

Finance and Resources Committee

10am, Thursday, 24 September 2015

Receipt and Processing of Recyclable Materials from Kerbside and Communal Collections

Item number	7.21
Report number	
Executive/routine	Executive
Wards: All Wards	City wide

Executive summary

This report outlines the result of a competitive tender process for a contract for the Receipt and Processing of Dry Recyclable Materials from Kerbside and Communal recycling collections.

The report seeks the approval of the Finance and Resources Committee to award a contract for the Receipt and Processing of Dry Recyclable Materials from Kerbside and Communal Recycling Collections from 30 November 2015 to 30 November 2018 with the option to extend for up to two x 12 month periods.

Links

Coalition pledges	P49
Council outcomes	CO18
Single Outcome Agreement	SO4

Receipt and Processing of Recyclable Materials from Kerbside and Communal Collections.

Recommendations

- 1.1 It is recommended that the Finance and Resources Committee approve the appointment of William Tracey Group as contractor for the Receipt and Processing of Dry Recyclable Materials from Kerbside and Communal Collections for a period of three years with the option to extend by two x 12 month periods.

Background

- 2.1 The Transport Infrastructure and Environment Committee at its meeting of 15 January 2013 approved the introduction of a twin-stream kerbside recycling collection system and also agreed that the service would be delivered 'in house', subject to the approval of an outline business case demonstrating best value.
- 2.2 The Transport Infrastructure and Environment Committee at its meeting of 27 August 2013 approved the Redesign of Recycling Outline Business Case.
- 2.3 As part of the report, the Committee approved the expansion of communal on-street recycling provision.
- 2.4 On 6 June 2013 the Finance and Resources Committee approved extension of the Kerbside Recycling Collection and Re-processing Contract with Palm Recycling UK to 30 January 2015 and at its meeting of 27 November 2014 a further extension to 30 November 2015.
- 2.5 The first phase of the new kerbside recycling service was rolled out to 20,000 households in September 2014. The fifth and final phase is due for completion in October 2015.
- 2.6 The previous kerbside collection produced some 15,000 tonnes per annum of recyclable materials. Implementation of each phase of the roll-out of the new service has seen varying increases in the tonnage of recyclable material collected, typically of over 70%. The new service has also seen a positive response from residents with over 70% of them participating in recycling.
- 2.7 Approximately 7,000 tonnes per annum of recyclable materials are currently collected from communal recycling banks. Materials collected from communal recycling banks will be subject to the contract.

- 2.8 During the roll-out period, the current collection contractor (Palm Recycling) is continuing the kerbside collection and re-processing service.
- 2.9 On 15 September 2014 John Bury, Acting Director of Services for Communities, approved a Procurement Requirement for the Receipt and Re-processing of up to 36,000 tonnes per annum of Dry Mixed Recyclables from Kerbside and Communal Collections.

Main report

- 3.1 The City of Edinburgh Council requires to procure a contract for the recycling of up to 36,000 tonnes per annum of mixed dry recyclates; paper, cardboard, plastics, cans, glass, textiles, household batteries and small Waste Electrical and Electronic Equipment (WEEE).
- 3.2 Waste Services and Commercial and Procurement Services (CPS) engaged with Scotland Excel with a view to utilising the Scotland Excel Framework Agreement for Recyclable and Residual Waste.
- 3.3 Following a notice of enquiry to Framework members, which attracted four notes of interest, further analysis of the Council's operational requirements led Scotland Excel's Procurement specialists to advise that the Council's mix of materials could not be legitimately accommodated within the terms of the framework, since some materials had their own discrete lots under the framework, with different suppliers on some of them and the WEEE element was subject to an altogether separate framework.
- 3.4 It was decided that advertising a tender opportunity on OJEU through the Public Contracts Scotland portal using the open procedure was appropriate since this would give the opportunity to tender to both Scotland Excel Framework members and non-members.
- 3.5 The potential to collaborate with other Local Authorities was identified. However, a number of these were already under contract or collected differing material mixes and the limited timescale precluded collaboration with others.
- 3.6 CPS advertised the opportunity through Public Contracts Scotland on 29 May 2015 using the open procedure as set out in the Public Contracts (Scotland) Regulations 2012, with a closing date for submission of Tenders of 16 July 2015. On 14 July this was extended to 24 July 2015 in order to allow potential bidders the opportunity to amend bids following the Council's responses to clarification questions.
- 3.7 In order to leave open the opportunity for the Council to participate in the Scottish Government's Materials Brokerage Service which is proposed to become operational in 2017, bidders were invited to submit bids for two durations: three years plus two optional 12-month extensions and five years plus two optional 12-month extensions.

