

REPORT TO: SCRUTINY COMMITTEE

DATE: 22 JANUARY 2014

TITLE: REVIEW OF ESSEX INTER-AUTHORITY
WASTE AND RECYCLING AGREEMENT

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RECOMMENDED that the Committee recommends to Cabinet:

- A** That the Council continues to participate in the Inter Authority Agreement.
- B** That the broad options presented at paragraphs 36 and 38 be developed to enhance performance and seek cost efficiencies in domestic waste and recycling collection services.

BACKGROUND

1. The legal arrangements for collection and disposal of municipal waste were established by the Environmental Protection Act 1990, which created Waste Collection Authorities (WCAs), and Waste Disposal Authorities (WDAs). Waste Collection Authorities are required to collect domestic waste from households, and Waste Disposal Authorities are required to make arrangements for its disposal.
2. Traditionally waste disposal relied on controlled landfill. Over past decades it has been recognised at international, national and local levels that landfill is not a sustainable means of disposing waste. The main issues commonly cited for this are:
 1. Waste of materials.
 2. Green-house gas emissions from landfilled biodegradable material.
 3. Increasing shortage of suitable and suitably located sites for landfill (in Essex available capacity was predicted in 2007 to be filled by 2017).

National strategy reflecting these issues has been set out in successive national waste strategies. The current national strategy position is set out in the Government's Waste Management Plan for England.

3. In Essex, the County Council is the Waste Disposal Authority and Harlow

Council is a Waste Collection Authority. Unitary Councils like Southend-on-Sea and Thurrock are responsible for both functions.

4. Primarily in response to the need to move away from landfill, in 2002 the Councils in Essex set up a Waste Management Advisory Board (WMAB) to examine the current and future challenges regarding waste. Public consultation exercises were conducted during 2002 and 2005 and the outcomes, with the work of WMAB, are reflected in the Joint Municipal Waste Management Strategy for Essex 2007 to 2032 (JMWMS). The IAA was developed to put the JMWMS into effect.
5. The Council's arrangements for collection of domestic waste have been developed to reflect the JMWMS and the IAA. More information on the JMWMS, the IAA, and the Council's domestic waste collection arrangements are given below.

JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY FOR ESSEX

6. The JMWMS aimed to deliver:
 - i. Reduction in the amount of waste produced.
 - ii. Reuse of more waste.
 - iii. Increased Recycling.
 - iv. Composting technologies such as Anaerobic Digestion for organic waste.
 - v. Mechanical Biological Treatment for residual waste.
7. It was considered that increased recycling might be delivered by a combination of more emphasis on separation by households and kerbside collection by WCAs, with increased sorting of residual waste by the County Council before disposal. The aspiration was to achieve diversion of 60% of waste collected by 2020.
8. Anaerobic Digestion (AD) is a form of bio-treatment which produces a gas from material such as food waste in purpose-built treatment plants. The gas can be used to generate renewable electricity. The process requires a predictable volume and nature of feed material.
9. Mechanical Biological Treatment (MBT) is processing remaining 'black bag' waste (after sorting to remove remaining material fit for recycling) aerobically, so that green-house gas production is minimised, the material is stabilised, and its volume greatly reduced. The remaining material can be manufactured into a fuel for energy generation, or sent to landfill. MBT also requires specialised plant and a predictable volume and nature of feed material

10. To make AD and MBT available, very substantial investment in specialised plant was required. To secure investment on such a scale, clarity about the nature and quantity of waste to be treated was felt to be necessary.
11. The nature and quantity of waste to be treated is subject to economic factors and population sizes, but is also highly dependent on collection methods. For example, whether or not there is a separate collection of recyclable materials; what materials are collected and how often collections are made. Under the statutory framework, WCAs determine collection methodology, and could change their approaches many times over the expected life of an MBT or AD plant. For this reason, a form of agreement between Essex County Council and the WCAs in Essex was necessary to secure the necessary capital investment. The IAA exists for this purpose.

THE INTER AUTHORITY AGREEMENT

12. The Inter-Authority Agreement (formally entitled Inter Authority Agreement relating to the Essex Waste Partnership Strategy Programme, and referred to as the IAA) exists to support the development and operation of viable alternatives to landfill as a solution for the disposal of municipal waste.
13. The IAA is an agreement in civil law between Essex County Council and WCAs in Essex which is intended to ensure the necessary alignment of collection and disposal provision to meet the aims of the JMWMS. In effect it is a form of contract, intended to endure for the life of the disposal solutions to be procured
14. Under the terms of the IAA, WCAs must set out and regularly update their current and future Service Delivery Plans (SDPs) from which the amount and nature of waste to be treated can be predicted. WCAs are committed to the Service Delivery Plans declared for the purposes of the IAA. Proposals for significant change must be accepted by the partners to the IAA.
15. Some collection methodologies are more costly for WCAs to implement than others, and some may impose costs or benefits on the County Council. For example it is expensive to provide separate containers, vehicles, and collection rounds for residual waste, for recyclable materials, for food waste, and for garden waste; however removing significant amounts of waste from the residual waste stream reduces the cost to the County Council of treating residual waste. The IAA seeks to address this quite complex interrelationship by providing financial support to WCAs for the costs of providing services that support JMWMS aims and that reduce disposal costs to the County Council.
16. The IAA establishes a Councillor Working Group, supported by an Officer Working Group, to monitor and further progress the project, which can make

recommendations to the partners, but does not have executive authority.

