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A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to the identity, financial and business affairs of an organisation and the amount of expenditure proposed to be incurred by the Council under a particular contract for the supply of goods or services. The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.

Cabinet

01 August 2017

**Name of Cabinet Member:**

Cabinet Member for City Services – Councillor Innes

**Director Approving Submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected:**

All

**Title:**

Extension of Contract for Materials Recycling Facilities (MRF) and Associated Bulking and Transport.

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**Is this a key decision?**

Yes

The Councils Rules for Contracts state that all procurement for spend over £1million per annum must be approved by Cabinet. The proposed extension to this contract will result in spend in excess of £1million per annum.

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**Executive Summary:**

In line with Coventry City Councils Rules for Contracts, Cabinet are asked to consider the proposal to extend the existing MRF (Materials Recycling Facility) and associated Bulking and Transport contract for the final two (2) years available.

Under the revised Waste Strategy for England 2007 the Council has a statutory obligation to make collections of the following materials from the kerbside:

- Paper
- Metal
- Plastic
- Glass

This Contract supports the delivery of that statutory obligation.

This Contract was let in 2009 for an initial period of four (4) years with options to extend for up to a maximum of a further six (6) years (ten (10) year total). In 2013 and again in 2015, the Council extended the provision for two (2) years.

The proposed extension will expire on 6th September 2019, and there are no further provisions to extend beyond that.

The Contract is made up of 2 Lots. Lot 1 is for the provision of a MRF - a specialised facility which receives, separates and prepares recyclable materials for marketing to end-user manufacturers. This lot is currently operated by Biffa Waste Services. Lot 2 is for the provision of bulking and transport of the waste to the MRF and is currently operated by Tom White Waste.

Details on pricing can be found in the corresponding private report.

**Recommendations:**

Cabinet are asked to:

- (1) Approve an extension to both Lot 1 (Material Recycling Facility Treatment) and Lot 2 (associated bulking and transport) of the existing MRF contract for the final two (2) years available.

**List of Appendices included:**

None

**Other useful background papers:**

None

**Other useful documents**

Coventry City Council's Municipal Waste Strategy

[http://www.coventry.gov.uk/downloads/download/1195/waste\\_strategy](http://www.coventry.gov.uk/downloads/download/1195/waste_strategy)

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

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**Report title:**

Extension of Contract for Materials Recycling Facilities (MRF) and Associated Bulking and Transport.

**1. Context (or background)**

- 1.1 In accordance with the Environmental Protection Act 1990 the Council has a legal obligation to undertake collections of household waste, including the separate collection of waste paper, metal, plastic and glass (The Waste (England and Wales) (Amended) Regulations 2012).
- 1.2 The MRF contract is utilised to dispose of recyclable materials collected at the kerbside by an in-house collection team.
- 1.3 There are no MRF facilities within the boundaries of Coventry, nor does the Council own sufficient land for the storage of materials (at the volume collected) prior to disposal. Therefore it was necessary for the Council to let the contract with a bulking and transport element.
- 1.4 The existing contract was let through a full OJEU procurement exercise in 2009, for an initial period of 4 years, with possible maximum extensions of a further six (6) years. A two (2) year extension was agreed in 2013 and again in 2015.
- 1.5 The likelihood is that going out to tender for the full tonnage may yield either no responses or a less favourable deal than that put on the table by the existing tenderer which is a risk. If this happened, spot gate fees will be higher. Also, a MRF that is further away would lead to an increase in transport costs.
- 1.6 The corresponding private report provides further detail on existing costs, proposed costs for the extension period and expected alternative.

**2. Options considered and recommended proposal**

- 2.1 **Option 1.** Extend the existing contract for the remainder of the extension period available, i.e. 2 years, maintaining terms and conditions as previously agreed. The Council would retain associated risks with fluctuating market commodity values. The existing gate fee is below market value and the average gate fee paid by local authorities in England.
- 2.2 **Option 2.** Use of a national framework, let by a Public Buying Organisation – no such framework exists.
- 2.3 **Option 3.** Tender for a new contract – market testing undertaken during the last extension period, market conditions and discussion with the existing supplier suggest that a competitive exercise at this stage would see the gate fee per tonne significantly increase.
- 2.4 **Option 4.** Use of an in-house facility. This option would require significant capital investment and a substantial increase in tonnage throughput. Delivery of this option would require a feasibility study to determine a suitable site, capital investment, and tonnage input from other sources. The lead time associated with this option would be significant and need to take into account facility design, construction and commissioning, ruling this option out as an immediate solution.
- 2.5 Option 1 is the recommended option.

