

**COMT**

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**OVERVIEW AND SCRUTINY  
ENVIRONMENTAL WELL-BEING**

**10<sup>TH</sup> SEPTEMBER 2013**

**CABINET**

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**JOINT MATERIALS RECYCLING FACILITY PROCUREMENT  
(Report by the Head of Operations)**

**1. SUMMARY**

- 1.1 The report at Annex A and the accompanying appendices inform the work done to date in respect of Recycling Cambridgeshire and Peterborough Waste Partnership (RECAP) jointly procuring a materials recycling facility (MRF) to manage and process all the recycling materials collected across Cambridgeshire and Peterborough. It is a common report being presented to all the partnership waste collection authorities.
- 1.2 The joint procurement is based on all the participating partners signing up to the procurement and abiding by the outcome. If any partner decides not to then the procurement will not proceed. The recommendations in Section 10 of the report in Annex A seeks approval of;
- the joint procurement of bulking, sorting and onward processing/sale of recyclable materials;
  - agreement that Peterborough City Council leads the process for the Joint MRF procurement for a preferred supplier for services of bulking, sorting and onward processing/sale of recyclable materials, collaboratively with and on behalf of all RECAP partners;
  - the delegation of the final Invitation to Tender (ITT) to the Head of Operations in consultation with the Environment Portfolio holder;
  - the revised Partnership Charter and Governance, Schedule 2; and
  - for Peterborough City Council to appoint the preferred bidder on behalf of RECAP, following agreement with the other partners.
- 1.3 The contract will eventually incorporate all the partners due to varying contract termination dates, but all partners will sign up to the new joint contract and the incorporation timetable which will provide guarantees to the appointed contractor.

## **2. BACKGROUND**

- 2.1 A working group consisting of officers from all the partners in RECAP were tasked with taking the partnership through a joint procurement for a MRF operator to take all the recyclate from the partners. The Project Initiation Document for that is attached as Appendix 2 to the report attached at Annex A.
- 2.2 Currently the different authorities in RECAP have 3 different contracts with different MRFs for their recyclate. It is clear from the work of other waste partnerships that the procurement of joint MRF contracts does realise benefits from pooling the tonnage of the various partners. The current contracts run out at different times and as a consequence they would need to be assimilated at different times into the main contract.
- 2.3 The partnership is also looking at the optimum design for waste collection in light of the Waste Framework directive which requires source separated recyclate. This is explained further in the paper attached at Annex A, Appendix 3.
- 2.4 All the Cambridgeshire authorities apart from Peterborough agreed and signed a Partnership Agreement in 2011. As Peterborough is part of this joint procurement then the agreement needs to be revisited and updated to include the Governance arrangements for the contract and that is included as Schedule 2 to the updated Partnership Agreement.
- 2.5 A soft marketing exercise is currently underway which is seeking industry views about the types of recyclate we collect and how we can seek to maximise the tonnage of recyclable material which is collectable in a cost effective way. Further to this we are asking how the amount of contamination can be reduced and as a consequence the amount of recyclate having to go to landfill which is a cost to the partners.
- 2.6 To realise the maximum possible savings it will require all partners, apart from the County Council to be party to this contract and for it to be binding on the partners.
- 2.7 The invitation to tender (ITT) stage of the procurement of the contract will require partners to agree the tender prior to it being sent out and it is proposed that this should be delegated to the Head of Operations in consultation with the Environment Portfolio Holder.

## **3. RISKS**

- 3.1 The main risk associated with this contract is in respect of the degree the partners wish to maximise their income by linking the contract to market prices. The recycling market is a volatile one but good quality recyclables perform better than low quality contaminated recyclables. The alternative is to go for a reduced steady income set against a basket of recyclate prices. This is the type of contract we currently have and whilst it has been better than the previous contract we have

received a lot less income than say South Cambridgeshire District Council, but that has to be balanced against increased collection costs.

3.2 The following table sets out the different risk options:-

<b>Risk</b>	<b>Rating</b>	<b>Mitigation</b>
Payment of gate fee linked to a basket of recyclate prices.	Low	Fixed price linked to basket lowers risk as the fluctuations in prices are averaged out.
Payment of a gate fee for processing then top slice 50% of recyclate income for guaranteed payment linked to a basket of recyclate prices and rest subject to profit share in relation to market prices on a 50:50 basis.	Medium	Mitigated as authority gets a known payment for 6 months before basket re-evaluated.
Payment of a gate fee for processing then share a proportion of the risk in relation to market prices.	Medium to high	Mitigated by reducing percentage of local authority share to contractor i.e. 30:70

3.3 It may be better to look at a medium risk whereby a portion of the recycling income is linked to the market value but the rest is at a fixed rate. It is clear that to increase income more risk will need to be taken by the partners whilst recognising that recycling rates are very variable.

3.4 As the contract length is to be 5 years the risk could be mitigated to some extent by allowing a base savings figure and putting the extra when the market prices are high into a reserve and then pull back out to balance the budget when prices are lower. The long term market projection is for recycling prices to increase steadily and looking at the market over the last 3 years there is definitely an upwards trend line.

#### **4. CONCLUSION**

4.1 This contract is an important step for the RECAP Waste Partnership in progressing the agenda of moving to a whole waste approach. The timescale for this joint procurement is tight, as it will need to conform to the EC procurement rules. Consequently the delegation of the final ITT is necessary to meet the deadline for letting the contract. Should any of the partners fail to meet this timetable then it could result in the Peterborough City Council procuring separately, as they need a contract in place for June 2014.


4.2 The advantages in having a single contract across the partnership area is the combined tonnage of recyclate will make it attractive to a lot of MRF operators. As a result the contract will provide the best economically advantageous deal for the partners and as a consequence increase income for the partners, participating in the

contract. This will of course be subject to the outcome of the tendering exercise.

## **5. RECOMMENDATIONS**

- 5.1 It is recommended that the recommendations set out in Section 10 of Annex A are approved.

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