



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

Date: 9th March 2016

Report of: SLWP Management Group

Author(s):

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Chair of the Meeting:

Councillor Collins, 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. 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 3 performance data for the period 1st October to 31st December 2015.

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 10th December 2015 by the Contract Manager.

1. 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 new HRRC 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 three period from 1st October to 31st December 2015, the Partnership managed just over 60,000 tonnes of residual waste. Please see Appendix A sections 2 and 3 for further detail.
- 2.1.2. Landfill Diversion – Year to date just under 23,000 tonnes of Partnership residual waste was diverted from landfill via the Lakeside ERF. This equates to 13% 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 4 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 - Customer facing: the HRRC service transferred to Veolia on the 1st October 2015. The contractor has proposed minor changes to the sites in order to deliver the service. The most notable changes for site users will be the site layouts and the containerisation of materials. Site works commenced in November 2015 at the Kimpton Park Way HRRC in Sutton, and the site is due to be complete by the end of January 2016. The proposed reuse shop, also located at Kimpton Park Way, will be delivered by the end of May 2016. The mobilisation plan is programmed to take each site in turn and will take approximately 6 months in total to complete. The Contractor mobilisation programme does not require major site closures. Please see appendix A section 9 for more details.
- 2.2.3. Key Performance Indicators - The contract specification focuses on site user experience, health and safety, and material recycling. Appendix A section 5 provides a summary of the contract KPIs.
- 2.2.4. Key Performance indicators – Site User Satisfaction: One measure of customer satisfaction is site user compliments and complaints. There have been a total of nine site user compliments and ten site user complaints. Kimpton Park Way HRRC has received the most complaints, some of which are due to the redesign works. See section 6 of Appendix A.
- 2.2.5. Key Performance indicators - Recycling performance: Section 7 of Appendix A details the monthly recycling percentage at each site. Recycling rates are lower during the winter months, however the recycling rate at Fishers Farm in December is considered lower than expected and so further information has been requested. The year to date average recycling rate across all of the sites for 2015/16 is 70%, this is broadly comparable to the 72% average recycling rate at the end of quarter three in the previous year. See Appendix A sections 7 and 8 for more details.
- 2.2.6. Recycling Markets – The recycling market continues to fluctuate and continues to reduce the value of recycling collected at the HRRC sites. Whilst the Partnership contract protects Boroughs from any direct financial impact, the changes in the market can still have an impact on the service. One key example is the falling price of oil which directly influences the plastics recycling sector. The production of plastics from virgin material is becoming more cost effective than recycling, leaving demand for the material low and the specification tighter. Rigid plastics are particularly difficult in this market as they are a low quality polymer, less desirable, and the end-markets for this material are becoming more unstable.

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. There are no issues to report on this element of the service. Green waste tonnage data can be found in Appendix A section 11.

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 Trump Farm Anaerobic Digestion facility (AD) 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 12 contains further food waste information.

2.3.1. Comingled recyclates are delivered to the Viridor Beddington facility and then transferred to the Viridor Materials Recycling Facility (MRF) located in Crayford. Whilst contamination rates continue to fluctuate, the comingled material still passes the specification required under the C3 contract.

2.3.2. The Source segregated recyclates collected by the Royal Borough of Kingston are delivered to the Villiers Road TS and then transferred by Viridor to the Crayford comingled MRF, the paper MRF in Erith, the Rainham polymer processing facility, or they are delivered directly to re-processors.

2.3.3. Following a change to the RBK collection methodology (the collection contract sits outside of the SLWP suite of contracts) RBK will move to a 'twin stream' comingled material. A separate RBK led procurement, supported by the SLWP, is in progress for the marketing and reprocessing of this material.

2.3.4. Finance – The recycling market continues to face pressure from falling oil prices and a general downturn in demand. Year to date the partnership has generated just under £300,000 of revenue from the sale of recyclable materials from Sutton, Merton, and the Royal Borough of Kingston.

2.3.5. Contract 3 KPIs are detailed within at section 9 of Appendix A. There were no KPI performance failures reported under Contract 3 in quarter three.

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 third CLG was held on 21st January 2016.
- Ground breaking event was held in December and was picked up by industry press.
- Next newsletter expected to be sent out to local residents in February
- 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. Legal Shared services are assisting on the procurement of RBK recyclates procurement.

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 October to 31st December 2015.