

 <b>Executive</b> <b>4 February 2009</b>		<b>Agenda Item No.</b>
<b>Title</b>	Review of the Waste and Street Cleansing Budget	
<b>For further information about this report please contact</b>	Councillor Janice Dean Telephone 01926 888423	
<b>Service Area</b>	Neighbourhood Services and Members Waste Finance Working Party	
<b>Wards of the District directly affected</b>	None	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	2 December 2008	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <u>must</u> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director		
Chief Executive	21/1/2009	Chris Elliott
CMT	21/1/2009	
Section 151 Officer		
Legal	20/1/2009	Peter Oliver
Finance	20/1/2009	Mike Snow
Portfolio Holder(s)	21/1/2009	Councillor Michael Kinson
<b>Consultation Undertaken</b>		
<b>Final Decision?</b>	Yes	
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1. SUMMARY**

- 1.1 The Audit & Resources Committee agreed at its meeting in July 2008 to appoint a Waste Finance Working Party to look at the waste and street cleansing budget following the implementation of the new Integrated Waste Contract in April 2008. The appointed Members were Councillor Janice Dean, Councillor Sidney Tyrrell and Councillor George Illingworth.
- 1.2 A significant amount of additional resource had been allocated to the budget to accommodate the provisions of the new Contract together with an increase in ancillary and staff costs. The Working Party was charged with:
- Reviewing the income and expenditure to date against the newly agreed ongoing budget and additional one-off expenditure.
  - Considering the impact of additional recycling by residents in terms of potential for additional contract costs and recycling credits and other income.
  - Reviewing the potential for future developments in the service and also for cost reductions.
  - Seeking an understanding of the financial risks.

## **2. RECOMMENDATIONS**

- 2.1 The Working Party has made 14 recommendations in total and these are set out below for approval by the Executive:
- (i) A review of the staffing levels of all contract management officers and ancillary staff within Neighbourhood Services is carried out within 12 months of the merger of the teams.
  - (ii) To make provision for a knowledge and transfer handover period with the new Contract Manager prior to the departure of the Community Services Manager.
  - (iii) Officers continue to review the collection methods and type of container for those residents who have requested that their collections be reviewed.
  - (iv) All schools who wish to participate are offered recycling facilities.
  - (v) Recycling facilities be offered to all flats complexes where practicable
  - (vi) The possibilities for siting additional public recycling banks be investigated and a separate report should be brought forward for consideration if there is potential for expansion of this provision.
  - (vii) Joint funded partnership working on graffiti and other environmental crimes continues to provide an effective means of overcoming such issues.
  - (viii) The Council consider its charging policy for collections from properties other than residential properties and a separate report should be brought forward for consideration.
  - (ix) There should be close monitoring of the volatile market for recyclables to ensure that best prices are obtained.

- (x) The contract be signed as soon as all details are agreed
- (xi) A report be prepared comparing the benefits and outcomes of kerbside sort versus co-mingled collections prior to the re-tendering of the Integrated Waste Contract for 2013.
- (xii) A further report be prepared in twelve months comparing performance with other Councils
- (xiii) An annual review be carried out of the contract with particular reference to the financial viability of the various elements.
- (xiv) All the financial and other risks are closely monitored and are updated on a quarterly basis as part of the regular risk reporting process.

2.2 The Executive notes that where the above recommendations have budgetary or staffing implications they will be the subject of further reports to either Executive or relevant Committees.

### **3. REASONS FOR THE RECOMMENDATION**

3.1 The recommendations of the Working Party were agreed by the Audit & Resources Scrutiny Committee in December 2008 has examined the Waste and Street Cleansing Budget in the context of the current services and within the scope of the task set.

### **4. ALTERNATIVE OPTION CONSIDERED**

4.1 No alternatives were considered since this report is from the Members Working Party.

### **5. BUDGETARY FRAMEWORK**

5.1 All areas are covered by existing budgets and where they are not they will be the subject of further reports to either Executive or relevant Committee.

### **6. POLICY FRAMEWORK**

6.1 The waste and cleansing services support the corporate strategy.

### **7. BACKGROUND**

7.1 The report of the Working Party was agreed at the meeting of Audit & Resources Scrutiny Committee on 2 December with a resolution to refer the recommendations to the Executive.

