

PLYMOUTH CITY COUNCIL

Subject: Approve the strategic direction of a replacement Materials Recycling Facility (MRF) service or facility.

Committee: Cabinet

Date: 27 March 2012

Cabinet Member: Councillor Michael Leaves

CMT Member: The Director for Place

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Ref: CM 01-11/03

Key Decision: Yes

Part: Part I

Executive Summary:

Plymouth City Council (PCC) Cabinet have endorsed plans to deliver a kerb side glass recycling service across the city by April 2014 through the introduction of glass into the current commingled dry recycle (green bin) kerbside collection waste stream. The collected recycling material is currently delivered to an existing Materials Recycling Facility (MRF) at Chelson Meadow which is not capable of processing collected commingled recyclates containing glass. This existing MRF, being over 11 years old, is also beyond its economic design life and will require renewal in the near future.

This Strategic MRF Project has been initiated to secure a replacement MRF service and/or facility to safeguard and further uplift recycling performance (previously estimated at approximately 4%) once glass has been introduced into the kerbside commingled collection waste stream as of 2014.

In order to inform the options to be considered and ensure that any procurement is well aligned to both the market place and corporate expectations, an early market sounding exercise was approved and formally undertaken in October 2011 through a soft market test approach. This soft market test responses together with wider operational intelligence subsequently informed which options merited further consideration in the form of a high level options appraisal and comparative cost analysis.

This report summarises the appraisal work undertaken and notes the strategy that a MRF service solution utilising either a new or existing facility located within or outside Plymouth, be taken forward into a formal Competitive Dialogue procurement process. This strategy includes Plymouth City Council exploring, through the procurement, the value for money consideration of using its own capital resources and/or assets if a new MRF is constructed.

Corporate Plan 2012 – 2015:

The Strategic MRF Project and the associated recommendations made in this report will directly contribute to the delivery of one of the Council's medium term outcome measures of improving household waste recycling rates by allowing glass to be collected at the kerbside and sorted along with other recycling materials.

A replacement MRF service and/or facility will enable glass to be collected at the kerbside which will also contribute to the Council's medium term outcome measure of reducing inequality by allowing residents who are currently unable to access bottle bank sites to be able to recycle their glass thereby provide better access to recycling services.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

A summary of the financial costs associated with progressing the procurement phase are set-out in the Part I background report and will be allocated in accordance with the Council's constitution and scheme of delegation.

It is also intended that existing Council waste infrastructure and land assets are made available to bidders as part of the procurement for consideration in their proposed solutions.

Subsequent to the procurement phase, the definitive resource implications including finance, human, IT and land for awarding the contract and delivering the project will be prepared and presented to Cabinet requesting approval to award the contract.

Other Implications: e.g. Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:

Risk Management

The proposals made in this paper are linked to improving recycling rates which will help mitigate strategic risk 68 - "Failure to reach recycling targets and divert waste from landfill (Link to PFI initiative and LATS penalties)" which is on the Corporate risk register.

Recommendations & Reasons for recommended action:

Recommendation: To approve the strategic direction and procurement parameters of a MRF service solution utilising either a new or existing facility located within or outside Plymouth being taken forward into a formal procurement for a replacement MRF solution capable of recycling glass.

Reason: This action will contribute to PCC's delivery of its recycling improvement proposals as outlined to Defra in its final business case which secured PFI grant support for the Council's new Energy from Waste solution whilst also securing a replacement for an ageing strategic waste management facility.

Alternative options considered and reasons for recommended action:

The 'do-nothing' option is not viable as the existing MRF at Chelson Meadow is beyond its economic design life and therefore requires replacement. Furthermore the existing MRF is not capable of sorting commingled recycling material including glass which is planned to be collected as part of the kerbside collection in 2014.

The soft market testing findings and detailed options considered are commercially sensitive and are therefore considered within the associated Part II Report.

Background papers:

Please refer to associated separate confidential Part II Report which is not for publication by virtue of Part I of Schedule 12A of the Local Government Act 1972 (as amended) on the grounds that it contains information relating to the financial or business affairs of any particular person (including the Authority holding that information).

Sign off:

Fin	Cr - CoS F EC1 112 002	Leg	MS/I 4117	HR	MG 12/0 2/00 5	Corp Prop	CJT/ 098/ 2902 12	IT	n/a	Strat Proc	JK/S PU/C P/26 8/03 12
Originating SMT Member: Jayne Donovan											
Have you consulted the Cabinet Member(s) named on the report? Yes											

