

Title: Recycling and Waste Service 2016

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Portfolio: Environment and Recycling

Ward(s) affected: All

Purpose of the Report

- To highlight the processes associated with the development of the new Recycling and Waste Service from July 2016 onwards.
- To consider a range of detailed recommendations to ensure that the new service can be commenced on time and successfully delivered.
- To highlight the risks associated with the provision of the proposed service.

Recommendations

1. That Cabinet agree the structure of the new service, as recommended by the Cabinet Panel and as detailed within this report.
2. That Cabinet approve the design of the new service as detailed within the report, to consist of weekly collections of recycling and food, fortnightly collections of residual waste and fortnightly collections of garden waste. Garden waste to operate for 46 week period, providing one free garden waste bin, and chargeable additional bins.
3. That Cabinet agree to the Cabinet Panel being given delegated powers to develop and agree the detail of the service and monitor progress of key tasks to be undertaken in the run up to the new service commencement. This to include the specification and procurement of vehicles, treatment contracts, depot infrastructure, containers, material resale arrangements, collection schedules, working patterns and expansion of the range of materials collected.
4. That at the end of the current contract for collection of dry recycling materials, this element of the service is integrated with the existing in-house collections team to form a comprehensive in-house collections service.
5. That Cabinet note the outline costs of the new service and that budget provision is made as part of the budget preparation process for 2015/16 and 2016/17.
6. That Cabinet agree the timetable as set out within this report.

Reasons

- To ensure continuity of service at the end of the current contract periods.

- **To develop a service that provides residents an affordable, environmentally sound, excellent, and legally compliant service.**
- **To provide the council with timely information regarding potential investment pressures and savings that will result from the adoption of a new service.**
- **To ensure that there is adequate time for review, consultation, procurement and implementation of the new service.**
- **To provide a stable platform to enable the Council to maintain and develop the recycling and waste service and to further increase its recycling rates.**

1. **Background**

The councils current recycling and waste strategy has been prepared following the principles agreed by Cabinet in October 2007 and consultation with stakeholders. It sets out the direction for the Waste Management services up to 2016. The strategy was prepared taking account of national guidance (Waste Strategy for England 2007) and the 'principles and policies' set out in the Integrated Municipal Waste Management Strategy for Staffordshire and Stoke-on-Trent (2020 Vision).

The service under went a major redesign in 2010, with the introduction of weekly food waste collection, fortnightly garden and residual waste collections and kerbside recycling of paper, card, plastic, cans and textiles. Due to residents' and staff commitment to the service this has seen an increase in recycling from 27% in 2008/9 to 51% in 2011/12, as well as a reduction in residual waste by over 35%. Over the same period the financial efficiency of the service has improved. The service has won five national awards and has been nominated in a number of others over the last couple of years, due to the design and standard of the service.

In October 2012 a representative cross party Cabinet Panel was established to review the current strategy, consider options and risks for future provision and develop a new strategy and service. Over the last 18 months officers have supported the Panel to review the current service in identifying the strengths and weaknesses of the current service, reviewing current and possible further legislation and risks relative to each option considered. The Panel undertook a number of reference site visits to identify possible options for the borough recycling and waste service. At the conclusion of this research 13 costed options were developed by officers for the Panel to select its recommended service. The panel then determined the most appropriate option to consult with residents on.

From 3rd February 2014 to 14 April 2014, the council ran a ten week public consultation of the service changes, from which 513 responses were received. During the consultation period Officers spoke at all 9 Local Area Partnership committees and all 10 Parish/Town Councils within the Borough to explain the proposed service change and the reasons for changing. Officers also ran a number of drop-in sessions in both town centres and at Jubilee 2, and The Reporter also ran of full page article on the service change and consultation programme.

It was clear from the consultation that residents welcome the move away from the bag element of the current service and believe that by moving to weekly recycling they would have less to store and would recycle more. Residents also clearly supported the continuance

of the policy of being provided with one wheeled bin for garden waste free of charge. On a more strategic view the vast majority of residents could clearly understand that the Councils approach to waste as a resource and style of recycling service provides income to subsidise services / reduce pressure on Council Tax.

