

**TO: JOINT WASTE DISPOSAL BOARD**  
**7<sup>th</sup> July 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 March 2011.

**2. RECOMMENDATIONS**

- 2.1 To note progress made since the last meeting on 16<sup>th</sup> March 2011.
- 2.2 That Members approve option 2 (at 3.31 below) and instruct the re3 Project Team to negotiate with the Contractor to effect the change.
- 2.3 That Members endorse the proposal described at 3.39 below and instruct the re3 Project Team to develop the proposal further with the Contractor for future approval by the JWDB
- 2.4 That Members approve the draft design of the entrance sign to the Household Waste Recycling Centres as attached at Appendix 3.

**3. SUPPORTING INFORMATION**

**Operations and Facilities**

- 3.1 The Contractor is developing a business case for making some amendments to the MRF. The amendments will be aimed at recovering recyclables from material currently rejected.
- 3.2 The benefits from such a change would be in increased recycling and thus a reduction in disposal cost. Increased recycling should lead to greater income for the Contractor and potentially the councils.
- 3.3 The Contractor has suggested that the councils could contribute to the capital expenditure for the project. Officers will supply details of the proposed amendments and aspects of the business case as soon as they are available.
- 3.4 At the previous JWDB meeting, Members requested detail on the amount received for trade waste through the contract. Officers can confirm that in the 2010/11 year the amount of third party trade waste received at the sites was 39,400 tonnes and that translated into a payment to the councils of £91,000.

**Retail Outlet Replacement**

- 3.5 Members have previously requested updates about the support for Sue Ryder which the councils and contractor are providing via the Household Waste Recycling Centre's (HWRC's).
- 3.6 Sue Ryder Care is a charitable organisation which provides palliative and end-of-life care. They are well established in and around the re3 area with beds at the Nettlebed Hospice and management of services provided at the Duchess of Kent House Hospice in Reading.

- 3.7 Since the arrangement with them began in March 2011, Sue Ryder have been collecting items set aside by contract staff and making them available for sale via their network of charity shops in the region.
- 3.8 They estimate that, to date, the items retrieved from the re3 HWRC's have raised as much as £6,000 for Sue Ryder.
- 3.9 At the present time especially, this kind of arrangement is greatly appreciated by Sue Ryder.

### **Community Repaint**

- 3.10 At the previous JWDB Meeting, Members asked for more detail on the proposal by Green Machine to establish a Community Repaint scheme for the re3 councils.
- 3.11 Green Machine is a Community Interest Company (CIC) set up by Bracknell Forest Council.
- 3.12 There is a network of Community Repaint schemes operating across the UK. They collect unwanted and surplus paint and redistribute it to individuals and communities in need. In doing so, they seek to deliver economic, social and environmental benefits.
- 3.13 Green Machine had prepared a proposal to work as a sub-contractor at the HWRC's. Under the proposal, they would offer a saving on the high costs (c£280,000 pa) of managing unwanted paint through our HWRC's.
- 3.14 The basis of their proposal was to divert, for community re-use across the re3 area, 40% of paint currently received at the sites for a payment equivalent to 30% of the total annual cost. As a result, the councils should ultimately have been able to see a saving equivalent to 10% of the total cost (c£28,000 pa).
- 3.15 Since developing that proposal however, the Contractor has proposed to process all paint received at the HWRC's via a facility they own. Officers have no detail at present but we are told the new arrangement will be as much as £100,000 cheaper than the current total cost of paint processing.
- 3.16 If the reduced cost is realised, that would have implications to the Green Machine proposal – reducing the value of the 30% they would expect to receive. It is as yet unclear whether Green Machine would be able to operate the service for a reduced payment (c£54,000 pa).
- 3.17 As such, Green Machine has proposed that they begin the Community Repaint scheme and operate for 9 months (receiving at least two quarterly fixed payments). In that time it is expected that detail will have emerged about the Contractor's proposal and discussions between them and Green Machine will have progressed to enable both to operate alongside one-another.

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

- 3.18 Members have approved (JWDB 21<sup>st</sup> September 2010) the early commencement of the Haulage Market Testing process contained within our Private Finance Initiative (PFI) contract.
- 3.19 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.

- 3.20 The process, as laid-out within the Contract, was not followed precisely 'to the letter' as it required adherence to some of the principles of the EU Procurement Regime (as if the Contractor were a public body). As a result both parties have agreed to restart the process.
- 3.21 It is still the intention of the Contractor that the new haulage arrangements commence in December 2011 as intended. However, the Contractor is also negotiating with the incumbent haulier about a short extension of the existing arrangement in case there is a further unforeseen delay.

