

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

Report to: Director of Environment and Housing

Date: 18th November 2016

Subject: Variation of Paper and Card Processing Contract 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 Council are currently engaged with a waste contractor called Saica-Natur for the collection and processing of paper and cardboard collected at the Council's HWSS's and bring sites.
2. Having recently reviewed the market position in terms of the current values of these materials, the Waste Contracts team believe that the current fixed rate under the contract does not represent value for money and have therefore sought an increase in the level of income offered by Saica-Natur. Saica have now agreed to adjust the price, and the Service is therefore seeking to vary the contract to secure this new and more favourable price.
3. The confidential Appendix 1 attached outlines the proposal in financial terms and demonstrates that it offers the Council an increased income for both waste streams; it provides a market tracked mechanism and also brings an additional benefit of free collection and haulage for some of the carpets that the Service is now separating on the HWSSs for re-use/recycling.

RECOMMENDATIONS

4. The Director of Environment and Housing is recommended to note the content of this report and approve the variation of prices for the paper and cardboard recycling contract with Saica-Natur.

1 PURPOSE OF THIS REPORT

- 1.1 This report seeks to outline how the prices being paid by the Council's existing contractor for paper and cardboard processing are no longer reflective of the current market position for these waste streams. It further outlines the proposal to vary the contract in order to make what is currently a fixed contract price into a market variable price in order to ensure the contract reflects prevailing market conditions going forward.
- 1.2 CPR 21.5 dictates that Director Approval is required prior to implementing any such variation.

2 BACKGROUND INFORMATION

- 2.1 Paper and cardboard accepted through the Council's 8 Household Waste Sorting Sites (HWSSs) is collected by Saica-Natur. These materials are transferred to their facility in Doncaster for basic quality control sortation before being passed on to their own paper and board mill in Manchester for processing.
- 2.2 The original contract for this material was with an organisation called Cutts Brothers Recycling, however, they sold the company and all its assets to Saica-Natur in 2013 and since this time a fixed rate has been obtained for paper and card. Detail of the rates which have been charged is provided in the Confidential Appendix 1 attached to this report.
- 2.3 At the time of the change from Cutts to Saica-Natur the service attempted to action a novation of the contract. However, Saica-Natur never signed the novation agreement and as such we have been operating under an implied contract since that time. A Senior Project Solicitor within PPPU has advised that there is no risk in relation to operating under an implied contract and that the arrangement has the same legal standing and therefore it is not considered necessary to close this issue out now.

3 MAIN ISSUES

- 3.1 It has been identified that the existing prices being paid by Saica-Natur are not reflective of the current market conditions. Saica-Natur has acknowledged this and has agreed to offer an improvement in the prices paid in order to maintain a good working relationship with the Council.
- 3.2 The Council has undertaken a market sounding exercise in order to establish what the reasonable market price might be for each of the waste streams between now and the expiry of the contract in July 2018
- 3.3 The outcome of the alternative market offerings through this process is included in Appendix 1 for information. Informal negotiations have been held with Saica-Natur and they have committed to a new alternative pricing mechanism going forward which is more favourable than the other offerings.
- 3.4 Any changes to the pricing schedule will require a formal variation of the contract.

3.5 Contract Procedure Rule 21.7 states that any variation should be approved through a delegated decision, and therefore subject to approval of this report and its recommendations then the Service will formally vary the terms of this implied contract.

3.6 Through the negotiations with Saica-Natur on the paper and cardboard, the Service has also managed to secure an additional benefit where they have agreed that the current trial arrangement to collect carpets for re-use/recycling will be provided free of charge throughout the remainder of the paper and cardboard contract. This trial is currently operating on 3 sites and Saica-Natur delivers the carpets to a 3rd sector organisation adjacent to their paper and cardboard bulking facility in Doncaster. Details of the savings with this arrangement are detailed in Appendix 1.

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.

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

4.3.2 The Council has a key objective of “dealing effectively with the city’s waste” which is within the Best Council Plan. The proposals within this report will contribute towards meeting this objective.

4.3.3 Ensuring the Council continues to obtain value for money in its contracting arrangements demonstrates our commitment to spending money wisely which is one of the Council’s core values.

4.4 Resources and value for money

4.4.1 The varying of rates as proposed within this report will offer the Council better value for money than is obtained through the existing mechanism. Full details of the financial impact of these changes are detailed in Appendix 1.

4.5 Legal Implications, access to information and call in

4.5.1 This decision will be an Administrative Decision and therefore it will not be published and nor will it be subject to Call-in.

4.6 Risk management

4.6.1 The risk in relation to the proposal within this report is that the Council are varying the mechanism for pricing this contract and it could be argued that other

contractors might have bid for this work if they had known that an alternative pricing mechanism would have been used. However, this should be considered in the context of the market sounding findings in terms of the value for money of the proposed variation and the additional recycling benefit of the carpets haulage to be provided by the contractor at zero cost.

5 CONCLUSIONS

- 5.1 The existing rates for paper and cardboard are not reflective of the market conditions currently, nor does the mechanism track the variations in the markets. The revised rates being offered by Saica-Natur will provide this and it represents value for money over any other organisation which submitted indicative rates through the market sounding exercise conducted.

6 RECOMMENDATIONS

- 6.1 The Director of Environment and Housing is recommended to note the content of this report and approve the variation of prices for the paper and cardboard recycling contract with Saica-Natur.

7 BACKGROUND DOCUMENTS¹

- 7.1 In compiling this report no additional background papers were used.

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.