



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

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Report of: SLWP Management Group

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Chair of the Meeting:
Councillor Brunt, 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:

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

This report provides performance data for the period 1st October 2018 until 31st December 2018.

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 in December 2018 by the Contract Manager, Andrea Keys.

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. NB The disposal element of this contract will cease during quarter four at which point residual waste will be managed through the 2012 Residual Waste Treatment Contract (known as “Phase B”).
- 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. Up to 20,000 tonnes of recycling also continue to be delivered to Beddington with the remaining recyclates now being managed by the collections contractor Veolia.
- 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 first three quarters of this financial year, the Partnership managed just under 160,000 tonnes of residual waste, approximately 100,000 tonnes through Contract 1 and 60,000 tonnes as commissioning waste through Phase B. The partnership has seen a 3.5% drop in residual waste delivered to Viridor year to date (5,743 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 just under 83,000 tonnes of residual waste from landfill via ERF in the first three quarters of this financial year. This equates to a 52% diversion from landfill for the Partnership. Viridor have direction on which boroughs’ waste is diverted to ERF, largely determined by the location and capacity at the facility receiving the waste. 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, will be made available on-line via the SLWP website following a request by Members at the last Joint Waste Committee meeting.
- 2.2.6.** Recycling Performance: Table 3a of Appendix A details the recycling performance by site, by month, and a year to date average – please note the year to date average is based on the raw tonnage data, not an average of the recycling performance per month.
- 2.2.7.** Total recycling across the SLWP HRRC sites year to date is 67% compared to 70% reported for quarter 3 last year. There are a number of small changes that have resulted in this drop in recycling. Two key issues are: a 9% drop in garden waste tonnes received at the HRRCs, and market issues with rigid plastic and mattress (equivalent to 3.6% recycling across the HRRCs).
- 2.2.8.** All sites are down on their performance last year. Villiers, Factory, and Fishers have all achieved a reduction in residual waste and total site tonnage, but this is outweighed by low green waste and high mattress and rigid plastic tonnes. The Croydon sites combined have achieved 68% and Villiers 72%. Kimpton and Garth have seen the most significant drop in recycling.

- 2.2.9.** Garth Road achieved a 65% recycling rate for the reporting period, and this drop is largely due to a 12% increase in residual waste combined with an 8% drop in garden waste. The rigid plastic and mattresses are currently not being recycled due to depressed markets, and these two materials would have increased the Garth Road recycling rate to 68%. It is also useful to note that a higher proportion of green waste is now collected at the kerbside in Merton – in 2017 47% of green waste was collected at the kerbside, compared with 51% in 2018.
- 2.2.10.** Kimpton HRRC has achieved a 64% recycling rate for the reporting period. The site saw a 5% drop in residual waste, and a 6% drop in total site tonnage, however this improvement is outweighed in part by a 16% drop in garden waste, assumed to be in part due to an increase in green waste collected at the kerbside (27% of total garden waste in the borough was collected at the HRRC site in 2018, compared with 30% in 2017).
- 2.2.11.** Table 3b in Appendix A uses data specifically from the reporting period October to December from the last three years in order to compare performance year to date. The blue bar shows the recycling performance for the current year to date and the orange bar shows recycling performance at the same time 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.** A ‘van and large vehicle’ pilot scheme is being trialed at Kimpton and Villiers and started on 3rd December. The aim of the pilot scheme is to trial a way to tackle the illegal use of the sites by rogue traders by capping the annual number of visits for these vehicle types to 12. A wider clamp down on traders across all the sites has resulted in a 17% drop in rubble, which equates to a saving for the boroughs of over £30,000.
- 2.2.13.** Generally, across all sites, increasingly stringent quality requirements for recyclates and depressed markets are challenging and have a negative impact on recycling rates. Recycling rigid plastics and mattresses would have increased the SLWP recycling rate by 4%, so there is renewed focus on sourcing an outlet for these materials. The contractor continues to segregate these materials to ensure we have tonnage data and can respond quickly to any market changes.

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

- 2.2.14.** 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.
- 2.2.15.** The green waste is processed in order to produce a BSI PAS100 compost product. Green waste tonnage data for quarter 2 by borough can be found in Appendix A table 4a.

- 2.2.16.** 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 table 4b contains further food waste information.
- 2.2.17.** A large proportion of the recyclates collected at the kerbside are now processed under the SLWP collections contract. 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 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. 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.** 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.

- 3.2.1. 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 projects 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 Phase B 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, and this was achieved in July 2018. Since then, the Beddington ERF has been accepting household waste from the four partner boroughs. This waste is used in the operation of the ERF whilst commissioning tests continue.
 - Testing progressed well, and the facility has maintained a steady export of electricity to the national grid since November 2018
 - The next role of the IC is to ensure that the commissioning process has 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 achieved completion of the Acceptance Tests on the 4th March 2019 and an Acceptance Certificate has now been issued. This important milestone signals a move to Service Commencement and our contract will now benefit from the full performance management framework (PMF).
 - During the initial commissioning phase and whilst the Acceptance Tests were being carried out, the SLWP boroughs have paid a reduced gate-fee to Viridor. Due to the extended testing period, SLWP boroughs have saved just over £2m in disposal costs, and that is in addition to the £4.5m that SLWP forecasted would be saved during the testing period.
 - Emissions data from the ERF will be published from March 2019, and this is covered in more detail in the Joint Waste Committee Communications report to this meeting.

Next Steps:

- Before Viridor formally ‘Take Over’ the facility from CNIM, the IC must also confirm that all of the wider works on site have been completed and that a series of ‘Take Over Tests’ have been passed. The collapse of Lagan has delayed some of the construction work on the wider site, but good progress now continues to be made. Take Over is now expected to take place in late spring or early summer 2019. Further performance and reliability testing will continue beyond this time and maintenance work will continue throughout the life of the facility.
- Given the time that has now elapsed since the award of the phase B contract, SLWP are planning 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 Partnership's Phase A & B contracts.

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 October 2018 to the 31st December 2018.

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