

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	13 January 2016
Subject:	Materials Recovery Facilities (MRF) Contract Variation
Report of:	Val Garside, Environmental and Housing Services Group Manager
Corporate Lead:	Rachel North, Deputy Chief Executive
Lead Member:	Councillor J R Mason
Number of Appendices:	None

Executive Summary:

Tewkesbury Borough Council ("The Council") is currently reviewing its waste service specification aligned to the need to procure a new vehicle fleet for April 2017 and the situation regarding the Material Recovery Facility (MRF) is an essential part of that review. As such a new long-term solution to the need for processing, sorting and selling recyclate will be in place for April 2017.

In April 2014 the Council entered into a new 3 year contract with Grundon Waste Management Ltd ("Grundons") to process, sort and sell comingled dry recycling material.

Whilst in general the contract has been progressing well, over the last year there has been incidents of contamination within the recyclate material, which is resulting in increased risks to staff and significant impacts upon the sorting process. This level of contamination in the recyclate stream has some clear consequences for both the operator and the Council which need to be actively addressed.

In order for Grundons to continue to accept the material, and provide the service to the Council until the end of the current contract in April 2017, work has been done collectively with the operator to find an effective solution. Grundons has reviewed its processes to enable this material to continue to be accepted and sorted in a safer manner. This will result in all the Council's recycling being accepted and processed in line with a variation of the contract specifications.

The variation however does increase the cost of the processes and will result in a one off additional cost to the contract for 2016/17.

Recommendation:

To approve the use of £222,500 of earmarked reserves to cover the increased cost for 2016/17.

Reasons for Recommendation:

In order for our operator to continue to accept the Council's recycling material and provide a continual service in light of the increased contamination, Grundons has reviewed its processes to enable this material to continue to be accepted and sorted in a safer manner. This additional work required by the operator to address the contamination will require additional costs for the contract year 2016-2017 which are additional to the agreed budget. The Executive Committee need to approve use of earmarked reserves for this.

Resource Implications:

The overall value of the MRF contract is £2,230,000.

The additional cost required is identified as £222,500 earmarked reserves for the contract year 2016-2017.

Not addressing the contamination issue will result in recyclate loads being rejected by the operator, causing increased costs to the Council with loads going to landfill and reduced income from recycling credits.

Legal Implications:

The Council will need to ensure that it complies with the variation requirements in line with the current contract dated 11 April 2014 between Tewkesbury Borough Council and Grundon Waste Management Limited. The Council also needs to ensure that the variation complies with existing contract law and regulations.

Risk Management Implications:

There are some key risks to the Council if collected recycling material cannot be effectively processed. There is a risk of challenge by the Environment Agency or third parties regarding compliance with waste regulations.

The Council ultimately bears the risk in arranging for the effective disposal of recyclate material despite the existence of a contract with Grundons.

A review of the waste service is underway, along with the re-procurement of the necessary vehicles, which will take place over the next 12 months. The current MRF contract will be re-tendered alongside this work to ensure a new service specification, fleet and MRF arrangements are in place by April 2017.

The materials commodity market has recently been affected by two significant events which have impacted on the value of at least two material streams and with a knock on effect on the others.

The drop in the price of oil has lessened the value of recyclable plastics and in certain circumstances it has been more economical to make packaging from virgin material. The closure of Aylesford Newsprint has also impacted the news and pams commodity market, with more export occurring and the commodity value dropping for this material stream. Consequently the basket value of the materials that the Council is sending to Grundons has dropped. The Council has safeguarded its budget with a floor price gate fee of £7.50p per tonne.

The contract was in place for the first 9 months without issue. In January 2015 contaminated loads were identified. Grundons temporarily banned these loads from entering the MRF due to health and safety risks associated with needle stick injuries. The contractor as a result of the health and safety risk may be unwilling to continue with the contract leaving the Council without recycling waste facilities.

Performance Management Follow-up:

The Joint Waste Team currently monitors the Grundons contract on behalf of the Council. Updates are provided to the Overview and Scrutiny Committee on a six monthly basis as part of the Ubico contract.

