

Meeting:	Overview & Scrutiny Committee	Date:	13 June 2016
	Cabinet		22 June 2016
Subject:	Review of The Waste & Recycling Service		
Report Of:	Cabinet Member for Environment		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	1. Diagram Illustrating Proposed New Service Model (NSM)		
	2. Table Illustrating Capital Expenditure Requirements		
	3. Table Illustrating Full Year Savings Delivered by NSM		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To outline to Cabinet the work undertaken in respect of the Waste & Recycling Review and to recommend a new model of delivery that will deliver savings, enhance recycling performance and future proof the service for future challenges.

2.0 Recommendations

- 2.1 Overview & Scrutiny Committee is asked, subject to any recommendations it wishes to make to Cabinet, to **note** the contents of this report.

- 2.2 Cabinet is asked to **RESOLVE** that:

- (1) The contents of the report and the work of the 'Waste & Recycling Review Members Project Group' be noted;
- (2) Approval be granted to implement the New Service Model (NSM) Option, as outlined in the report with a target commencement date of Spring 2017;
- (3) Approval be granted to purchase capital items (as outlined in Appendix 2 of the report) to the value of £2,356,900 in order to deliver and implement the NSM.

3.0 Background and Key Issues

- 3.1 As part of the Councils Money Plan, year on year savings are required to be delivered from within the Streetcare Contract. During 2015/2016, in year savings in excess of £100,000 were achieved from an identified £150,000 full year saving. These savings were identified from within the waste & recycling element of the

contract, acknowledging that the bulk of previous savings had been achieved through changes associated with grounds maintenance and street cleansing.

- 3.2 A project to identify a significant level of savings was conducted during 2014 at the advice of our contractor AMEY, the focus of which was to investigate whether a move to co-mingled recycling would be a more cost effective means of delivering the service. The timing of this project was in recognition of the fact that lease arrangements in respect of our recycling trucks are due to end in December 2016 and a replacement fleet would be required. The replacement of these trucks offered the Council a timely opportunity to look at delivering the service in a more cost effective manner.
- 3.3 It became evident however that market conditions in respect of commodities and the terms of the Councils Streetscene Contract meant that a co-mingled recycling service would cost the Council significantly more to deliver whilst delivering a minimal increase in performance. This was reported to Cabinet in February 2015 and subsequently a decision was taken not to proceed with a co-mingled recycling service.
- 3.4 Attention then turned to how our current kerbside sort recycling service could be delivered differently in order to achieve the following outcomes –
 - 1) Deliver Savings / Increase Income;
 - 2) Improve Recycling / Increase Landfill Diversion;
 - 3) Minimise Customer Impact / Improve Customer Satisfaction
- 3.5 A cross-party Members Project Group chaired by The Cabinet Member for Environment (Cllr Porter) was set up to oversee the project and included Cllrs Haigh, Field, Taylor and latterly Cllr McLellan. In reviewing the current recycling service several variables were scrutinised including: frequency of collections, the type of materials currently accepted/not accepted, food waste collections, the type of recycling trucks available, customer perception of service, commodity markets /income and future growth of City.
- 3.6 A number of alternative options for delivering the service were presented to Members over a period of 12 months along with impact assessments in respect of cost, performance and customer.
- 3.7 At the Members Project Group on 7th March 2016, Members unanimously agreed to endorse a preferred option – ‘Enhanced Recycling Service with No Change to Frequency’ for formal pricing and subsequent presentation to Cabinet for approval. The group also unanimously supported the Council purchasing all capital items if this resulted in further savings.
- 3.8 The preferred option has been illustrated at Appendix 1 but the key points are outlined below –
 - Refuse continuing to be collected in a black wheeled bin by a standard refuse collection vehicle on a fortnightly basis;
 - Dry recycling will continue to be collected weekly but with cardboard and textiles being added to the existing materials of food waste, glass, cans, mixed papers, plastic bottles and household batteries.

