

IS&G SCRUTINY COMMITTEE

WEDNESDAY 24 FEBRUARY 2021

REPORT OF THE GENERAL MANAGER OF THE JOINT WASTE SERVICE

THE FUTURE PROVISION OF THE DRY RECYCLING SERVICE – UPDATE AND PRELIMINARY OPTIONS APPRAISAL

EXEMPT INFORMATION

None.

PURPOSE

The purpose of this report is to provide members with an update on emerging options for the future of the Dry Recycling Service and to help inform a discussion regarding preferred options.

RECOMMENDATIONS

Scrutiny is asked to note the following, and make any recommendations to Cabinet to assist in the direction of travel the dry recycling service takes:

- 1) The progress that has been made on determining the future provision of the Dry Recycling Service.
- 2) The findings of the Preliminary Options Appraisal and the Predicted (draft) Financial Impact Assessment.
- 3) The commissioning of a detailed options assessment once the associated work streams have been completed.
- 4) Any direction and guidance provided by this Committee on shaping the future of the Dry Recycling Service.

EXECUTIVE SUMMARY

On 19th December 2019 Cabinet approved a recommendation to undertake an appraisal of options for the future disposal of dry recyclate collected in the blue bin following a fundamental review of the Joint Waste Service (JWS).

Decisions on the future of the service need to be made because the existing contract for the disposal of the dry recyclate collected in the blue bin is due to expire on 31st March 2022 and also to ensure that both Districts align their waste strategies with emerging National Waste Policy. These issues are likely to create significant cost pressures for both Districts and encourage changes to the way the service is delivered to residents.

The Tamworth and Lichfield Joint Waste Committee at a meeting held on 5th August 2020 endorsed the approach that was being adopted to fulfil Cabinets earlier recommendation which included;

- considering a contract extension with the existing provider,
- undertaking a formal re procurement exercise,
- and discussions with Staffordshire County Council in their capacity as the Waste Disposal Authority (WDA).

This report updates the Committee on the progress that has been made which includes a Preliminary Options Appraisal on potential changes together with a Predicted Financial Impact Assessment.

Whilst it is too early to draw any firm conclusions, changes to the collection methodology – specifically a move to dual stream collections – may be required to mitigate the impact on both Districts MTFS.

Once all the work streams have been completed over the next couple of months a detailed options assessment will be prepared for consideration by both Districts.

A summary of the Preliminary Options Appraisal and the full version are attached to the report as Appendix A and B respectively. The Predicted Financial Impact Assessment is also attached as Appendix C.

BACKGROUND INFORMATION

Six Staffordshire Waste Collection Authorities (WCAs) – Lichfield and Tamworth along with Newcastle, East Staffs, South Staffs and Cannock have contracts for the processing of Dry Mixed Recycling (DMR) with Biffa Waste Services Ltd. These contracts will expire in March 2022.

A soft market test has confirmed that the market for the processing of DMR has shifted dramatically, primarily because of material quality issues, such that the current commingled collection may no longer be viable and that a shift to dual stream collection with separate fibre (paper and card) collection may be required. There is a strong possibility that the Districts won't even get a bid for commingled material.

A range of other factors, in particular the volatility of commodity markets and the pending National Resource and Waste Strategy, make this a particularly challenging time to be re-procuring a DMR processing contract. For instance there is a proposal within the consultation draft of the Strategy to introduce a deposit return scheme for all drinks containers which would almost certainly divert both tonnage and some of the more valuable materials away from local authority kerbside schemes.

In accordance with the approach endorsed by the Joint Waste Committee, consideration has been given to extending the existing contract with Biffa Waste Ltd, for up to three years to allow more time for the full implications of the National Strategy to be evaluated. The company was willing to extend but only if the Districts agreed to significantly revised terms and conditions. As a consequence their proposal was deemed unacceptable from a cost and risk perspective and also because it was likely to contravene procurement legislation.

With an extension ruled out, attention has focused on procuring a replacement contract. The six Districts have worked together throughout the autumn to produce all the tender documents for a framework contract with support from the County Council's procurement and legal teams. Invitations to tender for the processing of both commingled and dual stream options were sent out in early January 2021.

