

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

REPORT TO CABINET

Date 19th September 2018.

1. **REPORT TITLE** **A Future Recycling Strategy**
- Submitted by:** **Head of Recycling & Fleet - Andrew Bird**
- Portfolio:** **Environment and Recycling**
- Ward(s) affected:** **All**

Purpose of the Report

To inform Cabinet of the preferred options put forward by the Cross Party Cabinet Panel Task & Finish Group for the introduction of a new kerbside recycling service and an affordable garden waste collection service.

Recommendations

- (i) That the Cabinet considers the recommendations of the Cabinet Panel Task and Finish Group and agrees a preferred option for the introduction of a new kerbside recycling service which makes it easier for residents to recycle, and is simpler to operate.**
- (ii) That the Cabinet considers the recommendations of the Cabinet Panel Task and Finish Group and agrees a preferred option for the future provision of garden waste collections following the withdrawal of recycling credits paid by Staffordshire County Council.**
- (iii) That Officers are authorised to undertake further detailed planning and modelling work to develop the Cabinets preferred options and report back to Cabinet on detailed project costs and timescales.**
- (iv) That Cabinet thanks the Task and Finish Group for their work in putting forward their preferred options.**

Reasons

The Council needs to obtain the best financial value, with the least risk in terms of reliable and efficient collection services that makes it easier for residents to recycle.

The current Recycling service has had a number of operational challenges, which has affected public satisfaction since its introduction, additional operational costs and pressure from global material markets has meant the projected saving has not all been achieved, putting significant pressure on budgets.

The County Council has now confirmed its intention to reduce recycling credits for garden waste. This will mean that they will only pay for treatment costs over the next four years. This decision will create an additional budget pressure for the Council.

1. **Background**

- 1.1 The Council has been operating its new recycling collection service since July 2016, and although dry recycling rates have increased, the service is under pressure from the demand on the collection service and the resources available. This is largely a result of volumes of material, vehicles having to tip more than once during a working day and, over time, increased numbers of houses built, which was not adequately reflected in the original service modelling. To rectify this, the service requires further significant investment if it is to be reliable to the end of its projected term in 2022.
- 1.2 A consultation with residents was launched on 20th February 2018. The report attached at Appendix 1, was prepared on 13th June 2018, having run for 16 weeks. Within that period the survey received comments from almost 1,300 people which is the highest number of respondents to any of the Council's online consultations. Assuming that responses were one per household who responded this represents around 2.5% of households in the Borough.
- 1.3 Questions were posed in respect of a range of aspects of the current service including, the frequency of service, how containers are left after emptying, the type and number of containers provided, reliability of collections, dealing with enquiries and overall satisfaction.
- 1.4 The detailed results for each question are set out in the attached survey report for Members to review including comments made by residents whilst completing the survey.
- 1.5 In respect of overall satisfaction, whilst there were significant differences in satisfaction between some wards, responses were largely negative where almost three-fifths of overall respondents (58 per cent) said that they were dissatisfied, with fewer than one in four (24 per cent) saying they were satisfied. The remaining 18 per cent said that they were neither satisfied nor dissatisfied.
- 1.6 The highest level of overall satisfaction was expressed with the frequency of the service and the lowest level of satisfaction was expressed with the type and range of containers provided with a number of comments being made which expressed a preference for wheelie bins for recycling collection.
- 1.7 A budget saving of £500,000 was envisaged at the commencement of the new service in 2016, however although savings have been achieved in comparison to the previous service, they have not achieved the level of savings expected. A major factor in this has been the inability to achieve income levels for the high quality materials produced through the service, following global crashes in prices, particularly those of card and plastic, as well as high volumes of material, vehicles having to tip more than once a working day and, over time, increased numbers of houses built.
- 1.8 As a result of these challenges, at its meeting on 4th January 2018, in response to a request from the Portfolio Holder, authority was given by Cabinet for the establishment of a politically balanced Cabinet Panel Task and Finish Group (the Group) to examine the problems arising from the operation of the waste and recycling service and for the group to bring recommendations to a future Cabinet meeting. The group have looked at a number of collection options, and undertaken visits to look at alternative collection systems, and have reviewed alternative collection systems which have been modelled and costed to inform their recommendations to Cabinet.
- 1.9 Cabinet reconvened the Group to look at options for future recycling collection services, looking at twin stream and fully comingled collection operations incorporating the use of a wheelie bin. Modelling of these options has been undertaken and presented to the Group.

