

EXTENSION TO CONTRACT FOR THE PROVISION OF MATERIALS RECYCLING FACILITY AND SERVICE



Briefing Report

1. EXECUTIVE SUMMARY

The current contract to operate the Materials Recycling Facility at Chelson Meadow expires on the 30 April 2025 (contract reference number I2008).

Forthcoming legislative changes are likely to make substantial changes on the way the MRF operates and have prevented PCC undertaking a meaningful procurement exercise to replace the existing contract with SYRACUSE WASTE LIMITED to operate the MRF.

The proposal is to extend the current contract with SYRACUSE WASTE LIMITED to operate the MRF for a further 5 years in accordance with Regulation 72 (1)(b) of the Public Contracts Regulations 2015 'Modification of contracts during their term'- to allow the full impact of the Environment Act 2021 to be known. This will take the contract end date to 30 April 2030.

This will allow PCC to be in a position to be able to undertake a meaningful procurement exercise to procure a new contract to operate the MRF that acknowledges the changes required to the process and the financial value of the material being processed.

There is no impact to the revenue budget as costs will remain as-is.

2. BACKGROUND

All materials collected by PCC from the residents of Plymouth is taken to the Chelson Meadow Materials Recycling Facility (MRF) for processing.

The MRF is currently operated by SYRACUSE WASTE LIMITED under contract which was awarded in 2014. The current contract to operate the Materials Recycling Facility at Chelson Meadow expires on the 03 April 2025.

The forthcoming legislative changes to waste collections in the Environment Act 2021, in particular Simpler Recycling, the Deposit Return Scheme and Extended Producer Responsibility will impact the material composition and value of recyclables collected from the kerbside.

These legislative changes have been under consideration since the publication of the 2018 Resources and Waste Strategy which set out Government's ambitions for higher recycling rates, increased resource efficiency and a more circular economy in England. These ambitions require changes in how products and materials are produced and consumed, as well as how they are treated and disposed of at end-of-life.

The Environment Bill formed guidance on how these aims would be implemented in the recycling and waste sector by introducing 3 new statutory functions:

3. Consistency of Collections (now Simpler Recycling) – this sought to provide a consistent approach to what is collected for recycling and how it is collected.
 1. Deposit Return Scheme – a scheme to charge a refundable deposit on drinks containers.
 2. Extended Producer Responsibility – revert the cost of collecting and recycling packaging materials back to the producers of the packaging.

The first round of consultations was undertaken in 2019 and the details of the schemes continued to be confirmed until the outcome of the final consultation was published in May 2024.

The potential impacts of these changes on the way the MRF operates are substantial and have prevented PCC undertaking a meaningful procurement exercise to replace the existing contract with SYRACUSE WASTE LIMITED to operate the MRF.

4. PROPOSED CHANGES AND REASONS

The proposal is to extend the current contract with SYRACUSE WASTE LIMITED to operate the MRF for a further 5 years to allow the full impact of the Environment Act 2021 to be known.

This will allow PCC to be in a position to be able to undertake a meaningful procurement exercise to procure a new contract to operate the MRF that acknowledges the changes required to the process and the financial value of the material being processed.

5. ALTERNATIVE OPTIONS

Do nothing – this would result in all recyclate collected from the kerbside being sent for incineration. This would increase revenue spend by approximately £360k per annum and reduce the council's recycling rate.

Undertake procurement now – there is insufficient certainty in the future impact of the Environment Act 2021 on the quantity and constituents of the material available at the kerbside for recycling. This would create risk of contract changes in coming years as more information becomes available.

Also it is unlikely that contractors would give favorable terms if the contract were to be tendered now given the uncertainty over legislative changes and their impact on material type and value.

6. LEGAL IMPLICATIONS

The Council is relying on Regulation 72(1)(b) of the Public Contracts Regulations 2015 to extend this contract on the grounds that the additional services supplied by SYRACUSE WASTE LIMITED have become necessary and were not included in the initial procurement, where a change of contractor—

(i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, and
(ii) would cause significant inconvenience or substantial duplication of costs for the contracting authority, provided that any increase in price does not exceed 50% of the value of the original contract;

The proposed extension meets all three of these regulatory requirements as set out in this briefing paper.

In accordance with Regulation 72(3) a notice of the modification will be published on the 'Find a Tender' portal which will include a 10-day standstill period during which time the Council will not execute the contract variation.

The decision to extend the contract will be subject to the outcome of any legal challenge made during the 10-day standstill period.

7. FINANCIAL IMPLICATIONS AND RISK

The financial implications for extending the current contract is that PCC continue to pay for the service under the existing contract terms.

The biggest risk to price for the service is the fluctuation of market value of the materials collected. Recent global events have had significant impacts on values of raw materials and therefore demand

for secondary materials has driven increases in their value. This has recently reverted back to pre-covid levels but recent extremes have demonstrated the volatility of prices.

The existing contract terms include a mechanism that re-calculates the cost of delivering the service on a regular basis to ensure that the current price reflects market conditions. This ensures that PCC will continue to receive value for money for the service during the extension period and limit the financial risk of global markets.

8. TIMESCALES

The current contract expires on the 30 April 2025. The decision to proceed needs to be taken as soon as possible to allow the necessary measures to be put into place if the decision is not to proceed.