

MUNICIPAL WASTE MANAGEMENT STRATEGY AND INTEGRATED WASTE MANAGEMENT CONTRACT

PROGRAMME AREA RESPONSIBILITY: ENVIRONMENT

CABINET

15TH JULY, 2004

Wards Affected

County-wide

Purpose

- To approve a Joint Municipal Waste Management Strategy for Herefordshire and Worcestershire.
- To note progress with negotiations on the Integrated Waste Management Contract since the Cabinet meeting on 10th July 2003 and to consider a continued way forward in the negotiations.

Key Decision

This is a key decision.

Recommendations

- THAT (a) The Joint Municipal Waste Management Strategy described at Appendix 1 be approved; and**
- (b) Cabinet authorises the Director of Environment subject to a satisfactory outcome of negotiations in consultation with the County Secretary and Solicitor and County Treasurer and in conjunction with Worcestershire County Council, to:**
- (i) enter into a Variation to the Contract with Mercia Waste Management Ltd, to provide waste processing and recycling plants in order to meet the Councils' Statutory and Voluntary targets as set out in the Joint Municipal Waste Management Strategy;**
 - (ii) enter into an associated Agreement with the Contractor's nominated sub contractor), and/or their funding banks as necessary in order to protect the Councils' interests, for the provision of waste processing and recycling plants.**

Reasons

In May 2000 the Government published "Waste Strategy 2000" which set out a vision for sustainable waste management and the steps by which it can be achieved. Waste Strategy 2000 underlines the importance of having a fully integrated waste management system

Further information on the subject of this report is available from
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based on active partnerships between local authorities. The framework for these partnerships is the development of a Municipal Waste Management Strategy.'

To meet the Council's legal responsibilities under the Waste and Emissions Trading Act 2003 and related legislation and secure the continuation of the existing contract.

Background

At its meeting on 10th July 2003 Cabinet resolved that:

- a. The work of the Members' Waste Forum to minimise waste arising across Worcestershire and Herefordshire be endorsed.
- b. Mercia Waste Management be informed that their latest proposal is not acceptable in its current format.
- c. The Director of Environment, in consultation with the County Secretary and Solicitor, County Treasurer and Worcestershire County Council, be authorised to:
 - (i) Investigate alternative proposals which will:
 - keep the present Contract in existence, ensuring PFI credits are retained;
 - allow local government recycling and diversion targets to be achieved;
 - satisfy local government procurement requirements;
 - have the support of both Worcestershire and Herefordshire Councils;
 - ensure best value in financial terms.
 - (ii) extend the standstill agreement as necessary to progress (i) above.

In addition at its meeting on 23 October 2003 the Cabinet endorsed the Draft of the Joint Municipal Waste Management Strategy for consultation purposes.

Government's Landfill Allowance Trading Scheme (LATS)

1. The Waste and Emissions Trading Act, which was enacted in November 2003, has introduced a Trading Scheme as a means to ensure compliance with the EC Landfill Directive that requires the UK to reduce the amount of biodegradable municipal waste it sends to landfill. Regulations will be introduced to bring the Trading Scheme into effect from 1 April 2005. There will be severe financial penalties for failing to comply (£200 per tonne, approximately 4 times the current average national cost to landfill, with potentially higher costs in the critical years 2010/11, 2013/14 and 2020/21 when no carry or bring forward of trading allowances will be allowed).
2. As an example, if the waste processing plant needed in Herefordshire and Worcestershire are not built in time to divert waste from landfill by 2010/11, the first fixed target date, then the potential penalty could be in excess of ten million pounds.
3. Conversely if the two authorities were in a position to divert more than their targets from landfill, through having surplus capacity in place, they will be able to sell the credits and receive an income or bank them for future use (subject to certain

conditions).

