



REPORT TITLE: Tender and Award of Materials Recycling, Reuse and Recovery Services under the Dynamic Purchasing System for Household Recycling Centres

Cabinet Date	24 th March 2021
Cabinet Member	Cllr Nigel Moor, Cabinet Member for Environment and Planning
Key Decision	Yes
Purpose of Report	To seek Cabinet approval to conduct a competitive procurement process in respect of up to 28 proposed new Household Recycling Centre (HRC) materials recycling, reuse and recovery services contracts under the council's existing HRC Dynamic Purchasing System (DPS) and to award such contracts following the completion of such process.
Recommendations	<p>That Cabinet delegates authority to the Executive Director of Economy, Environment and Infrastructure, in consultation with the Cabinet Member for Environment and Planning to:</p> <ol style="list-style-type: none">1. Use the council's existing HRC DPS to conduct a competitive procurement process in respect of the supply of up to 28 contracts for the provision of recycling, reuse and recovery services as described in paragraph 1.4 of this report. The proposed contracts shall continue for an initial period commencing on 1st April 2022 and ending 6th August 2026 and include an option to extend their terms for a further period of not more than two years.2. Award such contracts to the preferred tenderers;3. Determine whether to exercise the option to extend such contracts for a further period of not more than two years on the expiry of their initial terms.
Reasons for recommendations	To comply with the Council's statutory duties in the provision of materials recycling and disposal services, and to utilise the existing DPS framework in order to obtain best value.

Resource Implications	<p>The procurement and awards described in this report will be undertaken using existing staff and financial resources.</p> <p>Contract values will vary according to market conditions and trends, with a maximum combined overall value of £2,475,000 if the council elects to exercise the above-mentioned extension option in respect of all contracts awarded pursuant to this report. The cost of implementing these recommendations will be met from within existing budgets.</p>
Background Documents	<p>The requirement for the ongoing provision of materials recycling, reuse and recovery services follows on from the Cabinet decision to award a new HRC services contract to Ubico from August 2021;</p> <p>https://glostext.gloucestershire.gov.uk/ieDecisionDetails.aspx?ID=1513</p>
Statutory Authority	<p>Environmental Protection Act 1990 s51(1)(b)</p>
Divisional Councillor(s)	<p>Cllr Nigel Moor</p>
Officer	<p>Name: Andy Pritchard Tel. no: 01452 427014 Email: andy.pritchard@gloucestershire.gov.uk</p>
Timeline	<p>Summer 2021; Produce contract specifications and procurement pack. September – November 2021; Undertake procurement. December 2021 – January 2022; Award contracts. April 2022; Contracts commence.</p>

Background

1. In 2016 Cabinet gave approval to appoint a teckal company, Ubico Ltd, to operate the Household Recycling Centre (HRC) service. In support of this, it became necessary to bring in house the reuse, disposal and marketing of materials (materials offtake) collected at the HRCs. Subsequently, in January 2017 a Dynamic Purchasing System (DPS) was established under which the County Council has since let contracts for the management of these materials.
2. The DPS is a pre-qualification system which allows the Council to assess the eligibility of contractors prior to allowing them to tender for their chosen services. The DPS consists of separate categories for 28 different materials collected at the HRCs. Contractors who are successful in joining the DPS for their chosen categories will remain eligible to bid for contracts for the duration of the DPS. New contractors can join the DPS at any time, thereby increasing competition. The current DPS has been used for two rounds of contract tendering since 2017, and expires at the end of January 2022. New contracts can continue to be let under these arrangements if they are awarded prior to expiry of the DPS.
3. In July 2020 Cabinet approved the continuation of HRC operations with Ubico, commencing in August 2021 and lasting for a period of 5 years with an option to extend up to a further two years. In conjunction with this, a decision was taken to extend the existing materials contracts under the DPS up to the end of March 2022 thereby allowing time for new materials contract arrangements to be procured and established.
4. Current materials contracts established under the DPS are as follows:

Category 1 Asbestos – Grundon Waste Management Ltd
Category 3 Books – Reuseabook
Category 4 Re-use / Bric a Brac – A Webb
Category 5 Cans – Smiths (Gloucester) Limited
Category 6 Car Batteries – Smiths (Gloucester) Limited
Category 7 Cardboard – Printwaste
Category 8 Chemicals and Paint – ERG
Category 9 Gas Bottles – Envik
Category 10 Flat Glass – Smiths (Gloucester) Limited
Category 11 Mixed Glass – Smiths (Gloucester) Limited and Printwaste
Category 12 Soil – Enovert South Ltd
Category 13 Engine Oil – Slicker Recycling
Category 14 Mobile Phones – J R Padley
Category 15 Paper – Smiths (Gloucester) Limited
Category 16 Plasterboard – Smiths (Gloucester) Limited
Category 17 Plastic Bottles – Smiths (Gloucester) Limited and Printwaste
Category 19 Printer Cartridges – J R Padley
Category 20 Rubble – Smiths (Gloucester) Limited and Enovert South Ltd
Category 21 Metals – Smiths (Gloucester) Limited
Category 23 Textiles – JMP Wilcox
Category 24 Tyres – Smiths (Gloucester) Limited
Category 25 Cooking Oil - Living Fuels
Category 26 Wood – Jack Moody Recycling Limited
Due to a lack of current viable options, no contracts are in place for the separate collection of Category 2 (Bikes), Category 18 (Rigid Plastics), Category 27 (Carpets) and Category 28 (Mattresses).

5. There is now a requirement to establish new contracts for each of these materials to commence on 1st April 2022 following expiry of the current arrangements. If new contracts are awarded before the end of January 2022 this can be achieved using the existing DPS.
6. Depending upon the material type, contracts will incur either net income or net expenditure. This is determined by the markets. In addition, service costs for some materials include additional haulage costs. Ubico undertakes much of the haulage with its own fleet at no extra cost to the Council, but where this is not

the case (for example at very busy times or where distance is prohibitive) the contractor provides this service at extra cost.

Materials for which a net income is currently achieved.

7. Net income is currently received for the following materials;

Books
Items for Reuse
Cans
Car Batteries
Cardboard
Mixed glass bottles
Paper
Plastic bottles
Metals
Textiles

8. Net income for most of these materials can vary depending upon market conditions, but totalled £454,164 in the last full financial year (2019/20). The greatest income was achieved from metals and textiles. It is anticipated that the maximum single contract value will be in the region of £230k per annum in terms of income achieved during the next financial year.

9. Where market fluctuations in the value of materials commonly occurs, contracts are indexed to the current market value on a monthly basis. This applies to cans, car batteries, cardboard, glass bottles, paper, plastic bottles, metals and textiles.

Materials for which a net cost is currently incurred

10. The following materials are currently recycled or disposed of at net cost;

Asbestos
Chemicals and Paint
Gas bottles
Flat glass
Soil
Used engine oil
Plasterboard
Rubble
Tyres
Wood

11. Net expenditure for these materials totalled £791,205 in the last full financial year. The highest single expenditure during this period was on Wood, which is estimated at £440k in the next financial year.

12. Mobile phones, printer cartridges and cooking oil are currently collected free of charge and do not generate either expenditure or income.

Overall net income and expenditure position

13. The overall financial outturn position for all materials over the last full 12 month period is a net cost of £340k. This is lower than the estimate of around £500k made prior to the commencement of materials trading. Due to trading conditions, this could increase to around £450k in the next financial year.

Length of contracts

14. Current contracts have been extended to synchronise with the decision to award the new HRC management contract to Ubico, plus some additional time to make and implement this decision on future materials offtake arrangements.
15. The decision of July 2020 to award a further operational contract arrangement to Ubico necessitates further contract awards to companies who can deliver materials offtake services on behalf of the Council. Ubico will continue to operate the HRC contract for a minimum period of five years plus an option to extend a further two years up to August 2028. As a result, materials offtake arrangements will be required until at least this date of expiry, either after 5 years, or after 7 years if the Ubico contract extension option is exercised.
16. The existing DPS can be used as the mechanism for procuring these contracts as long as the contracts are let before the end of January 2022. Contracts can run for any length of time thereafter. Given that some form of contract for materials offtake will be required to be in place for the duration of the Ubico contract, it would be logical to take this opportunity to synchronise these contracts with the life of the new Ubico contract. There will always be a need to have such contracts in place whilst Ubico continue to manage the HRCs. Should a decision be made in future to put the HRC operations contract out to competitive tender and a private company appointed, then such materials offtake arrangements can be modified as necessary, such as placing the responsibility for this aspect of the service back with the contractor.
17. The synchronisation of materials offtake and HRC operational contracts would require that both co-terminate on 6th August 2026 with an option to extend up to 6th August 2028.
18. The procurement of contracts for materials offtake arrangements is a significant undertaking, there being up to 28 such contracts to let at any one time. By letting contracts up to a minimum of August 2026, the undertaking of further procurements can be kept to a minimum; reducing officer time and associated costs. In order to ensure ongoing best value is maintained during the contract period, current high value contracts are designed to track ongoing commodity market values, adjusting cost and income on monthly basis within terms agreed at the outset, thereby stabilising contract risk to both the Council and the contractor. It would be proposed that new materials offtake contracts are let on this same basis.