17. The IAA provides for annual review of current and future plans of the WDA and WCAs so that mutual confidence in service to be provided, waste generated, and payments to be expected can be maintained. *Ad hoc* reviews deal with short term or minor changes to service that may not have been foreseen in long term service planning.
18. At the inception of the IAA, Harlow Council procured domestic waste collection services on expiry of its existing contract and the procurement process was carried out in the context set out above, so that services procured reflect the aims of the JMWMS, and the contributions to revenue costs and payments reflecting avoided disposal payments offset the overall cost of the service.
19. Expected income from all components of the IAA in 2014/15 is approximately £1.2M

DOMESTIC WASTE COLLECTION CONTRACT

20. The Council's contract for domestic waste and recycling collection services was awarded to Veolia Environmental Services (VES), and commenced in 2009. The contract is for seven years, with an option to extend it by a further two years.
21. As set out above, there is an interrelationship between the services procured under the contract, and the IAA, as the services were procured in the light of financial support proposed under the IAA.
22. The predicted cost of the waste and recycling collection contract in 2014/15 is approximately £3.1M. The payments under the IAA substantially offset this cost and the net cost predicted for 2014/15 is approximately £1.9m.

PROGRESS WITH JMWMS

23. Based on the clarity that the IAA provides Essex County Council has been successful in securing Private Finance Initiative (PFI) approval from Government to develop an MBT plant to treat residual waste. It has procured a solution based on a single plant at a central site in Basildon. This will be served by a number of Waste Transfer Stations (WTS) where waste will be transferred to bulk transporters, to ensure a practicable travel distance for WCAs' collection vehicles. The WTS to serve Harlow is located in Temple Fields. The MBT plant is well advanced in construction, and is due to commence commissioning in summer 2014. The WTS should become

operational at that time.

24. The MBT plant will alleviate the issues associated with landfill of residual waste. Most recyclable material that has not been separated by households can be extracted by automated sorting plant increasing the recycling rate achieved overall. The residue will be treated aerobically vastly reducing its bulk and avoiding methane generation, the principal green-house gas associated with landfill. If a suitable market is identified for the residue as fuel to generate energy, further carbon savings as well as improved energy security will result.
25. Procurement of a solution for disposal of separated food waste is well under way. An AD plant when operational would generate gas which can be used to generate energy, producing carbon savings and renewable energy as well as contributing to energy security.
26. Before implementing the current collection regime under the IAA and contract with VES, the Council's target for diversion of waste from landfill was 24%. More than twice that percentage of waste is diverted from landfill under the IAA. Other Essex Councils have achieved similar results when implementing revised collection systems.
27. On this basis a great deal of progress has been made in implementing the JMWMS

ISSUES

28. Performance in terms of percentage of waste diverted from landfill is very substantially improved under the arrangements put in place in the light of the IAA.
29. Although the Council did not seek a "lowest cost" solution when procuring services, it is clear that the service provided, with the capital cost of two wheelie bins and food waste caddies for most households, separate collection rounds for food waste, residual and dry recyclables, and separate vehicles for food waste, is significantly more expensive than the most basic single collection service that might in theory be provided. Whilst value for money has always been an important issue, the financial resources available to the Council have continued to diminish since the IAA and waste collection contract were put in place.
30. Income to the Council from Essex County Council under the IAA substantially offsets the costs of current services, and depends on continuing to deliver the agreed SDP and to maintain the tonnage of waste diverted.

31. Collection Services are provided for the Council under commercial contract and any proposed change would need to be considered in the light of any impact on income from the County Council under the IAA, negotiated if necessary with IAA partners, and agreed through the process set out in the contract with VES.
32. Payments under the IAA were agreed by the County Council in the light of legislation that placed an increasing financial penalty on disposal of biodegradable waste. That legislation has been withdrawn, and so the financial incentive for the County Council to pay WCAs to provide services that remove food waste for example from the residual waste stream is now reduced. This may make the IAA appear a relatively costly approach in some cases. The IAA is a contract and not subject to unilateral revision, however under the IAA the Council has agreed to cooperate with the County Council in delivering service and so there may be occasion for discussion on mutually agreeable amendments.
33. With reducing resources, it has not been possible to sustain the effective communication campaign that accompanied roll-out of the current collection arrangements. There is some risk that the cooperation of residents in carefully segregating their waste will diminish if there is not on-going effort to remind residents of how much they are doing to support success in diverting waste.

