

# APPENDIX A

## WAVERLEY BOROUGH COUNCIL

### ENVIRONMENT & LEISURE OVERVIEW & SCRUTINY COMMITTEE

23 NOVEMBER 2009

### EXECUTIVE – 1 DECEMBER 2009

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**Title:**

**PROPOSED HOUSEHOLD FOOD WASTE COLLECTION SERVICE**

[Portfolio Holder: Councillor John Sandy]

[Wards Affected: All]

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**Summary and Purpose**

To seek authority to embark on the phased introduction of a segregated household food-waste collection in Waverley and to present the latest on the future plans for the waste and recycling service.

**How this report relates to Corporate Priorities**

The report addresses the Council's 'Environment' priority, specifically, the plan to contribute to tackling climate change by "working with partners to increase the recycling rate to 45% by April 2010 and to 55% by 2015".

**Equality and Diversity Implications**

A food-waste collection service would be provided equally across the diversity spectrum. Bespoke arrangements would need to be developed to serve community living sites and houses in multiple occupation, and assisted collection arrangements made for the disabled and infirm as provided for in the core service.

**Resource Value for Money Implications**

The service would require significant resources and increased contractor costs, as detailed in the main body of the report. Its value for money must be considered carefully in the light of other spending priorities.

**Legal Implications**

The Council has no statutory duty to collect household food-waste separately and has no power to make a compulsory charge for such a service.

**Background**

1. At its meeting of 4 November 2008, the Executive considered a report presenting proposals, and cost models, for the introduction of a dedicated kerbside collection service for household food-waste in Waverley.
2. At that meeting, the Executive agreed the principle of introducing the service on a phase-by-phase basis. However, it was agreed that further work was required before a final decision could be made. Officers were therefore instructed to carry out work to determine if the weekly service of food waste collection should initially be provided to the urban parts of the Borough only, to determine the timing of the introduction of the service, and to seek increased financial support from Surrey County Council (SCC) and so establish the overall cost to this Council.
3. This work has now been completed and the results are presented below.

Why is food waste collection important in Waverley?

4. Waverley has, over recent years, been steadily improving its recycling performance. It was amongst the top performers in Surrey in terms of overall diversion from landfill in 2008/09, and amongst the top three nationally in terms of dry recycling in 2007/08. However, after a sustained period of achieving rates of just over 40% combined recycling and composting, performance is now consistently falling below this level. This appears largely to be due to a reduction in the consumption of newspapers and magazines brought about by the economic downturn, and work is currently underway to confirm this and to establish what might be done to rectify the situation.
5. Against this backdrop, European, regional and local recycling targets are set to become ever more challenging over the coming years, as summarised below: -
  - (i) The Surrey Joint Municipal Waste Management Partnership 'Memorandum of Understanding' (to which all eleven Surrey Districts and SCC itself are signatories), has set a joint target of achieving combined recycling and composting targets across Surrey of 40% by 2010/11 and 45% by 2013/14.
  - (ii) Waverley is committed through its own Corporate Plan targets to achieve a combined recycling and composting rate of 45% by 2010/11 and 55% by 2013/14.
  - (iii) The EU Waste Directives have imposed targets for the reduction of biodegradable municipal waste sent to landfill to 75% of 1995 levels by 2010, 50% by 2013 and 35% by 2020, with severe financial penalties imposed for failure to do so.
6. It is clear from historic data that it would be extremely challenging to increase recycling rates in Waverley much beyond 40% without increasing the range of materials collected and/ or reviewing the current method of collection. Essentially, without a marked improvement in the separation of household waste for recycling, it will not be possible for the Council to meet either its own

2010/11 targets, or the longer-term targets of the Surrey Joint Municipal Waste Management Partnership.

7. The Council scored poorly in terms of satisfaction with refuse collection and recycling in the 2008 Place Survey. In order to provide independent verification of these findings, and to establish whether there were any underlying causes of this poor satisfaction rate, the same questions were asked of those taking part in the Council's recent 'Participatory Budgeting' consultation process, with a supplementary question asking for reasons for their response.
8. Although this survey showed a higher level of satisfaction than reported in the Place Survey with 62% of respondents either fairly or very satisfied, it did also provide some useful information as to the causes of dissatisfaction. A detailed analysis of these responses is now taking place, but it is clear from an initial reading of the results that the main cause of dissatisfaction with the service is the Alternate Weekly Collection of residual waste, and in particular the resultant issues of smells and maggots; something which would be largely resolved by the provision of a weekly food waste collection.
9. Recent composition studies carried out indicate that the greatest concentration of potentially recyclable material currently found in residual household bins in Waverley is food waste (up to 36% by weight), with the second greatest concentration (approximately 15% by weight) being of card. Mixed plastics (i.e. non-bottle plastic) are one of the greatest concentrations by volume in the residual waste stream.
10. All of these materials could be collected separately for recycling subject to suitable collection arrangements and availability of funding, and a second supplementary question asked of those taking part in the 'Participatory Budgeting' consultation sought to establish their relative priorities in terms of recycling these materials. The provision of a weekly food waste collection service was considered the first priority by far the largest proportion (35%) of respondents.