The service change proposals were also presented to the Cleaner, Greener & Safer Communities Scrutiny Committee by the Portfolio Holder and Officers on 25th June 2014. The Committee scrutinised the proposals and resolved to support the introduction of the new service as detailed in this report.

2.0 Issues

The Councils current Integrated Recycling and Waste Strategy runs out in 2016 at the same time as all the Councils waste management contracts. In order for the Council to develop a new collection and treatment service it is important that it has a clear and stable integrated recycling and waste strategy to 2023 and beyond.

Due to the complexities and options surrounding provision of recycling and waste collections to residents it is important that a full review of the current integrated waste strategy was undertaken in good time to ensure that continuity is provided when the current waste contracts terminate in July 2016.

In January 2014 Cabinet approved the Staffordshire Wide Joint Municipal Waste Management Strategy (JMWMS), which was subsequently adopted by the Staffordshire Joint Waste Board in April 2014. The JMWMS was designed to be a simple overarching strategy allowing individual partner authorities to develop their detailed strategies and delivery plans which take account of the six overarching principles of the JMWMS, these being:-

- Waste Prevention
- Efficiency Savings
- Resource Recovery
- Carbon Reduction
- Infrastructure & Contracts
- Municipal Waste Household & Commercial (providing more efficient customer focused services)

The JMWMS also allows individual authorities to develop their services in a way which reflects the needs and aspirations of individual authority communities. The methodology also allows flexibility in providing a structure which allows authorities to work more closely together and potentially share services, where there is mutual benefit to those authorities. The Council has gone forward and developed a live action plan document that details the service that we currently provide and future direction of the service in a clear format.

The Council also needs to consider the risk of changing legislation when developing the new service. From 1 January 2015, waste collection authorities must collect waste paper, metal, plastic and glass separately, unless they can demonstrate that it is not necessary to ensure the appropriate level of quality, or/and it is not technically, environmentally and economically practicable (TEEP).

This legislation is set out under The Waste (England and Wales) (Amendment) Regulations 2012, which are transposed from the EU's revised Waste Framework Directive. Defra will not provide detail legal guidance on this and states that local authorities should seek their own legal guidance on TEEP, however the underlying message seems clear that the four specified types of recyclables (paper, plastic, metals and glass) must be collected separately

from January 2015 unless it can be demonstrated, if necessary to the satisfaction of a court of law, that this is either unnecessary or not possible.

To not collect the material separately authorities must prove that collecting co-mingled is justified because either:

- It is not necessary for the production of quality recyclables because the output of the Materials Recycling Facility (MRF) is of high quality;
or
- It is not technically, environmentally and economically practicable (TEEP) to provide separate collections.

Defra were clear that proving TEEP would not just be a simple tick-box exercise, and neither would the argument that "it is what the public want us to do" would be sufficient for an Authority to continue to collect co-mingled recyclables.

3.0 Options

Prior to the options being developed Members of the Cabinet Panel established and agreed a set of main objectives for a new integrated recycling and waste service. This enabled the Panel to review the options, once developed, against these agreed objectives.

Main Objectives for new service are as follows:

- To reduce costs for residents – focus on recycling and composting as it is cheaper than disposing of waste through incineration or landfill.
- To achieve at least 55 per cent of waste by 2020 – Currently Councils have a statutory duty to recycle 50 per cent by 2020.
- To collect four separate streams of materials for recycling – (this being a requirement under European Union law that councils are required to adhere to.)
- To make the system simpler, but ensure a high quality service.

Officers developed 13 costed options for recycling and waste collection services, with each option being based on different types of collections, and frequency of collections. The costings in this table only relate to the cost borne by the Council, however additional work was undertaken looking at the holistic cost of recycling and waste for residents which included cost that would be borne by Staffordshire County Council.

