

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 12 November 2009
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WASTE & RECYCLING STRATEGIC REVIEW

Purpose

1. To present the findings of the Strategic Waste & Recycling Review Task & Finish Group (The Group). Following on from the Group's recommendations to the Environmental Services Portfolio Holder, Cabinet is asked to:
 - (a) Decide on the waste & recycling service configuration from October 2010.
 - (b) Decide on the optimum procurement method for each of the elements making up the reconfigured service
 - (c) Request Council to increase cash limits by including £1,510,000 in the 2009/10 and 2010/11 Capital programme to allow for procurement of containers in this financial year and delivery in 2010/11.
 - (d) Consider whether they would wish the decision at (a) above to be referred to Council for final decision.

2. This is a key decision because
 - it is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates.
 - it is likely to be significant in terms of its effects on communities living or working in all wards of the District.
 - it is not in accordance with the revenue budget, capital programme or borrowing limits approved by the Council, subject to normal virement rules.
 - it raises new issues of policy.
 - it requires the appointment of additional permanent staff.
 - it is of such significance to a locality, the Council or the services which it provides that the decision-taker is of the opinion that it should be treated as a key decision.

and it was first published in the August 2009 Forward Plan.

Executive Summary

3. The strategic review of waste and recycling services has been completed. This has resulted in a proposal to re-configure the service provided, which will lead to an enhanced level of service to users at substantially less cost than the existing service. The proposal is also judged to be the best at achieving the previously agreed member priorities and outcomes for the review.

Background

4. A comprehensive Best Value Review of the service was undertaken and considered by Members in 2005 arising in an approved Best Value action plan. The work being undertaken by the Task & Finish Group is the culmination of that action plan.
5. The current Service is based on a mixed market option whereby the Council's Environment Operations unit provides the Refuse and Green Bin services and Veolia Environmental provides the Kerbside Box Recycling service. The kerbside box recycling service contract expires in October 2010. There is no provision to extend the contract past this period, which provides an ideal opportunity to review the service.
6. The Environmental Services Portfolio Holder has the responsibility of considering what the service should look like post October 2010 and the procurement methods to be adopted to achieve the outcomes considered a priority. Given the size and nature of the task the Portfolio Holder set up a Task & Finish group to assist her. Members of Cabinet provided the Portfolio Holder with a steer on the scope (**Appendix 1**), outcomes and benefits they wished to see from the review, which were accepted by The Group within their remit and operating guidelines.
7. The Group was tasked with advising the Environmental Services Portfolio Holder as to how:
"To obtain the best quality of service that the Council can afford"

Whilst attaining the following benefits and outcomes listed below in priority/ weighted order.

- *A cost effective and efficient service*
 - *A high level of customer satisfaction/perception*
 - *Providing future flexibility to respond to external influences*
 - *Minimising environmental impact.*
8. The Group systematically approached the task in three phases;
 - (a) Phase 1: A review of the Refuse and Recycling Performance which involved consideration of:
 - (i) The current configuration of the service
 - (ii) The performance of the service against a range of performance measures
 - (iii) The services strengths and weaknesses together with the opportunities and challenges it faces
 - (b) Phase 2: A review of the service configuration options that would best meet the previously agreed Member priorities and outcomes, whilst at the same time addressing the factors identified in phase 1 above.
 - (c) Phase 3: Consideration of the options for the procurement of the collection service, post-collection processing and containers arising from the preferred service option identified in phase 2.
 9. The reports presented to The Group together with notes of the meetings can be accessed from <http://scams.moderngov.co.uk/mglIssueHistoryHome.aspx?IId=30813>

Considerations

10. As a result of phase 1, members of the Group recommended and the Portfolio Holder accepted that a number of factors needed to be addressed if the benefits and outcomes above were to be achieved. In particular:
 - (i) Increasing capture rates
 - (ii) Improving on the dry recycling rate

