

Dated 23.08.17

GMWDA Recycling and Waste Contract Announcement

Background to the Contract

The contract: A 25-year PFI contract being delivered between Greater Manchester Waste Disposal Authority (GMWDA) and Viridor Laing (Greater Manchester) Ltd (VLGM), a joint venture between Viridor and John Laing. The contract was signed on the 8th April 2009 and is now in its ninth year of delivery. The contract remains the UK's largest ever combined waste and energy project.

The facilities: A network of 37 recycling, composting and waste management facilities across Greater Manchester, serving 2.2 million residents and handling in excess of 1 million tonnes of material per annum. The recycling, recovery and waste management facilities serving the contract are operated by Viridor Waste (Greater Manchester) Ltd (VWGM) on a sub-contract basis through VLGM.

<https://www.gmwda.gov.uk/energy-and-waste-management/>

The facilities include:

20	Household Waste Recycling Centres (HWRC) Note: 6 HWRCs have been closed in previous contract years.
5	Mechanical Biological Treatment Facilities (MBT) - 4 with Anaerobic Digestion (AD)
8	Transfer Loading Stations (TLS)
1	Thermal Recovery Facility (TRF)
1	Materials Recovery Facility (MRF)
4	In Vessel Composting (IVC)
2	Green Waste Shredding Facility's (GWS)
1	Energy Recovery Facility (ERF) Note: Refuse Derived Fuel (RDF) produced from the residual waste from Greater Manchester is used to generate heat and power at Runcorn 1 ERF through TPSCo (a joint venture between Viridor, John Laing Infrastructure and Inovyn), which has operated well since it came on line in 2015.

If you receive any media enquiries please direct them in the first instance to the GMWDA: 0161 770 1792 and the contacts below.

Jennifer Baker

Head of Communications and Behaviour Change

GMWDA

+44 (0)7795 158 558

communications@gmwda.gov.uk

Jennifer.baker@gmwda.gov.uk

Michelle Whitfield

Principal Communications and Behaviour Change Officer

GMWDA

+44 (0)7825 296 929

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Targets and Performance

The targets: 50% recycling 2015/16 and 75% landfill diversion by 2020.

The performance:

2009/10; 20% landfill diversion, 32% recycling

2016/17; 89% landfill diversion, 44% recycling (subject to validation)



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Current Position

We have been working in partnership with Viridor and John Laing as well as the Waste Collection Authorities (WCAs) to deliver a sustainable and long-term waste management solution.

Since autumn 2015 we have been working with all parties exploring a number of options to secure a reduction in costs and operational improvements to fulfil the required budget savings.

At the Authority meeting on the 26th April 2017, the Authority unanimously agreed to terminate its Waste and Recycling (PFI) contract with VLGM.

Legally binding Heads of Terms were agreed on 23rd August 2017 between all parties and as such everyone is moving towards a conclusion on the 29th September 2017.

Statement

The Greater Manchester Waste Disposal Authority (GMWDA) can confirm that significant efficiency savings and operational improvements have been sought from its Recycling and Waste Management PFI Contract held with Viridor Laing (Greater Manchester) Ltd (VLGM) to ensure mitigation of the predicted rise in the levy from this year.

Whilst a range of efficiency savings options have been explored in partnership with VLGM and their sub-contractor Viridor, constraints within the new EU Procurement Regulations (2014) have meant that the savings identified cannot be taken forward through the existing contractual arrangements. Coupled with some technical and operational challenges in the contract, it is with some regret that GMWDA and VLGM have mutually agreed to terminate the Recycling and Waste Management PFI Contract from 29th September 2017.

Whilst this decision has not been taken lightly, GMWDA will work closely with all stakeholders to provide updates as quickly as possible. With the support of Viridor, interim arrangements have been agreed to enable GMWDA to continue to provide recycling and waste processing and treatment while GMWDA procures new recycling and waste services. This arrangement will ensure that kerbside collection and Household Waste Recycling Centre services will continue as normal for residents of Greater Manchester. GMWDA

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remains committed to protecting front-line public services, maximising recycling and minimising waste whilst achieving the required savings for authority partners.

Completion of the termination arrangements is expected to take place from 29th September 2017 and are conditional upon: (i) completion of the transfer of Viridor Laing into GMWDA ownership; (ii) finalisation of a number of outstanding confidential commercial issues and (iii) approval of the terms of the consensual termination by the lenders to the Project.