	A – Weekly Recycling & Food – Fortnightly Residual & Garden	B – weekly Food – Fortnightly Recycling Residual & Garden	C – No Food - Fortnightly Recycling Residual & Garden	D – Weekly Recycling & Food – Fortnightly Garden – Monthly Residual	E – Weekly Residual – Fortnightly Basic Recycling – Chargeable Garden – No Food
Kerbside Sort	£2,576,094	£3,016,288	£2,607,198	£2,421,336	N/A
Fully Co-mingled	£3,322,246	£3,304,601	£2,756,326	£2,957,488	N/A
Dual Stream	£3,117,046	£3,077,801	£2,529,526	£2,698,288	N/A
Basic Recycling	N/A	N/A	N/A	N/A	£2,815,253

As well as undertaking a costing exercise, each of the options were evaluated for risks and added to the options matrix with shading from red for high risk to green for low risk. These risks included:

- Recycling Markets and Quality of Material
- Legislation and TEEP
- Participation
- Treatment Costs

Officers then supported the Panel in reviewing each of the options in terms of acceptability/suitability of service, risk and cost to enable Members to agree on preferred solutions. The preferred solution agreed by the panel was Weekly Kerbside Sort Recycling, Weekly Food, Fortnightly Residual and Fortnightly Garden waste collections.

4.0. Proposals

Service Design

The preferred solution agreed by the panel was Weekly Kerbside Sort Recycling, Weekly Food, Fortnightly Residual and Fortnightly Garden waste collections.

- Three 55L box system for dry recycling collected weekly
 - Paper / Small Electrical appliances / Batteries / Textiles
 - Card/ Glass
 - Plastic Bottles / Cans & Tins
 - Food Wasted collected weekly – in caddy
- Garden Waste collected fortnightly – 240L bin
- Residual Waste collected fortnightly – 180L bin
- Dry Recycling and Food Waste – Single pass with driver plus one or two porter with kerbside sort vehicle
- Residual / Garden Waste collected fortnightly – with standard collection vehicle.



This proposed service meets the all the objectives set down by the Cabinet Panel as follows:

To reduce costs for residents.

Staff will be TUPE'd to the Council at the end of the current dry recycling. Also by operating a fully in-house provision efficiencies can be generated via operating from a single depot. There will also be a reduction in senior management and there can be increased flexibility within the workforce. By continuing with changing the focus from a waste to a recycling service and increasing recycling collections to weekly, this will generate savings via a reduction in disposal tonnages/costs and increased recycling tonnages, resulting in an increase in recycling credits and income from recycle material sale.

To achieve at least 55 per cent of waste by 2020.

The Councils recycling rate has now plateaued in the low 50's percent. The new service will give residents the opportunity to recycle on a weekly basis. It is modelled that this will lead to between 10 and 20% more recycling being collected, which will enable the council to achieve the required 55% level of recycling.

To collect four separate streams of materials for recycling.

Due to the manner of collection the Council will be fully compliant with the changes introduced by this legislation and remove the threat of challenge and prosecution.

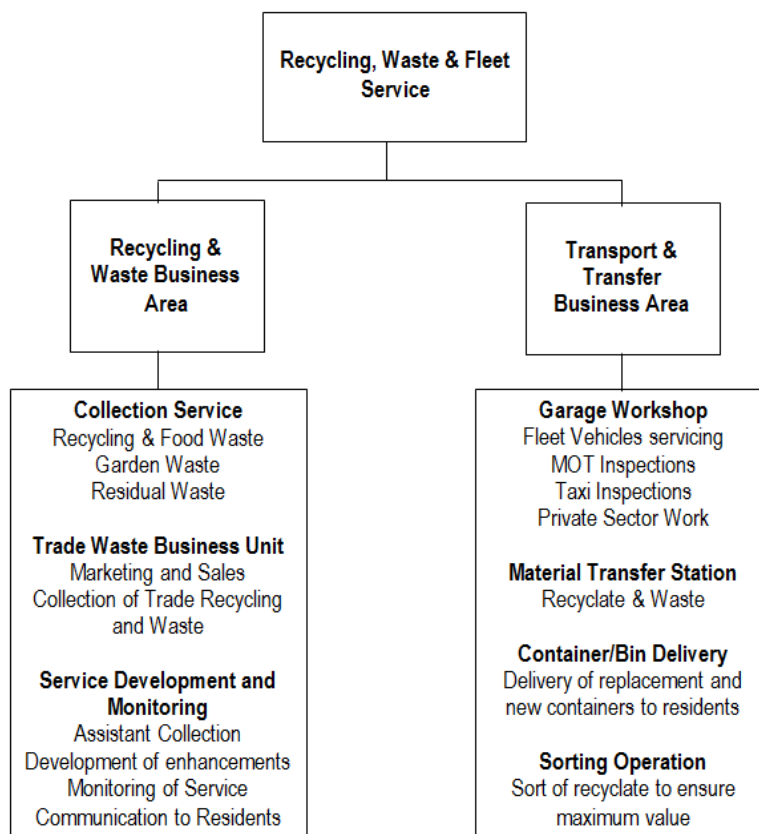
To make the system simpler, but high quality service.

