

# North Tyneside Council Report to Cabinet Date: 12 November 2012

**ITEM 7(k)**  
Title: Procurement of a contract for the reprocessing of recyclable materials collected at the kerbside through a Materials Recycling Facility

Portfolio(s): **Transport and the Environment**

Cabinet Member(s): **Cllr Ed Hodson**

Report from Directorate: **Community Services**

Report Author: **Phil Scott, Head of Environmental Services**      Tel: (0191) 643 7295

Wards affected: **All**

## PART 1

### 1.1 Purpose:

This report seeks Cabinet's approval, in accordance with the Council's procurement rules, to undertake jointly with Newcastle City Council an EU-compliant procurement exercise to identify a preferred provider to sort, bale and transport recyclable materials to licensed re-processors. It seeks approval to undertake a procurement process to secure the most economically advantageous solution in accordance with European procurement rules. Under Contract Standing Order 8(4), Cabinet's authority is required to proceed with the procurement exercise as the estimated potential contract value exceeds £500,000.

### 1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) Agree to undertake an EU-compliant procurement exercise jointly with Newcastle City Council, in order to identify a preferred provider to reprocess recyclable materials collected from the kerbside, the contract being for a period of three years with an option to extend for up to a further three years;
- (2) Receive a further report following the procurement process recommending a preferred bidder prior to contract award; and
- (3) Accordingly authorise the Head of Environmental Services, in consultation with the Head of Legal, Governance and Commercial Services and the Strategic Director of Finance and Resources, to undertake a procurement exercise to identify a preferred provider for the above purposes in accordance with all applicable procurement rules, including authority to undertake the following:
  - a. Determine the most appropriate procurement process, including the scoping of the exercise;

- b. Approve the specification, the procurement documentation and other contract terms;
- c. Approve the evaluation criteria;
- d. Oversee the project procurement and delivery.

### **1.3 Forward plan:**

The report is on the Forward Plan for the period 1 November 2012 – 28 February 2013.

### **1.4 Council plan and policy framework**

This report relates to the 2012 – 2015 Council Strategic Plan, Priority 1: Sustaining our front line Council services within the Council, but only spending what we can afford.

### **1.5 Information:**

Dry recyclable material, including paper, card, cans, tins, and glass is collected from all households in the Borough. This material is required to be sorted before it can be reused or recycled into another product. The Council collects the material using in-house resources but has no facility where the material could be sorted or the capacity to sell on to end markets.

When the grey recycling bin scheme was implemented in 2008/09, a joint procurement exercise was undertaken with Newcastle City Council for the processing of recyclable materials for end markets for the two councils' respective areas. The outcome of the procurement was the development of a Materials Recycling Facility (MRF) by G. O'Brien and Sons at Willington Quay. The joint procurement exercise with Newcastle meant that both councils were able to enjoy competitive rates due to the economies of scale presented by tonnage from both authorities.

The contract was for three years, with a two-year extension option, and is due to end in January 2014. The contract has run very smoothly and the duration with the extension option provided flexibility to achieve improved gate fees as the industry matured. Since the last procurement other neighbouring authorities, Gateshead, Sunderland and South Tyneside have procured similar contracts and prices have fallen, with many more suppliers in the market.

Whilst the contract has delivered the reprocessing required, the development of the market means that there are now more companies offering a wider range of solutions and at lower cost. Working together with Newcastle has delivered savings in procurement costs and has enabled the Council to access reduced rates per tonne through a two-authority and volume discount. Newcastle (whose contract began at a slightly earlier date than that of North Tyneside) has agreed a short further extension to their contract, to bring the proposed new contract start date, January 2014, in line for the two authorities.

The option of a wider joint procurement has been discussed with Gateshead, Sunderland and South Tyneside but they have decided to continue or extend their current arrangements which mean that the contract terminations cannot be co-terminus.

## **1.6 Decision options:**

### **Option 1 - Do nothing**

This would mean the current contract would terminate with no replacement provision, and would render the Council in contravention of the Household Waste Recycling Act 2003, which requires the authority to undertake the separate collection of recyclable waste.

### **Option 2 - Contract as a single Authority**

Economies of scale would not be realised and the tender may be less attractive to the market place.

