

CABINET MEETING 16 July 2014

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Procurement of Materials Recovery Facility Contract

Author(s):

Report of the Deputy Chief Executive

Purpose of Report:

To seek Cabinet approval for the Procurement of Materials Recovery Facility Contract

Description of Decision:

Cabinet is recommended to Approve the procurement of a Materials Recovery Facility Contract for the City Council and Authorise the Deputy Chief Executive to appoint a supplier that provides the most economically advantageous option and ensure continuous service when the existing contract expires in 2015.

Is the decision consistent with the Budget/Policy Framework? *Yes

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

Suggested reason(s) for Decision:

In accordance with the Constitution, Cabinet approval is required to permit the letting a contract exceeding £250,000 in value.

Alternative options to be considered and recommended to be rejected:

An alternative would be to take up an option to enter into an existing procured contract for the service which would prevent the opportunity to achieve lower rates and reduce the costs and operational impacts on the recycling collection service. This option has been rejected.

Impacts analysed;

Equality ☒ Privacy ☒ Sustainability ☐ Crime and Disorder ☐

Is this a “Key Decision” as defined in the Constitution? Yes/No

Is it included in the 28 day Notice of Decisions? Yes/No

Scrutiny Committee

CABINET – 16 July 2014

PROCUREMENT OF MATERIALS RECOVERY FACILITY CONTRACT

Report of Deputy Chief Executive

1. Purpose of the Report

This report seeks approval to procure a new service for the operation of a Materials Recovery Facility (MRF) for the City Council

2. Recommendations

Cabinet is recommended to Approve the procurement of a Materials Recovery Facility Contract for the City Council and Authorise the Deputy Chief Executive to appoint a supplier that provides the most economically advantageous option and ensure continuous service when the existing contract expires in 2015.

3. Background

The Council has a contract with Saica Nutur, 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 Council blue bin kerbside recycling service, and sorts, bales and sells them into recovered materials markets.

The original term of the contract with Saiaca Nutur was for three years with a potential additional three years by agreement. A two year extension which would take the contract to 2015 was negotiated in May 2012. This resulted in a significant reduction in the cost per tonne that the Council pays for the MRF service and an efficiency of £75,000 per annum. The contract will expire on 31 March 2015. Saica Nutur does not wish to extend for 1 final year on the existing terms.

4. Current Position

On 17 July 2013 the Council approved a cabinet report for Sunderland to participate in a joint procurement with the South of Tyne and Wear Waste Management Partnership (STWWMP) for an MRF service in order to explore if a jointly commissioned service would provide a practical and economically efficient option for Sunderland. The cabinet report described that the period of this STWWMP MRF contract would be for 4 years, and proposed that if it was advantageous to do so, the Council would opt into the jointly procured STWWMP contract by the inclusion of a Lot for Sunderland City Council to commence April 2015. This would be one year after the start date of the main contract involving Gateshead and South Tyneside councils. In such a case the contract duration for Sunderland would be 3 years.

The Cabinet report explained how a clause in the MRF contract would allow the Council to opt out of the process if the rates offered are less advantageous than those currently enjoyed with its existing contractor and in such a case the Council would procure its own MRF contract to commence in April 2015.

The STWWMP joint MRF procurement was completed and began operation in April 2014 with Gateshead and South Tyneside delivering to a facility in Team Valley. The results of the evaluation, which took into account cost factors, including the impacts of the location of delivery points for the Councils blue bin recycling collection vehicles, indicated that the service offered would be less favourable for Sunderland than the cost of its existing service. This was as a result of the additional transport costs. The Council will be able to opt into this contract when its existing MRF contract expires if it cannot obtain a more economically advantageous option through procuring its own MRF contract.

Therefore it is proposed that Sunderland carry out its own procurement for an MRF service which includes a local direct delivery location (Lot 1). Furthermore it is proposed to seek tenders for the acceptance and transport of collected recyclable materials from a local drop off facility to be transported to the existing STWWMP procured MRF facility, and compare the total combined costs of a local drop off and transfer facility and the existing STWWMP procured MRF service (Lot 2), with the cost of procuring a service for Sunderland (Lot 1). The option offering the best financial and operational advantages when evaluated would be chosen.

5. Reasons for the Decision

The decision to allow the Council to procure an MRF service for Sunderland for the MRF service which will expire on 31 March 2015 will ensure that Council obtains the best value for money solution by comparing bids from this procurement with the option it currently retains to join the STWWMP MRF contract.

6. Alternative Options

The alternative option would be to not enter procurement for Sunderland and take up the option to enter the STWWMP joint arrangement when the existing contract expires in 31 March 2015. This would miss the potential of securing lower rates afforded by a contract offered which is focussed on Sunderland's needs and thereby reduce cost and operational service impacts on the blue bin recycling collection service.

7. Impact Analysis

7(a) Equalities -

An Equalities Impact Assessment 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, has been consulted on this and agrees to the proposal and will carry out a financial evaluation on the returned tenders to advise on the most economically advantageous option.

(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.

(d) Legal Implications – The Head of Law and Governance has been consulted and confirms that legally compliant procedures are being pursued.

(f) Health & Safety Considerations –The tenders will be evaluated to ensure compliance with the Council's statutory health and safety obligations, as a client, procuring and managing waste contractors. .

(m) Procurement –The Corporate Procurement Team has provided advice and guidance on proposals.

10. List of Appendices

None

11. Background Papers

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

Cabinet Report 17 July 2013 approving participation in the joint procurement of MRF facilities through STWWMP

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