

**CABINET
14 JULY 2020**

TEES VALLEY JOINT WASTE MANAGEMENT CONTRACT

**Responsible Cabinet Member -
Councillor Andy Keir, Local Services Portfolio**

**Responsible Director – Ian Williams
Director of Economic Growth and Neighbourhood Services**

SUMMARY REPORT

Purpose of the Report

1. This report seeks Members' approval to:
 - (a) Enter into an Inter-Authority Agreement (IAA) **Appendix 1** (Part III) with Middlesbrough Council, Stockton Borough Council, Hartlepool Borough Council, Redcar and Cleveland Borough Council, Durham County Council and Newcastle City Council in respect of the Tees Valley Energy Recovery Facility (ERF) project.
 - (b) Commence the formal procurement for the project.
 - (c) Extend the existing waste management contract with Stonegrave Aggregates.

Summary

2. A report was presented to Cabinet on 5 November 2019 with regard to the ERF project and this report provides a further update on:
 - (a) The IAA;
 - (b) The position regarding the Outline Planning Application for the ERF at South Tees Development Corporation (STDC);
 - (c) The proposed use of a local Authority Special Purpose Vehicle (SPV) for the management of the Project Agreement;
 - (d) The update regarding the negotiations for the Heads of Terms Agreement for the South Tees Development Corporation (STDC);
 - (e) The mandatory use of the Reference Site for the development of the ERF;
 - (f) Proposed contract extension discussions with Stonegrave Aggregates.
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3. One of the main changes since the previous report is that Durham County Council and Newcastle City Council have committed to joining the ERF project. The benefit of this is the ERF will increase from a 250,000 tonnes per annum facility to a 450,000 tonnes per annum facility, which in turn will reduce the cost of the contract through the gate fee to each authority. The inclusion of the other two Local Authorities has meant the IAA has had to be revised and the new revised IAA is included at Appendix 1 (Part III).
4. Additional information is available in the Part III report – **see Annex 1**.

Recommendation

5. It is recommended that :-
 - (a) Members approve the IAA with Middlesbrough Borough Council, Stockton Borough Council, Hartlepool Borough Council, Redcar and Cleveland Borough Council, Durham County Council and Newcastle City Council.
 - (b) Members approve the procurement process.
 - (c) Members authorise the Director of Economic Growth and Neighbourhood Services in consultation with the Assistant Director – Resources, Assistant Director – Law and Governance and the Responsible Member for Local Services to accept minor changes to the IAA.
 - (d) Members approve the extension of the existing waste management contract in line with the detail in paragraphs 28-30 of the Part III report – see Annex 1.
 - (e) Members agree to extend the lease for the Household Waste Recycling Centre to tie in with the extension to the waste management contract.

Reasons

6. The recommendations are supported by the following reason :-
 - (a) To enable the procurement of the Tees Valley Energy Recovery Facility.
 - (b) To put in place contingency plan for waste management in case of any delay to the delivery of the ERF and have continuity of service going forward.

Ian Williams
Director of Economic Growth and Neighbourhood Services

Background Papers

No background papers were used in the preparation of this report.

S17 Crime and Disorder	The content of this report does not impact on crime and disorder.
Health and Well Being	Effective and safe management of waste can have a positive impact on the health and wellbeing of residents.
Carbon Impact and Climate Change	As part of the production of the Joint Waste Management Strategy and OBC, the impact of carbon has been considered and modelled against a number of solutions.
Diversity	There is no impact on diversity as a result of this report.
Wards Affected	There is no impact on any Ward particularly as a result of this report.
Groups Affected	No particular group is affected as a result of this report.
Budget and Policy Framework	There is no impact on the Council's Budget and Policy Framework.
Key Decision	Yes, as it affects all Wards.
Urgent Decision	No
One Darlington: Perfectly Placed	Waste Management from the collection to the treatment and disposal has an impact on the Perfectly Placed agenda.
Efficiency	There is no impact on the Council's Efficiency agenda as part of this report.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

Background

7. The seven Councils have a statutory obligation to provide waste management services to their collective 1.5M residents. The other four Tees Valley Councils operate residual waste disposal services as a group under a single contract with Suez and include Redcar and Cleveland Borough Council, Hartlepool Borough Council, Stockton Borough Council and Middlesbrough Borough Council. Darlington Borough Council is part of the Tees Valley group but currently has its own separate waste treatment and disposal contract with Stonegrave Aggregates. Durham County Council and Newcastle City Council currently have their own separate residual waste treatment contracts with Suez.
8. All of the contracts for the seven Local Authorities for the treatment of the residual municipal waste is due to terminate in 2025. A residual waste treatment facility must therefore be procured, constructed and commissioned to deal with the region's waste no later than March 2025.
9. The Tees Valley Authorities, Durham County Council and Newcastle City Council (together "the Councils") have joined together to create an opportunity for a

contractor to design, build, operate and finance a new Energy Recovery Facility (“ERF”) to be located in the Tees Valley.

10. Supported by Business Cases, the requirement is for a 450,000 tonne per annum Energy Recovery Facility (ERF) with Combined Heat and Power (CHP) capability to treat the Councils’ municipal solid waste (“MSW”), this being the residual waste that has not been (or cannot be) recycled. This combined tonnage unlocked economies of scale which were attractive to the Councils and encouraged them to commence this procurement together.
11. It represents a capital investment of up to £300 million, on a contract which will have a total value of up to £1 billion over 25 years. It will be a source of renewable electricity (up to 49.9MW) and heat, equivalent to powering over 20,000 homes. The development will create over 300 jobs during the construction phase and over 40 permanent positions and will contribute to the local circular economy. All residues from the process (metals and ash) will be recycled or recovered.
12. The ERF will be designed to have a minimum 40-year lifespan and the entity appointed following the conclusion of the procurement process (“Contractor”) will have a minimum 29-year contract to build and operate the ERF, with the potential of a further 11-year extension. The facility will revert to ownership by the Councils at the expiry of the Contract.
13. To encourage competition, a ‘reference site’ was selected which is mandated for use by the winning contractor. The reference site is of 25 acres in total (of which 23 acres are currently usable for the project) and located on a brown field site owned by South Tees Development Corporation (“STDC”). Ground condition surveys have been commissioned for use by the tenderers.
14. Outline Planning Permission is expected to be issued for a 450,000 tonne ERF on the reference site in July 2020, subject to the signing of the Section 106 Agreement between the South Tees Development Corporation (freeholder), Hartlepool Borough Council (applicant) and Redcar and Cleveland Borough Council (Planning Authority).
15. The target date for completion of the procurement is November 2021 and Services are expected to commence in April 2025. The Contractor will be required to accept and manage all Contract Waste from 1 April 2025 even if the ERF has not completed its Acceptance Tests. (Contract Waste will not be available to the Contractor prior to 1 April 2025.)
16. The target date for Services Commencement Date may be amended to 1 April 2026 (i.e. one year later) as a result of emerging Covid-19 impacts on the Councils and pressures on the Contractor’s construction timetable. Under these circumstances existing services for Councils will need to be extended by up to 12 months or alternative arrangements put in place.
17. Project governance is provided by a Board made up of representatives of each of the seven Councils which meets monthly. The Board’s terms of reference set out clear decision making and a voting structure and an escalation process in the case of any disputes.
18. Additional information is available in the Part III report – see Annex 1.