### **Option 3 - Provide the service in house**

North Tyneside does not have a materials recycling facility. Recent estimates (based on the West Sleekburn Materials Recycling Facility constructed as part of the Northumberland PFI) to build a facility from scratch are around £11 million, plus a further £2 million per annum to run the facility.

### **Option 4 - Procure a three year contract, with an option to extend by up to three years, jointly with Newcastle City Council**

This is the preferred option, as it will enable the current successful approach of joint procurement with Newcastle City Council to continue, allowing the Council to continue to access reduced rates through a two-authority and volume discount, and in addition affording the Council the opportunity of achieving better value as the market has matured since the work was originally contracted. Other authorities in the region have existing contracts that are longer term or are not in a position to jointly procure at this time.

## **1.7 Reasons for recommended option:**

Option 4 is recommended as this will provide best value for money through economies of scale and the flexibility to either re-tender in three years' time, or compare market prices and extend the contract, if this is favourable, for up to three further years.

## **1.8 Appendices:**

None.

## **1.9 Contact officers:**

Phil Scott, Head of Environmental Services, tel. (0191) 643 7295

Catherine Lyons, Senior Manager, Waste and Environmental Sustainability, tel. (0191) 643 7780

Julie Evans, Waste Strategy Manager, tel. (0191) 643 7284

Alison Campbell, Finance Business Manager, tel. (0191) 643 7038

Sarah Heslop, Manager Commercial Team, Legal Services, tel. (0191) 643 5456

## **1.10 Background information:**

There are no background papers that do not contain exempt information.

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

The estimated value of the contract has been based at £0.60 million over three years which is the current cost included in the Council's budget. There is strong evidence, however, that any new contract will cost less, or provide an income thus providing savings to the Council. The full cost will not be known until tenders are received.

### **2.2 Legal**

The Council is subject to a number of statutory duties relevant to the subject matter of this report. These include the duty to collect and dispose of household waste arising within the Borough (Section 12 of the Control of Pollution Act 1974, Section 4 of the Environmental Protection Act 1990); the duty to collect at least two types of recyclable waste from all households (Section 1 of the Waste Minimisation Act 1998, Section 45 of the Environmental Protection Act 1990); and the duty to ensure the provision of a commercial waste collection service (Section 45(2) of the Environmental Protection Act 1990).

There are also a number of international and national targets for waste that have been transposed into UK law, to which local authorities are subject, for example the Waste and Emissions Trading Act 2003 and landfill allowance trading scheme (April 2005), relating to reduced use of landfill for disposal of waste. The Waste Framework Directive (revised in 2008) sets targets for member states to recycle 50% of household waste by 2020, and to introduce separate collection of at least four materials by 2015.

As the value of the waste contract exceeds £500,000, this procurement process requires Cabinet approval. The proposed procurement process will be undertaken in compliance with the Council's Contract Standing Orders and EU and UK public procurement requirements.

### **2.3 Consultation/community engagement**

The Mayor and Cabinet Member have been consulted about the procurement, and will be consulted throughout the process.

There has been considerable communication with and feedback from residents throughout the introduction of the new recycling scheme. Engagement has continued through the use of the dedicated 'Recycle' email address, attendance at regular community events, and the Council's Residents Panel. There is consistent evidence of support for the continuation and extension of recycling services, where practicable.

The procurement will be advertised in OJEU and therefore all relevant businesses in the market place will potentially be engaged.

### **2.4 Human rights**

There are no human rights implications directly arising from this report.

### **2.5 Equalities and diversity**

An Equality Impact Assessment (reference 1184) has been undertaken for waste collection services, including recycling collections.

## 2.6 Risk management

Risks associated with the report are that failure to procure a new re-processor could result in the Council failing to have outlets for the collected material, which would impact on recycling rates and costs. The relevant Cabinet Member portfolio holder has been briefed. The risks identified can be managed following the Council's risk processes and will be monitored through the Operational Risk Register.

## 2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

## 2.8 Environment and sustainability

The evaluation of tenders will be weighted towards those tendering who can prove that they can assist the Council in reducing its carbon footprint and contribute to improvements in recycling rates.

### PART 3 - SIGN OFF

- Strategic Director(s)  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Strategic Manager for Policy and Partnerships  X
- Chief Executive  X