

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 26 SEPTEMBER 2017

**PROCESSING OF CO-MINGLED RECYCLING – PROCUREMENT AUTHORITY APPROVAL
REQUEST**

REPORT BY HEAD OF HOUSING, REGULATORY AND PROTECTIVE SERVICES

ABSTRACT

The Council's current contract for the processing of co-mingled recycling ends on 31 December 2017. This report brings forward a proposal for procuring a new contract that will ensure that there continues to be a suitable outlet for co-mingled recycling collected from households.

1. RECOMMENDATION

It is recommended that the Committee:

- (i) authorise the Head of Regulatory and Protective Services to procure the supply of services for the processing of co-mingled recycling on the basis set out in this report.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME
AGREEMENT/CORPORATE PLAN**

2.1 This report contributes to the following local outcome contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- Our communities are developed in a sustainable manner.

3. BACKGROUND

3.1 The Council has a duty under the Waste (Scotland) Regulations 2012 to provide a recycling collection of specific materials (paper, card, plastics, cans, glass bottles/jars) to all households.

3.2 In order to satisfy this regulatory obligation, a fortnightly kerbside collection of co-mingled recycling is provided to all Angus households. This is part of a kerbside recycling service that was rolled out across Angus in 2014 (reference Report No 613/13) and has led to recycling rates significantly increasing. In 2015 (latest SEPA verified data) Angus recycled 59% of its household waste, which was the highest in Scotland

3.3 The Council currently contracts with UPM Limited for processing of co-mingled recycling and pays a set price per tonne, which includes costs for haulage to their Material Recovery Facility (MRF) by a haulage company appointed by the supplier.

3.4 Approximately 11,000 tonnes of co-mingled recycling is collected from households per year. The collected material is bulked at council operated waste transfer stations in Arbroath and Forfar and then delivered via articulated lorries/trailers to UPM's Material Recovery Facility (MRF) in Shotton, north Wales. At the MRF the co-mingled recycling is sorted mechanically and by hand into the separate material streams. The recovered materials are then delivered to their end destinations for recycling and recovery.

3.5 Although the material is initially hauled a significant distance to UPM's facility in north Wales, unlike other MRFs UPM implement a policy of not exporting any recovered materials for recycling and nearly all the materials are sent to end destinations within a 50 miles radius e.g. cardboard goes to a mill in Manchester. The largest proportion of our co-mingled recycling is

paper and this is recycled at the UPM paper mill on same site as the MRF (this is the nearest recycled newsprint paper mill to Angus).

4. PROCUREMENT AUTHORITY

- 4.1 The current contract with UPM for processing of co-mingled recycling, including extensions, has been in place since 1 January 2015 and expires on 31 December 2017. This contract was awarded via the Scotland Excel Framework Agreement for Treatment of Residual and Recyclable Waste. A tendering exercise (mini-competition) was undertaken among those suppliers on the framework.
- 4.2 It is proposed that the new contract for processing co-mingled recycling is procured in the same successful manner. The initial contract will be for 1 year with an option to extend for up to 1 year. The current Scotland Excel Framework is due to be re-tendered and a renewed Framework in place mid-2018. By procuring for a 1 year initial contract term only, we will have the option to procure again in 2018 if the new Framework results in new suppliers becoming available and potentially more economically advantageous prices. Full details of the methodology, scope and parameters are contained in **Appendix 1**.
- 4.3 In accordance with the process stated in Section 16.8 and 16.24.16 of the Financial Regulations, if members approve this report it would mean that the contract and further extensions to the contract can be accepted without the need for further committee approval. In accordance with the current arrangements the contract award will be the subject of an 'Information Report'. This procurement is not considered to be a "major procurement" in terms of Financial Regulation 16.8.4.

5. FINANCIAL IMPLICATIONS

- 5.1 The current costs for processing of co-mingled recycling is approximately £460,000 per year. The market prices for recovered materials can fluctuate significantly and are influenced by many factors including demand for material globally. It is therefore difficult to forecast what the new contract costs will be. However, current market prices are not substantially different to the time of the last tender exercise in 2014 and it is anticipated that costs will be contained within the existing Regulatory and Protective Services revenue budget.
- 5.2 Similar to the existing contract, there will be a price review mechanism included in the contract that allows the current rate paid per tonne to be reviewed every 6 months. The review is based on tracking changes to industry price indices for recycled materials and changes to composition of the co-mingled recycling delivered to the supplier. This is now something requested by all potential suppliers and shares risks of changes in market prices and ensures that the initial contract price is as low as possible.

