



Executive
11 March 2013

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

Wards Affected: ALL

**Authority to award a contract for the processing and sale of
recyclable materials collected through the council's dry
recycling collection service.**

Appendix 1 of this Report is Not for Publication

1.0 Summary

- 1.1 This report seeks the approval of the Executive to award a contract for the processing and sale of recyclable materials collected through the council's dry recycling service (blue bin + bring banks) as required by Contract Standing Order 88. The report summarises the process undertaken in tendering this contract and, following completion of the evaluation of tenders, recommends to whom the contract should be awarded.

2.0 Recommendations

- 2.1 That the Executive notes the tendering and evaluation process that has been undertaken for the contract for the processing and sale of recyclable materials collected through the council's dry recycling service.
- 2.2 That the Executive approves the award of the contract for the processing and sale of recyclable materials collected through the council's dry recycling service to Viridor Waste Management Limited.

3.0 Detail

- 3.1 At its meeting on 12th November 2012, the council's Executive approved recommendations to commence a tendering process for the processing and subsequent sale of recyclable materials collected through the dry recycling service.
- 3.2 The current arrangements are provided by Veolia as part of the Waste Services Contract. This arrangement was agreed in order to help facilitate the switch from source-separated (green box) collections to mixed waste collections (blue bin) in October 2011.

- 3.3 Veolia make collections from all participating households and then deposit the dry recyclable waste at their depot at Alperton. The waste is then bulked and transported to their Materials Recovery Facility (MRF) at Southwark, where it is further sorted. Veolia then sell the separated materials to the recycling market and retain the income.
- 3.4 For this service, the council pays Veolia a 'gate fee' 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 Market testing suggested this may not represent good value for the council. Some local authorities who operate similar collection systems but who retain ownership of the material collected, have been able to secure contracts directly with the recycling market or have contracts with waste processors who buy the material they collect.
- 3.6 To establish something similar for Brent, officers agreed with Veolia to remove materials processing from the waste contract, i.e. withdrawing from their MRF at Southwark and inviting separate tenders for the work.
- 3.7 In order to allow for the maximum number of participants to respond to the invitation to tender, a contract for one year from April 2013 was made available. This has provision for an extension of a further twelve months. Officers may wish to include the service in the Public Realm contract (April 2014) if that approach offers better value at that time.

The tender process

- 3.8 The procurement route was 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 it being a service concession contract, officers considered that the most appropriate procurement route was a 'one stage' open procedure under the Council's Contract Standing Orders.
- 3.9 Advertisements were placed on 3 January. Twenty six contractors contacted the council in response to the advertisements. Tenderers were asked to complete the council's qualification questionnaire to ensure they meet the council's financial standing requirements, technical capacity and technical expertise.
- 3.10 The tendering instructions stated that the contract was to be awarded on the basis of the most economically advantageous offer to the council and that in evaluating tenders, the council would have regard to the following criteria (and weightings):

1. Quality (30%) - The appropriateness and effectiveness of the Tenderer's proposed systems and working methods as set out in its Method Statements with respect to the following:

Logistics (10%)

Collection & haulage including

- Vehicle type (3%)
- Weighing of material (4%)
- Bulk haulage schedule (3%)

Processing 15%.

- Maximising recycled material (3%)
- Processing Capacity (3%)
- Material Sales (3%)
- Markets Portfolio (3%)

- Added Value & efficiencies optimisation (3%)

Performance Data 5%

- Providing monthly Input Analysis report including (2%):
 - Details of loads collected and weight
 - Material split (%)
 - Contamination levels
 - Price tracker
- Material destination report (3%)

2. The Contract Price (70%) and its component parts in demonstrating best value for money.

- 3.11 All tenders had to be submitted no later than 25 January 2013.
- 3.12 Five tenders were received and were opened on 28 January. Three other companies that initially indicated an interest in the contract advised that they were not intending to pursue their interest. Eighteen other companies provided no response.

Evaluation process

- 3.13 Following approval by the Executive of the headline evaluation criteria and weightings, officers determined the weightings to be applied to each of the sub-criteria. These weightings are set out in the evaluation matrix in Appendix 2.
- 3.14 The five companies which submitted tenders are detailed in Appendix 1.
- 3.15 All five companies were able to satisfy the requirements as set out in the qualification questionnaire. On 1 February 2013, a panel of officers undertook the formal evaluation of the five tenders received.
- 3.16 The scoring matrix for the evaluation, and the scores received by each company against each of the evaluation criteria, are also included in Appendix 2 of this report.
- 3.17 The stated price per tonne was used as the price marker for scoring purposes. The evaluation of prices was undertaken by ranking all submissions against the most favourable price received, i.e. the best price being allocated the maximum score available and all other prices scored proportionately.
- 3.18 Bidders were also required to indicate the material sales value that would trigger a revenue share with the council. This element was only taken into account for the purposes of evaluating price where the benefit would be immediately realisable. This threshold would be the market value of the 'mix' of recyclable materials that are subsequently sold. This is known as the 'basket price'. This is set by the recycling market and is published in technical journals each month. The most recent 'basket' price for the council's materials is £49 per tonne.
- 3.19 Only one bidder offered a threshold price below £49 per tonne, i.e. one that would be immediately realisable. The equivalent cost per tonne for this was calculated to be £4.50. All other revenue share proposals sat significantly above £49 per tonne and are unlikely to yield any significant benefit for the council over the 12 month period. One variant bid proposed the gate fee could be set at a price that was equivalent to 75% of the difference between £57.50 per tonne and the 'basket price'. At a basket price of £49, this was equivalent to £6.37 per tonne.

