

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**EXECUTIVE MANAGEMENT TEAM'S  
REPORT TO**

**Cabinet**  
**09 June 2021**

**Report Title:**            **Recycling Material Processing Contracts**

**Submitted by:**        **Executive Director of Operational Services**

**Portfolios:**            **Environment & Recycling**

**Ward(s) affected:**    **All**

**Purpose of the Report**

For Cabinet to approve the award of a contract for the processing of Dry Mixed Recyclate (DMR) collected from the Councils kerbside recycling service, and to approve recommendations for the marketing / sale of separated paper and card (fibre) collected from the Councils kerbside recycling service.

**Recommendation**

**That**

- 1. The contract for processing DMR is awarded to bidder C with a contract start date of the 1<sup>st</sup> April 2022, for a three year term, with an option to extend by three, one year extensions, subject to satisfactory performance as deemed by the Council, or the completion of the proposed Staffordshire MRF.**
- 2. The proposed formal process to market and contract the sale of fibre (mixed paper and card) is agreed and implemented.**

**Reasons**

It is vitally important to have robust and sustainable contracts and arrangements in place to process recycling materials collected by the Councils kerbside recycling collection service

**1. Background**

- 1.1** Newcastle under Lyme Borough Council joined the Staffordshire Waste Partnership contract for materials processing collected from our recycling collection service, when the change was made last year to our new successful dual stream collections, DMR and fibre separate. We were named in the original procurement as it was Staffordshire wide, which allowed us to do this. The contract is undertaken by Biffa Waste Services, using their various Material Recovery Facilities (MRF's) across the country.
- 1.2** The current contract is in place until the end of March 2022, with potential extensions taking it up to March 2025. There are six authorities on the contact, ourselves, South Staffordshire, Cannock Chase, Lichfield & Tamworth, and East Staffordshire. Ourselves and East Staffordshire collect dual stream materials, although East Staffs is just paper separate, the rest are fully comingled, where all materials are mixed together in one bin.

- 1.3 As part of the Council recycling collection service, fibre is collected separately from the DMR and sold directly to re-processors. From the beginning of the new recycling service coming into operation, the sale of fibre has been undertaken on the 'spot market' in order to obtain the best financial value for the material. However it is recommended that a more formal process for seeking prices on a six monthly basis is undertaken, as a form of mini competition for the sale of fibre material.

## 2. Issues

- 2.1 The market and value for materials collected through kerbside recycling schemes has been very volatile for a number of years, and was a major factor in the Council swapping from a source separated service, selling materials direct, to the service we now have in place. The current gate fee with the existing contractor for those authorities collecting materials fully comingled is very competitive, and has proven unsustainable from the current contractors perspective, with them stating they are not willing to extend the contract beyond April next year, unless authorities swap to a dual stream collection system like ours.
- 2.2 All of the authorities collecting fully comingled, have suffered greatly from the MRF contractor rejecting loads which are heavily contaminated, something you get with comingled collections as the quality is generally poor, and poor quality material is very difficult to market into the reprocessing sector. Those authorities with comingled collections have been hit financially.
- 2.3 As a result of this, a decision was made last year for us as a Staffordshire Waste Partnership to go out to procurement for a new partnership contract. This was for an interim period up to the late 2020's to allow the project for a Staffordshire wide Material Recovery Facility (MRF) to be developed and constructed.
- 2.4 The forthcoming statutory duty for Local Authorities to collect a core set of materials for recycling to be made as part of the Environment Bill, has been taken into account as part of the procurement process with bidders evaluated on their ability to process materials required as part of the core set.
- 2.5 With fibre the material has a positive value and is therefore sold as a commodity, using existing administration and control systems for invoicing, receipt of payments, and any suspensions should payments not be received. The Council doesn't have any contractual arrangements, and sells material on the spot market, obtaining prices on a monthly basis. The market for fibre has been quite volatile over the last few years, but is currently quite high value at around £80 per tonne. This is mainly due to a shortage of brown card, which has seen demand increase due to greatly increased home deliveries resulting from the COVID pandemic. It is difficult to say if the value will remain at this level going forward, and may well fall. This has been our experience in the past.
- 2.6 As the Council owns and operates its own transfer station, the fibre element of the recycling collection can be treated separately, and does not need to form part of the partnership MRF contract. However an agreed process for the sale of fibre needs to be agreed to ensure maximum value and low risk to the Council.

## 3. Proposal

- 3.1 The procurement process has been undertaken on behalf of the Staffordshire waste partnership by the County Councils Procurement team, and was broken down into six individual lots, representing the six Staffordshire authorities who are part the current partnership contract arrangements. This Council was lot number six. Tenderers were

given the option to provide prices for processing fully comingled recycling material, i.e. DMR and fibre combined or dual stream, DMR and Fibre separate. In terms of Newcastle, we only asked bidders for DMR processing costs.

3.2 The procurement documents stated evaluation would take place on a split between quality and price, with price being awarded 70% of the marks and quality 30%.

3.3 Four bidders in total put in tenders for the various lots, with three of them bidding for the Councils lot, 6. The three bidders for the Council will be referred to as bidders A, B, & C.

