

# North Somerset Council

## Report to the Executive

**Date of Meeting: 08 February 2023**

**Subject of Report: Commissioning and procurement plan for the treatment of food waste.**

**Town or Parish: All**

**Officer/Member Presenting: Councillor Mike Solomon, Executive Member for Neighbourhoods and Community Services**

**Key Decision: Yes**

**Reason: The decision is over £500k and affects more than 2 wards**

## Recommendations

That the Executive approves the commissioning and procurement plan for the treatment of food waste.

### 1. Summary of Report

1.1 The Council has a statutory duty to collect and arrange for the receipt and disposal of household waste and other waste arising within North Somerset. The treatment of food waste is currently included within this arrangement.

1.2 In a wider piece of work supported by market experts Eunomia it is proposed that the existing waste contract arrangements for the haulage and disposal of certain waste streams be separated into smaller lots than the current contract. This is to maximise the opportunity for obtaining best value, and to enable the food waste procurement to commence early in order to secure the required contract. It is recommended that separate commissioning and procurement plans are taken forward for each element as follows:

- 1.2.1 Management of its Aisecombe Way Transfer Station (WTS) for residual waste and garden waste.
- 1.2.2 Haulage of its waste streams to their various treatment locations.
- 1.2.3 Treatment of food waste with the option to include haulage
- 1.2.4 Treatment of garden waste with the option to include haulage
- 1.2.5 Treatment of some residual waste on a “contingency” basis when NSC’s main residual waste treatment facility is unavailable

1.3 This report addresses the third element above: the treatment of food waste, circa 7,500 tonnes per annum

1.4 The commissioning and procurement plan recommended in this report proposes that we procure the treatment of food waste earlier than the remaining procurement requirement owing to specific circumstances for this waste stream, including:

- future market capacity impacted by the requirement for additional Local Authorities procuring food waste next year due to new legislation and;
- an opportunity to achieve improved rates on the current prices and before the market sees an increased demand potentially leading to increased rates

## **2. Policy**

2.1 This commissioning and procurement plan will support the council's wider ambitions for North Somerset to provide:

- Welcoming, safe and has clean neighbourhoods
- Professional, efficient, effective services
- Collaborate with partners to deliver the best outcomes
- Embrace new and emerging technologies
- Manage our resources and invest wisely

2.2 The plan is underpinned by:

- The [Recycling and waste strategy](#)

## **3. Details**

### **Introduction**

#### **Current contract arrangement**

3.1 North Somerset Council currently has a contract with Enovert Ltd for the delivery of the following services:

- Management of its Aisecombe Way Transfer Station (WTS) for residual waste and garden waste.
- Haulage of its waste streams to their various treatment locations.
- Treatment of:
  - Food waste, circa 7,500 tonnes per annum (Treatment is undertaken by Biogen at their Aisecombe Way facility, under subcontract to Enovert)
  - Garden waste, circa 16,000 tonnes per annum
  - Some residual waste on a "contingency" basis when NSC's main residual waste treatment facility is unavailable

3.2 This contract expires on 29<sup>th</sup> February 2024, with no further option for extensions.

3.3 In preparation for the waste disposal and transfer station contract expiry, NSC commissioned Eunomia Research & Consulting Ltd to undertake market research and a desktop financial and qualitative analysis in order to shape a commissioning strategy for these services, which aligns with the authority's strategic, financial and climate objectives. This commissioning and procurement plan has taken the findings of the Eunomia commission and used it to shape this commissioning and procurement plan in particular the route to market and evaluation criteria.

3.4 Regarding the remaining elements of the current contract arrangement, both garden waste and residual waste will be procured as separate commissions in 2023 with

potential collaboration opportunities with neighbouring authorities. In addition, the Council are in discussions with NSEC with regards the waste transfer station (WTS) and haulage. Following the evaluation of their proposal in early 2023, should the decision be made not to award the WTS and haulage to NSEC we will procure this on the open market later in 2023.

### **Treatment of food waste**

3.5 Following the introduction of the Environment Act 2021 which introduces changes to waste collection so that food waste must be collected separately, and at least once a week. The expected deadline for Local Authorities to comply with this requirement has yet to be confirmed but is anticipated to be by 2025. It is understood that anaerobic digestion,<sup>1</sup> (AD) is already limited nationally and as more Local Authorities move into compliance, it is possible that the market will see a further reduction in AD capacity. In which case, costs (i.e., gate fees) to NSC could increase due to increased demand and reduced supply. Therefore, indicating that securing food waste treatment capacity as a separate lot, as soon as practicable and before the other elements of the current contract are procured is the appropriate approach to take.