- 3.20 As an outcome, the prices tendered by Viridor Waste Management Limited were most favourable:

Tender Ref.	Tenderer	Gross price per tonne	Additional Revenue Share
Tender 5	Viridor Waste Management Limited	-£10.25 (income to the Council)	60% above a basket value of £60 per tonne

- 3.21 Viridor Waste Management Limited's proposals were also submitted in good accordance with the specification for the service. No further approval within the company is required.
- 3.22 Officers, therefore, recommend the approval of the tender proposal submitted by Viridor Waste Management Limited of Peninsula House, Rydon Lane, Exeter, Devon EX2 7HR.
- 3.23 The successful tenderer must mobilise and make appropriate arrangements so the contract can commence on 1 April 2013. From then, they must collect waste deposited at Veolia's depot in Brent. Following collection, they must manage the material and process it for recycling and resale. To meet the council's objectives for this contract, they 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 (12 months).

4.0 Financial Implications

- 4.1 The council expects to collect in the region of 18,500 tonnes of dry recyclable waste this year (2012/13), and this is anticipated to rise to around 22,006 tonnes in 2013/14, the first year of the proposed contract. At the current gate fee this would cost the council £484,000.
- 4.2 The price submitted by the successful tenderer provides a significant improvement on that cost. No payment will be made by the council. An income of £10.25 per tonne will be received. This must be off-set by the continued charge of £8 per tonne (paid by the council to Veolia) for the loading of material at the transfer station. This means the net income to the council will be £2.25 per tonne, i.e. a total net income that ranges from £41,625 with respect to 18,500 tonnes and £49,500 with respect to 22,006 tonnes.
- 4.3 In terms of improvement from the current position, this price creates an overall benefit that ranges from £448,625 if there is no increase in tonnage next year to £533,500 if 22,006 tonnes are collected. There is no certainty around waste arisings and the council cannot rely on a guaranteed level of income.
- 4.4 This presents a high level of risk. Next year's waste budget has been set on the basis 22,000 tonnes of recyclables will be collected. Any shortfall in that level of recycling which comes about through failure to divert recyclables from the residual waste stream will come at a cost of £107.25 per tonne. A 1,000 tonnes shortfall will cost £107,250, and only achieving 18,500 tonnes would cost £375,375 of the proposed saving. Only achieving present recycling levels will deliver £448,625 - £375,375 = £73,250 saving against planned budgets, whilst diverting 22,000 tonnes in total would deliver the full £533,500.
- 4.5 All bidders were asked to state the materials sales level that would trigger a revenue share with the council. Viridor indicated they would be happy to offer the council a 60% share of any income received once the total 'basket price' reached £60 per tonne.

Material prices are determined by the recycling 'market' and are published in technical journals on a monthly basis. The current value of the council's materials 'basket' is £49 per tonne. The extent to which the council may benefit from any such revenue share will depend on the level of movement in market prices over the contract length. As the contract is relatively short (12 months), it is not certain whether the council will accrue any additional benefit.

5.0 Legal Implications

- 5.1 The estimated cost of the proposed contract over its lifetime based on the predicted collection of 22,006 tonnes of recyclable materials is in excess of £500,000 and therefore the award of the contract is subject to the Council's Contract Standing Orders and Financial Regulations in respect of High Value Contracts.
- 5.2 The proposal is that the Service Provider must collect waste deposited at Veolia's depot. Following collection, 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, with the consideration for the provision of services consisting of the right to exploit the service. The Service Provider will 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.
- 5.3 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 although there is still a requirement for the Council to observe the EU treaty principles of Transparency, Equal treatment, and Non discrimination in it's procurement of a service concession.

6.0 Diversity Implications

- 6.1 The proposals in this Report have been subject to screening by officers, who consider that there are no specific diversity implications.

7.0 Staffing/Accommodation Implications

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

8.0 Environmental Implications

- 8.1 These proposals will directly address the council's environmental policies.
- 8.2 Establishing a secure and specialist service for the processing of the council's recyclable waste will not only secure sustainable reprocessing routes for this waste, but also help the Council deliver its wider environmental objectives.
- 8.3 Recycling waste reduces the council's climate change contribution, and helps close the materials loop. The implementation of this contract will, perhaps most importantly, help further reduce the amount of household waste being sent to landfill.

9.0 Background Papers

9.1 Details of documents: NONE

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