

# CABINET

9 SEPTEMBER 2021

## REPORT OF THE PORTFOLIO HOLDER FOR ECONOMY AND WASTE

### FUTURE DRY RECYCLING PROPOSAL UPDATE

#### EXEMPT INFORMATION

None

#### PURPOSE

The purpose of this report is to update Cabinet on the negotiations between Lichfield District Council / Tamworth Borough Council (the Waste Collection Authorities) and Staffordshire County Council (the Waste Disposal Authority) in relation to the introduction of dual stream recycling from April 2022.

#### RECOMMENDATIONS

1. That Cabinet determine if the level of financial contribution from Staffordshire County Council as set out in the report, to support the introduction of dual stream recycling, is acceptable, if Cabinet determine the financial support available is acceptable, it also approves the Joint Waste Service to implement Dual Stream Recycling in Tamworth during May 2022
2. That Cabinet delegate responsibility to the Chief Executive in consultation with the Portfolio Holder for Economy & Waste, and Lichfield District Council, for the implementation of dual stream recycling across both authorities.
3. That Cabinet recommend to Council to update the Medium Term Financial Strategy based on the financial implications of the selected option.
4. That officers ensure the 12 month review of the financial contribution from the County Council is fed back to Cabinet once complete for review.

#### Dual Stream Recycling:

To increase the revenue budget by an annual net cost of £53,000 (Full Cost £252,000 offset by SCC of £126,000 and LDC of £73,000) in 2022/23 increasing to £59,000 (Full Cost £267,000 offset by SCC of £126,000 and LDC of £82,000) in 2025/26.

To increase the revenue budget for a one off cost for transition of £34,000. The full cost of £68,000 offset by SCC of £34,000 (capped at £94,000). This is to be funded by a contribution from the waste property growth reserve held by the Joint Waste Service

To include a project in the Capital Programme for Bins/Bags acquisition in 2021/22 of £95,000, to fund Tamworth BC share of the supply of bags. This project will be funded by a contribution of £95,000 from the waste property growth earmarked reserve held by the Joint Waste Service.

#### Or Comingled Recycling:

To increase the revenue budget by an annual net cost of £36,000 (Full Cost £87,000 offset by LDC of £51,000) from 2022/23.

## EXECUTIVE SUMMARY

Since the 8th July, negotiations have been undertaken with both members and officers of Staffordshire County Council in a constructive and collaborative manner. As with all negotiations, compromises on the part of all parties have had to be made in order to get to an overall agreement.

Those negotiations have resulted in an agreement for all parties concerned and with additional financial support being secured from Staffordshire County Council, but not at the level initially sought. The Leader of Staffordshire County Council confirmed this latest in principle offer in a letter to the Leader dated 29<sup>th</sup> July 2021. Cabinet is asked to decide if this new proposal is acceptable.

Subject to the decision on the level of support to be provided from Staffordshire County Council, Cabinet is then asked to approve implementation of changes to the current dry recycling service in the district through the introduction of dual stream recycling from April 2022 for Lichfield DC and May for Tamworth BC so that all fibre products are collected separately by both households and the Joint Waste Service.

The final position reached is that Staffordshire County Council has committed to sharing 50% of the additional recurring costs of £252,000 per annum of implementing dual stream recycling in both Lichfield DC and Tamworth BC in 2022 (so £126,000 per annum additional); and has agreed to an open sharing of the transitional costs on a 50/50 basis up to a maximum level of £94,000 and available up to the end of June 2022; but has not agreed to uplift RPI on recycling credits.

Officers have completed further preparatory work and believe the transitional costs can be managed well within the maximum envelope identified by the County Council so the risk is low.

The position reached is that there is agreement between Lichfield DC, Tamworth BC and Staffordshire County Council to share on a 50/50 (LDC/TBC and SCC) basis the additional permanent costs of implementing dual stream recycling and to share the transitional costs moving to dual stream up to a maximum contribution of £94,000 from the County Council.

Agreement could not be reached on maintaining the current level of inflation funding and so this represents a cost pressure for the Joint Waste Service.

After many months of negotiations on these matters, this draft agreement is considered the best that can be reached so Cabinet has to decide if this is acceptable.

If this draft agreement is not considered acceptable there is no further room for negotiation and in these circumstances, Lichfield DC and Tamworth BC (subject to decisions yet to be taken) would need to confirm to Staffordshire County Council that we wish to hand back responsibility for disposal of dry mixed recycling from 1 April 2022.

Handing back disposal of dry mixed recycling needs to be considered with caution. If the intent was to retain comingled collection, this would be the most expensive option for the Staffordshire taxpayer, the least environmentally sustainable option and would do nothing to improve recycling rates. Moreover there is a risk that the County Council could use their powers of direction to compel a switch to dual-stream recycling, which Lichfield and Tamworth would have limited ability to subsequently shape. It is understood that the other Staffordshire Waste Collection Authorities currently contracted to Biffa have agreed a switch to dual-stream collection with the County Council. Handing back comingled disposal would leave Lichfield and Tamworth as an outlier locally and moving contrary to the national trend towards improving recycling rates by improving the quality of what's collected.

If the financial agreement is considered acceptable, then delegated authority is requested for

the Chief Executive in consultation with the Portfolio Holder for Economy & Waste to implement a new system of dual stream recycling in a phased manner from April 2022 for Lichfield DC and from May 2022 for Tamworth BC (subject to their separate decisions on this matter).

Briefing of all elected Members on the new system will take place prior to implementation and a communications plan and public information campaign on the new system would occur prior to the transition from collecting the current commingled waste to dual stream recycling.

If the move to a new system of dual stream recycling is agreed, a joint scrutiny task group will be established to help inform and shape the operational detail of the new collections.

Dual Stream recycling is the most cost-effective approach to disposal of this waste stream, given a) the significant increase in gate fees for the disposal of current commingled waste and b) is the best option to achieve a required increase in the amount of material recycled over time.

## **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. As a consequence gate fees for new contracts 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 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

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 an Options Appraisal and Financial Assessment and they are as follows:

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

Cabinet previously received a report on 8<sup>th</sup> July 2021 on the advantages and disadvantages of the six options.

**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 and both the capital purchase of necessary infrastructure and the transitional costs will be met from this reserve, leaving a closing balance of £113,330 to assist with future property growth.

#### **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 Waste Strategy.	Further review of the service	Likelihood: Green Impact: Red 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, and by Cabinet on the 8<sup>th</sup> July 2021.

#### **REPORT AUTHOR**

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#### **LIST OF BACKGROUND PAPERS**

#### **APPENDICES**

Nil