



Report to: South London Waste Partnership (SLWP)
Joint Waste Committee

Date: 7th June 2016

Report of: SLWP Management Group

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Chair of the Meeting:
Councillor Doyle, Chair SLWP Joint Waste Committee

Report title:

Phase A & B Contract Management Report

Summary:

This report provides Joint Waste Committee with an update on the performance of the three Phase A Contracts applicable to the South London Waste Partnership:

- i. Contract 1 - Transport and Residual Waste management
- ii. Contract 2 - HRRC services - HRRC site management and material recycling
- iii. Contract 3 - Marketing of recyclates and treatment of green and food waste

This report provides quarter 4 performance data for the period 1st January 2016 to 31st March 2016.

This report also provides Joint Waste Committee with an update on the Phase B Contract.

Recommendations:

Joint Waste Committee is asked to note the contents of this report, and comment on any aspects of the performance of the Partnership's Phase A & B contracts.

Background Documents:

Contract Performance Monitoring updates have been presented to the Joint Waste Committee since 22 July 2010. The most recent reports were presented at the meeting on 9th March 2015 by the Contract Manager.

PHASE A BACKGROUND

- 1.1.** Contract 1 is operated by Viridor Waste Management Ltd and includes the bulk haulage of material and the disposal of residual waste.
- 1.2.** Contract 2, the HRRC service is operated by Veolia (ES) (UK) Ltd. The contract commenced on the 1st October 2015 and includes the management of the 6 Partnership HRRC sites in addition to the marketing of recyclates collected at each of the sites.
- 1.3.** Contract 3 is operated by Viridor and includes the marketing of recyclates and the treatment of green and food waste.
- 1.4.** The London Boroughs of Croydon, Sutton and Merton direct deliver kerbside collected waste, organics, and recyclates into the Beddington site, operated by Viridor.
- 1.5.** The Royal Borough of Kingston (RBK) direct delivers kerbside collected waste, organics, and recyclates into the Kingston Villiers Road Waste Transfer Station (WTS). Viridor operate Villiers WTS on behalf of RBK under Contract 1.

2. PERFORMANCE DETAIL

2.1. Contract 1: Transport and Residual Waste Management (Viridor Waste Management Limited)

- 2.1.1.** Under Contract 1, during the quarter four period from 1st January 2016 to 31st March 2016, the Partnership managed just under 39,000 tonnes of residual waste. Please see Appendix A Section 2 for further detail.

2.1.2. Landfill Diversion: Year to date just over 27,000 tonnes of Partnership residual waste was diverted from landfill via the Lakeside ERF. This equates to 11% diversion from landfill. Viridor have direction on which Borough's waste is diverted to Lakeside, largely determined by the location and capacity at the facility receiving the waste. Please see Appendix A Section 3 for further tonnage data.

2.1.3. The Contract is operating effectively. There were no major operational or performance issues, and no formal complaints were reported under Contract 1. There were no KPI failures reported under Contract 1.

2.2. Contract 2: Management of the Household Reuse and Recycling Centres (Veolia (ES) (UK) Ltd)

2.2.1. Contract Management: the scope of the HRRC services can be summarised in three parts: the general management of the sites including staffing, equipment, and site layout improvements; the transportation of materials; and the recycling, treatment, and/or disposal of waste collected at the HRRC sites (excluding green and residual waste).

2.2.2. HRRC Mobilisation: the most notable changes for site users were the reconfiguration of the site layouts, and the containerisation methodology which moved from a three-step compaction system to the more economic nine-step open container system.

2.2.3. HRRC Site Upgrades: site works commenced in November 2015. The upgrade timetable is delayed with completion now expected July 2016 at all sites except Purley Oaks and Fishers Farm. The upgrade works at the Fishers Farm HRRC site are on hold until work required by the Environment Agency is complete. Purley Oaks upgrade works require the site to close for a minimum three week period due to the lack of space. A timetable for this closure is therefore being considered.

2.2.4. Key Performance Indicators: the contract specification focuses on site user experience, health and safety, and material recycling. Appendix A Section 4 provides a summary of the contract KPIs.

2.2.5. Key Performance Indicators - Recycling Performance: Section 6 of Appendix A details the monthly recycling percentage at each site. The year to date

average recycling rate across all of the sites for 2015/16 is 69.1%, this is a drop of 2.4% against the previous year.

- 2.2.6.** All sites saw a significant drop in recycled rigid plastics, as expected following the market issues this year. On average rigid plastic tonnages dropped 45% when compared to figures from last year. All sites have also seen a significant decrease in green waste tonnage, with the average drop at 14%. The drop in green waste at the HRRCs follows the trend at the kerbside where green waste dropped by 6.3%, potentially pointing to seasonal variations, as opposed to an operational change. The Contractor is looking to target new waste streams in order to reverse the downward trend.
- 2.2.7.** Garth Road showed an improvement on the previous year's recycling rate, largely due to a 7% drop in residual waste from last year's position, which is not the trend across all sites.
- 2.2.8.** Kimpton and Villiers Road have shown a drop in recycling largely due to both green and rigid plastic tonnages decreasing, as outlined above in 2.2.6, while residual waste tonnages have increased at these sites.
- 2.2.9.** Performance at Fishers has seen the largest drop in recycling rates. A review of the tonnages at Fishers shows that residual waste is up by 22% compared to last year. Meanwhile Factory is now well below the average increase in residual waste with an increase of just 2% against the previous year.
- 2.2.10.** A breakdown of the data discussed here can be found in Appendix A parts 7 and 8. These trends will continue to be monitored by site.
- 2.2.11.** Recycling Markets: the recycling market is still fluctuating and the value of recycling collected at the HRRC sites has dropped significantly. The most notable movement in the market this quarter has come from the glass industry which has seen a £15 per tonne increase in recycling charges. Whilst the Partnership contract protects Boroughs from any direct financial impact, the changes in the market are having an impact on the performance of the new contractor. In order to reverse the downward recycling trend, new recycling markets have been trialed for carpets and mattresses which combined are estimated to increase recycling across all sites by at least 1%.

