

Oxfordshire residual waste treatment procurement – context and procurement process

Introduction

1. This annex explains the context and drivers for the procurements and describes the process that has been followed up to selection of Viridor as preferred bidder. It also describes the activities undertaken to inform people about the project as it has progressed.

Procurement Context

2. The procurement of residual waste treatment facilities is required to meet EU Landfill Directive targets and reduce the amount of waste sent to landfill. The Directive seeks to reduce substantially the amount of biodegradable municipal waste that is sent to landfill in order to reduce emissions of greenhouse gases, and in particular methane. Under the Landfill Allowance Trading Scheme (LATS), the council is allocated certain allowances relating to landfill of biodegradable municipal waste (BMW). The amount allocated reduces each year up to 2020. If the council landfills more than its allowances in any one year then it would need to purchase allowances from other Authorities at a price determined by supply and demand. It is possible no allowances would be available for purchase. In this case OCC would be liable for a fine of £150 per tonne of municipal BMW landfilled in excess of its allowance.
3. In addition the Government has increased the amount of landfill tax payable per tonne of waste landfilled since the selection of the preferred bidder. Landfill tax is currently £48 per tonne and is increasing by £8 per year until 2014 when it will be £80 per tonne. This will place a significant financial burden on the council estimated to be approximately £1m every year.
4. Therefore the prime purpose of the contract is to divert municipal waste away from final disposal in landfill sites to a treatment process that will enable value to be recovered from it in accordance with the waste hierarchy. The waste hierarchy sets out in simple terms how waste should be managed, starting with reduction at the top, then re-use, recycling, recovery and finally disposal as the last resort.
5. Oxfordshire is implementing the waste hierarchy through the Joint Municipal Waste Management Strategy developed by the Oxfordshire Waste Partnership (OWP) and agreed by all the Oxfordshire local authorities in 2006. The strategy sets targets to reduce the rate of waste growth per household to 0% by 2012 and increase recycling and composting to at least 55% by 2020. In 2009/10 Oxfordshire achieved a recycling and composting rate of 48.75%, and is expected to exceed the target of 51% for this year.
6. In line with the Joint Municipal Waste Management Strategy, the council has facilitated the increase in recycling and composting rates through investment in

infrastructure by letting a contract for food waste treatment. This contract has resulted in the delivery of an in vessel composting facility which opened in February 2010, and an anaerobic digestion facility is due to open in August/September 2010. A second anaerobic digestion facility will be delivered in the southern half of the county. The council is also planning improvements to the waste recycling centres including reuse facilities. Together with improved waste collection service this is a significant commitment towards delivering the Oxfordshire Joint Municipal Waste Management Strategy.

7. However, the strategy recognises that waste reduction, reuse and recycling will not be sufficient in themselves to meet landfill diversion targets. Policy 9 of the strategy is to recover value from residual waste to meet LATS targets. The policy does not specify the technology to be used but states that it must be safe and not a substitute for re-use, recycling and composting. The proposed contract will implement this policy and is entirely consistent with it.

Procurement process

8. The Cabinet considered the outline business case (OBC) on 19 September 2006. Following an options appraisal of alternative technologies the OBC concluded that a business case could be made for treatment technologies involving energy recovery. However, no technologies were ruled out as it was recognised that their true costs and benefits would not be truly known until bids were made. The Cabinet authorised the start of the procurement on a technology neutral basis, a Public Private Partnership (PPP) style of contract, and using the competitive dialogue procurement process under the Public Contracts Regulations 2006.
9. The contract was advertised in March 2007. The prequalification stage established which interested companies had sufficient technical and organisational experience and financial standing to be able to deliver the services required. Eight companies qualified and in August 2007 were invited to participate in dialogue and submit outline solutions for how they would propose to treat Oxfordshire's residual waste. The eight companies were – Cory Environmental, Covanta Energy, Global Renewables, Hills Waste Solutions, SITA UK, Veolia Environmental Services, Viridor, and Waste Recycling Group (WRG). Two of these subsequently withdrew from the procurement (Global Renewables and SITA UK). Six outline solutions were submitted in October 2007 and for residual waste treatment all proposed energy from waste technology involving incineration with energy recovery.
10. On 15 January 2008, the Cabinet endorsed the selection of Viridor and WRG to participate in the detailed stage of the competitive dialogue procurement with solutions based at (respectively) Ardley and Sutton Courtenay. Both proposed 300,000 tpa EfW facilities.
11. On 29 February 2008, the invitation to submit detailed solutions was issued to Viridor and WRG. Dialogue meetings were held with both companies to provide them with the opportunity to clarify the council's requirements and to develop their solutions to meet these needs.

