

ENVIRONMENT OVERVIEW AND SCRUTINY PANEL 8 NOVEMBER 2022

WASTE MANAGEMENT SERVICE CONTRACT

Summary

1. The Environment Overview and Scrutiny Panel will receive an update on the Waste Management Service Contract.
2. The Cabinet Member with Responsibility for the Environment, the Assistant Director, Economy, Major Projects and Waste, and the Waste Services Manager have been invited to the meeting to provide the Panel with some background to the Waste Management Service Contract.

Background

3. Worcestershire County Council (the Council) and Herefordshire Council (HC) entered into a Waste Management Service Contract (WMSC) with Mercia Waste Management Ltd (Mercia) dated 22 December 1998 for a period of 25 years. Work is currently being undertaken to extend this contract for a further 5 years. A request has been made by the Chairman of the Environment Overview and Scrutiny Panel for a report detailing the background of this contract prior to a more detailed report post completion of the extension.

Waste Management Service Contract (WMSC)

4. The WMSC was an integrated solution to be delivered by Mercia for the disposal of all domestic waste arising within the two counties. The Councils' local authority disposal company (Beacon Waste) was transferred at the same time to Mercia which took on responsibility for disposing of all 'Contract Waste'.
5. The WMSC included requirements for Mixed Waste Material Reclamation Facility (MRF), Transfer Stations, Pre-sorted MRF, Household Recycling Centres, Operation and Management of Hill and Moor Landfill, Construction and operation of an Energy from Waste Plant (EfW) and composting facilities. Mercia duly started the construction of the facilities required under the contract, other than the EfW which required the land to be secured, planning and other consents.
6. The contract duly procured in 1998 was based on an EfW solution for dealing with residual waste. Mercia started the process to deliver an EfW at the anticipated British Sugar site in Kidderminster, however, their planning application failed at appeal in 2002 and it was therefore acknowledged that the proposed EfW plant was undeliverable at that particular location.
7. The Councils and Contractor agreed a 'standstill' position whereby the respective rights of the parties to terminate the WMSC as a result of the failure to obtain planning permission for the Kidderminster EfW plant by the anticipated 'longstop' date, were 'frozen' to allow the parties to continue to discuss alternative solutions

for the disposal of residual waste. The WMSC continued subject to its potential termination should the standstill agreement be brought to an end.

8. The loss of the anticipated EfW facility to divert residual waste from landfill as per the contract meant the landfill site at Hill and Moor was filling considerably quicker than had been anticipated under the WMSC and therefore some means of diverting waste from landfill needed to be developed. Interim arrangements were made by Mercia to dispose of some of the residual waste at EfW plants outside the counties to ease the situation.
9. Various solutions for the residual waste were investigated including out of county disposal/treatment and autoclaves. Planning permission was obtained in 2005 for an autoclave solution at Hartlebury Trading Estate (Worcestershire) and Madley (Herefordshire).
10. In 2006, the Council acquired the land at Hartlebury Trading Estate for the purpose of residual waste disposal, with the intention of developing an autoclave facility there. However, autoclave negotiations with Mercia broke down in 2007 due to uncertainty about the end market for the process by-product. A satisfactory end market was a planning requirement however it became clear that this could not be met with any certainty and so the autoclave option was not deliverable.
11. The Joint Municipal Waste Management Strategy (JMWMS) sets out the policy approach to disposing of waste including how the councils will manage waste in accordance with the Waste Hierarchy. In line with national guidance Waste Prevention is prioritised in order to reduce the amount of waste produced by the two councils. Following Reuse, Recycling and Composting any waste remaining is 'residual waste' which the strategy identified should be treated to Recover Energy.
12. The JMWMS was originally adopted in 2004 and the 2009 JMWMS Review included a list of possible options for the treatment of residual waste and an appraisal of these was carried out by Environmental Resources Management Limited (ERM). This included a financial assessment of Capital and Operational expenditure (CAPEX and OPEX) costs of the various options for comparative purposes and an assessment of the different options against environmental criteria. The latter was undertaken using the Environment Agency's life cycle assessment tool – Waste and Resources Assessment Tool for the Environment (WRATE).
13. The Residual Waste Options Appraisal ranked EfW high, particularly with combined heat and power (CHP). On 17 September 2009, Cabinet adopted the revised JMWMS. This included a new policy to increase diversion away from landfill. The Residual Waste Options Appraisal (Annex D to the JMWMS) informed the method for treatment of residual waste, and Mercia was expected to bring forward proposals for disposing of residual waste in response to the JMWMS review.

