
REPORT FOR: CABINET

Date of Meeting:	13 September 2018
Subject:	Procurement of the Dry Mixed Recyclables Contract
Key Decision:	Yes
Responsible Officer:	Paul Walker, Corporate Director of Community
Portfolio Holder:	Councillor Varsha Parmar, Portfolio Holder for Environment
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report seeks Cabinet approval to carry out a procurement exercise for the provision of services to sort and resell dry mixed recyclables (DMR) collected from the kerbside within the London Borough Harrow

Recommendations:

Cabinet is requested to:

1. grant approval to procure and select the provider(s) for the dry mixed

recyclables service.

2. delegate to the Corporate Director, Community, following consultation with the Portfolio Holder for Environment and the Portfolio Holder Finance and Resources, to finalise the procurement and award of the contract/s.

Reason: (For recommendations)

To ensure the Council fulfils its statutory duty to provide waste disposal services.

Section 2 – Report

Mixed dry recyclables (18,000 tonnes pa) are collected from the Harrow Council CA Site and are then separated into their respective streams at the MRF and sold on to worldwide commodity markets.

Until 2014/15 Harrow gained significant income (>£500k annually) from the contract, however a substantial drop in secondary commodity values has resulted in a change from income generating to cost.

The contract is for the provision of services to sort and resell dry mixed recyclables (DMR) collected from the kerbside within the London Borough Harrow. Harrow's requirement for the processing and resale of mixed dry recyclables is currently undertaken by Viridor UK Ltd.

A fixed proportion of the variable income generated from the marketing of component materials will be paid to Harrow in the form of a rebate against the resale value of materials.

The scope of the contract is:

- Collect DMR from sites within West London, as nominated by the Council;
- Transport the DMR to the MRF nominated by the Contractor;
- Sort the DMR into the component materials;
- Market these component materials;
- Handle contamination for recovery / disposal;
- Report performance to the Council;
- Ensure all activities are undertaken in accordance with consents and legislation; and
- Maximise the recycling of materials derived from DMR.

Options considered

(A) Do Nothing – this is not a viable option as the current contract is at an end with no further option to extend.

(B) Re-procure the contract via competitive tender This maintains the current delivery model as well as offer opportunities to secure best value.

Recommendations

It is recommended that option B above is progressed and a competitive tender process is undertaken to re-procure the service.

Current situation

Value of mixed paper, which makes up 23% of Harrow's Dry Mixed Recyclables (DMR) has dropped by 50% since December 2016. This is due to market volatility caused by China imposing severe restrictions on imports of mixed paper sighting contamination controls, causing a glut in the market. This restriction has increased over the last few months, to the extent that materials are backing up at re-processors awaiting sale. Due to limited shelf life material at some MRF's mixed paper is being landfilled as opposed to being sold on.

In the wider market import restrictions are affecting other materials including plastics which make up 10% of Harrow material. The current supplier has mitigated the adverse effects of this decline by proactively securing alternative markets. This is demonstrable through a comparison of Current Supplier sales prices in comparison to the Lets Recycle benchmark index sales prices which shows a widening gap in favour of the Harrow incumbent (in January 2018 the difference was £21 per ton). However there is volume pressure on these alternative markets from North America and Australia seeking alternative buyers to China.

Risk Management Implications

Risk included on Directorate risk register? No
Separate risk register in place? Yes

There are no risk management implications.

Financial risk: The basket value of sorted materials is determined by volatile secondary commodity markets outside of Local Authority Control. Harrow receives a proportion of the actual resale value of material in the form of a rebate against Gate Fee. These are then benchmarked against the Letsrecycle.com published indices Mid-Point (where listed) to ensure that Harrow are getting Value for Money. Should the Letsrecycle Indices provide a higher Basket Value than the actual resale value, then this value would be used to calculate the rebate, therefore Harrow retain the best value and have some assurance of recyclate sales. If the basket value of recyclates falls the Gate Fee paid by Harrow to the supplier increases and therefore represents financial risk

Contamination of materials: Contamination >5% is rechargeable to Harrow. Recycling officers are employed by Harrow to educate service users on correct recycling. Further contamination is removed at the Harrow Depot Civic Amenity Site by trained operatives prior to loading clean material for onward journey to the MRF.

Procurement Implications

This exercise will be carried out with Procurement supporting the tender process.

Legal Implications

The procurement process and award of the contract for the provision of services to sort and resell dry mixed recyclables will be in accordance with the Public Contracts Regulations 2015 (PCR) and the Council's Contract Procedure Rules (CPRs). The general EU procurement treaty principles of equal treatment, transparency, mutual recognition and proportionality must be adhered to.

Legal support will be provided throughout the tender process and the form of contract for the services to sort and resell dry mixed recyclables will be agreed in consultation with Legal.

Financial Implications

The monthly gate fee for the dry recycling waste contract can fluctuate depending on the secondary commodity values. In 17/18, the cost per tonne ranged from -£5.62 (income) to £41.75, with an average of £13.03 over a 12 month period. Due to market volatility, there is already a large fluctuation in gate fees in 18/19 ranging from £47.97 per tonne to £19.48 per tonne.

The Directorate has a budget of £500k per annum which would afford our usual 18,000 tonne of dry recyclables at an average of £27 per tonne. Based on the trend on the cost per tonne in 18/19 to date, it is forecast that there would be a budget pressure of approximately £160k should the average cost per tonne remain at a similar level.

The procurement exercise will inform the mechanism used to calculate the monthly gate fee going forward and the outcome of which will help establish if the market offer is better or worse than what we currently have

Resources, costs

This project will be delivered by Waste Services Team, with contract management by the Directorate's Contract Management Team

Staffing/workforce

The project will be delivered by the Waste Services Team and therefore no additional staffing resource required.

Equalities implications / Public Sector Equality Duty

The proposals described above do not adversely impact upon persons within the protected categories.

Council Priorities

The Council's vision:

This report incorporates the following administration's priority:

Making a difference for communities - The provision of this service will provide benefits to the community and all its boroughs residents.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert

Chief Financial Officer

Date: 14 August 2018

Name: Blessing Enejo

on behalf of the
Monitoring Officer

Date: 14 August 2018

Section 3 - Procurement Officer Clearance

Name: Jessica Covey

on behalf of the
Head of Procurement

Date: 14 August 2018

Ward Councillors notified:

NO, as it impacts on all
Wards

EqIA carried out:	NO
EqIA cleared by:	Not required

Section 4 - Contact Details and Background Papers

Contact: Venetia Reid-Baptiste.
Tel: 020 8424 2492
Venetia.reid-baptiste@harrow.gov.uk

Background Papers: None

Call-In Waived by the Chair of Overview and Scrutiny Committee	NOT APPLICABLE <i>[Call-in applies]</i>
---	---