

Cabinet

30 April 2024

Gateway 3 Contract Award: Household Waste Recycling Centres (HWRCs) Procurement

Portfolio Holder: Councillor Simon Curry – Portfolio Holder for Climate Change and Strategic Regeneration

Report from: Ruth Du-Lieu – Deputy Director for Place

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Summary

This report seeks permission to re-engage Medway Norse under the Teckal exemption to continue to operate Medway Councils three Household Waste Recycling Centers (HWRCs).

1. Recommendations

- 1.1. The Cabinet is requested to note the contents of this report and note that the contract is performing equal to or above expectations.
- 1.2. The Cabinet is requested to approve the re-engagement of Medway Norse under the Teckal exemption to continue to operate Medway Council's three Household Waste Recycling Centers (HWRCs).

2. Suggested reasons for decisions

- 2.1. Agreement of this contracted arrangement will enable the Council to continue to meet its statutory obligations.

3. Budget and policy framework

- 3.1. This Cabinet report is within the Council's policy and budget framework and ties in with all the identified Core Values, Strategic Priorities, Strategic Council Obligations and Departmental/Directorate service plans as detailed below.
- 3.2. The Household Waste Recycling Centre (HWRC) contract follows the Council's core values to ensure we have services that put our customers at the heart of everything we do, giving value for money and fit with the strategic priority of a clean and green environment.

3.3. Such services need to support the Council's Waste Strategy that, in turn, provides the basis for targets in performance and community plans. The primary objectives are to:

- 3.3.1. Ensure compliance with statutory duties.
- 3.3.2. Meet statutory performance targets.
- 3.3.3. Ensure continuity of a frontline service.
- 3.3.4. Provide services within agreed budgets.
- 3.3.5. Meet requirements to achieve efficiency gains.
- 3.3.6. Provide environmentally sustainable services.

4. Background

4.1. The current contract for Medway's three Household Waste Recycling Centres (HWRCs), has been delivered by Medway Norse through a Teckal exemption since 27/09/2017 (Cabinet decision number 122/2016). The contract includes:

- 4.1.1. Operation of three recycling centres (Capstone, Cuxton and Gillingham).
- 4.1.2. Haulage of all waste deposited at sites to disposal points.
- 4.1.3. Arrangement of disposal points for all contract waste.
- 4.1.4. Sharing of commodities sales between the Council and Medway Norse.

4.2. This arrangement was made to bring the HWRC service under the Joint Venture with Medway Norse and is due to expire 26/09/2024.

4.3. Through the 7-year contract term, 138,000 tonnes of waste have been deposited at the sites by residents and of this 62% has been recycled. Appendix 1 of this report contains a detailed analysis of this contract's performance over the 7-year term for review alongside this report.

4.4. In January 2023, Medway Council and Medway Norse established a partnership with the Gillingham Street Angels (GSA) with the aim of redirecting reusable furniture, bric-a-brac, electrical items, and paint away from waste streams. GSA's local stores enable the reuse of these materials, offering Medway residents the opportunity to purchase affordable household items. Moreover, the proceeds from these sales contribute to GSA's community work in supporting the most vulnerable residents of Medway. To date, approximately 77 tonnes of reusable items have been diverted to GSA and we expect this to continue under the next contractual arrangement for the management of Medway's HWRCs.

5. Options

5.1. The following is a detailed list of options considered and analysed for this report.

5.2. Option 1 – Do nothing: The Council has a legal duty to provide HWRC services and need to act to ensure it can meet its statutory obligations. Therefore, doing nothing is not an option.

