

26 November 2020

Agenda Item:5

## **REPORT OF THE SERVICE DIRECTOR, PLACE AND COMMUNITIES**

### **WASTE PRIVATE FINANCE INITIATIVE (PFI) CONTRACT – MID-TERM REVIEW**

#### **Purpose of the Report**

1. For Committee to consider and agree the scope of the mid-term review of the PFI Waste Contract with Veolia and identify any further opportunities for investigation.

#### **Information**

##### Background and Context

2. The County Councils 26-year Waste PFI Contract with Veolia has entered its fifteenth year. The PFI Contract manages the recycling, reprocessing, treatment and disposal of around 320,000 tonnes per annum (tpa) of waste against a total tonnage of Local Authority Collected Municipal Waste (LACMW) in Nottinghamshire of around 410,000 tpa. The balance of tonnage is treated through other contracts, including the Eastcroft Energy from Waste (EfW) facility.
3. The PFI contract covers the majority of elements of the Councils statutory duty as Waste Disposal Authority (WDA) for Nottinghamshire but does not include kerbside waste collections which are universally undertaken by the Borough and District Councils directly acting as statutory Waste Collection Authorities (WCA).
4. The PFI Contract runs until 31 March 2033 and encompasses recycling and composting operations; delivers the network of Recycling Centres and manages the arrangements for treatment and disposal of residual waste (excluding the Eastcroft EfW tonnage except when that facility is unavailable). The contract has a value of approximately £28.5million per annum, and the Council receives around £2mpa in revenue grants (PFI credits) from central government to support the arrangements.
5. As the contract is over halfway through its term, officers requested that Veolia carry out a mid-term review to look at what elements of the contract are working well, and what could be improved. The proposed scope of the review is attached at Appendix A.
6. Recycling and composting rates in Nottinghamshire have plateaued in recent years at around 43% mirroring the situation nationally. This is partly due to the withdrawal by central Government of national targets imposed on the borough and district councils and the impacts of the financial crisis in 2007/08. The Council has an aspirational PFI project performance standard of 52% recycling and composting by 2020 and the UK has an EU Waste Framework Directive target of 50% by 2020

7. In addition, the dry recycling currently received from kerbside collections is showing significant and rising levels of contamination. On average almost 12% of the waste delivered to the Materials Recovery Facility (MRF) in Mansfield does not meet the facility input specification target of 5%.
8. The proposal for the mid-term review has been submitted following the Government's new Resources and Waste Strategy (RWS) which was published in December 2018 and has been informed by it. This strategy set out a roadmap towards increasing recycling rates across England and supports the circular economy. Initial consultation responses have been published and in March 2020 the Environment Bill started its route into legislation. The Councils proposed response to the RWS was reported to Communities and Place Committee on 4 April 2019.

### Mid-term Contract Review

9. As noted above the mid-term review of the contract forms Appendix A to this report.
10. The review gives a summary of the background and context of the PFI Contract and covers the different services the contract provides, including:
  - Composting Services;
  - Residual Waste Management and Treatment/Disposal Services;
  - Household Waste Recycling Centre Services;
  - Recyclable Waste and Street Cleansing Services.
11. Each of the above sections within the review gives a high-level overview of the actual waste flows versus the modelled waste flows from contract signature in 2006; infrastructure associated with the service; performance; and goes on to identify any opportunities for improvement.
12. A brief summary of the review is outlined below.

### Composting Services and Organic Wastes

13. In 2019/20 approximately 66,000 tonnes of garden waste was handled through the contract. All seven districts now offer a chargeable garden waste collection service, although this may not cover all households especially in more remote areas where it would not be cost effective for the WCA to provide kerbside collections. The charge may also be a barrier to some households signing up to the service. Garden waste is, however, accepted, without charge, at all 12 Recycling Centres across the County.
14. Garden waste not collected from the kerbside or delivered to Recycling Centres might be home composted or may be lost to the residual waste stream or other disposal methods i.e. burning.
15. Garden waste collected by the WCA is taken to a Veolia group owned facility where it is processed by a traditional open windrow method. The finished product is then used on farm as a soil improver.
16. Subject to consultation, the Government's Resources and Waste Strategy 2018 makes a commitment to legislate that separate food waste collections are in place from 2023 and indicates that it will explore whether households with gardens should be provided with free garden waste collections.

