Welsh Waste Infrastructure Procurement Programme
Welsh Government (Wales, United Kingdom)

**Background**

The Welsh Government’s Waste Infrastructure Procurement Programme was established in 2008 to implement the national strategy, *Towards Zero Waste*, and help address the affordability of sustainable waste infrastructure in Wales. The Programme aims to support local authorities in delivering sufficient treatment capacity to meet EU landfill diversion and statutory national recycling targets through public private partnerships. The waste strategy in Wales aims to reach 70% recycling by 2025 and has an aspirational “zero waste” target by 2050. The Welsh Government’s statutory targets mean that every local authority should reach recycling rates of 58% by the end of 2015/16.

This procurement initiative is currently unique within the UK. Significant economies of scale and public value are being achieved through the collaboration of 21 local authorities in regional consortia.

**Procurement objectives**

Innovation has been fundamental to the Programme’s success. The centralised nature of the Programme has enabled significant challenges to be overcome in attracting real investment, delivering clear outcomes and securing competitive pricing and value for money.

Designed as a series of funding-linked targets, the Programme incentivises the authorities to develop efficiencies, thereby reducing costs for bidders and the public sector. Rigorous project assurance means that projects must successfully pass through a series of stages. These include scrutiny at project initiation, outline the business case, “readiness reviews” prior to start and close of dialogue, and final scrutiny of the full business case. Gateway reviews are mandated for the residual waste projects. The projects benefit from soft market testing and consultation to help shape both the procurement and commercial strategies.

Anaerobic digestion (AD) is the preferred technology of the Welsh Government for the treatment of food waste, and the financial support has been based on the procurement of AD solutions. For residual waste, the Welsh Government requires that facilities are combined heat and power (CHP) to enable significant energy recovery.

**Criteria used**

As part of this Programme, joint procurements are undertaken by partnerships of local authorities, with one nominated authority acting as the lead authority to contract with the successful operator on behalf of the partnership. The selection and award criteria for each of the procurements are agreed upon by the local authorities involved in each procurement partnership.

In order to launch their procurements, the partnerships are provided with guidance in the form of a National Evaluation Framework which sets out the broad criteria against which bids should be assessed, but which permits scope with the weightings and secondary criteria.

Authorities are obliged to include the following primary criteria from the National Evaluation Framework: technical, environmental sustainability, deliverability (e.g. evidence of past experience of constructing and operating large scale waste treatment facilities), socio-economic and full economic cost. Local authorities have the discretion as regards which secondary criteria they use. Examples of secondary criteria relating to environmental sustainability include:

- Global warming potential
Highly collaborative partnership approach has been the key for optimising value for money and delivering multi-million pound savings (over 700 million euro to date) compared with traditional procurements.

Results

Recognised across the UK for the public value it is driving, in 2011 the Programme won the Project and Programme Award at the National Civil Service Awards and won the John F. McClelland Collaborative Procurement Initiative of the Year at the National Government Opportunities Excellence in Public Procurement Awards in 2013. The Programme (and its projects) have also qualified as finalists in five other award schemes, including the Procurement Collaboration (Prosiect Gwyrdd), Welsh National Procurement Awards (March 2014), the Outstanding Renewable Energy Project (Prosiect GwyriAD), and the Wales Green Energy Awards (October 2014).

The value for money benefits resulting from this Programme for the public sector have been substantial, not least because of a stronger level of market interest in a highly collaborative government approach. Competition is maximised through a neutral procurement approach to technology and facility ownership. Financial savings against forecast future costs for the Welsh public sector amount to over 700 million euro to date, and are forecast to rise significantly further.

Monetary savings have also been created with the use of a standard contract; reducing legal costs and creating a more straightforward commercial environment for the market. The programme-led pre-qualification process delivers time and cost savings for local authorities and bidders, with an average of over 30 bidders per project. For the initial projects, mandated use of the competitive dialogue procedure enabled bidders to shape their final offering to best meet the authorities’ needs, saving potential abortive costs.

