

Agenda Item No: 9.7 **Report No:** 27/17

Report Title: Proposals for the Material Recycling Facility at North Street

Report To: Cabinet **Date:** 8 February 2017

Cabinet Member: Councillor Paul Franklin, Cabinet Member for Waste and Recycling

Ward(s) Affected: All

Report By: Ian Fitzpatrick, Director of Service Delivery

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Purpose of Report:

The LDC-run material recycling facility (MRF) is situated in the North Street Quarter which is due for redevelopment and therefore its future at that site is assured only until 2018 at the latest. Plans for refurbishing the depot at Robinson Road will be determined by the outcomes of the waste and recycling review, and a MRF will not be required if the recycling collection method moves from kerbside sort to co-mingled.

In addition, the equipment, such as belts that carry the recycling material, is old and in need of repair and replacement if the MRF is to continue to operate at its current location.

The purpose of this report is to

- Brief Cabinet on issues relating to the MRF at North Street, Lewes
- Consider the future viability of the MRF
- Set out the alternative recycling disposal methods should the MRF close

Officer Recommendations:

- 1** To close the North Street material sorting operation and consult with staff affected.
- 2** To deliver plastic and cans to the Veolia Mixed Recycling Facility in Brighton as an interim solution until a new recycling collection method is adopted.
- 3** To authorise the Director of Service Delivery, in consultation with the Lead Member for Waste and Recycling, under Contract Procedure Rule 2.4.1(a) to

agree a waiver to proceed to contract with Veolia directly, rather than seek three quotes for the reasons set out in this report, or to deliver the materials into the East Sussex County Council & Brighton & Hove City Council Integrated Waste Management Services Contract (IWMSC), whichever is the most advantageous arrangement for this interim period.

Reasons for Recommendations

1 The reasons are as follows:

- 1.1. The MRF requires significant investment in repair and replacement of parts in order to remain in operation in the short to medium term.
- 1.2. This facility is not fit for purpose for future collection methods and the site needs to be vacated by 2018.
- 1.3. The value of recyclate has fallen dramatically in recent years and income from recyclate is less than the cost of running the facility (see **7.3**, Table 2, **7.4** Table 3 and **8.1** Table 4). Alternative disposal arrangements can be made for the short to medium term which will be more cost effective than keeping the MRF running.
- 1.4. A timely decision on the future of the MRF is key to making alternative arrangements for the recycling collected and, importantly, on starting consultations with North Street depot staff on their options for future employment with LDC.
- 1.5. As an interim measure - until a new recycling collection method is agreed and implemented - unsorted plastic and metals can be delivered to the nearby facility at Hollingdean, Brighton.

2 Operational Information

- 2.1 The MRF at North Street is used to sort plastics from metals only.
- 2.2 Paper cardboard and glass do not go through the MRF. From kerbside sort they are held at drop off points (e.g. car parks) before being collected by HGVs and transported to various waste transfer stations around the district, then taken on to the market without further sort.
- 2.3 The depot at North Street is also required for parking of refuse vehicles as well as being an operational base for two kerbside sort electric vehicles (EV's). Therefore, it will continue to be required for this purpose for the foreseeable future, possibly until the site is redeveloped.
- 2.4 We currently operate five recycling HGV lorries collecting the various materials from drop offs around the District. Trade paper and card is also collected by some of these crews.

3 Repair / renew equipment

- 3.1 Some of the equipment at the North Street depot is 20 years old and at or near 'end of life'.

3.2 Investment proposals re maintaining current operations at North Street are in Table 1, below

3.3 Table 1: Investment proposals

End date	Level of investment	Equipment
February 2017	Low/ Medium 10k	Repair and maintain belts
September 2017	High £40k	Replace belts
September 2018	High 100k	Replace belts and purchase vehicle (hopper)

4 HR Matters

- 4.1** There are 7 posts, including 1 vacancy currently at the MRF, 3 of which are a part time basis.
- 4.2** Informal consultation with staff at the North Street MRF has taken place.
- 4.3** Subject to Cabinet's decision, formal consultations will begin straightaway, with the intention of offering alternative redeployment options to the LDC staff affected.

5 Equality Screening

- 5.1** An Equality Assessment and Staffing Assessment have been completed.

6 Alternative recycling disposal methods for the short/medium term

- 6.1** The alternative recycling disposal method should the MRF close is the Veolia MRF, Hollingdean, Brighton. This is the best option economically and logistically.
- 6.2** Veolia have agreed in principle to accept our plastic and cans and are also looking into whether they can also accept our card.
- 6.3** We would not receive any income from the sale of the material once delivered to Veolia.

7 Financial Appraisal Summary

Income

- 7.1** Table 2 (below) shows the change in income received by LDC for recyclable materials over the last five years including glass, paper, cardboard and aluminium.