7.2 The Report of the Members Working Party on the Waste and Street Cleansing Budget is attached as Appendix A.

## MEMBERS WORKING PARTY – REPORT

**1. SCOPE**

- 1.2 The Audit & Resources Committee agreed at its meeting in July 2008 to appoint Members to a Waste Finance Working Party to look at the waste and cleansing budget following the implementation of the new Integrated Waste Contract. The appointed Members were Councillor Janice Dean, Councillor Sidney Tyrrell and Councillor George Illingworth.
- 1.2 A significant amount of additional resource had been allocated to the budget to accommodate the provisions of the new Integrated Waste Contract from 1<sup>st</sup> April 2008 together with an increase in ancillary and staff costs.
- 1.3 The Working Party was charged with:
- Reviewing the income and expenditure to date against the newly agreed ongoing budget and additional one-off expenditure.
  - Considering the impact of additional recycling by residents in terms of potential for additional contract costs and recycling credits and other income.
  - Reviewing the potential for future developments in the service and also for cost reductions.
  - Seeking an understanding of the financial risks.

**2. CURRENT FUNDING****Increase in budget – contract costs**

- 2.1 In October 2007 the Council awarded a new 5 year Integrated Waste Contract to SITA UK for the provision of:-
- Waste Collection – including non –recyclable and recyclable household waste, garden and green waste to 60,000 households throughout the District
  - Street Cleansing and cleansing of car parks, open spaces and some housing land
  - Cleaning of Public Conveniences

The total contract price for the first year starting on the 31<sup>st</sup> March 2008 was £4,280,581 and the total value of the contract over the five year term is likely to rise with inflation to around £25m.

In agreeing the award of the new Integrated Waste Contract the Council allocated an additional £925,000 within the waste services budget.

The main allocations of this were:-

Refuse and recycling collection	£230,000
Street cleansing and other cleansing services	£400,000

- 2.2 To contain the increase in cost to the refuse and recycling element of the contract and to meet National and local waste minimisation and recycling targets, National cleanliness standards and customer expectations, the Council changed the method of collection from a weekly 'back door' sack collection to an alternate week dual bin collection. Grey bins were provided for residual waste to all properties able to accommodate them (previously the Council did not supply containers) Paras. 2.9 and 2.10 below set out the capital expenditure and funding.
- 2.3 To continue with the previous collection method a further £600,000 would have been required and it would not have been possible to have extended the garden waste collection scheme nor to increase the number of recyclable materials collected and to provide the level of service expected by residents.
- 2.4 There was also a substantial increase in the cost of the street cleansing element which increased from £805,000 to £1,203,000. There was some additional work included within the revised specification again to meet national performance targets particularly on litter and graffiti. The price rose also to meet the level of inflation that had accrued since the award of the previous contract particularly on labour costs.

### **Income**

- 2.5 The Council has two main sources of income:-

#### **Sale of Recyclables**

The Contractor has the responsibility for the sale of recyclables with the income, less haulage charges, being shared equally by the Council and the Contractor. This arrangement was agreed to ensure the Contractor had sufficient incentive to promote recycling and deliver an effective and cost efficient service and to ensure that the Council benefited directly from the extra investment.

#### **Recycling Credits**

These are paid to the Council by Warwickshire County Council as the Waste Disposal Authority under the National Recycling Credits Scheme to encourage recycling and reduce the amount of waste going to landfill hence saving WCC disposal costs and landfill tax. The rate for this is currently £36 per tonne and increases annually by 3% in accordance with legislation. The District Council retains all the income from recycling credits but only receives recycling credits on the dry recyclables i.e.: paper, glass, cans etc. The Council receives no credits for the collection of bio-waste i.e.: garden and food waste since the County Council arranges and pays for composting at the Invesel Compost site. The Council only receives credits for materials which are disposed of at no cost to WCC.

Recycling credits are claimed by the Council on a quarterly basis once all the figures for collection and disposal are agreed.

## **Increase in Budget - Client Costs**

2.6 At the same time as agreeing additional funding for the contract sum, funding for additional staff and other ancillary resources was also agreed. This was made up of:

- £168,000 one-off costs relating to the implementation of the new contract and
- £361,000 recurring costs for the on-going support and monitoring of the contract from 2008/09.