The process is currently on track with evaluation of the results due to take place before the end of February. None of the districts are obliged to accept either of the winning bids from the two options. Also the options are not in competition with each other so the outcome of the procurement exercise cannot force a change of service

on a district against its will.

The tender results will be considered together with any further updates on National Policy and the outcome of ongoing discussions with Staffordshire County Council.

The discussions are a result of the Districts issuing a position statement in July 2020 (updated in November 2020) to the County Council as the WDA, Staffordshire County Council have ultimate responsibility for the disposal of DMR. The position statement highlighted the soft market testing results and the adverse impact the state of the recycling market will have on the District's finances once the existing contract expires. The County Council has been invited to discuss solutions that aim to maintain high levels of waste diversion whilst ensuring costs and risks are apportioned fairly between the two levels of local government. The discussions are unlikely to be concluded until the outcome of the tendering exercise is known.

In order to mitigate some of the potential cost pressures a district could transfer the responsibility for the disposal of dry recyclate back to the County Council and also theoretically use this approach to try and retain commingled collections. Initiating such action would mean that the County Council has to procure a disposal contract, provide tipping locations and pay all the gate fees. In return they would not have to pay the Districts a Recycling Credit and would receive income from the sale of materials. However the cost and risk of taking on the responsibility are likely to outweigh any benefits the County Council may receive by some distance. Therefore having this option does at least incentivise the County Council to consider supporting the Districts in retaining disposal responsibility. Any support may only need to be temporary, if packaging manufacturers are required to assist local authorities with the cost of collection and disposal of dry recyclate as proposed in the National Strategy. This is known as the Extended Producer Responsibility scheme (EPR).

Whilst transferring responsibility back to the County may be tempting given the volatile state of the recycling market the use of this option needs to be considered carefully as a district would lose control of its tipping location and therefore be exposed to the risk of higher operational costs. The County can instruct WCAs to tip up to 6 miles from their district as the crow flies without paying any compensation. Due to the large geography covered by the JWS, this could lead to us being instructed to tip in Burton, which would have huge logistical and cost implications for the service.

In contrast, the current procurement exercise takes the location of tipping points into consideration as part of the evaluation process. Securing a local tipping location is absolutely essential as the Districts do not have the benefit of a suitable transfer station. In addition transferring responsibility would still have the same impact for the Staffordshire Tax Payer as it simply shunts the problem of finding a willing contractor for commingled collections and the associated costs to the County Council.

With the soft market testing indicating that the Districts may have to change their dry recycling service it does add some time pressure to the decision making process. This is because a change to dual stream collections, if approved by members, will require the procurement of another recycling container and possibly additional vehicles (depending on the type of container used). The lead time for such purchases can be as long as a year and delivery dates may be affected by the Coronavirus epidemic and also issues that arise out of the Brexit trade agreement. Even with a service change the Districts could still transfer responsibility for disposal to the County Council if this was deemed appropriate.

In order to expedite decision making a preliminary appraisal of the options still available to the Districts has recently been undertaken. The options included in the appraisal are as follows:

- 1) Retain commingled collections and responsibility for disposal.
- 2) Retain commingled collections and transfer responsibility for disposal to the County Council.
- 3) Introduce dual stream collections using an additional bin for paper/card and retain responsibility for disposal.
- 4) Introduce dual stream collections using an additional bin for paper/card and transfer responsibility for disposal to the County Council.
- 5) Introduce dual stream collections using a bag for paper/card and retain responsibility for disposal.
- 6) Introduce dual stream collections using a bag and transfer responsibility for disposal to the County Council.

The appraisal utilises the results of the soft market testing exercise plus the experience of two Staffordshire authorities (Newcastle B.C and Stafford B.C) that have recently changed the way they deliver their recycling service. The appraisal is presented as a SWOT analysis together with a predicted financial impact assessment. At this stage it has not been possible to objectively evaluate and rank each option against specific criteria as the information required to do this will not be available until both the procurement exercise and the discussions with the County Council have been completed. However the financial assessment does give a good indication of which options would be best placed to mitigate cost pressures.