

TITLE OF REPORT: TRANSPORT AND SALE OF RECOVERED PAPER

REPORT OF THE HEAD OF LEISURE AND ENVIRONMENTAL SERVICES
EXECUTIVE MEMBER: COUNCILLOR PETER BURT

1. SUMMARY

- 1.1 North Hertfordshire District Council currently has a contract for the transport and onward sale/processing of recovered paper, collected from blue boxes at the kerbside. This contract expires at the end of November 2016.
- 1.2 The Council needs to procure a new contract before the current expiry date and due to the success of the previous joint procurement with the Hertfordshire Consortium for paper officers are recommending a similar procurement.
- 1.3 Officers consider that a joint procurement with the relevant Hertfordshire Consortium partners is likely to result in overall best value for the partners and represents the best option overall.

2. RECOMMENDATIONS

Cabinet are requested:-

- 2.1 To note the potential impact on the base budget of the requirement to retender for the transport and onward sale and processing of recovered paper.
- 2.2 Agree delegation of authority to the Director of Customer Services, in consultation with the Executive Member for Waste, Recycling & Environment, to approve the final Invitation to Tender (ITT)

3. REASONS FOR RECOMMENDATIONS

- 3.1 The potential impact on the base budget is significant and notification to Cabinet is to identify that this may come forward in quarterly revenue monitoring report.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Procurement of a contract outside of the Hertfordshire Consortium was considered however, due to the success of the previous procurement and staff shortages within the waste management team, it was felt this provided the optimum solution for the Council.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Meetings have been held with partners from the Hertfordshire Waste Partnership to discuss and agree a procurement approach.

5.2 The contract procurement will not impact on the service provision to residents and further consultation is therefore not considered necessary.

6. FORWARD PLAN

6.1 This item was notified to the forward plan on 13 May 2016

7. BACKGROUND

7.1 The Council recycled approximately 58% of its household waste in 2015/16. Residents are provided with grey bins for the collection of co-mingled recyclable materials – collected fortnightly and a blue box for the collection of separated paper. Collected paper is deposited, by the Council's contracted waste collection service, at Radwell Barn, close to junction 10 of the A1.

7.2 Under the existing paper contract a service provider to the Council collects the recovered paper from Radwell Barn and transports it for processing to a facility for making newsprint in the UK which is operated entirely independently of the Council. On average, just over 70 tonnes of recovered paper is collected from the kerbside per week for onward sale and processing.

7.3 During the first 3 years of the contract NHDC has received on average £427,000 income annually from the sale of paper.

7.4 Tonnages for recovered paper are slowly but steadily decreasing due to a change in use of paper amongst residents.

7.5 For local authorities, receiving income from the sale of dry recyclables that is in line with an annual budget and maintaining a stable budget from year to year are important factors, allowing the funding of services to be planned for more easily. However market fluctuations over recent years have led to contracts offering either less favourable pricing or seeking a balance of financial risk between contractor and client.

7.6 The current contract expires at the end of November 2016 with no option to extend further.

7.7 The Council needs to procure a new contract before the current expiry date and due to the success of the previous joint procurement with the Hertfordshire Consortium for paper officers are recommending a similar procurement.

7.8 Officers consider that a joint procurement with the relevant Hertfordshire Consortium partners is likely to result in overall best value for the partners and represents the best overall option and will therefore seek to agree a specification jointly rather than procuring the contract separately.

7.9 The existing contract was procured using a e-auction and it is proposed to consider this option for procurement in the first instance.

7.10 A fixed price will be sought for the initial contract term of 1.5 years to secure a fixed price up to the start of North Hertfordshire District Councils new collection contract. Options for the sale of material are being considered for this contract and therefore the initial term will allow for a break in the contract should this be the most economically advantageous proposal for the Council. The contract will allow for extension by mutual agreement should this be considered the best option for the Hertfordshire Consortium partners.

