

**REPORT TITLE: Joint Materials Recycling Facility (MRF) Procurement for the Recycling in Cambridgeshire and Peterborough (RECAP) Partnership**

**Councillor Gavin Eley, Cabinet Member for Culture, Recreation and Waste Management**

**November 2013**

**Deadline date: N/A**

Cabinet portfolio holder: Responsible Director:	Councillor Gavin Eley, Cabinet Member for Culture, Recreation and Waste Management John Harrison, Executive Director for Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan : Yes Unique Key decision Reference from Forward Plan : KEY/20SEP13/02
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	NO

#### R E C O M M E N D A T I O N S

The Cabinet Member is recommended to:

1. Agree that the Council is committed to the procurement and appointment of a Contractor to deliver Joint MRF services for bulking, sorting and onward processing/sale of recyclable materials for all participating RECAP partners, unless all partners agree not to appoint.
2. Approve on behalf of the Council the 'RECAP Partnership Charter', as attached at Appendix 1, including approval of the additional Schedule 2 Governance Agreement relating to the operation of the Joint MRF contract, commitment to participation in and commitment of recycle materials into the joint contract.
3. To authorise John Harrison, Executive Director Resources in consultation with the Cabinet Member for Culture, Recreation and Waste management (as appropriate) to approve the procurement process to secure a suitable Contractor and on its conclusion to make the decision to award the Contract.
4. Agree that Peterborough City Council will nominate a preferred supplier in collaboration with the participating partners, for the provision of the services of bulking, sorting and onward processing/sale of recyclable materials contract, on behalf on both Peterborough City Council and the RECAP participating partners.
5. Note and agree the approach to the Waste Framework Directive compliance regarding source separation of recycle, as agreed by the RECAP Board on 4<sup>th</sup> September 2013 and as attached at Appendix 2.

## 1. SUMMARY OF MAIN ISSUES

- 1.1 Recycling in Cambridgeshire and Peterborough (RECAP) Waste Partnership is made up of Cambridge City Council, Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, Peterborough City Council and South Cambridgeshire District Council. Cambridgeshire County Council is a member of the Partnership although it will not be party to this joint MRF procurement, as recyclate materials received by the County Council are via its Household Waste Recycling centres and already dealt with through the PFI contract.
- 1.2 This Joint MRF Procurement project is a key work stream identified as part of the Whole Systems Approach Programme agreed by RECAP in autumn 2012 and endorsed by Cambridgeshire Leaders and Chief Executives as a 'flagship collaboration'. The programme seeks to develop an optimum waste management system across RECAP in Cambridgeshire and Peterborough through a collaborative approach that:
- Reduces the overall expenditure against the public purse;
  - Increases the overall income to the public purse; whilst
  - Improving services for the customer, which would include levelling up services across Cambridgeshire and Peterborough to achieve consistently high quality services across the partnership area; and
  - Improving environmental performance.
- 1.3 By working collaboratively and procuring jointly, it is assumed that maximising the collective offer of recyclate materials across the RECAP Partnership to the market will represent the most effective and efficient mechanism to achieving the best value in reducing processing costs and maximising materials income to best benefit the public purse.
- 1.4 Individual approaches to the market at sequential expiry of existing MRF contracts are unlikely to represent the strongest and most cost effective influence on the market. Neither would it accord with the Whole Systems Approach and spirit of partnership espoused by RECAP and captured in the existing RECAP Advanced Partnership Working Charter already signed by the Cambridgeshire partners in January 2012 (see Appendix 1) and now to be signed also by Peterborough City Council as part of this process.

## 2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Culture, Recreation and Waste management to consider exercising delegated authority under paragraph 3.3.3. of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph 3.7 (g).

3. **TIMESCALE** (If this is not a Major Policy item, answer **NO** and delete second line of boxes).

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>
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## 4. DETAILS OF DECISION REQUIRED

- 4.1 To approve the Joint Procurement of services for bulking, sorting and onward processing/sale of recyclable materials with all RECAP partners.
- 4.2 To approve the appointment of preferred bidder by Peterborough City Council, in consultation with and on behalf of, the RECAP partnership to the Most Economically Advantageous Tender

- 4.3 Approve and sign on behalf of the Council the RECAP Partnership Charter which sets out the aims for the partnership to improve environmental performance, improved value for money, and level up services where differences occur and improve service performance.