Energy from Waste (EfW) Facility

14. In line with the JMWMS, Mercia proposed an Energy from Waste facility to deal with residual waste and commenced a site search. This resulted in the site at

Hartlebury Trading Estate being selected as the best site available in the two counties for an EfW plant. The concept contained in Mercia's EfW proposal and it progressing to planning was supported in principle by the Cabinet on 17 December 2009.

15. It was agreed to progress negotiations with Mercia on a variation to the WMSC to give effect to the EfW proposal within certain parameters, and report back to Cabinet should planning permission be obtained. The proposed site at Hartlebury Trading Estate (which had previously been acquired by the Council for the autoclave facility) was appropriated by the Council for planning purposes relating to the EfW proposal.
16. Mercia sought planning permission for their proposal for an EfW plant at the identified Hartlebury site. The Council's Planning and Regulatory Committee considered Mercia's application for planning permission in March 2011 and decided they were "minded to grant planning permission". As the site was situated in Green Belt, this provisional decision was referred to the Secretary of State for Communities and Local Government who subsequently made the decision to "Call in" the planning application and determine it himself.
17. The Secretary of State granted planning consent for the EfW Plant at Hartlebury in July 2012 following a comprehensive call-in Planning Inquiry. The consent required any development on site to commence within three years, i.e. July 2015. All relevant issues associated with site selection, objections and process were dealt with at length in the inquiry and in the decision report.
18. In February 2012, the Cabinet agreed to progress negotiation with Mercia to conclude a variation to the WMSC to provide the EfW Plant at Hartlebury, subject to certain Planning, Financial, Contractual and Technical Parameters.
19. In December 2012, the Cabinet were provided with an update on progress of the variation negotiations and satisfaction of the Parameters. This report included a refresh by external experts of the JMWMS Residual Waste Options Appraisal which continued to rank EfW highly (with or without CHP).
20. In December 2012, the Cabinet authorised pursuing of proposals for alternative methods of finance for the EfW plant given the relatively expensive bank debt financing which was being proposed.
21. In December 2013, the Cabinet agreed recommendations to vary the existing waste contract and have an EfW plant at Hartlebury.
22. In May 2014, the Variation to the contract was concluded to have an Energy from Waste Plant at Hartlebury.
23. The Energy from Waste plant, EnviRecover, was constructed, progressed through the commissioning process and became fully operational, as planned, in March 2017.
24. In November 2017 the Cabinet approved an addendum to the joint Municipal Waste Management Strategy (JMWMS) for Herefordshire and Worcestershire 2014 - 2034. This update was required to reflect the changes in national policy,

local provision and projections for future demand that had occurred since the Strategy was originally adopted. Other Councils in Herefordshire and Worcestershire also approved the update.

25. In March 2019 planning permission was granted to increase the throughput at EnviRecover from 200,000 to 230,000 tonnes per annum.

Waste Management Service Contract (WMSC) contract duration

26. In 2018, recognising the history, the successful commissioning and current performance of EnviRecover and the profile of the other waste assets, it was felt timely to ask Mercia to make a proposal (the "Contractor's Proposal") regarding the contract and potential extension, because the Councils may be in a position to benefit from the successful delivery of this asset by Mercia at this time.
27. The Cabinet report of December 2018 set out certain Parameters (Financial, Contractual and Technical) which the terms of any proposed extension were required to meet in order to be considered as acceptable to the Council.
28. In December 2021 the Cabinet authorised officers to negotiate and enter into a Variation with Mercia to put into effect their proposals for extending the duration of the WMSC for a period of five years until January 2029.
29. Actions to finalise the variation are progressing with Herefordshire Council and Mercia and with the support of technical, financial and legal advisors.

Purpose of the Meeting

30. The Panel is asked to:
- note the background to the Waste Management Service Contract and the work to finalise the variation to the contract to extend the duration,
 - agree any comments to highlight to the Cabinet Member for the Environment, and
 - determine whether any further information or scrutiny on a particular topic is required.

Contact Points

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Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Democratic Governance and Scrutiny Manager) the following are the background papers relating to the subject matter of this report:

[Agenda for Cabinet on Thursday, 2nd November, 2017, 10.00 am - Worcestershire County Council \(moderngov.co.uk\)](#)

[Agenda for Cabinet on Thursday, 13th December, 2018, 10.30 am - Worcestershire County Council \(moderngov.co.uk\)](#)

[Agenda for Planning and Regulatory Committee on Tuesday, 26th March, 2019, 10.00 am - Worcestershire County Council \(moderngov.co.uk\)](#)

[Agenda for Cabinet on Thursday, 9th December, 2021, 10.00 am - Worcestershire County Council \(moderngov.co.uk\)](#)

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