



NORWICH City Council

Committee Name: Cabinet

Committee Date: 17/11/2021

Report Title: Contract Award for Comingled (Blue Bin) Recycling Contract

Portfolio:	Councillor Oliver, Cabinet member for environmental services
Report from:	Executive director of development and city services
Wards:	All Wards
OPEN PUBLIC ITEM	
KEY DECISION	

Purpose

To consider approval for the extension of the existing contract with Norfolk Environment Waste Services (NEWS) through the existing Joint Venture arrangements for the Recycling of Comingled Mixed Recyclate (Blue bin material) until 2027, and to agree the change in the charging mechanism for these services from a fixed to variable gate fee, as out lined in this report.

Recommendations:

To agree:

1. To approve the extension of the existing contract for Comingled Mixed Recyclate (Blue Bin material) with NEWS to 2027, and approve the change to the charging mechanism from a fixed to variable gate fee; and
2. The Executive Director of Development and City Services is delegated authority to approve variations to the contract to ensure improved control and oversight for all partners is incorporated into the contract as part of the allowed extension.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing, and environment
- Inclusive economy

This report meets the “Great neighbourhoods, housing and environment” priority.

This report addresses the strategic action in the Corporate Plan relating to maintaining a clean and sustainable city with a good local environment that people value.

This report helps to meet the Environment and Procurement adopted policies of the Council.

View the [Corporate Plan 2019-22](#)

View the [COVID-19 Recovery Plan](#)

Report Details

Introduction

Norwich City Council Waste Strategy and National Initiatives

1. The Norwich City Council is committed to reducing its impact on the environment, and has committed to an ambitious programme of Carbon reduction through:
 - (a) The City Vision agreed in 2018, when it was agreed that today’s actions meet the needs of the present without compromising the future;
 - (b) The declaration of a Climate Emergency in 2018;
 - (c) The adoption of the Environmental Strategy in 2020, which set targets for Carbon emissions, (zero operational emissions, Carbon Neutral City by 2050), and improving participation in recycling services, particularly the weekly Food Waste collection service.
2. The Environment Act will receive Royal Assent this autumn, and includes proposals for:
 - (a) A Deposit Return Scheme for Drinks Containers;
 - (b) Extended Producer Responsibility for Packaging, whereby producers and retailers will pay for efficient and effective collection and processing of most forms of packaging, and;
 - (c) Consistency in Collection Services, i.e. Councils will be required to provide household collection services for a wider range of materials including glass, paper, cardboard, cans, plastics, food waste and garden waste.
3. These proposals will significantly influence the Council’s waste, recycling, and street cleaning services over the next 10 years. Services and contracts need to be redesigned deliver current and future environmental and financial sustainability.

Processing of Comingled (Blue Bin) material (NEWS Contract)

4. As part of this process, the Council is reviewing its waste collection and processing contracts.
5. The Council's existing recycling processing contract is managed through a Joint Venture between Norfolk's seven District / Borough / City Councils and the County Council. The contract is with Norse Environmental Waste Services (NEWS), and expires in September 2024, with an option to extend to 2027.
6. The contract with NEWS is a significant one for the Council, and if current expenditure was continued would be worth £2.5 million over the next 6 years. The 2021/22 expenditure for this service is anticipated to be £0.416m.
7. The contract cost is currently based on a fixed price gate fee, where the Council pays a set fee for every tonne delivered to NEWS' Material Recycling Facility at Costessey. Fluctuations in the commodity market over the last 2 years have affected the viability of this approach.
8. The Joint Venture and NEWS have therefore developed longer term proposals that will manage financial risks more effectively. Examples of these risks include:
 - (i) instability in fuel markets, and
 - (ii) the imposition of higher quality standards for material being exported to overseas processors.
9. A failure to agree on the modification of the current contract / arrangements could result in the need to procure these services directly from the market. Recent market testing has shown that the Council would obtain better value and improved performance in the longer term by securing an extension with NEWS. This will also provide stability during a period of significant change in national waste policy and legislation, which in turn will lead to changes in the volume and composition of waste collected by Councils. Finally, it will continue to allow Norfolk's Councils manage their material locally, adhering to the proximity principle outlined in the UK's waste management legislation.
10. It is therefore proposed that the Council amends the existing terms of the contract with NEWS to introduce a variable gate fee, linked to the value of the commodities that we recycle in our blue bins (cans, plastic, paper etc), and extend it from now until 2027, 6 further years in total. It is acknowledged that this could result in increased costs in the short term. However, the benefits of this approach would be to:
 - (a) Mitigate the risk of potential service failure due to financial unviability
 - (b) Minimise the effect of potential significant price increases, particularly in years 4 to 6, as detailed above
 - (c) Improve our ability to respond to the future changes in national waste policy and legislation mentioned in the introduction to this report, for example where improved quality of material collected reduces our processing costs

