

MINUTES

CABINET

26 APRIL 2016

Present:

Members:

Councillors: Williams (Leader)
Elliot
Harden
Marshall
G Sutton

Officers:	Sally Marshall	Chief Executive
	James Deane	Corporate Director - Finance and Operations
	Steven Baker	Assistant Director - Chief Executive's Unit
	David Austin	Assistant Director - Neighbourhood Delivery

The meeting began at 7.30 pm

CA/38/15 MINUTES

The minutes of the meeting held on 22 March 2016 were agreed by the members present and signed by the Chairman.

CA/39/15 APOLOGIES FOR ABSENCE

An apology was received on behalf of Councillor Griffiths.

CA/40/15 DECLARATIONS OF INTEREST

None received

CA/41/15 PUBLIC PARTICIPATION

None received

CA/42/15 REFERRALS TO CABINET

None received

CA/43/15 CABINET FORWARD PLAN

That the Cabinet Forward Plan be noted subject to the following amendment:

Enterprise Zone report to move from June to July 2016.

CA/44/15 RECYCLING CONTRACT

Decision

That Dacorum Borough Council join the new consortium arrangement for the procurement of a MRF processor for the processing of mixed recyclables commencing in 2017.

Reason for Decision

To seek authority to enter into a consortium arrangement with selected members of the Hertfordshire Waste Partnership (HWP) for a joint procurement of a MRF processor for the bulk receipt and processing of mixed dry recyclables.

Implications

Financial

As detailed in this report, there has been a significant decline in market values for recyclables over recent years which has resulted in the Council currently incurring a gate fee for the processing of mixed recyclables. Clearly with either a consortium or individual approach to securing a new contract the Council will be subject to the same market conditions and possible cost volatility.

Value for Money

The approach to collecting mixed recyclables as opposed to the material being collected separately at the kerbside has previously demonstrated that the current approach with wheeled bins provides the best value for money for the residents of Dacorum.

Risk Implications

Dacorum Borough Council has to sell its collected recycling material in a free market. It is not possible to predict the future value of the material at the time of the tender or how commodity markets will act to market conditions in the future, so there is a potential risk of higher costs or lower revenue streams to the Council. A shared risk/reward approach with the MRF processor will need to be built into the specification and contract to ensure we mitigate the impact of these potential risks.

The other main risk could have been around the quality of material. Dacorum Borough Council has traditionally supplied material of high quality which is clearly important in a market which is often in a state of oversupply. The risk therefore could have been that our recyclables may have been 'contaminated' by the other consortium partners leading to potential financial implications. This however has been prevented by writing the specification and the contract so that each Authority is responsible for the quality of the material collected in their respective areas.

Health & Safety Implications

There are no health and safety implications to this report.

Corporate Objectives

- Safe and Clean Environment
- Dacorum Delivers

Monitoring Officer/S.151 Officer Comments

Monitoring Officer:

No comments to add to the report.

S.151 Officer

No comments to add to the report.

Advice

The Portfolio Holder for Environmental, Sustainability & Regulatory Services noted that a late annex had been emailed to the committee which provided helpful background.

The Portfolio Holder for Environmental, Sustainability & Regulatory Services explained that the report related to the processing of the contents of the blue bin – the dry recyclables waste. The DBC contract for processing will end in October 2017.

In addition, the contracts for Three Rivers, Watford and Welwyn Hatfield also expires in 2017, albeit January 2017.

Consequently, this meant there was an opportunity for all 4 authorities to contract with one processor.

A soft tendering exercise has taken place and it seemed ideal for waste processors to invest significantly if the local authorities could give an assured tonnage of at least 80,000. Nevertheless around 40,000 tonnes was still attractive.

The purpose of this report was to seek approval to form a consortium with Three Rivers, Watford and Welwyn Hatfield for the purpose of tendering and entering into a contract for the processing of dry recyclable waste. The proposed tender will not include the transport of the waste.

