

REPORT TO: Cabinet Member – Environmental
Cabinet

DATE: 26 February 2010
4 March 2010

SUBJECT: Recycling Collection Service - Future Service
Specification

WARDS AFFECTED: All

REPORT OF: P Moore
Environmental Protection Director

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Assistant Director
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EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To seek formal approval to commence the necessary processes to ensure that suitable arrangements are in place to continue to provide a recycling collection service when the current contractual arrangement expires.

REASON WHY DECISION REQUIRED:

The current Dry Recycling Collection contract is due to end on 31 March 2011 and a recycling collection service must continue to be provided.

RECOMMENDATION(S):

That the Cabinet Member – Environmental recommends that Cabinet

- 1 Approve the recommendations made by the Overview & Scrutiny (Regeneration & Environmental Services) working group that “a ‘co-mingled collection’ be developed, subject to an acceptable/beneficial arrangement being recommended by Finance Directors and subsequently agreed by all MWDA member authorities and authorise the Operational Services Director to make the necessary arrangements for the implementation of the new recycling collection service that will operate from April 2011 onwards.
- 2 Pending a satisfactory conclusion to the above, to authorise simultaneously the Operational Services Director to make arrangements to tender for the provision of a kerbside sort recycling collection service, based on the materials currently collected with cost options for the addition of new materials.
- 3 That the potential cost increase associated with either collection service be noted and included in the Medium Term Financial Plan.

That Cabinet agree the above.

KEY DECISION: Yes

FORWARD PLAN: Yes

IMPLEMENTATION DATE: Following the call-in period of the Cabinet meeting.

ALTERNATIVE OPTIONS:

IMPLICATIONS:

Budget/Policy Framework: Sefton is obliged to meet targets agreed with the Secretary of State for the Environment as contained in the Joint Municipal Waste Management Strategy. (currently under review)

Financial: The future recycling collection service is unlikely to be accommodated within the existing budget whichever type of collection service is chosen. A worse case figure of £1.96m is suggested for inclusion into the Council's MTFP for 2011/12.

| <u>CAPITAL EXPENDITURE</u> | 2010/ 2011 £ | 2011/ 2012 £ | 2012/ 2013 £ | 2013/ 2014 £ |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Gross Increase in Capital Expenditure | | | | |
| Funded by: | | | | |
| Sefton Capital Resources | | | | |
| Specific Capital Resources | | | | |
| <u>REVENUE IMPLICATIONS</u> | | | | |
| Gross Increase in Revenue Expenditure | | ~1.9m | | |
| Funded by: | | | | |
| Sefton funded Resources | | | | |

| | | | | |
|--|--|--|--|--|
| Funded from External Resources | | | | |
| Does the External Funding have an expiry date? Y/N | | | | |
| How will the service be funded post expiry? | | | | |

Legal: The collection of at least four separate recyclable materials from households is scheduled to become a statutory requirement and the collection of plastics is likely to become a statutory duty.

Risk Assessment: The provision of a recycling collection service is a statutory function. £90m PFI allocation is dependent on Merseyside achieving at least 44% recycling.

Asset Management: The procurement of suitable vehicles and equipment will be necessary to provide the future service.

CONSULTATION UNDERTAKEN/VIEWS

Finance Department (FD 324) *Additional revenue funding will need to be allocated to the Recycling revenue budget to;*

- *accommodate the changes to additional collection costs (whatever service method is chosen); Compensate for the loss of recycling income from the sale of materials ; and cover any potential additional costs of the levy*

CORPORATE OBJECTIVE MONITORING:

| <u>Corporate Objective</u> | | <u>Positive Impact</u> | <u>Neutral Impact</u> | <u>Negative Impact</u> |
|-----------------------------------|---|-------------------------------|------------------------------|-------------------------------|
| 1 | Creating a Learning Community | | √ | |
| 2 | Creating Safe Communities | √ | | |
| 3 | Jobs and Prosperity | | √ | |
| 4 | Improving Health and Well-Being | | √ | |
| 5 | Environmental Sustainability | √ | | |
| 6 | Creating Inclusive Communities | | √ | |
| 7 | Improving the Quality of Council Services and Strengthening local Democracy | √ | | |
| 8 | Children and Young People | | √ | |

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Overview & Scrutiny (Regeneration & Environmental Services) working group – presentation and notes from meeting on 16th December 2009