- A hessian type weather proof sack will be made available to all residents to present their cardboard in with all other dry recycling items needing to be presented in the existing green boxes.
- The new service will require a fleet of Resource Recovery Vehicles (RRV) to collect the expanded range of commodities in one pass

3.9 Although this review has been undertaken in respect of how we collect both refuse and recycling, the Members Project Group were of the opinion that at this point in time reducing the frequency of refuse (black bin) collections would have too much of an impact on the customer. Therefore no changes are proposed to the frequency of refuse collections at this time. However the preferred NSM does present the Council with an opportunity to consider frequency of refuse collections in the future.

3.10 The pricing exercise undertaken to date in conjunction with AMEY has confirmed that the net financial benefit to the Council of implementing the preferred NSM will as a minimum amount to £204,025 per annum. A breakdown of these costs is provided at Appendix 3.

3.11 The costs in Appendix 3 reflect an additional financial benefit to the Council of £102,591 if the Council themselves were to purchase all capital items associated with the new service and which this report seeks approval for. The capital items required in addition to their costs are set out at Appendix 2.

4.0 Asset Based Community Development

4.1 The introduction of a new service will present an opportunity for the Council to promote some key messages particularly around recycling and landfill diversion. This in itself provides an opportunity for us to encourage and identify 'community recycling champions' or 'recycling communities' that could help us engage with hard to reach groups that are known to be associated with low recycling participation.

5.0 Alternative Options Considered

5.1 As outlined in the report several other models of delivery have been developed and presented to the Members Project Group and have undergone scrutiny in respect of the three key criteria of performance, cost and customer impact.

5.2 Three final models were developed, indicatively costed and presented to Members for their endorsement of a preferred option. These models included the preferred option and two others, namely –

- Enhanced Recycling Service (addition of cardboard & textiles) with a Dedicated Food Waste Fleet; and
- Enhanced Recycling Service (addition of cardboard & textiles) with Fortnightly Collection of Recycling

Enhanced Recycling Service with Dedicated Food Waste Fleet

5.3 This model as compared to that being proposed would see food waste being collected by dedicated food waste trucks as opposed to trucks that would collect dry recycling and food waste. This would result in a reduction in the number of dry

recycling trucks required but then requires the addition to the fleet, of a number of dedicated food waste vehicles which starts to add back in costs. It would also see each property being visited by a truck four times every fortnight as opposed to three times with the preferred model and as well as being inefficient also has the potential to add to congestion issues on collection rounds in busy narrow streets. Members felt the impact of this model exceeded that of the preferred option and that the level of savings it offered did not justify its implementation.

Enhanced Recycling Service with Fortnightly Collection of Recycling Utilising a Dedicated Food Waste Fleet

- 5.4 This model is identical to that being proposed by this report with the only difference being that dry recycling is collected fortnightly rather than weekly at present. With residents being asked to manage their dry recycling for a two week period, research has shown this would have a negative impact on recycling performance in the longer term. This model would also result in a significant number of requests for second or even third green recycling boxes which would start to increase capital and ongoing revenue costs in respect of provision and replacement of bins. Fundamentally however with the increase of material being presented following a two week period the resource model proposed and which would deliver savings would require collection crews to be working to full capacity and this comes with significant risks including: building back in of resource to cope with increase in materials, accidents/injuries and overtime costs. Weekly food waste collections would need to be maintained via a separate fleet of vehicles. Members agreed that although there were additional savings associated with this option, customer and performance impact was too great and moving to fortnightly recycling would make it more difficult for future changes to the service if required as a result of ongoing savings pressure.

