

**ITEM No ...6.....**

**REPORT TO:** NEIGHBOURHOOD SERVICES COMMITTEE – 13 NOVEMBER 2017

**REPORT ON:** SCOTTISH MATERIALS BROKERAGE SERVICE – COLLABORATIVE GLASS CONTRACT

**REPORT BY:** EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

**REPORT NO:** 380-2017

**1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to:

- advise Committee of the progress of the proposed partnership between the Scottish Materials Brokerage Service (Scottish Procurement), Dundee City Council and other Scottish Local Authorities in the award of a two year bespoke collaborative contract for the reprocessing of glass; and
- seek approval to sign the Business Case, which will allow Scottish Procurement to proceed to tender stage.

**2.0 RECOMMENDATIONS**

2.1 The Committee is recommended to authorise the Head of Democratic and Legal Services to sign the Business Case, agreeing to participate in the pending commercial agreement in order to progress to the next stage.

**3.0 FINANCIAL IMPLICATIONS**

3.1 Should the Business Case requirements of the Council be met, the total contract income anticipated to be received by Dundee City Council will be approximately £50,000 (based on current market pricing), over the period of the contract.

**4.0 TIMESCALES**

4.1 The Scottish Material Brokerage Service propose to issue the Invitation to Tender (ITT) in November 2017 and award the contract by the end of 2017. Contract mobilisation and management will commence in January 2018. There will be an option to extend the contract for a further two years.

4.2 Dundee City Council are currently under contract for the reprocessing of glass until January 22nd 2018.

**5.0 BACKGROUND**

5.1 Contracts for reprocessing of post-collected individual recyclable commodities are currently secured by Local Authorities either via the Scotland Excel framework or on an individual basis.

5.2 This current approach takes cognisance of local circumstances, but owing to the prevailing market conditions, does not guarantee best value nor provide Local Authorities with price and market certainty.

5.3 The current overall income received by the Council for post-collected mixed glass, excluding haulage is £16.50 per tonne. Haulage is currently a cost to the Council of £9.50 per tonne, meaning the Council receives a net income of £7.00 per tonne. The total income for post-collected glass is approximately £21,000 per annum at present.

5.4 Scottish Government (Scottish Procurement) in collaboration with Zero Waste Scotland, Scottish Local Authorities and their partners have developed a strategy for the rollout of a Scottish Material

Brokerage Service for glass to the market to take advantage of high income opportunities. The strategy has been taken forward through a User Intelligence Group (UIG) process.

- 5.5 The premise of the Scottish Material Brokerage Service is to provide Local Authorities with price and market availability certainty for a medium to long-term period through an aggregation of available material into a collaborative contract, which would be attractive to the market by its inherent value. Appendix 1 details Dundee City Council's completed draft Business Case.
- 5.6 The UIG and Scottish Procurement designed a bespoke contract structure, specification and supporting Business Case template. All interested Councils have drafted their own Business Case setting out their requirements and now seek the necessary approvals to contract to the Brokerage. When the Business Case is signed by all participating Local Authorities, tender packs will be issued for review and the Brokerage will invite the market to bid for the glass volumes. Once tenders are returned, if the terms of the Business Case are met during evaluation process, Dundee City Council would be obligated to proceed with the Contract.
- 5.7 The successful implementation of the strategy is dependent on both the agreement of interested Local Authorities to participate in the pending commercial agreement and on-going provision and updates to allow accurate and effective implementation of the requirements of this glass commercial agreement; and the continued participation by involved Local Authorities throughout the commercial process.
- 5.8 The Scottish Material Brokerage Service will take on the overall contract management role, ensuring robust procedures are in place throughout the contract period, with Dundee City Council retaining responsibility for localised management arrangements. It is proposed that to achieve best value, the Council should be in receipt of better terms than the current situation, both in terms of income for material, and haulage cost. Working collaboratively with other Councils will also strengthen relationships and provide opportunities to share information. Participating in a national contract of this sort provides pricing and market certainty.
- 5.9 Regular pricing reviews will be in place throughout the contract to ensure consistent best value. The proposed rates will reflect current market conditions and be fully auditable. Clear and transparent information on pricing will be supplied to the Council on a regular basis for auditing purposes.

## **6.0 POLICY IMPLICATIONS**

- 6.1 This report has been subject to an assessment of any impacts on Equality & Diversity, Fairness & Poverty, Environment and Corporate Risk. A copy of the Impact Assessment is available on the Council's website at [www.dundee.gov.uk/ia/reports](http://www.dundee.gov.uk/ia/reports).

## **7.0 CONSULTATIONS**

- 7.1 The Council Management Team have been consulted in the preparation of this report and agree with its contents.