- (iii) Reducing the cost of collection through changes to collection configuration
 - (iv) Ensuring high quality recycled material is delivered to the re-processors/end market, thereby reducing the risk of rejection, price reduction and effects of market volatility
 - (v) Ensuring that future health and safety risks are considered and either eliminated or reduced so far as is reasonably practicable
 - (vi) Maintaining flexibility to respond to change and external influences
11. As a result the configuration options presented as part of Phase 2 were evaluated against the main outcomes in paragraph 8 above and the factors in paragraph 11. The pros, cons and costs of each of the configuration options were considered by The Group resulting in a recommendation to the Portfolio Holder (again accepted by her) for option 7, as that able to best meet the agreed Member priorities and outcomes. In addition The Group recommended that future consideration be given to:
- (a) Collection of small batteries
 - (b) Funding of kitchen food sacks
 - (c) Weekly collection of kitchen food waste
12. Option 7 would require the service to be reconfigured to provide a two stream co-mingled recycling service alongside the existing alternate weekly green and black-wheeled bins.
13. In essence this would require the replacement of the existing kerbside box recycling service with a blue 240lt wheeled bin and 40lt inner caddy (fitting inside the blue bin) collected on alternate weeks by 'twin-pack' collection vehicles on the same day as the existing green bin. Paper would be placed in the inner caddy and mixed dry recyclables placed in the blue wheeled bin. Additional recyclable materials would be collected in the blue bin including:
- (i) Cans (steel and aluminium)
 - (ii) Glass
 - (iii) Plastic bottles
 - (iv) Hard plastic (pots, tubs, and trays)
 - (v) Cartons (tetra packs)
 - (vi) Cardboard
 - (vii) Aluminium foil
- Further materials would be able to be added (i.e. plastic film) as processing facilities allowed.
14. This option was costed and compared to the costs of the current service provision. Although being an enhanced level of service over the existing provision, net indicative savings against the existing budget of £112,000 full year effect in year one, rising to an estimated £275,000 p.a. in year three are anticipated. This takes into account revised financing charges of £98,000 for the purchase of the bins and caddies as in paragraph 23.
15. Having taken into account the decisions of the first two phases and the scope of the review (Appendix 1), The Group then considered the options for the procurement of the collection service, post-collection processing services (Materials Recycling Facility) and containers arising out of the preferred service.
16. The benefits and risks together with the possible mitigation measures were considered for each procurement option within scope and those options evaluated against the previously agreed priorities and outcomes (paragraphs 8 and 11 above refer).

17. This evaluation demonstrated that the best procurement options for the Council at this time are:
- (a) To operate the re-configured refuse and recycling service (including street cleansing services) in-house for a period of three years post implementation, after which to undertake an evaluation of the cost effectiveness of the service against external providers.
 - (b) To procure the Material Reclamation Facility (MRF) services via EU compliant tendering process. Along side this request that officers negotiate with RECAP partners the viability and acceptability of joining their recently tendered contract so that the most economically advantageous result can be achieved.
 - (c) To procure the bins and caddies under a EU compliant ESPO framework contract.
18. Members should note that the gate fee for the MRF service used in the financial evaluation of the preferred service configuration was a conservative estimate based on historical data. If a local MRF was procured, removing the need for bulking and transport, at a similar gate fee to that achieved by the RECAP partners there would be additional saving in the region of £150,000 p.a. to those already identified in paragraph 14 above. Therefore indicative total net savings of the re-configuration could be in the region of £425,000 p.a. in year 3. The details of how this is achieved against the no change option i.e. continuation of current service is shown in Table 1 below.

Table 1 – Option 7 net full year costs compared to no change

	Oct 2010	Oct 2011	Oct 2012	Oct 2013	Oct 2014
No Change	£3,283,461	£3,283,461	£3,283,461	£3,283,461	£3,283,461
Option 7	£3,170,905	£3,095,090	£3,008,188	£2,998,919	£3,012,864
Indicative costs savings	£112,556	£188,371	£275,273	£284,542	£270,597
Estimated additional savings through MRF procurement	£150,000	£150,000	£150,000	£150,000	£150,000
Total estimated net savings	£262,556	£338,371	£425,273	£434,542	£420,597

19. The preferred service option requires the purchase of additional wheeled bins and inner caddies. The caddies are estimated to cost £270,000. The council currently procures its bins under a EU compliant ESPO framework contract. The Council can make substantial savings on the purchase of bins if it places an order early. The estimated cost of the bins if ordered before the 31 December 2009 is £1,065,000 between 1 January 2010 and 31 March 2010 £1,149,000 and after 31 March 2010 £1,260,000.
20. In addition, the County Council have agreed to part finance the additional bins to the value of £500,000 provided that money can be spent in this financial year. This would also require an order being placed early.
21. Officers wish to ensure that the Council obtains the best unit price for the containers and have therefore instigated its own tender exercise to run alongside that of the Framework agreement. Additional bins will therefore be procured in the most economically advantageous way available to the Council.
22. Taking into account the cost of the bins (if ordered before 31 December 2009), caddies, and distribution minus the County's contribution (£500,000) then the Council

will need to finance from its own funds £1,009,000 of capital expenditure. This will require an increase on the 2009/10 and 2010/11 approved capital programme of £1,509,000 and Council's permission to do so will be required.