- 3.8 Bidders were asked to complete a pricing schedule using a pre-determined pricing structure using May 2015 market indices and fixed theoretical tonnages, to ensure that all commercial offers were built upon a like-for-like basis using identical base data.
- 3.9 The development of this approach was guided by a number of discussions with other Councils to incorporate their lessons learned from procurement exercises for similar materials. A number of Councils have requested further information on our approach to this contract.
- 3.10 The pre-determined pricing structure is based on a gate fee set against a rebate for each material relative to market prices as published in independent monthly indices. The rebate will be adjusted quarterly to reflect movement in the market prices of the relevant materials. In addition a quarterly analysis of waste will be undertaken to improve both parties understanding of the levels of contamination within the recycle.
- 3.11 It is emphasised that since prices submitted were based on theoretical volumes and proportions of DMR materials and May 2015 market prices, actual prices at the time of the contract start on 30 November 2015 will differ.
- 3.12 Although there is no identical material mix covered by the Scotland Excel Recyclable and Residual Waste Framework, prices for the receipt and processing of broadly similar categories range from £45 to £140 per tonne excluding transport.
- 3.13 In order to avoid the cost of onward transportation of materials, the tender stipulated that a delivery point within 10 miles of the centre of Edinburgh must be included as part of the service.
- 3.14 Suppliers engaged and submitted bids for this opportunity through Public Contracts Scotland tender website.
- 3.15 There were fourteen notes of interest; three organisations submitted bids.
- 3.16 A financial assessment of all bidders was carried out by Corporate Finance; all bidders were confirmed as being of sound financial standing.
- 3.17 Three bidders submitted bids compliant with the advertised Terms and Conditions of Contract. One of these also submitted an additional two variant bids dependent on the Council's agreeing to amend the advertised Terms and Conditions of Contract (T&Cs). The third bidder's single submission also requested amendment of the T&Cs.
- 3.18 Legal Services were consulted and confirmed that bids dependent on variation of fundamental elements of the T & Cs were non-compliant bids and could not be considered. CPS advised that where any such variation was requested the bid should be rejected.

- 3.19 The Evaluation Panel considered the requested variations and the two variant bids submitted by one bidder but these were deemed fundamentally non-compliant and therefore not progressed.
- 3.20 The Evaluation Panel considered that the issues raised by the bidder in the third instance were matters that could be resolved by clarification without varying the fundamental requirements contained within the terms and conditions. Subsequently any contract offer would be dependent on the bidder confirming that the clarifications provided by the Council were acceptable.
- 3.21 All tenders met the mandatory criteria.
- 3.22 Tenders were evaluated using 60% price and 40% quality with the technical (quality) aspect being assessed by officers from Waste Services. The commercial (price) aspect was assessed by officers within Corporate Finance.
- 3.23 Following the quality evaluation of tenders against the published award criteria, submissions were scored as follows:

Bidder	Quality Score	Ranking
Bidder A	36.2	1
Bidder B	25.4	3
William Tracey Group	29	2

- 3.24 Legal Services, Corporate Finance and Waste Services officers assessed the pricing offers submitted, with the most financially advantageous offer being awarded 60% of the overall evaluation marking for price and the remaining offers being scored pro-rata.
- 3.25 None of the bidders differentiated in price or otherwise between the three year plus two years and five year plus two year options they were asked to consider.
- 3.26 On 3 August 2015, bidders were requested to confirm their interpretation of the delivery mechanism described in the contract specification and to revise or confirm the prices submitted.
- 3.27 One bidder confirmed the price submitted. Two bidders submitted revised prices.
- 3.28 Following further clarification of the pricing structure, bidders were again requested to confirm or revise their prices on 31 August 2015. Two bidders confirmed their prices. One bidder submitted a lower revised offer.
- 3.29 The responses received did not affect rankings.

- 3.30 Scores from the price assessment were added to the quality evaluation scores. Final rankings from the combined scores were as follows:

Bidder	Score	Ranking
Bidder A	73.72	2
Bidder B	71.04	3
William Tracey Group	89	1

- 3.31 Since the future use of the Scottish Materials Brokerage Service, should it become available, has the potential to offer improved outcomes in terms of the Council's realising the value of materials collected, it is recommended that the contract be awarded for a period of three years with the option of up to two 12-month extensions. Extensions will be exercised at the Council's discretion.
- 3.32 Officers from Waste Services will be responsible for contract management and will monitor the performance of the contract.