## **8.0. BACKGROUND PAPERS**

- 8.1 None

Elaine Zwirlein  
Executive Director of Neighbourhood Services

Gary Robertson  
Head of Environment

19 October 2017

## SCOTTISH MATERIALS BROKERAGE SERVICE STRATEGY & BUSINESS CASE SIGN UP

Dear User Intelligence Group Member,

This Pack sets out the sign up process and provides the documentation required.

The process is:

- a) An executive summary Sourcing Strategy for the waste stream is attached - Local Authorities are invited to complete the Scottish Materials Brokerage Service Strategy sign-up sheet (page 2 of this pack) for this stream by **INSERT DATE**. This will signify approval from Local Authority of the Sourcing Strategy and for the Brokerage to proceed to market by issuing the OJEU advert.
- b) Sign up by Local Authorities to the Business Case will be needed before formal commitment to enter into a Brokerage contract. Local Authorities are required to complete the areas needed to reflect their own individual requirements and start to progress it through internal approval processes.
- c) Local Authorities will aim to sign up to commit available tonnages to this waste stream through submission of a signed Business Case, when tender specifications (as discussed at UIG 27<sup>th</sup> July 2017) are being finalised, prior to issuing the ITT, **by INSERT DATE**. This is required prior to the issue of Invitations to Tender. **Signed Business Cases and Strategy Sign Up are a commitment to provide materials for the particular waste stream for Brokerage contracting.**
- d) Sign up will include the 'Stop and Think' process outlined in the Sourcing Strategy so **once tender evaluation is complete, Local Authorities will have the opportunity to withdraw if requirements in the Business Case are not met.**

**Please populate the attached documents.**

Please insert details in the areas highlighted in yellow. If you require any help or further information please contact the Brokerage Service.

**Scottish Materials Brokerage Service**

**[SMBS@gov.scot](mailto:SMBS@gov.scot)**



**PLEASE COMPLETE THE AREAS SHOWN**

**SCOTTISH MATERIALS BROKERAGE SERVICE STRATEGY SIGN UP**

**[XXXX] LOCAL AUTHORITY HEREBY AGREES TO SIGN UP TO THE SCOTTISH MATERIALS BROKERAGE SERVICE STRATEGY FOR SECONDARY MUNICIPAL GLASS MATERIAL THIS APPROVAL FROM [XXXX] LOCAL AUTHORITY SANCTIONS THE SCOTTISH MATERIALS BROKERAGE SERVICE TO PROCEED TO MARKET WITH ITS COMMITTED TONNAGES FOR SECONDARY MUNICIPAL GLASS MATERIAL AND UPON THE MEETING OF SCHEDULE 1 BUSINESS CASE CONTRACT ON ITS BEHALF. SIGNED for and on behalf of DUNDEE CITY COUNCIL (signed by officer(s) approved as per Local authority delegated approval process)**

At.....  
On.....  
Signature.....  
Name.....  
Position.....  
Address.....

**In the presence of**

Signature.....  
Name.....  
Address.....

The Client (Local Authority) shall provide details of specific service requirement data for the following:

- 1. Contract for Secondary Municipal Glass Material

Information required by the Authority (Scottish Government) shall be detailed in templates to support the data capture.

- 2. Volume and Pricing Commitment

The Client:

- Shall commit all available glass tonnage.
- shall commit to the Framework Agreement to the maximum value of the pricing banding provided in accordance with Schedule 1.
- Will be committed to provide all available tonnage of Contract Material to this Framework Agreement when the terms of Schedule 1 are met.
- will be entitled to withdraw from this commitment if the requirements in Schedule 1 are not met.

The price for commitment by the Client for the first fixed price period will be as per the invitation to tender for glass

- 3. Annual Update of Information

The Client shall update the authority on an annual basis with regard to the Service Information and this update shall include:

- Confirmation of the current Service Information
- Site amendments e.g. additions / deletions
  - including effective date
  - impact on volumes
  - any consumption profile changes
- Any significant changes to volume information

## **SCHEDULE 1 - BUSINESS CASE FOR SCOTTISH MATERIALS BROKERAGE SERVICE CONTRACT COMMITMENT**

**Name of waste stream:** Secondary Municipal Glass Material

**Lead Officer:**

### **1 Executive Summary**

The proposal is: for a Scottish Materials Brokerage Service Contract for Secondary Municipal Glass Material.

### **2 Description and Rationale**

The collaborative strategy for the roll out of a Scottish Materials Brokerage Service for Glass outlines the opportunities and approach to market proposed to take advantage of these opportunities. Scottish Government in collaboration with Zero Waste Scotland, Scottish Local Authorities and their partners has taken this strategy forward through the user intelligence group process. The successful implementation of this strategy is dependent on the;

- agreement to participate in the pending commercial agreement and on-going provision and updates to any existing site and tonnage information to allow accurate and effective procurement of the requirements of this glass commercial agreement.
- continued participation by Dundee City Council throughout the commercial process.

