

**Report of: Business Manager (Waste Procurements and Contract Management**

**Report to: Chief Officer Waste Management**

**Date: 21<sup>st</sup> September 2017**

**Subject: Extension of Contracts for Scrap Metal, Waste Electrical & Electronic Equipment (WEEE) and Household Batteries**

Are specific electoral wards affected? If yes, 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: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**SUMMARY OF MAIN ISSUES**

1. The contracts currently held by the Council for organisations to deal with the scrap metals, WEEE and household batteries at the Council's HWSS's is scheduled to expire on 30<sup>th</sup> September 2017
2. There remain options to extend these arrangements for 2 further years to 30<sup>th</sup> September 2019
3. A market sounding has been undertaken ahead of any decision making around whether we extend the arrangements or not. The responses indicate that there is very little appetite in the market for PCS's to increase their market share and enter into any such contract with the Council. This is primarily due to some uncertainty around how the new WEEE regulations are implemented.
4. WEEELink who are the incumbent PCS dealing with the Council's WEEE have indicated that they are keen to continue providing the service as they do now albeit with some minor changes to the re-processors they use, and as such are agreeable to formally extending the arrangement. The contract with Morley Waste Traders for scrap metal which is linked to the WEEE contract also expires at the same time and this contract also requires extending.
5. The Council's Contract Procedure Rules (CPR's 21.1 and 21.2) state that Chief Officer approval is required to enter into any contract extensions.

## **RECOMMENDATIONS**

1. The Chief Officer for Waste Management is recommended to note the content of this report and approve the 2 year extension of the Contracts which deal with scrap metal, WEEE and household batteries, securing the arrangements to 30<sup>th</sup> September 2019

## **1. PURPOSE OF THIS REPORT**

- 1.1 This report seeks approval from the chief Officer for Waste Management to formally extend the arrangements for scrap metal, WEEE and household batteries collected from the HWSS's.

## **2. BACKGROUND INFORMATION**

- 2.1 WEEELink have dealt with all the Council's WEEE under contract since the WEEE regulations came into existence in 2007. Throughout this period they have consistently provided a high quality service and have provided flexibility in the arrangement to the advantage of the Council.
- 2.2 Historically these contracts have been such that they are co-terminus as they are linked in terms of the materials they deal with. Specifically the large domestic appliances (LDA's) element of WEEE is not segregated out on the sites in the same way as other WEEE streams and is rather collected with other scrap metals for Morley Waste Traders to accept under contract so that the Council can gain the income for this waste stream but with the PCS obtaining the WEEE evidence to demonstrate it is being recycled.
- 2.3 Ahead of any formal extension the Council have undertaken an informal market sounding whereby all the WEEE producer compliance schemes (PCS's) were invited to provide information on their appetite to enter into a formal arrangement with the Council, their ability and capacity to deal with each of the different streams, and their willingness to allow the Council to continue obtaining the income for LDA's and other high value WEEE items such as laptops and game stations for example.
- 2.4 The response to the market sounding was disappointing even though all the producer compliance schemes (PCS's) in operation in the country were contacted directly, and despite repeating the process.
- 2.5 Only one PCS suggested they were interested in working with the Council, however they were only in a position to accept the small mixed WEEE, this leaving us with an uncertain position in terms of how we deal with the other WEEE categories.
- 2.6 This appears to be a national position and PCS's are being cautious as a result of uncertainty around how the new revised regulations will operate. Some Authorities are reliant on one of the new features within the revised regulations which ultimately forces a WEEE compliance scheme to pick up the material from a council's sites if the authority has been unable to secure a contract with a scheme to clear the material. Further details of the Regulation changes are provided within the body of this report.

## **3. MAIN ISSUES**

### **3.1 Changes to the WEEE Regulations**

- 3.1.1 There has been a significant reduction in demand for WEEE nationally and this has featured heavily in most of the Waste Management related Trade publications since 2014. This reduction in demand has been brought about as a result of changes to the Regulations.

- 3.1.2 Before the changes, compliance schemes could collect a greater proportion of WEEE than they needed to meet their targets and sell the surplus evidence to competing schemes who were looking to make up a shortfall in their collection requirements.
- 3.1.3 As a result of this, local authority collection contracts were often widely sought after as a guaranteed source of WEEE tonnages. Some schemes would offer 'added value' to councils to secure the work.
- 3.1.4 Since the changes to the regulations were brought in at the start of 2014, schemes which are unable to collect enough evidence to meet their members' obligations no longer have to secure evidence from those with a surplus, and can instead opt to pay a compliance fee to meet the targets.
- 3.1.5 The compliance fee is essentially a penalty payment made for any shortfall in collections. It also means that broadly speaking, schemes who over collect could be unable to cover their cost of collection and treatment of the material through the sale of evidence as the schemes with a shortfall don't have to buy the over collected material.

### **3.2 Market Sounding**

- 3.2.1 The Contracts Team have advertised a market sounding process to try and determine the appetite for tendering for any future arrangement. This process was advertised on the Council's electronic tendering website and therefore all relevant parties would be automatically contacted asking for responses.
- 3.2.2 The questionnaire also asked questions around their willingness to work with the local re-use sector in Leeds to treat the WEEE. Under the current arrangements the re-use sector provide a valuable contribution to the way WEEE is dealt with and subsequently this helps benefit those in need and enhances our own re-use performance indicators.
- 3.2.3 The responses were very poor and therefore we repeated the process and attempted to improve the chances of getting responses by contacting all the PCS's directly. Unfortunately the repeat didn't provide us with much improvement in terms of the numbers of responses, but furthermore all but one of those that did respond said they wouldn't be in a position to enter into a competitive process should it be advertised. The one that did say they were interested were only interested in one element of the WEEE and as such we would be left with having to source other arrangements for the other remaining WEEE streams.