3.6 In summary whilst this contract does not expire until March 2024, we are taking the opportunity to go to the market for the treatment of food waste earlier than needed to ensure we put ourselves in a strong position to capture market capacity and a competitive price

3.7 Following conversations with Enovert is not anticipated that TUPE will apply.

### **Requirement**

3.8 This contract is for the receipt and treatment of food waste and will have the option to include haulage.

3.9 The Council operates a weekly food waste collection service to approximately 92,115 homes within the district via its standard kerbside sort collections. This service was first introduced in 2010 and is well established.

3.10 In 2019 the councils commercial waste service began a food recycling option to business customers and currently 50 local businesses including schools, restaurants and care homes, receive a regular collection of food waste via their commercial arrangement with the Council. The council is keen to explore innovative ways of capturing more food waste from businesses within the district in partnership with the contractor. In addition, during the last 3 years, a food waste recycling service has been rolled out to residential flats with varying degrees of success in capture rates, something we are also keen to address and make improvements on.

3.11 Therefore, with the increasing volume of food waste being collected, we require a contractor who is able to flexibly deal with the increased tonnages as we improve the collection rates and this will form part of our specification and quality assessment.

3.12 The anaerobic digestion process produces electricity and gas with the potential for this to be utilised by North Somerset Council. As such this will form part of our assessment of bids in terms of the scale and benefits of the opportunity.

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<sup>1</sup> Anaerobic digestion – the decomposition of sewage or other organic waste material by anaerobic microorganisms, typically used as a means of waste disposal or energy production

3.13 Whilst conversations continue with regards the waste transfer station and haulage of the existing arrangement managed by Enovert, we will be taking the opportunity with this procurement to add in an option for all tenderers to price up the haulage requirement which will then be considered as an option at the contract award stage following an evaluation process. This will enable us to ensure best value for the haulage element.

### **Contract structure and value**

3.14 With the consideration of the current market and its increased interest in the treatment of food waste, it is anticipated that the value of this contract is likely to be around £100,000 per annum. This tender opportunity includes an option to provide haulage, the value of which is anticipated to be around £37,000 per annum. Therefore, the potential value of this contract is £1,918,000.

3.15 It is proposed that the initial term be 7 years with options to extend up to 7 years (12-month options).

3.16 The contract term will commence on 1 March 2024.

### **Lessons learned from previous projects**

3.17 The team have met with colleagues at Bath & North East Somerset to discuss the recent food waste tender that they ran earlier this year. Their feedback on the process, the interest in the tender and the responses received has shaped the decisions made and captured within this paper.

3.18 In particular when Bath & North East Somerset went out to the market they did not include within their quality assessment the opportunities around the generation of energy, though when bids were received, half of the contractors offered some sort of benefit around the energy derived from the food waste. We will therefore prompt the bidders to consider what benefit they can offer to NSC and will evaluate as part of the quality assessment.

### **Market**

3.19 Leading industry experts, Eunomia, were engaged in the project in preparation for the end of the food waste contract. The team undertook market research and a desktop financial qualitative analysis, this included testing the market appetite for this type of contract and any potential complications.

3.20 Together, the NSC Waste Team and Eunomia identified several suppliers that could deliver a contract of this size.

3.21 Four local businesses were contacted for informal market engagement and of those, three expressed their interest in the contract.

3.22 When discussing food waste treatment with the market, all suppliers stated that it would not impact their decision to bid if food waste treatment were separated from other services. Indeed, for some, a dedicated procurement of food waste is desirable. All suppliers stated that inclusion of haulage for the food waste was not a deal breaker but

would be useful to include as an option as this could deliver some efficiencies that could result in cost savings for the authority.

3.23 Following our market engagement, it is anticipated that we should receive around 5 submissions.

### **Route to market**

3.24 It is proposed to run an open tender process (one stage evaluation) following the find a tender service (FTS) requirements. This decision is based on the research of the marketplace as outlined above, combined with our recent conversations with Bath and North East Somerset Council that ran this procurement in 2021.

### **Programme**

<b>Action</b>	<b>Timing</b>
Market engagement	November 2022
Commissioning/procurement plan – Executive	February 2023
Formal FTS advert	February 2023
Tender advertised on the portal	February 2023
Tender closes	April 2023
Evaluation of tenders	May 2023
Contract award	June 2023
Contract commences	March 2024

### **Governance**

3.25 This commissioning and procurement plan is subject to approval by Executive.

3.26 Following the procurement, the contract award report will require a director's decision with advice from S151 Officer and Head of Strategic Procurement.