(d) Build on the existing effective relationships with our partner Council and
NEWS

11. The change to a variable gate fee represents a significant change to the contract in terms of the Public Contracts Regulations. It is therefore envisaged that this will be achieved through a direct award of an extension through revised Teckal compliant Joint Venture arrangements, which will include a strengthening of the current decision making arrangements through the Operational Liaison Board
12. The 7 other Councils within the Joint Venture are also in the process of obtaining approval to amend and extend the contract. It is clear that this partnership approach will deliver Best Value for all of the Councils involved in terms of economies of scale, and improved governance. These benefits would not be available to individual Councils if they decided to re-procure these services individually. North Norfolk District Council, Broadlands District Council and South Norfolk District Council have already agreed to this
13. The details and explanation of this approach are set out in part 2 of this report which is exempt from publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Consultation

14. Not applicable

Implications

Financial and Resources

15. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.
16. Detailed costings to support the proposed variable gate fee approach have been developed using data collected over the last 2 years. Due to the fluctuating nature of the actual gate fee pricing, developing a financial model for the new Recycling Contract has therefore been challenging. However, what can be modelled is the Council's reasonable maximum financial exposure to risk over the next 3 years, and the potential growth and savings that could be realised during this period.
17. The revised variable gate fee approach will result in the Council paying an annually changing base gate fee, which we will know by the time that the budget is set for 2022/23. Budgets each year will need to be updated to reflect the latest projections.
18. The data over the last two years shows the highly variable nature of the costs and the variable fee will therefore present the opportunity for the council to benefit when the prices fall but also bear the risk of price increases.

This additional budget risk will need to be considered annually and incorporated into the decisions about the level of the budget risk reserve and/or prudent minimum reserve balance.

Legal

19. The Service has consulted with the Council's Monitoring Officer and legal advisors on the legitimacy of the proposed approach. Their advice is as follows:
20. The current contract with NEWS was awarded under regulation 12 of the Public Contracts Regulations 2015, which allows authorities to award contracts to companies which are owned and controlled by the authorities themselves. Legal advice has been obtained on behalf of the partner Councils which has indicated that whilst this remains a permissible route, recommendations have been made to improve the control and oversight the partners have over NEWS which will be implemented to allow the extension to proceed.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	None
Health, Social and Economic Impact	None
Crime and Disorder	None
Children and Adults Safeguarding	None
Environmental Impact	<p>It is envisaged that, in the longer term, the adoption of the measures in the UK Government's Environment Bill in relation to</p> <ul style="list-style-type: none"> • The Deposit Return Scheme • Extended Producer Responsibility for Packaging, and • Consistency of collections services <p>will increase recycling, reduce waste to landfill and reduce Council's impact on the environment.</p> <p>However, the new contractual arrangements will have minimal impact on this in the short term</p>

Risk Management

Risk	Consequence	Controls Required
Financial Gate fee is higher than model (medium)	Additional budget pressures arising over the life of the medium-term financial strategy	<p>Establish sufficient budget through robust modelling. The introduction of the ceiling gate fee will provide a maximum financial exposure in each year. This will be known in advance of setting the annual budget and therefore provide a cap to the short-term financial risk exposure.</p> <p>This risk exposure to be considered in establishing the required level of the budget risk reserve and prudent minimum balance, thereby providing a mitigation for increases in gate fees.</p> <p>Intensive scrutiny of NEWS' gate fee by Council's within the Joint Venture.</p>
Legal	Risk of challenge by NEWS' competitors (low)	Ensure that arrangements in place comply with Teckal requirements, in particular improving control of decision making through the NEWS Operational Liaison Board

Other Options Considered

21. Through the review of current arrangements, 3 other options were considered as follows:

- a) Procure these services ourselves,
- b) Procure these services jointly with other Council's within the partnership, or
- c) Allow the contract to continue unchanged until 2024.

Reasons for the decision/recommendation

22. Modification of the current contract / arrangements will minimise the impact of market fluctuations on the cost of processing our blue bin material and may even result in savings being realised.

23. Recent market testing has demonstrated that, if the Council were to procure this service from the market now, there would be a significant potential increase in costs.

24. Reprovisioning these services will also:

- a) Build on the existing effective relationships with our partner Councils and NEWS, and
- b) Improve our ability to respond to future changes in national waste policy and legislation

Background papers:

None

Report

This report is in two parts. Financial information relating to this report is contained in the second part of the report.

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