated via the AD contract.
- 1.2.3 AD processes, such as that operated by the third party contractor known as Andigestion Limited, are recognised within the industry as being the most environmentally sustainable method of treating food waste. The process produces a renewable energy source in the form of biogas which is fed into the gas distribution network and also produces a nutrient rich organic slurry (digestate) which is used as a fertiliser on farmland.
- 1.2.3 The forecast tonnage of separately collected food waste in 2020/21 is in the region of 23,000 tonnes. The current contract provides flexibility to allow for fluctuations in the amount of food waste collected and there is sufficient capacity within the plant to accommodate reasonable further growth in tonnages.

2. Service Requirements

- 2.1.1 New contract arrangements for the supply of food waste treatment services are required to be in place and operational by 1st October 2021 in order to ensure the continued provision of such services from this date.
- 2.1.2 There are two available technology options for the treatment of separately collected food waste, these being IVC or AD. Whilst IVC has some benefit in creating a compost, AD is best suited to processing food waste in order to maximise environmental benefit, and nationally published average contract prices show that this option could also be preferable in terms of cost. However, the market for food waste treatment could offer both options and a competitive procurement would evaluate all bids on their merits. In all cases, the facility or facilities should be appropriately permitted to operate for the life of the contract and be open to accept waste deliveries at the required times.

2.1.3 The solution must have sufficient capacity to treat at least 23,000 tonnes of food waste. However, recent analysis of Gloucestershire's residual waste has shown that a large amount of food waste is not put out at the kerbside for separate collection, with avoidable and unavoidable food waste still making up around 25% of total kerbside residual waste. Whilst GCC will continue to promote food waste prevention there remains significant potential to separately collect more from households in Gloucestershire. In addition to this, the anticipated growth in household numbers in the coming years is likely to result in a gradual increase in food waste tonnage. Therefore in practice the solution should have the capacity to treat more than 23,000 tonnes, and over the life of the contract this could rise to around 30,000 tonnes. Capacity to treat this amount of food waste could be provided by one or more treatment facilities. Whilst a tonnage guarantee cannot be provided, the contractor can be offered exclusivity of all food waste that is available.

2.1.4 Separate arrangements are in place for the transfer of food waste from the WCA collection areas to the treatment location, and the costs associated with this are not included within the treatment price. The location of the future facility or facilities is therefore an important factor in minimising overall system costs. It is not proposed to include food waste transfer within this contract as the location of the facility or facilities will not be known until tenders are received, but the practicality and cost of transfer using existing prices will be incorporated into the overall tender evaluation methodology. This will be achieved by setting out an estimated cost of waste transfer (on a price per tonne per mile, or per load basis) within the tender documentation. This will be used to calculate any necessary waste transfer costs from WCA areas to the proposed treatment facility/facilities and added to the bid costs in order to evaluate overall costs to the council.

2.1.5 Sufficient local treatment capacity already exists, as evidenced by previous and current contracts. However, in order to potentially attract new competition within the market, the influence of contract length needs to be considered. Due to the significant investment required to establish new facilities, it is unlikely that interest will be generated by a short term contract. Conversely, excessively long term contracts may be limited by licencing and permitting restrictions. It is highly likely that separate food waste collections will continue for the foreseeable future, with a longer term treatment contract offering some certainty for WCAs when procuring collection vehicles. The council is also likely to secure a better price ahead of any national strategy mandate to collect food waste separately, which if introduced, would likely take effect in 2023. It would be prudent to secure this lower price for a longer period of time. Considering all these factors, a contract length of 8 years, with an option to extend by 2 years is deemed appropriate by officers. Further pre-procurement market engagement will, however, be undertaken to inform this decision.

3. Procurement approach

3.1 The new contract will be established through a public procurement law compliant competitive tender process. Tenders will be invited from companies who are able to fulfil the service requirements outlined in section 2 above.

3.2 It is recommended that GCC evaluate tender submissions on the following key outputs:

- that it will provide value for money and be affordable (with an estimate of waste transfer costs also included within the council's evaluation);
- that it will be technically deliverable and operational on time;
- that it will produce high quality products that maximise recycling and energy efficiency performance; and
- that it will be an environmentally sustainable solution and contribute positively to the amelioration of climate change (lifecycle impacts and carbon benefits).

3.3 Tenders will be evaluated on the basis of 70% price and 30% technical/quality. Pass / Fail criteria will be applied to financial standing, to legal and permit compliance, and to an inability to meet the minimum output requirements defined above.

4. Options for Delivery

4.1 There are two options to be considered for providing the food waste treatment service when the current contract expires in September 2021. These are:

1. Doing nothing or stopping the service
2. Re-procuring the service via a public procurement law compliant competitive tender process

4.2 **Option 1- Doing nothing or stopping the Service** – for the reasons explained in section 1, the provision of a treatment solution for separately collected food waste remains a requirement. Option 1 is therefore not considered to be viable, and would be in breach of GCC's statutory duties.

4.3 **Option 2 - Procuring the service from the market** - There is an option to go to the market to re-procure the service. This option would involve the setting up of a project team to deliver a procurement which would involve legal, technical and financial advice. This procurement would need to be via a public procurement law compliant route and could be delivered in time by October 2021.

4.3.1 This option will utilise existing or new treatment capacity. This is likely to result in market competition and a contract would be awarded to the best value offer.

5. Equalities Considerations

5.1 A due regard statement is not needed because no material impact on any of the nine protected characteristics was identified relating to this decision.

6. Officer Advice

6.1 Given the benefits of maintaining a separate food waste treatment service, officer advice is as follows;

a) conduct a public procurement law compliant competitive tender process for the treatment of Gloucestershire's food waste.

b) award the contract for the treatment of Gloucestershire's food waste.

7. Consultation feedback

7.1 No additional consultation is required to support this decision.

8. Performance Management/Follow-up

8.1 Performance monitoring will be an inherent part of the ongoing contract and budget management processes.

Report Title	Procurement of Food Waste Treatment Procurement Services
Statutory Authority	Environmental Protection Act 1990 (EPA 1990);
Relevant County Council policy	Joint Municipal Waste Management Strategy
Resource Implications	These are set out within the Exempt Annex 1. Existing Economy Environment & Infrastructure (EEI) revenue resources will be used to fund this however should there be insufficient resources then central corporate resources will be used.
Sustainability checklist:	
Partnerships	Gloucestershire County Council works in partnership with all Waste Collection Authorities in the county.
Decision Making and Involvement	This decision is made by Cabinet and has been informed by officer discussions with the Gloucestershire WCAs
Economy and Employment	Positive – food waste collection, transfer and treatment provides local employment opportunities
Caring for people	No effect
Social Value	No effect
Built Environment	No effect
Natural Environment' including Ecology (Biodiversity)	The diversion of food waste from the residual waste stream enables its separate treatment, thereby reducing environmental impact. The treatment process produces a natural fertiliser product and returns nutrients back into the food chain.
Education and Information	Food waste recycling is promoted by the Waste Management team.
Tackling Climate Change	Carbon Emissions Implications? Positive Vulnerable to climate change? No
Due Regard Statement	Has a Due Regard Statement been completed? No

Human rights Implications	No effect
Consultation Arrangements	Further consultation is not required.