

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Materials Recovery Facility Joint Procurement	
Meeting/Date:	Overview and Scrutiny Panel (Environmental Well Being)	– 8 th October 2013
	Cabinet	– 17 th October 2013
Executive Portfolio:	Councillor Darren Tysoe - Environment	
Report by:	Eric Kendall	
Ward(s) affected:	All	

Executive Summary:

This report seeks to give further information to the report considered in September in respect of a joint procurement of a Materials Recovery Facility (MRF) services for the bulking, sorting and onwards processing/sale of recyclable materials.

The procurement is being carried out by the RECAP Waste Partnership on behalf of all the partners excluding Cambridgeshire County Council who have a separate contract for recyclate collected at their household waste recycling centres.

Currently all the partners have existing contracts which are set to expire at different times and a new contract will encompass all partners for when their current contracts expire. This Council currently has a partnership contract with Fenland DC and Cambridge City Council which expires at the end of November 2014.

The recommendation in the report is to delegate the approval of the Intention to Tender (ITT) document, for the procurement of a MRF contract, to the Head of Operations in consultation with the Executive Member for the Environment.

1. BACKGROUND

- 1.1 The RECAP Waste partnership, as part of a whole system approach to waste across the county, including Peterborough, are seeking to jointly procure MRF services for the bulking, sorting and onwards processing/sale of recyclable materials. To that end a task group, of officers from all the partners, was set up earlier this year to co-ordinate the procurement.
- 1.2 The advantage of jointly procuring this type of service is that the tonnage of recyclable materials will be much greater and enable better prices to be achieved than individual councils procuring the service themselves.
- 1.3 The income which can be derived from recyclate is very much dependant on the risk which the client decides they wish to take. The high risk approach is to pay a flat processing fee to the MRF provider and then sell all the recyclate on the open market. As the market for recyclates fluctuates

considerably the income received will do the same. In this scenario the contractor accepts no risk and receives a guaranteed payment for the processing of the recyclate.

- 1.4 The low risk approach is to receive a much lower guaranteed payment for the recyclate based on a basket price which is advertised monthly in, for instance the Recycling News. This option is not without risk as the guaranteed payment is normally on a scale corresponding to the basket price. This is the current situation in the present joint contract. If the basket price drops beyond a certain point then the partners would end up paying the contractor to process the recyclate and not get any income and this could be the full processing cost.
- 1.5 The medium risk approach is to have say 50% of the recyclate on the guaranteed model with the other 50% being subjected to the open market value. In this way there will, unless the bottom drops out of the market be a guaranteed income to the partners but if prices are high then the partners will benefit from the extra income.

2. FINANCIAL IMPLICATIONS

- 2.1 This Council recycles approximately 19,000 tonnes/year and therefore obtaining the best price for the recyclate is important in assisting the Council in meeting its savings target. In the low risk option the income does fluctuate with the basket price in bands but the return is small compared with that being received by other councils. The trend for wholesale recycling prices has been on a steady increase over the last 5 years, but the demand from the Chinese market has reduced which has led to the current fall in market prices.
- 2.2 A further reduction in the basket price is not thought to be a realistic scenario, as there is evidence once more of prices increasing. Even with low risk contracts there is still considerable risk if the basket price reduces falls too low, as it would involve having to pay the gate fee to the contractor and not receiving any income.
- 2.3 Moving to a medium risk strategy would provide extra reward when recycling prices are high which could offset a reduction in income if the prices fell, whilst the other 50% of the recyclate would be covered by a basket price steady income.
- 2.4 An allowance has been made in the MTP for an increase in recycling income following the award of a joint contract equivalent to £8/tonne as opposed to the £1.09/tonne received currently. It is considered this is a conservative estimate but until the tenders are received we cannot be certain what the figure will be.

3. COMMENTS OF OVERVIEW & SCRUTINY PANEL

- 3.1 The Overview and Scrutiny Panel (Environmental Well-Being) previously recommended that the decision to approve of the ITT document is delegated to the Head of Operations after consultation with the Executive Member for the Environment and has now reiterated this recommendation. The timescale is too tight for the Panel to consider the ITT but Members will receive copies of it.

4. CONCLUSIONS

- 4.1 The ITT is a detailed technical specification which normally is left with officers to agree based on the guidelines provided by members. In respect of this procurement the timeline from the final draft ITT to submitting comments is very tight at 12 days and wouldn't allow for submission back through Scrutiny and Cabinet. The recommendations in the original report have been agreed by 3 of the partner authorities to date including the delegation of the decision on the ITT with the remaining authority due to make a decision by the 8th October.
- 4.2 Members will have an opportunity once the tenders have been received to review the prices and the recommendations as to whether to award or not.

Recommendation(s):

It is recommended that the decision on the ITT be delegated to the Head of Operations in consultation with the Executive Member for the Environment.

BACKGROUND PAPERS

RECAP Common Paper Partners Decision-Making Processes.

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