- 1.10 As part of its current recycling and waste strategy, the Council also operates a separate garden waste service to the majority of residents within the Borough. This service was introduced in the mid 2000's in response to government introduced weight based recycling targets. A paid for subscription service for residents who wish to have additional garden waste bins was introduced in 2011.
- 1.11 Garden waste is composted at a site within the Borough boundary, under a contract with Veolia which will run up to July 2022, with a break clause at 2020. The Council has no statutory responsibility to provide garden waste collection services.
- 1.12 As with dry recycling, recycling credits are paid to the Council by the County Council for all garden waste collected. The rate however is a little less per tonne, than that which we receive for other materials.
- 1.13 In late 2017, the County Council, as Waste Disposal Authority (WDA) initiated discussion with the eight district waste collection authorities (WCA's) as they wished to stop paying recycling credits for garden waste collections, and merely reimburse WCA's for the cost of treatment for the material. This was in order for the WDA to contribute towards significant savings the County Council has to make as part of its Medium Term Financial Strategy (MTFS), and follows a similar policy approach adopted by many WDA's, operating in two tier authority systems.
- 1.14 The Council has subsequently been informed of the County councils intention to bring in phased reductions in the payments of recycling credits for garden waste, over a four year period, down to reimbursement of treatment costs only.
- 1.15 This change will bring an additional and significant budget pressure with the loss of £275,600 in recycling credit income by 2022, when the County Council will only reimburse for the cost of treatment which currently costs £23.84p per tonne to process.
- 1.16 Cabinet asked the Group to reconvene and look at two options for introducing a chargeable service that will avoid a significant additional financial burden being placed on the Councils finances

2. **Issues**

- 2.1 It is vitally important that the Council looks to obtain the best financial value from the services it operates.

Recycling Collection

- 2.3 The current recycling collection service has suffered some significant operational issues since its commencement in 2016, with unreliable collections, and poor customer satisfaction. However, recycling rates have increased over the previous service, and are higher than many of our partner authorities in Staffordshire, and collection costs overall are the second lowest for a WCA in Staffordshire.
- 2.4 Markets for collected recycled material have suffered major volatility over the last couple of years and in particular the last nine months or so, following China's stringent restrictions on imports of materials which do not meet their high quality criteria. Much of the material going to China came from comingled collection operations, and they have encountered large amounts of contamination. This has resulted in oversupply into other markets which has had an impact on prices for materials, particularly plastics. The situation is unlikely to improve

greatly moving forward, until investment within the UK can deliver higher quality materials for recycling and reprocessing.

- 2.5 Cabinet has indicated it wishes to continue to provide separate food waste collection, therefore, in looking at alternative recycling systems the Group are asked to consider how this will be achieved. Currently food waste is collected on the same vehicle as recycling on a weekly basis, however if it is decided to change to a new recycling service operating with wheelie bins on a fortnightly basis, this would potentially needing additional resources to collect food on the week when recycling was not collected.
- 2.6 Whichever recycling collection system is provided to residents, the Council will have to maintain the operation of its transfer and bulking station as there are no facilities close enough to reprocess material which could facilitate direct delivery of collected materials. (Other than garden waste)

Garden Waste Collection

- 2.7 The Council collects on average around 10,500 tonnes of garden waste each year, which is processed into compost mainly for use in the agricultural market.
- 2.8 Chargeable garden waste systems are now operated by around 60% of WCA's in England. Loss or a reduction in the amount of garden waste collected will result in lower overall recycling performance for the Council due to the significance (in weight) of this stream of the Councils recycling service to the overall recycling rate of the Borough.

3. **Proposal**

Recycling Collection

- 3.1 It is proposed that the Council considers recommendations made by the Cabinet Task and Finish Group for the future kerbside recycling service, and future provision of garden waste collections at the same time, effectively refreshing the Councils Recycling and Waste Management Strategy.
- 3.2 In considering the recycling collection service, the Group has considered two options, with the existing system used for cost comparison purposes.
 - Twin Stream – where either paper or paper and card are kept separate and everything else is comingled in a single wheelie bin and collected fortnightly (with food collected separately).
 - Fully Comingled – where all materials are mixed together in a single wheelie bin and collected fortnightly (with food collected separately)
- 3.3 A wheelie bin is usually provided for fully comingled services and many two stream operations, although a number of authorities do operate a twin stream system using kerbside boxes such as we operate in the Borough, the closest being our neighbouring authority of Shropshire. The Councils other neighbouring WCA, Stafford Borough operates a two stream system using a wheelie bin with an internal caddie (box) to contain paper.