4. Government states that: "Waste Collection Authorities will need to work very closely with Waste Disposal Authorities to ensure that the allowance system works effectively and that the Landfill Directive targets are met. Waste Collection Authorities and Waste Disposal Authorities will also need to work together to discuss the most effective diversion strategy for their area and plan the management infrastructure to achieve the necessary diversion.
5. Provisions in the Waste and Emissions Trading Act require waste disposal and waste collection authorities (with some exceptions) to produce a Joint Municipal Waste Management Strategy to ensure a partnership approach to local waste management planning"

Joint Municipal Waste Management Strategy - Consultation

6. Following Cabinet's approval last October of the draft for consultation, the Councils received 503 responses to the postal based survey and 41 to the web based survey. Of these 97% (postal) and 93% (web) strongly agreed or agreed with the broad principles of the Strategy. In addition to these responses, the Councils also received more detailed written responses from 19 organisations.
7. Copies of a summary of the postal survey, web based survey and written responses to the Consultation Process are available in the Members' Room together with the consultative draft.
8. These were considered by the Joint Members Waste Forum at its meeting on the 27 May 2004. As a result the Forum has recommended detailed changes to the Strategy and a full Erratum Sheet showing these proposals to form the final version of the Strategy is enclosed at Appendix 1. The tonnage data tables, figures and appendices will be updated with audited information prior to the printing of the final version of the Strategy.
9. A significant opportunity has emerged during the consultation period to take advantage of new technology in materials recycling facilities. As a result of developments in automation, separation and home kitchen waste sink disposal unit technologies; it has been possible to review the policy for the integration of waste collection and processing facilities.
10. A further consideration was that to maximise participation in waste minimisation, retention and recycling, the collection arrangements should be as simple as possible.
11. Accordingly the joint Members Waste Forum has asked officers to fully investigate the cost and environmental benefits of systems that embrace latest technology to maximise participation in waste minimisation and simplify collection.
12. Further variations to the contract could be necessary should the evaluation find beneficial proposals worthy of implementation, for example to take advantage of emerging automated materials recycling.

Investigation of Alternative Proposals for the Waste Management Contract

13. Following Cabinet's July 2003 resolution, work has continued on identifying alternative technologies that will (a) meet the statutory targets for diversion of waste

from landfill and recycling and composting, (b) be acceptable in land use planning and BPEO (Best Practicable Environmental Option) terms, (c) be affordable within the cost envelope of the contract (allowing for the additional costs of changes in law etc.) and finally (d) bankable in project finance terms.

14. Last September Mercia Waste Management proposed a solution based on entering into a sub contract for the provision of an appropriate number of 'FibreCycle' plants as the potential way forward. Since then negotiations and investigations have continued to ensure the robustness and cost effectiveness of the proposal.
15. The FibreCycle technology proposed is based on an autoclave system that heats the waste to 150 degrees centigrade for nearly an hour, followed by mechanical separation of the constituent parts into traditional recyclate (metals, plastics etc) and a fibre consisting of the organic fraction of the waste. The fibre can then be mixed with other materials to manufacture a variety of recycled products such as substitute wood and construction materials.
16. A FibreCycle company built a demonstration plant as part of the planning consultation last September in respect of their planning application for a full size plant to be located at Madley near Hereford. Herefordshire Councillors and Worcestershire County Councillors were invited to attend the demonstration, as were members of the Joint Municipal Waste Forum. Planning permission was granted for the plant on 6th April 2004.
17. The same company are now preparing to submit an application for a second 100,000 tonne per annum plant in Worcestershire in the very near future and are also seeking a suitable Worcestershire site for a third plant.

