



Buckinghamshire County Council

Report

Cabinet Member for Community Services

Decision to be taken on or after 28 September 2001

Cab Member Report No. CS18/01

Date: 24 September 2001

Title: Bucks Glass Recycling Consortium - Contract for sale of glass

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Electoral Divisions Affected: All

Summary

The County Council and the four District Councils have acted together for many years in a consortium to collect and recycle glass bottles.

The present contract for the sale of glass terminates at the end of its five year period on the 31st November 2001 and new arrangements will be necessary from that date.

Chiltern District Council has acted as lead authority in the negotiations of a new contract which requires approval by each of the participants of the consortium.

Recommendation

1 That the County Council enters into a Contract with Mechglaze for a ten year term on the terms described, subject to each of the four district councils in Bucks acting in concert.

2 That Chiltern District Council act as the lead authority for the administration of the contract for that period.

A. The decision required, and why it is needed

1 The present contract for the sale of glass terminates at the end of its five year period on the 31st November 2001 and new arrangements will be necessary from that date.

B. Recommended action, and the reasons for this

- 2 This authority has worked alongside the four District Councils in a consortium since 1982 to recycle glass bottles. Bottle banks are individually provided by each of the authorities while the collection, bulk storage and onward transport has been organised into a series of discrete contracts which are managed on a consortium basis.
- 3 Since the previous contract was entered into there has been a long period during which the free market value of glass has declined. More recently the price has been supported as a result of government intervention designed to reduce the volume of packaging waste. However, the background is still that there is an over-supply of glass cullet chasing the domestic market. Much work has been initiated to enhance the overall size of the glass market but this is coinciding with the introduction of even higher targets for recycling.
- 4 Having invested heavily in glass recycling infrastructure over the last 10 years or so, the consortium members all recognise the value of having a guaranteed, long-term outlet for the materials they collect. Looking at the broad picture, the consortium also favours achieving partnerships with companies that are outward looking and are prepared to seek new uses for the recycled materials.
- 5 On this occasion Chiltern District Council has taken the lead in negotiating a new contract and this has been supported by each of the participating authorities.
- 6 Starting with a European Advertisement seeking expressions of interest from interested parties, negotiations have been conducted over a period of nearly two years. During this time all the authorities have been fully consulted and within this authority both Contracts and the Waste Disposal Services have participated in and supported the process. The result is that an agreement in draft has been prepared between on the one part, all five consortium members, and on the other Mechglaze Ltd of Kirkby in Ashfield. Mechglaze Ltd is a subsidiary of Midland Glass Processing Company Ltd who are providing surety.
- 7 The contract is parallel to one that Hampshire County Council, and the 14 constituent authorities in their consortium, have already signed and provides for Mechglaze Ltd to develop a new site in Southampton. At the new site they will process the glass using the latest colour sorting equipment available and with their immediate access to both road and sea links reach out to a wide range of potential markets. By investing in the colour sort equipment, the processed glass will be of the highest quality available in this country and it is believed always sell into the highest value markets. By providing a dedicated site Mechglaze Ltd. is expected to overcome the problems associated with peak periods when in the past the existing purchaser has been unable to receive all the glass we have wanted to deliver. The District Councils are particularly keen on a 10 year contract since they are very vulnerable to rapid

changes in the market. The history is for the market to become more difficult for LAs as more authorities seek to recycle more. It is not easy to turn off the tap in times of over supply so a guaranteed outlet for the collected glass is essential for service continuity. The length of this contract gives us that comfort and also encourages/supports the contractor's investment programme. Mechglaze are planning to invest heavily in this new facility which should ensure its customers a stable outlet for their glass. The contract gives Mechglaze the responsibility to accept all the glass we send to them and since we have a profit sharing agreement we will have a flexible arrangement that will be capable of withstanding market fluctuations without the need to renegotiate the basic contract.

C. Other options available, and their pros and con

- 8 The 10 year contract itself is based on open book accounting and provides an income to the consortium members based on a profit sharing formulae. The contract also provides for guaranteed minimum sums to be paid . Under the conditions prevailing at this time we would receive an income of £16.72 per tonne. Four other options have been investigated by both Chiltern District Council and ourselves, but none offer the same flexibility and access to new markets for glass. Only one offer was made to the consortium for a greater sum, which when transport costs were taken into account amounted to £17.08/tonne. This offer was for a shorter period of 4½ years and required a price review and negotiations each six months. Since it has not been possible to agree with this purchaser a framework under which the review would be conducted and that the only alternative in the draft contract required termination, it is recommended to accept the offer from Mechglaze Ltd. Since this is not the highest offer it is necessary to obtain Cabinet member approval.

D. Resource implications

The previous contract had an upwards only review clause and consequently the consortium has been protected from a fall in the market price of glass over its period. The total income to the consortium will fall from £92,981 per annum to £81,042 per annum under the recommend arrangements (based on 2000/01 quantities).

Bucks County Council share of the reduction would be £1,977.

E. Other implications

The draft contract will be entered into by each of the five authorities in Buckinghamshire.

F. Feedback from consultation and Local Member views

No consultation has taken place with Members since there is no impact at the local level from this decision.

G. Communication issues

None

H. Other issues

This contract supports existing and developing policies in support of recycling as a viable waste management technique.

Background Papers

None.

Decision Taken:

Signed: _____

Date: _____

Decision Not Taken:

Signed: _____

Date: _____

Reason: _____

Your questions and views

If you have any questions about the matters contained in this paper please get in touch with the Contact Officer whose telephone number is given at the head of the paper.

*If you have any views on this paper that you would like the Cabinet Member to consider, or if you wish to object to the proposed decision, please inform the Head of Cabinet Support by **5.00 p.m. on Thursday, 27 September 2001**. This can be done by telephone (to 01296 382966), Fax (to 01296 383441), or e-mail to cabinet@buckscc.gov.uk*