- 3.4 Each system has its advantages and disadvantages. A summary of these was considered by the Group and is attached as Appendix 2. Whilst the advantages and disadvantages of the current system are well known, a twin stream or fully comingled system will be easier for the householder to use, together with simplified collection operations utilising standard compaction vehicles with or without food pods. The biggest risk will be dealing with increased levels of contamination, which the Council will need to ensure it manages effectively and robustly in order to avoid costly rejection payments.
- 3.5 Modelling work undertaken to date and presented to the Group, shows that a twin stream service can be delivered cost effectively and it will be less expensive than the actual cost of the current service.
- 3.6 The Group were asked to consider and express a preference for how to integrate continuing the provision of a separate food waste collection service, as this has a significant impact on the design and provision of a new service moving forward as well as the option to collect recycling on a fortnightly or weekly basis in the future.
- 3.7 The modelling work undertaken has shown it is possible for the Council to continue to collect separate food waste cost effectively; however the type and combination of vehicles to be used for recycling and food waste collections will require further detailed consideration before a recommendation on the types of vehicles can be made.
- 3.8 Following consideration of all the options, at the last meeting of the Group it was unanimously resolved to recommend a twin stream collection system, on a fortnightly basis, with separate paper and card, along with continued collection of separate food waste as the preferred service model for the kerbside collection of dry recycling material and food waste.
- 3.9 It is proposed therefore that the Cabinet consider adopting this recommendation and undertake further planning and modelling work in order to move to a twin stream collection system with paper and card separate, along with continued collection of separate food waste.
- 3.10 A twin stream kerbside collection system will incorporate use of a wheelie bin with a blue lid, denoting its use for recycling only, together with a suitable receptacle (or use of existing box) to contain paper and card, while the other materials, namely, glass, cans and plastics bottles would be placed in the body of the bin. It may be possible to re-use wheelie bins that are not required for collecting garden waste and further work will be carried to determine the best option in this respect.
- 3.11 A split body refuse collection vehicle would be used to make the collections from householders. Paper and card will be loaded in one side of the vehicle and the other materials would be loaded into the other side of the vehicle.
- 3.12 Twin stream collections allows the Council to separate at source the higher value material, paper and card (known as fibre), which can then be sold directly to re-processors. Keeping fibre out of the other materials means the cost of sorting through a material recovery facility (MRF) are also lower in terms of a cost per tonne as fibre is difficult to separate from other materials, particularly if it becomes wet, and therefore increasing processing costs. Further the paper and card industry are reluctant to purchase paper and card from MRF's due to the poor quality of the material as it goes through the collection and sorting process, leading to this material largely going to export markets.
- 3.13 Further detailed planning and modelling will inform the potential timescales and costs for introducing a major service change. This will be dependent on a number of key factors such as service design, procurement and financing to implement the change with it being

envisaged that this will take a phased approach to the service change starting in 18 – 24 months' time.

Garden Waste Collection

- 3.14 The Group were asked to look at two options for the continuing provision of this service as a chargeable service, incorporated within the proposed redesign of the recycling collection service, not least to identify ways of dealing with the increased budget pressures.
- 3.15 Two options were considered by the cross party Group for the future provision of a garden waste collection service.
- Introduce a chargeable garden waste collection service, whereby residents wishing to receive a garden waste collection service pay an annual subscription fee.
 - Outsource the provision of a garden waste collection service to a private sector waste management company, a number of who operate services in this way to a number of authorities. This option would require a full EU procurement process to be undertaken, which would take a minimum of six months. There may also be implications to the Councils existing incumbent service provider for treatment of garden waste.
- 3.16 Following consideration of the options, at the last meeting of the Group it was unanimously resolved to recommend a chargeable service for the collection of garden waste to be introduced, and that the service is provided to residents be extended to a full twelve months, unlike the current service which has an eight week shutdown during the winter.
- 3.17 The Group also noted that this would be an 'opt in' service for residents who wished to sign up for collections. Residents also have the option to dispose of garden waste into their residual bin if there is space, home compost, utilise the County Councils Household Waste and Recycling Centre or share a bin with neighbours through the 'opt in' service.
- 3.18 For the introduction of the service, there is considerable preparation work required to be undertaken over the coming months. The key aspects of this are to ensure operational round planning, customer services support, electronic payment systems and communications plans with residents are all put in place and it is envisaged that it will start from the mid-February restart of collections after the traditional Christmas service suspension period.