6.0 Reasons for Recommendations

- 6.1 The waste & recycling review focussed on identifying a new service that would deliver savings, increase recycling performance (thus diverting waste away from landfill) and minimise customer impact.
- 6.2 The proposed new service delivers against all these objectives as it will financially benefit the Council to the tune of at least £204,025 per annum, it is forecasted to increase our recycling performance in the region of 4-5% and the impact on the customer from having to manage one extra receptacle in the form of a hessian sack for cardboard is deemed manageable.
- 6.3 Furthermore it should be noted that residents and Members have for some time been advocating that the Council collects additional materials, particularly cardboard. This scheme provides the Council with an opportunity to deliver an improved service that residents require.

7.0 Future Work and Conclusions

- 7.1 Subject to approval being granted the Council will issue a Service Change Request Notice to its contractor AMEY, requesting that the new service model be implemented.

- 7.2 Successful implementation will require a partnership approach and a partnership project group will be organised to develop a number of key projects including the development of an implementation plan and communications plan. As part of this delivery plan the collection of mixed plastics at the kerbside will also be investigated in order to maximise the benefits that the new type of recycling trucks will offer.
- 7.3 It is not envisaged that any further formal reports will be submitted prior to implementation of a new service and regular dialogue will take place between The Head of Neighbourhood Services, Senior Management Team and The Cabinet Member of Environment in respect of progress.

8.0 Financial Implications

- 8.1 This report seeks approval for the Council to purchase the capital items relating to the new recycling model. The indicative figures show this is more cost effective than Amey financing capital expenditure as a result of the lower the lower rates of borrowing available to local authorities. Financing these items this way results in additional savings to the Council of approximately £102,591 as illustrated in Appendix 3 of this report.
- 8.2 A detailed breakdown of the capital expenditure required is provided at Appendix 2. The total capital expenditure required is estimated at £2.356 million. As no alternative financing sources are available the Council will utilise borrowing to fund this capital expenditure. This borrowing will keep the Council within the affordable borrowing limit set by full Council as part of the Treasury Management Strategy. The annual costs of the minimum revenue provision to repay debt and the interest costs are included within the annual cost of capital shown at appendix 2.
- 8.3 The potential saving of £204,025 forms part of the savings target of £432,000 against the Amey contract in 2016/2017. Additional savings will now need to be found from within contract services if the Council is to meet this savings target.
- 8.4 Financial figures provided are indicative and may be subject to some change in the procurement and financing process. Achievement of the savings target is also dependant on achieving the levels of projected income as outlined in Section 10 of this report.

(Financial Services have been consulted in the preparation this report.)

9.0 Legal Implications

- 9.1 The total value of the vehicles being acquired is above the current European Union threshold for goods and services (£164,176). Accordingly the Council must follow the provisions of the Public Contract Regulations 2015 when procuring the vehicles.
- 9.2 The cost of the hessian sacks and recycling boxes, together with cost of delivery, also exceed the European Union goods and services threshold. Again, the Council will have to follow the provisions of the Public Contracts Regulations 2015 when procuring these items.

- 9.3 Any works involved in the alterations to the paper bay or upgrading of the sorting line will need to be procured in accordance with the Council's contract procedure rules, unless they form part of the Service Charge Request to Amey in accordance with paragraph 7 above.
- 9.4 The People Impact Assessment referred to in paragraph 11.1 should be conducted in such a manner that it fulfils the Council's obligations under both the Best Value and Public Sector Equality Duties.

(One Legal have been consulted in the preparation this report.)

10.0 Risk & Opportunity Management Implications

- 10.1 As discussed within the report the vast majority of financial benefit that would be gained from moving to the proposed service would result from an increase in commodity sales and recycling credits through the collection of cardboard and textiles.
- 10.2 The commodities market has seen a steady decline over the last two years but it is possible that material values have started to bottom out and may soon start to recover. Textiles still have a relatively high value (>£250/tonne) and there is demand for reclaimed textiles for reuse and recycling. The price of brown corrugated cardboard (OCC grade) has performed well compared to other paper grades mainly due to demand generated through on-line shopping habits. It is likely that this will continue and therefore the risks that the revenue estimates for the NSM not being achieved are considered to be manageable.
- 10.3 By way of example, a 5% variance (+ / -) in the current prices received for onward sale of both textiles and corrugated cardboard would have the impact of reducing or increasing our forecasted position by £6,650.
- 10.4 Contractually, AMEY are responsible for the onward sale of our recyclates and have always been able to demonstrate that they achieve a competitive level of income for the Council. In order to further to mitigate this risk close scrutiny of commodity sales will be undertaken within the strategic performance monitoring framework of the contract.