17. Currently there are no separate food collections carried out in the county and no appropriate disposal/treatment facility for this waste stream in Nottinghamshire although there is a network of Waste Transfer Stations (WTS) available across the County to act as local delivery points. The majority of food waste currently ends up in the residual stream (where around 95% is sent for energy recovery – see below), but some also appears as a contaminant in the recycling collections delivered to the MRF.

18. Opportunities for improvement to composting services presented in the mid-term review include:

- Consideration of funding free garden waste collections across the County, which would increase the capture rate and improve performance;
- a contract Anaerobic Digester (AD) or In-Vessel Composting (IVC) facility to enable garden waste and food collections together;
- continuing support of WRAP's Love Food Hate Waste campaign to encourage residents to prevent food waste by meal planning, appropriate portion sizing, storing food correctly and using up leftovers.

### Residual Waste Management and Treatment/Disposal Services

19. Residual waste collected from the kerbside in Nottinghamshire is generally sent for energy recovery unless there are planned outages or unexpected unavailability of the facilities. Because of this the contract is currently achieving an impressive 95% diversion of residual waste from landfill, which is extremely high performing and better than the aspirations stated in the RWS. Of the 5% still being sent to landfill, the vast majority is generally non-recyclable wastes or wastes not suitable for energy recovery treatment.

20. The opportunities for improvement for treatment of residual waste detailed within the review include:

- Small trader services which would allow small businesses to utilise the contract disposal infrastructure, for a charge, to dispose of small amounts of business waste, something which is not currently provided;
- aspiration of zero waste to landfill.

### Household Waste Recycling Services

21. There are 12 Recycling Centres across the County, and collectively they achieve high performance, with approximately 80% recycling and composting performance due in part to their practice of further sorting mixed wastes or 'black bag' waste and to the wide range of materials that they accept for recycling and reuse. Annual customer survey results show a 98% user satisfaction although the service does generate a small number of complaints.

22. Opportunities for improvement within the review include:

- expansion of reuse initiatives on the sites beyond the Community RePaint Nottinghamshire scheme;
- introduction of a meet and greet service;
- introduction of a charging mechanism for rubble originating from householders' own home improvement tasks;
- carpet recycling;

- mattress recycling;
- chargeable trade waste recycling and disposal;
- wood and chipboard recovery for renewable energy;
- provision of new replacement and/or additional sites.

23. The Covid-19 Pandemic has also highlighted that the current operating model for Recycling Centres may not be financially sustainable going forward due to the sub-contracting arrangements in place to run the sites, and the reliance on hand sorting of waste prior to selling on salvageable items. This practice is not viable at this point due to the current Covid-19 risks and performance is likely to reduce as a result. Additionally, a number of the site operators are reporting that revenue from the sale of items has fallen substantially and operating costs are currently exceeding income.

### Recyclable Waste and Street Cleansing Services

24. As previously mentioned, the recycling and composting rate in Nottinghamshire is currently stagnating at around 43%.

25. In addition, the PFI contract specifies a maximum 5% contamination rate for recyclable material that is presented at the Mansfield Materials Recovery Facility (MRF) by the Waste Collection Authorities (WCA).

26. The present input specification includes paper, cardboard, plastic bottles, yoghurt pots, margarine/butter tubs, tins, cans and aerosols. Contamination rates have increased in recent years (due to the decreasing funding to WCA through austerity measures to undertake public information and education and kerbside enforcement) and are now on average around 12%, with some loads reaching 20%.