Part I - Background Report

1.0 Introduction

- 1.1. A Cabinet Paper was approved 13th September 2011 endorsing the establishment of a programme to deliver a series of Waste and Recycling Improvements overseen by an Executive Group with appropriate delegated authority. Cabinet approvals relating to this paper included:
- Endorsement of plans to deliver a kerb side glass recycling service across the city by April 2014, building on the existing strategy of collecting recyclable materials in the single green bin already provided to customers, thereby delivering on PCC's recycling proposals outlined to Defra in its final business case which secured PFI grant support for the Council's new Energy from Waste solution.
 - Officers conducting a soft market testing of options around a replacement MRF.
 - Approval of plans to deliver a pilot operation for kerb side glass collection by September 2012.
 - Approval of the Programme Governance Terms of Reference and delegation of authority as contained therein.
- 1.2. Within the Terms of Reference, Cabinet delegated the necessary authority to facilitate the delivery of the Programme to the Chair of the Environmental Services Executive Board, with the exception of:
- Approval of the report into strategic glass recycling following the soft market test
 - Award of contract for the strategic glass recycling solution
 - Allocation of capital within the Capital Programme (noting capital has been allocated towards this project)
- 1.3. High level project milestones subsequently developed and approved by the Chair of the Environmental Services Executive Board are summarised below:
- | | |
|-----------|--|
| Mar. 2012 | Cabinet to approve the launch of the procurement and project resource implications, whilst noting findings of soft market test exercise, comparative options appraisal together with procurement parameters being taken forward. |
| Mar. 2013 | Cabinet approval to award contract following the procurement |
| Apr 2014 | Commencement of new service to manage kerbside collected glass collected with other dry recyclables for all customers in the city. |
- 1.4. The purpose of this report is to summarise the appraisal work undertaken and set out the strategy to be taken forward into a formal Competitive Dialogue procurement process.
- 1.5. This report also notes the resources required to progress the project through the formal procurement stage and that the definitive resource implications including finance, human, IT and land associated with awarding any contract will be presented to Cabinet following the procurement process.

2.0 Background

2.1. Prior to launching the soft market test process, background knowledge and high level considerations were noted in relation to:

- Existing PCC service delivery methods, resources and assets
- Current and future PCC recycling material collection and processing performance
- Current regional Local Authority collection methods and recycling performance
- Current national recycle processing infrastructure

3.0 Soft Market Test and analysis

3.1. The purpose of the soft market test exercise is summarised as follows:

- To communicate to the market the objectives of the project (ie our problem definitions);
- To gather market intelligence as to the potential solution options available and their viability;
- To gather market guidance on risk as well as exploring any wider opportunities or synergies surrounding the project.

3.2. The soft market test was undertaken throughout October 2011 taking the form of a project information document and detailed questionnaire. The questionnaire posed 45 different questions which in many cases requested commentary or explanation as to the views of the respondent. The soft market test questionnaire was made available nationally and internationally through a Prior Information Notice advertised in the European Journal and the process was administered independently by PCC's corporate procurement team.

3.3. In order to inform the options to be considered and ensure that any procurement is well aligned to both the market place and corporate expectations, the soft market test responses together with wider operational intelligence subsequently informed which options merited further consideration in the form of a high level options appraisal and comparative cost analysis.

4.0 Options Appraisal

4.1. Given that the Council's existing MRF at Chelson Meadow is at the end of its economic design life and is not capable of processing commingled recycling material which includes glass, a 'Do-Nothing' option is not possible and has not been considered in the options appraisal.

4.2. The findings of the option appraisal are commercially sensitive and are therefore considered within the associated Part II Report.

5.0 Conclusion and Procurement Parameters

5.1. Conclusions and procurement parameters informed by the comparative options appraisal are commercially sensitive and are therefore considered within the associated Part II Report.

6.0 Procurement Resource Implications

6.1. An estimation of financial resource implications associated with progressing the procurement phase as set out in the Part II report is shown below and will be allocated in accordance with the Council's constitution and scheme of delegation:

	FY 12/13	
	Revenue	Capital
Specialist Legal Advice + Support	£15,000	
Specialist Commercial + Financial Support	£50,000	
Pensions Liability Calculation	£5,000	
TOTAL	£70,000	

6.2. The definitive resource implications including finance, human, IT and land associated with awarding any contract will be presented to Cabinet following the procurement process however it should be noted that the costs associated with future recycling sorting is likely to be more expensive than current arrangements as current budget allocations do not recognise asset replacement costs. Furthermore the introduction of glass into the recycling waste stream whilst increasing recycling rates and avoiding disposal costs is likely to reduce end commodity values.

Recommendation

RI. To approve the strategic direction and procurement parameters set out in the Part II report of a MRF service solution utilising either a new or existing facility located within or outside Plymouth being taken forward into a formal procurement for a replacement MRF solution capable of recycling glass

Glossary

'DBFO'	Design Build Finance and Operate
'ECC'	Exeter City Council
'LABV'	Land Asset Backed Vehicles
'MRF'	Material Recycling Facility
'PCC'	Plymouth City Council
'PFI'	Private Finance Initiative
'RTS'	Refuse Transfer Station
'SMART'	Specific, Measurable, Achievable, Realistic and Time
'SMT'	Soft Market Test