



St. Helens Council

EXECUTIVE SUMMARY

Merseyside Waste Disposal Authority

Review of Contract arrangements at Merseyside Waste Disposal Authority.

Scope

Merseyside Waste Disposal Authority (MWDA) has entered into a Service Level Agreement (SLA) for St Helens Council to provide its annual internal audit coverage commencing April 2010. This report summarises the results of the audit work undertaken with a view to providing an assurance that the financial controls in operation during 2009/10 were appropriate and effective in the following areas:

- i. Waste Management and Recycling Contract;
- ii. 3 x Landfill Contracts;
- iii. Payments under former Contract 1, which includes the costs for operating the Materials Recovery Facility (MRF), (to 31st May 2009); &
- iv. Payments under former Contract 2 (to 31st May 2009).

Background

The MWDA is responsible for the disposal of household and commercial waste collected by the five Merseyside Waste Collection Authorities together with the waste deposited at the 14 Household Waste Recycling Centres (HWRC) they provide. Until the 31st May 2009, this operation was carried out by Merseyside Waste Holdings Ltd (MWHL) through the operation of Contract 1 (including Bidston MRF) and Contract 2.

Since the 1st June 2009, Contract 1 (which included the MRF payment) has ended and a new contract, the Waste Management and Recycling Contract (WMRC), was awarded to Veolia Environmental Services. MWHL employees were transferred to Veolia under TUPE arrangements.

However, a landfill contract has remained with MWHL. Three landfill contracts are currently in place:

- I. 3C Arpley Contract (up to 370,000tpa) with WRG accessed via Mersey Waste Holdings Ltd;
- II. Landfill Services Contract (Top Up contract to 3C Arpley Contract) with WRG with MWDA;

III. Landfill Services Contract with Sita UK Ltd for disposal of Cement Bonded Asbestos (Hazardous Waste).

The approximate costs of operating the various contracts during the financial year 2009/10 are as follows:

| Period Covered | Contract | Estimated Cost £ |
|---|--|------------------|
| April 2009 to May 2009 | Contract 1 (inc MRF) | 6,639,078 |
| | Contract 2 ^{Appendix 2} | 2,764,800 |
| June 2009 to March 2010 | WMRC | 16,562,222 |
| | Landfill 3"C" Contract (up to 370,000 tpa) | 16,950,932 |
| | Landfill Top Up Contract | 7,920,430 |
| | Hazardous Waste Contract | 14,449 |
| Estimated Annual cost of all the Waste Management Contracts for 2009/10 | | 50,851,911 |

Under the new WMRC, Veolia Environmental Services principal responsibilities are for the management and disposal of the waste accepted at the MWDA's four transfer stations, the management and operation of all HWRC's including recycling, disposal and transporting of waste, and the operation of the Bidston MRF including arranging for the recovered materials to be sold and recycled at end markets.

Since October 2008, the Authority has had a top up landfill contract with Waste Recycling Group (WRG) in addition to MWHL's 3C Contract, which allows disposal to Arpley landfill site of up to 370,000 tonnes per annum (which is also operated by WRG). The first 200,000 tonnes of waste leaving Gilmoos and Huyton are disposed of at Arpley under MWHL's 3C Contract, but thereafter, the remaining waste leaving these two transfer stations is disposed of under the top up contract along with waste from the remaining transfer stations once the limit of 370,000 tonnes has been reached.

Audit Opinion

In our opinion, appropriate key controls are in place and are operating effectively with regard to the management of the various waste contracts. Testing confirmed that there are appropriate controls in place to ensure that payments made are in accordance with the rates, terms and conditions of the relevant contract. Although we have recommended some control enhancements these do not represent significant weaknesses within the existing control framework or indicate that the interests of MWDA and other stakeholders are open to undue risk.

Key Issue

No key issues were identified during this review.

Agreed Action

The recommendations and actions have been agreed with the Assistant Director (Finance).

3.0 Action Plan

| Rec No. | Recommendation | Responsible Officer | Agreed Action and Date of Implementation |
|---------|---|----------------------------|---|
| 1 | We consider an explanation be sought from Veolia as to why manual entries are recorded on the weighbridge and that the level of and reasons for manual entries be monitored. | Performance Report Officer | Contact Veolia to determine all reasons for manual entries and monitor levels of manual entries and ensure reasons for manual entries are provided going forwards. Implementation date August 2010. |
| 2 | As part of the payment process the individual monthly Hazardous waste landfill records should be reconciled to the monthly Veolia claim and anomalies resolved prior to payment. | Assistant Contract Manager | Ensure Hazardous Waste Landfill Contract records are compared to WMRC records to support payments made in accordance with the Hazardous Waste Landfill Contract. Implementation date August 2010. |
| 3 | Closer monitoring of the monthly invoices should be undertaken to ensure that when the 370,000 tonne landfill limit is reached, timely communication is made with the contractor. | Assistant Contract Manager | Ensure landfill tonnages are apportioned to the various landfill contracts in accordance with monthly payment processes. Implementation date August 2010. |