## **5. CONSULTATION**

- 5.1 Consultation has been undertaken with a wide spectrum of the companies currently operating in the business of recycling, sorting, bulking and transportation of recyclable materials, with a Soft Market Test process undertaken in August 2013. The soft market test will help to inform the nature of the contract, the mix of materials within the recycle basket (including likely impacts on values), the pricing mechanism and also quality requirements.
- 5.2 The project is consultative and collaborative with all of the authorities in the RECAP partnership, with the project being resourced by a Task Group drawn from across all the Partners. Peterborough City Council acts as the project sponsor, with progress and recommendations overseen by the Whole Systems Approach Programme Board (WSAPB) of senior Council Officers responsible for waste management. Section 151 financial officers are also involved in the consideration of the most effective pricing mechanism. The Cambridgeshire Public Sector Board (CPSB) has also been appraised of this project.
- 5.3 The RECAP Board of elected Members monitors the Whole Systems Approach work streams, of which Joint MRF Procurement is one, and has approved this common paper and supporting documents (see 7.1) at its meeting on 4th September 2013.
- 5.4 The Waste and Resources Action Programme (WRAP), a government funded advisory body, has also been consulted and involved in developing this approach to the marketplace, including provision of industry intelligence and project peer review.

## **6. ANTICIPATED OUTCOMES**

- 6.1 To generate greater revenue for the partnership as a whole, by seeking to reduce processing costs and maximise materials values.
- 6.2 To develop, as far as possible, service consistency/harmonisation, therefore achieving the minimum amount of variation in all aspects of the tender - notably materials, operational processes, procedures and management requirements - and thereby service efficiencies.
- 6.3 To develop an approach to the market place that achieves the best value from materials for the Partnership as a whole, effectively responding to logistical factors and the requirements of the market place (e.g. not assuming the appointment of one single contractor will guarantee best value).
- 6.4 To effectively manage the financial risks of market volatility, developing pricing mechanisms that provide financial security in seeking to mitigate risk, whilst also allowing scope to derive benefits from the potential uplift in material values across the contract period.
- 6.5 To ensure the joint procurement contributes to and supports the development of an optimum waste management system through a whole systems approach across the Partnership.

## **7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION**

- 7.1 Under the Environmental protection Act 1990, as amended, the Council in its role of waste disposal authority has a duty to arrange for the disposal of the controlled waste collected in its area by the waste collection authorities. It is by way of being a Unitary Authority also a Collection Authority and has a duty to dispose of the waste it collects on behalf of residents,

for this reason the Council needs to make such arrangements for the safe treatment and recovery of such materials.

- 7.2 With the increased value of recyclable materials as a resource, local authorities were previously incurring costs for services to bulk, sort and process such materials and are now, at this time, receiving an income - although it should be noted that the market for recyclable materials fluctuates and incomes are consequently volatile. Joint working in this area has been shown to potentially increase financial benefits to local authorities, for example, by increasing the quantity of recyclable material presented to the market place and therefore its potential value. It can also remove duplication of effort depending on the partnership approach and benefits can be derived from combining learning and expertise.

Supporting documents

- RECAP Partnership Charter and MRF Governance Agreement Schedule 2 (Appendix 1)
  - WFD-TEEP (Technically Environmentally Economically Practicable) report (Appendix 2)
- 7.3 The MRF procurement is not necessarily expected to change service design or collection systems, but rather intends to maximise existing volumes/materials with more going into existing bins if operationally and financially practicable and partners 'levelling up' recycle type. It is understood that it is the options for Optimum Service Design (OSD), a separate Whole Systems Approach work stream, that will fully consider the implications of operational changes to collections services and thereby potentially offers the more holistic work stream through which to properly consider the Waste Framework Directive requirements for how recyclable waste streams are collected by 2015 - source separated or comingled. The WFD/TEEP paper (Appendix 2) sets out how RECAP intends to address and broadly comply with these matters. The MRF procurement will focus on quality and 'necessity' issues, with OSD addressing 'practicable' considerations. This approach has been agreed by the WSA Programme Board (1 August) and was agreed by the RECAP Board on 4<sup>th</sup> September.
- 7.4 Best practice and challenging economic circumstances encourages Councils to work together to achieve the best outcomes for the residents and communities they serve. Reaffirmation of the RECAP Charter and its Guiding Principles (see Appendix 1) helps refresh the spirit of partnership and the collaborative ethos by which Partners would engage in the collaborative procurement and ongoing management of the resultant contract and partnership/contractor relationships.
- 7.5 Procuring collectively also further strengthens the RECAP Partnership ethos of collaborative working, achieving more together than we can deliver individually, for the overall best benefit to the public purse and the consistency of service to residents, helping meet the RECAP Vision of:

