

8 JULY 2021

**REPORT OF THE PORTFOLIO HOLDER FOR ECONOMY AND WASTE****FUTURE DRY RECYCLING PROPOSALS****EXEMPT INFORMATION**

None

**PURPOSE**

For Cabinet to determine proposals for the future of the dry recycling service and new contract arrangements for its reprocessing

**RECOMMENDATIONS**

The following is recommended for approval by Cabinet (final approval is subject to parallel agreement by our JWS partners Lichfield District Council):

1.

- Subject to Staffordshire County Council's agreement to fund an equitable share of the additional costs, the Joint Waste Service move to a dual-stream collection methodology (Option 5, subject to recommendation 2).
- The dual-stream collections be based on a default of a bin for glass cans and plastics and a bag for paper and card (in exceptional circumstances a second receptacle may be provided).
- Delegate authority to enter into contract for the disposal of dual-stream waste to the Chief Executive in consultation with the Portfolio Holder for Economy and Waste, subject to recommendation 2.
- If Staffordshire County Council do not agree to fund an equitable share of the additional costs of dual-stream collection; the existing commingled collection methodology (option 2) to be retained and the transfer of responsibility for the disposal of Dry Mixed Recycling be returned to Staffordshire County Council from 1st April 2022 (subject to recommendation 2).

2 That Cabinet recommends to Council to update the Medium Term Financial Strategy based on the additional financial implications of the selected option:

- Option 5: to increase the revenue budget by £105,179 per annum from 2022/2023 (noting this is to be offset by the equitable contribution from Staffordshire County Council) and to include a new project in the Capital Programme in 2021/22 for £95,600 for the provision of the necessary infrastructure, as detailed in the resource implications.  
or;
- Option 2: to increase the revenue budget by £36,114 per annum from 2022/23.

**EXECUTIVE SUMMARY**

- 1.1 Tamworth Borough Council has delivered all its waste services in partnership with Lichfield District Council since 2010 under a joint administrative arrangement - Joint Waste Service (JWS).
- 1.2 The JWS's contract with Biffa Waste Ltd for the disposal of Dry Mixed Recycling (DMR) ends 31 March 2022. The procurement exercise for a new contract has indicated that the cost of the disposal of comingled waste (where residents to put all their DMR into a single bin) has trebled.
- 1.3 A more cost effective disposal option is dual-stream collection where residents separate their DMR: glass cans and plastic into a bin (residents' existing blue recycling bin) and paper and card into a new receptacle – a bag in the methodology recommended in this report. Dual-stream collection produces better quality (less contaminated) DMR which can be more easily sorted, sold and reprocessed and is thus much cheaper to dispose of.
- 1.4 Dual-stream waste is however more expensive to collect. Operatives need to collect a bin and a bag from each household rather than just a bin so collections take longer with the requirement for more crews. The refuse collection vehicles (RCVs) with separate compartments for the two recycling streams are also more expensive and require more frequent emptying.
- 1.5 Lichfield District Council and Tamworth Borough Council are waste collection authorities (WCA), with responsibility for waste collection. Staffordshire County Council is the waste disposal authority (WDA) with responsibility for waste disposal. A move to dual-stream would reduce the costs of disposal – borne by the WDA, at the expense of increasing the costs of collection – borne by the WCAs.
- 1.6 Therefore the WCAs are negotiating with the WDA for an uplift in the Recycling Credit paid by the WDA to the WCA to support recycling – requesting the additional costs of dual-stream collection be split equally between each WCA and the WDA.
- 1.7 The JWS can decide to retain comingled collection and return the responsibility for the disposal of the comingled waste to the WDA. The options appraisal indicates this to be a credible alternative if a satisfactory settlement of the additional costs of dual-stream collection cannot be secured.

## **BACKGROUND**

The Environmental Protection Act 1990 (EPA) makes District Councils responsible for the collection of household waste as the Waste Collection Authority (WCA). Upper tier County Councils are responsible for its disposal as the Waste Disposal Authority (WDA). A District can make its own arrangements for the disposal of recycling; where it decides to do so it has to pay the gate fees to the re-processor but in return it receives a payment from the WDA which is known as a Recycling Credit. The District also receives any income generated from the sale of the DMR post-sorting, depending on the nature of the contract it has with the re-processor. The Recycling Credit was introduced by the Government in order to incentivise Districts to invest in recycling services. A District can at any time hand back disposal responsibility to a WDA, but it is worth noting that the WDA has powers to direct a District to deliver waste to a designated place. In effect this gives the WDA power of direction to take back disposal responsibility without agreement even if there are financial consequences for the District.

