

Title of meeting:	Cabinet Member for Environment & Community Safety
Date of meeting:	7 November 2018
Subject:	Glass processing contract
Report by:	Director of Housing, Neighbourhoods and Building services
Wards affected:	All
Key decision:	Yes
Full Council decision:	No

1. Purpose of report

- 1.1. To agree to incorporate the glass processing into the waste disposal contract - joint contract with Hampshire County Council (HCC) and Southampton City Council(SCC)

2. Recommendations

2.1. That the Cabinet Member for Environment & Community Safety:

- Approves that PCC agrees with partners to incorporate glass processing into the waste disposal service contract with Veolia Environmental Services.

3. Background

- 3.1. PCC is in a joint waste disposal service contract with HCC and SCC for waste disposal. There is a Project Integra (PI) contract (currently held by Veolia) for the processing of glass collected from bring banks, kerbside and Household Waste and Recycling Centres (HWRCs). In practice the key function is to manage and market the glass. The contract was let by Portsmouth City Council in 2010/11, but subsequently novated to Hampshire County Council (HCC), who manage the contract on behalf of Project Integra (PI) partners for a nominal fee. A partnering agreement between all councils underpins the current relationship between HCC as contract manager and the partners as users of the service.
- 3.2. The original contract term was 5 years, which ended in 2016. By agreement at PISB in February 2015, this was extended by a further 2 years.
- 3.3. This contract came to an end in July 2018. The contract is income generating for PI partners, as a result of the sale of the glass collected on the open market.
- 3.4. At the Project Integra Strategic Board (PISB) meeting in June 2017, members agreed that the service would be procured by one lead authority with support from the PI executive and a PI working group. Authorities were then asked to express an interest in being the lead authority for both the procurement and the ongoing management of the glass processing contract. HCC was the only authority to do so, and it was agreed that they would be the lead authority.
- 3.5. Income from glass sales - See Appendix A (exempt)

3.6. The cabinet member for environment and community safety approved PCC taking part in a joint procurement exercise (led by HCC) for glass processing in November 2017.

4. Procurement

- 4.1. The PI executive officer led a procurement exercise supported by HCC's legal and procurement teams utilising the OJEU open procurement procedure. Two tenders were received, one of which was declared non-compliant as the bidder failed to submit the pricing schedule in the format that was requested. The bidder was given the opportunity to submit in a compliant format, but this offer was declined.
- 4.2. The remaining tender has been evaluated by the panel and is deemed to be compliant and meets the quality requirements that were set out in the tender documents. The procurement is now complete and the contract is ready to be formally awarded.
- 4.3. HCC has reviewed the outline financial position that would result if the contract were awarded; and established that compared with the current level of income derived it would result in a significant reduction for all PI partners. As an indication, based on the 2017/18 data and prices for glass, the total income earned by the partners would have been 57% less.
- 4.4. As a result of the potential significant reduction in income, HCC requested Veolia submit a proposal for bringing glass into the Waste Disposal Service Contract (WDSC). This option was considered at the PISB meeting in June 2017, but discounted as it was felt that there was a procurement risk having alerted the market via a Prior Information Notice (PIN) on the glass contract.
- 4.5. The procurement only attracted 2 tenderers, despite a third contractor indicating their interest in such a contract through their response to the PIN that was issued; illustrating that there is limited market interest in the contract. This indicates that there is a very limited procurement risk with bringing glass into the WDSC, particularly as it is a material that was originally envisaged as being part of that contract as a separated dry recyclable.
- 4.6. In addition, the significant reduction in income that would occur if the tendered option was taken show that the option under the WDSC outperforms what the market will offer at this time.

5. Waste Disposal Contract Proposal

- 5.1. The proposal submitted to include glass into the WDSC is very similar to the existing contract with Veolia proposing to market the glass on the most economically advantageous basis with the authority retaining a share of the ex-works price.
The income will be shared on a banding basis as set out below to incentivise Veolia to seek the maximum value for the material. (See appendix B - exempt)

6. Project Integra Strategic Board decision

- 6.1. At the PISB meeting on 28 June 2018, PI board members agreed to formally abandon the procurement exercise and that the tenderer be notified of the decision not to award.
(Appendix C)

6.2. It was also agreed that HCC would undertake a variation to the WSDC to make a glass contract material on the terms set out in section 5 of this report.

7. Reasons for recommendations

7.1. The inclusion of glass as a contract material as part of the WSDC would provide a framework for management of this material in line with other materials collected as part of this contract. This arrangement would remain in place until the end of the WSDC in 2030.

7.2. This arrangement is more financially beneficial to PCC.

- a. Along with PI partners helps PCC deliver maximum levels of income to partners
- b. Allows PCC to participate with PI partners, maximising the economies of scale
- c. Contract ensures glass handled in a manner that preserves its quality and value to ensure maximum use as re-melt feedstock
- d. Ensure service is reliable and reduces operational difficulties at glass delivery points

7 Equality impact assessment

7.1 There is no requirement for an EIA as this is not a change that affects the network of bring banks that residents use, but rather the processing of the glass once collected.

8. Legal implications

8.1. The proposed course of action is a decision that can be supported on the facts, evidence (procurement process) and one that is within scope as being a competent decision. The possibility of a challenge has been mitigated by reason of the established cost to the cohort of LA's and by reason of the withdrawal of the tender being a proportionate response to that information.

9. Director of Finance's comments

9.1. The cost of glass processing and the income derived from it are currently included within a separate contract held with Veolia. This is funded from the Environment and Community Safety Cash Limited budget, as will the cost of the new agreement.

9.2. The financial impact of this new agreement will mean that the amount that the Contractor retains from the sale of glass would increase, and this would equate to a loss of income of less than £1,000 per annum. This will be met within existing cash limits.

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Signed by:

Director of Property & Housing

Appendices:

- Appendix A - Income - from glass sales
- Appendix B - VES proposal for income
- Appendix C - PISB Decision

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Environmental Protection Act 1990	http://www.legislation.gov.uk/ukpga/1990/43/contents

The recommendation(s) set out above were approved/ approved as amended/ deferred/
rejected by on

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Signed by:
Cabinet Member for Environment & Community Safety