### **Evaluation criteria**

3.27 It is proposed that a **60/30/10** price/quality/SV evaluation criteria is used. The rationale for the criteria is based on the following factors:

1. A clear minimum standard for all elements of the service will be set out in the specification which will ensure suppliers understand the requirements of the contract.
2. A scoring threshold on the quality questions may be introduced. A tenderer who fails to meet the minimum required score for those questions will have their tender submission declined. This ensures that the winning tender meets the required minimum standard of quality whilst ensuring the competitive pricing of the contract.

### Pre-qualification stage

3.28 There are a number of pass/fail requirements as part of the pre-qualification assessment, Selection Questionnaire (SQ). These include:

- Financial Viability
- Health & Safety
- Equalities & Diversity
- Insurances
- References from similar contracts

3.29 All suppliers that pass the initial pre-qualification checks will have their remaining tender evaluated for both their price and their qualitative assessment.

### Pricing and qualitative evaluation

#### **Pricing evaluation – 60%**

3.30 For evaluating the overall price from each supplier, it is proposed to use the standard cost evaluation method, which is widely used within the Council.

3.31 The tender with the lowest total price will receive the maximum score of 100 (weighted at 60%) and the prices of all other tenders will be expressed as a percentage of the maximum score.

#### **Pricing schedule**

3.32 There will be two elements to the pricing schedule:

1. The treatment of food waste which will be evaluated based on a price per tonne. Prices will be requested based on several tonnage ranges to allow for variable rates (an estimate on tonnages will be provided in the specification and used to calculate an annual cost).
2. The option around haulage will be evaluated based on a cost per haul (average weekly hauls will be detailed within the specification and used to calculate an annual cost).

N.B due to the option around haulage, the invitation to tender documents will clearly indicate the two criteria for evaluation. i.e. the evaluation of the bids in terms of the quality assessment and the pricing assessment, with and without haulage included.

#### **Quality assessment – 30%**

3.33 The areas that will form part of the quality evaluation include:

- Part one – delivery of the service including treatment process, compliance with regulations, business continuity, capability, and capacity to deal with fluctuating volume, the output materials and how they might be reused/sold.
- Part two – operations and management including transport and haulage plan, specification of haulage assets and maintenance plan, management of incoming deliveries, measurement and turnaround targets.
- Part three – monitoring and added value including customer care and communication, carbon management, energy generation and opportunities for NSC, environmental control.

## **Social value evaluation – 10%**

3.34 In accordance with the Council's social value policy, 10% of the overall weighting will be for bidders to propose their tangible social value commitments.

3.35 During the tender process, bidders will be asked to enter their social value commitments on the social value portal. The social value portal utilises the national themes, outcomes and measures (TOMs) to calculate social value contributions, which enables NSC to gain a greater understanding of the value of bidders' commitments and to evaluate social value tender responses quantitatively as well as qualitatively.

3.36 For the food waste treatment procurement, the project team are proposing to use social value portal to undertake both the evaluation of the social value responses and ongoing contract management of the social value commitments provided by the appointed supplier. This service will cost 0.20% of the contract value and will be paid by the winning bidder direct to the social value portal.

## **Evaluation panel**

3.37 The evaluation panel will consist of:

- Head of Environment and Safer Communities
- Project Manager
- Systems & Compliance Manager
- Waste & Cleansing Contracts Manager
- Waste Minimisation Team Leader

3.38 With regards the pre-qualification sections of the SQ, whilst Procurement will take the lead, advice will be sought from the following officers:

- Health & Safety Manager
- Financial Audit February
- E & D Manager
- Climate Emergency Project Manager

3.39 The evaluation moderation session will be facilitated by the Strategic Procurement Lead Officer.

## **Contract management**

3.40 Once the contract is in place, the contract will be managed by the Head of Environment and Safer Communities and the waste team. Regular meetings will be held with the winning provider to ensure compliance with the contract, the specification and the KPIs.

3.41 A contract management plan will be created following award by the Strategic Procurement Lead Officer and passed over the contract manager to use during the term of the contract as a live document. This will include a summary of the social value, quarterly performance reviews will be held between procurement and the contract lead and fed back to Place Directorate quarterly DLT.