### **Savings Proposals**

- 3.22 Council Officers have been engaged in discussions with colleagues from our PFI Contractor, Waste Recycling Group (WRG), in relation to savings and income generation.
- 3.23 The requirement to make savings across public services is clear. Officers have taken their lead from the Cabinet Office and HM Treasury who are working with cross departmental suppliers and 'portfolio' contractors to make savings within Public Private Partnership (PPP) Contracts across Government. They are keen that local authorities do the same.
- 3.24 Among proposals which have so far emerged from discussions with our PFI contractor, are two which Members will wish to give consideration to. The two proposals are described from 3.25 to 3.34 and 3.35 to 3.41 below.
- 3.25 The first proposal involves the provision within the PFI contract of resources for two members of the staff to deliver the education and waste minimisation functions of the contract. As a very broad description, their role includes running and maintaining the educational facilities at Smallmead and Longshot Lane, visits to schools and the coordination and production of both information/education material for service users and some contractual documents.
- 3.26 In practice, the education and waste minimisation staff have often been engaged in activities for the contractor in addition to those described above.
- 3.27 From the start of the contract until September 2010, the roles were carried-out most ably by the appointed staff. Unfortunately, both individuals left the employment of WRG at that point.
- 3.28 In light of the need to make savings, and at the suggestion of the re3 Project Team, the contractor recruited one member of staff to replace those who had left in September 2010. Unfortunately, that did not appear to work very well as the absence of available support meant that the individual was constantly stretched.
- 3.29 When the replacement member of staff left in January 2011, it was agreed to delay the recruitment of replacement staff while a review was conducted. This delay affords the re3 councils an opportunity to consider the value of the service and its role in the future of the re3 partnership.
- 3.30 At the commencement of the contract, £100,000 per annum was put aside from the councils payments to fund education and waste minimisation activities. A further £50,000 was put aside to fund staff costs for the two posts. Both sums are subject to the application of RPI and in the current year amount to £121,600 and £60,800 respectively.

- 3.31 There would appear to be three workable options, as described below.
1. Retain the service, including continuing to contribute full payment, as described within the contract.
  2. Retain the service broadly as described within the contract but seek to revise the terms and conditions so that the staff were seconded (or similar) to the councils rather than being separate from them. Alongside this change, the councils could also renegotiate a reduced budget for activities, thereby realising a saving alongside the retention of this service.
  3. Realise the full saving of £182,400 (correct for 2011/12), whilst procuring on an annual basis those reports and activities which the councils wish the contractor still to deliver, and subsume the appropriate education and waste minimisation activities within the existing complement of appropriate staff across the three councils.
- 3.32 To effect a change, the contractor is likely to require the councils to submit a Notice of Council Change according to the PFI Contract.
- 3.33 While the exact and specific benefit of the education and waste minimisation role is impossible to quantify, it is widely believed (amongst officers) to have been valuable to the three councils.
- 3.34 The re3 Project Team therefore recommend that Members approve option 2 (at 3.31 above) and furthermore that Members instruct them to enter into the necessary negotiations with the Contractor, via a Notice of Council Change.
- 3.35 The second proposal is for a change to the opening hours of the two Household Waste Recycling Centre's at Smallmead in Reading and Longshot Lane in Bracknell.
- 3.36 At the request of the re3 Project Team, the Contractor has considered the potential saving that might be made from reductions in opening hours at the HWRC's.
- 3.37 The savings proposed are as follows:
1. For closure of both sites for two hours per day during Summertime (6pm-8pm daily between 1 April and 30 September): £38,000 per annum
  2. For closure of both sites for one day per week (although not both on the same day): £94,000 per annum
- 3.38 However, the re3 Project Team would like to propose an alternative to the outright closure of the HWRC's which we hope would be more consistent with the outlook of the re3 councils and make a bigger contribution to the search for savings or income generation.
- 3.39 The proposal would still see the HWRC's closed to householders for a part, or parts, of the week. However, rather than the sites sitting idle, they could be opened-up for local traders and SME's who would pay a fee to recycle and dispose of their trade waste.
- 3.40 This kind of proposal could have some advantages to all concerned. These could include the following:

- Addressing the need, as previously identified by the re3 councils but now also included in the recent Government Review of Waste Policy in England 2011, to support local businesses through our facilities.
- Reduce some of the operational tension at the HWRC's between receiving waste from traders and householders and help to ensure that council tax payers are not footing the bill for trade waste.
- Provide the simple basis upon which to be open for business to traders who are prepared to support our aim to recycle and recover as much as possible.
- Generate an income stream for the councils based on a charging scheme which is reasonable for traders and easily administered – the aim being to make it simple for small businesses.
- Provide another service area in which the councils and our Contractor can collaborate.

