



Executive
12 November 2012

**Report from the Director of
Environment and Neighbourhood Services**

Wards Affected:
ALL

Authority to invite tenders for the re-processing and subsequent sale of recyclable waste materials collected through the council's dry recycling collection service.

1.0 Summary

- 1.1 This report requests approval to invite tenders for the re-processing and subsequent sale of recyclable materials collected through the council's dry recycling service (blue bin + bring banks).

2.0 Recommendations

- 2.1 That the Executive agrees to the procurement of a Service Provider for the re-processing and subsequent sale of recyclable materials collected through the dry recycling service.
- 2.2 That the Executive approves the pre-tender considerations and the criteria to be used to evaluate tenders for this service as set out in paragraph 3.20 of the report.
- 2.3 That the Executive gives approval to the Director of the Environment & Neighbourhood Services to invite expressions of interest, agree shortlists, invite tenders in respect of this service and evaluate them in accordance with the approved evaluation criteria referred to in 2.2 above.

3.0 Detail

- 3.1 The Council's primary objective for the dry recycling service is to increase material recycling levels so they contribute to an overall diversion rate of 60%. This will also serve to reduce the overall cost of waste treatment and disposal. The council currently pays £22 per tonne for the processing of dry recyclable material. The landfill fee is £93 per tonne.

- 3.2 The current arrangements for the re-processing of dry recyclable materials collected through the blue bin service are provided by Veolia as an element of the waste services contract. This arrangement was agreed to help facilitate the switch from source-separated (green box) collections to the mixed waste collections (blue bin) collections at October 2011. This switch has served to increase the overall recycling rate from 31% to 46% at September 2012.
- 3.3 Currently, Veolia make collections from all participating households and then deposit the dry recyclable waste at their depot at Alperton. The waste is bulked and then transferred to their Materials Recovery Facility (MRF) at Southwark, where it is subjected to further sorting. Veolia then sell the separated materials to the recycling market as feed stock and retain the income.
- 3.4 For this service, the council pays Veolia a 'gate fee' of £22 per tonne. This accounts for the costs incurred by Veolia in bulking and transporting the waste, and the cost of access to the MRF.
- 3.5 Some local authorities, who operate similar collection systems but who retain control ownership of the material collected, have been able to secure contracts directly with the recycling market. These provide them with revenue through the direct sale of the material collected.
- 3.6 The London Borough of Harrow has recently negotiated such an arrangement. This sees them receive £39 per tonne of waste processed.
- 3.7 Officers consider the Harrow model to be very attractive. However, Brent is unlikely to be able to achieve financial outcomes as good as Harrow, because Harrow's local circumstances give them particular advantages. Their collections are made 'in-house' and the waste is transferred to their own depot and handled by their own operatives. Although they incur costs in doing this which must be offset from the income received, they do not rely on the intervention of a 'middle-man' as Brent must do through Veolia. Veolia's costs of handling the collected waste at their depot must still be met. Veolia have previously indicated this accounts for the greater part of the present gate fee. Nevertheless, each £1 reduction in this fee this represents a betterment to the Council of between £18,000 and £21,000 before any further benefit is generated from the sale of the material.
- 3.8 To enable this, officers must extract the processing element of the service from Veolia, i.e. make a switch from their MRF at Southwark and reach agreement with a separate third party for the receipt and processing of the waste they collect. Veolia have previously indicated they would not resist this approach, but this must be confirmed through consultation.
- 3.9 The council expects to collect a minimum of 18,500 tonnes of dry recyclable waste in 2012/13, rising to around 21,000 tonnes in 2013/14. At the present level of gate fee this will cost £407,000 rising to £462,000. The objective of this procurement exercise is to reduce that cost significantly.
- 3.10 To enable this, officers must extract the processing element of the service from Veolia, i.e. make a switch from their MRF at Southwark and reach agreement with a separate third party for the receipt and processing of the waste they collect. Veolia have previously indicated they would not resist this approach, but this must be confirmed through new negotiation.

- 3.11 The council expects to collect in the region of 18,500 of dry recyclable waste in 2012/13, and a similar amount in 2013/14. At the current rate this will cost the council £407,000.
- 3.12. The objective of this procurement exercise is to reduce that cost significantly.
- 3.13 Officers, therefore, seek to secure appropriate services in order to take better, and direct, advantage of current market conditions for the processing and sale of the material.
- 3.14 The Service Provider must either collect waste deposited at Veolia's depot or make arrangements to receive waste directly delivered by Veolia. Following collection, or receipt, the Service Provider must manage the material and process it for recycling and resale. To meet Council objectives for this Contract, the Service Provider will be required to understand, and remain aligned with the end market for such material, so that it is processed in accordance with market requirements and so that secure and stable sales channels are established for the Contract term.
- 3.15 In order to allow for the maximum number of participants to respond to this invitation to tender, it is intended to issue a contract for 1 year from April 2013 and to make provision for an extension of a further 12 months. This will enable officers to consider any opportunity to include the service as part of the separate Public Realm contract, due to commence in April 2014.
- 3.16 The procurement route will be subject to the Council's Contract Standing Orders and EU procurement duties of fairness and transparency. In view of the specialist market for this type of service and being a service concession contract officers consider that the most appropriate procurement route is the one stage open procedure under the Council's Contract Standing Orders.
- 3.18 Procurement and Legal Services will assist with the tender process and identify any other associated areas where further savings and improvements can be made. Consultation must also take place with Veolia.
- 3.19 Following evaluation of tenders, it is proposed that a further report will be brought before members in February 2013 to seek approval for the award of the contract.
- 3.20 In accordance with Contract Standing Orders 88 and 89, pre-tender considerations have been set out below for the approval of the Executive.

