

**TO: JOINT WASTE DISPOSAL BOARD**  
**16<sup>th</sup> March 2011**

**JOINT WASTE DISPOSAL BOARD - PROJECT UPDATE**  
**(Report by the Project Director)**

**1. INTRODUCTION**

- 1.1 The purpose of this report is to inform the Joint Waste Disposal Board (JWDB) of progress since its last meeting on 16th December 2010.

**2. RECOMMENDATIONS**

- 2.1 To note progress made since the last meeting on 16<sup>th</sup> December 2010.**

**3. SUPPORTING INFORMATION**

**Operations and Facilities**

- 3.1 Amendments to the fire protection system at Smallmead are now complete and operational.
- 3.2 Zurich Municipal have attended site to review the work and the Contractor is awaiting their written confirmation that it satisfies requirements of the insurance .
- 3.3 Attached to this report, at Appendix 3 is a revised memorandum from the members of the JWDB to staff, at both the Household Waste Recycling Centres (HWRC), in recognition of the continued high levels of satisfaction expressed by site users. This reflects the recent changes in Membership of the Joint Waste Disposal Board.

**Longshot Lane Mini-MRF**

- 3.4 The PFI contract makes provision for a Mini-MRF at Longshot Lane. The intention within the contract was for something quite different from the MRF (Material Reclamation Facility) at Smallmead, which sorts mixed recyclables collected from the kerb by the council waste collection services.
- 3.5 The Mini-MRF at Longshot Lane was intended to seek to divert waste away from landfill once it had been deposited 'over the wall', for disposal, by residents using the Household Waste Recycling Centre (HWRC) at the site.
- 3.6 The Mini-MRF was not part of the completed site, when it was opened in the Summer of 2009, but a smaller version has been trialled by the Contractor. Alongside this trial, the Contractor also trialled the use of a mechanical 'grab' for the same activity. The Contractor's conclusion is that this option (the mechanical 'grab') is actually more effective in the immediate term and more flexible for the future.
- 3.7 The result of the two trials has been part of several discussions between the Contractor and Officers and, in consideration of the findings and the potential for future benefits, it has been agreed that the 'grab' option should be adopted in replacement to the Mini-MRF.

### **Retail Outlet Replacement**

- 3.8 A report to the last meeting of the JWDB detailed the plans to begin working with Sue Ryder Care at both of the partnership Household Waste Recycling Centre's (HWRC's).
- 3.9 Since that meeting, collections by Sue Ryder Care have begun with some success. The quality of material collected appears to exceed the expectations of both organisations.
- 3.10 Officers will brief Members as further details become known and report formally at a subsequent JWDB Meeting.

### **Haulage Contract Re-let**

- 3.11 Members have approved (JWDB 21<sup>st</sup> September 2010) the early commencement of the Haulage Market Testing process contained within the PFI contract.
- 3.12 Since that decision the re3 Project Team have been working with the contractor in order to follow the processes described within the contract for the market testing of the haulage required and to seek to minimise any increase in costs.
- 3.13 The contractor has ascertained that there are five haulage providers who meet satisfy the criteria for tendering (one having dropped-out since the last update).
- 3.14 As a result, the contractor has now issued five formal Invitations to Tender (ITT).
- 3.15 The return date for the ITT's was 25<sup>th</sup> March 2011 and four bids were received. Following receipt of the tenders, WRG are assessing the proposals. Officers will relay the result as soon as it is known.
- 3.16 The re3 Project Team will liaise with both the contractor and the individual council accounts teams to ensure that the councils are able to begin budgeting for any increases in the rate of haulage.
- 3.17 The new haulage contract should begin in December 2011.

