



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

Date: June 2019

Report of: SLWP Management Group

Author(s):
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Chair of the Meeting:
Chair SLWP Joint Waste Committee

Report title:
SLWP Contract Management Report

Summary:

This report provides Joint Waste Committee with an update on the performance of the following 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
- iv. The 2012 Residual Waste Treatment Contract (the ERF Contract)

This report provides performance data for the period 1st April 2018 to the 31st March 2019.

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 in April 2019 by the Contract Manager, Andrea Keys.

- 1.1. Contract 1 is operated by Viridor Waste Management Ltd and includes the bulking and haulage of material and the disposal of residual waste. NB The disposal element of this contract ceased on the 3rd March 2019 and from the 4th March 2019 the residual waste will now be managed through the 2012 Residual Waste Treatment Contract operated by Viridor South London Ltd (also referred to as the ERF Contract).
- 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 garden and food waste.
- 1.4. The London Boroughs of Croydon, Sutton and Merton direct deliver kerbside collected residual, garden and food waste into the Beddington site, operated by Viridor.
- 1.5. The Royal Borough of Kingston (RBK) direct delivers kerbside collected residual, garden and food waste as well as recyclates into the Kingston Villiers Road Waste Transfer Station (WTS). Viridor operate Villiers WTS and related bulk haulage services 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. In the financial year 2018/19, the Partnership managed just under 208,000 tonnes of residual waste, approximately 118,000 tonnes through Contract 1 and 90,000 tonnes as commissioning waste through Phase B. The partnership has seen a 3.88% drop in residual waste delivered to Viridor for the financial year 2018/19 (8,390 tonnes) when the data is compared to the same period last year. Please see Appendix A table 1a for further detail.
- 2.1.2. Landfill Diversion: Viridor has diverted almost 109,000 tonnes of residual waste from landfill via ERF in this financial year. This equates to a 48% diversion from landfill for the Partnership. Please see Appendix A table 1b for further tonnage data.
- 2.1.3. The Contract is operating effectively. There were no major operational or performance issues, no formal complaints were reported, and 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, plant, equipment, and site layouts; the transportation of materials;

and the recycling, treatment, and/or disposal of waste collected at the HRRC sites (excluding garden and residual waste).

- 2.2.2.** HRRC Site Reconfigurations: upgrades have been completed at all sites. SLWP is also in discussions with Veolia with regard to further improvements at the Villiers Road and Factory lane sites following ongoing reviews, and so further work may take place at these sites in due course.
- 2.2.3.** The contract specification focuses on three key performance categories; site user experience, health and safety, and material recycling.
- 2.2.4.** Site user experience: Veolia started customer satisfaction surveys in July 2016 to monitor site user experience. Customer satisfaction questionnaires are undertaken for two weeks at the six sites in turn for each round, table 2a of Appendix A details the dates for each round. Table 2b summarises the top 8 general comments made by customers at the end of the questionnaire.
- 2.2.5.** The Contract requires customer satisfaction levels of 80% and above at each of the sites and all results have remained above this contract target. The key questions are detailed in tables 2c, d, e and f of Appendix A, and a full list of responses, split-out by borough, are now available on-line via the SLWP website.
- 2.2.6.** Recycling Performance: All sites are down on their performance last year. Purley Oaks achieved the 70% contract target and Kingston achieved 72%. Total recycling across the SLWP HRRC sites year to date is 66% compared to 70% last year. Table 3a of Appendix A details the recycling performance by site, by month, and the 2018/19 year end performance – please note the year end performance figure is based on the raw tonnage data, not an average of the recycling performance per month.
- 2.2.7.** Recycling performance analysis - Detailed analysis undertaken by the SLWP looked at all 28 materials recycled, the recycling market challenges and their potential impact on the service, and also considered the impact of the wider SLWP recycling services, in order to better understand the cause of the 4% drop in recycling and assess the Contractor's performance. The key issues with the greatest impact on our recycling rates include; a drop in green waste presented at the HRRC sites, market issues with rigid plastics and market issues with mattresses. These are discussed in more detail below.
- 2.2.8.** Garden Waste – Taking a holistic view of the SLWP environmental services there appears to have been a shift in resident behavior in regard to garden waste. The HRRC sites collected 800 tonnes less garden waste in this reporting year, when compared to the previous year, however, all four boroughs have seen an increase in the percentage of garden waste tonnes collected at the kerbside. Merton has seen the most notable shift in how garden waste is presented by residents; in 2018 48% of garden waste collected in the borough was presented for collection at the kerbside, and in 2019 this has increased to 56%. The proportion of

garden waste presented for collection at the kerbside in Croydon has increased from 51% to 56%, in Kingston 55% to 59%, and in Sutton 71% to 73%. The drop in garden waste presented at the HRRCs could be the result of a shift in resident behavior, potentially the result of recent communication campaigns around kerbside garden waste collections, resulting in fewer individuals driving to the HRRC sites with separate loads of garden waste.