Environmental Implications:

Biodegradable waste such as paper and cardboard etc. contain elements that will biodegrade and produce methane gas, which in turn will have an impact upon climate change.

By sending 'good' resources to landfill means that wasted materials will have to be replaced with new materials rather than re-used.

1.0 INTRODUCTION/BACKGROUND

1.1 Current Status

1.1.1 In April 2014 the Council entered into a three year contract with Grundons to process, sort and sell comingled dry recycling material.

1.1.2 Overall the contract is working well despite significant reductions in the global value of recyclate which is already a volatile market. However, since January 2015 there have been problems with contamination in the recyclate stream. Over this period there have been more than 30 incidents of needles being found within the material, resulting in increased risks to staff and impacts upon the sorting process. Grundons is responsible for the health and safety of its operatives and despite attempts to manage the situation have had to reject material from specific waste rounds.

1.1.3 The needles and paraphernalia found are associated with diabetes and illegal drug use.

1.1.4 As a result, 9 full loads and part loads of recyclate material have been rejected by Grundons resulting in recyclate being diverted to landfill.

1.1.5 With regard to the management of the ongoing issue of needle hazards within the contaminated material, the main focus has to be on processing the material safely to ensure the risks to employees and third party recipients of recovered material are eliminated or at least minimised.

1.1.6 The composition of material which Grundons receive and process appears to have changed. Prior to January 2015 there were no known concerns about needle contamination. No negative comments relating to contaminants, or the quality of the material, were made by the previous contractor who processed this material.

1.1.7 Despite work carried out by officers with local drug treatment charities, registered providers, pharmacies and GP Surgeries it is not clear what is causing the difference in the recyclate.

1.1.8 The proposed variation will modify the service requirements to effectively manage the contaminated waste. The responsibility to present safe material to the MRF operator rests with the Council and the impact of a volume of recyclate being rejected, and thus diverted to landfill, is significant both in costs and in reputational damage caused by residents being less enthusiastic about recycling overall.

1.1.9 Currently the operator slows down the process to allow more time for contamination to be removed and dealt with safely.

1.1.10 In addition, collaborative work to target areas where particular issues with needles appear prevalent, to include engagement with local communities, promotions and information and

education campaigns, will be stepped up to attempt to reduce the level of contamination overall.

1.1.11 When the contamination was first identified, it appeared that the needles were coming from Perry Hill, Tewkesbury. However, subsequent loads were found with needles across Winchcombe, Brockworth, Churchdown and Woodmancote.

1.1.12 The contract ends in April 2017 and the procurement of new MRF capabilities is directly linked to the current service review and vehicle procurement programme. This report enables the current contract to continue with a proactive response to contamination accepting the additional costs incurred by the operator in dealing with the issues, for the final year.

1.2 Current Process

1.2.1 The current contract requires the Council to present recyclate in a prescribed state and significant contamination allows the operator to refuse to accept material. While a collaborative approach to the issue is attempted and solutions presented, the risk around contamination is currently one borne by the Council.

1.2.2 In practice, where a refuse vehicle carrying needles can be identified, a charge has been levied to the Council for additional costs and disruption and the relevant load has been sent to landfill. Where a vehicle carrying needles cannot be identified, the full cost cannot be recovered or the round highlighted, resulting in the risk of all recyclate material being rejected from the plant.

1.2.3 Currently when needles are found in a load that has not previously been identified as contaminated with needles, the plant is stopped and the hazards are removed from the line. The whole plant is then emptied of material and this is sent for disposal. This generates a cost in downtime due to the stoppage and the disposal of material. There is also a loss of potential revenue which would have been gained if this material (and any material in the load sent straight to landfill) was processed and sold for recovery.

1.2.4 Items found are regularly photographed and details sent through to the Joint Waste Team and the Council.

1.2.5 In addition, a great deal of management time is spent:

- monitoring the history of the finds and communicating high risk days to site staff and contractors; and
- managing the separate tipping and processing of the material with a history of:
 - containing needles;
 - attending to and dealing with needle finds;
 - documenting and reporting needle finds; and
 - attending any action group meeting.

