

**Joint Materials Recycling Facility (MRF) Procurement
Common Paper for RECAP Partners Decision-Making Processes
September 2013**

1. PURPOSE:

- 1.1 This paper seeks to inform the consideration of the Recycling Cambridgeshire and Peterborough (RECAP) partner Councils to approve a Joint Procurement of MRF services for bulking, sorting and onward processing/sale of recyclable materials for all RECAP partners, except Cambridgeshire County Council. All Partners will agree entering into the same contract, to commence by June 2014 in order to meet, sequentially, Peterborough City Council's current contract expiry date of June 2014, with all remaining Partners' recycle materials coming into the same joint contract at the following times:
- Peterborough City Council - June 2014
 - Cambridge City, Huntingdonshire and Fenland District Council - November 2014.
 - South Cambridgeshire - October 2015
 - East Cambridgeshire - May 2016.
- 1.2 Critical to realising the potential benefits to the public purse that are expected from this joint procurement and collective offer of Partners' materials, is the need for Partners to agree, in advance of the actual tender process itself, to present their respective recycle materials to the market jointly and collaboratively, thereby securing greatest influence over securing best value in processing cost and materials income. Withdrawing from the procurement, post tender bidding, would not only potentially negate the process, but also fundamentally prejudice the service continuity position of Partners and risk irrevocably fracturing the Partnership.

RECOMMENDATIONS

The Cabinet Member / Committee is recommended to:

1. Agree that the Council is committed to the procurement and appointment of a Contractor to deliver Joint MRF services for bulking, sorting and onward processing/sale of recyclable materials for all participating RECAP partners, unless all partners agree not to appoint.
2. Approve on behalf of the Council the 'RECAP Partnership Charter', as attached at Appendix 1, including approval of the additional Schedule 2 Governance Agreement relating to the operation of the Joint MRF contract, commitment to participation in and commitment of recycle materials into the joint contract.
3. Agree delegation to the appropriate (named) Officer responsible for authorisation of the final Invitation to Tender (ITT), to award the Contract, in consultation with Members as appropriate.
4. Agree that Peterborough City Council will nominate a preferred supplier in collaboration with the participating partners, for the provision of the services of bulking, sorting and onward processing/sale of recyclable materials contract, on behalf on both Peterborough City Council and the RECAP participating partners.
5. Note and agree the approach to the Waste Framework Directive compliance regarding source separation of recycle, as agreed by the RECAP Board on 4th September and as attached at Appendix 2.

2. SUMMARY OF MAIN ISSUES:

- 2.1 Recycling in Cambridgeshire and Peterborough (RECAP) Waste Partnership is made up of Cambridge City Council, Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council, Peterborough City Council, South Cambridgeshire District Council. Cambridgeshire County Council is a member of the Partnership although it will not be party to this joint MRF procurement, as recycle materials received by the County Council are via its Household Waste Recycling centres and already dealt with through the PFI contract.
- 2.2 This Joint MRF Procurement project is a key work stream identified as part of the Whole Systems Approach Programme agreed by RECAP in autumn 2012 and endorsed by Cambridgeshire Leaders and Chief Executives as a 'flagship collaboration'. The programme seeks to develop an optimum waste management system across RECAP in Cambridgeshire and Peterborough through a collaborative approach that:
 - Reduces the overall expenditure against the public purse;
 - Increases the overall income to the public purse; whilst
 - Improving services for the customer, which would include levelling up services across Cambridgeshire and Peterborough to achieve consistently high quality services across the partnership area; and
 - Improving environmental performance.
- 2.3 By working collaboratively and procuring jointly, it is assumed that maximising the collective offer of recycle materials across the RECAP Partnership to the market will represent the most effective and efficient mechanism to achieving the best value in reducing processing costs and maximising materials income to best benefit the public purse.

2.4 Individual approaches to the market at sequential expiry of existing MRF contracts is unlikely to represent the strongest and most cost effective influence on the market. Neither would it accord with the Whole Systems Approach and spirit of partnership espoused by RECAP and captured in the existing RECAP Advanced Partnership Working Charter already signed by the Cambridgeshire partners in January 2012 (see Appendix 1) and now to be signed also by Peterborough City Council as part of this process.

3. **TIMESCALE:**

3.1 To ensure efficient and effective procurement in line with the agreed Project Initiation Document, agreement to the joint procurement and collective offer of recyclate materials into the resultant contract is required from all partners by 11 October 2013, in order to ensure robust procurement and to meet the contract requirements of Peterborough City Council in the first instance and participating RECAP partners as set out at Para 1.1.

