

**Cheltenham Borough Council
Cabinet Lead Member Report
Recycling Material Sales**

Accountable member	Cllr Chris Coleman - Cabinet Member Clean and Green Environment
Accountable officer	Pat Pratley - Deputy Chief Executive
Ward(s) affected	All
Key Decision	No
Executive summary	This report presents the results of further work concluded on wood recycling by the Joint Waste Team following the initial recycling material tendering exercise where no companies tendered for this material, and presents a recommendation on the most appropriate company to contract with.
Recommendations	<p>That the Cabinet Member</p> <p>1. Accepts the tender as set out in the Tender Acceptance Report to enable the Authority to purchase capacity for the re-processing of its wood recycling material, from the re-processor referred to in paragraph 5.8 of this report when the current contract with P W Commercial Ltd (Printwaste) expires on 16th October 2015.</p>

Financial implications	<p>There are no direct financial implications arising from this report, although and savings which can be made from the 'Lot' for Wood/Timber will feed into the objective of targeting a net income benefit to the Council as detailed in the report.</p> <p>Contact officer: Des Knight, Business Partner Accountant, GO Shared Services, des.knight@cheltenham.gov.uk, 01242 264124</p>
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<p>Legal implications</p>	<p>The contract to be entered into is for the purchase of re-processing capacity for the Council's wood recycling material. Given the value of the contract , the Public Contracts Regulations 2015 are not applicable. The Council only has to comply with the wider EC public procurement principles of equal treatment, transparency and proportionality.</p> <p>The Council's contract procedure rules were followed to ensure value for money was achieved and to ensure a fair and transparent process was utilised and that the Council fulfilled the obligations stated in the previous paragraph.</p> <p>As no bids were received for the wood recycling lot in the original tender exercise it is legitimate for the Council to undertake a canvassing exercise and directly approach prospective re-processors.</p> <p>The re-processor will be required to sign a contract before 31 October, substantially in the form of the standard template sent out as part of the information pack.</p> <p>Contact officer: Linden Dunham , Chartered Legal Executive</p> <p>linden.dunham @tewkesbury.gov.uk, 01684 272065</p>
<p>HR implications (including learning and organisational development)</p>	<p>N/A</p> <p>Contact officer: , @cheltenham.gov.uk, 01242</p>
<p>Key risks</p>	<p>The key risk is that if the necessary contract isn't in place for the wood/timber commodity, then there is a risk that recycling material could have to be stock-piled whilst suitable arrangements are made. With only limited space available at Swindon Road this would most likely have to come from using alternative storage arrangements at additional cost, or from arranging short-term contracts with local re-processors at a higher cost.</p>
<p>Corporate and community plan Implications</p>	<p>Approval of the recommendation within this report supports the Council's corporate plan within 'Enhancing and Protecting our Environment' under 'Efficiency Savings and Maximising Income'. The Evaluation of Material Bulking and Marketing Arrangements Report was modelled by Eunomia and contained further evaluation of risks and opportunities. The conclusion indicated that Ubico should be able to operate the bulking facility at lower cost to the Council than contracting with a third party contractor and the JWT should be able to secure better value for the recyclable material by contracting directly with re-processors.</p>

<p>Environmental and climate change implications</p>	<p>The successful bidder demonstrates an understanding of environmental impact and undertakes positive environmental activities in processing wood and timber in the UK. Should they be unable to deliver to UK end destinations material may be shipped to the EU, however this is generally a matter of resilience rather than preference.</p> <p>The ability for Ubico to closely monitor the recycling material collected will also ensure that the material will be of a high quality with a low level of contamination. This will reduce the amount of waste produced and sent to landfill by the re-processors when they process the material. There is also an additional benefit in that the material sent from the Cheltenham recycling operations will continue to be held in high regard by the re-processor.</p> <p>Contact officer: Gill.Morris@cheltenham.gov.uk</p>
<p>Property/Asset Implications</p>	<p>N/A</p> <p>Contact officer: David Roberts@cheltenham.gov.uk</p>

1. Background

- 1.1 On 9 December 2014, Cheltenham Borough Council (CBC) supported by Ubico Ltd (Ubico) and the Joint Waste Team (JWT) presented a report to its Cabinet recommending that Ubico take on the dry recyclable material bulking operation after the arrangement with Printwaste Ltd expires and that arrangements are made for the day-to-day management of material sales to be undertaken by the JWT. It has been agreed that the new arrangements will commence on [17] October 2015.

