Date	-	6 April 2018
Report of the	-	Lead Director, Dr Anthony Leonard and Director of Communities, Economy & Transport, East Sussex County Council, Rupert Clubb
Subject	-	Collection and Disposal of Dry Mixed Recycling (including Glass)

Recommendation: It be **RESOLVED**: That:

1) the risks and benefits associated with managing Dry Materials Recyclate (DMR) be considered and it be agreed that East Sussex County Council are best placed as the waste disposal authority to handle the DMR;

2) each Partnership Council approve that East Sussex County Council handle the Dry Materials Recyclate; and

3) Lewes District Council and Eastbourne Borough Council be asked to consider adopting the same disposal arrangements.

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Background

1. At the Joint Waste and Recycling Committee (JWRC) meeting on 10 November 2017 (Minute JWRC17/12 refers) it was recommended to collect co-mingled Dry Materials Recyclate (DMR) including glass as part of their new household waste collection contract from July 2019. It is understood that Lewes District Council (LDC) and Eastbourne Borough Council (EBC) will also be collecting co-mingled DMR including glass in the same way.

2. The decision to collect co-mingled DMR precludes the use of the East Sussex County Council (ESCC) / Veolia Materials Recovery Facility (MRF) at Hollingdean in Brighton as this plant does not accept glass and certain types of plastics that will be collected. At that meeting, three options for the disposal of DMR were therefore discussed: a) disposal of DMR by the Waste Collection Authorities' (WCAs) collection contractor; b) disposal arranged by the Waste Disposal Authority (WDA), ESCC; and c) disposal arranged by the WCAs themselves, requiring procurement of a separate contract.

3. The JWRC recommended that tenders be invited for a new waste collection contract, excluding the disposal (bulking, transfer and processing) of co-mingled recycling (including glass). This decision followed the soft market-testing of contractors, none of whom expressed any desire to handle the DMR. Therefore officers were instructed to work with ESCC to explore the most cost effective way of disposing of this material, recognising there are significant risks to the WCAs and WDA.

4. This paper therefore sets out the options and risks associated with the future arrangements for the disposal of DMR.

Options for the Disposal of DMR post July 2019

5. The existing ESCC / Veolia MRF at Hollingdean cannot accept glass and certain types of plastics and therefore the co-mingled DMR from the new waste collection contract cannot be delivered to this facility.

6. Following the need to inform the Official Journal of the European Union (OJEU) tender process, those WCAs partners on the JWRC decided not to include the disposal (bulking, transfer and processing) of co-mingled recycling (including glass) in their new waste collection contract. Currently LDC manage the disposal of waste and EBC will be bringing their waste collection services back in-house and are likely to align with LDC operations.

7. As a consequence there are two options available to the WCAs:

   - retain the material and put in place a separate disposal contract and agree new recycling credit payments with the WDA; and
   - deliver the co-mingled DMR to the WDA to dispose of in which recycling credits would no longer be paid.

8. Following the decision by those WCAs in the new contract procurement and LDC Cabinet to move to the collection of co-mingled DMR including glass, the WDA was asked what it would cost to dispose of co-mingled DMR compared to the price quoted by Local Partnerships in the recent Waste Resources Action Programme (WRAP) report. This was reported to the JWRC at the last meeting, highlighting a range of gate fees between £49 and £65 per tonne. It is important to note that these prices are illustrative and are unlikely to reflect the market position in June 2019 as it is impossible to predict what will happen to material prices so far in advance.

9. The range of prices also reflects differing views on income from the sale of recycled materials and do not take into account changes in global markets in recent weeks. Both gate fees for material recovery facilities and income from the sale of sorted materials are extremely volatile, and Members will be aware from the press the situation in China. As a very recent example of this, at the beginning of March 2018 it became apparent in the media that income from mixed papers had reduced to £0 per tonne (zero) in some areas due to import restrictions in China displacing 6 million tonnes of paper from around the world. This specific example of market volatility could have an increase in costs by at least £15 per tonne or £750,000 per year on DMR disposal costs across the county, if the value of mixed papers remains at £0 per tonne.

10. In light of this, the JWRC should consider who is best placed to manage the risk of future DMR gate fees, the volatility of the market and overall disposal costs. Members should be aware that in attempting to make a decision on a service that will not begin until June 2019, any movement in gate fees and the impact on disposal costs can have a significant effect on overall costs to all authorities.