3.2 Agreement to associated detailed procurement documentation, such as finalised ITT, contract structure and Partnering arrangements, can be effectively achieved by delegation to a Chief Officer, in consultation with Portfolio Member/Committee Chair, ITT to be issued by 25th November 2013 and with award of contract scheduled for March 2014. Agreement to and issue of the ITT is the point at which the participating Partners will be committed to appointment of a Contractor(s), unless the outcome of the procurement process prompts all those Partners to collectively agree not to appoint.

4. **DECISIONS REQUIRED:**

4.1 To approve the Joint Procurement of services for bulking, sorting and onward processing/sale of recyclable materials with all RECAP partners, in effect committing offering all the recyclate materials of each Partner Council into a common contract(s).

4.2 To approve delegation of final approval of detailed procurement documentation, including ITT, to appropriate Chief Officer in consultation with relevant service Portfolio Member / Committee Chair, noting that ultimately, final contract award will be subject to the appropriate Constitutional and Member approval compliance of the individual Partner authorities.

4.3 To approve the appointment of a preferred bidder by Peterborough City Council, in consultation with and on behalf of the participating RECAP partners, with contract to be awarded to the Most Economically Advantageous Tender.

4.4 Approve and sign / reaffirm on behalf of the Council the RECAP Partnership Charter which sets out the Vision and Objectives of the Partnership; to improve environmental performance; improved value for money; level-up services where differences occur; and improve service performance. Cambridgeshire Councils have previously signed the original Charter, but collective agreement is also now required to the proposed additional Schedule 2 'Governance Agreement' that sets out how RECAP will collaborate in regard to this Joint MRF procurement and the operation and management of the resultant contract.

5. **CONSULTATION**

5.1 Consultation has been undertaken with a wide spectrum of the companies currently operating in the business of recycling, sorting, bulking and transportation of recyclable materials, with a Soft Market Test process undertaken in August 2013. The soft market test

will help inform the nature of the contract, the mix of materials within the recycle basket (including likely impacts on values), the pricing mechanism and also quality requirements.

- 5.2 The project is consultative and collaborative with all of the authorities in the RECAP partnership, with the project being resourced by a Task Group drawn from across all the Partners. Peterborough City Council acts as the project sponsor, with progress and recommendations overseen by the Whole Systems Approach Programme Board (WSAPB) of senior Council Officers responsible for waste management. Section 151 financial officers are also involved in the consideration of the most effective pricing mechanism. The Cambridgeshire Public Sector Board (CPSB) has also been appraised of this project.
- 5.3 The RECAP Board of elected Members monitors the Whole Systems Approach work streams, of which Joint MRF Procurement is one, and is expected to have approved this common paper and supporting documents (see 7.1) at its meeting on 4th September 2013.
- 5.4 The Waste and Resources Action Programme (WRAP), a government funded advisory body, has also been consulted and involved in developing this approach to the marketplace, including provision of industry intelligence and project peer review.

6. ANTICIPATED OUTCOMES

- 6.1 To generate greater revenue for the partnership as a whole, by seeking to reduce processing costs and maximise materials values.
- 6.2 To develop, as far as possible, service consistency/harmonisation, therefore achieving the minimum amount of variation in all aspects of the tender - notably materials, operational processes, procedures and management requirements - and thereby service efficiencies.
- 6.3 To develop an approach to the market place that achieves the best value from materials for the Partnership as a whole, effectively responding to logistical factors and the requirements of the market place (e.g. not assuming the appointment of one single contractor will guarantee best value).
- 6.4 To effectively manage the financial risks of market volatility, developing pricing mechanisms that provide financial security in seeking to mitigate risk, whilst also allowing scope to derive benefits from the potential uplift in material values across the contract period.
- 6.5 To ensure the joint procurement contributes to and supports the development of an optimum waste management system through a whole systems approach across the Partnership.

REASONS FOR RECOMMENDATIONS & RELEVANT BACKGROUND INFORMATION

- 7.1 With the increased value of recyclable materials as a resource, local authorities were previously incurring costs for services to bulk, sort and process such materials are now, at this time, receiving an income - although it should be noted that the market for recyclable materials fluctuates and incomes consequently volatile. Joint working in this area has been shown to potentially increase financial benefits to local authorities, for example, by increasing the quantity of recyclable material presented to the market place and therefore its potential value. It can also remove duplication of effort depending on the partnership approach and benefits can be derived from combining learning and expertise.