The recommendations which were approved by Cabinet are;

1. CBC agree a further extension of the Printwaste contract and Ubico take on the dry recyclable material bulking operation thereafter
2. A project team, sponsored by the Managing Director of Ubico be established to oversee the transition to the new service delivery for both recycling materials bulking and materials marketing and sales
3. Cabinet recommends to Council that up to £390k of capital expenditure in the 2015-16 capital budget is allocated to the project
4. CBC takes back responsibility for the sale of the dry recyclable material and makes arrangements for the day-to-day management of material sales to be undertaken by the JWT

- 1.2 This project has the following objectives:-

1. Bring the material bulking operation under the functions Ubico perform on behalf of CBC
2. Delegate the material marketing/sales responsibilities to the JWT
3. Target a net income benefit of £92k for CBC

- 1.3 Up until 16 October 2015, CBC has a contract in place with P W Commercial Limited (Printwaste) for the bulking of recycling material collected from the kerbside, bring sites and through the Swindon Road Household Recycling Centre. The current contractor also carries out the marketing and sale of the recycling materials.

- 1.2 All recycling materials are delivered by Ubico to the Printwaste facility at Swindon Road and there, an element of sorting and bailing is conducted by the site staff using plant and equipment in preparation for the individual materials to be collected by hauliers and transported to the various re-processors.

- 1.3 From 17 October 2015, Ubico will be responsible for the bulking operation and the JWT will be responsible for managing the contracts and associated relationships with recycling re-processors on behalf of the Council.

- 1.4 The purpose of this report is to present details of the tender having been undertaken for the recycling material sales and request approval from the Cabinet Lead, for the Council to enter into contacts with those re-processors highlighted in the recommendation section of this report.

2. Preparation Before Tendering Exercise

- 2.1 Whilst the pool of waste management expertise within the JWT is extensive, it was recognised that there weren't any officers having hands-on experience of recycling material sales and the established relationship with re-processors within the industry. For this reason, a specialist

- recycling materials expert was brought in to assist with the project and for the JWT to develop the skills necessary going forward.
- 2.2 In order to manage the project, a Project Team was set up which included officers from the JWT, One Legal, Procurement, Finance, Commissioning and the Specialist Materials Expert.
 - 2.3 The recycling commodity markets can be quite volatile and are continuously affected by a number of factors including, global manufacturing, oil prices and the availability of capacity within the re-processors plants.
 - 2.4 Generally re-processors demand the highest quality of material they can find, which usually is derived from kerbside sort collections – as operated in Cheltenham.
 - 2.5 As CBC nor Ubico had ever dealt directly with the recycling materials re-processors, it was recognised by the Project Team that it would be important to build the reputation of the Council and the quality of the recycling material it produces before conducting a formal tender.
 - 2.6 On 15, 16 & 17 June 2015, an exercise was undertaken where potentially interested re-processors were invited to visit the Swindon Road bulking facility and view the recycling material quality first hand. Ten re-processors which had UK and EU processing capacity attended and the general view was that the recycling material derived from kerbside collections, via the bring sites and from the Swindon Road HRC was of good quality and they would be interested in tendering for the contract/s. However none of the re-processors which visited indicated that they were interested in tendering for the wood material

3. Tendering Exercise

- 3.1 As the procurement was different than the norm, in that the Council was selling instead of purchasing, on advice received from One Legal and Procurement, it was agreed that the tendering procedures required under the Public Contracts Regulations 2015 did not apply. However to ensure fairness and transparency in the selection of the re-processors and to achieve value for money, CBC followed its Contract Procedure Rules when carrying out the tender process.
- 3.2 Prior to the tender exercise the project team looked at the factors which would be most important to the Council in working with a re-processors and these 'Contract Specifications' were agreed as follows;

Contract Length – re-processors could bid for either a contract length of 1 or 2 years

Guaranteed Off-Take - All contracted material, must be guaranteed to be collected, whatever the market conditions.

Price variation – CBC wishes to link the material price to the 'Lets Recycle' index and review/amend it quarterly.

