

Report Title:	<b>Processing of Dry Mixed Recycling</b>
Contains confidential or exempt information?	No - Part I
Member reporting:	Councillor Clark, Lead Member for Sustainability, Waste Services and Economic Development
Meeting and Date:	Cabinet - 26 September 2019
Responsible Officer(s):	Hilary Hall, Interim Director of Adult Services and Deputy Director Strategy and Commissioning and Ben Smith, Head of Commissioning – Communities
Wards affected:	All

## REPORT SUMMARY

1. A new contract for collection of kerbside waste and recycling was let to Serco following a competitive tender process and is due to start on 1 October 2019. Good progress is being made with mobilisation of the new contract. At the same time as tendering for the waste collection contract, a similar procurement exercise was undertaken for the processing of dry mixed recycling. No tenders were received and consequently a direct award for one year was made to the current provider, Pure Recycling.
2. This report requests approval to commence procurement of a two year contract for the processing of dry mixed recycling in December 2019. This will provide capacity for sorting recycling collected in the Royal Borough and recycling of this material. The contract will start on 1<sup>st</sup> April 2020.

## 1 DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That Cabinet notes the report and

- i) **Approves the commencement of procurement of a contract for the processing of dry mixed recycling in December 2019.**
- ii) **Delegates authority to award a contract for the processing of dry mixed recycling to the Interim Director of Adult Services and Deputy Director Strategy and Commissioning, in consultation with the Lead Member for Sustainability, Waste Services and Economic Development, following a competitive procurement.**

## 2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The contract will provide processing, sorting and marketing services for the estimated 18,000 tonnes of dry mixed recyclable (DMR) material collected from Royal Borough households and schools every year. DMR materials include everyday items such as mixed paper, cardboard, plastic bottles and metal cans.
- 2.2 The processing of the Royal Borough's DMR materials is currently included within a short-term contract held by Pure Recycling (part of the Kier Group). This contract is due to

expire on 31 March 2020 and was awarded as a direct award following an unsuccessful procurement.

- 2.3 The previous procurement was carried out in 2018 at the same time as the procurement exercise for the waste collection contract. A compliant procurement process was conducted between October and November 2018, however, no bids were received.
- 2.4 The global recycling market is currently experiencing a high level of volatility. There has been a period of protracted uncertainty following new restrictions imposed by China and other Southeast Asian nations on the imports of certain classes of recyclable materials. It was therefore originally proposed to procure the contract with a shared risk and reward mechanism; one where any reductions or increases in market values - due to external market factors - are shared between the Royal Borough and the contractor.
- 2.5 Post-tender feedback from suppliers suggested concerns with the contract length and the proposed payment mechanism. Since the unsuccessful procurement soft market testing has been carried out with four main suppliers of dry mixed recycling processing. The specification, contract length and payment mechanism have been changed to reflect the feedback received.
- 2.6 The contract length has, therefore, been reduced to two years, with two optional one year extensions, which would be by mutual consent. This allows both parties to step away from the contract after the initial term. The payment mechanism has also been simplified. It will be based on a gate fee, which represents the processing costs, such as labour, energy, plant and haulage, alongside a cost per tonne per month for each material processed, which represents the market rate received for that material in the month. This cost could be positive or negative depending on the value of each material at that time and is shared on a risk and reward basis with the contractor, both sharing the positive and negative values.
- 2.7 Soft market testing indicated that there is a shortage of capacity in the current market for processing of dry mixed recycling. Changes are being made to a number of plants over the summer to increase their throughput and other large scale, county and waste authority sized procurements will be finalised. This will give more certainty to contractors about the capacity they would have available for this contract.

## Options

**Table 1: Options**

Option	Comments
Approve the commencement of procurement and delegate authority to award a contract for DMR processing.  <b>This is the recommended option.</b>	This ensures no loss of service from 1 April 2020.
Do not approve the commencement of procurement and do not delegate authority to award a contract.  This is not recommended.	Not awarding a contract for the processing of dry mixed recycling will leave the Royal Borough with no outlet for processing dry mixed recycling and will lead to service disruption and the failure to recycle materials collected within the area.

### 3 KEY IMPLICATIONS

3.1 The key implications are set out in table 2.

**Table 2: Key implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Contract for processing of dry mixed recycling is in place	No contract in place to commence on 1 April 2020	Contract in place and commences on 1 April 2020	N/A	N/A	1 April 2020

### 4 FINANCIAL DETAILS / VALUE FOR MONEY

4.1 The current cost of processing dry missed recycling is projected to be £876,000 this year (2019/20). The cost of the interim contract is closely monitored and is currently projected to come in on budget. It is anticipated that the cost will be similar under the new contract.