Background

1. Sefton Council has provided a weekly recycling collection service to Sefton residents for the past eight years.
2. The weekly green box collection service, collecting paper, cans, glass bottles, textiles and food waste, has been successful in helping raise Sefton's recycling & composting rates to around 40% in conjunction with alternating refuse / green waste collection service arrangements.
3. The Council has a statutory duty to collect at least four materials for recycling from households as well as still having tonnage related recycling/composting targets to achieve.
4. The current contract with Abitibi Bowater Recycling Europe (subcontracted to P D Logistics) comes to an end on 31 March 2011 and cannot be extended. A household recycling collection service must continue to be provided from 1st April 2011 onwards to comply with our statutory obligations. The current contract includes the servicing and cleaning of bring banks.
5. Discussion has taken place with members of the Overview & Scrutiny (Regeneration & Environmental Services) working group to establish their preference for the type of recycling collection service that will operate from April 2011 onwards, either a continuation of the current kerbside sort recycling service with the addition of new materials or a change to the co-mingled collection system for dry recyclables via a (third) wheelie bin. This system requires the sorting of material at a Materials Recycling Facility (MRF).
6. The possibility of the co-mingled option follows protracted discussion with the four other Local Authorities on Merseyside and the Merseyside Waste Disposal Authority to establish a suitable financial arrangement that would allow Sefton to make affordable use of the material recycling facilities that are now available.
7. The time for deliberating the future service is now over and arrangements need to be progressed, based on the working group's recommendations, for the subsequent procurement and supply of vehicles or other equipment for a new recycling service.
8. Merseyside Waste Disposal Authority (MWDA) has made provision within the newly procured Waste Management and Recycling Contract for the construction of a New Materials Recovery Facility (MRF) at Gilmoor. Levy contributions from Sefton include payments for the provision of the new Gilmoor facility, which will have sufficient capacity to manage Sefton's recyclables if collected co-mingled.

Pressures for change

9. Although Sefton is closely approaching its current long-term recycling/composting target of 40% it is envisaged that a higher target of 50% will be imposed as the EU Waste Directive is transposed into national legislation later this year and regional and sub-regional strategies align.
10. There is also a significant desire from the Council and Sefton residents to recycle an increased range of materials from their homes, particularly the recycling of plastic bottles and cardboard. These materials can be accepted at the MWDA's new MRF which is under construction at Gillmoss and should be operational by the first quarter of 2011. The Overview and Scrutiny Committee has concluded that delivering recyclable materials to this facility would be the most practical option when considering how to incorporate both of these materials into a new recycling service.
11. The addition of both plastic and cardboard could add around 5% to the weight based recycling rate, together with a significant amenity value for residents. The addition of these materials may also increase the overall participation and capture of other targeted materials.

Preferred New Recycling Collection Service

12. The members of the Overview & Scrutiny (Regeneration & Environmental Services) working group recommended, at the meeting on the 16th December 2009, that a 'co-mingled collection' be introduced, subject to an acceptable/beneficial arrangement being agreed by all MWDA member authorities. The financial implications are considered further in paragraphs 23 - 37.
13. Under a co-mingled collection system recyclable materials are stored, collected and transported mixed together. The vehicle delivers the mixed recyclables to a material recycling facility (MRF) where it is partly mechanically and partly hand sorted into the different materials. Once separated each material is then bulked and transported to the material reprocessors. The benefit of this service is that a single vehicle can collect a greater range of materials, although contamination of materials can be a problem.
14. The new MWDA recycling contract with the MRF operators, Veolia, has secured markets for all Merseyside recyclables for the next 20 years.
15. Problems can arise with 'co-mingled collection' if the material collected is not controlled. Contamination with refuse or untargeted materials such as plastic film or shredded paper can upset the workings of the MRF, increase rejection rates and result in financial processing penalties. It is therefore important to avoid contamination and to keep any materials the MRF is not designed to process out of the collection.
16. The co-mingled collection system can use a variety of containers including boxes, bags or wheelie bins, which are emptied into a collection vehicle. For

the majority of properties, where grey and green wheelie bins are already being used, a further wheelie bin will be provided for storage and collection of recyclable materials as the additional materials, plastic and cardboard, are bulky.

17. It has been accepted by the Overview and Scrutiny working group that a fortnightly frequency for collection, where wheelie bins are suitable for use, is the most practical service option. This is based on the greater secure storage capacity they offer and proven methodology used by other local authorities across the country. Co-mingled recycling collection services that utilise a wheelie bin as the means for storage and collection generally operate on a fortnightly frequency.
18. For properties in Sefton that currently have non-recyclable waste collected via the colour-banded plastic sack service (where wheelie bins are not suitable) the current weekly dry-recyclable collection service (boxes and bags) will continue with additional container(s), probably plastic bags, provided for the additional materials. All of the recyclable material collected will be mixed together on the collection vehicle and will be delivered to the MRF for sorting/separation.
19. The co-mingled collection service would not allow textiles to be collected as these materials would be soiled and cannot be processed by the MRF, therefore textiles would no longer be collected via a co-mingled service. Residents would be encouraged to take good unwanted clothes to charity shops, make use of the numerous charity collections or to take unwanted textiles to Household Waste & Recycling Centres or Bring Sites.