One of the issues of the current service in the lightweight red plastic sacks for plastic bottles, blue bags for paper and the green bags for cardboard. The new service will remove the need for these as all dry recycle will be collected in boxes. The boxes will be easily stackable, thus removing the amount of space required to store them and will be collected weekly so recycling does not have to be stored in the home for as long.

Structure

The proposed change will require the service to restructure the way it is managed and increase the number of staff directly employed by the Council, rather than employed by a

contractor. It is intended as the first phase, in October 2014, the service is restructured aligning collection and strategy parts of the service under a single business manager and Head of Service. The second phase will then take place in July 2016 when the service changes and approximately 30 staff will be transferred through a TUPE process to the Council from the current contractor. These staff will be integrated with our current staff to undertake the collection of recycling and waste. Staff will also be required to operate the recycle transfer station which will receive, sort and bulk recycle prior to these being sold to the reuse market.



Time Table

Once the service structure and design has been agreed it is then possible to enter into the implementation stage of the service change. Due to the complexity of the change that has been proposed it is important that the Officers have two years lead-in period to ensure that the service is implemented correctly.

There are a wide range and large number of tasks involved, with a number of them being dependent on each other. The tasks include planning and development on a new transfer station at Knutton Lane Depot, development of new collection rounds, procurement of containers and vehicles, a number of staff matters including the TUPE agreements for contractors' staff, the arrangement of recyclate market for the material collected and the communication of the new service to residents.



Cabinet Panel

The Council Leader may arrange for a Cabinet Function to be discharged by a Cabinet Committee consisting of members of the Cabinet or a single member or an officer by way of joint or local arrangement. Appendix 8 of the Council’s Constitution sets out the procedure and rules for the establishment of Cabinet Panels.

In this case the Cabinet Panel has already been established but it does not have the required delegated powers to enable it to make the decisions listed in the recommendations.

It is recommended that authority be delegated to the Portfolio Holder for Environment and Recycling to make decisions in relation to the following areas:

- To develop and agree the detail of the service and monitor progress of key tasks to be undertaken in the run up to the new service commencement.
- The specification and procurement of vehicles,
- Treatment methods,
- Depot infrastructure,
- Containers,
- Material resale,
- Collection schedules,
- Working patterns
- Expansion of the range of materials collected.

The Portfolio Holder for Environment and Recycling will continue to be the Chair of the Cabinet Panel and the rules of political proportionality will apply

The following rules will also apply to the Panel:

- The quorum for the meeting will be one quarter of the members, with a minimum of three.
- An agenda and reports will be sent to members at least 5 clear days in advance of each meeting.
- Minutes of each meeting will be produced and published as per other formal Council meetings.
- Decisions will be formally recorded and subject to the same call-in procedure as other committees.
- The Panel will report to Cabinet and may refer matters to the relevant scrutiny committee for comment
- Panels will be time limited and terminated upon reporting unless their brief is extended by Cabinet.

The Constitution will be updated at Part 3 (Scheme of Delegation) to reflect the above arrangements.