### **Savings Proposals**

- 3.18 Council Officers have been engaged in discussions with colleagues from our PFI Contractor, Waste Recycling Group (WRG), in relation to savings and income generation.
- 3.19 A number of proposals relate to the current year. Through existing contractual mechanisms and close management, the re3 Project Team have secured c£600,000 for the partner councils in 2010/11, supplementing the overall PFI under spend.
- 3.20 Alongside this, Officers have been engaged in discussions about savings for subsequent years. This process began in July 2010 with a request to WRG to consider any and all areas of the contract in which they felt savings could be achieved (and then to work-up proposals).
- 3.21 Officers felt that it would be unacceptable for this element of public expenditure within the three councils to forgo the kind of challenge which has been happening in other service areas. Mindful of the continual increases in the cost of waste and the explicit partnership aspect of a PFI contract, Officers felt that it was appropriate to engage

with our private sector partner in discussions on making savings. WRG agreed to consider proposals.

- 3.22 It should be noted that waste is a significant cost to all local authorities and that the re3 PFI contract was designed to deliver a comparative saving on costs over its term. The ongoing discussions on savings are intended to build on the expected savings over the PFI contract term in the context of the time we're now in.
- 3.23 WRG are working on the detail of a range of proposals. Officers will continue to work with them in order that Members are able to consider them at the earliest opportunity. It should be noted that each proposal, once the full range are worked-up, that the Councils wish to progress will be subject to approval by both the WRG Board and their funders (banks).
- 3.24 The Contractor has been asked to assess the level of revenue received from the councils in relation to both the Mini-MRF and Retail Outlet elements of the Contract (referred to previously at 3.4 and 3.8 respectively) up to the point at which replacements for those undertakings were in place.

### **Finance**

- 3.25 The year to date financial position is attached under Appendix 1.
- 3.26 It should be noted that this outturn is based on provisional figures for Quarter 3. The re3 Project Team identified a number of errors and clarifications in the Quarter 3 Reconciliation, which has been returned to the Contractor for correction.
- 3.27 Due to these errors, the revised Reconciliation was still outstanding at the deadline for this report.
- 3.28 The figures presented in Appendix 1 represent the assessment by the re3 Project team of what the Quarter 3 charges should be; therefore further changes may occur but should be minor.
- 3.29 The Accountants at each Authority will have been notified of the actual agreed figures by the time the JWDB takes place.
- 3.30 The project is now reporting a collective under spend of £1.2 million for 2010/11; this is significantly higher than the £400,000 under spend reported at the last meeting, and is due to a number of factors.
- 3.31 Aside from contract waste tonnage remaining persistently lower than forecast, the Project has also made several significant savings.
- 3.32 The Councils have saved £25,300 on the Lakeside EfW gate fee. This is because the plant is more efficient than anticipated, meaning that it produces less residue, resulting in a lower gate fee.
- 3.33 The cumulative £120,000 surplus from the Waste Minimisation Fund is being repaid to the Councils under the Quarter 3 Reconciliation following a request by the re3 Project Team. This has been provisionally allocated between the Councils as shown in Appendix 1, but an end of year reconciliation will be required when full year figures are available.
- 3.34 The Contractor made a saving in PFI insurance costs, and contractually the Councils are entitled to a share of this, which amounts to £68,500. This has been provisionally

allocated between the Councils, but will be finalised once the Reconciliation is agreed.

- 3.35 As a result of a piece of work undertaken by the re3 Project Team, the Contractor recently notified Officers that the income they receive from the sales of recyclate will significantly exceed that which is modelled in the contract. The Councils are contractually entitled to a share of this income. The Councils' share is currently estimated at £362,500 and has been provisionally allocated between each authority based on year to date contributions to contract waste. The actual payment and allocations will not be finalised until full year figures are available.

### **Performance**

- 3.36 Due to the issues described above in 3.26 and 3.27, the performance figures detailed below are provisional.
- 3.37 Bracknell's provisional year to date NI 192 result is 40.3%. 79.4% of waste is being diverted from landfill.
- 3.38 Reading's provisional year to date NI 192 result is 34.5%. 71.4% of waste is being diverted from landfill.
- 3.39 Wokingham's provisional year to date NI 192 result is 40.9%. 79.6% of waste is being diverted from landfill.
- 3.40 Note that these figures may be negatively impacted once Quarter 4 data is available and incorporated, as Quarter 4 is generally characterised by a lower level of performance in comparison with the rest of the year.
- 3.41 The re3 Project Team has undertaken an exercise investigating how the Councils could seek to improve recycling performance through maximising the contribution of existing kerbside recycling collections.
- 3.42 The re3 Project Team will present a summary of the results at the meeting.