8. ISSUES

- 8.1 The market has been depressed over recent years and this has impacted on the price that bidders are prepared to offer for fixed term contracts. Consequently long term fixed term contracts are not considered favourable by bidders. The initial term proposed is considered to be sufficient in length to attract bidders but balance the risk of market price fluctuations by being shorter.
- 8.2 The number of potential contractors in the UK market has reduced since the last tendering exercise. This may mean that there is less interest and competition for this contract, with a potential drop in income to the Council as a result.
- 8.3 Paper tonnage has been falling year on year, with total paper tonnages for 2015/16 10% lower than that collected in 2013/14 equating to a drop in income of circa £40,000. Should this trend continue, as is predicted by changes in the national consumption of paper, this will further impact on income generated by this contract.

9. LEGAL IMPLICATIONS

- 9.1 The Executive Member for Waste Management, Recycling and Environment is responsible for the proper administration of the Council's services under section 14.8.1 of the Council's Constitution. Given the impact that potential fluctuations in price for this contract; have on the budget, the Executive Member considers that it is appropriate for the Council's Executive to be made aware of this contract procurement.
- 9.2 The Waste (England and Wales) (Amendment) Regulations 2012 which transposed the requirements of the revised Waste Framework Directive also include a requirement that from 1 January 2015 an establishment or undertaking which collects waste paper, metal, plastic or glass must do so by way of separate collection. These requirements apply where separate collection:
 - (a) is necessary, in effect, to provide high quality recyclates; and
 - (b) is technically, environmentally and economically practicable.Where waste paper, metal, plastic or glass has been collected separately all reasonable steps must be taken to keep that stream separate from other waste streams wherever this is necessary to provide high quality recyclates.
- 9.3 In maintaining the separate collection of recovered paper North Hertfordshire District Council is ensuring legislative compliance for this waste stream.
- 9.4 The anticipated value of the total contract over the 1.5 year period plus potential extension is above the threshold of £164,176 for goods and services, referred to in the Public Contracts Regulations 2015. Contracts with a total contract value in excess of the threshold must be procured in accordance with the Regulations and the Council Contract Procurement Rules, otherwise the Authority may be presented with a legal challenge on the basis of a breach of legislation.
- 9.5 Contracts over £10,000 must be in a form approved by the Corporate Legal Manager.

10. FINANCIAL IMPLICATIONS

- 10.1 The balance between quality and price evaluation at tender is important to ensure the procurement of both value for money services, and services which maintain a high standard.

- 10.2 The original budget for financial year 2016/17, approved in February 2016 has provision of £372,400 for the current contract income for the sale of recovered paper. This budget is based on the current sales income received, and the collection of approximately 3800 tonnes of paper for recycling collected in the year. Officers are seeking submissions from bidders that offer a similar price per ton of material but Members should consider that, due to change in the recyclable material markets, contract prices secured may vary significantly from those of the existing contract. In addition as paper use reduces the tonnage collected is likely to reduce and is anticipated to be in the region of 200 tonnes less than originally budgeted for. A shortfall in budget is therefore anticipated for the 2016/17 financial year.
- 10.3 Following confirmation of the contract award the budgetary position will be reviewed and any adjustment required to budget estimates highlighted in the General Fund monitoring report provided to Cabinet for the relevant quarter.

11. RISK IMPLICATIONS

- 11.1 The procurement is proposed to be undertaken by Welwyn Hatfield Borough Council on behalf of the participating members of the Hertfordshire Consortium. As the Contracting Authority the procurement risks are predominantly with them, however in participating in this contract procurement reputational and operations risks exist should the procurement fail or be declared ineffective.
- 11.2 Should the procurement not be successful in attracting bidders and the procurement fail. It will be necessary to seek an alternative disposal route and secure interim arrangements prior to an alternative contract procurement being undertaken.

12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5th April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 All existing services for residents which require assistance will continue as part of any new contract.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 As the recommendations made in this report constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need to be applied. The award of a public service contract will be evaluated in terms of its social value through the joint procurement process.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 Staff shortage in the waste management team will continue to impact on the ability of staff to complete procurement work whilst maintaining standards in the existing

services. The joint procurement of the contract assists in providing resilience to the Council and officers.

15. APPENDICES

15.1 None.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

None.