

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL
EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
CABINET

Date 26th September 2017

1. **REPORT TITLE** Contract Award for the Sale of Recyclable Materials
- Submitted by:** Head of Recycling, Waste & Fleet Services - Andrew Bird
- Portfolio:** Operational Services
- Ward(s) affected:** All

Purpose of the Report

To inform Cabinet of the process and outcome of the exercise undertaken for companies to purchase bailed plastic, cardboard and steel cans (dry recycle material) collected by the Council through its kerbside recycling collection service

Recommendations

That Cabinet note and concur with the decision taken by the Portfolio Holders for Operational Services and Finance, IT and Customer that the Council enter into contractual arrangements with DS Smith Limited for the purchase of Plastic, Cardboard and Steel Cans for a period of two years, with a possible extension of a further year.

Reasons

The Council needs to obtain the best financial value, with the least risk in terms of reliable offtake and price volatility for its collected dry recycle materials.

DS Smith are a major UK company, with their own reprocessing facilities, meaning less reliance on potentially volatile and unsustainable export markets.

1. **Background**

- 1.1 The Council has been operating its new recycling collection service since July 2016, and processes materials collected through the kerbside collection service, in order to sell them directly to reprocessors and or manufacturers, thereby obtaining highest value possible for those materials.
- 1.2 A marketing exercise was undertaken in 2016 prior to the commencement of the new service to obtain outlets for the sale of the materials the Council was proposing to collect, namely –
- Glass
 - Paper
 - Plastic Bottles
 - Cardboard
 - Steel Cans
 - Aluminium

- 1.3 For Glass, Paper, and Aluminium, arrangements were agreed for sale directly back into remanufacture for those products. Agreement for Glass recycling was made with URM, the largest UK glass bottle manufacturer for a period of two years. For Paper recycling agreement was made with UPM, one of two UK paper mills, for a period of three years, with an annual review of price. For Aluminium agreement was made on a twelve month trial basis with Novelis, the largest UK Aluminium reprocessor.
- 1.4 For the other materials, Plastic, Cardboard and Steel cans it was agreed that the Council sold them for reprocessing through a company, Newport Paper, for a contract period of twelve months, once there was a better understanding of the quantities and quality of these materials, as they would be bailed through the Council's in-house transfer station.
- 1.5 Following twelve months of operation, the Council went out to seek prices from companies for the purchase of Plastic, Cardboard Aluminium and Steel Cans, either bailed or loose. Closing date for receipt was 14th July 2017.
- 1.6 Bids were received from four companies including the current company the Council sells its materials to.
- 1.7 In view of the urgent nature of completing the formalities with the preferred bidder to enable the contract to commence, approval was sought from the Portfolio Holders for Operational Services and Finance, IT and Customer to enter into the contract on the basis that this would be reported to Cabinet.
- 1.8 The proposed contract will be for a period of two years, with a possible extension of a further year.

2. **Issues**

- 2.1 It is vitally important that the Council looks to obtain the best financial value for the materials it needs to sell from its kerbside recycling collection service. It is also critically important that the market which the Council wishes to sell materials into is reliable and sustainable.
- 2.2 Much of the UK's collected recyclate material currently goes to China, however over the last twelve months China has been clamping down on the quality of materials they are receiving, mainly through comingled collection operations, as they have encountered large amounts of contamination. This has resulted in oversupply into other markets which has had an impact on prices for lower quality materials.
- 2.3 As the Council collects its recycling source separated from residents, the quality is high, as recognised and confirmed by current off takers, and therefore is much easier to find outlets for, at more stable and generally higher prices.

3. **Proposal**

- 3.1 Price bids received have been evaluated on price and an assessment of the company to provide sustainable offtake for the materials specified.
- 3.2 Only two of the companies provided prices for Aluminium.
- 3.3 Meetings have taken place with the two bidders with the highest prices, Bidder 'A', and Bidder 'B'. Each company also took a sample load of material for evaluation.