23. It is assumed that the net capital cost will be funded from an increase in the Council's credit limits (cash reserves) and 'repaid' over the life of the bins (assumed to be 14 years).

Options

24. This report presents a summary of the options considered throughout the work of the Waste & Recycling Strategic Review Task & Finish Group. Please see reports and notes of the meetings of the Task and Finish Group available from <http://scambs.moderngov.co.uk/mglIssueHistoryHome.aspx?IId=30813> for all the options considered and the reasons for the recommendations made to the Portfolio Holder.

Implications

25. This is a major service change for both residents and the Council especially as collection day changes will result. These factors have the potential to cause disruption to service users as they become used to the new arrangements. The recommended procurement option provides the best mitigation to be able to minimise service disruption to residents during the implementation of the new service arrangements.
26. In addition, implementation and procurement will need to be appropriately resourced and project managed if it is to be successful. The project team will require communications, legal, procurement, HR and portfolio holder support at various stages throughout its implementation. An effective communications plan will be essential.
27. The service re-configuration also provides further opportunities for the Council to provide additional commercial waste recycling services for its business customers in the District.

28. Financial	As in the body of this report. Tendering costs for the MRF and bins will be met through tendering under ESPO arrangements and use of existing resources. If this is not achievable a sum of £10,000 for tendering is likely to be required which will be financed from an already approved £50,000 allocation earmarked in the precautionary items budget associated with this review.
Legal	The various legal requirements placed on the Council for the collection of refuse and recycling have been considered throughout the review process. Health and Safety requirements have been given a high priority with the review. The kerbside box recycling service contract with Veolia Environmental expires in October 2010 and cannot be extended. SCDC can lawfully bring the relevant services in house at the expiry of the kerbside box-recycling contract. The exercise undertaken by the Council is consistent with its obligations to consider Best Value and make its decisions accordingly.

Staffing	As detailed in preferred option costings table five of the 10 September 2009 Task & Finish Group report there will be the need to recruit additional permanent staff and temporary staff i.e. HGV drivers, loaders, administrator, support officers to the Council as a result of the re-configuration and procurement option chosen. Legal advice is that a relevant transfer for the purposes of TUPE will be created following the expiry of the kerb-side box-recycling contract. In addition, the move to the new service will require an alteration to the role of one member of staff.
Risk Management	Risks attached to the various options have been considered throughout the review process see reports on attached link http://scambs.moderngov.co.uk/mglIssueHistoryHome.aspx?Ild=30813 . Implementation of the reconfigured service will be project managed. Risk management will be an integral part of the project management process.
Equal Opportunities	Equalities Impact Assessment will be undertaken.

Consultations

29. Vehicle manufacturers, bin and box manufacturers, other Councils, MRF operators, paper re-processors, resident 'user groups' and Council colleagues; have been consulted at various times through-out the review process
30. CELLO mruk, an independent market research organisation, was commissioned to carry out a series of focus groups with representative samples of residents in the district to explore what they liked and disliked about the current recycling service. In summary ¹, the main things
- (i) Attendees liked were:
 - The fact that collections were made at the kerbside
 - The collections were regular and collected on time
 - The service was easy
 - (ii) Attendees didn't like:
 - Not being able to recycle plastics
 - Boxes are too small
 - No lids for boxes to stop them filling with water
 - (iii) In terms of improvements:
 - Attendees were keen to see an increased number of materials, particularly plastics and thought that the more materials were collected at the kerbside, the more they would recycle
 - Attendees also felt that it would make the scheme a lot easier to use and simplify things if all dry recycling could be put in one box or bin

