

WEST NORTHAMPTONSHIRE COUNCIL CABINET

13 FEBRUARY 2023

**CABINET MEMBER RESPONSIBLE FOR ENVIRONMENT, HIGHWAYS,
TRANSPORT & WASTE SERVICES – COUNCILLOR PHIL LARRATT**

Report Title **Contract for Dry Mixed Recycling**

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Contributors/Checkers/Approvers

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List of Appendices

Appendix 1 – Procurement Timeline

1. Purpose of Report

- 1.1. To outline the current contractual arrangements for treatment and sorting of mixed recycling collected from residents using kerbside collections.
- 1.2. To secure Cabinet approval to commence procurement of a new contract for the sorting and onward treatment of dry mixed recycling (DMR).
- 1.3. To secure delegated authority to award a contract at the conclusion of the procurement process.

2. Executive Summary

- 2.1 The Council collects comingled dry mixed recycling from West Northamptonshire's residents via kerbside waste collection services. Arrangements to separate and treat the material that is collected are made through contracts which were inherited from the predecessor authorities.
- 2.2 The current contract for the haulage and sorting of recycling from the Daventry area will end on 3 June 2023. The contracts for bulking, haulage and sorting of the recyclable material collected in the South area end on 26 February 2024. For Northampton, there are arrangements in place until 2028.
- 2.3 Officers have explored options for the consolidation of the arrangements for Daventry and South into one contract in the future, into which we can potentially add the material collected from the Northampton area when that contract expires. The option which it is believed will give security of outlet and enable the most competitive prices is to procure a new contract which will allow the recyclable material from the 3 geographic areas in West Northamptonshire to 'phase in' to the new contract as existing arrangements naturally conclude.
- 2.4 Cabinet is therefore asked to approve commencement to procure a new contract for the sorting and onward treatment of dry mixed recycling collected at the kerbside and delegated authority to award a contract when the procurement process concludes.

3. Recommendations

- 3.1 It is recommended that Cabinet:
- a) Approve the recommendation to commence procurement for a new contract for mixed recycling.
 - b) Agree to delegate authority to the Executive Director for Place, Economy and Environment in consultation with the Portfolio Holder for Environment, Transport, Highways and Waste Services, and the Executive Director for Finance to
 - i) take decisions related to the procurement process, to enable it to progress as planned; and
 - ii) award the contract, (provided the procurement reaches a satisfactory conclusion).

4. Reason for Recommendations

- To ensure the Council has secure outlets at a competitive price for the dry mixed recyclable material it collects at the kerbside from residents, which will enable statutory recycling services to continue without disruption.
- To ensure a compliant procurement process is commenced with a view to a new contract being awarded at the completion of the process and that the new contract is awarded as soon as possible to minimise the Council's exposure to 'spot prices' (6.10).

- To ensure value for money for these arrangements.

5. Report Background

Statutory Duty & Current Contract Arrangements

- 5.1 The Council operates a comingled mixed recycling collection service for all households as part of its kerbside waste collection services under its statutory duty to arrange for the collection of waste and recycling.
- 5.2 Under the structural change order, West Northamptonshire Council (WNC) has inherited the contracts from the predecessor authorities and the contracts to sort and treat the mixed recycling end for the Daventry area in June 2023 and for the South area in February 2024.
- 5.3 The collection services are carried out by West Northamptonshire Norse for the Daventry area, by the in-house team in the South area and by Veolia (ES) UK for the Northampton area. These waste collection contracts and arrangements will remain and there will be no changes to the service provided to residents.
- 5.4 Recycling is collected mixed together as Dry Mixed Recyclables (DMR) and it is required to be sorted at a Materials Recycling Facility (MRF) into separate materials (e.g. paper, aluminium) so that it can be effectively recycled.
- 5.5 This type of facility is provided by private contractors and is not a service that WNC is currently able to provide, although this will be considered as an option for the future during the development of the Waste and Resources Strategy.
- 5.6 The WNC pays an amount per tonne of material collected to sort DMR. Around 20,000 tonnes of mixed recycling are collected between the Daventry and South areas.
- 5.7 The price per tonne to treat this waste is affected by many factors including the global value of the materials (i.e. paper, card, aluminium), energy, staff and transport costs and the amount of contamination in the recycling. When the wrong things are placed in the recycling bin this causes the sorting costs to rise because the incorrect materials need to be removed. Due to the number of variables, contracts are normally priced at a variable rate, which is reviewed quarterly.
- 5.8 It is unlikely to be possible or favourable to extend either of the current DMR contracts for the South area or the Daventry area on their current terms. This is because the Contract with West Northamptonshire Norse requires a review of contract prices at the end of the initial period (June 2023) and preliminary discussions indicate that there would be a significant cost increase. For the South area, the contract with Casepack (noted on the contract as GAE SMITH (HOLDINGS) LIMITED T/A CASEPAK) has been extended to its maximum duration. Therefore in both cases, a competitive procurement will enable WNC to ensure it secures the best value option available.