2.7 The £168,000 sum for one-off implementation costs included:

- £60,000 for additional customer liaison officers
- £27,000 for 3 field officers
- £15,000 for volunteer recycling champions
- £16,000 for the bin storage compound
- £50,000 for publicity

2.8 Within the £361,000 recurring costs were:

- £175,000 for additional staff
- £50,000 for publicity
- £36,000 for additional recycling facilities for schools and town centres
- £30,000 for the removal of graffiti
- £70,000 for an additional rapid response team

## **Increase in budget – capital costs**

2.9 £1,373,000 Capital funding was also agreed for the following items:

- Additional green bins for garden and food waste
- grey bins for non-recyclable waste
- Recycling boxes
- Kitchen Caddies
- Recycling banks

2.10 The Council received several grants in respect of the above items namely:

- Waste performance grant – DEFRA - £61,000
- Waste grants totalling £673,000  
From WCC/Warwickshire waste partnership

2.11 The total net cost of the Refuse and Recycling Service is set out below:-

**[ - Provisional - ]**

	<b>2007/08 Actual</b>	<b>2008/09 Original Estimate</b>	<b>2008/09 Revised Estimate</b>	<b>2009/10 Original Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Client costs	631,778	872,200	804,800	706,100
Contract costs	2,511,146	2,740,900	2,675,900	2,890,900
<b>Total</b>	<b>3,142,924</b>	<b>3,613,100</b>	<b>3,480,700</b>	<b>3,597,000</b>
Recycling Credits	-300,975	-275,600	-350,000	-350,000
Sales of Recyclables	-108,933	-209,500	-300,000	-300,000
Cont from WCC	-20,000			
Other Income	-37,337	-38,000	-40,700	-44,200
<b>Total</b>	<b>-467,245</b>	<b>-523,100</b>	<b>-690,700</b>	<b>-694,200</b>
<b>Net cost of service</b>	<b>2,675,679</b>	<b>3,090,000</b>	<b>2,790,000</b>	<b>2,902,800</b>

Note:- The 2008/09 Revised Estimate and 2009/10 Original Estimate are currently provisional.

### **3. FINDINGS**

#### **Review of income and Expenditure to date against budget**

- 3.1 In accordance with the scoping document the Working Party has reviewed the income and expenditure to date against the newly agreed ongoing budget and additional one-off expenditure. The findings are set out in the following paragraphs.

#### **Review of resources - staff**

- 3.2 The Contract has been implemented within the overall budget allocated. However, there was some delay in appointing to all of the newly required posts which has not only impacted on the budget provision but also on the service provided particularly in response to customers' complaints and enquiries and in sorting out some operational issues. In particular, despite significant recruitment efforts, it was unfortunately not possible to recruit temporary field officers to work with residents and alongside SITA around the start of the contract. This accounts in part for the Council's client costs being lower than estimated.
- 3.3 As a result some of the resources were slipped to 2008/09 and reallocated to provide additional resource to the 'Sort-it' team who responded as the initial point of contact to enquiries from residents on collection issues and the provision of containers dealing with over 50,000 phone calls, e-mails and personal callers.
- 3.4 With regard to recurring staff costs, most of the permanent staff are in post.. However, despite advertising on several occasions, it has not been possible to appoint a Senior Contract Officer. There has been a lack of interest in this post which may be down to the grading or simply a lack of experienced waste contract officers seeking new appointments.

- 3.5 It is now proposed that these resources be used to retain an additional Customer Liaison Officer (giving three in total on a recurring basis). This is believed to reflect more closely the demands facing the services for the foreseeable future.
- 3.6 In due course, when Waste Services merge in with the remainder of the Neighbourhood Services Unit, joint working with officers managing the grounds management contract may give scope for a review of working practices which would ensure equality of grading and responsibility and may indicate a suitable candidate for senior contract officer from existing staff.
- 3.7 In the current financial year there is an allocation of £88,000 for contract publicity and associated costs. This money is being spent on campaigns to encourage recycling and waste minimisation and is driven by the newly appointed Education and Awareness officer. She is running several campaigns including currently an advertising campaign on university buses aimed at students and their waste, detailed articles for the Council's Focus magazine and updates on the web site.

