

AUTHORITY REPORT: CONTRACT MONITORING

1. Confidential Report

No

2. Recommendations:

- 2.1 Note the ongoing issues with BioMRF fines material and the effects on contract recycling, LATS performance and associated potential costs to the Authority.
 - 2.2 Note the improvement in contract recycling and diversion performance.
 - 2.3 Note the effects of the successful implementation of controls at the RRC sites.
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3. Purpose

- 3.1 To provide a summary of the contract performance for the 2009/10 contract year.
- 3.2 To provide an update on the monitoring, outcomes and actions taken with regards to the management of the IWMS contract for the period to 30 April 2011.

4. 2010/11 Contract Performance

- 4.1 Overall the contract performance for the year end was disappointing. Whilst there was an increase in recycling performance over previous years it remained short of contractual targets and the reasons for this have been documented frequently in previous reports.
- 4.2 In addition to this, and more concerning, is that the diversion from landfill performance whilst above contract levels, fell short of ABSDP targets resulting in increased costs to the Authority due to higher reimbursement of landfill tax payments. Again the reasons for this have been previously reported and largely relate to the performance of the BioMRFs and the lack of markets for Solid Recovered Fuels (SRF).
- 4.3 The financial impact of this was mitigated by the reduction in waste tonnages as reported elsewhere on the agenda. The actual tonnage of contract waste for 2010/11 was 457,171 tonnes, 7,470 tonnes lower than budget.
- 4.4 The issue of low recycling performance and low diversion from landfill performance was compounded after an investigation was carried out relating to the final destination of the compostable fines material from the output of the BioMRFs.
- 4.5 Prompted by the EA (after information was provided to them from a third party) ELWA officers took issue with SEL and asked them to confirm the final destination and end use of this material. The response was a confirmation that this material

had been sent to Sita (via Countrystyle, operators of the in-vessel composting plant and original destination of the fines material) and used for landfill restoration. This response is in line with the audit outcomes undertaken by ELWA officers of Countrystyle in June 2009.

- 4.6 ELWA officers insisted on further proof of this in order to satisfy the EA and upon further investigation by SEL, it was confirmed that this material had in fact been used for daily cover of the landfill operations and not landfill restoration. This use does not satisfy the requirements for composting and therefore cannot be counted towards contract recycling or NI192.
- 4.7 A further impact is the effect on the Authority's (LATS allocation. Fortunately, as can be seen in paragraph 4.10 below, the Authority is still within its allocated tonnage for this scheme year.
- 4.8 The action I have taken so far is to inform SEL that
- a. The contractual performance for 2008/09 and 2009/10 will be amended to reflect lower recycling and diversion from landfill performance;
 - b. A financial reimbursement from SEL will be required for performance supplements paid by the Authority relating to composting and diversion from landfill for the tonnages landfilled;
 - c. There is a requirement for SEL to review their own audit procedures and advise of the actions that will be taken to prevent a recurrence.
- 4.9 The net result should be that whilst there is a reduction in contract and NI192 performance there should be no negative financial impact to the Authority as a result of these past activities. However an alternative market has not yet been established for this material and it is envisaged that this material will be landfilled in the meantime. If no market can be found for this material, this could result in increased contract costs of £340,000 for this current year, because overall contract diversion from landfill performance could reduce as a result.

Landfill Allowance Trading Scheme

- 4.10 The Authority's allowance for the amount of biodegradable waste that could be sent to landfill for 2010/11 was 188,263 tonnes. Taking into account the BioMRF fines material that went to landfill as outlined above the actual amount of waste that was sent to landfill used 178,306 tonnes of allowances, therefore the Authority operated within its allowance. As the allowance reduces year on year the Authority's allowance for this scheme year is 164,644 tonnes.
- 4.11 It is expected that Defra will confirm the future of LATS when they outline their waste policy review in June. Although no formal announcement has been made it is

expected that the scheme will not continue beyond 2012/13.

5. Update on Performance for 2011/12 Contract Year

- 5.1 Since LBN rolled out their separate collection of residual waste and dry recyclates, the actual tonnage of material sent for recycling on LBN's dry recyclate scheme has increased from an average of 283 tonnes per month to 898 tonnes in March and 822 tonnes in April.
- 5.2 From the detailed report data provided by SEL it would also appear that the issues with the Frog Island BioMRF have been resolved and the performance of this facility for diversion has improved. The overall diversion from landfill performance for April was 61% which is marginally above ABSDP projections
- 5.3 The recycling performance of each facility can be seen in the table below. It should be noted that the performance of the BioMRFs is significantly lower than expectations as a result of the ongoing issue with fines material as reported in paragraph 4.4 to 4.6 above.