### **Joint Municipal Waste Management Strategy**

- 3.43 Both the individual Council waste teams and the re3 Project Team have carried-on working towards the objectives contained in the Joint Municipal Waste Management Strategy (JMWMS).
- 3.44 A review is scheduled for 25<sup>th</sup> March 2011. Following that meeting, an update on progress will be circulated for information and comment.
- 3.45 Members may be aware that the requirement to maintain a JMWMS is currently being reviewed by Government.

### **Use of re3 Facilities by West Berkshire Residents**

- 3.46 Following the last JWDB meeting, project officers sent a letter (dated 20<sup>th</sup> January 2011) to West Berkshire Council explaining the re3 position. Officers at Reading Borough Council (the Administering Authority for the PFI) also issued a second invoice for the outstanding amounts relating to 2009/10 (following one which had already been sent in relation to 2008/09).

- 3.47 The councils received of a response (dated 14<sup>th</sup> February) from the Corporate Director of Environment at West Berkshire Council which indicates acceptance of the terms agreed by the re3 councils.
- 3.48 The re3 Project Director has now written back, accepting the offer of payment from West Berkshire Council.

## **BACKGROUND PAPERS**

Board Report 16<sup>th</sup> December 2010

## **CONTACTS FOR FURTHER INFORMATION**

Mark Moon, Project Director  
0118 974 6308  
[Mark.moon@wokingham.gov.uk](mailto:Mark.moon@wokingham.gov.uk)

Oliver Burt, Project Manager  
0118 939 9990  
[oliver.burt@reading.gov.uk](mailto:oliver.burt@reading.gov.uk)

## Appendix 1

### re3 PFI Budget Monitoring

#### 2010/11 Waste PFI Outturn

		BFBC £	RBC £	WBC £	TOTAL £
Apr-10	Actual	497,336	685,025	772,635	1,954,996
May-10	Actual	481,157	602,854	713,664	1,797,675
Jun-10	Actual	485,946	684,446	739,851	1,910,243
Jul-10	Actual	484,102	635,306	709,172	1,828,580
Aug-10	Actual	441,736	621,984	728,334	1,792,054
Sep-10	Actual	461,383	742,234	733,559	1,937,176
Oct-10	Provisional	452,156	601,809	681,821	1,735,786
Nov-10	Provisional	451,693	618,326	685,899	1,755,918
Dec-10	Provisional	406,282	593,570	639,718	1,639,570
Jan-11	Forecast	486,706	633,645	730,330	1,850,681
Feb-11	Forecast	424,686	586,309	629,562	1,640,557
Mar-11	Forecast	483,569	660,951	710,976	1,855,497
<b>TOTAL</b>		<b>5,556,753</b>	<b>7,666,459</b>	<b>8,475,521</b>	<b>21,698,733</b>
Business Rates		106,441	138,055	144,829	389,325
Additional EfW <small>(note 3)</small>		0	16,920	16,920	33,840
EfW Adjustment <small>(note 6)</small>		-6,929	-8,987	-9,428	-25,344
Waste Min Refund <small>(note 7)</small>		-32,172	-43,184	-44,644	-120,000
Insurance Saving <small>(note 8)</small>		-18,393	-23,971	-26,224	-68,588
Estimated Recyclate Income <small>(note 9)</small>		-97,875	-126,875	-137,750	-362,500
<b>2010/11 Outturn</b>		<b>5,507,825</b>	<b>7,618,417</b>	<b>8,419,224</b>	<b>21,545,467</b>
2010/11 Budget		6,011,277	7,874,406	8,949,805	22,835,488
Revised 2010/11 Budget		5,832,480	7,874,406	8,949,805	22,656,691
Variances Declared		94,000	0	0	94,000

