

To: City Executive Board

Date: 10 September 2015

Report of: Head of Direct Services

Title of Report: Award of contract for disposal of waste for recycling

Summary and Recommendations

Purpose of report: To advise the City Executive Board of the procurement process for disposal of City collected recyclate and to request that the Director of Community Services be given delegated authority to award contracts to a supplier or suppliers having completed the Open procedure of tender. The contract period will be 4 years with potential of extension for a further 4 years.

Key decision: Yes – Contract value up to £1m per year

Executive lead member: Councillor John Tanner, Executive Board Member, Climate Change and Cleaner Greener Oxford

Policy Framework: An efficient and effective Council

Recommendation(s): That the City Executive Board resolves to:

1. **GRANT** project approval in regard to the project for the disposal of recycled materials, as described in this report;
2. **DELEGATE** authority to the Director of Community Services, after consultation with the Council's s151 and monitoring Officers, to award the contract or contracts to the supplier or suppliers selected following completion of the EU-compliant open tender process described in this report, for the disposal of the City's recyclate.

Appendices

Appendix 1 Risk Register

Background

1. The Council at present has a contract with Viridor at a facility in Enstone. The contract expires on 5 October 2015 and although it is capable of being extended for a further 3 years the market and gate fee has changed to such an extent that it is considered that the Council should test the market by using a compliant EU tender process. The Council collects around 16000 tons of material for recycling per year from domestic and commercial customers.
2. The original contract at Enstone was negotiated when it provided full sorting facilities (MRF – Material Recovery Facility). Viridor bought the facility and it has since become a transfer facility only, whereby Oxford City deliver co-mingled recyclate direct to Enstone. The material is then bulked and transported to Crayford where Viridor have a large MRF that handles co-mingled recyclate which includes glass. A number of MRF sites do not have the facility to separate glass. Oxford City is now the only major customer to Enstone and therefore the average tonnage cost to Viridor is high. Oxford City collects circa 16,000 tons of recyclate over the year and as our commercial business and continued efforts to improve our recycling rate grows, so will the annual tonnage.

Proposals

3. We intend to use the EU Open Procedure of Tender and offer the contract via a single or multiple lots:-

Lot – 1, Integrated solution which would provide a transfer station, transport to a MRF and Treatment.

Lot – 2, Provision of transfer station.

Lot – 3, Collect from transfer station, transport to MRF and Treatment.
4. We intend to procure on this basis to establish both cost and availability of a local transfer station which could save operational costs compared to the journey time currently experienced in travelling to Enstone. We are currently preparing a business case to operate a City operated transfer station.
5. We are employing specialist consultants to assist procurement and operations in the detailed specification of the tender and adjudication process that will follow.
6. The contract period proposed is 4 years with an option to extend up to a further 4 years. If awarded lot 2 will have early termination provisions in the event that the Council proceeds to create its own transfer station.

7. Depending on the outcome of the tender process it is intended that the Council would place the contract with one supplier if successful for Lot 1 or there would be two suppliers should the combination of Lots 1 and 2 be more beneficial to the Council.

Legal Issues

8. Following the completion of the procurement process, which will be compliant with EU procurement regulations, the contract with the selected supplier or suppliers should take the following into consideration.
 - The need to properly incorporate the specification prepared by WYG (The Council's specialist consultant) and the existing contract elements which worked well and any lessons learned from operating. The Longevity of the contract (up to eight years) will require the Council to consider if performance bonds, parent company guarantee or both are needed. The pricing method for each of the elements needs to be clear as does the management of contamination and the level at which the supplier has responsibility.

Financial Issues

9. The change in legislation and market conditions has had a significant impact on the cost of this service. The market price is the most significant impact on the overall price. This has changed from OCC receiving payment from suppliers to a charge being made. A provision for the potential increase in cost from the third quarter of 2015/16 and onwards has been made. It is difficult to judge whether or not the market has reached a low point. There appears to be some correlation between oil price and commodity pricing which is currently starting to rise. In order to benefit from a potential rise in the value of recycle the new contract will reflect a share of future market fluctuations based on accepted trade indices on a 50:50 risk basis.

Environmental Impact

10. At present Council vehicles have a long journey to Enstone to deliver material. Part of the tender is to discover if there is a more convenient local transfer station that will enable the service to be provided with shorter and less frequent journeys. Location of the Material Recovery Facility (MRF) will also have an impact.

Level of Risk

11. Risk register attached as appendix 1.

Equalities Impact

12. There are no equality issues arising from this contract.

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List of background papers: None