



LINCOLNSHIRE WASTE PARTNERSHIP

24 NOVEMBER 2016

SUBJECT :	MIXED DRY RECYCLABLES CONTRACT
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Background Information

The existing contract (all Lots with respect to the Waste Collection Authorities (WCA) materials collected at kerbside) currently sits with a single provider of Mixed Dry Recycling (MDR) processing services – Mid UK Recycling Ltd (MUK). This contract started in April 2015 and expires on 31st March 2018.

The options available for future MDR processing services post April 2018 are:

- 1) Extend the existing arrangement with MUK (at least six months written notice is required to be given by LCC to MUK and the extension can be further periods up to a maximum of 24 months in total); or
- 2) Undertake a procurement exercise to replace the existing contract

Currently, high levels of contamination (for the purposes of the costs of contamination this includes non-target and non-recyclable materials arriving at MUK's two Materials Reclamation Facilities (MRFs) being experienced in collections across all seven WCAs (to a greater or lesser extent) are resulting in heavy costs to LCC. The high levels of contamination being experienced also adversely affect recycling rates being achieved, so it is recommended to progress the delivery of a new contract from the 1st April 2018.

LCC recently appointed WYG waste management consultants to undertake an independent waste audit of MDR collected at kerbside by South Kesteven District Council. This audit confirmed that the methods of measuring contamination by MUK are appropriate and that all partner Councils agreed to accept them.

Consequently, we have high levels of contamination and it is presently expected that there will be little interest in the market to tender for processing our presented MDR materials. At the present contamination rates, there will be continued high costs, with the potential for increased costs and thereby the council tax payers in Lincolnshire.

A worst case scenario could result whereby the procurement fails and LCC has nowhere locally to take MDR materials. The costs of this scenario may even dwarf the existing contract costs and also risks the achievement of recycling rate targets under a revised Joint Municipal Waste Management Strategy. In addition, this could result in increased carbon

emissions associated with waste management, which is the wrong direction of travel and will not contribute to carbon mitigation strategies to reduce impacts on the environment and help tackle climate change.

In such a situation there are also political risks. Should there be no outlet for processing and recycling of MDR found then, potentially, landfill may be the only available option. Members clearly would not want to explain to their residents that the recyclates being set out are not being sent for recycling because LCC has not been able to secure such an arrangement due to the processing market not wanting to accept (heavily contaminated) MDR collected in the two-tier Lincolnshire area.

When the next MDR contract is published in April, we need to be engaged in reducing the current contamination levels to more reasonable levels: the average contamination rate for input into MRFs in England is 14% (Published by WRAP in May 2016). This is the essential approach that is required in advance of starting the formal procurement process.

Early engagement with the local MRF market is also seen as essential. National operators will likely be aware of the heavy contamination issues with MDR in the Lincolnshire area because they talk to each other. We need to broach these issues by engaging with suppliers to firmly establish their views but also to explain the actions that the councils will be taking to tackle contamination to reduce it to a level where there will be interest from contractors bidding for the processing contract(s) offerings. Accordingly, financial incentivisation needs to be investigated around how this contamination can be reduced to levels which the market will find palatable.

The key focus must be to put in place actions to reduce overall levels of contamination to create future market interest in bidding for processing Lincolnshire's MDR materials and to mitigate other risks as identified above. However, a draft project plan (Gantt chart attached at Appendix A) has been put together that outlines the key steps in undertaking the MDR contract procurement using Competitive Dialogue. WYG have used this procedure more frequently recently for MDR contract procurements as these have become more complex following collapse of the commodities market and a general increase in contamination levels being experienced across the sector by many councils. The essential idea of this procedure is that it allows for engagement with the market to help shape final contract documentation that the market is happy to bid against and thereby to result in the best deal for the Council. Consequently, the timescales are subject to change due to the confirmation of the procurement method and agreement by the Partnership.

Recommendations

- 1) That the Lincolnshire Waste Partnership should acknowledge the issues as set out above and commit to working together to solve these as it is in the best interests of all parties including the council tax payers in Lincolnshire.
- 2) That a MDR working group, including an Officer Working Group representative for the District Councils, is established to address these issues and to manage the next MDR contract procurement.
- 3) The Officer Working Group is tasked to address the contamination issues by working towards joint initiatives that will reduce the high pertaining levels of contamination experienced. The Officer Working Group should feed progress reports, education press communications etc back to the MDR Working Group tasked with procuring the next MDR contract.

- 4) The Lincolnshire Waste Partnership has already considered in an earlier paper to apply the consistency of approach in the types of materials collected at kerbside as set out in the recent WRAP report "A framework for greater consistency in household recycling in England (Oct '16). This paper reinforces this approach to reduce confusion amongst residents with respect to what they should and should not put in their recycling bins and thereby help reduce contamination.
- 5) The Officer Working Group is tasked to investigate financial incentivisation regarding reducing the presented contamination.

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