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12. The detailed solutions were submitted on 25 July 2008 and were then evaluated by the council's project team. The evaluation confirmed that both companies had potentially acceptable solutions and that dialogue should continue with both of them. An intensive period of dialogue was then conducted from October 2008 to March 2009 to develop the detailed technical solutions and progress commercial and contract negotiations.
13. The dialogue was closed in early April 2009. On 8 April 2009 both companies were invited to submit final tenders, which were submitted on 1 May 2009. The final tenders were subject to rigorous evaluation using the technical, financial and legal criteria which were previously provided to the bidders. Details of the key characteristics of the tenders submitted by Viridor and WRG were set out in the detailed report to cabinet considered on 7 September 2009. The evaluation demonstrated that Viridor had submitted the most economically advantageous tender as assessed against the detailed published evaluation criteria and that their offer was acceptable to the council in terms of price and risk allocation. On this basis Cabinet resolved to select Viridor as preferred bidder on 7 September 2009.

Consultation and engagement

14. A number of steps have been taken both before and during the procurement process to keep people informed about the project. These are as follows;
 - Waste debate – in 2004 the council ran a programme of public debates on waste treatment to raise awareness of the need for change. A wide range of views were expressed and both positive and negative aspects of energy from waste (EfW) were raised. However, no particular technology preference was expressed overall.
 - Consultation on the Oxfordshire Joint Municipal Waste Strategy – in June 2006 the OWP launched a countywide public engagement exercise “No time to waste” to raise awareness of and generate debate on the waste management issues facing Oxfordshire. The exercise was publicised through radio and bus advertising, and 17,000 booklets were distributed through libraries, leisure centres, council offices and other public building, and 15 road shows held throughout the county. The OWP received 891 responses which were taken into account in developing the strategy. Most respondents (over 500) were concerned about the need for reductions in packaging and increased recycling. The responses included over 350 pre-printed Friends of the Earth responses which supported the use of Mechanical Biological Treatment (MBT) and in-vessel composting to treat residual waste rather than incineration. Of the other responses 53 were against incineration, 43 were in favour of MBT, and 24 were in favour of incineration.
 - Presentations to other authorities – the project team offered all the district councils in Oxfordshire presentations about the procurement, and presentations were made in 2008 to Cherwell, South Oxfordshire and the Vale of White Horse District Councils. A presentation was also made to parish councils in the Ardley area at the request of the local county council member.

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- OWP – the partnership has received regular updates about the project at OWP meetings and is represented on the project board and project team. The project team have liaised through the OWP with the district councils as Waste Collection Authorities on technical matters as the project has developed.
 - Web site – the “alternatives to landfill” pages on the council’s web site have been regularly updated and include a variety of questions and answers about the technology and procurement process and a dedicated email address for enquiries.
 - OCC member updates – a series of regular email updates have sent to all councillors during the procurement to keep them informed and explain progress. The Cabinet is also represented on the project board by two Cabinet members.
 - Visits to facilities – visits to waste facilities have been made before and during the procurement. In 2006 officers and members from the OWP visited an EfW plant, materials recovery facility (MRF) and windrow composting in Hampshire, an MBT plant in east London, and in-vessel composting facilities in north London and Buckinghamshire. As part of the procurement process, key members of the project team visited reference EfW plants given by the two bidding companies at the invitation to submit detailed solutions stage of the procurement as similar to their proposals for Oxfordshire. The visits were also attended by the Deputy Leader of the Council on behalf of the project board. More recently, the Cabinet member for Growth and Infrastructure has visited two EfW plants and a MRF in Hampshire. A team consisting of the Head of Waste Management and the council’s technical advisors visited a plant in Belgium to view the boiler system that is proposed for the Ardley facility in use.
15. Public consultation on the planning application for the Ardley facility was undertaken by planning officers and the responses to these were considered by the Planning and Regulation Committee in determining the application. Viridor has taken steps to keep local people informed about their proposals, for example by holding public exhibitions and writing to local stakeholders. Consultation has recently been carried out on Viridor’s revised planning application and the results of this consultation will be reported to Planning and Regulation Committee in due course. The Environment Agency has also undertaken consultation on the application for the environmental permit for the facility and has recently published for consultation the draft environmental permit they are minded to issue.