

Report of: Waste Management Business Manager (Contracts and Procurement)

Report to: Director of Environment and Housing

Date: 22nd October 2015

Subject: Mixed Dry Recyclates Contract Call for New Prices

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4 (3) Appendix number: Appendix 1	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

SUMMARY OF MAIN ISSUES

1. The existing Framework Contract where bidders are tasked with accepting and processing the Council's kerbside collected Mixed Dry Recyclates (MDR) is scheduled for review from 7th November 2015. Ahead of this review date the Procurement requires a call for new prices from those organisations on the framework.
2. The secondary call for competition has taken place, bids have been received and clarification discussions have been conducted with bidders in order to clarify certain aspects of their bids and to understand how the current climate in terms of recyclates values and processing costs have influenced bidders' prices.
3. The framework providers were requested to submit new prices and full details of the responses received are set out in confidential Appendix 1 attached to this report.

RECOMMENDATIONS

4. The Director of Environment and Housing is recommended to note the content of this report and:
 - Approve the award of the Mixed Dry Recyclates Contract to HW Martin for the remaining term of the framework contract.

1 PURPOSE OF THIS REPORT

- 1.1 This report outlines the process which has taken place in the secondary call for competition. The report provides detail on the submissions and the impact upon the Council. The report proposes an acceptable way forward for the Director of Environment and Housing to consider with a view to minimising the financial impacts on the Council over the term of the proposed contract

2 BACKGROUND INFORMATION

- 2.1 The four year framework contract for mixed dry recyclables (MDR) processing was established on 7th November 2013. Three contractors were appointed to that framework with HW Martin (HWM) being allocated the entire tonnage arising for the first two years to 6th November 2015.
- 2.2 The procurement was scoped such that a secondary call-off would take place at the end of the initial two years to determine who would deliver the services for the latter two years of this four year framework.
- 2.3 The secondary call for competition has taken place, bids have been received and clarification discussions have been conducted with bidders in order to clarify certain aspects of their bids and to understand how the current climate in terms of recyclates values, processing costs, etc. have influenced bidders prices.

3 MAIN ISSUES

3.1 Main Features of The Contract

- 3.1.1 The existing prices and those submitted by bidders through the secondary call for competition are provided within confidential Appendix 1 attached to this report.
- 3.1.2 The new prices submitted through this secondary call for competition process represents a budget pressure for the Council and clarification has therefore been sought as to the factors that have had an influence on prices.
- 3.1.3 Clarification with bidders has established that the decline in the value of recyclates was due to a number of local and global factors over the life of the contract and the allocation of risk within the contract in relation to any continued decline has been cited as the main factor. However, other factors are:
- The burden of bad debts which have accumulated when there have been significant collapses in certain sectors of the industry and creditors have gone into liquidation/bankruptcy;
 - Rises in staffing costs;
 - The presence of high contamination impacting on the processing efficiencies and subsequently increased processing costs;
 - Significant rises in insurance costs for the industry generally as a result of an industry wide risk of fire and personal injury claims.

- 3.1.4 The cumulative effect of these factors has resulted in the receipt of new prices which place a financial pressure on the Council. However, the reasons provided for the increases are borne out by the Waste Management team's knowledge of this sector and widely available market information and indices on recyclable material values.

4 CORPORATE CONSIDERATIONS

4.1 Consultation and Engagement

- 4.1.1 It is not considered that the content of this report or the recommendations made will have a significant impact on any particular ward or community, and as such no consultations have taken place. This secondary call for prices is provided for under the terms of the framework agreement and was fully anticipated as a part of the initial decision to appoint contractors to the framework in 2013.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 It is not considered that the content of this report or the recommendations made will have any impact on any specific individual or group in terms of equality, diversity, cohesion and integration.

4.3 Council policies and Best Council Plan

- 4.3.1 The services to be provided and the safeguarding of high quality recycling will have specific implications with regard to our environmental performance and the aspirations stated within our environmental policy.

- 4.3.2 The following are all relevant contributors to meeting the requirements of this Council policy:

- Preventing pollution and minimising our environmental impact
- Taking steps to reduce carbon emissions
- Improving our resilience to current and future climate change.

- 4.3.3 The specific issues being discussed within this report and the rationale behind the discussions with bidders are centred around ensuring money is spent wisely and the impact on budgets is minimised whilst maintaining a sustainable service and effective working relationships with our partners.

4.4 Resources and value for money

- 4.4.1 Appendix 1 details the prices submitted by bidders through the secondary call for competition.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 Although technically eligible for call-in, it is proposed that this decision be exempt due to the time that has elapsed in exploring clarification issues with contractors and the need to now provide contractual security for the processing of these

materials prior to the expiry of the existing contractual arrangement. (see also paragraph 4.6 below).

- 4.5.2 Appendix 1 to this report is confidential and exempt from publication in accordance with Access to Information Procedure Rule 10.4 (3). This is on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) which, if disclosed to the public, would, or would be likely to, prejudice the commercial interests of that person or of the Council and may prejudice the outcome of the procurement process. It is therefore considered that the information in the report is covered by the exemptions in this paragraph and that in all the circumstances of the case the public interest in maintaining these exemptions outweighs the public interest in disclosure.

4.6 Risk Management

- 4.6.1 If the recommendation to formalise this contract is not approved then the Council will risk being in a position where no contractual arrangements are in place for dealing with what is a significant waste stream and a significant contributor to the City's recycling rate, with the MDR service contributing significantly to the Council's overall recycling rate.
- 4.6.2 The terms and conditions currently applicable would be at risk of change without notice and the Council would risk the quality of service being reduced without the protection that a formalised contractual arrangement provides.

5 CONCLUSIONS

- 5.7 The secondary call-off process for the remaining term of the Mixed Dry Recyclates Contract has been conducted in accordance with the scope of the procurement. Prices have been received which have been impacted upon by a range of negative factors associated with the recycling market which have collectively placed an increased pressure upon the Council. However, clarification has been sought, and the explanations provided are borne out by the Waste Management team's own knowledge of the recycling sector and published market indices.

6 RECOMMENDATIONS

- 6.1 The Director of Environment and Housing is recommended to note the content of this report and:
- Approve the award of the Mixed Dry Recyclates Contract to HW Martin for the remaining term of the framework contract.

7 BACKGROUND DOCUMENTS¹

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.