4.2 The cost of the processing of dry mixed recycling will be subject to change, as it is associated with the cost of the materials in the market. The contract will have a set processing fee (a gate fee) and each material will then have a cost per tonne per month, which may be positive or negative depending on market conditions.

4.3 An example material split for recent material would be as follows:

**Table 3: Recent material split and material volatility**

<b>Material</b>	<b>Percentage</b>	<b>Volatility of material value</b>
Mixed paper	40%	High
Cardboard	19%	High
Aluminium	0.8%	Low
Steel	1.4%	Low
Mixed plastics	7%	High
Glass	20%	Low
Total target material	88.2%	
Non target material- made up of 10.9% waste and a mixture of rigid plastics, small electrical items, scrap metal and wood which are sent for recycling.	11.8%	Low

If the material exceeds a contamination rate of 15% there is a risk of the whole load being rejected and not processed as recycling. In this event the whole load would be charged as waste disposal.

### 5 LEGAL IMPLICATIONS

- 5.1 There is a statutory duty to provide waste collections and to separately collect recycling. The procurement of a contract for the processing of dry mixed recycling will ensure that this statutory duty is met.
- 5.2 A full OJEU procurement process will be followed for this procurement and all legal obligations will be met.

## 6 RISK MANAGEMENT

**Table 4: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
Cost of processing of dry mixed recycling varies significantly as a result of the volatility in the market.	High	This risk will be managed by close monitoring of the contract and any changes to the market costs will be flagged as soon as they are known.	Medium
Risk of no bids being received for contract	High	This risk has been managed by significant soft market testing having been undertaken. The contract specification and the timing of the procurement have been planned taking into account the feedback received from the market.	Low
Risk of market price becoming unaffordable	Medium	The changing costs of recycling will be monitored. In the event that costs are exceeding the costs of disposing of the material as waste, options including alternative disposal options, short term stockpiling of	Medium

Risks	Uncontrolled risk	Controls	Controlled risk
		material will be considered.	

## 7 POTENTIAL IMPACTS

7.1 There are no other impacts.

## 8 CONSULTATION

8.1 Soft market testing has been undertaken with suppliers in order to revise the contract length and payment mechanism.

## 9 TIMETABLE FOR IMPLEMENTATION

9.1 Implementation date if not called in: 1 December 2019

**Table 5: Implementation timetable**

Date	Details
December 2019	Procurement of contract for processing of dry mixed recycling commences.
February 2020	Award of contract for processing of dry mixed recycling commences.
1 April 2020	New contract for processing of dry mixed recycling commences.

## 10 APPENDICES

- None.

## 11 BACKGROUND DOCUMENTS

Cabinet paper: Contract Award - Waste and Recycling Collection and Associated Services was presented to Cabinet on February 28th 2019.

[https://rbwm.moderngov.co.uk/documents/s25073/meetings\\_190228\\_Waste%20Contract%20-%20Contract%20Award.pdf](https://rbwm.moderngov.co.uk/documents/s25073/meetings_190228_Waste%20Contract%20-%20Contract%20Award.pdf)

Cabinet Paper, Weekly Waste Collection Contract, Authority to Commence Procurement, was presented to April 2018 Cabinet.

[https://rbwm.moderngov.co.uk/documents/s19194/meetings\\_180426\\_cabinet\\_Procurement%20of%20Weekly%20Waste%20and%20Recycling%20Collection%20Co...pdf](https://rbwm.moderngov.co.uk/documents/s19194/meetings_180426_cabinet_Procurement%20of%20Weekly%20Waste%20and%20Recycling%20Collection%20Co...pdf)

## 12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Gerry Clark	Lead Member for Sustainability, Waste Services and Economic Development.	28/8/19	29/8/19
Duncan Sharkey	Managing Director	28/8/19	29/8/19
Russell O'Keefe	Executive Director	28/8/19	
Andy Jeffs	Executive Director	28/8/19	28/8/19

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Rob Stubbs	Section 151 Officer	28/8/19	
Elaine Browne	Interim Head of Law and Governance	28/8/19	
Nikki Craig	Head of HR and Corporate Projects	28/8/19	
Louisa Dean	Communications	28/8/19	
Kevin McDaniel	Director of Children's Services	28/8/19	28/8/19
Hilary Hall	Interim Director of Adult Services and Deputy Director of Commissioning and Strategy	16/8/19	21/8/19

### 13 REPORT HISTORY

<b>Decision type:</b> Key decision – 25 July 2019	<b>Urgency item?</b> No	<b>To Follow item?</b> No
<b>Report Author:</b> Naomi Markham, Waste Strategy Manager, 01628 682972		