- 5.3. Option 2 – Extend the current contract: The current arrangement does not include a formal extension option as it was intended that any extension would be dealt with in line with the overarching joint venture arrangement.
- 5.4. Option 3 – Utilise a framework: There are no frameworks that can be utilised for the provision of HWRC management contracts.
- 5.5. Option 4 – Open market procurement: An open market procurement could be carried out but would require a limited extension with Medway Norse for a period of 24 months to allow sufficient time to carry out a procurement exercise.
- 5.6. Option 5 – Teckal exemption: Medway Norse, as a Medway Council Teckal compliant Joint Venture, can be directly engaged by Medway Council to deliver services. Whilst not a strict pre-requisite, it should be noted that this should only be pursued when economically viable and advantageous for both parties. Medway Norse has delivered the current contract for 7 years on an open book basis, which illustrates value for money, and that would continue if re-engaged.

6. Advice and analysis

- 6.1. The preferred procurement route is to re-engage Medway Norse under the Teckal exemption as per option 5.
- 6.2. As detailed in Appendix 1 of this document, Medway's 3 HWRCs have operated well since Medway Norse took them over in 2017.
- 6.3. Medway Norse has a proven track record in the management of HWRC's, recycling markets and haulage services and are well-equipped to handle the complexities and challenges associated with HWRC management.
- 6.4. This contract has consistently met performance targets and is efficient and effective in supporting the Council to execute its statutory duties. The contract has demonstrated a strong commitment to sustainability through its environmental initiatives such as recycling processing services and environmental social value schemes working with the third sector. Overall, this high performing contract has proven to be an asset in achieving the Council's objectives and delivering value to the community.
- 6.5. It is recommended that the contract length be a 60-month term with the option to extend for 60-months by mutual agreement.

7. Risk management

- 7.1. The table below details risks associated with the ongoing success of this contract including mitigation plans.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial	Volatility of recycling commodity markets causing budget pressures	Contractor shares risk of recycling commodities alleviating some budget pressure and encouraging them to find best available markets.	BIII
Reputational	Failure to engage a contractor post 26/09/2024 leading to Medway Council being unable to deliver a HWRC service and not meeting statutory obligations.	Engage a contractor to deliver HWRC services as proposed in this report.	DIV
Reputational	Contractor disposes of waste unlawfully leading to reputational damage (for example - waste sent to a foreign market and unlawfully flytipped).	Robust contract clauses in place ensuring that the contractor meets its duty of care responsibilities in line with waste industry regulation. This will be complimented by continued spot checks and audits by the Waste Disposal team to ensure waste is managed properly.	DIV

For risk rating, please refer to the following table:

Likelihood	Impact:
A Very likely	I Catastrophic
B Likely	II Major
C Unlikely	III Moderate
D Rare	IV Minor

8. Consultation

8.1. This report has been reviewed virtually through the relevant Departmental Management Team (DMT), Procurement board and internal stakeholders prior to submission for Cabinet decision.

8.2. Further external stakeholder consultation is not applicable for this report.

9. Climate change implications

9.1. The treatment of waste through the HWRC contract is in line with the waste management hierarchy. Reusing, recycling and composting waste prevents it from being sent to landfill, which in turn reduces the amount of greenhouse gas emissions attributed to the waste management process.

9.2. Climate change considerations were not included in the initial contract term as this pre-dates the Council's Climate Change Emergency. Moving forward, climate change considerations need to be included in the 2024-2029 contract with the aim of holding the contractor accountable for improving carbon emissions associated with the contract, in support of the Council's Climate Change Action Plan.

10. Financial implications

10.1. The procurement requirement and its associated delivery as per the recommendations will be funded from existing revenue budgets.

11. Legal implications

11.1. A direct award to Medway Norse in accordance with the conditions of the Teckal Exemption is compliant with both Medway's Contract procedure rules and the public contracts regulations.

11.2. The provision of Waste services are a statutory function of the Council and therefore the Council has a duty to ensure that the service is provided to all residents within the area.

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Appendices

Appendix 1 – Contract performance

Exempt Appendix – Financial analyses

Background papers

[Annual review of Waste Contracts, Regeneration, Culture and Environment Overview and Scrutiny Committee report 15 November 2023.](#)

[Gateway 1 – Household Waste Recycling Centre \(HWRC\), Cabinet report 27 September 2016 \(Decision no. 122/2016\).](#)