Ref.	Requirement	Response
(i)	The nature of the service.	The re-processing and subsequent sale of materials collected through the dry recycling collection service.
(ii)	The estimated value.	The income generated will depend on waste volume and tendered price but is anticipated to be between £250k and £750k.
(iii)	The contract term.	1 year - with an option to extend for 12 months.
(iv)	The tender procedure to be adopted including	One stage procedure under the Contract Standing Orders

	whether any part of the procedure will be conducted by electronic means and whether there will be an e-auction.		
v)	The procurement timetable.	Indicative dates are:	
		Adverts placed seeking expressions of interest and tenders	30th November 2012
		Deadline for return of tender submissions	22 nd January 2013
		Evaluation and decision	23 rd January 2013
		Report recommending Contract award circulated internally for comment	February 2013
		Executive approval	11 March 2013
		Contract start date	1 April 2013
		Tenderers will be asked to complete the Council's a qualification questionnaire to ensure they meet the Council's financial standing requirements, technical capacity and technical expertise. The panel will then evaluate the tenders against the following criteria: (1) Price 70% (2) Quality 30%	
(vi)	The evaluation criteria and process.	<p>QUALITY 30% as follows:</p> <p>Logistics 10% Collection & haulage including</p> <ul style="list-style-type: none"> • Vehicle type • Weighing of material • Bulk haulage schedule <p>Processing 15%</p> <ul style="list-style-type: none"> • Maximising recycled material • Processing Capacity • Material Sales • Markets Portfolio • Added Value & efficiencies optimisation 	

		<p>Performance Data 5%</p> <ul style="list-style-type: none"> • Providing monthly Input Analysis report including: <ul style="list-style-type: none"> ○ Details of loads collected and weight ○ Material split (%) ○ Contamination levels ○ Price tracker • Material destination report <p>PRICE 70%</p>
(vii)	Any business risks associated with entering the contract.	<p>No specific business risks are considered to be associated with entering into the proposed contract.</p> <p>However the Council will be entering into an agreed fixed price with the Service Provider with respect to the sale of the recyclable waste materials.</p> <p>The Council will also need to reach agreement with Veolia to be able to progress the proposals in this report.</p>
(viii)	The Council's Best Value duties.	The Corporate Best Value Strategy is to provide best value services and to serve our community. A competitive tender for this service will ensure value for money.
(ix)	Any staffing implications, including TUPE and pensions.	There are no staffing implications for the Council.
(x)	The relevant financial, legal and other considerations.	The proposed procurement satisfies and delivers better value for the Council as shown in the table of sliding scale of income in 4.3

4.0 Financial Implications

- 4.1 The Council's waste disposal budgets are under considerable pressure. Although the new dry recycling collection arrangements are performing well, the budgets set anticipated a 7% reduction overall in waste arisings and the actual reduction has been around 3%. This initiative has considerable potential for assisting in reducing future waste disposal costs.
- 4.2 The council expects to collect in the region of 18,500 tonnes of dry recyclable waste in 2012/13, and this is anticipated to rise to around 21,000 tonnes in 2013/14, the first year of the proposed contract. At the current gate fee this will cost the council £462,000.
- 4.3 For each £1 by which Veolia's handling costs are less than this gate fee the net benefit to the Council will be £21,000, so if the Veolia handling fee were £15 per tonne, the benefit would be £147,000.

- 4.4 It was indicated in the body of the report that it is considered unlikely that Brent will be able to achieve income equivalent to Harrow's for the sale of dry recyclates for a number of reasons. The price the market will be prepared to pay is uncertain but the benefits to the Council could be significant which is why this tendering exercise is proposed. For each £1 per tonne the market will give, the Council would benefit by a further £21,000. So a tendered rate of £10 per tonne could give benefit of £210,000.
- 4.5 Until consultation with Veolia is complete and tenders are received, it would not be prudent to forecast whether benefits are realisable from this initiative, or what the scale of those benefits might be.

5.0 Legal Implications

- 5.1 The estimated cost of the proposed contract over its lifetime is in excess of £500,000 and therefore the procurement and award of the contract is subject to the Council's Contract Standing Orders and Financial Regulations in respect of High Value Contracts.
- 5.2 As detailed in paragraph 3.14 of the report, the proposal is that the Service Provider must either collect waste deposited at Veolia's depot or make arrangements to receive waste directly delivered by Veolia. Following collection or receipt, the service provider must manage the material and process it for recycling and resale. This proposal implies a service concession contract with the Service Provider as defined by the EU Public Sector Directive 2004/18.
- 5.3 A service concession is a contract of the same type as a service contract except for the fact that the consideration for the provision of services consists either solely in the right to exploit the service or in this right together with payment. The proposal by the Council involves the right of the Service Provider to exploit the service by managing and processing the waste material for recycling and subsequently selling the materials on an agreed fixed price to third parties for an income which will accrue to the Service Provider and the Council.
- 5.4 The Council by virtue of Clause 45 (9) of the Environment Act 1990 is the waste authority and retains ownership of the waste to be recycled, managed and processed for sale by the Service Provider. Service concessions by virtue of clause 6 of the Public Procurement Regulations 2006 are exempt from the EU procurement regulations, therefore procurement of the Service Provider can be a choice of a one stage tender or two stage tender as provided by the Council's standing orders. Even though exempt from EU procurement regulations, it is still a requirement for the Council to observe the EU treaty principles of Transparency, Equal treatment, and Non discrimination in its procurement of a service concession.

6.0 Diversity Implications

- 6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 This service is currently provided by an external third party and there are no implications for Council staff arising from tendering the contract.

8.0 Background Papers

There are no background papers associated with this report.

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