3.41 The re3 Project Team therefore recommends that Members endorse the proposal described at 3.39 above and that the re3 Project Team be instructed to develop the proposal further with WRG for future approval by the JWDB.

3.42 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**

3.43 The provisional financial position for 2010/11 is attached under Appendix 1.

3.44 The project is reporting a collective under spend of £777,000 for 2010/11; this is lower than the £1.2million under spend reported at the last meeting.

3.45 Quarter 4 actual costs were higher than anticipated, primarily due to an increase in contract waste in March, assumed to be related to the warm and dry weather.

3.46 However, the main factor in the reduction of the reported under spend is related to the Councils' share of the Contractor's income from sales of recyclate.

3.47 As reported at the March meeting, the Contractor had advised that they were due to significantly overachieve in terms of modelled income, and estimated the Councils' share of the saving to be £362,500 for 2010/11. However, the Contractor has recently advised that they have recalculated the Councils' share of the income.

3.48 The Contractor's revised calculation showed that there was no longer any share of excess income due to the Councils. The re3 Project Team have scrutinised the calculation and do not agree with several components and are currently in discussions with the Contractor concerning this matter.

3.49 In order to be prudent, the 2010/11 outturn has been adjusted to reflect the worst case scenario, which is that the Councils are not due any income.

3.50 On behalf of the Councils, the Chair of the JWDB and the Reading Borough Council Chief Executive recently met with the Chief Executive of WRG to discuss savings options and future aspirations for the Partnership. The Councils expressed their desire to reach an agreement over the adoption of cost transparency arrangements. The Councils feel that with greater transparency, the issue described in 3.47 above could possibly have been avoided.

- 3.51 A statement of expenditure against the re3 Management budget is included under Appendix 2 and shows an under spend of £52,500 for 2010/11.

### **Performance**

- 3.52 Provisional 2010/11 performance results are detailed below. Note that these results are subject to validation by Waste Data Flow.
- 3.53 Bracknell's provisional NI 192 (percentage of waste recycled and composted) result for 2010/11 is 40.2%. This is an improvement on the 2009/10 score of 37.8%.
- 3.54 77.6% of Bracknell's municipal waste was diverted from landfill in 2010/11, compared to 55.5% in 2009/10.
- 3.55 Reading's provisional NI 192 result for 2010/11 is 34.9%. This is an improvement on the 2009/10 score of 33.4%.
- 3.56 71.4% of Reading's municipal waste was diverted from landfill in 2010/11, compared to 47.5% in 2009/10.
- 3.57 Wokingham's provisional NI 192 result for 2010/11 is 41.1%. This is an improvement on the 2009/10 score of 38.4%.
- 3.58 79.4% of Wokingham's municipal waste was diverted from landfill in 2010/11, compared to 55.4% in 2009/10.
- 3.59 The improvements in rates of diversion from landfill are largely due to full availability of the Lakeside Energy from Waste facility in 2010/11; due to delayed commissioning the facility was only partly available in 2009/10.

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

- 3.60 Payment has now been received from West Berkshire, according to the agreed methodology, for the 2008/09 and 2009/10 years.
- 3.61 West Berkshire paid £200,000 "on account" in 2010/11. A reconciliation process now needs to be undertaken to establish the actual charge due for the period and the appropriate reconciliation invoice will be raised.
- 3.62 Attached at Appendix 3 is a draft design for an entrance sign to the HWRCs. The design shown is for Smallmead and therefore includes space for a removable sticker depicting the West Berkshire logo. This is so that they and any other Council that we form a reciprocal agreement with, can feature on the sign. For practical reasons it is not proposed that the West Berkshire logo appears on the Longshot Lane sign, but the same principle could apply.
- 3.63 Members are requested to approve the draft design at Appendix 3.

### **Risk Register**

- 3.64 The Risk Register has been updated and will be considered at the appropriate point in the agenda.