5.0 **Outcomes Linked to Corporate Priorities**

The proposals relate to the effective delivery of the improved collection and treatment arrangements for recycling and waste, which would contribute to the following:

- 5.1 A clean, safe, and sustainable Borough.
- 5.2 A Borough of opportunity.
- 5.3 A healthy and active community.
- 5.4 Becoming a co-operative council, delivering high value, community driven services.

6.0 **Legal and Statutory Implications**

The Landfill Directive (99/31/EC) requires a reduction in bio-degradable waste to be landfilled by 75% in 2010, when compared against the 1995 level.

The Government's Waste Strategy requires 40% of domestic waste by weight to be recycled by 2010 and 50% by 2020. The waste strategy is designed to increase recycling and therefore meet the legislative requirements without incurring financial penalties from Europe.

The Environmental Protection Act 1990 empowers the Council as a Waste Collection Authority to direct householders how to present waste.

The Waste (England and Wales) (Amendment) Regulations 2012, which are transposed from the EU's revised Waste Framework Directive, including TEEP element.

7.0. **Equality Impact Assessment**

During the development of the new service a equality impact assessment will be undertaken for each aspect of the development. It is anticipated that the comprehensive service design will make a significant positive equalities impact.

8.0. **Financial and Resource Implications**

There are significant financial and resource implications associated with the development and efficient management of this service, and to ensure that the outline budgets for the revised service are correct as possible at this stage officers from both the Finance and Recycling & Fleet services have worked very closely to develop the cost model and will continue to do so to refine the model during the further development of the service.

The current net cost of the Recycling and Waste Service is in the region of £3.1 million per year, made up of gross expenditure of £5.43m offset by a gross income of £2.33m per year. The income comes from a number of sources such as recycling credits and income from the sale of recyclate collected.

The new service increases the focus on income generation to offset the cost of the service for residents and improving recycling results, whilst not losing focus on cost reduction where ever that is possible.

There are a number of areas where the new service targets cost reductions including the following:-

- Reduction in the total depot costs for undertaking the services. As the service currently operates from two depots Knutton Lane and Hot Lane, under the new service all operations will be undertaken from the Knutton Lane Depot.
- Reduction in contractor costs with the removal of the profit element for the contractor and the reduction of senior management costs across the Council and Contractor once the service is completely operated internally.
- Reduction in the cost of food collections, this will be achieved by the introduction of the food collection capability onto all the recycling vehicles.
- Reduction of the ongoing cost of container provision, mainly the annual supply of red bags for plastics and the frequent supply of green bags for card.
- Reduction in the total vehicle costs by the use of smaller more economical vehicles for recycling.

In addition to the cost reductions on the expenditure side there will so be a number of increases to the income generation side of the service budget as follows:-

- It is estimated that there will be an increase of between 10 and 20% of the total amount of dry recyclate collected by providing residents with enhanced weekly collection of recycling collections. This increase in recyclate will lead to an increase in the amount of recycling credits claimed from Staffordshire County Council.
- The total income from selling of the recyclate will remain with the Council, rather than only receiving 50% of the income under the current service.
- Changes in the method that the recycling is collected will ensure good quality material which will increase the unit price value of the recyclate. This will include the removal of red bags from the plastic collection stream and the opportunity for additional sorting.

The revised budget for the new service has been developed by officers of the Council and by adopting the proposed new service the models show that the Council should be saving in the region of £500,000 per year for the net budget split between approximately one third to be achieved by reduction in expenditure compared to current costs and two thirds to be achieved from additional income. The modelling for the service shows that the expenditure of the service will be in the region of £5.55m and the income offset should be £2.96m resulting in net expenditure of £2.6m a year

In addition to the changes to revenue budget detailed above, this change of service will put additional pressure on the capital programme. It is currently estimated that there will be a requirement for approximately £4.1 million of capital expenditure spread over the 2015/16 and 16/17 financial years for the replacement of collection vehicles, depot infrastructure and containers for the service.