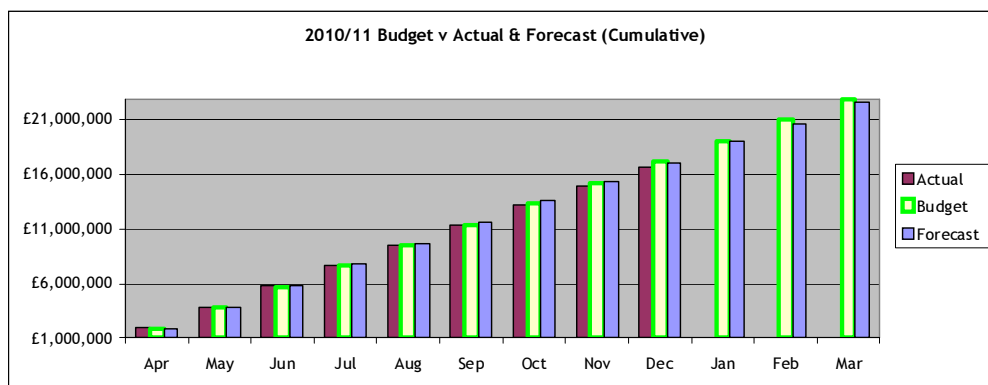
**Projected Underspend**      **-418,655**      **-255,989**      **-530,581**      **-1,205,224**

-5.3%

#### Notes

- Based on actual invoices and forecasts
- Trade waste currently included in RBC costs & budget until account is set up
- Additional tonnes EfW split 50:50 between RBC & WBC. Assumed start Dec 10 (3300 tonnes).
- BFBC budget reduced to exclude non-contract waste (Housing no longer Council-run) and a proportion of the previously estimated business rates increase.
- The underspend takes account of the £94,000 variance that BFBC have reported.
- The EfW Adjustment is a refund due to lower than anticipated residue, resulting in slightly lower gate fee.
- Unused Waste Min funds from 2007-2011. Provisional allocation based on actual contributions to Waste Min Payment during this period. (Qtr3 currently provisional, & Qtr 4 2010/11 not yet available so will change slightly).
- Insurance saving due to lower than modelled premium. Provisional allocation to be finalised once Qtr3 agreed.
- Estimated annual Recyclate Income Payment from WRG due to higher than modelled income from sale of recyclate. Total payment and allocation between Councils to be finalised with year end tonnages/income.

#### re3 Management Budget/Costs not included



## Appendix 2

JWDB - re3 Waste PFI Management Costs 2010/11						Period to 30 December 2010
Employees	Budget	YTD Cost	YTD Variance	Projected Annual Cost	Projected Annual Variance	Comments
	£	£	£	£	£	
Salaries, NI & Super	166,800	111,611	-55,190	150,000	-16,800	
Training (£3,000)	3,000	475	-2,525	500	-2,500	
Employees sub total	169,800	112,086	-57,715	150,500	-19,300	
Other Costs	Budget	Cost	Variance	Projected Annual Cost	Projected Annual Variance	Comments
Transport						
Travel Expenses	1,000	236	-764	500	-500	
Supplies & Services						
Equipment	3,500	0	-3,500	0	-3,500	
Stationery	500	0	-500	100	-400	
Consultancy Fees	60,000	34,912	-25,088	35,000	-25,000	includes accrual of £75k from 2009/10.
Purchase of Computer Equipment	6,700	95	-6,605	500	-6,200	
Mobile Phones	400	28	-372	100	-300	
Support Services/Recharges	20,900	15,675	-5,225	20,900	0	
Other Costs sub total	£93,000	£50,946	-£42,054	£57,100	-£35,900	
<b>2009/10 Total</b>	<b>£262,800</b>	<b>£163,032</b>	<b>-£99,768</b>	<b>£207,600</b>	<b>-£55,200</b>	
Note: Eversheds invoices for legal advice regarding additional EfW are split equally between Reading & Wokingham.						
Council Recharge (to date)		£		Projected Annual Recharge		£
Reading		£66,340		Reading		£81,200
Bracknell		£30,352		Bracknell		£45,200
Wokingham		£66,340		Wokingham		£81,200
Total		£163,032		Total		£207,600