### **3.3 Recycling Lives**

- 3.3.1 Although they never provided a response to the market sounding, an organisation called "Recycling Lives contacted the Council. They operate a PCS called "WE3 Compliance" and expressed interest in working with the Council to treat the Council's WEEE and scrap metal.
- 3.3.2 WE3 employ homeless people, offenders serving community sentences, those on release from prison on licence, and other individuals who may be struggling with integration into society to provide their services. This therefore provides added value, although that value couldn't be realised locally to Leeds as they currently operate out of 5 Lancashire sites.

- 3.3.3 Their outline proposal required the Council to identify and provide a site for their operations here in Leeds. Due to the timescales involved in such work and the remaining need to put the opportunity out to competition this was discounted as an option at this stage. Nevertheless WEEELink have been approached with a view to considering their use of WE3 to deal with an element of the WEEE. WEEELink have confirmed that they have agreed terms with WE3 for them to treat all the TV's and Monitors arising through this contract.
- 3.3.4 An audit by both WEEELink and ourselves has been undertaken in order to confirm the legitimacy of their operation and their ability to meet the service requirements, as well as ensuring they are meeting the requirements of environmental legislation. The outcome of the audit was positive in all respects.

### **3.4 WEEELink**

- 3.4.1 WEEELink have continued to provide a high quality service throughout our relationship with them. They have provided prompt collections, helped develop improved collection methodologies/containment and have assisted in developing the re-use of WEEE utilising the buoyant 3<sup>rd</sup> sector presence in Leeds. One other significant benefit of working with WEEELink is that they have proved flexible in terms of providing added value to the Council in such schemes as High Value WEEE collections and LDA's being collected separately with the Council gaining the income.
- 3.4.2 There are no issues which would give rise to any concerns around extending the current arrangement with them especially given the current lack of appetite in the arrangement going forward from any of the other PCS's which are registered.

## **4. CORPORATE CONSIDERATIONS**

### **4.1 Consultation and engagement**

- 4.1.1 As described above the Service has consulted with organisations in the WEEE market sector through a market sounding process and this has established that there is little appetite in the market to challenge WEEELink in any competitive procurement exercise at this present time.

### **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 Awarding the proposed extension provides certainty for the service for the next 2 years and the added benefit is that it also offers continuity for the benefits this contract provides the Leeds 3<sup>rd</sup> Sector organisations. The employment/volunteering opportunities for disadvantaged people and re-usable WEEE at a low cost fosters cohesion and integration in communities.

### **4.3 Council policies and best council plan**

- 4.3.1 The City's Best Council Plan 2013 - 2017 sets out a key objective to deal with waste effectively. The award of this extension to the existing supplier will both enable arrangements that support dealing with waste effectively, increasing recycling and achieving efficiency in the use of resources. This arrangement will also secure a range of important social benefits as outlined earlier in this report.

#### **4.4 Resources and value for money**

- 4.4.1 The nature of the WEEE Regulations is such that the producer pays and Local Authorities like ours who are registered as designated collection facilities are entitled to appoint a PCS to treat the waste free of charge. Therefore this WEEE contract has no value as such. We do however obtain income as an added value benefit for high value WEEE (laptops and game stations etc.) and LDA's which are deposited with other scrap metals.
- 4.4.2 The Scrap metal however is an income contract but linked to the Materials Recycling World (MRW) published market prices. In this way as the markets for the materials fluctuate then so does the price we receive.

#### **4.5 Legal implications, access to information, and call-in**

- 4.5.1 This decision is not subject to call-in as it not a key decision. The decision is a significant operational decision and it will be published by the Council. There are no grounds for treating the contents of this report as exempt from publication or confidential with the Council's Access to Information Rules.

#### **4.6 Risk management**

- 4.6.1 If the proposal within this report 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 from the HWSS's and a valuable contributor to the City's 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 the condition of contract within a formalised arrangement provides.
- 4.6.3 There does remain the option of using Regulation 34 referred to above however this doesn't provide any assurances about collection frequencies and nor will it offer the added value benefits where we gain income for some categories of WEEE. The regulation 34 is meant to provide a "stopgap" for Councils rather than provide a long term solution.
- 4.6.4 A risk register is maintained for each of the disposal/recycling contracts held by the service and any risks which are seen to rise throughout its term will be escalated

### **5. CONCLUSIONS**

- 5.1 The current arrangements for dealing with WEEE through the incumbent contractor are entirely satisfactory, and added value benefits are being provided through them. The market for WEEE nationally has stagnated somewhat since the introduction of new regulations in 1994 and the market sounding has indicated that there is little demand for any formal contract for this waste stream in Leeds.
- 5.2 WEEELink however are willing and able to enter into a 2 year extension with the Council as is provided within the contract.
- 5.3 There are no costs relating to the contract as the WEEE regulations make this a free service to Local Authorities. The contract simply provides standard terms of conditions and a specification to ensure that a quality service is provided.

## **6. RECOMMENDATIONS**

- 6.1 The Chief Officer for Waste Management is recommended to note the content of this report and approve the 2 year extension of the Contracts which deal with scrap metal, WEEE and household batteries, securing the arrangements to 30<sup>th</sup> September 2019

## **7. BACKGROUND DOCUMENTS<sup>1</sup>**

- 7.1 No background documents were used or referred to in the preparation of this report

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<sup>1</sup> 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.