

Report for Resolution

Report to Cabinet
16th Feb 2011
Report of Head of Citywide Services
Subject Contract Extension– NEWS Materials Recycling Facility

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Purpose

The initial term of the current contract expires in March 2011. The report seeks approval to extend the current arrangements by three years. The current arrangement has provided opportunities to implement our food waste scheme and through the income share to reduce our net spend on waste management. This report seeks permission to pursue opportunities through this extension and into the future to maximise income where possible.

Recommendations

1. To extend the contract for a period of three years to 31st March 2014 subject to the improvements proposed by NEWS (including the variation to deliver food waste and glass to NEWS for onward delivery to the reprocessing markets).
2. To secure a contract extension beyond 2014 within the terms of the contract to maintain where possible the existing revenue stream to the council with the final decision being delegated to the Director of Regeneration and Development in consultation with the portfolio holder for environment.

Financial Consequences

The financial consequences of this report are that the Council will maximise income from recycling credits and income-share arrangements thus reducing net spend on waste management. The level of income share will be dependent on market forces.

Risk Assessment

This report seeks approval to extend an existing contract. The risk with seeking an alternative to this proposal is that income from recycling will decrease and the costs of waste management will show a significant increase. In addition transporting material elsewhere to be recycled will significantly increase overall costs to the authority.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Safe and healthy neighbourhoods – working in partnership with residents to create neighbourhoods where people feel secure, where the streets are clean and well maintained, where there is good quality housing and local amenities and where there are active local communities” and in particular SHN6 – improve our recycling and composting rates with the introduction of food waste recycling to more than 55 per cent by March

Executive Member: Cllr Macdonald

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Background Documents

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Background document (Click here and type document) is not for publication because (Right Click for Not for Publication)

Report

Background

1. Norwich City Council collects mixed recycling – cans, paper, cardboard and plastic bottles – in blue bins, recycling bags or green boxes. In common with all other district authorities in Norfolk, this mixed recycling is delivered to the Materials Recycling Facility (MRF) at Costessey, Norwich. The MRF is operated by Norfolk Environmental Waste Services (NEWS), which is a part of the NORSE group.
2. In the last financial year, Norwich collected and delivered a little over 8,000 tonnes of mixed recycling to the MRF. Local authorities (LA's) pay a processing charge, commonly referred to as a Gate Fee, for every tonne of material delivered to the MRF. This material is processed and the waste contaminants (the material that cannot be recycled at the MRF) are removed. The MRF then sorts the material into various recycling streams - steel, aluminium, various plastics, paper and card – and this material is then sold to a range of outlets. Due to a rigorous insistence on ethical end-markets, the material produced in the MRF is currently only delivered to locations in the UK or the Netherlands.

Current Contractual Arrangements

3. The original contract was for 25 years with break clauses at set intervals. The initial period of the contract runs until 31st March 2011 when the council has an opportunity to extend the contract for a further period or periods of up to 17 years
4. The contract is let through the Eastern Shires Purchasing Organisation consortium (ESPO), a local authority consortium, to all district authorities in Norfolk. The contract is governed by a contract management board on which officers from all districts sit. In effect it is a partnership arrangement between all district authorities.
5. Through the existing contract, arrangements have been made to allow all our recycling collection vehicles to tip at Costessey. Mixed recycling is tipped as usual, food-waste is tipped into skips and glass is tipped into a purpose-built glass bay (built and paid for by NEWS) both for bulk-haulage to the processing plant. This arrangement has effectively created a 'one-stop-shop' for the Council's recycling material and has avoided the prospect of collection vehicles tipping in multiple locations.

Wrap Report

6. Last year, the Norfolk district authorities commissioned a Value for Money assessment of the MRF contract. This assessment was conducted by the Waste and Resources Action Programme (WRAP).
7. The WRAP assessment considered all the regional options available to the Norfolk LA's and shortlisted 5 alternative facilities that could potentially offer a similar service to that provided by NEWS. None of the alternative sites

Contamination Levels

8. NEWS has been able to maintain the level of income received from the sale of materials by providing a clean, quality product demanded by the recycling reprocessors.
9. Over the last few months a combination of market forces, industrial processing issues and the demand for quality products has increased the contamination levels at the MRF. On occasion, contamination has exceeded 14%. In response to this, NEWS management have proposed some significant plant improvements, supported by some long-term contractual arrangements with end-markets to secure more consistent Income Share returns. It is estimated the improvements will reduce contamination rates to around 6%
10. In return for these improvements the NEWS are seeking a contractual commitment from all the Norfolk LA's to ensure that the MRF can maintain the throughput of material to make the plant improvements viable and to meet the tonnage required by the various end-markets. The financial cost of the plant improvements is some £282k in total and will be met through the sale of increased tonnages of processed paper and a higher price being received for the paper due to improvements in quality. In return the plant improvements will improve all our income-share payments in future. There are no financial costs to the council for the cost of the improvements.

Future contract arrangements

11. Representatives from all district authorities have met and proposed that the current contractual arrangements are extended for a period of three years. This will leave period of 14 years for further extensions of the contract.
12. The extension will allow NEWS to implement the proposed improvements whilst giving time to the districts to evaluate future options determined by the needs of the recycling markets and within the overall objectives of maintaining the quality of the recycle and of securing a robust financial return from any future arrangement.
13. All district authorities in Norfolk are committed to a future contract to deliver the above and are working together to secure the proposed three year extension followed by a longer term extension to the contract beyond 1st April 2014 to achieve the above.
14. In addition to the contract for receiving mixed dry recycling, Norwich City Council has secured a contract variation for NEWS to accept food waste and glass for bulking up and sending for reprocessing which will continue.

Financial Issues

15. Income Share - The MRF contract includes an Income Share arrangement through which the seven Norfolk LA's receive 75% of the profit from the sale of the processed material and the MRF retains the other 25%. This Income Share is dependant on market rates and can vary considerably, even within a single financial year. This does vary based on the basket of materials and is currently budgeted at £20 per tonne and based on 8,000 tonnes this equates to £160,000 for next year.
16. Recycling Credits – Norfolk district council's receive a recycling credit of £49 per tonne from Norfolk County Council for every tonne of mixed dry recycling material diverted from landfill. This landfill-diversion reduces Norfolk County Council's bill for land-filling waste, currently in excess of £70 per tonne of waste (this cost is borne by all council tax payers in the county). In addition Norwich receives an enhanced recycling credit of £72 per tonne for the recycling of food waste.
17. Gate fee – a gate fee of £18.66 is currently charged for each tonne of mixed recycling material received by the MRF.
18. It is estimated that through a combination of the plant improvements and the securing of higher prices for the sale of paper, that further income will be achieved for each year to 31st March 2014 depending on market forces at the time.

Recommendations

Cabinet agrees to

1. The contract being extended for a period of three years to 31st March 2014 subject to the improvements proposed by NEWS (including the variation to deliver food waste and glass to NEWS for onward delivery to the reprocessing markets).
2. Securing a contract extension beyond 2014 within the terms of the contract to maintain where possible the existing revenue stream to the council with the final decision being delegated to the Director of Regeneration and Development in consultation with the portfolio holder for environment.