6. Issues and Choices

- 6.1 It is necessary to procure new arrangements for the sorting and onward treatment of mixed recycling to ensure that WNC meets its statutory duties of providing recycling services to householders. These arrangements also contribute to WNC's clean and green priority and its commitment to be carbon neutral by 2030.

6.2 Due to the varying expiry dates of the current contracts, two options have been considered.

Option 1 - Interim Contract for the Daventry Area from June 2023 – Feb 2024

6.3 The Daventry area contract expires before the South area contract, and officers have considered whether to enter an interim arrangement for the Daventry area to cover the period between June 2023 and February 2024. However, initial investigation of this option indicates a temporary arrangement is likely to be subject to a high price per tonne because there is no guarantee for a long-term contract for the contractor.

6.4 The total value of this interim contract would be less than the procurement regulation threshold because of its short duration. This would simplify the initial procurement process. However, a second procurement for a new contract commencing in February 2024 for DMR from the Daventry and South areas would still be necessary.

Option 2 – New Contract, phasing in DMR from Geographic Areas, commencing June 2023

6.5 The alternative option is for the current arrangements to be combined into a single new contract, with separate lots, in phased start dates from June 2023 for Daventry area DMR and February 2024 for South area DMR.

6.6 The length of the new contract is still to be determined. However, if the length of the new contract is beyond June 2028, it may also be possible for DMR from the Northampton area to be included, which may provide further economies of scale.

6.7 Soft market testing with contractors interested in providing this service for WNC commenced in January 2023 to gain intelligence on current market prices, length of contract, level of risk that contractors are prepared to enter related to price, capacity within the MRFs and other factors that will affect the contract. This information will enable WNC to tailor the contract specification, including the length of the contract, with a view to securing the best value contract.

6.8 A proposed procurement timetable is provided in Appendix 1. Due to the value of this contract (which is over the regulation threshold) the procurement process must follow the full regulations of the Public Contract Regulations 2015. The procurement timescales are short and this is the main reason why delegated authority to award the contract is recommended, to enable award of the contract on the shortest possible timescale.

6.9 The reason the procurement timescales are short is that the price review for the Daventry arrangement was not triggered until 6 months before the 3 June review date. Officers had anticipated the price review and considered options in advance, but it was not until early January that it became clear that an interim arrangement was unlikely to offer WNC the most competitive price.

6.10 The two incumbent contractors have indicated that they could provide a short-term price for the Daventry area if this option 2 is pursued. If this procurement process does not result in a new contract which can commence in June 2023, then it may be necessary for tWNC to continue to use its current arrangements on a temporary basis. However, as noted earlier this would be at new 'spot rates' and not under the current terms.

Preferred Option

- 6.11 Due to the likelihood that an interim arrangement to cover the period between June 2023 and February 2024 will not offer the most competitive deal, the preferred option is to combine the requirements into a single contract with staggered start dates, commencing in June 2023 with the Daventry material and taking the South recyclables from February 2024.
- 6.12 Cabinet approval is sought to commence the procurement of a new contract and for delegated powers to be given to enable award of the contract once a successful procurement process has taken place.

Long Term Options & Opportunities

- 6.13 Work has commenced on the Waste and Resources Strategy which will determine the long-term approach for the collection and disposal of all household wastes. As part of the development of this strategy, we will consider if there are opportunities to secure or develop a MRF for West Northamptonshire on a long term basis.
- 6.14 Therefore, the preferred contract solution will be designed to enable:
 - 6.14.1 continuity of current services;
 - 6.14.2 the option of phasing in Northampton's DMR, depending on the duration of the contract procured;
 - 6.14.3 whilst not limiting the longer term options and opportunities which the Waste and Resources Strategy will inform.

7. Implications (including financial implications)

7.1 Resources and Financial

- 7.1.1 Since the Daventry contract was let in 2018, the market for dry mixed recycling has changed considerably. The global pandemic, fluctuating global commodity markets, the energy crisis, increases in wages and inflation have all driven the costs up. As a result, officers have estimated that the annual expenditure will increase, which could result in a total cost of £1.6m per annum. The full price will be known once the procurement process is complete.
- 7.2 In anticipation of increased costs, an amount for the increased price per tonne for Daventry area DMR has been included in the draft budget for 2023-24.
- 7.3 There are no implications for WNC staffing levels or assets.