'Ex-Works' – All contracts are agreed on the basis of Ex-Works where the re-processor has full responsibility for collecting the material from the Swindon Road Bulking Facility at its own cost.

End Destination/s – Full and up-to-date information on end destinations for the recycling material must be made available to CBC throughout the term of the contract.

Contamination – re-processors to specify the level of contamination which would be acceptable.

Payment – All contracts must be set up on a 30 days payment arrangement.

Expansion – re-processors were advised that the quantity of material shown in the tender documentation is likely to continue, CBC is keen to improve its recycling rate and so proactive

projects are underway to target this aspiration. In addition being part of the GJWC, there may be opportunities in the future to pool recycled material from a number of partners and sell as one. For this reason any contracts must allow for the increase of recycling material.

Collection of Goods – All collections under the Ex-Works arrangement must be undertaken in a timely way with not more than 1 week lead time between notice of collection and the collection itself taking place.

Heavily Contaminated Loads – Any loads which are so heavily contaminated that they don't meet the 'Contamination Tolerance', must be processed/disposed of by the Re-processor (at cost price to CBC) and not returned to the Council's bulking facility.

Lots – Each of the material types is a separate lot and re-processors may bid for any number of material types.

Material Preparation - our preferred preparation of materials for sale is for:

- Loose News & Pams (can be baled if commercially advantageous)
- Baled Mixed Card
- Baled Plastic Bottles
- Baled Mixed Plastics
- Baled Hard Plastics
- Baled Aluminium Cans
- Baled Steel Cans
- Loose Wood
- Mixed Glass

Environmental Impacts – CBC is very aware of the potential environmental impacts which the sale of recycling materials might have and is keen to strike the right balance between price and what happens to the material when it leaves the recycling facility, e.g. how far is it being shipped for re-processing. The Council is looking to achieve best value from an environmental perspective as well as a monetary perspective from the sale of materials and that they achieve the same, if not, better environmental results from the supply chain than under the present arrangements. For this reason an explanation of the primary and secondary re-processing arrangements will be required.

3.3 The project team then drew up the necessary tender documentation

4. Tender Evaluation

4.1 In order to evaluate the tenders a scorecard was developed and agreed by the project team (attached at Appendix 9), which weighted the specifications according to their overall importance. Whilst income was recognised as being important there were a number of other factors to consider, particularly as the market conditions would likely change between the time of the tenders being received and when the contracts were due to begin, which would undoubtedly affect the prices offered.

- 4.2 An evaluation team was set up which consisted of the Council's Client officer with responsibility for climate change, the Recycling Materials Expert and the Strategic Client officer from the JWT.
- 4.3 A total of eight bidders tendered for the contract/s with all commodities - except the wood & timber lot, being bid for.
- 4.4 The reason we didn't receive any bid for wood/timber can be put down to the low value and high logistics costs in transporting it and processing costs, and the current limited number of companies in the UK able to receive it.
- 4.5 It was agreed that the JWT would canvass the re-processors available which could receive the material and look to secure the best arrangement for the Council prior to 17 October 2015.
- 4.6 As we have reached 17th October, a date of 31st October has been set to have a contract in place for wood recycling collections with a suitable re-processor. In the meantime the current arrangement with Printwaste will continue for a short period of time.

5. Wood Re-Processor Canvassing Exercise

- 5.1 The Council currently pays Printwaste (PW) £70 per tonne for the collection and onward recycling/reuse of wood which based on the 2014/15 total amount received at the Swindon Road Recycling Centre (1,349 tonnes) = £94,430 expenditure per annum
- 5.2 In order to review the options available and taking into account the issue of logistics costs, a geographical assessment was used as the best approach – which gave three options;
 - Continuing with the existing local arrangement with Printwaste for wood/timber solely and entering into a contract
 - Contract with Boomeco – which is a company operating in the South West, from the Bristol area
 - Contract with Hadfield Wood Recyclers – which is the market leader in the UK and has plants in Manchester, Kings Lynn and Daventry
- 5.3 Printwaste (PW)
 - When a load is available for collection, PW would arrange for a walking floor vehicle to collect from Swindon Road - currently they are able to load an average of 14 tonnes per loaded trailer.
 - There would be a charge of £40.00 per tonne disposal + £400.00 transport charge for all of the wood waste and it would all be classed as Grade 3 material* – this would equate to an average collection cost of £960 per collection and approximately £93,120 per annum.
- 5.4 Boomeco
 - Boomeco would provide 40yd container to be loaded on site (which would hold approximately 10 tonnes) and they would collect and replace the container with an empty one on request.
 - There would be a charge of £61.00 per tonne for disposal + £300.00 transport charge and again it would all be classed as Grade 3 material* – this would equate to an average collection cost of £910 per collection and approximately £122,850 per annum.
- 5.5 Hadfield
 - Following initial quote request and after numerous chasing emails and phone calls, Hadfield has