- 2.2.9.** Rigid Plastics – the market for rigid plastics continues to be challenging. This material was recycled for part of 2017/18, however there have been no available outlets in 2018/19. This market pressure is a UK wide issue, and has caused a 3% drop in the total SLWP recycling rate at the HRRC sites, meaning had there been an outlet for this material, the partnership would have achieved a 69% recycling rate for 2018/19. The Contractor continues to segregate this material so that SLWP can accurately analyse the tonnage data and we can respond quickly to any new markets that may become available in the future.
- 2.2.10.** Mattresses – as with the rigid plastics market, the mattress recycling market has been unreliable and outlets have been largely unavailable in 2018/19. There has also been a 35% increase in mattresses collected at the HRRCs (measured in tonnes not by item). Again, the increase in this material and the market pressures are not unique to the SLWP boroughs. Had the mattresses been recycled, the recycling rate would have been 2% higher, meaning an SLWP HRRC recycling performance of 68%. Combined with the rigid plastics, had there been a viable market for these two materials, the HRRC sites would have met their 70% recycling targets.
- 2.2.11.** Table 3b in Appendix A uses data from the last three years in order to compare performance year to date. The blue bar shows the recycling performance for the year 2018/19 and the orange bar shows recycling performance for the same period last year. The green dotted line and the text in this graph show last years end of year recycling performance for each site.
- 2.2.12.** Improvement measures – the contractor has commenced black bag splitting and residual waste analysis during quiet periods at the sites in order to better understand what recycling, if any, is not being segregated by our customers. If an issue is identified we will then look to agree how we can promote and encourage our customers to segregate. In addition, new schemes, such as a soil recycling project, aim to segregate and recycle material that has previously not counted towards our recycling rate. We will continue to report progress on these three projects.

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

- 2.2.13.** Garden 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.

- 2.2.14.** The garden waste is processed in order to produce a BSI PAS100 compost product. There have been some changes to the PAS100 requirements making quality control more stringent, but our material continues to meet quality requirements. Garden waste tonnage data for 2018/19 split-out by borough can be found in Appendix A table 4a.
- 2.2.15.** 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. It is interesting to note that Merton have seen a 26% increase in food waste tonnes this year, most likely the result of the kerbside collection changes and the communications campaign which accompanied those changes.
- 2.2.16.** There are no performance issues with this element of the Contract 3 service. Appendix A table 4b contains further food waste information.
- 2.2.17.** A large proportion of the recyclates collected at the kerbside are now processed through the SLWP collections contract with Veolia. Comingled recyclates that are still handled under contract 3 are delivered to the Viridor Beddington facility and material meeting the input specification is then transferred to the Viridor Materials Recycling Facility (MRF) located in Crayford. Contamination remains an issue and work is on-going at each of the boroughs to manage and reduce contamination and bring the material back within the specification. Please refer to Appendix A table 4c.
- 2.2.18.** The twin stream recyclates collected by Kingston and handled under this contract are delivered to the Villiers Road Waste Transfer Station under Contract 1 and transferred by Viridor to the RBK recycling material processing contract with Veolia.

3. ERF CONTRACT 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 suitable municipal residual waste arising in the South London Waste Partnership area.
- 3.1.2.** The contract includes the appointment of an Independent Certifier (IC), a technically competent and qualified advisor whose role is to ensure that the facility is able to pass a series of tests which demonstrate the facility has been built to specification. The IC is independent of the boroughs, Viridor and the construction contractors.

- 3.1.3.** 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.
- 3.1.4.** 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 (EPC) contractors on the 1st July 2015.
- 3.2.2.** The EPC contract was a joint venture between CNIM, the technology providers, and Lagan, the project's civil engineers. In spring of 2018 Lagan went into administration and so CNIM have assumed both of the EPC roles.
- 3.2.3.** The key developments in relation to the ERF construction are summarised below:

- The first commissioning milestone, and the first duty of the IC, was to ensure that the plant was safe and ready to receive waste – the 'Readiness Tests'. 'Readiness' was achieved in July 2018 at which point the Beddington ERF started accepting household waste from the four partner boroughs.
- The next role of the IC was to ensure that the commissioning process successfully achieved a pre-agreed list of compliance and performance tests – the 'Acceptance Tests'.
- Following a rigorous testing and verification process, in the professional judgement of the technically qualified IC, the ERF facility successfully completed these tests and the Acceptance Certificate was issued on the 4th March 2019 signaling a move to Service Commencement and the implementation of the full performance management framework (PMF).
- SLWP boroughs saved just over £4.5m between Readiness and Acceptance.
- Emissions data from the ERF has been published on the Virtual Visitor Centre since March 2019 and will continue to be updated twice per calendar month.

Next Steps:

- The IC will continue to monitor the wider works on site until a series of 'Take Over Tests' have been passed. The Take Over stage is still estimated to be complete in summer 2019.
- Further performance and reliability testing will continue beyond this time and maintenance work will continue throughout the life of the facility.
- SLWP are in discussions with Viridor to undertake a review of the redacted contract document with a view to reducing the amount of information that needs to be redacted to ensure the contract publication is as transparent as possible.

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 four partnership contracts covered in this report.

5. IMPACTS AND IMPLICATIONS

Legal

5.1. There are no legal considerations arising directly out of the recommendation in this report

Finance

5.2. There are no financial considerations arising directly out of the recommendation in this report

6. Appendices

6.1. Appendix A provides data on the performance of the Phase A contracts for the reporting period 1st April 2018 to the 31st March 2019.

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