*[It should be noted that whilst students are exempt from the payment of council tax, the number of students resident in the district is reflected in the Revenue Support Grant Settlement whereby authorities receive increased grant to compensate]*

- 3.8 All other new appointees have settled well into the team. One member of the original team has been on long-term sickness since May 08 and his post is being covered by the field officer which is impacting on the salaries budget but is off-set by the failure to recruit the senior contract officer.
- 3.9 Concern was expressed over the imminent departure of the Community Services Manager (Jackie Webb) and the impact on the financial management of the Integrated Waste Contract. The community Service Manager's detailed knowledge of the contract needs to be transferred so it is not lost to the Council. A new Contract Manager has been appointed who will replace both the Community Services Manager and the Grounds Maintenance Contract Manager. He is due to start in early February 2009.

#### **The Working Party recommends:**

- (i) that a review of the staffing levels of all contact management officers and ancillary staff within neighbourhood services is carried out within 12 months of the merger of the teams.**
- (ii) There is a sufficient handover period with the new Contract Manager**

#### **Review of Resources- Contract Development**

- 3.10 The contract has now begun to settle down although there are several issues which need to be resolved particularly relating to the provision of containers and the appropriate method of collection for around 1500 properties. The contractor is currently looking at revisions to the collection routes for both the alternate week collections (grey and green bins), the weekly sack collections and the red box collections. It is proving a long and arduous task to co-ordinate all the proposed alterations but it is envisaged that all adjustments will be complete prior to the end of December 2008.



- 3.11 Over 45,000 properties have moved from weekly sack collections to alternate week bin collections and the results have exceeded expectations. 22% of household waste is being recycled i.e.: glass, paper, plastic bottles, cardboard, cans etc. and 38% of organic waste is being collected for composting. This includes both garden and food waste. In 2007/08 15% of household waste was recycled and 18% composted. Around 90% of households participate in the red box scheme.
- 3.12 There is still development work to carry out. The service to schools has been extended and it is hoped to offer a recycling service to all schools who wish to participate by end of March 2009.
- 3.13 There are around 15,000 residents who remain on either weekly sacks or are served by a bulk bin collection. Whilst some of these residents are part of the red box scheme the majority particularly those living in flats complexes and served by bulk bin collections are not. This not only deprives those residents who wish to recycle and reduce their waste the opportunity to do so but also impacts on the council's recycling figures and tonnages. This in turn reduces the impact of the recycling schemes and results in lost revenue both through recycling credits and the sale of materials. Work is ongoing to include these residents within the recycling scheme.
- 3.14 Significant income is also provided by the Council's recycling banks in public places such as car parks and on retail sites. As residents have become more conscious of recycling, some cannot easily store recyclable material at home between collections and access to recycling for cans, bottles etc. rather than just using refuse bins, would also be appreciated by residents especially in town centres. Capital funding of £60,000 has been granted by Warwickshire County Council to help fund new recycling banks particularly in town centres providing sites are available either on the Council's own land or by negotiations with other landowners.
- 3.15 Graffiti removal throughout the District is being carried out by the two community cleansing teams under the direction of the street scene officers utilising the additional funding agreed in the budget. A specialist contractor has coated around 100 communication cabinets in and around Leamington Town centre with anti-graffiti paint by which is proving resilient against vandals. Payment for this work has been jointly funded by the Council and the media companies in a joint venture.

### **Review of Resources – Additional Income**

- 3.16 Additional income from sale of recyclables and recycling credits was allowed for when the new contract and the resources were agreed in October 2007. The growth allowed for at that stage was believed to be relatively prudent, but did assume increased participation across the district.
- 3.17 Despite all the initial problems in the early months with the new contract and the shift to alternate weekly collections, recycling has increased greatly.
- 3.18 Whilst the Council is currently achieving exceedingly good recycling rates, there is no scope for complacency. The high rates for the early months have shown signs of dipping. This serves to prove the importance of the resources allocated towards the continued promotion of recycling by way of the education awareness officer and the publicity budget.

