

WASTE MANAGEMENT UPDATE

Purpose of Report

1. To inform the Committee of the current position with regard to two key waste management projects within Wiltshire.

Background

2. As Members are aware, the Landfill Allowance Trading Scheme (LATS) introduced in 2004 provides decreasing annual allowances for Waste Disposal Authorities to landfill residual waste until 2020. Those Councils which exceed their allocations could be fined £150 per tonne for each tonne of biodegradable waste that they landfill in excess of their allowance. Since 2004 Wiltshire Council (and the former County Council) has been working to secure suitable arrangements for the diversion from landfill of a minimum of 100,000 tonnes of municipal solid waste (MSW) each year. This will enable the Council to manage its waste in a more sustainable way and considerably reduce the risk of the Council incurring fines.

Lakeside Energy from Waste Plant

3. A significant milestone was reached in March 2007 with the signing of a contract with Hills Waste Solutions for the delivery of 50,000 tonnes of waste each year to the Lakeside Energy from Waste facility at Colnbrook near Slough. Deliveries to this plant commenced in June 2009 and the facility received its independent certification in January 2010. Operation of this contract has proceeded as planned and there are no issues of note to report at this time.
4. This report has been prepared in response to a request from the Committee for updates on the contract to deliver waste to a Mechanical Biological Treatment plant (MBT plant) in Westbury and the joint project with Swindon Borough Council (SBC) to manage residual waste in the north of the County.

Main Considerations for the Council

Mechanical Biological Treatment Plant

5. In 2005 the Council confirmed its commitment to proceed to the award of a second waste diversion contract, based upon a Hills/Entsorga tender for treatment of 60,000 tonnes of residual waste each year for a period of 25 years. Negotiations have continued with Hills Waste Solutions for the construction and management of a MBT plant at Westbury with planning permission being granted by Wiltshire County Council's Regulatory Committee on 18 March 2009.

6. This contract will provide for the delivery of 60,000 tonnes of MSW, predominantly from the West and North of Wiltshire to the plant which will, in turn, produce a solid recovered fuel (SRF) to be delivered to a plant in either Germany or the Netherlands by means of a sub-contract for the early years of the main contract. The SRF will initially be used as fuel to produce electricity but in future may be used as fuel for a cement production facility.
7. The plant will be managed and maintained by Hills who will also provide landfill capacity for any outputs that cannot be either recycled or used as fuel. The contract will specify production of a minimum of 20,000 tonnes of SRF per annum. However, there is scope for the target to be exceeded given that technical modelling indicates the potential to produce in excess of 30,000 tonnes of SRF from the contracted delivery of 60,000 tonnes of MSW each year.
8. Cabinet, at its meeting on 23 March 2010, gave approval for negotiations on this contract to be concluded by the Service Director Waste Management and for the contract to be awarded, subject to appropriate Member and Officer approval, to Hills Waste Solutions for a period of 25 years. Taken together with the Hills/Lakeside contract, this will enable the Council to achieve one of the priorities set out in the new Corporate Plan – to reduce the amount of waste sent to landfill to 25% of the MSW total.
9. It is currently anticipated that contract signature will follow within six weeks of the consideration of this report.

Joint Procurement with Swindon Borough Council

10. The combined impact of the Lakeside and MBT contracts should allow the Council to avoid incurring penalties until approximately 2019. To guard against the likelihood of exposure to fines after 2019, the probability of increasing cost pressures of landfilling, and the possibility of further restrictions (possibly an outright ban) on certain types of waste being deposited in landfill, Wiltshire Council and SBC commenced work on a joint project.
11. An Outline Business Case (OBC) was developed and subsequently approved by Cabinet at its meeting on 20 October 2009. This OBC identified the preferred technology options (following evaluation against a range of technical and other criteria) which would allow each Council to meet anticipated landfill diversion requirements until 2035. Procurement was authorised with a view to the new facility becoming operational in 2016, subject to SBC Cabinet agreeing that the procurement project commences.
12. However, subsequent to Wiltshire Council Cabinet approval, the Council was notified that SBC would be seeking an alternative arrangement in conjunction with its in-house service provider, Swindon Commercial Services. This decision was confirmed by SBC Cabinet at its meeting on 20 January 2010, so this collaboration is effectively terminated.
13. The Waste Management Service will soon commence a project to investigate alternatives to the former joint procurement that will replace the existing landfill and recycling contract from 2016 and will allow Wiltshire to remain LATS compliant beyond 2019. Consideration will be given to a solution that would also provide the flexibility for the Council to divert significantly more residual waste from landfill, than would be necessary simply to avoid LATS penalties. Such preparations would be consistent with the suggested ambitions of each of the main national political parties to move (to varying degrees) toward a zero landfill policy for MSW.

Environmental Impact of the Proposal

14. Landfilled waste includes a significant proportion of biodegradable matter which produces methane, a potent greenhouse gas which is more than 20 times as harmful to the environment as carbon dioxide. Each of these diversion projects will substantially reduce methane emissions.
15. Each initiative entails the transportation of waste and in the case of the MBT plant, the output will be transported abroad, at least during the early years of the contract. However, these impacts are viewed as unavoidable if Wiltshire is to reap the greater benefits of reduced methane emissions and longer term mitigation of the increasing costs of disposal of waste to landfill.

Equalities Impact

16. There are no known impacts at this point.

Risk Assessment

17. Whilst Landfill Tax will rise at a predetermined rate of £8 per tonne each year to 2014/15, there is a possibility that it will continue to rise beyond that date as the government seeks to divert more waste from landfill. Failure to plan for and commit to diversion projects could result in the Council incurring significant additional costs in the future as landfilling would remain a necessity. Government is also consulting on banning certain types of waste from landfill which would expose the Council to further increases in costs were arrangements not in place to manage these types of waste more sustainably.

Financial Implications

18. The precise implications, in terms of contract costs, are bound by considerations of commercial confidentiality. However, financial modelling to develop Benefit Realisation Profiles for both Lakeside and MBT projects has been carried out with input from the Treasurer. The most realistic scenario for the Lakeside Profile assumes a cumulative benefit of £5.9m by 2016/17. Similarly, the MBT Profile shows a projected cumulative benefit of £6.5m by 2016/17.
19. Financial modelling to determine future cost benefits to the Council is based upon certain assumptions, including future LATS fines of £150 per tonne, where applicable, and Landfill Tax continuing to increase at £8 per year from its current rate of £48 per tonne to £80 per tonne in 2014-15. Thereafter, the tax is projected to continue rising, albeit at a slower rate. These costs must be added to the contract prices of depositing waste in landfill sites in order to establish the total cost of landfill.
20. External financial advisors have reviewed the Council's and Hills' financial models. Financial implications of awarding the Lakeside and MBT contracts have been considered by Cabinet. The Council's Chief Finance Officer will be fully briefed prior to advising the Leader of the Council on approval of the final terms of the proposed MBT contract.

Legal Implications

21. External legal advisors have worked with officers to develop the documentation for the proposed MBT contract and to provide support during negotiations. Specific legal implications have been considered by Cabinet and approval of the final terms of the contract will be sought from the Leader of the Council after receiving advice from the Solicitor to the Council.

Proposal

22. That the Committee notes this update.

TRACY CARTER

Service Director

Waste Management

Department of Neighbourhood & Planning

Report Author

JOHN GEARY

Head of Waste Management Transformation

The following unpublished documents have been relied on in the preparation of this Report:

None.