

# Agenda Item

<b>NORTH LONDON WASTE AUTHORITY</b>	
<b>REPORT TITLE:</b> OPERATIONS UPDATE	
<b>REPORT OF:</b> HEAD OF OPERATIONS	
<b>FOR SUBMISSION TO:</b> AUTHORITY MEETING	<b>DATE:</b> 25 September 2015
<b>SUMMARY OF REPORT</b>  This report provides information relating to the development of the Authority's operational services.	
<b>RECOMMENDATION:</b>  The Authority is recommended to note the information concerning the Kings Road re-use centre, progress on the transfer of the Summers Lane re-use and recycling centre, mixed dry recycling markets and other general operational matters.	

**Signed by:** Head of Operations \_\_\_\_\_

Date: 16 September 2015

## **1. Overview**

- 1.1. The Authority has been working with LondonWaste Ltd (LWL) in finding opportunities to further promote re-use and recycling across the Authority area. At the time of writing this report the arrangements for the Kings Road re-use centre have been finalised and the centre started operating on the 10<sup>th</sup> September 2015, with a formal opening being planned in the next six to eight weeks.
- 1.2. Members will recall the Authority has agreed with LB Barnet that the Authority will take over the operation of the Summers Lane re-use and recycling centre (RRC). Ongoing progress has been made and the transfer is on course with the Authority taking over management of the RRC on 4<sup>th</sup> October 2015.
- 1.3. Other matters covered in this report are related to the increase in reported contamination levels of mixed dry recycling following the introduction of the MRF code of practice, market trends in relation to mixed dry recycling, and general operational service matters.

## **2. Kings Road Re-use Centre**

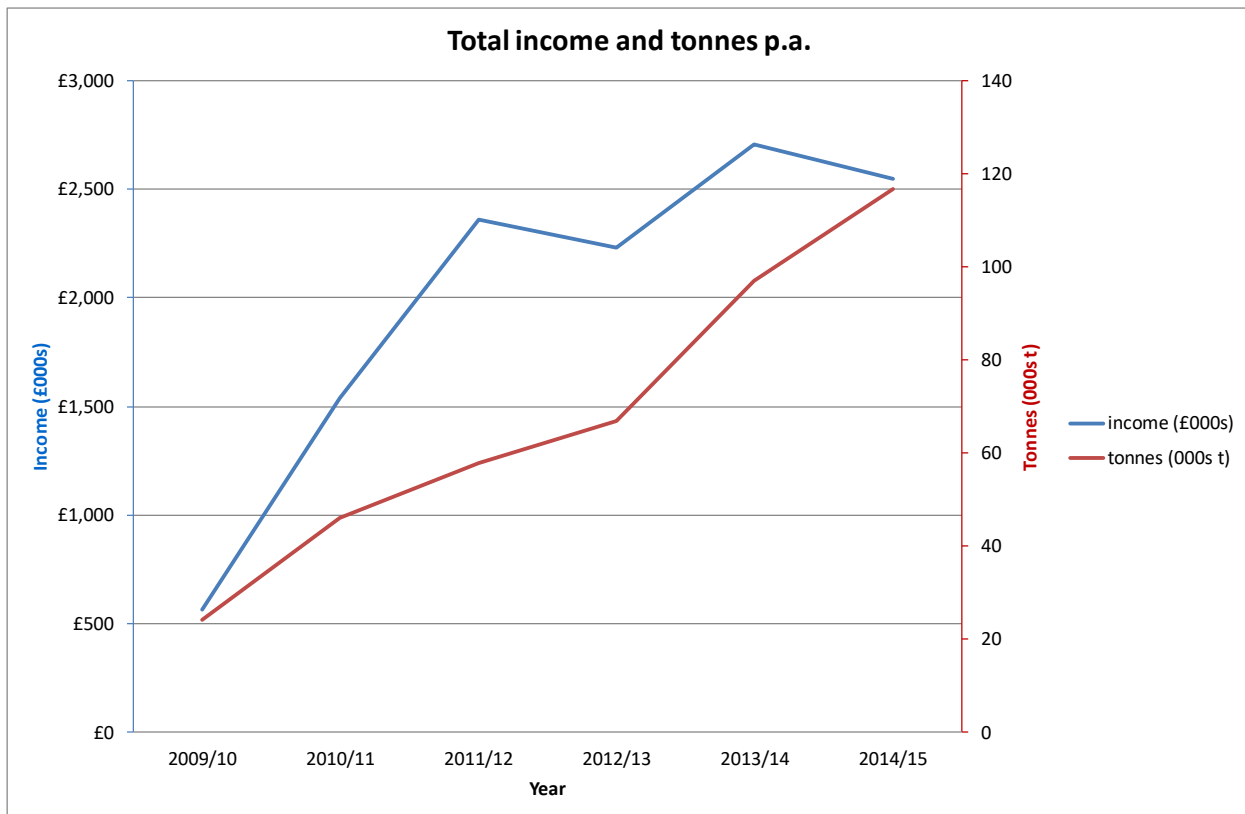
- 2.1. Prior to the transfer of the Kings Road RRC to the Authority in June 2012 a small re-use centre operated from the site. This centre was closed as LB Waltham Forest's previous RRC operations contract came to an end, and its contractor removed all its equipment from the premises.
- 2.2. As most recently noted in the 2014/15 Annual Report, plans have been developed, design proposals drafted following best practice guidance from WRAP, and planning permission obtained for a re-use centre. Work commenced in February 2015 and at the time of writing this report the development work at the centre has finished with the centre having started operating on the 10th September 2015; a formal opening is being planned in the next six to eight weeks.
- 2.3. As noted at the last Authority meeting, the shop will be stocked from re-use items collected from the RRCs under the Authority's control and LWL will employ two suitably experienced and trained staff to run the centre; and the centre staff will be full time and the shop is expected to be open Thursday to Saturday between 9.00am -4.30pm. This is to allow a further two days for staff to record and prepare all suitable items for sale. It is also to provide scope for the centre to open a further one day a week should there be sufficient items to sell or the preparation of items is not as time consuming as anticipated.
- 2.4. LWL will manage the re-use centre for 18 months during which time a full review will be carried out and a decision made on whether the re-use centre stays under LWL management or a contract sought with the third sector or other party, in which case the services of a separate organisation will be procured to operate the centre. In the meantime, as previously noted, income received from the centre will be used to offset the re-use centre's operational costs, with any surplus amounts used to enhance the Authority's wider waste prevention work or other initiatives as agreed by Members from time to time.