Investment in AD achieves revenue savings by providing a cost-effective food waste treatment option over the whole life-cycle of the plant. The development of infrastructure through the Programme has provided an increased waste treatment capacity. To date, the delivered food waste capacity is 108,000 tonnes per annum, with another (approximately) 50,000 tonnes to be procured annually. For residual waste 350,000 tonnes per annum has been delivered (of which 172,000 is for municipal waste) with another 300,000 tonnes per year to be procured.

The Programme is helping create jobs. Each project typically creates up to 40 jobs in construction and three to five operationally. The Energy from Waste residual waste facilities typically creates some 350 construction jobs and 40 operationally. In addition, jobs have been created and secured in haulage. Third party income will be shared by the public sector from the sale of electricity and heat. The potential for district heat networks linked to the energy from waste facilities is being explored for Cardiff, where an equivalent of 50,000 people could be provided with heat in the form of piped steam. Similarly, in Deeside, North Wales, the provision of waste heat to commercial and industrial users is being explored.

Since 2009, five AD contracts have been awarded, with two further projects aiming to launch procurements in the autumn. One residual waste contract has been awarded with two further contracts on track to be awarded in autumn 2015 and early 2016 respectively.
Environmental impacts

Detailed carbon studies were commissioned by the Welsh Government and demonstrated that AD has a far greater positive impact on climate change than alternative food waste treatment options. Alternative treatment options include in-vessel composting, the process of treating organic waste in enclosed vessels which allow air flow and temperature to be controlled, a process most suitable for waste which contains animal by-products; or open windrow composting, a process whereby organic waste is laid down in long rows (windrows) and turned to allow it to break down aerobically. This process is only suitable for waste which does not contain animal by-products. Advantages include the production of renewable energy and also a high quality digestate – providing farmers with a cheaper, more sustainable fertiliser at a time when the price of non-organic fossil-based fertilisers is increasing rapidly.

Furthermore, the studies demonstrated that AD would provide the best environmental and economic outcomes for the treatment of food waste, and that high efficiency energy from waste with CHP would be the preferred approach for residual waste treatment. This information was used to develop the current Wales Waste Strategy Towards Zero Waste, published in June 2010.

Lessons learned

The ‘Managing with Less’ agenda, an approach that all levels of government in Wales are having to adopt to operate effectively, means there is a focus on maximising value from projects and investments. A highly collaborative partnership approach has been the key for optimising value for money and delivering multi-million pound savings (over 700 million euro to date, as mentioned previously) compared with traditional procurements. In line with the standard approach, each contract is managed through a performance framework and a payment mechanism. This incentivises both the authority and the operating company to deliver a high quality service throughout the contract term.

The Programme is recognised as one of the true models for collaborative delivery across the public sector and one which could provide a blueprint for the future.

The main lessons learned from the delivery of the Programme include:

1. Through a secured funding package, and clear policy objectives, the Programme provides direction and certainty to the achievement of its aims for both local and central government. Early contractor and funder engagement has proved key in differentiating Wales as a distinct waste market and providing confidence for major industry and public investment.

2. The Programme draws on multi-disciplinary expertise from the private and public sectors including legal, financial, engineering and project professionals. The flexible deployment of commercial transaction staff to the local authority projects teams has proved an important strategy to help co-ordination.

3. The relative size of the Welsh market has made it easier for the Programme team to successfully carry out its remit and to build both the relationships and the expertise needed to create an all-Wales approach. This is due to the fact that there are 22 unitary authorities in Wales in comparison to England where there are 353 principal authorities which have a broad range of functions. A high degree of collaborative working has been the key to this approach. The close integration of working also helps with knowledge sharing. The participating authorities are open to collaboration and learning from each other’s experiences. The Programme facilitates the sharing of good practice by holding regular seminars providing the opportunity for all project managers, commercial transaction leads and the Programme team to discuss matters of shared interest and to exchange ideas.

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For related information, please see European GPP criteria for Waste Water Infrastructure and Combined Heat and Power.