¹ Source: CELLO mruk Recycling & Waste Focus Groups August 2009

Effect on Strategic Aims

31.	<p>Commitment to being a listening council, providing first class services accessible to all.</p> <p>Consultation was an integral part of the review especially surrounding the views of service users. These views helped shape the re-configured service. Accessibility of the service has been improved and where not possible existing policies will apply i.e. continuation of the weekly sack refuse and recycling collection service for those residents who are assessed as not being able to use wheeled bins.</p> <p>Procuring and implementing the reconfigured service as recommended will deliver the previously agreed Member priorities and outcomes, namely a cost effective and efficient service, high levels of customer satisfaction/perception, future flexibility to respond to external influences whilst minimising environmental impact, thereby contributing to all of the strategic aims of the Council.</p>
	<p>Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.</p> <p>The health & safety of residents and operatives was a priority factor to be addressed in the re-configuration of the service.</p>
	<p>Commitment to making South Cambridgeshire a place in which residents can feel proud to live.</p> <p>The preferred option will deliver the best quality service the Council can afford with high levels of recycling and customer satisfaction/perception whilst minimising environmental impact thereby contributing to the above commitments.</p>
	<p>Commitment to assisting provision for local jobs for all.</p> <p>The recommended procurement option will continue to ensure that local labour is used. Legal advice is being obtained as to any TUPE implications there will be following the expiry of the kerb-side box recycling contract.</p>
	<p>Commitment to providing a voice for rural life.</p> <p>The service configuration takes into account the rural nature of the District.</p>

Conclusions/Summary

32. The Strategic Review of Waste and Recycling provided by South Cambridgeshire District Council has been successfully completed. It has resulted in an exciting new service being proposed that will provide an improved service, matching the needs of service users, whilst at the same time providing indicative potential net savings of £425,000 p.a. should procurement of MRF services prove be less costly than assumed in the costed options report.
33. The analysis and research undertaken has been extensive and as a result the proposals the Council will move ever closer to achieving its 65% recycling target by 2012, as well as meeting all of the outcomes and priorities requested by Members for the review, namely;

“..obtain the best quality of service that the Council can afford”

Whilst attaining the following benefits and outcomes listed below in priority/ weighted order.

- *A cost effective & efficient service*
- *A high level of customer satisfaction/perception*
- *Providing future flexibility to respond to external influences*
- *Minimising environmental impact.*

Recommendations

34. It is recommended that:
- (a) The Council reconfigures its household waste and recycling services to provide a two stream co-mingled dry recycling service alongside the existing alternate weekly green and black-wheeled bins, by the replacement of the existing kerbside box recycling service with a blue 240lt wheeled bin and 40lt inner caddy (fitting inside the blue bin) collected on alternate weeks by 'twin-pack' collection vehicles on the same day as the existing green bin.
 - (b) The dry recyclable materials to be collected by the new service include; paper (telephone directories; newspapers & magazines; general paper) within a inner caddy and mixed dry recyclables including cans and tins (steel and aluminium); aerosols; glass; plastic bottles; hard plastic (pots, tubs, and trays); cartons (tetra packs); cardboard; aluminium foil placed in the blue wheeled bin. Further materials to be added (i.e. plastic film) as processing facilities allow.
 - (c) The re-configured refuse & recycling collection service is implemented and operated by the Council's in-house environment operations unit as a directly managed service together with the street cleansing services.
 - (d) Cabinet approves all staffing, plant and equipment required to implement the re-configured service (option 7) as detailed in the report to the Waste & Recycling Task and Finish Group on the 10 September 2009.
 - (e) As the cost of collecting the existing 55lt boxes would outweigh their residual value, residents are advised that they can either keep their existing recycling boxes or they can deliver them to specified collection points for onward recycling.
 - (f) That the MRF services are procured using a EU compliant tender process, either under the RECAP partners tender if this is contractually available or under an ESPO tender process so that the most economically advantageous result for the Council can be achieved.
 - (g) That additional bins and caddies are procured using a EU compliant tender process either through an existing framework contract or the Council's own tender process and that the net associated expenditure is funded from an increase in the Council's credit limits (cash reserves) and 'repaid' over the life of the bins (assumed to be 14 years).
 - (h) That a Value for Money review of the Service is undertaken after a period not exceeding three years from the date of implementation.
 - (i) Cabinet asks Council to amend the 2009/10 and 2010/11 capital programme by £1,510,000 to allow for the procurement of the blue bins and caddy inserts to be procured in this financial year.
 - (j) The costs of tendering are met through the precautionary items budget.
35. Cabinet is also requested to consider whether items (a) to (e) above are of such importance that they should be referred to Council on the 26 November 2009 for decision.

Background Papers: the following background papers were used in the preparation of this report: Waste & Recycling Strategic Review Task & Finish Group reports and notes of the 2 July 2009; 10 September 2009 and 8 October 2009.

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