

**18<sup>th</sup> March 2015**

**Environment Committee**

**Recycling Contract**

**Report of:** *Roy Ormsby – Head of Street Scene*

**Wards Affected:** *All*

**This report is:** *Public*

**1. Executive Summary**

- 1.1 The current recycling contract with Basildon is due to end in May 2015, and currently provides the Council with an income of approximately £250,000 per annum.
- 1.2 Over the past six months there has been a joint procurement undertaken with Basildon, Rochford and Uttlesford Councils, which offered the best opportunity to secure maximum value, due to the increased tonnage. The Council is now at the final stage of this procurement, which will extend over the next four years, and it is apparent that the market for the sale of the dry recyclate is very depressed.
- 1.3 The final stage of the procurement process is for Member approval, and shows that as opposed to the income the Council currently receives, there will now be a payment to the contractor. The Council also tips their recyclate at the Basildon depot, who will charge a nominal fee of £5.00 per tonne as a gate fee.
- 1.4 The new contract will mean a net increase of over £85.00 per tonne for the Council, and will mean a net loss of approximately £540,000. This will mean a pressure on the 2015/16 budget of £300,000.

**2. Recommendation(s)**

- 2.1 That Members approve the introduction of the new recycling contract, which will commence in May 2015.**

### **3. Introduction and Background**

- 3.1 The current contract has been in place for five years, and was the first time in a many years that there had been such a large income achieved from recycle, which is traditionally a volatile market in terms of waste. Unfortunately this was seen as a saving by the Council, and included in the base budget as a reduction in the overall cost of waste collection, although this was never sustainable in the long-term.
- 3.2 There are a number of reasons for the dramatic fall in the market price of the materials collected by this Council:-
- i) The fall in paper prices
  - ii) The percentage of paper in the mix has fallen, due to less newspapers being read and increasing use of digital media. A number of paper mills have closed due to the reduction in need for paper.
  - iii) The reduction in the use of aluminium in cans, this is now being replaced with light steel in cans.
  - iv) The fall in oil prices means it is cheaper to use oil rather than recycled plastics in the production of new plastics. This has reduced the price for recycled bottles.
  - v) The fall in the export market to China means that prices are low; this market has underpinned the UK price.
  - vi) There is over capacity in MRFs and a number of UK plants have closed.
  - vii) New legislation has increased costs. The MRF Code of Practice has meant that MRF must operate to a high standard and produce an end product comparable to that collected and sorted at kerbside. The cost of processing has gone up.
  - viii) The new EU Regulations have meant that it is quality rather than quantity which is the driving factor.
- 3.3 These factors have driven up the costs at material recovery facilities and decreased the prices that the operator can receive from the materials, such that there is now a net increase in cost to this Authority.
- 3.4 At the beginning of the procurement process it was thought by the consultants employed by the Councils to manage this that the price would be at zero or at the worst a slight negative cost.

#### **4. Issue, Options and Analysis of Options**

- 4.1 The Council has been through a robust procurement process in partnership with other Local Authorities, therefore it is felt there are no other options at this stage.

#### **5. Reasons for Recommendation**

- 5.1 This has been through a robust procurement process, and the price outlined in the report is the best price achieved.

#### **6. Consultation**

- 6.1 The consultation process was through the procurement process in partnership with other Local Authorities.

#### **7. References to Corporate Plan**

- 7.1 The Council are committed to increasing recycling.

#### **8. Implications**

##### **Financial Implications**

**Name & Title:** Chris Leslie – Financial Services Manager (S151 Officer)

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- 8.1 The budget for 2015/16 was set on the knowledge that the income from the existing recycling contract would come to end and this was removed from the base budget.
- 8.2 Following the setting of the budget the final figures from the procurement process have been made available and showed the market for dry recycle is far more depressed than anticipated.
- 8.3 These factors combine to give an additional pressure on the 2015/16 budget of £300,000. Measures to address this pressure are already being considered and include utilisation of grant income and invest to save initiatives.

##### **Legal Implications**

**Name & Title:** Chris Potter – Monitoring Officer and Head of Support Services

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- 8.4 The Committee needs to decide whether or not to award a contract in accordance with the procurement exercise, and should it so decide it must be accordance with the terms of that procurement exercise.

**Other Implications** (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.5 None

9. **Background Papers** (include their location and identify whether any are exempt or protected by copyright)

- 9.1 None

10. **Appendices to this report**

None

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