7.4 Legal

- 7.4.1 WNC has a statutory duty to collect waste and recycling from households as set out in the Environmental Protection Act 1990.
- 7.4.2 Due to the estimated contract value, a fully compliant, above threshold tender exercise is required.

7.4.3 WNC’s legal and procurement teams will be involved in the procurement and award of the proposed new contract to ensure compliance with relevant regulations and procedures.

7.4.4 The current contract for the Daventry area DMR is with West Northamptonshire Norse and continues until either party serves an Expiry Notice. West Northamptonshire Norse have served an Expiry Notice which will end the contract on 3 June 2023. The current contract for the South area DMR is with Casepack and will continue until its natural expiry on 26 February 2024.

7.5 Risk

7.5.1 The key risks are:

	Risk	Mitigation
i.	Current contracts for DMR are due to expire and the Council has a statutory duty to collect recycling and therefore requires arrangements for the separation of recyclables.	Procure a new contract to replace existing arrangements
ii.	A new contract will not be procured in time for when the current Daventry area arrangement ends in June 2023	The current provider has confirmed that they will accept DMR from the Daventry area, although this will revert to a ‘spot price’.
iii.	The new contract will be more expensive than the current arrangements.	The DMR market is subject to many variables which are not in the direct control of the council. However, by procuring one new contract for both areas the Council should benefit from some economies of scale. An increased amount for the treatment of DMR has been included in the 23-24 draft budget.
iv.	There is a reputational risk for the Council if the DMR is not separated and treated. For example if recycling were to be sent to landfill, or overseas.	The procurement will ensure a reputable contractor is secured which has access to reliable UK markets.

7.6 Consultation

7.6.1 Public consultation not required as there will not be any changes to the household collection service.

7.6.2 Soft market testing has commenced with interested contractors.

7.6.3 Members will be involved in the development of a long-term solution, via the Waste and Resources Strategy Members Working Group.

7.7 Consideration by Overview and Scrutiny

7.7.1 This matter has not previously been considered by Overview and Scrutiny.

7.8 Climate Impact

7.8.1 Waste collection and treatment is a significant source of carbon emissions for the Council. By managing waste efficiently (i.e. by preventing waste, reusing it, recycling it and recovering it in accordance with the waste hierarchy) we minimise the environmental impact of the waste that our residents produce.

7.8.2 A compliant procurement exercise, resulting in a new contract will ensure that waste is recycled effectively, and locally where possible, to minimise the impact on the environment.

7.9 Community Impact

7.9.1 Householders should not experience any disruption to their recycling collection service if this contract procurement is undertaken correctly.

7.10 Communications

7.10.1 The Council will keep staff, members and other relevant stakeholders updated as the proposals progress and will promote the outcomes of the new contract. Wider residents' communications are not expected to be required as the proposals will not change current arrangements for household collections.

8. Background Papers

8.1 None.

Appendix 1 – Procurement Timeline

Step	Owner	Timeline	Target Date
Procurement route & responsibilities to be agreed	Joint	w/c 9th Jan	
Cabinet approval (WNC) - if applicable	Department	w/c 13th Feb	
PGG to be approved - if over £100K	Department	w/c 20th Feb	
Specification/Requirements to be drafted	Service Area	Week 1-3	3 March 2023
TUPE implications - if applicable	Service Area	TBC	
Terms and conditions to be drafted	Legal	Week 1-3	17 March 2023
SQ: Evaluation criteria to be finalised	Procurement	Week 3-4	17 March 2023
Tender Specific Evaluation criteria to be finalised	Joint	Week 3-4	17 March 2023
Specification/Appendices to be finalised	Service Area	Week 5	17 March 2023
Contract Finder / FTS Notice to be published	Procurement	Week 5	20 March 2023
Tender goes live	Procurement	Week 5 - 10	20 March 2023
Tender Closes/Review Submissions	Procurement	Week 10	24-28 April 2023
Evaluation Period	Service Area	Week 11	w/c 1 May 2023
Moderation Period	Joint	Week 12	w/c 8 May 2023
Provisional Award/Standstill Period	Procurement	Week 13 - 14	12 - 22 May 2023
Intention to Award	Procurement	Week 14	23 May 2023
Finalise and Sign Contract	Legal	Week 15 - 20	30 May 2023
Go-Live	Service Area	Week 16 - 20	1 June 2023