## 4. Consultation

Stakeholder	Consultation
Enovert	Briefing with current contract suppliers with regards the contract ending 29 February 2024. Timescales shared for future contract tender
Local market suppliers	Soft market testing through Eunomia consultation Further engagement by Project team with 4 suppliers to gauge interest Timescales shared for future contract tender
Exec Member/ Climate Exec Member	Monthly briefings on project progress and discussion of risk register As required for the Exec Member for Climate Emergency & Engagement
Place Scrutiny	Overview of project and key drivers
Waste board/ NSEC	Monthly briefings on project progress and discussion of risk register

## 5. Financial Implications

### Costs

It is anticipated that the contract will cost c£100k for the treatment of food waste and c£37k for haulage (if the option is included).

### Funding

The costs will be funded by the existing revenue budget. The total budget is £2m for all elements of the existing contract.

## 6. Legal Powers and Implications

6.1 Section 57 of the Environment Act 2021 amends section 45A of the Environmental Protection Act 1990 to include a new requirement on Waste Collection Authorities (WCAs) to collect food waste from households on a weekly basis. Commencement regulations will bring this requirement into force in due course.

6.2 The procurement process will follow legislation as laid down by the PCR 2015.

## 7. Climate Change and Environmental Implications

7.1 A Climate Emergency Risk Assessment has been produced to identify any environmental risks or opportunities. The outcome of this was that both the specification and quality section have been developed to reflect the requirement for minimal environmental impact of this procurement. Suppliers will be asked how they intend to mitigate any considered negative environmental impacts from this contract and how they will enable positive environmental impacts throughout the term of the contract. This will be evaluated as part of the quality assessment.

7.2 The risk assessment has evidenced that it is considered that this contract enables positive impacts, including:

- some suppliers using the liquid created by the treatment of the food waste and recycling it back into the process rather than using water



- the bi product following the treatment of the food waste is provided back into the agricultural sector as a soil conditioner, a natural fertiliser, minimising the reliance on chemical and other fertilisers
- the creation of energy buy back 'power purchase agreement'

7.3 A Social Value question worth 10% will form part of the evaluation criteria. Suppliers will be encouraged to provide social value commitments relating to the outcome of reducing negative and promoting positive environmental impacts.

7.4 The contract will be overseen by the Head of Environment & Safer Communities and his team, who will ensure adherence with the specification, including carbon management, sustainability, and mitigation of environment impacts. Social Value Portal will monitor the supplier's progress on their Social Value commitments.

## 8. Risk Management

Description	Impact	Mitigation
Lack of market appetite for the opportunity	Limited or no tender returns	Pre-procurement market engagement carried out by both Eunomia and NSC Project team
Risk that other LA are also considering their options which impact the number of bids received and the price.	Limited tender returns and Higher priced bids than expected	Procuring our need earlier to capture the market capacity and price before the rush from other LA to meet the Environment Act 2021.
Risk of our own tonnages increasing (increased collections from flats/businesses)	Contractor unable to deal with our capacity	Mitigated by an estimate of annual tonnage with the specification and an updated estimate of tonnages provided to the contractor at the beginning of each year of the contract term.
Risk of capacity (dealing with tonnages) later in the term of the contract as more LA require treatment of food waste	Contractor unable to deal with our capacity	This will be evaluated as part of the Quality Assessment in terms of their capability and capacity and managed as part of the Contract Management
Contractor is unable to provide as much energy back as expected due to energy market changes	Less cost saving opportunity	Managed as part of the ongoing Contract Management

## 9. Equality Implications

A stage 1 EIA has been completed.

## 10. Corporate Implications

N/A

## **11. Options Considered**

Options considered include:

1. Procure the contract in its current form, i.e., the WTS, haulage, treatment of food waste, garden waste and residual waste as one opportunity.

As detailed within this report and from our market engagement, the consideration around the NSEC opportunity and the need to go out to the market sooner with the treatment of food waste has led us to the conclusion that this is no longer offers best value for money for the Council.

2. To procure all the requirements of the waste disposal and transfer station contract at the same time.

As previously described, with the opportunity to receive a proposal from NSEC, the need to go to market sooner for the treatment of food waste and the collaborative opportunities with other Local Authorities for garden and residual waste, this is also not considered the best value for money option for the Council.

3. To break down the current waste disposal and transfer station contract and take advantage of the different opportunities available to us, including:

- Waste transfer station and haulage – opportunity to receive a proposal from NSEC
- Treatment of food waste – opportunity to go to the market sooner to avoid the impact of the Environmental Act 2021 requirements
- Garden and residual Waste – opportunities to collaborate with neighbouring authorities

Option 3 is recommended as the best value for money opportunity for the Council.

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### **Appendices:**

Climate Risk Assessment

### **Background Papers:**

Waste Strategy 2021 – 2030  
Eunomia Report