### **3 Resource Implications**

The council own, manage and operate their own glass collection facilities and will load any contractor vehicles should there be a requirement to do so, therefore it is anticipated there will be no significant resource implications over and above any haulage requirements to ship material to the contractor.

The Scottish Materials Brokerage Service is expected to provide high-level contract management support and gathering of management information to better inform future contracting opportunities. Local contract management arrangements will continue at Council level and a formal liaison process with Scottish Materials Brokerage Service representatives relating to contract governance is required.

Day to Day resources in managing operation requirements with the contractor will still be required and are expected to be sunk costs with a revenue neutral resource implication achieved.

### **4 Cost Implications**

Please state here what is required in terms of cost and achievement of best value for your authority.

**Current costs must be provided within this section. The Business Case will not be valid without these.**

- Current overall rebate/ income to Council: £16.50 per tonne.
- Current costs: Haulage cost to Council is £9.50 per tonne.
- Actual rebate/ income to Council is £7.00 per tonne.

The proposed rebate/ income to the Council should reflect current market conditions and fully auditable. Clear and transparent information on pricing should be supplied to the Council on a regular basis for auditing purposes. Regular pricing reviews will also be in place throughout the contract. Key dates to be advised. The Council will also liaise with Scottish Procurement regularly in relation to pricing.

To achieve best value:-

- The actual rebate/ income to the Council should be greater than £7.00 per tonne.
- The haulage cost to the Council should be less than £9.50 per tonne.

Should the haulage cost not be acceptable, the Council reserves the right to accept the proposed rebate and organise separate haulage.

## 5 HR Implications

Resource implications will be dependent on;

- The final service arrangements;

The Authority Transfer Station site at Baldovie can be accessed Monday to Friday from 07.30am - 3.00pm

Consideration may be given outside these hours by negotiation to suit supplier demands.

TUPE does not apply.

## 6 Policy Implications

The council will anticipate a clear reporting mechanism to report on end destinations of materials and mass balance of tonnages supplied to the contractor.

This reporting will be split, where appropriate by tonnage and end destination.

The Council has a requirement to state the end use of the material in statutory data returns to SEPA. All glass is reported as 'recycling'. Specifically, the supplier must clarify whether the material is dealt with as "recovery" or "recycling".

## 7. Key Assumptions and Dependencies

The supplier will provide a comprehensive business continuity plan in relation to pricing and operations.

The supplier will supply evidence to demonstrate that appropriate contract governance is in place.

The supplier will support the principles of Dundee City Council's Community Benefits Programme.

Scottish Government will provide appropriate business continuity guarantees.

## 8 Risk Analysis

Risk	Probability	Impact	Actions required to manage risk
Market price fluctuation	4/5	3/5	Regular pricing review (annual)
Withdrawal of other Councils at the end of year 2 or year 3	3/5	3/5	Assurances that Supplier rebate/ haulage costs will not change

Withdrawal of other Councils if business cases not met	3/5	3/5	Assurances that Supplier rebate/ haulage costs will not change
Supplier haulage costs not acceptable. Limited time to source alternative ( no professional hauliers framework)	3/5	4/5	Soft market testing. Permission from Corporate Procurement to direct award
Total market collapse	1/5	4/5	Robust Scottish Government and supplier business continuity clauses
Change of law/regulations	2/5	4/5	Assurances from Supplier that glass will still be 'recycled.'
Company closure/liquidation/ take over	2/5	4/5	Robust Scottish Government and supplier business continuity clauses
Performance/compliance violations/failures	3/5	4/5	Monitor performance, regular correspondence, robust dispute resolution clauses

### 9 Consultation

Zero Waste Scotland, Scotland Excel and User Intelligence Group members from local authorities have been consulted and actively participate in this project. In addition, Scottish Government Legal have also been consulted.

Dundee City Council Corporate Procurement and Legal teams have reviewed all contract documentation to date and will be party to future contract management. All given internal approvals will be given, i.e. Committee or Convenor approval.

Dundee would welcome an open and transparent partnership with other collaborating Councils, i.e. sharing of business cases.

### 10 Timescales

Contract Joining date anticipated to be 23.01.2018

The Contract will be for an initial period of 2 years with the option to extend by a further 2 years in 12 months intervals as we believe this gives the right commercial incentive for the volumes concerned to create competition and to manage future market risks.

It is expected that The Scottish Materials Brokerage Service will gather the management information and identify future opportunities in any future generation agreements.

### 11 Equalities Analysis

Any contractor must not unlawfully discriminate against any person within the meaning of the Equalities Act.