Options

19. Option 1 - Do nothing

This is not a viable option as the provision of these services is a statutory obligation under the Environmental Protection Act 1990 s51(1)(b).

20. Option 2 - To let offtake contracts for all 28 materials on the basis discussed within this report (recommended).

The letting of new materials offtake contracts under the existing DPS will provide an opportunity to continue an effective HRC operational service with a range of experienced providers. It will also ensure competition exists between a number of key suppliers in respect of core materials. It would be necessary to award contracts before the end of January 2022 under the existing DPS, and to thereafter consider the procurement of a new DPS or alternative contract letting arrangements for a subsequent round of contracts from August 2026 onwards. The need for this, and the consideration of other options, would be guided by future decisions around the letting of the HRC operational service contract after August 2026.

21. Option 3 - To procure and let shorter term offtake contracts for all 28 materials which terminate prior to the expiry of the Ubico HRC operational arrangements.

There is little benefit in taking this approach, since materials offtake contracts are required to be in place for the full duration of the Ubico service arrangements, and further procurements would be required to be undertaken from within the same limited pool of providers. In addition, it would not be possible to undertake these procurements using the existing DPS since this will have expired. The establishment of an alternative approach or a new DPS would be required before this could be achieved.

Risks

22. Fluctuations in market prices for materials and haulage rates affect Council incomes and disposal costs. Indexed prices reduce contractor risk, attract improved pricing and reduce the risk to the council of contractor default. By maintaining an indexation approach to monthly pricing of materials (where such indexes exist) we aim to track the fluctuations of the market. Whilst this benefits us while the markets are buoyant, it does present a risk to the Council if prices fall.

23. Insufficient competition for recyclates results in poor value prices. A guarantee of exclusivity for the materials bid for would help to address this and could encourage new suppliers to join the DPS and tender for the contracts.

24. The contractors administrative and setup costs (eg the provision of skips and other containers) impact upon contract prices. This risk can be minimised by avoiding short term contracts as per the recommendation in this report.

Financial implications

25. By ensuring that materials re-enter the market via recycling, reuse or recovery, the higher costs of disposal as residual waste are avoided.
26. The provision of recycling, reuse and recovery services for these materials is a fundamental requirement of the HRC service which has been in place for many years. As a result, the budget exists to provide these services without the need to seek additional funding.
27. However it should be noted that market prices can fluctuate up and down with the commodity markets, and expenditure is therefore determined by the movement of these markets. Markets trends are monitored on an ongoing basis and risks are flagged as part of the monthly budget monitoring cycle.

Climate change implications

28. The provision of these services ensures that recycling, reuse and recovery of materials is maximised, thereby creating a closed-loop solution which makes best use of the material, thereby reducing the carbon impact associated with the extraction and production of new raw materials.

Equality implications

29. Has an Equalities Impact Assessment (EIA) been completed? No

Data Protection Impact Assessment (DPIA) implications

30. There are no Data Protection implications associated with this decision.

Social value implications

31. There are no social value implications associated with this decision.

Consultation feedback

32. Consultation has taken place with the Lead Cabinet Member and Senior Officers in the preparation of this report.

Officer recommendations

33. That Cabinet delegates authority to the Executive Director of Economy, Environment and Infrastructure, in consultation with the Cabinet Member for Environment and Planning to:
34. Use the council's existing HRC DPS to conduct a competitive procurement process in respect of the supply of up to 28 contracts for the provision of recycling, reuse and recovery services as described in paragraph 1.4 of this report. The proposed contracts shall continue for an initial period commencing on 1st April 2022 and ending 6th August 2026 and include an option to extend their terms for a further period of not more than two years.

35. Award such contracts to the preferred tenderers;
36. Determine whether to exercise the option to extend such contracts for a further period of not more than two years on the expiry of their initial terms.

Performance Management/Follow-up

37. Performance will be measured in terms of collected tonnages, service cost and service availability. Tonnages are monitored on an ongoing basis and data is collected for internal monitoring purposes and for reporting into the national 'Waste Data Flow' database. Cost is also monitored on an ongoing basis and reported within the monthly forecasting for the relevant cost centre. Service availability is reviewed regularly with Ubico, with formal reporting and review taking place on a quarterly basis.