6. OTHER IMPLICATIONS

Risk/ Mitigating Actions

- 6.1 An assessment has being undertaken for this procurement and has initially identified risk associated with the ensuring value for money and quality of service. Currently no other significant risks have been identified. Regulatory and Protective Services have experience of procuring contracts of this nature in a timely manner and every measure will be taken to ensure that the contract is effectively managed. The initial assessment has identified the following risks:

Risk	Mitigating Action
Ensure best value	The price received will be compared against prices previously paid to suppliers and prices quoted on the relevant Scotland Excel Framework.
Quality of service	The Scotland Excel Framework has provision for contract management and monitoring quality of service. Any quality issues not resolved with supplier could be escalated to Scotland Excel.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Report No 613/13

REPORT AUTHOR: Stewart Ball, Head of Housing, Regulatory and Protective Services
EMAIL DETAILS: CommunitiesBusinessSupport@angus.gov.uk

List of Appendices

Appendix 1 – Procurement Authority Request

APPENDIX 1 - PROCUREMENT AUTHORITY

1 Sourcing Strategy

The Head of Regulatory and Protective Services considers that the provision of services for processing of co-mingled recycling is an essential requirement to support the council's kerbside recycling services. Alternatives to procuring the supply have been considered and it was concluded that there were no alternative delivery to procurement of the required supply which is appropriate.

The supply market has been analysed and it is considered that the market for this supply is reasonably competitive however the number of potential suppliers are restricted due to the inclusion of glass in the co-mingled mix of materials – only suppliers with suitable machinery and procedures at the recovery facility are capable of processing co-mingled recycling including glass. The required supply is readily available from a range of suppliers, the key suppliers currently on the Scotland Excel Framework are Binn Group, UPM and William Tracey. A competitive tender (mini-competition) approach via the Scotland Excel Framework for Treatment of Residual and Recyclable Waste is therefore considered to be likely to deliver best value to the council for this requirement.

The impact on the locally-based supply chain of going to tender for this requirement has also been considered and is considered to be minimal. None of the suppliers on the Scotland Excel Framework are based in Angus and all are national companies.

Consultation has been undertaken with our Tayside Procurement Consortium (TPC) partners, Dundee City Council, Perth & Kinross Council and Tayside Contracts. From that consultation, it is evident that there is no current potential for collaborative procurement of the council's requirement at present under the umbrella of the Tayside Procurement Consortium. This is because the other authorities operate kerbside collection services that collect a different mix of co-mingled recycling material and currently have contracts for their co-mingled recycling already in place.

The procurement is not considered to be a "major procurement" in terms of Financial Regulation 16.8.4. Approval of this Report would mean that the contract can be accepted without the need for further approval by the relevant committee. In accordance with the new arrangements the contract award will be reported to the Corporate Services Committee for noting only.

2 Key Terms Proposed

It is envisaged that the contracts will commence on 1 January 2018 for a one year period with an option to extend for up to a further one year.

The value of the supply is estimated at £460,000 per annum and £920,000 over the whole life of the contract, including any option to extend, based on previous relevant expenditure.

Similar to the existing contract, there will be a price review mechanism included in the contract that allows the current rate paid per tonne to be reviewed every 6 months. The review is based on tracking changes to industry price indices for recycled materials and changes to composition of the co-mingled recycling delivered to the supplier. This is now something requested by all potential suppliers and shares risks of changes in market prices and ensures that the initial contract price is as low as possible.

3 Procurement Procedure

It is considered that a mini-competition via the Scotland Excel Framework for Treatment of Residual and Recyclable Waste would be the best means of procuring the required supply here. This is because (a) there is likely to be a high degree of interest in bidding for the contract among suppliers on the Framework and (b) the quality of the supply will be highly dependent on the quality of the supplier selected – suppliers on the Framework have had to satisfy pre-qualification criteria. Scotland Excel will also be able to provide assistance in terms of ongoing contract monitoring and management.

The contract opportunity will be advertised on the Public Contracts Scotland Portal in accordance with council policy and as a means of securing good competition to deliver best value for money. IT will be restricted to the suppliers on the Scotland Excel Framework

4 Contract Evaluation on Award Basis

Completed tenders returned to the Council shall be evaluated and the contract will be awarded on the basis of the most economically advantageous tender, on a mix of quality and price. The price/quality split applied will 85/15%. Assessment of the quality elements of the Quotation has already been undertaken by Scotland Excel, and the scores from the Technical scoring completed by Scotland Excel as part of the original award under the framework will be used. A high weighting for price has been applied based on knowledge that the suppliers on the Scotland Excel Framework have demonstrated their competency via qualification to be on Framework, and the key requirement for an economically advantageous contract

The Corporate Procurement Manager has been consulted on the proposed procurement process and outline requirement and is satisfied that that this approach is suitable and likely to produce best value for the Council.

5 Procurement Risks

A risk assessment has been undertaken for this tender and, other than the normal risks inherent in any contract, no significant risks have been identified.