

Materials Recycling Facility (MRF) budget

To:

Executive Councillor Rosy Moore
Environment and Community Scrutiny Committee

Report by:

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Wards affected:

All

1.	Recommendations
1.1	It is recommended that Environment and Community Scrutiny Committee notes the additional MRF contract costs and options being pursued from March 2025 when the existing contract ends. Costs have already been accounted for in the MTFS.
2.	Purpose and reason for the report
2.1	This report provides an update on the financial impact of the joint procurement exercise undertaken by the RECAP partnership consisting of five Cambridgeshire Waste Collection Authorities and new contract options from March 2025.
2.2	<i>NOT FOR PUBLICATION: the appendix relates to an item during which the public is likely to be excluded from the meeting by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 because it contains commercially sensitive information. The public interest test has been applied to the information contained within this exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.</i>
3.	Alternative options considered

3.1	<p>Options being explored for a local bulking facility from March 2025:</p> <ul style="list-style-type: none"> A. Enter a new contract with Thalia for using their existing shed as a Waste Transfer Station (not the MRF) – the shed will need significant capital investment to enable them to operate safely, e.g. fire suppression etc. The remedial works to the shed are estimated to cost Thalia about £1M. B. Enter a contract with another transfer station in the Service area. The only suitable facility identified to date is located at Haverhill – more than fifteen sites have been explored over the past nine months. Haverhill is quite a distance south of our district and would require a collection round reconfiguration as well as several additional vehicles (approximately eight) and subsequently costs to cover the extra distance travelled by the recycling crews. Costs would be circa £2M/year taking account of hiring vehicles, additional staff / operations crew resources, travel time and the gate fee (charge per tonne for taking material to the MRF.) C. Build our own transfer station. This option has been explored in some detail over the last six months and potential sites in the vicinity of the Waterbeach Depot have been identified – this option hasn't been outright discarded but it would require a large capital investment (circa. £3m - £5m), plus ongoing revenue / operational costs, and we don't have sufficient time to get this in place for the start of March 2025. <p>The preferred option that is being actively pursued is Option A, as this is the most economically advantageous option and the only practical option that can be fully developed by the deadline of March 2025, when the current MRF contract extension (with Thalia) terminates.</p> <p>Appendix A highlights the additional steps required to enter into new bulking and processing contracts. These are partly responsible for cost increases alongside changes to the market value of materials and higher specifications for material capture and recovery.</p>
4.	<p>Background and key issues</p>
4.1	<p>In June 24 an Executive Cllrs RoD was sought and approved for a budget of threshold (see Appendix B) for the new Materials Recycling Facility (MRF) and Bulking Station contracts for dry recyclables materials collected by the Greater Cambridge Shared Waste Service (GCSWS).</p> <p>This report provides an update on the joint procurement exercise undertaken by the RECAP partnership consisting of five Cambridgeshire Waste Collection Authorities (WCA), the Waste Disposal Authority (WDA) and Peterborough City Council (PCC).</p> <p>The proposed arrangements (to come into effect in March 2025) are:</p> <ul style="list-style-type: none"> • a new contract for a bulking / transfer station at Waterbeach – contract with Thalia Ltd (to be concluded) • entering a new contract with Re-Gen Ltd for use of their MRF (materials sorting and processing). <p>The new contracts will result in an estimated total cost within the pre agreed threshold</p>

	<p>This represents a significant uplift in the current costs the service is paying for materials sorting and processing. The estimated overall impact of the new MRF arrangements on the Service's budget is estimated at £2,238,000 for the financial year 2025/26, with the breakdown to each Council being:</p> <p>SCDC - £1,253,000; CCC - £985,000</p> <p>Cost increases are unavoidable and largely due to changes to the market value of materials and higher specifications for material capture and recovery.</p> <p>The budget pressure has been taken into account in the Council's Medium Term Financial Strategy (MTFS).</p> <p>The Service is taking several steps to mitigate this budget pressure including;</p> <ul style="list-style-type: none"> • increased revenues from the commercial waste business. • ongoing transformation programme to improve efficiency of services delivery and achieve savings. • In December '24 authorities received notification of the magnitude of their first Extended Producer Responsibility (EPR) funding from government. The funding is a regulatory mechanism that requires producers to pay for the environmental management of their products and packaging. EPR was introduced to shift the financial responsibility for waste management from taxpayers to the producers of the packaging. The money goes to local authorities to fund waste collection, disposal and other services. • The new MRF (Re-Gen Ltd) is quite modern and up to date, thus achieves high levels of materials recovery which will enhance the Councils' ability to maximize income from the value of the materials and EPR.
5.	Corporate plan
5.1	<p>Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council</p> <p>This budget expenditure related to the cost of running a high standard recycling service and associated duty for responsible handling of the waste. This in turn meets the vision of Leading Cambridge's response to the climate and biodiversity emergencies and creating a net zero council by 2030.</p>
6.	Consultation, engagement and communication
6.1	As previously stated, the threshold for an increase in budget has already been brought to the executive Cllr in June 2024 to ensure inclusion in the MTFS.

