

REPORT TO: Place Scrutiny Committee

Date of Meeting: Place Scrutiny Committee 12 September 2019; Executive Committee 8 October 2019; Council 15 October 2019

Report of: Service Manager – Recycling, Waste and Fleet

Title: Options for Investment in Exeter’s Kerbside Recycling Service

Is this a Key Decision?

Yes.

Is this an Executive or Council Function?

Council and Executive

1. What is the report about?

1.1 An update on options for investment in the Council’s Materials Reclamation Facility (MRF) and kerbside recycling service following the reports to Place Scrutiny Committee and Executive Committee on 25 June and 9 July respectively.

2. Recommendations:

2.1 That Place Scrutiny Committee and Executive Committee recommend to Council the adoption of Option 4 (weekly kerbside-sort recycling collection, incorporating glass and food waste collection, with three weekly rubbish collection) and associated investment in the Materials Reclamations Facility.

2.2 That, to implement the chosen service Option 4, Place Scrutiny Committee notes and Executive Committee recommend to Council that a budget of

- £200,000 is set aside from General Fund revenue reserves to provide the project management and assistance with roll out;
- A capital budget of £2,105,000 is provided for the improved recycling containers;
- A capital budget of £1,500,000 to enhance the MRF

3. Reasons for the recommendation:

3.1 Implementing these decisions will result in improved financial and environmental outcomes compared to our current service, increasing our recycling rate and reducing net carbon emissions. This will also meet the expectations from government and our residents that food waste and glass be included in our kerbside recycling service.

4. What are the equality and diversity impacts of this decision?

4.1 A completed Equalities Impact Assessment was included in the previous report on this matter.

5. What are the resource implications including non financial resources:

- 5.1 The report to Place Scrutiny Committee in September 2018 described the impact of the operational issues at the MRF on the financial performance of the MRF. This situation has continued and worsened in the draft budget outturn for 2018/19, which shows an overspend of £213,300. This is not expected to improve without significant investment.
- 5.2 The initial revenue costs and the costs of borrowing for the capital expenditure will be recovered in the first three years of the project. The ongoing annual costs are more than covered, resulting in a saving for the Council year on year.
- 5.3 The cost of financing the MRF investment will be covered by anticipated additional income of £511,000 per year.

6. Section 151 Officer comments:

- 6.1 The section 151 Officer is supportive of this proposal. When taken together the two projects will generate savings and an additional income that will offset the borrowing costs for both projects. This is an opportunity to extend the offer to residents and provide the ability to generate further funds for the Council.
- 6.2 Over the ten year period, there is a small net cost of around £30,000 to implementing option 4. However from 2022-23, it will be providing a small saving each year to the revenue budget. The additional income projected for the MRF will not only be able to fund the borrowing costs associated with the MRF (£87,000 a year), but can also cover the risk of having to return to a fortnightly collection if that becomes mandatory even taking into account additional staffing costs.

7. What are the legal aspects?

- 7.1 Exeter's recycling scheme is currently compliant with the requirement in the Waste (England and Wales) Regulations 2011 for separate recycling collections. There are currently no statutory recycling rate targets applicable to Exeter.
- 7.2 Our current recycling service is not compliant with the requirements expected to be in place from 2023. In November 2018 the Department for Environment, Food and Rural Affairs (DEFRA) launched its Resources and Waste Strategy for England, followed by its consultation on collection scheme consistency which ran from March-May 2019. This indicated that kerbside collection of food waste and glass will be mandatory from 2023. Therefore our current recycling service will not be legally compliant. The options modelled by Eunomia have been assessed for compliance with likely mandatory requirements (Appendix 1, Section 4 Strategic Context), which are expected to be confirmed through statutory regulations and guidance issued in early 2020.
- 7.3 The key new mandatory requirements under consideration by DEFRA are: all councils to collect a consistent range of materials at the kerbside (for Exeter this means adding food waste and glass); a minimum of collection frequency of fortnightly for non-recyclable waste; fortnightly garden waste collection to be free of charge. DEFRA has stated that any new mandatory burdens on councils will be fully funded

8. Monitoring Officer Comments:

- 8.1 The recommendations are forward thinking and timely aimed at ensuring the City Council's kerbside collection will be compliant to include food waste and glass in readiness for the new regulation in 2023.