	Apr-11			
Recycling	Tonnages			
Facility	Recycling	Input	Performance	ABSDP
Jenkins Bio MRF	592	11,636	5.1%	27%
Frog Island Bio MRF	313	7,725	4.1%	27%
Bring sites	581	544	106.9%	100%
Direct Deliveries	0	448	0.0%	0%
Frog RRC MRF	935	3,263	28.7%	20%
IRC	948	1,010	93.9%	100%
Jenkins Lane OB MRF	2,263	2,905	77.9%	84%
Frizland RRC Site	1,045	2,353	44.4%	62%
Gerpins RRC Site	1,846	4,042	45.7%	64%
Jenkins RRC Site	932	3,034	30.7%	45%
Chigwell RRC Site	1,778	2,866	62.0%	76%
Sub Total	11,233	39,825	28.2%	29.1%
Diversion				

	Apr-11			
Recycling	Tonnages			
Facility	Recycling	Input	Performance	ABSDP
SRF	5,433		13.6%	13%
Other	7,608		19.1%	17.50%
Total Diversion From Landfill	24,274		61.0%	59.6%

Borough N192 performance

5.4 Although it is no longer a statutory requirement to submit N192 performance figures, Members have requested that this data is still provided as part of this report. The table below provides an overview of the performance for 2010/11 and the month of April 2011; however both figures are subject to ratification by Defra.

N192	Full Year 2010/11	Year to Date 2011/12
LBBD	28%	33%
LBH	31%	34%
LBN	15%	21%
LBR	27%	35%

6. Update on Reuse and Recycling Centres

6.1 Members received a briefing note in May 2011 updating them on the changes to documentation required at the RRC sites, and the impact of the introduction of controls in relation to contract tonnages. Appendix A provides Members with the latest data available.

6.2 Whilst the timeframe in which this data is compiled is relatively short, the changes are clearly having the desired effect in reducing the number of vehicles using the site and the tonnage being brought into the contract. So far the savings as a result of these changes are in the region of £101,000 and if this was to continue, allowing for some increase in seasonal usage, the annual savings could be in the region of £1m.

6.3 So far, the total expenditure for the Authority to implement these changes is approximately £16k. A thorough review will be carried out over the summer and any modifications to the scheme will be recommended for approval by Members at the next Authority meeting. It is anticipated that further communications activities

will be necessary to either communicate the changes or reinforce the existing system if no changes are deemed necessary.

7. Conclusion

7.1 Contract performance for the previous year was disappointing. Current year performance is showing an improvement but achievement of ABSDP targets remain s a challenge. On a more positive note, the changes to RRC operations have so far proved successful.

8. Relevant officer:

Mark Ash, Head of Operations / e-mail: mark.ash@eastlondonwaste.gov.uk / 020 8270 4997

9. Appendices attached:

Appendix A – RRC site tonnage and vehicle flow data

10. Background Papers:

None

11. Legal Considerations:

None

12. Financial Considerations:

12.1 This report provides Members with information on performance against the IWMS contract. Section 4 of the report outlines the 2010/11 performance. The budgetary implications of this are shown within our 2010/11 financial outturn report, which is presented elsewhere on the agenda.

12.2 Section 6 of the report provides Members with an update on the decision to make changes to the amount of documentation required to use the RRC sites. It is important to stress that the analysis of potential savings arising from this change is based on results from a very short timeframe and therefore any potential savings can only be considered as rough estimates at this stage.

12.3 It is important that ELWA officers continue to use the management information at their disposal to monitor the financial and non-financial consequences arising from this change in policy.

13. Performance Management Considerations:

14. Risk Management Considerations:

15. Previous Reports:

16. Follow-up Reports:

17. Websites and e-mail links for further information:

None

18. Glossary:

ABSDP = Annual Budget & Service Delivery Plan

BioMRF = Biodegradable Materials Recycling Facility

EA = Environment Agency

ELWA = East London Waste Authority

IWMS = Integrated Waste Management Strategy

LATS = Landfill Allowance Trading Scheme

LBN = London Borough of Newham

NI192 = National Indicator (Household Waste Recycled or Composted)

RRC = Reuse & Recycling Centre(s)

SRF = Solid Recovered Fuel

SEL = Shanks.east london

19. Approved by Management Board:

13 June 2011

20. Confidentiality:

Not applicable