

Finance and Resources Committee

10.00am, Thursday, 3 November 2016

Receipt and Processing of Recyclable Materials from Kerbside and Communal Collections - Award of Contract

Item number	7.14
Report number	
Executive/routine	Executive
Wards:	All wards

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 28 November 2016 to 27 November 2018 with the option to extend for up to two x 12 month periods.

Links

Coalition pledges	P49, P44
Council Priorities	CP8, CP9
Single Outcome Agreement	SO1, SO4

Receipt and Processing of Recyclable Materials from Kerbside and Communal Collections – Award of Contract

Recommendations

- 1.1 It is recommended that the Finance and Resources Committee approve the appointment of Biffa Waste Services Ltd as Contractor for the Receipt and Processing of Dry Recyclable Materials (DMR) from Kerbside and Communal Collections for a period of two years with the option to extend by two x 12 month periods.

Background

- 2.1 The Council requires the sorting and processing of mixed recyclates collected by City of Edinburgh Council Waste Services from wheelie bins at the kerbside from approximately 140,000 households. This is a continuing requirement.
- 2.2 The receipt and processing service is presently provided under a Direct Award to Wm Tracey Ltd from the Scotland Excel Framework Agreement for Dry Mixed Recyclates SE1413. Following competition the purpose of the contract proposal is to align rebates and processing charges by:
 - Being indexed linked to published market indices for each material stream.
 - Being consistent with the contamination levels relevant to the Council's Mixed Recyclate waste.
 - Being discounted for the Material Recyclate tonnage delivered for processing.
- 2.3 Up to October 2014 the Council operated a twin-box kerbside recyclable collection service collecting approximately 14,000 tonnes of DMR per year. A new twin stream service model was then introduced in six phases between September 2014 and December 2015 involving 140,000 households where the properties were provided with two containers, one a standardised size bin and the other a box already provided. Crucially both containers are collected on the same day on a fortnightly basis with less separation of materials than previously required by the householder, thus simplifying the service for residents and therefore making participation easier. The benefit, borne out by results indicating

tonnage increases of up to 50% is that more residents participate and the amount of waste presented for landfill disposal is reduced.

- 2.4 Approximately 7,000 tonnes per annum of recyclable materials are currently collected from communal recycling banks. It is anticipated that materials collected from communal recycling banks will be brought within the scope of the Contract during the first two years of the contract period..
- 2.5 Midlothian Council will participate in the Contract from 1 April 2017. Midlothian Council currently collects approximately 6,000 tonnes per annum of DMR.

Main report

- 3.1 The City of Edinburgh Council requires to procure a Contract for the recycling of DMR.

Materials collected through the kerbside DMR bin are:

- Paper (news and PAMS, directories, other white paper, shredded paper)
- envelopes
- Cardboard (both Old Corrugated Cardboard (OCC) and mixed boards such as cereal boxes, kitchen, toilet roll tubes, washing powder boxes etc.)
- Steel and aluminium cans and tins(including empty aerosols)
- Clean foil
- Drink and food cartons(tetra packs and similar)
- Mixed plastic bottles and lids
- Plastic tubs, pots and food trays

- 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 discussion, Scotland Excel confirmed that proposed amendments to the original Framework pricing mechanisms regarding contamination bandings and to the materials rebate structure were within the scope of Lot 4 of the Framework.
- 3.4 The potential to collaborate with other Local Authorities was identified. Midlothian Council expressed an interest in participating in the contract from April 2017, when their current contract expires.
- 3.5 CPS advertised the contract opportunity as a mini-competition to the 11 members of Lot 4 of the Framework through the Public Contracts Scotland Quick Quote facility on the 29 July 2016, with a closing date for submission of Tenders of 26 August 2016.

- 3.6 Bidders were asked to complete a Pricing Schedule using a pre-determined pricing structure using June 2016 market indices and fixed nominal tonnages, to ensure that all commercial offers were built upon a like-for-like basis using identical base data.
- 3.7 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.
- 3.8 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 monthly 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.
- 3.9 It is emphasised that since prices submitted were based on theoretical volumes and proportions of DMR materials and June 2016 market prices, actual prices at the time of the contract start on 28 November 2016 will differ due to monthly indexation.
- 3.10 Prices for the receipt and processing of broadly similar categories range from £45 to £140 per tonne excluding transport.
- 3.11 In order to minimise the cost of transportation of materials, the Tender Award Criteria included a scored question representing 14% of the marks available for Quality for proposals to support the Council's operational requirements including the double-shift collection system and travel times.
- 3.12 Six suppliers confirmed receipt of the invitation; two organisations submitted Bids.
- 3.13 Both Bidders submitted Bids compliant with the advertised Terms and Conditions of Contract.
- 3.14 All Tenders met the Mandatory Criteria.
- 3.15 Tenders were evaluated using 70% Price and 30% Quality with the Technical (Quality) aspect being assessed by officers from Waste Services being guided by CPS representation. The Commercial (Price) aspect was assessed by officers within Finance and CPS.
- 3.16 Following the Quality Evaluation of Tenders against the published Award Criteria, submissions were scored as follows:

Bidder	Quality Score	Price Score	Ranking
Biffa Waste Services Ltd	22.5	70	1

Bidder 2	17.93	56.90	2
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3.17 Finance Officers assessed the pricing offers submitted, representing 70% of the overall evaluation marking with the most financially advantageous offer for the Gate Fee being awarded 70% of the pricing score and 30% of the pricing score being accorded to the most advantageous market/price rebate. Scores from the Price Assessment were added to the Quality Evaluation scores. Final rankings from the combined scores were as follows:

Bidder	Score	Ranking
Biffa Waste Services Ltd	92.5	1
Bidder 2	74.83	2

3.18 The cost of Dry Recyclables Processing represented by the first ranked offer compared to the current cost to the Council of both kerbside and communal recycling centre processing is forecast to yield the following savings based on projected throughput:

Total Contract Value over 4 years		£3,006,432
Total Savings over 4 years		£1,717,568

*Based on the assumption that Communal Recycling Banks move to this contract at the end of year 2. This may be achieved sooner.

3.19 It is emphasised that the projected savings are based on June 2016 market rates at the point of tender issue and current composition of the material stream and are therefore subject to market movements and any compositional variation.

3.20 Officers from Waste and Cleansing 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. This will contribute to meeting the Council's current recycling target of 50% and 2020 target of 60% and to meeting the provisions of the

Climate Change (Scotland) Act 2009 by means of the provision of an enhanced recycling service to divert additional waste from landfill which will reduce the carbon impact of managing this waste. By diverting additional waste materials from landfill to recycling the enhanced service will deliver wider environmental and economical benefits and so contribute to sustainable development.

- 4.2 Entering into a Contract for the Receipt and Processing of Dry Recyclates to comply with the Scottish Government 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. The 2012 Regulations require Local Authorities to collect recyclables in a way that ensures they are of quality high enough to prioritised closed loop recycling meaning that materials are recycled back into the same product.
- 4.3 Entering into a Contract for the Receipt and Processing of Dry Recyclates will address the recent volatility in materials markets with a view to maximising income potential from and minimising costs of treatment of recyclable materials, thus reducing commercial risk.
- 4.4 The Contract will promote collaboration with other Councils to achieve benefits of consolidation (Midlothian Council).

Financial impact

- 5.1 The potential value of the Contract, including extension, is £3,006,432.
- 5.2 The Contract represents a saving of £1,717,568 over the cost of continuing the current recyclables processing arrangements during the Contract period.
- 5.3 The value and savings described above are dependent on maintaining the current volumes collected and providing material that is not excessively contaminated. 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 Terms and Conditions of the Scotland Excel Framework will apply.
- 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 contract will contribute to the Council's ongoing commitments to:
- Increase the volume of material recycled and decrease the amount of waste consigned to landfill;
 - Meet the Council's greenhouse gas targets including the national target of 42% by 2020.
- 8.2 Community benefit provided under the terms of the contract will include provision of two modern apprenticeship posts each year of the contract.
- 8.3 Contract award will result in an additional 30 employment opportunities across Biffa's depots in Granton and Broxburn.
- 8.4 Donations will be made to named local charities.
- 8.5 Mentoring of local suppliers in Waste Management.
- 8.6 Outreach and education within the community.
- 8.7 The following requirements are included in the specification for this contract:
- All materials must be managed in accordance with all relevant EU and UK legislation in line with industry best practice.
 - The contractor must guarantee that all reasonable effort will be made to divert material from landfill. Final outlets for materials are to be agreed with the Council.
 - The contractor must use suitably licensed facilities to deliver the contract.
 - Where the contractors export material for recycling this must comply with all relevant legislation, including the Transfrontier Shipment of Waste Regulations, and must guarantee that exported materials are recovered for

recycling and are managed in both an environmentally friendly and ethical manner.

- The contractor must guarantee that all the extracted materials will be re-used or recycled, and that this will be maintained for the duration of the contract.
- The contractor must have a robust and relevant Environmental Management Policy and demonstrate ongoing commitment to environmental management.

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](#)

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Links

Coalition pledges

P44- Prioritise keeping our streets clean and attractive.

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

P50-Meet greenhouse gas targets including the national target of 42% by 2020.

Council Priorities CP8 – A vibrant, sustainable local economy.

CP9-An attractive City.

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

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Contract	CT9710 Receipt and Processing of Dry Recyclable Materials from Kerbside and Communal Collections
Contract period (including any extensions)	Four years
Estimated contract value	£751,608 (Annual) £3,006,432 (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 Quick Quote Mini-competition
EU Procedure chosen	Not applicable
Notes of interest received	Six
Tenders returned	Two
Compliant tenders	Two
Recommended supplier/s	Biffa Waste Services Ltd
Primary criterion	Most Economically Advantageous Offer
Evaluation criteria and weightings	Commercial (Price) 70%, Technical (Quality) 30%. <u>Technical Breakdown</u> Contract Implementation 10% Availability of Resources 10% Acceptance of Materials 10% Logistical Considerations 14%

	Recovery and Treatment 20% Management Information 5% Quality Assurance 5% Business Continuity 10% Environment 3% Continuous Improvement 3% Fair Working Practices 5% Community Benefits 5%
Evaluation Team	Andy Williams, Angus Murdoch, Robert Brown, Lesley Sugden, Donald Gillies.