This is broken down as follows:

- ❖ Replacement of existing collection vehicles on residual, green and trade waste rounds = £1,875k
- ❖ New Recycling (including food) collection vehicles currently provided through recycling collection contract = £1,540k
- ❖ Recycling Containers (based on 3 boxes per household) =£495k
- ❖ Knutton Lane Depot works (including waste bulking and transfer facilities, weighbridge, additional JCB and forklift) = £225k

It should be noted that even if the Council did not change the service there would be a requirement to replace the Councils current fleet of collection vehicles. Also, even if the Council did not intend to in-source the remaining elements of the collection service it is now normal practise across the industry for local authorities to fund the purchase collection vehicles for contractors.

In respect of the financing of the £4.1 million of capital expenditure outlined above, dependant on the timing of capital receipts from the assets disposal programme the Council may have to enter into either short term temporary borrowing arrangements or longer term arrangements in accordance with the CIPFA prudential code for borrowing.

9.0. **Major Risks**

The Recycling and Waste Service is an universal service provided to all households in the Borough and due to its size and scope there are a number of risks associated with the delivery of the service regardless of the method of delivery selected. One of the overarching risks it that the project suffers delays in the development and implementation of the new recycling and waste service resulting in the service not able to start in July 2016. To reduce elements of this risk it is proposed that the Cabinet Panel is given delegated authority to make decisions on the detailed delivery of the key tasks associated with the service development.

In additional to the overarching risk above the following are determined as major risks. It is recognised that these risks will change due the development and implementation of the new service:-

The major risks are considered to be:

- **Legislation**
This service change will be affected by a wide range of both industry and general legislation and failure to comply will have a wide range of consequences to the service and the Council. It is also important that the service is designed so that it can be flexible to comply with new legislation throughout the length of the service provision, which is likely to be 7 or 14 years. The Waste (England and Wales) (Amendment) Regulations 2012, which are transposed from the EU's revised Waste

Framework Directive, including the TEEP element, is currently in a state of flux, with central government not providing detailed guidance on the full requirement of the regulations. Also at this time the European Government are considering increasing the level of recycling that will be required to be achieved by local authorities and possibly adding a range of materials that will be banned from landfill.

- **Community Participation**

This service model relies strongly on engaging residents to participate in the use the service correctly and failure to engage with residents could lead to contamination of material and lower tonnages. It is important that throughout the implementation of the service changes the council communicates clearly with residents.

- **Staff Participation**

This service is heavily reliant of on staff to ensure that it is successful. The proposed service will involve the merging and integration of two large groups of staff. There will also need to be a number of changes to working practices.

- **Fluctuations in material values and tonnage**

The proposed service develops and expands the current services' reliance of income from recycle. As the recycle market is part of a worldwide market, the income from this fluctuates and may exceed or not meet budget over the life time of the service. Consideration will need to be given as to how the Council manages and minimises this risk/opportunity and endeavour to work closely with end markets.

A sensitivity analysis has been carried out that illustrates the potential impacts (both positive and negative) of variations in tonnages collected, material resale prices and recycling credit values against the baseline assumptions used in the budget model. This analysis shows that dependant on the variable factors listed above there could be significant variations, positive or negative, from the modelled budget. However the assumptions used in the model are considered to be prudent in terms of what is known at this point in terms of markets, expected increases in tonnages and availability of recycling credits.

- **Change in end market quality specification**

It is important that consideration is given to the end market quality specification to ensure that the Council achieves the best possible rate for material at any given time. As the proposed service flows from the kerbside sort collection model, the quality of material collected will be of a higher standard than other collection models, which should make it simpler to achieve a higher value.

- **Issues with transfer station development and planning**

One of the key elements of this new service is the provision of a new transfer station. It is proposed that this will be developed at Knutton Lane Depot, however this will require a change to the current Waste Permit the site holds and a change to the planning permission for the site.

- **Capital requirements**

As detailed within this report there will be a requirement for approximately £4.1 million of capital funding for the purchase of vehicles. Failure to purchase vehicles via outright purchase may require the vehicles to be funded via a different model which may affect savings in the revenue model.

10.0 **Key Decision Information**

- The decision is one that would affect all wards and has a significant positive budgetary implication for the Council. It has therefore been included on the Forward Plan.