### **3. SUMMERS LANE (BARNET) RRC**

- 3.1 On 11<sup>th</sup> June 2015 LB Barnet's Environment Committee decided to transfer the operation of the Summers Lane Re-use and Recycling Centre (RRC) to the Authority.
- 3.2 The Authority agreed to this at its June meeting, and work is on course with the transfer date of the RRC expected to be 4<sup>th</sup> October 2015.
- 3.3 The cost to the Authority of operating the Summers Lane RRC is estimated to be £751,000 full-year equivalent, based on information from LB Barnet. Any unbudgeted expenditure in the current financial year will be recovered from LB Barnet.

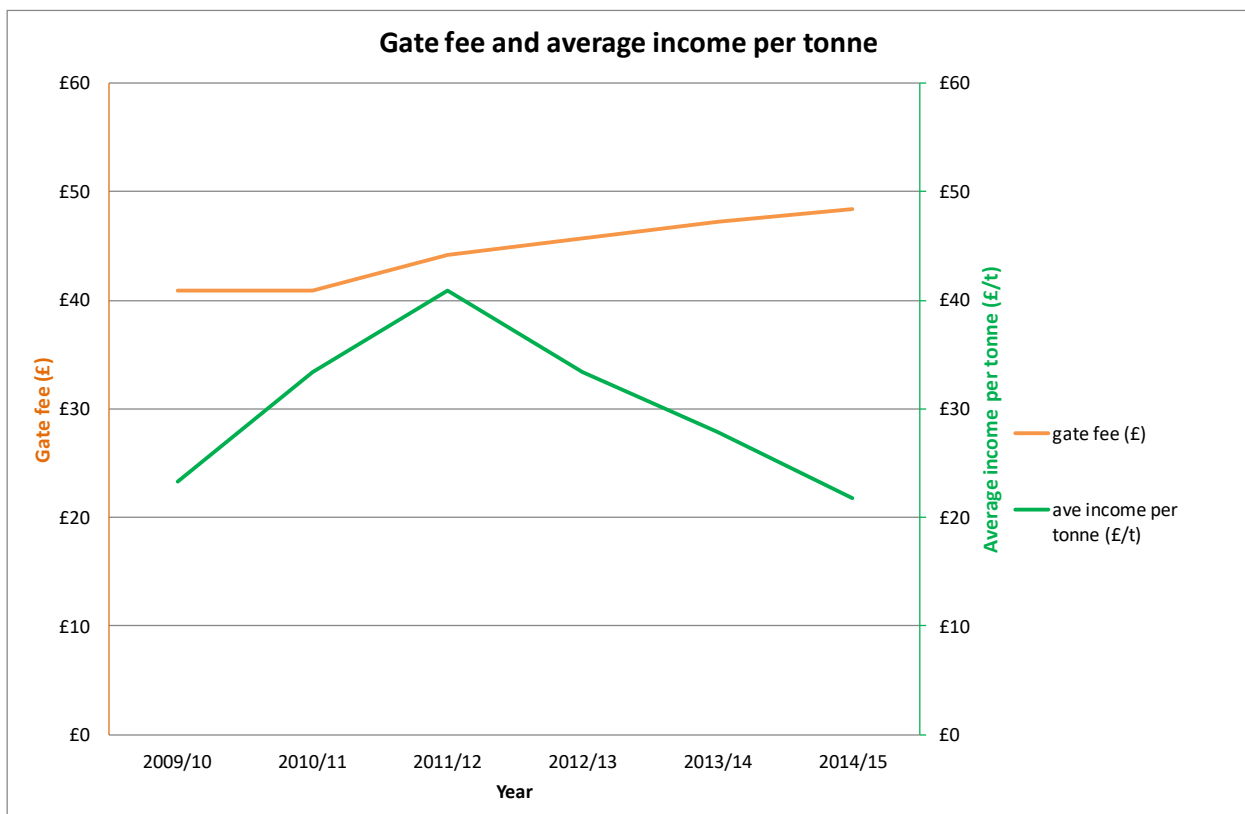
### **4. MIXED DRY RECYCLING**

- 4.1 In relation to the services for mixed dry recyclables, the two contractors having implemented the materials recovery facility (MRF) code of practice are now supplying more detailed data about the quality of materials delivered. This is enabling the Authority to report borough-specific contamination rates for their delivered mixed dry recyclables, which will then feed through into the boroughs' published recycling rates.