11. The gate fee figure of £49 per tonne at the lower end of the range is based on a soft market testing exercise carried out during the summer of 2017 (indexed to 2018/19 prices) and does not take into account the recent slump in mixed

paper values. A range of indicative prices from four different MRFs were received, as described in the WRAP report.

12. The higher figure of £65 per tonne is an indicative cost that might be charged to ESCC for the bulking, haulage and gate fee for the disposal of dry mixed recycling through a third party MRF and does not take into account the recent slump in mixed paper values.

13. It is possible that a tender exercise by the WCAs might result in a lower price when compared to WDA, but the unknown is the volatility of the market and future prices as described above. It is unlikely that long term fixed gate fees could be secured that provide certainty and reduce costs for authorities.

14. The table below sets out some of the advantages and disadvantages of retaining and delivering DMR:

Options	Advantages	Disadvantages
Option A - Delivered to WDA	• Network of WTSs available • No risk for WCAs	• Recycling credits for WCAs would no longer be paid • Possible increased cost to taxpayer when compared to retained material • Risk lies with WDA
Option B - Retained by WCAs	• Ability to obtain best market price through competition • Reward sharing via rebate on value of materials (where risk is taken) • Confirmed availability of delivery points	• Risk lies with WCAs • Unpredictable markets • Cost of disposing of material could end up as much as or higher than value of recycling credits paid to WCAs by WDA
Option C - Retained by WCAs with Risk/Reward Sharing	• In addition to the above – • Risk shared with WDA to reduce/eliminate exposure to market conditions • Resource/funding provided by ESCC to help with procurement and contract management	• In addition to the above – • Reduction in credits to reflect risk sharing • Reward shared with WDA

15. If the WCAs elect to deliver DMR to the WDA, ESCC would not pay recycling credits to the WCAs. This is because the delivery of fully co-mingled material would take the authorities outside the current agreements, the material could not go through the MRF in Hollingdean, and WDA would have to bear the net disposal costs, assuming the market remains low. Veolia are unable to adapt their MRF at Hollingdean.

16. If the WCAs were to retain and dispose of the DMR then recycling credits would continue (albeit at a lower adjusted level). It is assumed that this would be at the statutory provision of £59 per tonne as it is unlikely that the WDA could afford to continue payment at the current higher rate.

Conclusion and Recommendations

17. If the WCAs elect not to retain co-mingled DMR including glass, ESCC as the waste disposal authority would be obliged to dispose of this material. In that event, ESCC will need to negotiate a variation to its Private Finance Initiative contract with its waste disposal contractor Veolia to bulk, transfer and dispose of the DMR.

18. If the WCAs elect to retain and dispose of the DMR themselves, a disposal contract will need to be put in place. ESCC cannot procure this contract itself because of its existing contractual arrangement with Veolia, and does not have the resources to procure such a contract on behalf of the WCAs. However, as a partner authority, ESCC have confirmed it would contribute towards the cost of a procurement exercise led by the WCAs.

19. If the WCAs elect to retain and dispose of DMR, ESCC are obliged to pay recycling credits to the WCAs. The current recycling credit agreement would need to be reworded and it is likely the credits would be set at the statutory provision of £59 per tonne. The WCAs would also need to consider either jointly disposing of the DMR or each authority making its own arrangements. Needless to say, there is limited resource and expertise in which to do this and carries a lot of unknown and financial risks.

20. If the WCAs elect to retain and dispose of DMR and wish to enter into a risk / reward sharing arrangement with the WDA, a workable model would need to be developed, with any risk sharing linked to recycling credit payments.

21. If agreement cannot be reached then ESCC will need to direct the WCAs on disposal routes.

22. In view of the WCAs limited resources, the financial uncertainty and risks associated with the recycling market, the WCA and WDA officers recommend that ESCC are best placed as the disposal authority to handle the DMR.

Dr Anthony Leonard Lead Director	Rupert Clubb Director of Communities, Economy & Transport East Sussex County Council

Risk Assessment Statement
If the WCAs retain and dispose of the DMR then they will inherit the volatility of the markets.

The contractors tendering have indicated they are not willing to take on the risk of handling the DMR. This in itself speaks volumes.

By working through ESCC as WDA they may be able to better manage the risk by working with the contractor, with greater certainty of volumes of DMR.