3.19 Details of tonnages for the first three months of the contract are shown below:-

**Performance in Warwick District for first 6 months of 200809 compared with 200708**

Household waste  
200809

	Recycled	Composted	Residual	Total	Recycling	Composting	Total
	Tonnes	Tonnes	Tonnes		%	%	%
1 <sup>st</sup> quarter	3,309.17	4,646.60	5,303.56	13,259.33	24.96	35.04	60.00
2 <sup>nd</sup> quarter	3,178.56	4,338.88	5,923.56	13,441.00	23.65	32.28	56.00

200708

	Recycled	Composted	Residual	Total	Recycling	Composting	Total
	Tonnes	Tonnes	Tonnes		%	%	%
1 <sup>st</sup> quarter	1,999.26	2,407.28	8,600.77	13,007.31	15.37	18.51	33.88
2 <sup>nd</sup> quarter	1,971.00	2,391.84	8,569.91	12,932.75	15.25	18.49	33.74

- 3.20 Recycling credits currently are paid at £36 per tonne by Warwickshire County Council as waste Disposal Authority
- 3.21 It may be likely that the high level of recycling tonnage collected may not be sustained as residents' interest in recycling wanes and more find that there is ample capacity in the grey bin. However there is a potential income from recycling credits this year of around £450,000 which is above the figure put in at revised estimate stage.
- 3.22 Participation in the red box scheme has risen considerably as evidenced by the tonnages shown above. For the first two quarters of 2008/09 the Council was on course to meet the revised estimate for income from the sale of materials.
- 3.23 However, since the beginning of October, prices for recyclable materials have fallen steeply in what is now a volatile market with little demand and the prospect of materials being stockpiled. SITA has, however, negotiated annual fixed price contracts for paper and glass but these will finish at the end of March. The difficulty in estimating any potential income is compounded by the continuing charge for haulage which could result in a negative sum for many of the materials particularly plastic bottles and card.
- 3.24 The Council charges a one-off delivery charge of £30 through the contract for a second green bin and for lost or stolen grey and green bins. A charge of £30 per annum is made for those households wanting a nappy bin.
- 3.25 Improved access to recycling for flats and if possible additional public recycling banks would help to maintain and enhance volumes of recyclables collected and hence the Council's income,

## **Further Sources of income.**

3.26 The Working Party considered that the Council needs to confirm its charging policy with regard to the following services:-

- Clinical waste collection
- Green waste collection
- Collection from churches
- Collection from charity shops
- Residential homes

These are all services where the Council could charge for waste collection. Currently there are about 100 households who receive a weekly clinical waste collection free of charge. The cost within the contract is around £11 per collection per week which would mean a cost per annum of over £500. Most recipients of this service are elderly and many are on benefits.

The garden and food waste element (green bin) of the alternate week collection service is another part of the service for which a charge could be made. However the cost within the contract per each participating household would be approximately £300 per annum.

We have a statutory duty to collect from places of religious worship free of charge for waste arising from the act of religious worship. For ancillary activities not involving worship the council can make a charge for this waste since it is classed as commercial. The Council has no statutory duty to collect and does not currently collect waste from the commercial activities associated with churches and other places of worship.

For charity shops and residential homes, the Council can charge for the collection of waste (excluding clinical waste from residential homes) at a commercial rate. Several establishments have made enquiries in recent months but often commercial companies can offer a more competitive service.

The potential income would need to be considered alongside the political will to charge for these services, and the administrative cost of collecting the income.

## **Possible Cost Reductions**

3.27 As noted earlier, the Working Party does not consider there is scope for cost reductions at the present time. The client resources are required to ensure that the service is properly managed and the continued promotion of recycling. Contract costs cannot be amended without there being a major change to the provisions of the contract and the consequential impact on service delivery.

Current Income from recycling credits and sale of recyclables are in excess of the levels assumed in the 2008/09 Estimates. However the volatile market may impact on the amount of income received from the sale of materials.