declined to quote for the work as they regard it to be not advantageous for their business.

- 5.6 *Grade 3 material is very low and has limited uses which include the making of panel board and in some cases being used for energy recovery. The material collected at Swindon Road is a split of mixed material (Grade 3) and pallet material (Grade 2).
- 5.7 Given the high costs involved which are only partially offset by recycling credits, the JWT reviewed the work completed to see if there were any other options. Gloucestershire County Council also operates Household Recycling Centres which accept wood and timber, but the contract is held between Kier (as the site operator) and a company called South Wales Wood (as the re-processor). It was suggested that there might be an opportunity to piggy-back on the Kier contract to achieve a better price.
- 5.8 The JWT contacted South Wales Wood and although they have limited demand we negotiated the same price as that being offered to Kier which is £55 per tonne for Grade 3 material and £17 per tonne for Grade 2 material.
- 5.9 Ubico has confirmed that it can separate the material into Grade 2 and Grade 3.
- 5.10 Using the total wood arising of 1,400 tonnes (2014/15) and it being split between mixed material and pallet wood at $\frac{3}{4}$ to $\frac{1}{4}$, the estimated annual collection and re-processing costs are shown below;
- | | |
|----------------------------|-----------|
| 1,050 tonnes (mixed) x £55 | = £57,750 |
| 350 tonnes (pallet) x £17 | = £5,950 |
| Total | = £63,700 |
- 5.11 Based on the current recycling credit rate of £54.69, the estimated income derived from this material would be £76,566 and deducting the estimated amount paid to South Wales Wood of £63,700 would deliver a net income to the authority of approximately £12,866 per annum.
- 5.12 Comparing the South Wales Wood price to the current price paid to Printwaste, this new arrangement would deliver an estimated saving of £30,730 per annum.

6. Recommendation

- 6.1 Having completed a formal tendering exercise which included soft market testing, formalising a tender specification which included all of the most important factors to the Council and conducting a formal tender evaluation, which resulted in no bidder tendering for wood/timber, the JWT has conducted further work to identify a number of options and it is recommended that the Deputy Chief Executive/Cabinet Lead for Clean and Green Environment approves the wood recycling material 'Lot' to be awarded to the re-processing company shown in 5.8 of this report and that the further work is now undertaken to agree the contract terms.

7. Performance management – monitoring and review

- 7.1 The JWT will be responsible for managing the recycling commodity contracts, liaising with the re-processor, conducting quarterly price reviews, monitoring the commodity markets to ensure that the Council is achieving best value for its materials and leading on re-procurement projects – the Council will be kept up to date as part of the normal client functions undertaken..

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Appendices	1. Risk Assessment
Background information	1. Cabinet Report – Recycling Material bulking and Sales, November 2014

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If contract is not arranged in time for 31 October, then there will be nowhere for the wood recycling material to go without anticipated additional cost.	PP	15.10.15	4	1	4	Reduce	Award contracts following approval by Deputy Chief Executive/ Cabinet Lead	31 Oct 2015	SW	No
2	If market for certain commodity becomes volatile then commodity may not continue to be collected by re-processor	PP	15.10.15	4	1	4	Reduce	Award contract	31 Oct 2015	SW	No
3	If demand for material becomes lower then this will affect the price paid – <i>this risk is and will always be live with limited ability to control</i>	PP	15.10.15	3	2	6	Accept	Award contract and JWT keep the Council abreast of changing market conditions and the effect on expenditure	31 Oct 2015	SW	Yes

Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

Control - Either: Reduce / Accept / Transfer to 3rd party / Close