#### Surrey County Council's position

11. Waste management and recycling in Surrey is currently undergoing significant changes. Not only are a number of neighbouring districts taking the natural conclusion of existing contracts as an opportunity to reconfigure their collection services to incorporate food-waste and other recyclates (and different methods of collection), but SCC is also carrying out a fundamental review of its performance as the Waste Disposal Authority, with the stated aim of working closely with Surrey Districts to become 'world class' in waste collection and re-use.
12. To this end, SCC has confirmed that it is prepared to support the introduction of food-waste collection across Waverley with a capital contribution of £380,000 in respect of start-up costs and a revenue contribution of £150,000

per annum for the first three years, with subsequent revenue contributions subject to review and negotiation.

13. The contributions are not subject to time limit, and would be applied pro-rata if the service were introduced incrementally or initially to only parts of the Borough.

#### The long-term picture

14. The changes currently underway within Surrey mean that, to make any significant change to the scope of our service, or the way in which it is delivered may be unwise at this stage, as there are clear benefits to be had from learning from our neighbours, and waiting for further, more concrete information on SCC's future plans. However, we particularly need to keep this matter under review.
15. The Council's Waste Management contract with Veolia is a seven-year agreement with an option to extend by mutual consent for up to a further seven years. The initial contract period comes to an end in November 2012 and therefore discussions need to start early in 2010 to agree whether a contract retender or renegotiation is the preferred option.
16. This provides a good opportunity, whether it is decided to retender or renegotiate, to look both at collection methods and the range of materials collected with a view to optimising recycling performance going forward. This would, in practice entail conversations with our contractors, our customers and SCC, as well as the recipients of some of our higher value recyclables, about the advantages and disadvantages of different systems ('co-mingled' versus 'kerbside sorted', for example), with particular reference to the need to capture those recyclables which currently find their way into the residual waste stream (in particular, food waste, card and mixed plastics).
17. Given the number of variables involved, it is impossible to provide an estimate at this time of the cost of any re-specified and enhanced service beyond 2012. However, it is likely that the additional cost of incorporating new materials could to some degree be offset by a fundamental redesign of the service and careful consideration of the financial implications of re-tendering versus renegotiation.

#### Interim proposals for a food waste collection service

18. In the meantime, there is clearly a pressure to improve recycling rates and we must reduce the quantity of waste sent to landfill. There are also clear benefits to be had from gaining operational experience of managing a food waste collection service in Waverley ahead of implementing a borough-wide service.
19. The most practical, flexible and financially attractive option to enable this to happen at this time is the provision of a 'bolt-on' food waste service using separate dedicated vehicles, hired by the contractor for the remaining period of the contract, and concentrating on a 'trial' area of one or a number of

collection rounds in the urban area. It is recommended that this should be an urban-focused operation as this ensures the most efficient use is made of resources, enabling collections to take place from approximately 6,750 households per round per week compared with approximately 3,500 per week (700 per day) from a rural area. Furthermore, it is felt that a greater focus should be given to emphasising and encouraging home composting where residents have the capacity to do it (which is more likely to be in rural communities).

20. Given the potentially limited time period involved, the fact that Veolia have expertise in the provision of such services, and the fact that any procurement would cost, both in terms of money and time, it is proposed that the provision of a 'bolt-on' food waste service, for the remaining 2 years of the contract, would not be subject to competitive tendering. It would instead be dealt with as a variation to the existing Waste Management Contract, as permitted under the Conditions of Contract and covered by the relevant clauses of the Council's Contract Procedure Rules. This could conceivably enable an initial collection round to be started by April/ May 2010.

#### Financing the service

21. The guideline gross cost 'per round' of such a service has been calculated and has been independently verified by Veolia, waste specialists "White Young Green Environment", and neighbouring authorities with experience of running a food waste collection service. These calculations suggest that an initial capital outlay of approximately £48,000 per round will be required, with a subsequent ongoing revenue cost of approximately £135,000 per annum thereafter. Further details of the way in which these cost estimates have been reached, as well as cost models for a full urban service, and a borough-wide service, are to be found at Annexe 1 for information. These projected expenditure figures will be sharpened over the coming weeks in negotiation with Veolia, and informed by further conversations with neighbouring authorities with experience of running a food waste collection service, with a view to securing the best possible price.
22. Applying the SCC financial offer on a pro-rata basis to these figures would mean that the initial capital outlay would be covered in its entirety by the SCC contribution, and the ongoing revenue cost would reduce to £115,000 per annum. Officers intend to explore with SCC whether there is any flexibility in terms of how their contribution can be applied, with particular reference to the revenue/ capital split and the proposed allocation by financial year, and hope to be in a position to expand on this at the meeting on 23 November.
23. Should a decision be made to proceed with one, or a number of rounds, however, this is clearly still a significant growth item at a time of increasing financial pressure.
24. At the time of writing, a clear financial strategy for funding this service has not been identified, however Officers will attend the meeting on 23 November to give preliminary advice on how this might be achieved and in turn to indicate

how many rounds might be possible. In the meantime, an initial appraisal of options (some clearly more palatable than others) to finance the roll-out of one, or a number of rounds, is set out below:

- a) Shift priorities and generate savings from within Environmental Services, for example:
  - Increased income from renegotiation of waste paper contract with Aylesford Newsprint (Anticipated additional income of £100k) and textiles contract (approximately £3k) with decrease in recycling credit (circa £50k)- meaning an anticipated net increase in income of £53k per annum.
  - Increase subscription charges for the doorstep garden waste collection service. Currently, with an annual charge of £45 for two bags and £60 for four bags with half price concessions, this is already relatively high compared with other Surrey authorities, but increasing charges by another £5 per annum could generate between £10-15k assuming no resultant drop-off in demand.
  - Subject to the findings of the current review of public conveniences (due in March), close, or transfer the maintenance of one or more public convenience(s) (saving of approximately £5k per site)
- b) Other potential changes to Environmental Services, accepting difficulties are likely to be encountered, for example:
  - Cease free provision of plastic sacks to households without wheelie bins, or reduce to initial issue only (saving up to £14k per annum)
  - Cease Saturday Green Waste Collection & encourage participants to switch to the existing doorstep collection subscription service (Saving circa £30k), or make the Saturday Green Waste Collection Service itself a subscription service.
- c) Finance the new service from savings generated from other Council operations.
- d) Increase Council Tax to finance the new service (the cost for implementing one round would be approximately equivalent to a 1.5% increase in Council Tax).
- e) Use LPSA (Local Public Service Agreement) Grant Funding to assist with the financing of the initiative. (In March 2009, Waverley was awarded LPSA Grant totalling £275,651, as reward for performance in specific areas for the year to 31<sup>st</sup> March 2008. The grant is allocated to be spent 50% revenue and 50% capital; and also is payable by two equal instalments, in March 2009 and March 2010. Accounting guidance required Councils to bring the whole amount within the 2008/09 accounts, even though half will not be paid until 2009/10. Therefore the General Fund Working Balance includes £137,825 in

respect of the revenue element. Early in 2008, the Council committed to pool £87,308 of the total grant to the Surrey Waste Partnership. The remaining grant of £188,342, of which £94,171 is for revenue expenditure was available for allocation at 1<sup>st</sup> April 2009. To date £13,550 has been used to finance the production of a consultants report looking at options for the waste collection service in Waverley.

### Next Steps

25. Upon instruction to proceed with this initiative, Officers will:-
- a) Work closely with Veolia to achieve an agreed capital and revenue sum for the prescribed service.
  - b) Continue to liaise closely with SCC to establish the degree of flexibility over their financial offer, and how it might be applied to the service.
  - c) Work up a detailed financial strategy to fund the initiative.
  - d) Establish the best location for the initial round(s) to optimise participation and collection rates.
  - e) Agree provisional start dates for the service with Veolia and SCC and commence promotion.
  - f) Formally procure the new service as a variation to the existing Waste Management Contract.

### Conclusion

1. The introduction of dedicated household food-waste collection in Waverley would meet a number of key objectives as set out in paragraphs 4-10 above; however, there is a significant cost to the introduction of such a service. Full account must therefore be taken of all of the issues raised in this report balanced against the available funding.
2. In order to progress this initiative, and gain operational experience of managing a food waste collection service, it is proposed initially to introduce the service in a 'trial' area, the size of which will be dictated by available funds. However, once the service has commenced, it will be difficult to withdraw it and therefore an 'in principle' commitment to provide funding into the future both for the trial area, and for subsequent phases, will need to be made before proceeding.
3. The aim should be to have a full service in place on, or before 1 November 2012, when the re-tendered or re-negotiated contract commences. The cost of this is difficult to predict at this time. However, incorporating separated food-waste collection into an integrated recycling service (i.e., using a single multi-compartment vehicle) is likely to deliver a significant saving on collecting food-waste as a separate service.

## **Recommendation**

It is recommended that the Committee:-

1. Considers whether food waste has priority at a time of financial challenge, and/ or therefore whether it warrants treating as an exception;
2. Considers whether the principle of concentrating on urban areas, is the right one;
3. Considers and comments upon the proposed next steps as outlined in paragraph 25.

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### Background Papers (CEX)

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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