Ever since recycling services were introduced in Tamworth and Lichfield nearly 20 years ago both Districts have procured contracts for the disposal of dry recyclable materials (DMR) and garden waste. Throughout this period the gate fees have been lower than the aggregate of the Recycling Credit and any income received from the

sale of the material, with the surplus generated being used to offset the cost of providing these services.

The current recycling service requires residents to present all their DMR in a single blue bin which is emptied fortnightly. This collection methodology is known as commingling and the material once collected is taken to Biffa Waste Services' transfer facility in Aldridge before it is bulked up and transported to a Material Recycling Facility (MRF) in the North East for processing.

Six Staffordshire Waste Collection Authorities (WCAs) – Lichfield and Tamworth along with Newcastle, East Staffs, South Staffs and Cannock have contracts for the processing of the DMR with Biffa Waste Services Ltd; all expire in March 2022. These authorities have worked together with support from the County Council's procurement and legal teams since last autumn to procure a replacement contract. Invitations to tender were sent out in early January and the evaluation of the results was completed in April.

The evaluation has shown that the market for the processing of DMR has shifted dramatically, primarily because of material quality issues, such that the current arrangements for delivering the service (collection methodology and disposal) may have to change. Contamination levels can regularly exceed 15% for materials when collected commingled which is unattractive to the re-processors and as a consequence gate fees for new contacts based on this methodology have nearly trebled compared to the existing rate plus the amount of income payable for the sale of materials has fallen. In contrast the gate fees are much lower and income levels higher for materials collected by dual-streaming where the fibre is collected separately from the other materials. This is due to the higher quality of material collected by these methodologies compared to commingling.

In addition to the volatility of commodity markets the pending National Resource and Waste Strategy, makes 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.

Comingling is disadvantageous in terms of gate fees, income levels and the quality of material – all very important issues to consider when determining the best way to provide a recycling service. However the operational costs are substantially lower for a comingled service and the service is simple for residents to use.

Dual-streaming requires residents to separate their recycling into an additional receptacle. The operational costs are substantially higher; collecting a bin and a bag takes longer and multi compartment vehicles fill more quickly requiring more frequent emptying.

The cost of dual-streaming can be reduced if an additional bin is provided instead of a bag; one bin for glass, cans and plastic and another bin for paper and card. This would allow collection rounds to remain as they are, with the two recycling bins collected alternately on a 4-weekly basis. This option has however been discounted as many households in Lichfield and Tamworth will be unable to accommodate an additional bin.

Six different service delivery options were evaluated by the Options Appraisal and the Financial Assessment and they are as follows:

- 1) Retain commingled collections and WCAs retain responsibility for disposal.
- 2) Retain commingled collections and transfer responsibility for disposal to the WDA.
- 3) Introduce dual stream collections using an additional bin for paper/card and WCAs retain responsibility for disposal.

- 4) Introduce dual stream collections using an additional bin for paper/card and transfer responsibility for disposal to the WDA.
- 5) Introduce dual stream collections using a bag for paper/card and WCAs retain responsibility for disposal.
- 6) Introduce dual stream collections using a bag and transfer responsibility for disposal to the WDA.

The Options Appraisal is presented as a SWOT analysis and the Financial Impact Assessment models all the various cost elements associated with the recycling service including the gate fees submitted during the procurement exercise. Bidders were invited to tender for material collected by both the commingled and dual stream collection methodologies.

Compliant bids were received for both disposal methodologies and a preferred bidder identified for each scenario. Districts are not obliged to accept the winning bid for either of the methodologies nor are they in competition with each other.

The procurement exercise overwhelmingly identified that it is financially disadvantageous for the Districts to retain responsibility for the disposal of DMR collected by the current commingled methodology - **Option 1**. This is because of the substantial increase in gate fees for any new contract and there are now greater risks associated with income levels.