7.	Anticipated outcomes, benefits or impact
7.1	The increase in budget for the service reflects the necessary and realistic cost of ensuring Cambridge City Council's recycling is handled and processed to a high standard and quality.
8.	Implications
8.1	Relevant risks
	The main risk is affordability, but anticipated costs do remain within the previously agreed threshold
	Financial Implications
8.2	<p>The overall impact on the budget is estimated at £2,238,000 with the current allocation being approx. 56%:44% (SCDC: CCC) based on property numbers and cost share ratio.</p> <p>Therefore, the breakdown for each Council would be:</p> <ul style="list-style-type: none"> • SCDC - £1,253,000 • CCC - £985,000 <p>Appendix B provides more details and the cost comparisons between the old and new contract</p> <p>We will continue to use our best endeavours to mitigate this significant cost increase. Some of the measures that we intend to actively pursue include additional income from the Commercial Waste Business which is currently undergoing a business transformation programme.</p> <p>There will be future opportunities to generate additional revenues from Extended Producer Responsibility (EPR).</p>
	Legal Implications
8.3	None
	Equalities and socio-economic Implications
8.4	None
	Net Zero Carbon, Climate Change and Environmental implications
8.5	None

	Procurement Implications
8.6	<p>The previous contract with Thalia resulted in a profitable venture for all RECAP WCAs, however the materials processing industry has changed significantly since the contract was secured. MRF Contractors will now be required to meet much higher specifications for materials capture and recovery as the Government introduces more stringent measures for Deposit Return Schemes (DRS) and Extended Producer Responsibility (EPR). Thalia has made it very clear to its customers that the facility will very shortly require major upgrade and retrofit works.</p> <p>The second procurement exercise resulted in two potential suppliers for materials re-processing: Re-gen and Biffa. GCSWS will be signing a contract with Re-gen in March 2025, once a suitable bulking facility has been developed (see para 24 below).</p> <p>There were no suitable suppliers identified for materials bulking. Only one bid was received from a supplier based in East Cambridgeshire with insufficient capacity to fulfil contract requirements, and a geographical location which would make the GCSWS waste collection rounds unserviceable.</p> <p>GCSWS entered a temporary arrangement with Thalia for using their current facilities i.e. sorting and processing, but this will terminate at the beginning of March 2025. The cost of doing this is significantly higher than the previous contract. (see reference in appendix B) It should be noted that this temporary solution was still significantly cheaper than using an existing transfer station at Haverhill (Option A – para 24 below), the only facility that had the capacity to cater for all our mixed dry recyclables waste in one location.</p> <p>This solution would have required paying the following:</p> <p>a) the waste transfer station gate fee (charge per tonne for taking materials to the MRF) plus, b) the costs of deploying up to eight additional refuse collection vehicles to enable the completion of collection rounds using a tipping location so far from Waterbeach, plus c) the MRF gate fee for materials processing i.e. the contract costs to the new procured operator of the MRF (Re-gen.)</p> <p>This still leaves us with a significant challenge when the current arrangement with Thalia expires in March 2025, i.e. urgent need to develop a new local bulking facility.</p>
	Community Safety Implications
8.7	None
	None
8.8	<i>Summarise here any implications related to this item, using the <u>checklist attached as guidance and seek input from relevant service.</u></i>

9.	Background documents Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985
9.1	<i>List any documents and other information used to write this report. DO NOT include exempt items. Be specific as anything you list here must be available for public inspection for several years after the committee meeting.</i>
10.	Appendices
10.1	Appendix A: Dry recyclables material movement Appendix B Confidential : Supporting information for financial implications and Contract cost comparisons
	To inspect the background papers or if you have a query on the report please contact Dee Wood, Waste Policy Officer or Rebecca Weymouth-Wood Waste Policy Manager Tel: 01954 713641 Email: dee.wood@scams.gov.uk . Rebecca.weymouth-wood@scams.gov.uk

Appendix A: Dry recyclables material movement

Dry recyclables materials movement: Kerbside to MRF

GCSWS arrangement up to 31st August 2024 – RECAP Contact with Thalia Ltd, at Waterbeach.



Additional step (bulking / transfer station) to be implemented by March 2025, to enter into new MRF RECAP Contract with ReGen Ltd