- 4.2 As a result of the increased level of inspection and analysis at the MRFs more incoming loads have been rejected and reported contamination rates have increased. Officers are working with MRF contractors, borough officers and LondonWaste Ltd to ensure the analyses are correct and to improve the quality of materials being delivered.
- 4.3 As requested at the last Authority meeting, information is provided below concerning the income share arrangement with the two MRF contractors. This income from the sale of separated recyclates is subject to various outside pressures because it occurs within global commodity markets.
- 4.4 The chart below shows how the tonnages of mixed dry recycling managed by the Authority have been steadily increasing (red line) each year, but that the income received under the above arrangements has been more variable (blue line), and did in fact fall in cash terms last year.



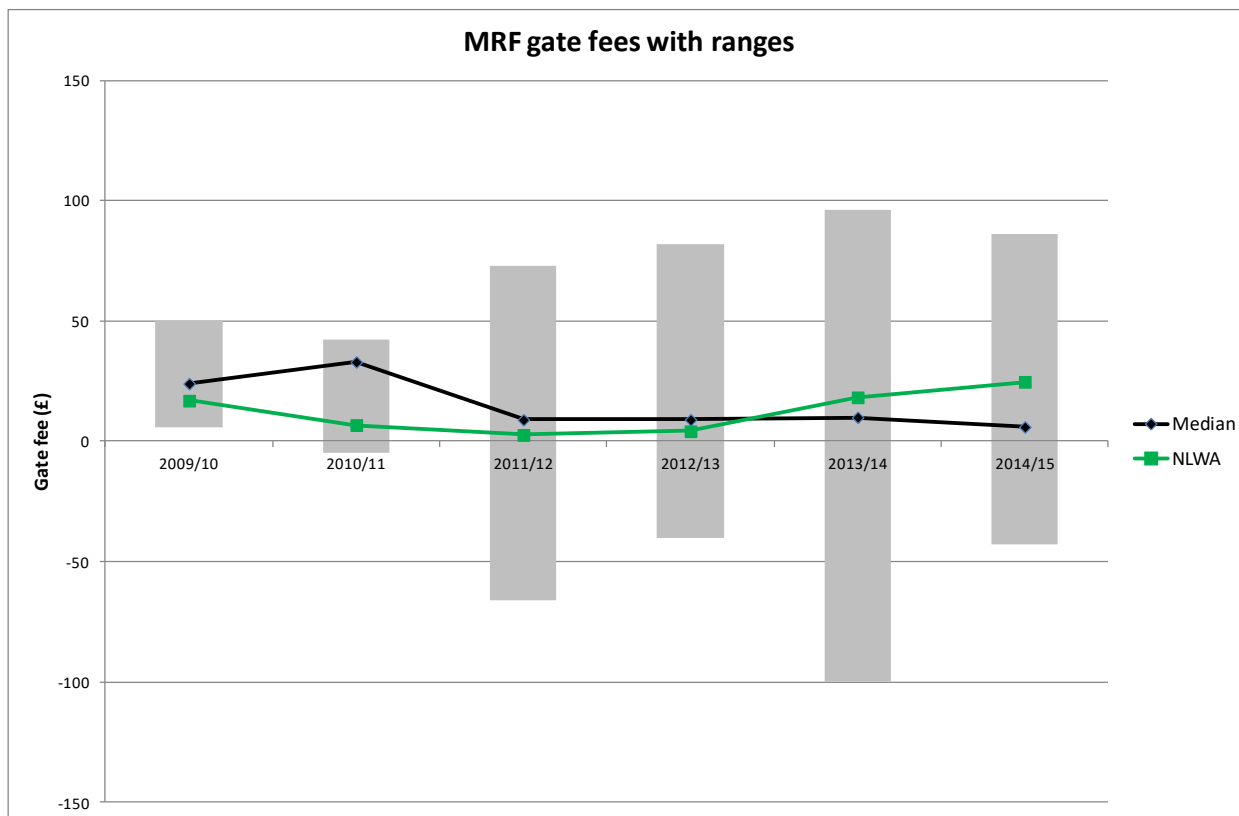
**Figure 1:** MRF services contract total tonnes and total income (2009/10 was a part year)