**Option 2** which involves passing back disposal responsibility to the WDA but keeping commingled collections has a much lower financial impact for the Districts as the WDA would pay the gate fees. The Districts would no longer receive a Recycling Credit from the WDA nor income from the sale of material but the aggregate of these items is much lower than the gate fee.

Retaining commingled collections is nevertheless the most expensive solution for the Staffordshire taxpayer due to the high gate fees. **Option 2** simply allows the Districts to divert cost to the WDA.

The assessment predicts that **Option 3** would have a positive impact on the revenue budget because the gate fees for dual stream collections are much lower than for commingled collections. In addition there is no increase in operational costs as residents would be provided with an additional bin with each stream collected alternately every four weeks. However the capital expenditure for the bins would be approximately £1.9 million and an additional bin could be unpopular and impractical for many residents. Also the income levels shown in the financial assessment are not guaranteed and there is always a risk that the WDA could use its powers of direction and take back responsibility for the disposal of the material. This opportunity may be attractive to the WDA as the gate fee for dual stream collections are lower than then value of the Recycling Credit and therefore they would make a significant saving.

The impact of the WDA taking back responsibility for the disposal either by a unilateral decision made by the Districts or under a power of direction is shown in **Option 4**. In such circumstances the Districts would be worse off as the loss of both the Recycling Credit and the income from material would be more than losing liability for paying the gate fee plus they would have had to invest in the additional bin.

**Option 5** does substantially reduce the capital cost of the additional container as residents are provided with a bag instead of a bin, this is the system currently in place in both Stafford and Newcastle. The downside to this option is that there would be a significant increase in operational costs as it is much slower to collect a bin and a bag from each property thus extra crews would be required. The vehicles are more expensive as they are multi compartmental. The Districts would benefit from a lower

gate fee and income from both the Recycling Credit and the sale of the materials but this option would have a significant impact on the revenue budget.

**Option 6** has a similar scenario to **Option 4** whereby the WDA takes on responsibility for the disposal of dual stream material either by the Districts making the decision themselves or under a power of direction. The additional cost of operations together with the loss of income from the Recycling Credit and sale of material are substantial compared to any saving made on the gate fee. As a consequence this option is deemed to be financially unviable.

The cost of providing recycling services is set to rise primarily as the commodity markets are demanding materials of a higher quality. The appraisal clearly shows that introducing dual stream collections would be the best financial and environmental option for the Staffordshire taxpayer. This is because the gate fees are much lower and the quality is higher compared to commingled collections – allowing more of the material to be recycled. However the Districts can ill-afford to fund all the additional cost of dual stream collections on their own as well as taking on the risks associated with being responsible for DMR disposal.

An optimal option would seem to be one delivered in partnership between WCAs and the WDA, which supports recycling performance, shares the additional cost burden equitably between both tiers of local government and delivers good value to residents. The findings of the procurement exercise have been shared with the WDA, together with attempts to agree a shared solution.

The solution involved the Districts retaining disposal responsibility and introducing dual stream collections using a bag as the additional container for the fibre – **Option 5**. In return the WDA would increase the Recycling Credit and contribute £3 per household towards the cost of the bag and communicating the change to residents. The WDA declined this suggestion, offering only the £3 per household contribution towards capital costs.

Initially the Districts approached the WDA with a pan-Staffordshire offer to increase the recycling credit, which would have ensured equity of recycling credit across all WCAs. However it did confuse the calculation of the requested uplift to the credit and diluted the rationale – the WCAs come from different starting points and so have different actual costs to implement a dual-stream service (a number are already dual stream). The Districts also asked for retrospective payments (Recycling Credit and capital cost) to be paid to Newcastle B.C and Stafford B.C. who both introduced dual stream collections last year.

More recently the JWS have started bilateral discussions with the WDA, providing substantial detail of the JWS's actual increased costs, requesting an equitable sharing of the increased costs and offering an "open book" reconciliation whereby the WDA can have sight of all actual costs incurred in detail. Discussions with the WDA continue at both member and officer level, however at the time of drafting this report a revised offer from the WDA has not been forthcoming.

There is a pressing need to resolve this situation. The procurement exercise for the disposal of DMR was concluded in April and the contractors have so far only committed to hold their prices until mid-July. Furthermore, if no decision is made, the status quo of Lichfield and Tamworth collecting and disposing of comingled waste would continue beyond the existing disposal contract – which is the most expensive option (option 1). Based on a decision in July 2021 it is already estimated that an orderly transition to a dual-stream service would take until June 2022.