### **3. Results of consultation undertaken**

No consultation undertaken.

### **4. Timetable for implementing this decision**

- 4.1 The existing contract expires on 5<sup>th</sup> September 2017. Subject to Cabinet approval and call-in processes, the Council would look to offer extensions to the existing Lot 1 and Lot 2 providers for the extension period to run from 6<sup>th</sup> September 2017 to 5<sup>th</sup> September 2019.
- 4.2 Any re-tender of this contract would need a reasonable mobilisation period for any new Contactor and therefore, the project team will review this contract in 9-12 months' time to plan provision for post September 2019 and consider options for future contracts.

### **5. Comments from Director of Finance and Customer Services**

#### **5.1 Financial implications**

This service is funded from the domestic waste budget. The price for the 2 year extension does not cause any budget pressures. Please see the corresponding private report for further information.

#### **5.2 Legal implications**

This report is seeking approval to extend an existing contract which was let compliantly under the Public Contract Regulations 2006.

The proposed extension period is both within the provisions of the original procurement and within the Contract Terms and Conditions.

The value of the extension is above the OJEU procurement thresholds. Following this 2 year extension provision, there is no further extension period and therefore any new contract would have to be procured in line with Public Contract Regulations 2015, and the Council's current Rules for Contract.

### **6. Other implications**

Any other specific implications

#### **6.1 How will this contribute to achievement of the Council's Plan?**

In accordance with the Environmental Protection Act 1990 the Council has a legal obligation to undertake collections of household waste, including the separate collection of waste paper, metal, plastic and glass (The Waste (England and Wales) (Amended) Regulations 2012).

The Council's Municipal Waste Strategy 2008-2020 outlines the Council's approach to meeting legal obligations and recycling targets set out in the Waste Strategy for England 2007. Namely, 45% of household waste arising to be recycled by 2020.

## **6.2 How is risk being managed?**

This option manages the risk associated with commodity market price fluctuations most robustly at this time. By not going out to the market at this current time the Council is not exposed to a nervous market and associated higher gate fee's / risk of failure to secure a contract.

Having a bulking and transport point within the City under Lot 2 reduces the operational risk of requiring more rounds within the City to deliver the same service, time delays getting to the end destination site, and better utilises resources to run efficient collection rounds.

Risk of procurement challenge is low on this option, since the extension proposed is in line with the tender exercise undertaken in 2009 and the Contract Terms and Conditions which formed part of that.

## **6.3 What is the impact on the organisation?**

The Waste Strategy for England 2007 stipulates nation targets for recycling, namely, 45% of household waste arising to be recycled by 2020. Failure to secure a MRF contract and outlet for recyclable collected would result in recycling targets not being met.

## **6.4 Equalities / EIA**

No formal equalities impact assessment has been carried out. However, it is not expected that there will not be any disadvantage to any group if the recommendation is approved.

## **6.5 Implications for (or impact on) the environment**

The Waste Strategy for England 2007 outlines the Governments ambition to work towards a zero waste economy, in which material resources are reused, recycled or recovered wherever possible and only disposed of as the option of last resort. This means reducing the amount of waste produced and ensuring all material are pushed up the waste hierarchy. The benefits will be realised in a healthier natural environment and reduce the impacts on climate change.

## **6.6 Implications for partner organisations?**

None.

**Report author(s):**

**Name and job title:**

**Catherine Barclay  
Strategic Category Lead – Place and Corporate**

**Directorate: People**

**Tel and email contact:07590 443793**

**Catherine.barclay@coventry.gov.uk**

Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Lara Knight	Governance Services Co-ordinator	Place	10/7/17	10/7/17
Layla Shannon	Senior Waste Management Officer	Place	07/07/17	07/07/17
Sarah Elliott	Head of Fleet and Waste Management	Place	07/07/17	07/07/17
Other members				
<b>Names of approvers for submission: (officers and members)</b>				
Finance: Phil Helm	Finance Manager (Place)	Place	07/07/17	12/07/17
Legal: Rob Parkes	Team Leader (Place)	Place	07/07/17	10/11/17
Director: Andrew Walster	Director, Streetscene and Regulatory Services	Place	11/07/17	11/07/17
Members: Councillor Innes	Cabinet Member for City Services			

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