4. Reasons for Preferred Solution

- 4.1 Members and the public are unhappy with the current recycling collection service, and it has been recognised that it requires further significant resource investment to make it more reliable. The service has been unable to generate the levels of savings in the MTFs during its first two years of operation, mainly due to the lack of resilience in the service to meet the demands placed on the service to complete collections as well as a result of poor and worsening global markets for recycled materials.
- 4.2 Additionally the County Councils decision to withdraw recycling credits for the collection of garden waste will have a significant additional pressure on the Councils budget.
- 4.3 The advantages and disadvantages of alternative collection strategies are as set out in this report.

5. Outcomes Linked to Sustainable Community Strategy and Corporate Priorities

5.1 The proposal is key to having in place an up-to-date efficient and customer focused Integrated Municipal Waste Management Strategy for Newcastle under Lyme Borough Council, and will contribute to the following corporate priorities:

- creating a cleaner, safer and sustainable Borough
- creating a Borough of opportunity
- transforming our Council to achieve excellence

6. **Legal and Statutory Implications**

6.1 The Council has a legal duty under the Waste Framework Directive 2012, to provide collection services for non-recyclable waste, and to collect separately four streams of recycling, namely, paper/card (fibre), metal, plastic, and glass all free of charge.

6.2 The Council has no statutory responsibility to provide garden waste collection services, and can make a charge for doing so if it so wishes.

6.3 Outsourcing the garden waste collection service would require a full EU procurement process being conducted to meet the requirements of the Public Contract Regulations 2015. It would also need to satisfy the Council's requirements to secure Best Value.

6.4 Currently the Council does not have any statutory recycling targets imposed by Central Government; however there is a service level agreement with the County Council to deliver recycling levels above 55% as part of their PFI arrangements for their Energy from Waste Plant in the South of the County.

6.5 Government will be publishing its Resource and Waste Strategy in late 2018; this may incorporate new targets for local authorities, and may mandate separate food waste collections, to bring England's Local Authorities in line with the devolved governments of Wales, Scotland and Northern Ireland. The Council will need to be mindful of this emerging work and any implications it may have on its future recycling and waste strategy moving forward.

7. **Equality Impact Assessment**

7.1 The proposal supports the Equality Impact Assessment undertaken for the effective delivery of the Integrated Municipal Waste Management Strategy for Newcastle under Lyme Borough Council.

The Council's Assisted Collection Service will continue to be available to residents who meet the required eligibility criteria for this support.

8. **Financial and Resource Implications**

8.1 The proposal has significant financial and resource implications for the Council.

8.2 A full high level cost analysis by the various options modelled and considered by the Group is detailed in Appendix 3.

8.3 A full high level cost analysis for chargeable garden waste considered by the Group is detailed in Appendix 4.

- 8.4 The table below details the estimated operational costs for the preferred option of a twin stream recycling collection service, as recommended by the Cabinet Task & Finish Group. The table includes options for collecting separate paper and card (A). Separate paper only (B), and a cost comparison to the current service cost estimate of the Councils existing kerbside recycling collection service (C).
- 8.5 It should be noted that these figures are subject to refinement as further detailed planning and modelling is required on the preferred option and that these are operational costs only, and do not include any overheads or capital charges which would also be incurred by the Council.

Cost	Column A Twin Stream with separate paper / card and separate food waste	Column B Twin Stream with separate paper only and separate food waste	Column C Comparison with current service cost estimate
Operation of NBC Transfer Station	£365,000	£365,000	£405,000
Gate Fee for Food Waste processing based on 2017/18 cost	£29,623	£29,623	£29,623
Gate Fee for MRF processing – including transport & rebate for sale of materials (no fibre)	£279,000	£516,000	N/A
Collection Costs – vehicles and staff, including managements & supervision	£1,300,000	£1,300,000	£1,813,600
Income			
Paper / Paper & Card	£189,000 (paper/card)	£164,680 (paper)	£164,680 (paper)
Other Income – plastic card, metal, glass	N/A	N/A	£145,000
Recycling Credits – based on current tonnage	£580,162	£580,162	£580,162
Net Cost of service	£1,204,461	£1,465,781	£1,358,381