Measures of success

- 4.1 Entering into a contract for the receipt and processing of dry recyclates will provide an outlet for the increased tonnage of recyclable materials derived from the introduction of the new Kerbside Recycling Service and Modernising Waste Collection projects, thus contributing to meeting the Council's current recycling target of 50% and 2020 target of 60%.
- 4.2 Entering into a contract for the receipt and processing of dry recyclates will reduce commercial risk and maximise exploitation of the market value of recyclable materials collected.
- 4.3 The contract will contribute to compliance with the Scottish Government's Zero Waste Plan and the Waste (Scotland) Regulations 2012 which ban any metal, plastics, glass, paper, card and food waste collected separately for recycling from going to incineration or landfill.

Financial impact

- 5.1 The maximum potential value of the contract, including extension, is £8,991,000.
- 5.2 The contract represents a saving of £1,162,800 over the cost of continuing the current recyclables processing arrangements during the contract period.
- 5.3 The pricing structure linked to the recyclable materials market has the potential to realise a net income to the Council should markets improve.
- 5.4 The costs associated with procuring this contract are estimated to be from £10,001 to £20,000.

Risk, policy, compliance and governance impact

- 6.1 Entering into the contract will provide a guaranteed outlet for materials collected.
- 6.2 In the event of a major market failure, the contract terms might become untenable and result in the necessity of either renegotiating at less favourable rates or terminating the contract.
- 6.3 In the event of supplier failure short-term arrangements could be put in place through the Scotland Excel Recycling and Residual Waste framework, although this would potentially require the use of multiple outlets with consequent negative effects on the collection service because of re-routing requirements. The financial impact would be dependent on the reprocessing capacity available within the industry at such a time.
- 6.4 Entering into the contract will ensure compliance with the Public Contracts (Scotland) Regulations 2012 and with the Council's Contract Standing Orders.

Equalities impact

- 7.1 An Equalities and Rights Impact Assessment was carried out. No potential impacts on vulnerable groups were identified.

Sustainability impact

- 8.1 The market-linked pricing structure will serve to encourage the contractor to recover the maximum possible level of recyclable material and minimise the amount of contaminated or rejected material sent for disposal.
- 8.2 Direct delivery to the contractor's facility will obviate double-handling of materials and the current requirement for onward transportation from a transfer/bulking point.

Consultation and engagement

- 9.1 Refuse Collection, other local authorities and Scotland Excel were consulted on technical aspects of the requirement.
- 9.2 As part of the Modernising Waste and Redesign of Recycling Projects, extensive consultations were held with community groups, residents' associations and Zero Waste Scotland.

Background reading/external references

[Modernising Waste Collection in the World Heritage Area, Transport Infrastructure and Environment Committee - 29 November 2011](#)

[Redesign of Recycling Services – Outline Business Case, Transport and Environment Committee - 27 August 2013](#)

John Bury

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Links

Coalition pledges P49 –Continue to increase recycling levels across the city and reduce the proportion of waste going to landfill.

Council outcomes CO18 - We reduce the local environmental impact of our consumption and production.

Single Outcome

Agreement SO4 - Edinburgh's communities are safer and have improved physical and social fabric.

Appendices Appendix A – Summary of Tendering and Tender Evaluation Processes

Appendix A - Summary of Tendering and Tender Evaluation Processes

Contract	CT9710 Receipt and Processing of Dry Recyclable Materials from Kerbside and Communal Collections
Contract period (including any extensions)	Five years
Estimated contract value	£1,798,200 (Annual) £8,991,000 (Total)
Standing Orders observed	2.4, 3.2, 4.1, 4.2, 5.1, 5.3, 6.1, 8.1
Portal used to advertise	Public Contracts Scotland Website / OJEU
EU Procedure chosen	Open Procedure
Notes of interest received	Fourteen
Tenders returned	Three
Compliant tenders	Three
Recommended supplier/s	William Tracey Group
Primary criterion	Most Economically Advantageous Offer
Evaluation criteria and weightings	Commercial (Price) 60%, Technical (Quality) 40%. <u>Technical Breakdown</u> Contract Implementation 14% Availability of Resources 10% Acceptance of Materials 10% Recovery and Treatment 25%

	Management Information 5% Quality Assurance 5% Business Continuity 15% Environment 3% Continuous Improvement 5% Equalities 5% Community Benefits 3%
Evaluation Team	Andy Williams, Angus Murdoch, Lesley Sugden, Donald Gillies.