'Working ever closer together to deliver the best most cost effective waste services for the benefit of all local communities in Cambridgeshire and Peterborough'

## 8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The following options were considered as part of the project initiation.

Do nothing - Delay procurement at this time by investigating and assessing opportunities for partners to utilise existing contract arrangements within the partnership, or utilising extensions, procuring jointly at a later date. Rejected because:

- East Cambridgeshire have recently utilised the existing South Cambridgeshire contract, however, this contract would not allow for further excessive additional volumes of material without creating a significant change to the contract requiring re-tender.

- Cambridge City/Huntingdon/Fenland District Council contracts do not allow for additional partners without creating a significant change to contract requiring re-tender.
- Peterborough would be required to procure individually.
- Partners could be financially disadvantaged utilising extensions and missing the potential benefits from re-tendering at this stage.

Utilise PFI contract arrangements. Rejected because:

- Initial discussion with legal team at Cambridgeshire County Council indicates this would potentially mean a significant change to the contract, leading to significant legal costs and even re-tender.
- May not generate competition and therefore achieve financial benefit.
- Could reduce resource/time involved in tendering but revisions to the contact could counter this.

Jointly procure the design and build of a MRF, primarily dedicated to the partnerships use. Rejected because:

- Is counter to conclusions to recent market testing by Peterborough.
- Lengthy process which would require interim contract arrangements.
- Capital investment required.
- Is being undertaken by a group of authorities in the South West although DCLG funding received for this.

## **9. IMPLICATIONS**

### **9.1 Procurement.**

Following the completion of the procurement, the prevailing market conditions might lead to a lower price being received for the recyclable materials than is presently received by the individual partners. By procuring collectively and taking advantage of the large tonnage of material available to the Partnership as a collective, RECAP aims to mitigate risks arising from market conditions. It is unlikely that Partners procuring individually or in smaller collectives would exert the same influence over - and therefore get any greater value from the market.

### **9.2 Financial.**

9.2.1 A pricing mechanism that seeks to minimise processing cost, maximise materials income and manage risk e.g. frequency of review, will be developed in conjunction with Section 151 Officers. That model will be agreed as offering the best balance between cost certainty and informed appetite for risk that secures best flexibility to market volatility in mitigating exposure and maximising materials income. Should the market be at a comparative low point when the procurement completes, by building flexibility into the payment mechanism and acting collaboratively, these risks can be mitigated to a greater or lesser extent.

9.2.2 The collaborative procurement seeks to jointly offer all existing recycle across the Partnership as currently collected, i.e. largely comingled but also recognising the separate paper collection within South Cambs. The contract(s) will need to be both flexible to make provision for future collection/disposal service changes that may stem from Optimum Service Design and also be structured to ensure that existing and future materials streams continue to attract maximum value. No partners would be expected to retain recycle materials for alternate treatment outside the joint procurement process.

9.2.3 The existing interim service for recycling being undertaken by Enterprise Peterborough generates a small revenue income after covering operational costs; therefore no budget provision is available for this service. The joint procurement with our RECAP partners

should ensure the most advantageous arrangement for all of the partners maximising the potential for income to be generated.

### 9.3 Environmental

In collaborating together each authority is able to level up the mix of materials they collect so that all partners approach the market with one common set of materials for recycling, which diverts more waste from landfill into recycling.

### 9.4 Legal

The attached partnership agreement between the partners makes a move to a more formalised arrangement for management and working together which is one step towards the development of the Optimum Service design. It also shows a structure and commitment to one another that shows the potential bidders that they can work in partnership with us in confidence, as arrangements are in place for governance and decision making.

## **10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED**

None.

## **11. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

None.