9. Background:

- 9.1 The July 2019 report to this committee presented a range of options for investing in the Materials Reclamation (MRF), outsourcing the operation, and adding food waste and glass to the range of materials collected at the kerbside.
- 9.2 The six alternative options were compared to a baseline estimate of continuing the current situation, with no significant capital investment in the MRF or change to the recycling collection service. Additional costs or savings were expressed in terms of net annualised costs, with capital investment costs annualised over 10 years at a borrowing rate of 3.5%.
- 9.3 'Option 4' was approved by committee as the preferred option. This consists of switching to a kerbside-sort collection service, adding separate food waste and glass to the scheme, increasing recycling collection to every week and reducing rubbish collection to three-weekly. The modelling carried out by our consultant Eunomia indicated that this would reduce net annualised costs by £67,000 per year, increase our recycling rate and give the greatest net reduction in CO² emissions.
- 9.4 After further analysis of the Eunomia report, and engagement with key suppliers in the waste industry, a number of variances to the original estimates have been identified. The overall effect of these variances is to reduce the estimated cost of implementing Option 4 over the 10-year life of the capital assets that will be required. These variances are listed in Appendix 1 and discussed below.
- 9.5 Implementing Option 4 will be a substantial change to one of the Council's highest profile services and therefore a key area of corporate risk. The risks are listed in Appendix 2 and discussed below.
- 9.6 Early engagement with key suppliers of vehicles, recycling containers, MRF sorting equipment and food waste treatment technology indicates that spring or summer 2021 is the earliest practicable date for full implementation of the new service. The longest 'critical path' is selection and procurement of vehicles which is likely to exceed 12 months from approval for funding.

10 Key financial impacts (Appendix 1)

- 10.1 Eunomia's recycling collection modelling considered the requirements for frontline staff, vehicles, containers and depot investment. £2 per household was allocated for communications material. The additional staff costs in Appendix 1 show the requirement for project management support staff to help with education and to ensure residents participate in the new service.
- 10.2 The hook lift lorry is used to transport rejected material from the MRF for incineration at the energy Recovery Facility. With a kerbside sort recycling scheme, rejected material will be minimal so the vehicle will not be required and the driver can be redeployed.
- 10.3 The Triple Stack containers were recently identified through a review of best practice in kerbside sort recycling schemes elsewhere in the UK. Adoption of this system will be subject to further assessments after visiting other local authorities, but the system has great potential to increase residents' satisfaction with the service, improve material quality and reduce manual handling risks to residents and collection crews.
- 10.4 Eunomia's original modelling assumed that commingled recycling would continue to operate for communal bin stores, with the material sent to an external MRF at a gate fee.

Savings will be achieved by providing three separate recycling bins at these bin stores and processing the material in house.

- 10.5 The previous report included a proposal for a new sorting line in the MRF to separate plastics and cans and other mixed material from Exeter and other local authorities, with the investment offset by increased income from the sale of high quality sorted materials. Cost estimates have been investigated further and the original quotation has been revised to reflect the system requirements and a reduced number of sorting operatives.

11 Key risks (Appendix 2)

- 11.1 Appendix 2 identifies 21 risks, scored according to their impact and likelihood. The maximum risk score is 16 and four risks were given a very high score (12 or over).
- 11.2 Additional recycling drivers and loaders will be required, through a combination of external recruitment and redeployment of MRF team members. With Exeter's current high employment rate and industry-wide challenges in driver recruitment, this is an area of concern and the control measures are indicated in Appendix 2. These measures will need to be investigated well before the project launch.
- 11.3 The collection of food waste caddies and kerbside-sort recycling containers is associated with additional manual handling risks compared to wheeled bin collections. These risks are increased by poor design of collection vehicles and containers that may be overloaded or awkward to lift. The most recent major report, the Health and Safety Executive's *Comparative analysis of manual handling practices in kerbside collection of recyclable waste* (2019) assesses the risks and reviews a number of measures available to control these. The HSE's recommendations will be used to inform our procurement process for collection vehicles (particularly the loading arrangements) and recycling containers. The key recommendation is to "design a waste collection system as a whole, taking account of the range of relevant factors, including environmental targets, cost and local availability, as well as health and safety, to make a balanced decision".
- 11.4 In particular, the Triple Stack recycling trolley system (Appendix 3) appears to be an effective risk control measure. It reduces the manual handling risk (MAC) scores to a level comparable with twin-stream recycling collection using a wheeled bin, and significantly lower than for carrying individual kerbside boxes and sacks.
- 11.4 The switch to kerbside-sort recycling will reduce or eliminate some existing health and safety risks: the one-handed lifting of 45-litre kerbside commingled recycling caddies (a cause of shoulder and elbow injuries), reduced exposure to repetitive strain injury arising from manual sorting of materials in the MRF, and reduced levels of dust and vermin in the MRF.
- 11.5 Due to the large-scale changes to the service, successful implementation will be dependent on new vehicles, recycling containers and communications material being delivered on time. Effective project planning and regular engagement with suppliers will be essential to mitigate the risk of delays to the introduction of the service.
- 11.6 Defra is to work with local authorities to prepare statutory guidance on minimum service standards later this year or early 2020. This is to include a cost and benefit analysis on minimum frequency of residual collections and whether a minimum service standard of fortnightly collection should be included in the standard. The risk is that, if such a standard becomes mandatory, a fortnightly rubbish collection schedule would add to the cost of Option 4 and reduce recycling participation. Eunomia's modelling indicates this would have a net cost of £270,000 per year. It is expected, but not guaranteed, that under legislation related to Extended Producer Responsibility, additional funding from industry