To allow for rapid decision making, this report is offering alternate recommendations:

- Recommending the principle of switching to a dual-stream "bin and bag" collection service with the Districts retaining disposal responsibility –

subject to the County Council agreeing to fund an equitable share of the additional costs of this option.

- Recommending the retention of comingled collection and handing back disposal responsibility to the WDA if the County Council do not agree an equitable split of the additional costs of a switch to dual-stream.

## OPTIONS CONSIDERED

All viable options were considered and reduced to 6 for detailed consideration.

## RESOURCE IMPLICATIONS

The Financial Impact Assessment below details the financial implications of the various options on the Joint Waste Service compared to the Approved Budget in 2022/23.

The impact on the MTFs of each of the options with a worst case scenario (5% increase in tonnage and a 50% reduction in income) and best case scenario (5% reduction in tonnage and a 50% increase in income) using the 2020/21 cost sharing ratio is summarised below:

<b>Impact to Tamworth Borough Council @ 41.7% compared to Joint Approved Budget in 2022/23</b>						
	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>	<b>Option 5</b>	<b>Option 6</b>
	Commingled Single Bin	<b>Commingled Single Bin</b>	Dual Stream - Two Bins	Dual Stream - Two Bins	<b>Dual Stream Bag and Bin</b>	Dual Stream Bag and Bin
	Disposal - District	<b>Disposal - County</b>	Disposal - District	Disposal - County	<b>Disposal - District</b>	Disposal - County
Revenue - Central	£391,062	<b>£36,114</b>	(£97,157)	£68,140	<b>£105,079</b>	£286,096
Revenue - Worse	£451,070	<b>£36,114</b>	(£44,534)	£68,140	<b>£158,675</b>	£286,096
Revenue – Best	£335,396	<b>£36,114</b>	(£154,477)	£68,140	<b>£46,777</b>	£286,096

## Capital Expenditure

The Joint Waste service holds significant levels of revenue reserves for future service demands but it is likely that these will be needed given it is unlikely we will be able to implement any changes from April 2022, so there will be a period of increased gate fees. They will not therefore be available to fund the estimated capital costs of £95,600 in 2021/22 to ensure that the necessary equipment is in place by April 2022. The cost will therefore need to be added to the capital programme funded by a contribution from unallocated reserves/balances in 2021/22.

## LEGAL/RISK IMPLICATIONS BACKGROUND.

	Risk Description	How it is Managed	Severity
A	The JWS does not enter into an agreement for the continued disposal of waste.	Regular communication with the WDA	Likelihood: Green Impact: Red Severity of Risk: Yellow
B	The JWS are required to extend the current comingled disposal at increased costs while new service arrangements are put in place	Liaise with contractor to manage cost increases Negotiate support from WDA	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
C	A shared agreement on collection and disposal cannot be agreed between WCAs and WDA	Ongoing liaison. Clarity about what no agreement would look like – handed back comingled disposal.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
D	Increase in the number of loads being rejected which lowers the Recycling Rate.	Communication campaign Regular bin checks	Likelihood: Yellow Impact: Green Severity of Risk: Green
E	The service is not compatible with the proposals adopted in the National	Further review of the service	Likelihood: Green Impact: Red

	Waste Strategy.		Severity of Risk: Yellow
f	The WDA prescribes the tipping locations for option 2 and the locations are further to travel and therefore increase the cost to the Council	To work with the WDA to identify the most favourable tipping locations, and any tipping away payments due	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow

## **EQUALITIES IMPLICATIONS**

There are no equality, diversity and human right implications associated with implementing the recommendations on the Future of the Dry Recycling Service.

## **SUSTAINABILITY IMPLICATIONS**

Dual Stream recycling collections will improve the quality of dry recycling collected, and will assist is higher recycling/reuse rates

## **BACKGROUND INFORMATION**

This matter was considered and options endorsed by Infrastructure, Safety and Growth Scrutiny on the 24 February 2021.

## **REPORT AUTHOR**

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## **LIST OF BACKGROUND PAPERS**

## **APPENDICES**

Appendix A – options appraisal

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