In evaluating the bids, the consortium will be looking at the distance to the waste processor. The benefit of a tremendously low bid from the North East will obviously be destroyed because of the cost of transport. DBC could benefit significantly by virtue of the new processor being much nearer than Crayford.

The contract will be based on what is termed as the “basket value” of a comingled tonne of the waste and the processing cost of a tonne (known as the “gate fee”).

Basket value is what the component parts of the waste can achieve in the market, such as for aluminium, glass, paper and that can fluctuate frequently and significantly.

The Portfolio Holder continued to explain that “gate fee” is the actual processing costs of separating the component parts of the waste and the more sophisticated the

technology used, the better the purity of the result and the better price obtained in the "basket".

Bidders will be asked to submit a gate fee to cover the cost of processing a tonne and specify what share of the basket value will be given to the Consortium.

It is intended that the contract start date with 3 Rivers, Watford and Welwyn Hatfield is February 2017 and, for DBC, November 2017.

Welwyn Hatfield will be the lead authority, so that the contract would be between the processor and Welwyn Hatfield and, in turn, Welwyn Hatfield contracts with Watford, 3 Rivers and DBC.

The timetable is that the OJEU advert will be issued in May, tenders received in July and the local authorities in the consortium agreeing to proceed with the selected tenderer at the end of August.

Paragraph 2.11 of the report explains that DBC is not contractually committed at this stage simply because of this joint procurement exercise. Two of the authorities have expressed the view that there is to be full commitment to joining this consortium, prior to the OJEU advert, and, in so doing, agrees to enter into the contract with the processor which offers the best overall value to the four partner authorities and not necessarily any one individual council. However, DBC cannot avoid its commitment to do what is in the best interest to its own taxpayers and this position has been explained to the other partner authorities.

But the chances of DBC **alone** being at a clear disadvantage with such a consortium based contract is unlikely and a bad result from the tendering process could well result in all four local authorities deciding not to proceed.

It was reported that the Overview and Scrutiny committee considered this issue at some length at its recent meeting. The two principal concerns raised were that DBC should not be penalised if there is considerable contamination in the waste of the other local authorities, and that the contract is too long at seven years, with the opportunity to extend for a further three years.

The quality aspect is addressed at paragraphs 2.7, 2.8 and 2.9 of the report. It was intended that the contract will provide for each local authority's waste to be checked so that cost arising from the contamination is borne by the relevant local authority.

Regarding the length of the contract, the view of the OSC was that 4 years would be appropriate. But a soft marketing exercise showed that prospective tenderers are more attracted and would more likely give a better tender if there is the security of the length of contract. A longer contract is more likely to encourage bidders to invest in more sophisticated technologies to sort the materials, so creating better income streams.

The Portfolio Holder for Environmental, Sustainability & Regulatory Services recommended the report for approval.

The Portfolio Holder for Finance & Resources asked if other county councils had entered into such a consortium that we can benchmark against.

The Assistant Director for Neighbourhood Delivery explained that most had a waste partnership e.g. Norfolk, Suffolk, Lincolnshire. Hertfordshire was the first partnership consortium which established the principle around 10 years ago.

The Portfolio Holder Residents & Corporate Services raised concern with the impact on the benefits to the council, however he also felt that many authorities would be affected and therefore it probably would not occur.

The Assistant Director for Neighbourhood Delivery said it would be unlikely there were scenarios in which DBC would pull out of working with the other partners.

The Leader of the council felt that if the tendering process was disastrous, the council would only have faced the same prices if they had carried out the process themselves later in the year. He felt it was an advantage that the council had a longer contract than others as it allowed time for it to bed in.

The Assistant Director for Neighbourhood Delivery added that the council could extend the existing contract if it wanted to.

The Leader of the council asked if the prices were regularly reviewed to keep up with market conditions.

The Assistant Director for Neighbourhood Delivery said that DBC were paying a fee based on materials and on market rates.

Voting

None.

The Meeting ended at 7.44 pm