27. The high contamination levels cause issues for Veolia as the MRF is designed to accept inputs of up to 5% and cannot effectively remove high levels of contamination without significant refurbishment and investment. If materials are not sorted properly then the quality of the materials leaving the MRF will be unable to find markets and may not therefore be recycled.

28. The Resources and Waste Strategy indicates that there is overwhelming support for greater consistency in recycling collections in England, and government is proposing to implement legislation to mandate a standard range of materials to be collected from 2023. The materials collected as a minimum are set to be:

- Glass bottles and containers;
- Paper and card;
- Plastic bottles;
- Plastic pots, tubs and trays;
- Steel and aluminium cans.

29. The majority of these items are already consistently collected in Nottinghamshire. However, the MRF input specification would have to be widened to collect all plastic pots, tubs and trays, and additionally all WCA would need to have a kerbside glass collection, most likely separately collected, by that date.

30. Opportunities for improvement presented in the review include:

- expanding the current input specification at the MRF;
- repurposing the existing MRF to become a “container MRF”, whereby glass, cans and plastic containers would be collected and sorted separately from the paper and card (known as the fibre stream). For this option a new facility may also be required, and the current kerbside collection arrangements would have to change which would be confusing for the public and potentially costly to implement;
- increase of support to educate residents about which items are recyclable and enforcement where residents continue to contaminate their recycling collections.

### Next Steps/Progressing

31. Any opportunities for improvement chosen to take forward will need to be financially viable and sustainable and therefore a detailed business case will need to be established.

32. Furthermore, due to the interface issues with the two-tier authority structure any initiatives taken forward will have impacts on the boroughs and district Councils who act as WCA and therefore consultation and agreement will be needed as to any service and funding implications.

### **Other Options Considered**

33. To continue with the services currently provided through the Veolia Waste PFI Contract.

34. To wait for the outcome of Resources and Waste Strategy which has indicated funding may be available for local authorities to introduce initiatives aimed at improving recycling and composting performance.

35. Consider the continued suitability and viability of the current PFI Waste Contract and consider terminating the contract with Veolia and look at alternative methods of providing waste disposal for Nottinghamshire. It must be noted however that costs and implications for this option are significant and would result in the removal of PFI credits (currently around £2mpa) but could potentially offer greater flexibility for the future.

### **Reason/s for Recommendation/s**

36. Recycling performance has stagnated locally and nationally, and the quality of the dry recycling currently being collected is of poor-quality impacting on the ability of the contractor to meet required international market quality standards for material sales.

37. Government has published its Resources and Waste Strategy 2018 which presents a number of opportunities for improving recycling performance and is expected to legislate to deliver these improvements over the coming months and years.

38. There has been increasing public interest and demand to be able to recycle more material at the kerbside, and a growing awareness of the environmental impacts of poor waste management practices globally.

### **Statutory and Policy Implications**

39. 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**

40. There are no direct financial implications associated with this report, however any identified improvements progressed will require a financial business case and will undoubtedly require capital investment and/or attract increased revenue costs.

### **RECOMMENDATION/S**

That Committee:

- 1) Consider this report and the scope of the mid-term contract review included at Appendix A and identify any specific areas for further investigation.

**Derek Higton**  
**Service Director, Place and Communities**

**For any enquiries about this report please contact:** Mick Allen, Group Manager, Place Commissioning, Tel: 0115 9774684

### **Constitutional Comment (HD 28/10/2020)**

41. The matters within the report fall within the terms of reference of the Communities and Place Review and Development Committee which has the authority to consider and determine the recommendation.

### **Financial Comment (RWK 26/10/2020)**

42. There are no specific financial implications arising directly from the report. Any specific areas identified for further investigation will require the development of a business case, including financial implications, which will be the subject of further reports to Committee.

### **Background Papers and Published Documents**

- None.

### **Electoral Division(s) and Member(s) Affected**

- All