3.4 Table 1 provides the outcome of the financial evaluation comparing them to the current arrangements.

Material	Average tonnage / month	Current Contract		Bidder 'A'		Bidder 'B'		Bidder 'C'		Bidder 'D'	
		Unit £	Total	Unit £	Total	Unit £	Total	Unit £	Total	Unit £	Total
Card	165	70	11550	131	21615	127.5	21037.5	70	11550	85	14025
Plastic	80	52.5	4200	75	6000	72.5	5800.0	52.5	4200	72.5	5800
Steel Cans	35	70	2450	100	3500	104	3640.0	94	3290	110	3850
Total			18200		31115		30477.5		19040		23675
Aluminium	10			960	9600	630	6300				

3.5 Following evaluation of the trial loads, Bidder 'A' stated they could not accept the cardboard, and therefore would withdraw this element from their bid. Bidder 'B' was happy with the trial loads, and confirmed their price bid for the materials was as submitted.

3.6 The preferred bidder to buy materials from The Councils kerbside recycling service is DS Smith (Bidder 'B').

3.7 It is proposed that the contract starts as soon as possible in September for the purchase of Cardboard, Plastic Bottles and Steel Cans.

3.8 'With regard to Aluminium and based on best value, the Council has decided to continue to supply the current offtake company as they pay a higher rate per tonne (£960) than quoted by bidder 'A' and bidder 'B'. This has been agreed with the preferred bidder, who would have simply sent the Aluminium to the Councils current offtake company in any event.

4. **Reasons for Preferred Solution**

4.1 DS Smith are a large well know company in the recycling and reprocessing industry. They have a further advantage in that they manufacture cardboard themselves, and have good sustainable arrangements for reprocessing plastics and steel within the UK. This means the Council is more protected in terms of reliable markets, and does not have to rely on exports of its materials, which can be problematic and volatile in terms of price and demand.

5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

5.1 The proposal is key to the effective delivery of the Integrated Municipal Waste Management Strategy for Newcastle under Lyme Borough Council, and will contribute to the following corporate priorities:

- creating a cleaner, safer and sustainable Borough
- creating a Borough of opportunity
- transforming our Council to achieve excellence

6. **Legal and Statutory Implications**

- 6.1 The procurement process is being conducted to meet the requirements of the Public Contract Regulations 2015. It also meets the Council's requirements to secure Best Value.

7. **Equality Impact Assessment**

- 7.1 The proposal supports the Equality Impact Assessment undertaken for the effective delivery of the Integrated Municipal Waste Management Strategy for Newcastle under Lyme Borough Council

8. **Financial and Resource Implications**

- 8.1 The proposal has positive financial implications for the Council.
- 8.2 All four of the bids received following the bidding process showed an increase in unit prices for the sale of recycling materials above that which the Council is currently receiving. This will result in additional revenue income of just over £12,000 a month based on quoted figures.
- 8.3 Prices quoted are in line with material price indices quoted by leading industry organisations.
- 8.4 There are resource implications in ensuring the Council continues to provide high quality recyclable materials for sale to the preferred bidder. This will not however require any additional resources over those already employed to ensure high quality of material is maintained.

9. **Major Risks**

- 9.1 The international market for sale of recycle materials is volatile and carries major financial and legal risks, particularly in export markets. China, currently the main destination for European recycle materials has through its customs process clamped down on quality, particularly mixed paper and plastics, where they have experienced high levels of contamination.
- 9.2 Moves such as this puts pressure on other markets with additional quantities of materials chasing other markets, with the potential that values for materials can fall due to oversupply.
- 9.3 Obtaining and sustaining UK markets provide better security for the sale of materials so long as they remain of suitably high quality, and the recommendation of this report provides the Council with this assurance.

10. **Key Decision Information**

- 10.1 The proposal and recommendation set out in this report is a key decision as defined in the Council's Constitution.
- 10.2 The proposal and recommendation is included in the Cabinet's Forward Plan for the period in which the meeting is to take place.

11. **Background Papers**

11.1 None