



19 March 2018

Agenda Item: 7

REPORT OF THE SERVICE DIRECTOR FOR PLACE AND COMMUNITIES

VEOLIA PFI CONTRACT UPDATE

Purpose of the Report

1. To inform Committee of the commercial arrangements governing the PFI contract and update on the feasibility of collecting additional materials for recycling.

Information

2. The Finance and Major Contracts Management Committee in October 2017 asked for further information in relation to the Waste PFI contract as follows
 - To look into the feasibility of increasing the number of recycling centres with the capability of recycling paint.
 - To look into the feasibility of increasing the range of materials accepted for recycling at kerbside, including food waste.
 - That a report be brought to a future meeting of the Committee containing detailed financial information regarding the Veolia contract including details of the rolling programme on benchmarking.
 - That Veolia be invited to a future meeting of the Committee.

Feasibility of expanding Community RePaint Scheme

3. There are currently four sites that operate as part of the Community RePaint scheme covering a wide geographical area of the county (Beeston, Calverton, Newark and Warsop) and where members of the public can take unwanted paint where it is checked to see whether it is still usable. Any usable paint is then offered free of charge to community groups, charities and other organisations by appointment and to members of the public at organised paint evenings.
4. The sites selected for the scheme were chosen for their geographical position as well as having a sufficient site footprint and capacity to house all the large separate containers required to store all the reusable and non-useable water and oil based paints that the scheme and acceptance requires.

5. At present there are currently no other sites which have sufficient physical capacity to host a paint reuse scheme, although options for this will be considered in the design for the proposed additional Recycling Centre for the Rushcliffe area.
6. In addition while the scheme is popular, there is currently insufficient demand for all the reusable paint to meet the oversupply of it, and extending the scheme further could exacerbate this issue.
7. This is an issue as there is a common misconception that the RePaint scheme operates at low cost, however the majority of paint that is received at the sites is not suitable for re-use and therefore needs to be disposed of. The treatment and disposal of paint is an expensive process and requires separate segregation, containment and consignment. At present from four sites this costs around £175k per annum.
8. At the present time extending the scheme is not a viable operational or financial option, however in the future as technology improves and the possibility of stronger producer responsibility obligations becomes a reality it is hoped that the scheme could be extended.

Increasing the range of materials collected for recycling

9. Materials currently collected at the kerbside are consistent across the County: paper, card, tins, cans, plastic bottles, margarine tubs and yoghurt pots. Whilst many other materials are recyclable there needs to be a reprocessor demand, suitable reprocessing facilities and a long-term sustainable market for any additional material to make it viable.
10. Many materials are not likely to yield high enough capture rates to make the recycling of them financially viable. This is especially true of other plastic materials, many of which are made from low grade plastic. Items such as plastic fruit punnets are typically made from a number of different, poor quality, polymer types and black plastic food trays are not recognised by the sorting technology. Advice from WRAP (the Waste Resources Action Programme) is therefore that councils should inform residents that these items are not currently recycled.
11. Recent media reports around the China plastics market situation have highlighted the pitfalls of collecting low grade, low value plastics destined for volatile markets.
12. The County Council and Veolia have always sought to communicate the plastics recycling message to residents as simply as possible, thereby maximising the capture rate of good quality, high-value sustainable plastics in concentrating efforts on the capture of plastic bottles, margarine tubs and yoghurt pots.
13. With regard to food waste collections, although some of the borough and district councils have expressed an aspiration to introduce food collections, and the PFI contract offers the flexibility to provide treatment processing if a demand exists, the costs associated with introducing separate food waste collections at the collection authority level are significant. Unfortunately due to these prohibitively expensive capital and revenue costs it is not presently feasible to consider without additional central government funding or statutory targets to drive the service changes necessary.