**The Working party recommends that:**

- (iii) Officers continue to review the collection methods and type of container for those residents who have requested that their collections be reviewed.**
- (iv) All schools who wish to participate should be offered recycling facilities**
- (v) Recycling facilities should be offered to all flats complexes where practicable.**
- (vi) The possibilities for siting additional public recycling banks be investigated and a separate report should be brought forward for consideration if there is potential for expansion of this provision.**
- (vii) Joint funded partnership working on graffiti and other environmental crimes continues to provide an effective means of overcoming such issues.**
- (viii) The Council considers its charging policy for collections from properties other than residential properties and a separate report should be brought forward for consideration.**
- (ix) There should be close monitoring of the volatile market for recyclables with a view to maintaining pressure on the contractor to obtain the best prices.**

#### **4. BENCHMARKING**

- 4.1 The following comparisons were made utilising information provided by CIPFA's statistical information service. All participating Councils input annual figures for comparison purposes. However these figures relate to 2007/08 and do not reflect the Council's current position following the introduction of the new integrated waste contract. Comparative figures will not be available until mid-way into 2009.

##### **% of people satisfied with household waste collection. (BV90a) (population figure – 130,000)**

The latest comparisons here put the Council in the top quartile scoring 87% in 2007/08 against all district councils. Surveys have been undertaken in August/September for which the Council scored 80%. which would place the Council just below the median, assuming all other authorities score as in 2007/08. Whilst this decrease is disappointing, it is felt to be relatively good for a new system, given the initial problems and adverse press in the early months of the new contract. It is believed satisfaction with the service is now improving and should be reflected in future surveys.

##### **% of waste recycled or composted (BV82a+b) (target for 2009/10 is 40%)**

2007/08 29.4% - this placed the Council towards the top of the bottom half of all district councils. Since April 2008, over 60% of the District's waste is now being recycled or composted. This would place the Council in the top quartile of all district councils. There is concern that this figure may drop in due course. To avoid this many initiatives are being undertaken to ensure continued participation.

## **Waste Collection cost per head.**

2007/08 £20.78, placing the Council just below average. This figure was based on the 2007/08 original estimate at which point recycling income was being underestimated. The final actual position would have been around £19.60, placing the Council in the middle of the second quartile. 2008/09 will be around £21. It should be noted that the Audit Commission excludes capital charges in making these comparisons.

## **% of waste which must be recycled or composted**

Defra set a target for all councils and for Warwick district this was 27% in 2007/08. It was noted that this target was exceeded and reached just under 30%. DEFRA has set a further target of 40% for 2009/10. However, currently recycling and composting is around 60%.

## **The Working party recommends that:**

- (x) a further report be prepared in twelve months comparing Warwick District's performance with that of other Councils**

## **5. CONTRACTUAL ISSUES**

- 5.1 The contract has still to be formally signed by both parties. The issues holding this up are minor, and although some have been agreed additional information is still required from SITA with regard to the depot.

Regular payments are being made to the contractor on a monthly basis. However, initial payments for the first few months of the contract was delayed awaiting the submission of formal invoices by the contractor.

No recycling income has been received for the current year, either in respect of the sale of recyclables from Sita – awaiting clarification and confirmation of tonnages, or from WCC for recycling credits although the first submission has now been agreed.

In the early weeks of the new contract, there were some issues with the contractor's performance. Under the terms of the contract the contractor was given opportunity to rectify any notified problems and these were duly corrected. As a consequence no financial penalties have been issued against the contractor to date for the refuse and recycling elements, although some defaults have been issued in respect of street cleaning where inadequate performance had not been corrected. However these have not attracted financial penalties since the number currently falls below the weekly threshold identified in the contract.

## **Co-mingled Collection versus Kerbside Sort**

- 5.2 The Council decided to retain the kerbside sort collection scheme whereby materials are sorted at the kerbside and placed into different compartments on the vehicles rather than change to the alternative Co-mingled collection scheme where all materials are contained in one container and emptied into the vehicle for sorting at a Materials recycling facility. The reasons for this decision are set out below.