Food Waste

20. Sefton currently provides a weekly opt-in food waste service and it is important, due to the amount of food waste in the waste stream (~20%) that a weekly service for the collection of this waste remains.
21. Last year Sefton collected 2400 tonnes of food waste. It is anticipated that annual tonnage will increase as a result of a further distribution of food waste caddies to ~30,000 households, due to take place in February 2010. These caddies will be delivered to properties that have not previously 'asked to participate' on an opt-out basis. The Cabinet Member has received previous reports about this initiative, which is fully funded by the Waste Resources Action Programme (WRAP).
22. Under the new recycling service food waste will continue to be collected on a weekly basis, on the same day as other containers are collected/emptied, but will be collected via a separate vehicle that will only collect food waste should a co-mingled service be introduced. It is anticipated that a separate collection system would improve the quality of this service.

Financial Implications

23. Sefton's participation in co-mingled collection within the partnership using MWDA's recycling facility has obvious benefits to Merseyside as a whole. Anticipated income from the sales of materials shared between the MWDA and the MRF operators, Veolia, plus the reductions in Landfill Tax as Sefton's recycling tonnages expand, are estimated in the region of -£1.3m or possibly ~£2m if St Helens participate. However, the headline saving hides a potentially significant additional financial burden for Sefton, whilst other Merseyside authorities would benefit.
24. The Council would need to incur additional expenditure, in the order of £1m, to introduce the new co-mingled service. This relates to vehicle, bins and staffing costs for the new service – this is discussed further below. In addition, there would be a loss of income to Sefton from the sale of recyclable materials if a co-mingled service were to be introduced; the Council currently budgets for approximately £0.4m for income. This income currently helps to offset the gross cost of current recycling collection services.
25. It should be noted that the expansion of the existing kerbside service to collect additional recyclables would also incur additional spend; however, the additional amount would be subject to a tender arrangement and therefore the level of this is unknown at this stage.
26. In addition to the operational costs identified above, the current levy methodology could add a further additional charge of £1m from the MWDA, due to Sefton's current recycling tonnage being incorporated in the levy calculation. Therefore, the introduction of co-mingled collection could (as a worst case scenario) add ~£2m to Sefton's expenditure i.e. an unreasonable financial burden.
27. The other Merseyside Councils have indicated their willingness to consider options that would be of mutual financial benefit, including a phasing-in of the change. Merseyside Finance Directors have been tasked with trying to identify a satisfactory methodology. At the time of writing this report, an agreement/recommendation has not been established; the Finance Directors are due to meet again on the 9 March 2010. It should be noted that, even if a mutually acceptable proposal could be agreed at this meeting, it would still require each individual Authority to formally agree to its introduction. It is anticipated that a verbal report will be provided by Finance at the Cabinet Member – Environmental and Cabinet meetings.
28. The payment of recycling credits from the MWDA is a cost neutral exercise through the levy calculation mechanism. Sefton pays via the levy, and receives back, roughly equivalent recycling credits. Members should be mindful, that if Sefton joins the MWDA's MRF, these credits will no longer be payable on the dry recyclates. This would mean a reduction in both levy expenditure and income back, of around £900k, requiring a "netting down" budget adjustment to

be made between the levy and the income budget currently held within the recycling accounts i.e. no overall impact.