- 8.6 As stated in paragraph 3.3, it is a proven fact that collecting recycling materials in a wheelie bin will incur levels of contamination, which can equate to 12% of the total quantity of material collected for recycling. Contract arrangements with the MRF will take account in dealing with a level of contamination, typically around 5%, but anything additional would incur additional cost and rejected loads. A rejected load equating to around 12 tonnes of material could incur costs of around £3,000, and therefore it is imperative the Council manages collections appropriately through effective communication with residents, and

monitoring collections closely to ensure contamination rates remain within excepted thresholds of the MRF contract conditions.

- 8.7 Significant capital costs will be incurred for provision of the new service, including procurement of wheelie bins, vehicles, and alterations to the Councils Transfer Station. Indicative figures are detailed in the table below.

Capital requirement	Cost
Procurement of Wheelie Bins and distribution (in some cases existing wheelie bins may be suitable for re-use)	£913,000
Procurement of suitable receptacle for paper and card (if an existing box is not utilised)	£154,000
Procurement of vehicles	Between £1,445,000 (Comingled + Food) or 1,785,000 (Twin Stream + Food)
Modifications to Knutton Lane Depot Transfer Station (to be confirmed from further modelling of preferred service model)	£500,000

- 8.8 With regard to garden waste collections, the do nothing approach and continue to operate the service with reduced payments of Recycling Credits would have the following financial burden on the Council

- 2019/20 - £68,900.
- 2020/21 - £137,800.
- 2021/22 - £206,700.
- 2022/23 - £275,600.

- 8.9 Charging for the collection of garden waste, introduced at a £36 charge per bin, per year would offset the loss in recycling credit payments, and provide revenue saving at the following levels.

- 2019/20 - £84,984 (based on 20% take up)
- 2020/21 - £162,517 (based on 25% take up)
- 2021/22 - £248,159 (based on 30% take up)
- 2022/23 - £314,411 (based on 35% take up)

- 8.10 Outsourcing the service to the private sector, for them to provide the whole service, including revenue generation would result in a saving to the Council of £545,184. This would be subject to procurement and any TUPE negotiations.

- 8.11 With exception of the last option, it is assumed that the same level of resources employed to carry out the garden waste collection service currently in terms of vehicles and staff are maintained until a clear picture of take-up is known.

- 8.12 In terms of other resources, a Project Steering Group will to be formed to include the relevant Portfolio Holders, officers from Finance, ICT, Revenues and Benefits, Customer Services, Communications and Recycling, Waste and Fleet Services. Further expertise will be required as the project moves forward from Human Resources, Procurement and Planning.

- 8.13 As the project develops, and once a Cabinet decision is made further resources may need to be employed to ensure the project is delivered efficiently and within agreed timescales.

9. **Major Risks**

- 9.1 The international market for sale of recycled materials is very volatile and carries major financial and legal risks, particularly in export markets. China, has been the main destination for European recycled materials, and has through its customs process clamped down on quality, particularly mixed paper and plastics, where they have experienced high levels of contamination.
- 9.2 Factors such as this put pressure on other markets with additional quantities of materials chasing other markets, with the potential that values for materials can fall due to oversupply.
- 9.3 Obtaining and sustaining UK markets provide better security for the sale of materials so long as they remain of suitably high quality. This has now become a real issue for comingled collections, which can have high levels of contamination, or 'non-target' materials. The result is that the gate fee for processing material in this way has risen significantly over the last few years. Additionally the Council will need to undertake a rigorous TEEP (Technically, Environmentally, economically and Practical) assessment to prove that the twin stream collection and sorting system produces materials to the same quality to those collected separately.
- 9.4 In considering the garden waste collection service, charging for a service which was previously provided free of charge for one garden waste bin per household will need to be managed effectively in respect of information available to residents.
- 9.5 Poor take up of service with resources maintained at their current level could result in overall savings/income not being achieved.

10. **Background Papers**

- 10.1 Appendix 1 - NBC Recycling Satisfaction Survey report
- 10.2 Appendix 2 - Advantages/disadvantages of service model options
- 10.3 Cabinet Task and Finish meeting minutes
- 10.4 Appendix 3 – detailed cost analysis for kerbside recycling collection models.
- 10.5 Appendix 4 – detailed cost modelling for chargeable garden waste collections.