2.0 PROPOSED SOLUTION

2.1 In order for the operator to continue to meet the current contract, accept the material and provide the service to the Council, Grundons has reviewed its processes to enable this material to continue to be accepted and process the loads contaminated with needles.

- 2.2** The focus needs to be on trying to locate the hazard within the material so that it can be removed safely. With most mixed recyclable deliveries, a visual inspection of tipped loads would be enough to ensure those containing waste outside the permitted categories, or those heavily contaminated, can be assessed and made subject to normal rejection /contamination procedures. However, determining the presence of needles using a visual inspection is not adequate even with the extra time spent.
- 2.3** By way of an example, on 21 May 2015 material from just 100 properties was delivered and tipped separately at Lower Lode Lane (old depot), a manual search then took place which took over 4 hours and utilised 8 people to search and locate the needles. Whilst efforts have been made to eradicate the needles they are still being found in the material on a regular basis and a manual search is obviously not a practical solution, therefore changes to the mechanical processes have been assessed.
- 2.4** In order to continue processing material, the operation would need to be altered. The trommel can be used to split the material by size, twice. The first run would drop bottles, cans, glass etc. and anything under 120mm in size, this is to reduce the density of the material going onto the picking line to allow the pickers an enhanced opportunity to identify the presence of needles. If the material going through the picking station is layered too deeply there is the risk of needles sitting under material which the picker may move but this risks contact with the needle and subsequent injury. The material that is dropped out on the first pass would then be run with the trommel screens blocked to 50mm size which allows a better level of material through the plant and another look for needles can take place. In addition, the plant processing speed would need to be significantly reduced to give the pickers more time to identify the needles. Operating in this way is time consuming with material having to pass through the process twice; this slows down available throughput and increases costs, but would significantly reduce the risk of injury.
- 2.5** The changes are required in order for Grundons to continue to accept the receipt of the contaminated material. If the changes are not effected this would put staff at an unacceptable risk to needle stick injury and potential infection.
- 2.6** The Council and Grundons have carried out an assessment of the additional costs which would be incurred as a result of amending the operation and service scope, for example the extra inspections, the double screening of material and the significant reduction in processing speed, all of which reduce efficiency and increase variable costs.
- 2.7** This one off additional cost has been estimated at £222,500. The contract is due to expire in April 2017, therefore a tendering and procurement process will follow to address these issues and potential costs for the future.
- 2.8** A review of the waste service is currently taking place which will include vehicle replacement and the consideration for retendering for a MRF facility in 2016 for commencement in 2017.

3.0 OTHER OPTIONS CONSIDERED

- 3.1** The current contract was agreed at an advantageous price from the operator. Since this time there have been significant fluctuations in the commodity markets and the global economy which have impacted on the price of recycled materials. While the contamination issue sits outside of this bigger picture it is clear that in any revisiting of the market place for MRF facilities, the Council will need to consider potential increased costs in future.

- 3.2** Retendering for a new contract; the current contract with Grundons ends in April 2017, therefore, the proposed variation will only be for one year. As Grundons are based in Bishops Cleeve there are currently no haulage costs associated with the waste going into Grundons, nor is a tipping facility required. The nearest MRF facilities to Tewkesbury with capacity for this waste would be in Worcester or Stratford. It is understood that the price for these services would be in excess of the agreed variation. By agreeing to the variation, the Council avoids the cost of a retendering process for the year April 2016-April 2017.
- 3.3** In February 2016, it is anticipated that a report will be submitted to the Executive Committee for a decision on the waste review and vehicle procurement. Subject to agreement by the Executive Committee, a tendering exercise will need to start immediately in order to be in place by April 2017.
- 4.0 RELEVANT GOVERNMENT POLICIES**
- 4.1** None directly.
- 5.0 RESOURCE IMPLICATIONS (Human/Property)**
- 5.1** None directly.
- 6.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 6.1** None directly.
- 7.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 7.1** As contained within the report.
- 8.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**
- 8.1** None directly.

Background Papers: None.

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Appendices: None.