2.3. Contract 3 – Materials Recycling Services, Composting, and additional treatment services (Viridor Waste Management Limited)

2.3.1. Green waste is delivered to the Viridor Beddington facility where it is bulked and hauled off-site for treatment in the following facilities: KPS Isfield and Pease Pottage, Woodhorn Runcton and Tangmere, Tamar Beddingham and Swanley, and Birch Airfield.

2.3.2. The green waste is processed in order to produce a BSI PAS100 compost product. Contamination at the kerbside has increased marginally for this material type, however we are still operating to within the Waste Acceptance Criteria thresholds. Green waste tonnage data can be found in Appendix A Section 10.

2.3.3. Food waste is delivered to either the Beddington facility or the Villiers Road Transfer Station facility. From both sites the food is transferred by Viridor to the Agrivert Trumps Farm Anaerobic Digestion (AD) facility located in Surrey. The Agrivert facility produces a BSI PAS 110 compost product. There are no performance issues with this element of the Contract 3 service. Appendix A Section 10 contains further food waste information.

2.3.4. Comingled recyclates are delivered to the Viridor Beddington facility and then transferred to the Viridor Materials Recycling Facility (MRF) located in Crayford. Contamination rates continue to fluctuate, and work is underway at each of the Boroughs to manage and reduce contamination and bring the material back within the specification required under the C3 contract.

2.3.5. Following a change to the Royal Borough of Kingston (RBK) collection methodology (the collection contract sits outside of the Partnership suite of contracts) RBK moved to a 'twin stream' material. A separate RBK-led procurement has led to a contract award to Veolia for the marketing and reprocessing of this material. The procurement was supported by the Partnership.

2.3.6. The twin stream recyclates collected by RBK are still delivered to the Villiers Road Waste Transfer Station under Contract 1 and then transferred by Viridor to the new material processing contractor Veolia.

2.3.7. The recycling market continues to face pressure from falling oil prices, a significant increase in glass recycling costs, and a general downturn in demand. Year to date the Partnership has generated just under £347k of revenue from the sale of recyclable materials from Sutton, Merton, and the Royal Borough of Kingston.

3. PHASE B UPDATE

3.1. Background

3.1.1. Viridor South London Limited ('Viridor') was formally awarded a contract for the treatment and disposal of residual waste in November 2012. The Contract involves Viridor designing, building and operating an Energy Recovery Facility (ERF) which will remain in its ownership and through which it will dispose of municipal residual waste arising in the South London Waste Partnership area.

3.1.2. Full planning consent was granted for the Construction of the ERF in March 2014, the Judicial Review concluded on the 28th April 2015, following which Viridor confirmed that Satisfactory Planning, free from legal challenge, was achieved on the 1st June 2015.

3.1.3. Financial close took place on 9th June 2015, at which point the Sterling Euro exchange rate for the construction capital was agreed and fixed, in addition, the construction indexation was also fixed. Following the agreement of the variable rates detailed above, an updated base case Financial Model was agreed by all parties and the model was locked. Completion of the financial close stage provided a revised and more beneficial ERF gate fee for the Partnership.

3.2. Construction Phase

3.2.1. Notice to Proceed (NTP) was issued by Viridor to their engineering, procurement and construction contractors on the 1st July 2015. Following the issue of NTP construction works are deemed to have started, and this is termed the Works Commencement Date. The key dates in relation to the Phase B ERF construction are updated and agreed between the Partnership and Viridor to be as follows:

Estimated date	Activity
Jul-15	Notice to proceed is issued 1st July 2015
Aug-15	Preparation of piling for walls
Sep-15	Demolition of existing buildings
Feb-16	New road and roundabout works commence
Oct-15	Work will start on the waste bunker
Apr-16	Waste Bunker construction becomes visible
Apr-16	Process equipment starts to arrive and visible construction is on-going
Aug-18 Onwards	ERF operational

3.3. Communications

3.3.1. A communication plan has been worked up with the Partnership's Communications Lead, and shared with the Heads of Communications at each Borough. The communications plan has been updated for the next stage of the construction project, which includes the key construction activities that may be experienced by the immediate residents around the site.

3.3.2. Recent and planned activity:

- Community Liaison Group (CLG) – these meetings are scheduled quarterly and the fourth CLG was held on 21st April 2016.
- Beddington Community Fund (BCF) - The Terms of Reference for the BCF have been signed and the core panel members have been formally invited to form the first meeting, the date of which is to be confirmed.
- ERF newsletter was delivered to residents in March.
- A rolling 3 month communications and construction plan is being managed by Viridor.
- Viridor have updated their Viridor Beddington ERF website. Follow the attached link: <http://viridor.co.uk/our-developments/beddington-erf/>

4. RECOMMENDATIONS

4.1. It is recommended that the Joint Waste Committee:

- a) Note the contents of this report, and comment on any aspects of the performance of the Partnership's Phase A & B contracts.

5. IMPACTS AND IMPLICATIONS

Legal

5.1. None

Finance

5.2. None

6. Appendices

6.1. Appendix A provides data on the performance of the Phase A contracts for the quarter 1 reporting period 1st January 2016 to 31st March 2016.