

TO: JOINT WASTE DISPOSAL BOARD
15 January 2016

RE3 PARTNERSHIP PROGRESS REPORT
Report of the re3 Strategic Waste Manager

1 INTRODUCTION

- 1.1 The purpose of this report is to inform the Joint Waste Disposal Board (JWDB) of progress in relation to the shared re3 PFI Contract since its last meeting on 16th October 2015.

2 RECOMMENDATIONS

- 2.1 **That Members note progress made over the last quarter in relation to the aspects of contract delivery described within the report.**
- 2.2 **That Members agree to trial the changes described at 5.25 to 5.30 in this report.**
- 2.3 **That Members agree to receive, after six months, a review of the trial and a recommendation relating to the changes to the Service Delivery Plans.**

3 ALTERNATIVE OPTIONS CONSIDERED

- 3.1 Not applicable.

4 REASONS FOR RECOMMENDATIONS

- 4.1 The proposed changes to the Contract are relatively insignificant in scope and scale. Nonetheless, as precursors to further changes planned by the re3 Project Team, officers wish to ascertain their impact, and to brief Members accordingly, before deciding whether to formalise them.

5 BACKGROUND INFORMATION

Street Sweepings

- 5.1 In 2012, the Environment Agency (EA) provided a clarification of guidance on the waste management processing of street sweepings and gully arisings. The clarification stressed that such material should not be incorporated into a composting process and could not be recorded as being 'recycled'. The impact was significant with <3.5% removed from the re3 recycling rate and additional disposal costs of c£150,000.
- 5.2 The re3 Project Team has worked closely with the Contractor to ensure that the processing of re3 street sweepings is approved, by the Environment Agency (EA), for inclusion within the statutory targets for the councils. Furthermore the Contractor has taken to ensure that these new arrangements make no impact on the council sweeping service – sweepings are delivered as before but the processing has changed.
- 5.3 During the course of the two month trial (run during October and November) the re3 councils delivered 718t of sweepings and, as a result of the new processing, 75-80% of that amount was recycled.

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- 5.4 The composition of street sweepings is seasonal. The significant leaf content of sweepings during the trial is not expected to continue year-round. Accordingly, the re3 Project Team intends to monitor composition in order to accurately predict the impact on recycling rate and financed from this initiative.

Correspondence with Government

- 5.5 In November, the Chairman, on behalf of the re3 councils, wrote two letters to the Parliamentary Under Secretary for Environment and Rural Affairs, Rory Stewart MP.
- 5.6 The first letter (included at Appendix 3) discussed the impact upon the Lakeside Energy from Waste facility in the event that the Government's Airports Commission recommendation, for a new runway at Heathrow, is accepted. The Commission has identified that, if it's preferred Northwest Runway scheme goes ahead, Lakeside will need to move. The re3 councils asked that plans for such disruption be considered at the earliest opportunity.
- 5.7 The response, from Defra, does not add a great deal to our present understanding of the situation.
- 5.8 It does, however, state that 'any decision about new airport capacity would be subject to public consultation where all interested parties would be able to offer their views'. It seeks to reassure the re3 councils in explaining that the councils will 'have further opportunities to make representations'. This rather overlooks the point of our letter, which was about the early engagement in planning for a replacement EfW facility. While it is clear that a decision about the runway must precede planning for a replacement EfW facility, the letter adds nothing to our understanding of the more important issue for re3.
- 5.9 The second letter discussed the strategic requirements of local government from the re3 perspective and specifically the ways that Government can create the conditions within which the councils and waste industry can thrive.
- 5.10 At the time of publication of this report, no response had been received.

Insurance

- 5.11 The biennial review of insurance has been undertaken and has resulted in a rebate to the councils of 80,000 for the period 2013 to 2015.
- 5.12 Unfortunately, insurance premiums for waste management facilities are rising across the industry. The rising cost of insurance reflects the assessed risk associated with complex facilities such as our MRF at Smallmead and industry confidence.
- 5.13 Our Contractor, FCC, has been in negotiation with brokers to assess the likely cost of insurance for the next two year period. Initial feedback suggests that, despite significant improvements to the fire detection and prevention systems over the life of the facilities, further work will be necessary in order to meet the level required by insurers to provide cover. Insurers require that improvements be made to the water storage capacity on-site in order that, in the event of a fire, water can be delivered via sprinklers at a greater rate and for a longer duration.
- 5.14 Even after that work, it is expected that the cost of insurance will rise significantly.
- 5.15 The Contractor estimates that the cost of the improvements to the existing fire system will cost between £400,000-£700,000.

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- 5.16 The Contractor has assessed that insurance premiums will rise considerably. The current premium is £380,000 for the two years ending in December 2015. As a result of the biennial nature of insurance reviews it is unlikely that the re3 councils will see an increase in their contribution until the next period (i.e. December 2017 to December 2019).

Re3 Material Reclamation Facility (MRF)

- 5.17 As part of the ongoing maintenance of the re3 MRF, a short period of enforced shutdown was experienced in November 2015. Works to replace the steel conveyor chains from the bag splitter will take 7-10 days - though expected to affect only a single working week. Other preventative maintenance is also being carried out during this period. The Contractor is planning to hold re3 material, rather than send recyclables to be processed elsewhere.
- 5.18 During the maintenance of the MRF it was possible to take a closer look at some of the components than is normally possible during operation. Some photographs (and accompanying descriptions) are included at Appendix 1.

