

CABINET MEETING – 17 July 2013

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Procurement of Materials Recovery Facility Contract

Author(s):

Deputy Chief Executive

Purpose of Report:

This report outlines the current contractual arrangements in place for the acceptance and sorting of collected materials from the Council's blue bin scheme and seeks approval to jointly procure a new service for the operation of a materials recovery facility (MRF) with the South Tyne and Wear Waste Management Partnership (comprising Sunderland City, South Tyneside and Gateshead Councils), to ensure continued service provision once the current MRF contract expires in March 2015.

Description of Decision:

Cabinet to agree proposals to participate in the procurement process for the operation of a materials recovery facility (MRF) in partnership with the South Tyne and Wear Waste Management Partnership (STWWMP) to ensure continued service provision once the current MRF contract expires in March 2015.

Is the decision consistent with the Budget/Policy Framework? *Yes/No

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To allow the Council to participate in the joint STWWMP MRF procurement would provide an opportunity to seek further efficiencies afforded by economies of scale, whilst allowing for the flexibility to procure the Council's own arrangements if efficiencies are not secured through the collaborative procurement arrangements.

Alternative options to be considered and recommended to be rejected:

The alternative option would be to not participate in the joint STWWMP procurement and procure a separate MRF contract in 2014 to commence in April 2015, thereby missing the potential opportunity of securing more advantageous rates afforded by economies of scale.

Impacts analysed;

Equality Yes **Privacy** Yes **Sustainability** Yes **Crime and Disorder** N/A

Is this a “Key Decision” as defined in the Constitution? Yes/No	Scrutiny Committee
Is it included in the 28 day Notice of Decisions? Yes/No	

CABINET – 17 July 2013

PROCUREMENT OF MATERIALS RECOVERY FACILITY CONTRACT

Report of Deputy Chief Executive

1. Purpose of the Report

This report outlines the current contractual arrangements in place for the acceptance and sorting of collected materials from the Council's blue bin scheme and seeks approval to jointly procure a new service for the operation of a materials recovery facility (MRF) with the South Tyne and Wear Waste Management Partnership (comprising Sunderland City, South Tyneside and Gateshead Councils), to ensure continued service provision once the current MRF contract expires in March 2015.

2. Recommendations

Cabinet is recommended to agree proposals to participate in the procurement process for the operation of a materials recovery facility (MRF) in partnership with the South Tyne and Wear Waste Management Partnership (STWWMP) to ensure continued service provision once the current MRF contract expires in March 2015.

3. Background

The Council has a contract with Siaca, based at Washington, for the operation of an MRF which commenced in April 2010 following a full procurement process. The MRF accepts all the materials collected by the blue bin kerbside recycling service. The company then separates the recycled paper and sends it to a paper mill for reprocessing into new paper and the mixed cans, glass, cardboard, plastic bottles and packaging and drinks cartons are sorted using a range of mechanical equipment into constituent parts which are then baled up and transported to various recycled materials users.

The original term of the contract with Siaca was for three years with a potential extension for an additional three years by negotiation. A two year extension which would take the contract to 2015 was negotiated and agreed by officers under delegated powers in May 2012. This resulted in a significant reduction in the cost per tonne that the Council pays for the MRF service resulting in an efficiency of £75,000 per annum.

4. Current Position

Underpinned by the success of the procurement of the long term waste disposal solution, the STWWMP has been actively exploring further opportunities for joint working and shared services to improve service provision and reduce costs.

The other members of the STWWMP, Gateshead and South Tyneside Councils are contracted with a different provider for MRF and have not been able to procure a similarly favourable extension to their existing contracts and wish to procure a new MRF contract commencing April 2014.

It is proposed that in order to seek further efficiencies the Council takes advantage of the jointly procured STWWMP procurement exercise for MRF by the inclusion of an individual Lot for Sunderland City Council to commence one year after the start date of the main contract. The duration of the potential Sunderland contract will be 3 years with options to extend for up to a further three years.

This will allow the Council to honour its existing contract until 2015 and, if the terms offered provide further efficiencies to the Council, join into the new STWWMP contract, which will negate the need for the Council to tender its own service. An affordability condition will be included in the new MRF procurement (which will be communicated to all bidders) to allow the Council to opt out of the process if the rates are less advantageous than those currently enjoyed. In this case the Council will have the option to procure its own MRF contract outside the STWWMP to commence in April 2015.

5. Reasons for the Decision

The decision to allow the Council to participate in the joint STWWMP MRF procurement would provide an opportunity to seek further efficiencies afforded by economies of scale, whilst allowing for the flexibility to procure the Council's own arrangements if efficiencies are not secured through the collaborative procurement arrangements.

6. Alternative Options

The alternative option would be to not participate in the joint STWWMP procurement and procure a separate MRF contract in 2014 to commence in April 2015, thereby missing the potential opportunity of securing more advantageous rates afforded by economies of scale.

7. Impact Analysis

7(a) Equalities -

An Equalities Impact Needs Requirements Assessment (INRA) has been undertaken. This has shown that the proposal will not introduce any new equalities issues, as the service will operate in exactly the same way as currently provided under a contract let by the Council.

- 7(b) Privacy Impact Assessment (PIA)** – The proposal will not introduce any new PIA issues as systems of site management will be retained and followed by any contractor to ensure safe and legal disposal of property.
- 7(c) Sustainability** – The recommendations will result in positive environmental impacts by ensuring continued service provision for the acceptance, sorting and distribution of materials collected by the Councils blue bin recycling service.

8. Other Relevant Considerations / Consultations

- (a) Financial Implications / Sunderland Way of Working** – The Head of Financial Resources, on behalf of the Executive Director of Commercial and Corporate Services, has been consulted on this and agrees to the proposal. It is expected that the MRF procurement will result in the current charge to the Council for this service being maintained or the position improved by providing a modest income. The Council has the option to opt out of the procurement if the rates submitted are less advantageous than currently enjoyed.
- (c) Employee Implications** – The Director of Human Resources and Organisational Development has been consulted and as there are no direct Council employee implications, has no objections to the proposals. The change from one contractor to another may result in TUPE transfer costs in respect of the existing contractor's staff which will be included in the tender prices for the new contract and will form part of the overall price evaluation.
- (d) Legal Implications** – The Head of Law and Governance has been consulted on the proposal and her comments have been included in the report.
- (f) Health & Safety Considerations** – The tenders will be evaluated to ensure compliance with the health and safety obligations of the Council. The Director of Human Resources and Organisational Development has been consulted and has no objections.
- (m) Procurement** – The Procurement Team representing The Head of Corporate Procurement has provided advice and guidance on the proposed joint STWWMP procurement of the contract.

9. List of Appendices

1. Equalities Impact Needs Requirements Assessment (INRA)

10. Background Papers

Cabinet Report June 2008 approving the procurement of ancillary waste contracts including the MRF contract

Delegated Decision form agreeing extension of current MRF contract May 2012.

These can be obtained by contacting Colin Curtis, Assistant Head of Streetscene, on (0191) 5614525 or email: colin.curtis@sunderland.gov.uk