Commercial Implications

18. Discussions with both main and proposed sub contractors to reach the basis of a variation to the main contract and a sub contract agreement are on going.
19. As a result of changes in legislation since the original Contract was devised (for example District and County Council recycling targets and Landfill Allowance Trading) a number of activities that were originally within the remit of the contractor are now with the Waste Disposal and Collection Authorities.
20. For example the need to actively manage the growth in waste arising and District Council recycling. The benefits of joint local authority working through the Joint Members Waste Forum, has been clearly demonstrated by the latest results in Best Value Performance Indicators (as shown at Appendix 2) and reinforces the need to develop this work. The target proposed in the Waste Strategy of restricting growth in waste arising to the 2001/2002 levels of kg/person/year will require innovative management and significant resources to ensure that this will be achieved – details are set out in the associated finance report.
21. In terms of infrastructure the Contract will now deliver three 100,000 tonne FibreCycle plants, which will recycle at least 40% and divert over 80% of incoming waste from away from landfill.
22. In addition, further improvements to Household Waste Sites and new Recycling Centres, compost plants and additional pre-sorted material recovery facilities will be provided.
23. The Contractor remains responsible for:

- Planning Risk;
- Handling the growth in waste arising;
- Increasing recycling from Household Waste Sites to minimum levels of 50% in 2005 and 55% in 2010;
- Delivering the diversion from landfill targets;
- Delivering the recycling and composting targets, in conjunction with the Waste Collection Authorities.

Economic Development Implications

24. A key part of the Fibrecycle process is the establishment of downstream industries who will use the fibre produced from this new technology in a number of ways.
25. Both Herefordshire and Worcestershire have the opportunity to be at the leading edge of waste recycling technologies whilst at the same time progressing sustainable economic development opportunities.

Financial Implications

26. The financial Implications are set out in the confidential section of this Report.

Risk Management Implications

27. These Fibrecycle plants will be the first full scale production plants of this type in the UK. Their **technology** has been assessed by Defra and the Environment Agency's New Waste Management Technology team and both have supported the proposals. The process is based upon proven and available technologies and a considerable amount of operational data obtained from the demonstration plant.
28. The main risk surrounding the Fibrecycle process is the **saleability of the fibre** that is produced. Estech have secured, in commercial confidence, a number of major contracts for the use of the fibre in recycled products such as substitute wood and concrete products. However, Defra in their consultation response to Herefordshire Council in relation the planning application pointed out that "... use as a fuel is probably the most secure outlet and may benefit from a premium price if the quality and type of use qualifies it as a renewable energy source which benefits from the Renewable Obligation ...". This risk is at its highest in the early years as the markets for the fibre are developing.
29. **Performance risks** in terms of the amount of waste recycled and diverted from landfill have been assessed. The diversion aspect is covered above and the contract will have a guaranteed level of recycling with penalties for under delivery. However, the risk of increasing kerbside recycling adversely affecting the amount of recyclate that can be recovered from the residual waste stream, to be handled by the Fibrecycle process, has been subject to trial and not found to be significant as the fibre is the dominant element of this (up to 60% of incoming residual waste).
30. **Planning risks** have reduced now that the BPEO is in place and the first plant has received consent. However a judicial review of the planning decision at Madley has been threatened. The Fibrecycle process is considered benign which makes it much more acceptable than the previous waste to energy proposal. However, timing of the

planning and related consents is the key to the delivery of the Waste Management Strategy.

31. **Landfill Allowance Trading Risks.** The greatest risk of course is that the project does not proceed beyond the Standstill Arrangement and subsequently terminates, leaving both Herefordshire Council and Worcestershire County Council with the consequential costs and liability for re-procuring and further time delays and additional costs, rendering both authorities unable to meet the diversion targets and consequential implications of having to purchase landfill allowances and being penalised for not meeting the fixed targets in the key years.
32. **Financial risks** are outlined in the financial report in the confidential section of the agenda.

Operational Implications

33. In addition to Mercia Waste Management's main contractor role under the proposed arrangements, they will be focussed on delivering high performance from the Household Waste Sites, the overall management of the logistics, bulking bays, the pre-sorted material recycling facilities and landfill site.
34. The significance of the recycling, green-waste and diversion from landfill opportunities at Household Waste Sites is large given the high growth in use of these facilities. Variations are proposed to the Contract to ensure better performance than that originally envisaged in the Contract

Consultees

Worcestershire County Council.

Background Papers

None identified.