## **BACKGROUND PAPERS**

Board Report 16<sup>th</sup> March 2011

## **CONTACTS FOR FURTHER INFORMATION**

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## 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	Actual	452,156	601,809	681,821	1,735,786
Nov-10	Actual	451,693	618,326	685,887	1,755,906
Dec-10	Actual	409,348	591,746	637,932	1,639,026
Jan-11	Actual	463,491	664,797	727,283	1,855,571
Feb-11	Actual	426,565	547,284	612,292	1,586,141
Mar-11	Actual	490,098	682,678	738,721	1,911,497
<b>TOTAL</b>		<b>5,545,011</b>	<b>7,678,489</b>	<b>8,481,151</b>	<b>21,704,651</b>
Business Rates		106,441	138,055	144,829	389,325
EfW Adjustment (note 6)		-6,929	-8,987	-9,428	-25,344
Waste Min Refund (note 7)		-32,194	-43,107	-44,699	-120,000
Insurance Saving (note 8)		-18,393	-23,971	-26,224	-68,588
Estimated Recyclate Income (note 9)		0	0	0	0
<b>2010/11 Outturn</b>		<b>5,593,937</b>	<b>7,740,479</b>	<b>8,545,629</b>	<b>21,880,044</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

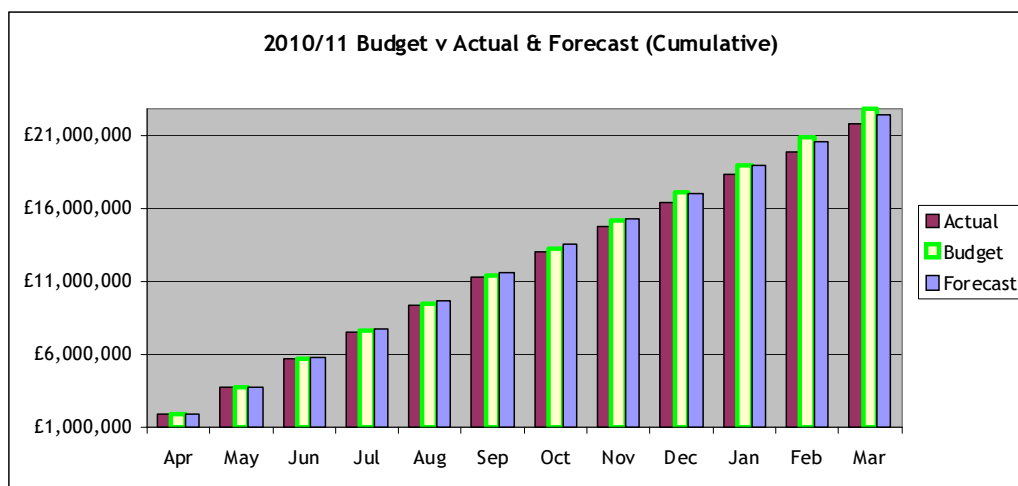
**Projected Underspend**      **-238,543**      **-133,927**      **-404,176**      **-776,647**

-3.4%

#### Notes

- Based on actual invoices
- Trade waste disposal included in RBC costs & budget.
- The EfW Adjustment is a refund due to lower than anticipated residue, resulting in slightly lower gate fee. during this period. (Qtr 4 2010/11 not yet available so will change slightly).
- Insurance saving due to lower than modelled premium.
- Annual Recyclate Income Payment from WRG is now under discussion with WRG. Currently assuming worst case scenario of no income.

#### re3 Management Budget/Costs not included



## Appendix 2

### JWDB - re3 Waste PFI Management Costs 2010/11

Period to 31 March 2011

Employees	Budget	YTD Cost	YTD Variance	Comments
	£	£	£	
Salaries, NI & Super	166,800	145,206	-21,594	
Training	3,000	475	-2,525	
<b>Employees sub total</b>	<b>169,800</b>	<b>145,681</b>	<b>-24,119</b>	
Other Costs	Budget	Cost	Variance	Comments
Transport				
Travel Expenses	1,000	566	-434	
Supplies & Services				
Equipment	3,500	0	-3,500	
Stationery	500	28	-472	
Consultancy Fees	134,548	117,375	-17,173	
Purchase of Computer Equipment	6,700	800	-5,900	
Mobile Phones	400	358	-42	
Support Services/Recharges	20,900	20,000	-900	
<b>Other Costs sub total</b>	<b>£167,548</b>	<b>£139,127</b>	<b>-£28,421</b>	
<b>2009/10 Total</b>	<b>£337,348</b>	<b>£284,808</b>	<b>-£52,540</b>	

Note: Eversheds invoices for legal advice regarding additional EfW are split equally between Reading & Wokingham.

Council Recharge 2010/11	£
Bracknell	£70,856
Reading	£107,126
Wokingham	£106,826
<b>Total</b>	<b>£284,808</b>

# Recycling Centre



Public Access  
Cars  
below 1.95m



**No trade waste**

**This facility is provided under Section 51 of the Environmental Protection Act (1990) and is for use only by residents of:**



**Reading**  
BOROUGH COUNCIL



**WOKINGHAM**  
BOROUGH COUNCIL



**Proof of residence may be requested**

**The Council reserves the right to refuse entry to anyone who does not meet the above criteria**