

Background to the Waste Disposal Contract

1. Contextual Information

Hampshire County Council, Southampton City Council, and Portsmouth City Council as waste disposal authorities have a statutory duty for the disposal of municipal waste arisings in Hampshire. In order to fulfil this function they have each entered into a service contract with Veolia.

All 14 waste authorities of Hampshire (Disposal and Collection) are partners, along with Veolia, in Project Integra, the collective and integrated waste management system for Hampshire.

Hampshire County Council manages the contract on behalf of its unitary partners, Portsmouth City Council and Southampton City Council under a Tripartite agreement.

Both Portsmouth City Council and Hampshire County Council will be seeking similar approvals through their decision making processes.

The Tripartite agreement establishes a cost and income sharing mechanism based on input percentages for both the main waste contract infrastructure and the Household Waste Recycle Centre network. The agreement also establishes Service Level Agreements for the additional contract and data administration that the County Council delivers on behalf of the cities.

This integrated approach to waste management was novel for the UK when introduced by Hampshire in the early 1990's in response to a shortage of landfill, and public demand for greater recycling. As a result of this approach, and an investment of c. £200million, a world class suite of infrastructure has been delivered through Veolia's waste management contract. This includes:

- 3 Energy Recovery Facilities (ERFs);
- 2 Material Recovery Facilities (MRFs);
- 2 Composting Facilities; and
- 10 Transfer Stations.

The contract with Veolia is for a period of 20 years from the commissioning of the ERFs (2003, 2004 & 2005 in DC1 (North), DC3 (West), and DC2 (East) respectively) with provision built in for an extension for a further period of up to 10 years.

The nature of the Public Private Partnership contract put a high level of risk onto Veolia. Examples of the risk held by Veolia include:

- Risk of investing and building the assets;
- Operational risk (e.g. achieving availability of assets, capital, and maintenance costs); and

- Risk of (upside and downside) income e.g. energy, recycle, profit generated by selling spare ERF capacity to other parties (i.e. commercial and industrial (C&I)).

Recognising the upcoming fiscal constraints for all 3 Waste Disposal Authorities, a review of the waste management contract has been undertaken in order to establish opportunities to realise savings from 2015.

2. Southampton's Waste Management Performance

- One of the leading authorities for landfill diversion rate
- 2014/15 Recycling rate on target for 30%