29. The income from recycling credit claimed for compostable material, collected via green wheelie bins and diverted away from MWDA facilities, will continue to be claimed. Therefore the current income target associated with this service will be retained.
30. The 2010/11 MWDA levy has recently been announced, and Sefton's increase is 1.3% on the 2009/10 figures. This lower level of increase can be attributed to the improved performance of our recycling collections, based on data provided from 2008/9.
31. Any further improvement in recycling performance will again reduce the amount by which the 'waste levy' will increase in future ('less more' to coin the previous Environmental Protection Director's phrase).
32. Technically, under the levy calculation formula, there should also be a significant additional cost to Sefton Council for handling recyclable materials at MWDA sorting facilities. However, the actual cost to MWDA for extra waste passing through the MRF could be nominal under the current contract. As part of the mutually beneficial arrangement that is currently subject to negotiation, it is anticipated that Sefton may receive the benefit of a reduced gate fee for delivering co-mingled recyclable waste to such facilities (rather than the actual levy rate). The MWDA, and therefore all the Merseyside authorities would benefit due to the economy achieved from handling additional tonnage under their contract with Veolia at the true marginal cost and by the further reduction in the amount of waste going to landfill.
33. The current containers provided for the storage and collection of recyclable materials are not the most suitable storage option should a fortnightly co-mingled dry waste recyclables collection service be introduced. Over 100,000 wheelie bins would need to be purchased for use on fortnightly co-mingled recyclable collection and distributed at total cost of ~£2.5m, an annual prudential borrowing cost of around £250,000 to be incorporated into the recycling revenue budget. It may be possible that the overall annual revenue cost could be reduced by using some of the Waste Capital Infrastructure Grant (WCIG) available to Sefton, to purchase some of the wheelie bins. At this stage however, the use of this funding is only under consideration, and has been excluded from the overall £2m worse case scenario identified above.
34. A new fleet of vehicles will also be required to provide this service, and parking space will need to be created at both of the main depots to accommodate this fleet. The WCIG will be used to fund the development of each depot to address this need. It is also a possibility that this grant may be used towards some of the vehicle lease costs. However this use of the grant has also yet to be considered, and no contribution from this source has been assumed in the figures shown in this report. Detailed reports will be presented, regarding vehicles and procurement as the method of future recycling collection is agreed.

35. If the financial arrangements are not beneficial to Sefton, and do not facilitate a change to a co-mingled service, it should be noted that procuring, via tender, a continuation of the existing kerbside sort recycling collection service, with or without additional recyclable materials (i.e. plastic and/or card), is likely to cost significantly more than the current service.
36. When the current contract was procured the Contractor was willing to negotiate a variation (reduction) to their original tender and the majority of the fleet of vehicles made available at the start of the contract were paid for via DEFRA (external) grant funding. Since then food waste has been added to the range of recyclable materials collected and would be a requirement under a new contract. The addition of high volume but low weight materials, such as plastic and cardboard, are likely to substantially increase the cost if collected separately under a new contract.
37. Whichever service is ultimately established it will have a significant financial impact, therefore the anticipated cost will need to be included in the Medium Term Financial Plan for 2011/12 onwards.

Other Implications

37. If a change to a co-mingled collection service is agreed it has been accepted by the Overview & Scrutiny (Regeneration & Environmental Services) working group that it would be appropriate to provide this service directly rather than contract it out.
38. The benefits outlined in the presentation made to the working group on the 16th December 2009 are attached as appendix A. The recommendations of the group, as recorded/noted, are attached as appendix B.
39. The current contract also includes the Bring Site recycling collection service, this element will be included if it is decided to procure a new recycling service contract (continue with a kerbside sort recycling collection service). However, if members agree to introduce a co-mingled service, it would also be financially beneficial to manage the Bring Site recycling service directly (internally) via the Cleansing section.
40. Due to the delay in establishing a Merseyside wide agreement it will no longer be possible to consult in detail or at length about the specification for the new service/contract should the recommendation to introduce a co-mingled recycling collection service not be possible. There is now increased time pressure to commence any EU procurement processes that are necessary, to avoid difficulties at the end of the current contract
41. Sefton currently has the highest combined recycling/composting rate on Merseyside. However, the current yield per household on the Wirral for dry recyclables, via a fortnightly collection of a 3rd wheelie bin with co-mingled recyclables, is better. Wirral's dry recycling rate is 22.5% compared to Sefton 18%. The addition of new materials via a co-mingled collection could potentially

increase dry recyclable capture rates by around 5% and take Sefton's recycling and composting rate to the mid forties %. If the Wirral rate was applied to Sefton, it could take our annual dry recycling tonnage up from ~17,000 to ~23,000 tonnes.

Summary

42. Sefton is statutorily required to continue to provide a recycling collection service. The current contract cannot be extended beyond 31st March 2011. The new service will cost more and will therefore require a significant amount of additional funding, regardless of which type of service is preferred. The Overview & Scrutiny (Regeneration & Environmental Services) working group have considered all of the advantages and disadvantages associated with each type of recycling collection service and have recommended the co-mingled service.
43. The co-mingled service does provide an opportunity for resident's to recycle both plastic bottles and cardboard, the Council is often criticised for being unable to offer the collection of these materials via the current collection service. The collection of plastic is likely to become a statutory requirement in future. Local experience suggests that the amount of recyclable material collected via a fortnightly co-mingled wheelie bin service will increase. Such an increase will be of benefit to Merseyside as a whole, but at extra cost to Sefton whatever the method of collection adopted in the future.