Business Continuity and Contingencies

- 5.19 The re3 PFI Contract incorporates specific contingency arrangements in order to provide some prior assurance of service continuity and practical support.
- 5.20 Officers and Contractors attended a short workshop at the re3 in November 2015. The purpose of the workshop was to test existing plans and the capacity for the collective re3 waste services to respond effectively in the event of disruption.
- 5.21 As a result of the workshop, the Emergency Plans are being updated and attendees will meet again to continue an ongoing process of review.
- 5.22 The Contractor, FCC, is reviewing all contingency facilities. This has already included a visit to the Reading Borough Council depot at Bennett Road. Bennett Road transfer station was temporarily operated by FCC during flooding in 2014. A closer working relationship is being developed between the respective operators to ensure, in the event that the site is utilised as a contingency for re3 facilities again, that procedures are as efficient as possible.
- 5.23 Finally, the workshop discussed the potential need, in extreme circumstances and where resources are stretched, for existing services to be prioritised. Prioritisation would not be applied unless prevailing circumstances dictated that a full service could not be operated safely. Prioritisation might also be required where the situation dictated that re3 facilities were needed to support the councils in an emergency (non-waste) capacity. In such circumstances, notification of the proposed service change would be provided to the re3 councils and priority would be given to services in the following order:
1. Recycling and Refuse collection;
 2. Household Waste Recycling Centres;
 3. Other services (receipt of green waste collections, grounds, street cleansing);
 4. Trade waste.
- 5.24 In the event that a reduced service can be offered, that would be preferred over complete service cessation.

Changes to Service Delivery Plans

- 5.25 To aid compliance with obligations, the re3 councils required that the PFI contract include a process of evidence and validation for reprocessors. Each reprocessor for materials recovered via the re3 facilities must be audited by the Contractor, FCC, in accordance with Service Delivery Plan (SDP) 5 of the Contract. FCC also has its own corporate audit process.
- 5.26 Information to allow the Councils to assess the suitability of the offtaker must be submitted prior to its use in the form of a Spot Market Audit Report (SMAR). The audit covers topics such as licences, storage facilities, end markets, recognised standards and prosecutions. The information contained within a SMAR can provide assurance to the Councils that the re3 materials will be treated in accordance with legal requirements and also provide data required for statutory reporting on Waste Data Flow. However, due to insufficient information being provided in many SMARs, re3 officers have not often been in a position to approve offtakers within 24 hours in practice. Officers believe that the aforementioned insufficiency may principally result from a reluctance to provide detailed information on the part of reprocessors.
- 5.27 The re3 Project Team instigated a dialogue with the FCC Materials Marketing Team in order to review this process and seek improvement. Officers also contacted councils also working with FCC to enquire about their processes for approving offtakers. Whilst these consultee Councils advised that the processes in use were less rigorous than those in use by re3 Officers, they advised that they would do a greater level of checks, if resources permitted.
- 5.28 Following the review, amendments have been made to the FCC audit report. In future, both the councils and Contractor will use the same documentation when re-auditing reprocessors for this contract. The use of a standard set of questions should help to reduce the amount of officer time spent reviewing audit reports. It has also been agreed that rather than submit all relevant licences and certificates to re3 officers to view, FCC will include relevant detail within the audit report and documents will be available to view through FCCEB as required.
- 5.29 Simplifying the auditing process in this way, should increase flexibility to respond to changes in operating conditions and prices.
- 5.30 The changes described above will ultimately be formalised through a revision to SDP5. The revised text is included in Appendix 2. In order to support that process it is proposed to trial the changes described at 5.25 to 5.29 and to review their impact before reporting-back on progress after six months of operation. During that time it will be possible to gauge the practicality of the changes and inform any decision to adopt or reject the changes.

6 ADVICE RECEIVED FROM ADMINISTERING AUTHORITY

Head of Legal Services

- 6.1 None for this report.

Corporate Finance Business Partner

- 6.2 None for this report.

Equalities Impact Assessment

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6.3 None.

Strategic Risk Management Issues

6.4 The potential for insurance cost increase risk has been described at paragraph 5.16. This risk will continue to be monitored ahead of any potential increase (risk realisation) in the period 2017 to 2019.

7 CONSULTATION

Principal Groups Consulted

7.1 Not applicable.

Method of Consultation

7.2 Not applicable.

Representations Received

7.3 Not applicable.

Background Papers

Contacts for further information

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Appendix 1 – Material Reclamation Facility (MRF)

Photo 1: The Trommel Screen (for sorting plastics and cans from larger paper and card).



Photo 2: Hole punched in outer wall of Trommel by a metal chisel attachment, placed in re3 kerbside recycling.



Photo 3: Bag splitter



Photo 4: Damage to conveyor chain from ground glass.



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Appendix 2 – Changes to Service Delivery Plans

Original Service Delivery Plan 5 Text

For each potential spot market identified, the Contractor will complete a Spot Market Audit Report. This will consist of the 'FCC Duty of Care Audit Form for Offtaker Facilities' and a list of additional re3 questions (as amended from time to time or incorporated into the FCC document). The audit report will contain information which will allow the Councils to assess the suitability of each spot market and copies of all relevant licences, policies and certification will be made available to the Councils on request.

Proposed (Amended)Text

Based on the information provided, the Councils will either approve, reject or request further information on the potential use of the spot market within 24 hours of receiving the spot market audit report. Where further information has been requested, this will be incorporated into the original report or question responses.

Approval will last for a period of 12 months. Prior to expiry, FCC will submit a revised audit report to the Councils, highlighting where any changes to the previously approved documents have been made. The revisions to the audit report will be based on a full site audit which will take place every two years and an annual desktop review in which FCC will check the presence of valid licences and obtain confirmation from the offtaker of any changes to the previously submitted information.

If the Contractor becomes aware of any information/event which could impact the approval, it must inform the Councils as soon as reasonably practicable and submit a revised audit report.

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Appendix 3 – Letter to Chairman of re3 JWDB from Parliamentary Under Secretary for Environment and Rural Affairs, Rory Stewart MP.