7.2 Note, only plastics and metals are sorted at the MRF, therefore the income from glass, paper and cardboard is not dependent on the facility at North Street.

7.3 Table 2: Recycling income over the last 5 years

2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
£525,877	£616,181	£568,768	£478,438	£278,994	£159,000

7.4 Table 3: Income from plastic and cans 2015/16

Plastics	£60,000
Metals	£41,000
Total	£101,000

7.5 Note: Income is less than the operational costs (see Table 3 below 8.1)

8 Operational/ Decommissioning Expenditure

8.1 Table 4: Cost of MRF

Operational costs of the MRF in 2015/16	£33,000
Staffing costs (including on-costs)	£120,500
Total	£153,500

8.2 Anticipated investment required in the MRF to 2018 is £100k. We cannot accommodate the sorting belt at Robinson Road depot.

8.3 In order to maintain the MRF through the new financial year, approximately £40k will have to be spent on repairing the conveyor belts at North Street.

8.4 The sorting equipment has limited value due to its age and condition. The Fleet Manager is looking at the current market value of the balers. There may be an element of scrap value for the other pieces of equipment but this would possibly only cover the cost of dismantling and disposal.

8.5 Current budget can be reallocated to cover disposal costs.

8.6 Budget Code 282 Recycling Kerbside:

- 13035 Equipment Maintenance £8,900
- 11641 Fixed Machinery Maintenance £ 400 (current spend £912)
- 13025 Equipment Purchases £4,000
- 13026 Small Plant and Tool Purchases £1,500
- **Total** **£14,800**

- 8.7** There are additional costs and budget allocated to the North Street MRF operation such as utilities, insurance, cleaning etc.
- 8.8** Agency cover for the depot is a significant cost which will be eliminated should the MRF operation cease.

9 Legal Implications

Legal Services has made the following comments regarding the disposal of plastic and metals:

- 9.1** The proposed contract for disposal to Veolia would be categorised as a services contract under the Public Contract Regulations 2015 (PCR 2015). It is therefore necessary to work out the estimated value of the proposed contract as that will determine if and how the Public Contracts Regulations 2015 (PCR 2015) applies and also how the council's Contract Procedure Rules (CPR) will apply.
- 9.2** Veolia have indicated that the contract will be on a rolling monthly basis. Under the PCR 2015 where a contract is without a fixed term the estimated value is the monthly value multiplied by 48. If the contract is therefore on a rolling monthly basis it would appear that with an estimated yearly cost of £16,500, the average monthly value will be £1,375 which makes the total estimated contract value for the purposes of the PCR 2015 assessment as approximately £66,000. This means that the proposed contract with Veolia is not subject to the full PCR 2015 requirements (as it is below the relevant threshold of £164,176).
- 9.3** As contract is above £25k but does not exceed £100k there is a requirement under the council's CPRs to seek a minimum of three quotes but no obligation to advertise. If the council does not wish to follow the requirement in the CPRs for below threshold procurements of this value then consideration needs to be given to an appropriate waiver. Under CPR 2.4.1(a) the Cabinet has power to waive any requirements for specific projects, in which case its reasons for doing so shall be recorded in the Minutes of the Cabinet meeting. As a general principle, waivers should only be authorised where there are objectively demonstrable grounds for doing so. The reasons for seeking a waiver to proceed with Veolia directly rather than seek quotes are set out in this report, below

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10 Operational Justification

- 10.1 Veolia MRF, Hollingdean, Brighton:**
- 10.2** This is the cheapest solution for LDC
- 10.3** This would be the best option operationally/logistically
- 10.4** The value of the potential contract (in gate fees) in the first year is below the £25K threshold.

- 10.5** Veolia are the only tried and tested facility that is able to manage our material without the need of a waste transfer station to facilitate the works.
- 10.6** There may be other companies able to take the material but their facilities are further afield and would incur additional operational costs or, we have previously used these other companies and there are due diligence issues raising concerns regarding repeat business.

11 Risk Management Implications

- 11.1** The following risks will arise if the recommendations are not implemented:
- The North St MRF could break down irreparably at any point and contingency plans are business critical.
 - Market value for recycle remains low which means the operation costs more than the achieved income.
- 11.2** The following risks will arise if the recommendations are implemented, and I propose to mitigate these risks in the following ways:
- Gate fees may increase should the quality of recycling delivered drop – There is no reason why the quality of our material should drop but we will continue to manage and inspect crews to ensure this does not happen.
 - Gate fees may increase annually and at other times as notified by Veolia – There is very little we can do to mitigate this risk but supplying material with low contamination levels will ensure the lowest gate fee.

12 Background Papers

- 12.1** Cabinet report, September 2016, 'Waste and recycling service review'