Councillor Nigel Murphy, Chair, Greater Manchester Waste Disposal Authority.

FAQs

What financial pressures / reductions are the GMWDA / partnership facing?

The cost of the recycling and waste management services provided under the contract are £165.88 million per year.

This is paid for through a levy from each of the nine waste collection authorities.

The Authority has explored all options to bring the current contract back in line with current and forecast budgets however as our statement states the necessary changes are not legally possible within the current contract framework.

Local government efficiency savings have been prevalent in the UK news and media, and Greater Manchester is no different. Significant budget savings have had to be made year on year

From 2014/15 to 2016/17, the GMWDA have been able to use reserves built up as a result of the construction of facilities under the contract being delayed. The use of reserves has meant forecast rises in the levy payments from the district councils to the Authority over this time period have been reduced.

However the predicted levy rise in 2018/19 is a 7.6% increase which is not affordable by the WCAs.

What will the savings be for the GMWDA?

Immediately following the termination on the 29th September, refinancing arrangements will have been completed. This works on the same principles as a mortgage and the GMWDA has been able to secure significantly reduced rates. From this alone the savings are £20 million per year.

In addition, modifications (which are yet to be fully determined) to the current suite of facilities are forecast to generate further savings in operational costs.

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Commencement of future waste service contract arrangements from April 2019 will also result in significant savings, through a competitive dialogue procurement process. In total the savings are projected to be £37 million per year from April 2019.

What are GMWDA paying VLG M?

The GMWDA are exiting the current contractual arrangements by acquiring VLG M via a negotiated settlement for £1. As part of the arrangements GMWDA will be paying back outstanding bank loans at full value (this is subject to interest rates on the date of the final close of the deal planned for 29th September 2017).

What is the impact for the final settlement fee for: investors, banks, shareholders, etc.? What money are they getting back?

Due to commercial confidentiality requirements we are unable to provide details of these values.

What interim contract arrangements are in place?

VLG M will continue to operate but will be renamed on the 29th September 2017, and as such takes on all responsibilities and subcontracts, and will be owned by the GMWDA from this point.

This is an interim position which allows the continuation of service whilst re-procurement happens.

The continued agreement with Viridor Waste (Greater Manchester) Ltd are part of the exit arrangements for an interim period to ensure continuous service.

What new contracts will you be procuring?

The OJEU notice in relation to re-procurement is scheduled for October 2017 with contract commencement scheduled for April 2019.

Future contracts to be procured:

- Residual Management – Including all residual processing sites and activities, plus any associated HWRC, TLS, and MRF based on those sites. Also included is the Bolton TRF and preparation and delivery of fuel to the Runcorn ERF by rail.
- Bio-Waste management and facilities.
- All other HWRC/TLS sites which includes a number of standalone sites.

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What happens to all the material streams in the interim?

The interim arrangements protect all existing services to allow for reprocurement, all the end destinations for recycled material will be managed through Viridor Waste (Greater Manchester) Ltd.

The GMWDA is committed to an open and transparent approach in relation to what happens to residents waste and recycling and any changes will be updated via the Recycle for Greater Manchester website: <https://www.recycleforgreatermanchester.com/what-happens-to-my-waste/>

Will my bins still be collected?

Yes, the interim exit agreement allows for a smooth transition between current and future operations providers and there will be no impact on front-line public services such as household bin collections and Household Waste Recycle Centres (HWRCs).

Are you proposing changes to the existing facilities?

For the GMWDA to realise the required savings some changes need to be made to the current operational facilities. The full scope and requirements of this are yet to be finalised. There will be no impact on household bin collections as these are the facilities that process the waste after it is collected by the local council.

Will there be job losses operationally?

At this time there will be no impact on the operational workforce. The scope of changes is yet to be determined and as such we cannot predict what the staffing impact may be.

What about the Runcorn Contract (TPSCo)?

As the contract between GMWDA and VLGM will be terminated, arrangements for the services will be agreed between GMWDA and TPSCo using existing contractual arrangements. The GMWDA will continue to supply fuel to the Runcorn facility under these arrangements.

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How will the GMWDAs move to the Greater Manchester Combined Authority affect this?

From the first of April 2018 all the current GMWDA duties, obligations and liabilities will pass into and under control of the Combined Authority. Therefore there is no impact on these agreements and / or the functionality of future contracts.

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