11.0 People Impact Assessment (PIA):

- 11.1 A 4 week online public consultation delivered via GovMetric commenced on 12th May 2016 to establish how residents view the current waste & recycling service, to gather the level of support there is for recycling cardboard & textiles and whether having to manage an extra receptacle in the form of a bag for storing and collecting cardboard would be acceptable.
- 11.2 Research and discussion with colleagues from other Councils has illustrated that the addition of a bag for cardboard has proven successful with very little negative feedback. As with our current service the Council offers an assisted collection scheme which provides households with no residents that are able to physically carry waste and or recycling to the boundary of the property for collection to place it an agreed collection point within the boundary of the property. This too would apply to the sack being proposed for cardboard and we would actively publicise this as

part of our communications plan. At this stage therefore it is not deemed necessary for a full People Impact Assessment to be undertaken.

12.0 Other Corporate Implications

Community Safety

- 12.1 The model of delivery being recommended proposes to maintain frequency of collections as they are, with the only change being the addition of a sack for recycling cardboard. This model is deemed impact neutral and will ensure there is no negative impact on the street scene which is known to influence how our communities perceive the safety of their communities.

Sustainability

- 12.2 The report proposes that a kerbside sort method of collecting recycling is maintained. This ensures the best quality of materials are taken to market with minimal contamination. From an environmental point of view this service system avoids the need for high energy intensive sorting and preparation of the materials prior to re-processing.
- 12.3 As part of this project a re-routing of collection rounds will also be undertaken to ensure that where possible the service can be future proofed taking into account growth areas such as Kingsway in the South of the City.

Staffing & Trade Union

- 12.4 The proposed model of delivery has little or no impact on staffing numbers within our Eastern Avenue Depot and any losses would be managed through existing agency resources.

Background Documents: N/A

Appendix 1 – Diagram Illustrating Proposed New Service Model



Appendix 2 – Capital Expenditure Required to Deliver New Service Model

Item	Unit Cost (£)	No Required	Net Cost (£)	Annual Revenue Cost (£)
Stillage Type Recycling Vehicle	134,775	14	1,886,850	£241,726
Upgrading of Sorting Line	205,525	N/A	205,525	£26,386
Alterations to Paper Bay	25,000	N/A	25,000	£585
Hessian Sacks to Collect Cardboard	0.78	55,000	42,900	£21,000
Additional recycling boxes and delivery of Hessian Sacks		Est 21,500 boxes	196,625	£42,668
TOTAL			£2,356,900	£332,365

Appendix 3 – Full Year Breakdown of Savings Resulting from New Service Model

Cost / Saving	AMEY Finance (£'s)	GCC Finance (£'s)
Removal of Existing Core Fleet	- 593,674	- 593,674
Staffing Changes	+ 61,738	+ 61,738
Fleet Running Charges	+ 556,151	+ 238,593
AMEY Capital Costs	+ 129,485	+ 12,086
Change in Contract Fee	+ 153,700	- 281, 257
GCC Capital Costs - W&R Core Fleet		+ 241, 726
GCC Capital Costs – Sorting Line		+ 69, 639
Purchase of Hessian Sacks		+ 21,000
Gross Cost (+) / Saving (-)	+ 153,700	+ 51,108
Increase in income resulting from Additional Commodity Sales	- 150,238	- 150,238
Increase in income resulting from Additional Recycling Credits	- 104,895	- 104,895
Overall Net Financial Benefit	101,433	204,025