4.5 The next chart shows the changes per tonne, such that whilst the gate fee payable by the Authority has risen steadily with inflation (orange line), the income per tonne has been in decline since 2011/12 (green line).



**Figure 2:** MRF services contract gate fee and income per tonne (indexation and markets respectively)

4.6 In order to provide wider context, the chart below shows the wide range of gate fees charged by MRFs (the grey blocks) and the median price each year (the black line) as published annually by WRAP (Waste Resource Action Programme), based on a survey of local authorities willing to provide information; this is overlaid with the Authority's average net cost of recycling (green line) which has been below the median for four years and above it for two.



**Figure 3: MRF gate fees – national ranges and medians as published by WRAP**

4.7 The Authority's contract was intended to be sustainable and fair in the medium term, as it was initially awarded for just over five years, with extension provisions for up to five further years. It provided for a gate fee in relation to the contractors' basic operating costs and for the contractors to pass back to the Authority half of all income received from the sale of our recyclates. It can be seen that when the prices of recyclates were higher, our net cost of recycling was lowest, and as the prices of recyclates have fallen back down our net cost of recycling has risen, albeit without the volatility shown in Figure 4 below. It should also be noted that the contract has been able to cope with significantly increasing tonnages over time and during 2013 the addition of Barnet's mixed dry recyclables.

4.8 This information from WRAP, however, can only be an indicative guide because it does not give detail of the types of arrangements entered into by local authorities and it is considered that many of these are short term agreements which expose the local authority to more market risk and less certainty of service. There are also likely to be variations regionally and with the size of each contract, as MRF operators will choose which contracts to bid for. And on a more problematic note for some local authorities there have even been reported examples of local

authorities having to make emergency arrangements due to MRFs closing<sup>1</sup> or MRFs withdrawing from tenders<sup>2</sup>.

4.9 MRFs place the sale of recyclates into the global secondary materials markets and to predict what these markets will achieve in the future is difficult. In 2011 the emerging markets, such as China and other far eastern economies were in a high period of growth and demand was high. At that time opinion was that these emerging markets would enter into a long period of sustainable growth and the demand for secondary material would remain high for a long time. Members will be aware however of the news surrounding these economies and the continued slowing down being faced.

4.10 This has a direct impact on the amount of income the Authority receives, which the Authority has regard to when setting the level of its contributions to relevant boroughs' additional costs of collection through the CIPS (Commingle Income Payment Scheme). When attempting to forecast to Members and boroughs through budget reviews what this income will be Authority officers have consulted with the MRF contractors and taken a backward looking view of the commodity markets and what has been achieved, with the caveat that amounts estimated are open to market influences and boroughs should not look to these estimates as income they will definitely receive.

4.11 Finally, the chart below shows the prices achieved over time for the main different commodities obtained from the mixed dry recycling boroughs deliver. Due to the relative high value of aluminium cans, for chart purpose Members should use the legend on the left for this commodity.