3.4 These bids have been fully evaluated and moderated, with the outturn scores given in the table below. –

3.5 Outcome table

	Compliance	Quality	Price	Total	RANK
Percentage Available	Pass / Fail	30%	70%	100%	
Bidder A	Pass	17%	67.52%	84.52%	3
Bidder B	Pass	15.4%	70%	85.40%	2
Bidder C	Pass	19.6%	68.99%	88.59%	1

3.6 From the full evaluation process bidder C has the highest score and therefore it is recommended that they are awarded the contract for the processing of DMR from April 2022.

3.7 With regard to fibre it is proposed that the Council carefully tracks and monitors the price indices for mixed paper and card, using the nationally recognised material price index model provided by 'Lets Recycle' to ensure we are receiving the best practicable income for our material.

3.8 At six monthly intervals a mini competition process is undertaken with interested board and paper mills across the UK to ask for a fixed price per tonne based on the midpoint of the lets recycle index plus an additional £/ tonne uplift based on what they are willing to pay for fibre material collected by the Council. This process will be undertaken by appropriate staff within the Recycling and Fleet services department.

3.9 The contract terms will be the off takers standard terms and conditions, as that's how the industry operates, they are in effect the customer, and the Council is the supplier.

#### 4. **Reasons for Proposed Solution**

4.1 It is vitally important to have robust and sustainable contracts and arrangements in place to process recycling materials collected by the Councils kerbside recycling collection service

4.2 The new contract will allow for other materials to be added to the existing collection service as required under the LA consistency in collections as part of the Environment Bill.

## 5. Options Considered

- 5.1 As the Council collects material dual stream, the option to extend with the current contractor is available, as it's only the comingled process that they no longer wish to process this material under the current contract conditions and price.
- 5.2 Following evaluation of the procurement for a new contract, the Council will be better of transferring to the winning bidder, C, from that process.

## 6. Legal and Statutory Implications

- 6.1 The procurement process has been conducted to meet the requirements of the Public Contract Regulations 2015. It also meets the Councils requirements to secure Best Value.
- 6.2 The Council has a legal duty to provide separate collections of recycling and with the forthcoming legislation as part of the environment Bill, the Council will have a legal obligation to collect a core set of materials.
- 6.3 The contract will be awarded individually to each local authority lot, and managed by those authorities individually. This is how the current contract arrangements operate, and has proven to work very well.

## 7. Equality Impact Assessment

- 7.1 The recycling collection service had a full Equality Impact assessment undertaken as part of the service design and implementation project.
- 7.2 Awarding the MRF contract does not have any direct impact on equalities.

## 8. Financial and Resource Implications

- 8.1 The proposed change in contract and approved process for the sale of fibre are all within existing budgets.
- 8.2 The gross gate fee for the processing of DMR is actual slightly dearer than that paid to the current contractor, however the haulage is less.
- 8.3 The table below details the as is costs of processing DMR and the sale of fibre with the proposed costs tendered by the preferred bidder.
- 8.4 Comparison table. –

	Current Costs/ income	Proposed Costs / income
Recycling Tonnage DMR – 6242t (1)	N/A	N/A
Gross gate fee / tonne. - DMR	£405,730	£411,972
Bulk haulage from Knutton Lane	£85,911	£65,666
Income from sale of recycleate DMR	(£139,696)	(£166,412)
Recycling Credit Income DMR (2)	(£352,611)	(£363,160)

Recycling Tonnage Fibre – 4208t (1)	N/A	N/A
Bulk haulage from Knutton Lane	£64,803	£64,803
Income from sale of fibre (3)	(£120,180)	(£120,180).
Recycling Credit Income (2)	(£237,710)	(£237,710)
<b>Net cost total</b>	<b>-(£293,753)</b>	<b>-(£345,021)</b>
Notes:- 1 – DMR & Fibre tonnage calculated from 2020/21 outturn 2 – Recycling Credit income, current income based on current payment of £56.49p/tonne, and proposed income based on an agreed 3% uplift for this financial year to £58.18p. there is no confirmation on what the recycling credit rate will be for 2022/23 3 – income for fibre based on a mean average of the previous 8 months of sales of fibre calculated at £28.56p/tonne		

## 9. Major Risks

- 9.1 Not having robust contractual arrangements in place for the processing of DMR, and the sale of fibre puts the council at potential significant financial risk in a currently volatile market situation. Risks are controlled within the contact term through a risk share on market value of materials between the contractor and the Council for processing DMR. This is set at an 80/20 % split between the council and the contractor, which is an industry standard.
- 9.2 Further the process proposed for the sale of fibre will ensure price volatility within that sector of the market is reasonably controlled.
- 9.3 These risks are identified and monitored through the Councils corporate risk management system.

## 10. UN Sustainable Development Goals (UNSDG)

- 10.1 Processing recycling materials to allow them to go into remanufacture of goods and packaging fully supports UN sustainable development goals, and the Councils actions under its Climate Emergency Plan.
- 10.2 In particular this decision supports the following actions of the UN Sustainable Development Goals. –



11. **Key Decision Information**

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

12. **Earlier Cabinet/Committee Resolutions**

- 12.1 September 2020 Cabinet approval to go out to procurement as part of a Staffordshire Waste partnership approach to material processing through a MRF.

13. **List of Appendices**

- 13.1 None

14. **Background Papers**

- 14.1 None