would be directed to local authority collection services. This risk can be controlled by delaying a commitment to Option 4 until statutory guidance is issued. However, this delay would result in the current service continuing to fail to meet current budgets and increase the risk of a complete failure of the MRF leading to further net cost increases.

12 Human resources considerations

- 12.1 The implementation of the enhanced recycling service will result in a small net increase in operational FTE posts. This will require a substantial redeployment of up to 20 FTEs from MRF sorting to on-street recycling collection (loading and driving) duties. There will also be a need to increase the cohort of Large Goods Vehicle class 1 drivers. Under the Council's Management of Organisational Change Policy there will need to be appropriate consultation with employees, consideration of the impact on individuals and their capability to redeploy to new duties, and retraining opportunities.

13. How does the decision contribute to the Council's Corporate Plan?

- 13.1 A leading sustainable city – by 2040 “Exeter will be recognised as a leading sustainable city and a global leader in addressing the social, economic and environmental challenges of climate change and urbanisation. The Exeter of the future will have grasped the opportunities ahead of us today”. The decision will contribute to realising this vision by increasing our recycling rate, making better use of non-renewable resources and reducing carbon dioxide emissions.
- 13.2 Providing value-for-money services: the decision will enable us to provide a legally-compliant recycling service at lowest practicable cost.

14 What risks are there and how can they be reduced?

- 14.1 These are listed in Appendix 2 and discussed above.

15 What is the impact of the decision on health and wellbeing; safeguarding children, young people and adults with care and support needs, economy, safety and the environment?

- 15.1 Improving our recycling service will improve wellbeing by increasing the collection frequency of putrescible food waste to weekly, and easier access to glass recycling.
- 15.2 The improved recycling service will reduce the net CO² emissions associated with waste collection and recycling, and will maintain or increase employment of frontline Council waste operatives.
- 15.3 Three-weekly rubbish collections have been successfully introduced in other local authorities. Adverse impacts are most likely to be on households with babies and children in nappies and on adults who have hygiene waste (e.g. incontinence pads, self-administered kidney dialysis equipment) to dispose of, resulting in higher than average volumes of non-recyclable waste. These impacts will be mitigated through a review of current policies on the allocation of additional rubbish bin capacity to take account of the reduced collection frequency. The cost of reinstating a separate hygiene waste collection service will be considered as an option in the detailed cost analysis.

16 What other options are there, and why have they been dismissed?

- 16.1 The alternative service options were discussed in the July 2019 report. Option 4 was selected on the grounds of lowest cost, lowest net CO² emissions, improved recycling rate and meeting most residents' wishes to have food waste and glass collected for recycling at the kerbside.
- 16.2 The other alternative option is to delay a decision on implementing a service change pending publication of forthcoming statutory guidance on consistency in waste collection services and the likely impact of Extended Producer Responsibility and the impact on funding of local authority waste services. As noted in paragraph 11.6, further delay in investing on the service will mean continuing to overspend on the current revenue budget and increase the risk of major failure of the MRF resulting in even higher costs.

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

Health and Safety Executive: *Comparative analysis of manual handling practices in kerbside collection of recyclable waste (2019)*

Eunomia Research & Consulting: *Update to the Business Case Investigation of Options for Collection of Household Food Waste (2019)*

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