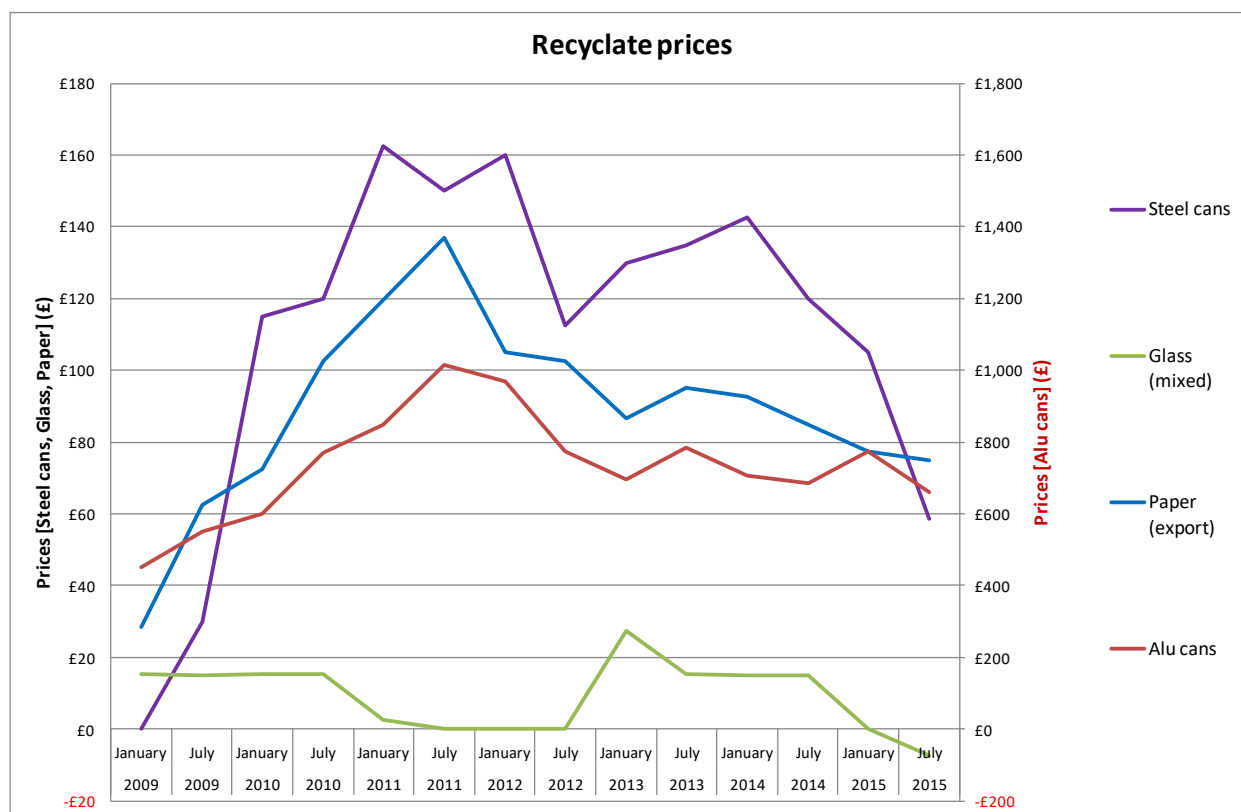


Figure 4: Recyclate prices – two data points per year; data as published by LetsRecycle.com

<sup>1</sup> <http://www.letsrecycle.com/news/latest-news/thurrock-let-down-as-suez-closes-nordic-mrf/> - July 2015

<sup>2</sup> <http://www.letsrecycle.com/news/latest-news/bywaters-benefits-sita-rejects-mrf-deal/> - March 2015

## **5. GENERAL OPERATIONAL SERVICES UPDATE**

- 5.1 Services with all the Authority's waste services contractors have been generally good, including operations under the new main waste contract with LondonWaste Ltd; however a number of defaults have been issued to LondonWaste Ltd in relation to the bulking and transport and RRC services they provide within the wider Main Waste Contract. General contract monitoring activity is on target and tonnages are within budget.
- 5.2 The Authority continues to publish end destination information on its website, but officers are starting to record more detailed information on the national WasteDataFlow system in relation to end destinations of recyclable materials; this will feed through into nationally published data.
- 5.3 Finally, Members may wish to note that the externally funded trial to increase the amount of WEEE re-used and recycled from the RRCs commenced in August. This will be reported in more detail at a future Authority meeting.

## **6. COMMENTS OF THE FINANCIAL ADVISER**

- 6.1 The Financial Adviser has been consulted in the drafting of this report. The cost of running Summers Lane RRC has been captured in the second budget review. This will be incurred by the Authority this financial year and will be recharged to LB Barnet as the RRC portion of its levy next financial year.

## **7. COMMENTS OF THE LEGAL ADVISER**

- 7.1 The Legal Adviser has been consulted in the preparation of this report and has no comments to add.

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**REPORT ENDS**