## **Kerbside sort collections**

The advantages of collection method are:-

- The recyclables are “cleaner” and attract higher sales value
- The Council is not dependant on there being a Dry Materials Recovery Facility (MRF) in the locality
- No gate fees are paid

The disadvantages are:-

- Increased collection costs relating to the labour intensive kerbside sort.
- volatile markets for sale of materials

## **Co-mingled Collections**

The advantages of this collection method are:-

- Lower collection costs
- Potential for collection of more recyclables (e.g. plastics)
- Increased participation through resident not having to sort their waste

Disadvantages of this method are:-

- Cost of sorting at the MRF.
- Lower sales value of recyclables
- Possible increased haulage costs depending on the distance to the MRF.
- Need for all household to be issued with a wheeled bin for the recyclables – issues with cost (just under £1million) and with storage and access. (3 bins)

- 5.3 When the Council was considering the new Integrated Waste Contract, co-mingled collections were not an option due to the absence of a MRF locally. However, a MRF is due to open soon near Ettington which will be used by Stratford on Avon DC. Ahead of the Council commencing work on the renewal of contracts in April 2013, a detailed evaluation should be carried out to identify whether a move to co-mingled collection would be more appropriate.

**The Working Party recommends that :**

- (x) The contract be signed as soon as all details are agreed**
- (xi) A report be prepared comparing the benefits and outcomes of kerbside sort versus co-mingled collections prior to the re-tendering of the Integrated Waste Contract for 2013.**
- (xii) An internal annual review be carried out of the contract with particular reference to the financial viability of the various elements and reported to the Audit & Resources Committee.**

## **6. FINANCIAL RISKS**

### **6.1 Inflation**

The contract is linked to the Retail Prices Index. This was agreed by Council on the basis that RPI more closely follows the Council's other costs and is easier to forecast. Alternatively a conglomerate index could have been used (made up of elements relating to labour prices, fuel prices etc). With either index there is a risk as to which will be higher. In the current economic climate, the Council needs to include extra costs for the contracts to reflect the current higher levels of RPI.

When the contract is next renewed there is likely to be some "rebalancing" whereby the new contract prices will reflect prices in force at the time. This partly explained the increased contract costs that the Council faced from April 2008.

There is a cap of 5% on any increase to the annual contract sum as a consequence of the application of the RPI which accords with the cap on Council Tax increases.

### **6.2 Sales of Recyclables**

This income is very dependent on the market. It has been proven that over time that prices for these commodities does fluctuate. Currently the market is volatile and financial forecasters do not see any improvement until 2010.

### **6.3. Recycling Credits**

The Recycling Credit scheme is set out in legislation. There is a risk that the Government may choose to amend the scheme in the future, although this is not expected at the current time.

### **6.4. Participation in recycling**

The cost of the recycling scheme is fixed for the Council as part of the main contract. However, should participation decline, the Council will lose out on the sale of recyclables and recycling credits.

### **6.5 Contract increases**

The Contractor has raised the issue of additional monies in respect of increased resources required to collect the recyclable materials as a consequence of the increased participation by residents. The contract document is clear in that this is a risk to be borne by the contractor. The Council does not at this time consider that such a claim would be justified particularly in the light of the success previously of the Council's recycling scheme.

### **6.6 Local Area Agreement**

There is concern that the Council as a high performer may lose out on any available funding as the parties to the Local Area Agreement seek to ensure that the minimum levels of performance are achieved across the County.

Departure of key staff

- 6.7 Concern was expressed at the loss of expertise and knowledge following the departure of the Community Services Manager and the impact this may have on the management of the contract during the crucial first year. The size and complexity of the contract requires tight control by the Council to ensure the specification is fully met.

**The Working party recommends that:**

- (xiii) All the financial and other risks be closely monitored and updated on a quarterly basis as part of the regular risk reporting process.**