Supporting documents

- RECAP Partnership Charter and MRF Governance Agreement Schedule 2 (Appx 1)

- WFD-TEEP report (Appx 2)
- Joint MRF Project Initiation Document

7.2 The MRF procurement is not necessarily expected to change service design or collection systems, but rather intended to maximise existing volumes/materials with more into existing bins if operationally and financially practicable and partners 'levelling up' recycle type. It is understood that it is the options for Optimum Service Design (OSD), a separate Whole Systems Approach workstream, that will fully consider the implications of operational changes to collections services and thereby, potentially offers the more holistic work stream through which to properly consider the Waste Framework Directive requirements for how recyclable waste streams are collected by 2015 - source separated or comingled. The WFD/TEEP paper (Appendix 2) sets out how RECAP intends to address and broadly comply with these matters. The MRF procurement will focus on quality and 'necessity' issues, with OSD addressing 'practicable' considerations. This approach has been agreed by the WSA Programme Board (1 August) and is expected to be agreed by the RECAP Board on 4th September.

7.3 Best practice and challenging economic circumstances encourages Councils to work together to achieve the best outcomes for the residents and communities they serve. Reaffirmation of the RECAP Charter and its Guiding Principles (see Appendix 1) helps refresh the spirit of partnership and the collaborative ethos by which Partners would engage in the collaborative procurement and ongoing management of the resultant contract and partnership/contractor relationships.

7.4 Procuring collectively also further strengthens the RECAP Partnership ethos of collaborative working, achieving more together than we can deliver individually, for the overall best benefit to the public purse and the consistency of service to residents, helping meet the RECAP Vision of:

'Working ever closer together to deliver the best most cost effective waste services for the benefit of all local communities in Cambridgeshire and Peterborough'

ALTERNATIVE OPTIONS CONSIDERED

8.1 The following options were considered as part of the project initiation.

Option	Description	Initial Assessment
1	Do nothing - Delay procurement at this time by investigating and assessing opportunities for partners to utilise existing contract arrangements within the partnership, or utilising extensions, procuring jointly at a later date.	<ul style="list-style-type: none"> • East Cambridgeshire have recently utilised the existing South Cambridgeshire contract, however, this contract would not allow for further excessive additional volumes of material without creating a significant change to the contract requiring re-tender. • Cambridge City/Huntingdon/Fenland District Council contracts do not allow for additional partners without creating a significant change to contract requiring re-tender. • Peterborough would be required to procure individually. • Partners could be financially disadvantaged utilising extensions and missing the potential benefits from re-tendering at this stage.
2	Utilise PFI contract arrangements.	<ul style="list-style-type: none"> • Initial discussion with legal team at

		<p>Cambridgeshire County Council indicates this would potentially mean a significant change to the contract, leading to significant legal costs and even re-tender.</p> <ul style="list-style-type: none"> • May not generate competition and therefore achieve financial benefit. • Could reduce resource/time involved in tendering but revisions to the contact could counter this.
3	Jointly procure the design and build of a MRF, primarily dedicated to the partnerships use.	<ul style="list-style-type: none"> • Is counter to conclusions to recent market testing by Peterborough. • Lengthy process which would require interim contract arrangements. • Capital investment required. • Is being undertaken by a group of authorities in the South West although DCLG funding received for this.

IMPLICATIONS

- 9.1 Following the completion of the procurement, the prevailing market conditions might lead to a lower price being received for the recyclable materials than is presently received by the individual partners. By procuring collectively and taking advantage of the large tonnage of material available to the Partnership as a collective, we aim to mitigate risks arising from market conditions. It is unlikely that Partners procuring individually or in smaller collectives would exert the same influence over and therefore any greater value from the market.
- 9.2 A pricing mechanism that seeks to minimise processing cost, maximise materials income and manage risk e.g. frequency of review, will be developed in conjunction with Section 151 Officers. That model will be agreed as offering the best balance between cost certainty and informed appetite for risk that secures best flexibility to market volatility in mitigating exposure and maximising materials income. Should the market may be at a, comparative, low point when the procurement completes, by building flexibility into the payment mechanism and acting collaboratively, these risks can be mitigated to a greater or lesser extent.
- 9.3 The collaborative procurement seeks to jointly offer all existing recyclate across the Partnership as currently collected, i.e. largely comingled but also recognising the separate paper collection within South Cambs. The contract(s) will need to be both flexible to make provision for future collection/disposal service changes that may stem from Optimum Service Design and also be structured to ensure that existing and future materials streams continue to attract maximum value. No partners would be expected to retain recyclate materials for alternate treatment outside the joint procurement process.

BACKGROUND DOCUMENTS:

As 7.1 above and Appendices 1-2.

@ 30 August 2013