

From: Roger Wilkin, Director, Highways, Transportation and Waste
Barbara Cooper, Corporate Director, Growth, Environment and Transport

To: Environment and Transport Cabinet Committee – 21 September 17

Decision No: 17/00083

Subject: Paper and Card Recycling from Waste Kent Household Waste Recycling Centres

Classification Unrestricted

Future Pathway of Paper: For Cabinet Member Decision

Electoral Division: All divisions within the West Kent area will be indirectly affected, as the material will be transported from the Household Waste Recycling Centre's in Dartford, Swanley, Pepperhill, Sevenoaks, Maidstone and Tunbridge Wells to the disposal point.

Summary:

It is proposed to commission services for the processing of paper and card deposited at six Household Waste Recycling Centres in West Kent at Dartford, Swanley, Pepperhill, Sevenoaks, Maidstone and Tunbridge Wells.

KCC Waste Management is the statutory waste disposal authority for Kent and has a duty to dispose of municipal waste. The current contractual arrangements cease in October 2017. KCC is procuring a new income based contract to obtain the best outcome for Kent residents.

The contract will be environmentally beneficial as the paper and card is 100% recyclable, therefore avoiding waste to landfill. This is a highly variable market with price fluctuations affected by international markets.

The new contract will be for an initial 2 year term, extendable by optional two single year periods. In order to achieve a sustainable income Waste Management is considering obtaining a fixed price for the first year of the initial term, with subsequent years' market tracked against the independent waste price guide published by Lets-recycle. .

At year three the first option to extend will align with the end of the initial term of the HWRC Contracts and there may be further options to consider regarding additional paper and card tonnage.

A whole life cost evaluation, which includes the costs of haulage, will ensure that value for money is attained with local businesses given the opportunity to bid for this contract.

Recommendation(s):

The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Planning, Highways, Transport and Waste to award and issue the Paper and Card Processing Contract with a delegation for Officers to offer extensions of up to two years if this is in Kent County Council's commercial interest as shown at Appendix A.

1. Introduction

- 1.1 The current contract term for paper and card processing in west Kent is due to expire on 31 October 2017. There is no provision to extend the contract.
- 1.2 The indicative tonnages for this contract are forecast to be 2,673 tonnes annually.
- 1.3 The existing contract is let to Smurfit Kappa Recycling who processes the materials for use at their paper mill at Snodland, Kent.

2. Financial Implications

- 2.1 Based on the current rate and indicative tonnages from the current Provider, the value of the new contract over the full term may generate income of around £930,200 for KCC; this is reflected in the current budget position. Pricing fluctuations will be affected by international markets.

3. Policy Framework

- 3.1 This commission accords with the supporting outcome within the Strategic Outcome Plan;

Kent's physical and natural environment is protected, enhanced and enjoyed by residents and visitors

- 3.2 Kent Joint Municipal Waste Management Strategy, has three key policy statements that support the Waste Regulations – these apply directly to this proposed procurement;
 - Policy 8 - The Kent Resource Partnership will achieve a minimum level of 40% recycling and composting of house household waste by 2012 and will seek to exceed this target.
 - Policy 11 - The KRP will strive to make waste and recycling services accessible and easy to use for all householders, across all housing types and sectors of the community.
 - Policy 19 - Where it is cost-effective, Kent will exceed its statutory targets for diversion of biodegradable municipal waste from landfill in order to preserve landfill void space in the County.

4. Procurement

- 4.1 Market engagement has been undertaken and has established that this material market will remain unstable for the foreseeable future which will result in varying levels of income over the contract period.
- 4.2 There are several providers who have the necessary infrastructure to provide the service. These potential providers do have progressive and constructive working relationships with Kent County Council and have been involved in the market engagement process.
- 4.3 Market engagement has informed KCC's approach to the tendering and financial modelling of this tender. The approach will be to seek a fixed income price for the first year; a price per tonne of material delivered to the facility. The risk of tracking commodity prices will be jointly shared between the Authority and provider. This will result in an equal share of the increase or reduction against the first year's fixed price, which shall be calculated on a monthly basis.
- 4.4 The stability of having a fixed price, moving onto a tracked price should provide an incentive for providers to seek better than market prices in the first year and should also provide an opportunity to receive tenders at the most competitive price. It also shares the risk which may result in KCC yielding higher returns.
- 4.5 Haulage elements will vary and be dependent upon the location of the processing site therefore haulage rates will be included in the whole life cost assessment so the Authority does not pay disproportionate transport costs.
- 4.6 This procurement process, and in particular its evaluation will be subject to a stringent QA process, carried out by the Waste Services Manager, and Procurement Category Management, to ensure the process has been transparent and fair. Due to its value, this project does not require approval from Strategic Commissioning Board.

Approval to Proceed has been provide by Henry Swan, Head of Procurement in accordance with the Delegated Authorities Matrix

5. Legal implications

- 5.1 KCC Waste Management is the statutory waste disposal authority for Kent and has a duty to dispose of municipal waste

6. Equality Implications

- 6.1 An EQIA has been carried out and no equalities implications have been identified.

7. Conclusions

- 7.1 Under the Landfill (England & Wales) Regulations 2012, local councils are required to increase recycling and composting of household waste to meet rising targets over a number of years and to reduce the quantity of biodegradable and recyclable household waste being disposed of via landfill.

7.2 Where commodity markets have changed, Waste Disposal Authorities inevitably may receive less income for the final processing of this material, however there is shared risk and prices may be sustained or increase.

7.3 This commissioning solution is underway with locally based, but national providers. A shared risk approach ensures a balanced view of the market, but allows KCC to seek income from any increases in material prices.

8. Recommendation(s):

The Environment and Transport Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member of Planning, Highways, Transport and Waste to award issue the Paper and Card Processing Contract with a delegation for Officers to offer extensions of up to two years if this in in Kent County Council's commercial interest as shown at Appendix A.

9. Appendices

Appendix A: Proposed Record of Decision

10. Contact details

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