## **7 CONCLUSION**

- 7.1 The Working Party has considered in detail the effect on the Council's overall budget that the Integrated Waste Contract and other agreed capital and revenue resources both one-off and recurring has had. In addition the Working Party has considered all of the elements of the Waste Services budget including both income and expenditure with particular emphasis on those elements agreed by the Council in October 2007.
- 7.2 Financial management of the contract and other resources appears robust and within the allocated budget. The healthy financial position was in large part of the result of the residents' admirable enthusiasm for recycling leading to increased income – as recommended elsewhere in this report, ongoing work is needed to maintain this support. Another element that reduced client costs was the fact that staff who were budgeted for were not recruited – recommendations as to staffing levels needed in future to maintain high standards of service, are made elsewhere in this report.
- 7.3 Concern was expressed over the volatility of the market for recyclable materials and the impact that may have on the projected income figures. However the projected income for recycling credits was considered prudent and when added together should ensure that projected income forecasts are met.
- 7.4 The failure to successfully recruit a senior member of the waste management team gave rise to concern as did the fact that the Community Services Manager would be leaving the Council's employ at the end of December 2008.
- 7.5 Highlighted in the report is the potential to raise further income for charging for some elements of the services. However the Working Party recognised that there was a need to consider carefully both the political will and the impact such charges could have not only on the perception of the services by local residents but the involvement of residents which is so necessary to ensure targets are met.
- 7.6 The Working Party considered that despite the initial teething troubles the new service was meeting the requirements of the majority of residents evidenced by the response to recycling and composting. However it was also recognised that some residents were still disadvantaged with regard to the collection of recyclables particularly those in flats and that some were receiving an inappropriate method of collection. The Working Party emphasised that these issues should be resolved as quickly as possible.



- 7.7 On street cleansing and other cleansing Members were pleased to see that joint working was taking place with other agencies to tackle graffiti and other environmental crime with a view to improving the environment for local residents, tourists and local businesses. The appointment of an additional streetscene officer as well as funding for graffiti and other associated works would be beneficial to the whole District.
- 7.8 Publicity has played a major role in the success of the new services and the appointment of the Education and Awareness officer should ensure that the message is continually relayed to local residents to encourage participation in recycling and to play a part in reducing waste and keeping the environment clean and tidy.
- 7.9 The Working Party was concerned that the contract has still to be signed and this will occur shortly when SITA have provided the detailed information requested. Payments are being made to the contractor on a regular basis and the contractor will shortly be invoiced for the income earned for the first six months. The amount of Recycling credits have now been agreed with Warwickshire County Council and these will be invoiced shortly.
- 7.10 The role played by Warwickshire County Council and the Warwickshire Waste partnership in supporting the Council by granting funding for the purchase of bins, boxes, kitchen caddies and recycling banks was recognised.
- 7.11 The Working Party also recognised the need to look beyond this current contract and to the next one due in 2013. Neighbouring Councils are adopting different collection methods which may or may not be more cost efficient and effective than those currently undertaken by Warwick District. It is important that this council learns from the experiences of others to ensure that the most appropriate and cost-effective service is offered to residents.
- 7.12 Finally the Working Party considered the continuing risks which would impact on the provision of services and more importantly on the Council's overall budget. Continuous review of these risks was considered paramount.
- 7.13 The Working Party has made 14 recommendations in total and these are set out below:
- (i) A review of the staffing levels of all contract management officers and ancillary staff within neighbourhood services is carried out within 12 months of the merger of the teams**
  - (xiv) To make provision for a knowledge and transfer handover period with the new Contract Manager prior to the departure of the Community Services Manager**
  - (xv) Officers continue to review the collection methods and type of container for those residents who have requested that their collections be reviewed.**
  - (xvi) All schools who wish to participate are offered recycling facilities.**
  - (xvii) Recycling facilities be offered to all flats complexes where practicable**

- (xviii) The possibilities for siting additional public recycling banks be investigated and a separate report should be brought forward for consideration if there is potential for expansion of this provision.
- (xix) Joint funded partnership working on graffiti and other environmental crimes continues to provide an effective means of overcoming such issues.
- (xx) The Council consider its charging policy for collections from properties other than residential properties and a separate report should be brought forward for consideration.
- (xxi) There should be close monitoring of the volatile market for recyclables to ensure that best prices are obtained.
- (xxii) The contract be signed as soon as all details are agreed
- (xxiii) A report be prepared comparing the benefits and outcomes of kerbside sort versus co-mingled collections prior to the re-tendering of the Integrated Waste Contract for 2013.
- (xxiv) A further report be prepared in twelve months comparing performance with other Councils
- (xxv) An annual review be carried out of the contract with particular reference to the financial viability of the various elements.
- (xiv) All the financial and other risks are closely monitored and are updated on a quarterly basis as part of the regular risk reporting process.

## **Waste Finance Working Party**

### **Members:**

**Councillor Janice Dean (Chair)**

**Councillor Sidney Tyrrell**

**Councillor George Illingworth**

**November 2008**