Financial and Benchmarking Information

14. Veolia submit a monthly invoice to the Council for the Unitary Charge in respect of providing the services under the contract, a sample format of a typical invoice is included as **Appendix A** and is made up of the following elements:
- An availability related payment in respect of the key facilities; the MRF and each of the Recycling Centres;
 - Tonnage related payments in respect of transportation, treatment and disposal of the various waste types;
 - Charges for ad-hoc wastes, additional services performed under the contract and paint;
 - Performance deductions and royalty payment income contributions;
 - A performance related payment linked to landfill tax which incentivises Veolia to maximise recycling and composting performance rather than disposal.
15. The following KPI's are measured monthly or annually by Veolia;
- WCA vehicle turnaround time at Delivery Points;
 - Facility capacity for Contract Waste delivery vehicles;
 - Accuracy, completeness and timeliness of reporting;
 - Contract Interface Obligations;
 - HWRC Service User satisfaction;
 - Performance Standards for Recycling and Composting;
 - Performance Standards for Contract Waste Landfill Diversion;
 - Greenhouse Gas emissions;
 - Operational and environmental performance;
 - Sustainability performance.
16. In contract year 2017-18 £9,600 in performance deductions have been made in respect of reporting deductions to date.
17. The major challenge in benchmarking the service is in the way in which these services across other similar contracts are configured and the lack of transparency in financial data and a reluctance to share such data. CIPFA used to provide independent reporting on these services, however the last published data set was in 2014-15.
18. Schedule 32 of the PFI Project Agreement requires Veolia to undertake a Recycling Centre benchmarking exercise every 5 years which was last undertaken in 2017 to ascertain the relative quality and competitiveness of the Recycling Centre service against other similar Councils, and assess performance against the following criteria:
- Recycling
 - Composting
 - Recovery
 - Landfill diversion
 - Customer satisfaction
19. Furthermore Market Testing is undertaken annually in respect of chipboard and plasterboard waste arising at Recycling Centres, since available outlets, and hence prices for the treatment and disposal of this material, are very volatile.

20. Market Testing is also undertaken every five years on the waste treatment and disposal of residual waste not sent through the Eastcroft Energy from Waste, Sheffield Energy from Waste or Welshcroft Residual Derived Fuel arrangements, and this exercise was last undertaken in 2017.
21. Additionally Market Testing is carried out in respect of ad-hoc waste streams either annually or as the waste type may arise. Ad-hoc waste includes a range of wastes which are either received in small quantities, or are not normally dealt with through the contract, but which may from time to time be either received at the Recycling Centres or be fly-tipped in the County. Amongst others this includes the following:
- Refrigerators and freezers;
 - Dead domestic pets and animal carcasses;
 - Gas cylinders;
 - Pressurised containers;
 - Caravans and trailers;
 - Fluorescent light tubes;
 - Animal faeces;
 - Fibreglass loft insulation;
 - Petrol or other inflammable fuels;
 - Fireworks;
 - Flares;
 - Bombs and unexploded ordnance;
 - Chemicals

Veolia presentation to Committee

22. Further details of the current input specification for the Materials Recovery Facility in Mansfield and the feasibility of widening the range of materials that can be accepted for kerbside recycling, will be provided by Veolia during a presentation to this Committee meeting. Veolia will also be happy to answer any questions that Members may have.

Other Options Considered

23. As this report has been prepared in response to a specific information request from Members of this Committee, the alternatives considered are outlined within the body of this report.

Reasons for Recommendations

24. To address the queries raised at the previous Finance and Major Contracts Management Committee on 16 October 2017.

Statutory and Policy Implications

25. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

26. None

Recommendation

That Committee:

- 1) Considers the report in light of the questions previously raised, and identifies any further issues which require action.

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For any enquiries about this report please contact:
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Constitutional Comments [KK 08/03/2018]

27. The proposal in this report is within the remit of the Finance and Major Contracts Management Committee.

Financial Comments [RK 08/03/2018]

28. There are no specific financial implications arising directly from the report.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Electoral Divisions

All