OPTIONS

34. Whilst it would not be possible to list every potential variation in such a complex picture, broad options can be identified, and these are described below with some comment.

35. **No change**

The Council would continue with the current collection system and expectation of payment under the IAA. The Council might make provision for similar service at the expiry of the current contract with VES in order to remain compliant with the IAA. This has the advantages that diversion of waste should continue to be high, that Council changes would not jeopardise IAA income, and capital costs would not be affected.

36. **Increase communication within existing resources**

Modest provision for communication in relation to the current roll-out of collection of food waste from flat blocks has been made. At risk of providing less-focussed communication about the new flat block service, any communications might include messages supporting recycling for all

residents. This might have a modest impact on recycling rates with no overall cost implications.

37. Identify additional resources to be dedicated to communication on recycling

Additional resources would provide a budget for paid communications such as press advertising and might provide staff time to engage with residents. Increased recycling may bring increased IAA income which might make the option cost-neutral for the Council, but this is not guaranteed.

38. Seek efficiencies in partnership with the current contactor that do not substantially affect the IAA

The most appropriate opportunity for significant change to service is on expiry of the contract, in part because there is a contract in place, and in part because the nature of the service is closely tied to the containers and collection vehicles and changing either could involve substantial capital cost. The capital costs for existing arrangements are calculated to be repaid over the term of the contract, so even if some existing bins and vehicles were not used, the Council would continue to pay for them, offsetting any saving. Contractors bidding competitively for business at the time that the contract was let will have devised the most efficient service consistent with the Council's specifications, and so it is unlikely that there are great efficiencies in the use of crews and vehicles for example within the current SDP. However it may be possible to identify more modest changes to service that do not affect the SDP substantially and that do not incur capital costs, which would result in savings. If sufficient savings are identified, a portion might be allocated to additional communication to bolster recycling performance.

39. Leave the IAA

The Council might in principle cease to provide the services arranged under the IAA and cease to accept the IAA payments. While not being bound by the IAA would free the Council to provide a more basic, lower-cost service, there is no doubt that environmental performance would suffer hugely, and there is considerable doubt that any saving would outweigh the loss of IAA payments. Together with the constraints imposed by the contract with VES, it seems most unlikely that this would be a desirable or practicable option.

40. At this point it appears that of the options presented above, that at paragraph 38 most closely suits the Council's needs.

IMPLICATIONS

Regeneration (includes Sustainability)

Where responsibility for collection and disposal of domestic waste is divided between authorities, coordination of services is most likely to provide a sustainable outcome. At this time the IAA appears to provide the best option to further this.

Author: **Graeme Bloomer, Head of Regeneration**

Finance (Includes ICT)

Service changes that jeopardise Income from the IAA should not be implemented without very careful consideration as it substantially offsets the cost of waste and recycling collection services.

Author: **Simon Freeman, Head of Finance**

Housing

None specific at this stage. Any revision of service that might arise from further work should take proper account of the needs of Council tenants and leaseholders

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Equalities and Social Inclusion)

The proposed review of current arrangements to ensure that they provide the best value within the limits of the SDP and IAA is practicable and appropriate. Capacity to fully consider more radical options at the midpoint in the service contract cycle is limited; It would be appropriate to consider more extensive change at the point of securing service at the expiry of the contract. Any revisions to service should take proper account of the needs of disabled and vulnerable residents.

Author: **Lynn Seward, Head of Community Wellbeing**

Governance (includes HR)

The Council has enforceable contractual obligations flowing from both the IAA, and its contract with Veolia (the latter engaged to operationally discharge the Service Delivery Plans in the IAA referred to in paragraph 17). Variation to either can only be made where:

- (i) terms of each contractual agreement allow and
- (ii) within any given contractual parameters and
- (iii) if permitted by EU procurement rules

A variation to a Service Delivery Plan can result in a reduction in revenue derived from the IAA itself.

Author: **Julie Galvin, Legal Assistant, for Brian Keane, Interim Head of Governance**

Background Papers

[These are papers referred to in the preparation of the report that are not attached as appendices but that are available for public or Councillor study.]

Waste Management Plan for England

<https://www.gov.uk/government/publications/waste-management-plan-for-england>

Joint Municipal Waste Management Strategy for Essex (2007 to 2032)

<http://www.brentwood.gov.uk/pdf/02092008152729u.pdf>

Glossary of terms/abbreviations used

IAA	Inter Authority Agreement relating to the Essex Waste Partnership Strategy Programme
WCA	Waste Collection Authority, (e.g. Harlow Council)
WDA	Waste Disposal Authority, (here, Essex County Council)
JMWMS	Joint Municipal Waste Management Strategy
SDP	Service Delivery Plan of WCAs for the purposes of the IAA
WTS	Waste Transfer Station
VES	Veolia Environmental Services
WMAB	Waste Management Advisory Board
AD	Anaerobic Digestion
MBT	Mechanical Biological Treatment
PFI	Private Finance Initiative