

Introduction of Dual Stream Recycling in 2022 & Associated Financial Matters

Cllr Ashley Yeates , Cabinet Member for Climate Change and Recycling

Date: 12 October 2021
Agenda Item: 14
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Key Decision? YES
Local Ward Full Council
Members



COUNCIL

1. Executive Summary

- 1.1 Dual Stream recycling is the most cost-effective approach to disposal of this waste stream, given a) the significant increase in gate fees for the disposal of current commingled waste and b) is the best option to achieve a required increase in the amount of material recycled over time.
- 1.2 The Cabinets of both Lichfield District Council and Tamworth Borough Council (the Waste Collection Authorities) have agreed that the optimal solution is transition to a dual stream collection service based principally on a bag and bin option.
- 1.3 The Cabinets of both Lichfield District Council and Tamworth Borough Council have approved the financial settlement reached with Staffordshire County Council (the Waste Disposal Authority) to support the introduction of dual stream recycling from April 2022.

2. Recommendations

- 2.1 That Council update the Medium Term Financial Strategy based on the additional financial implications of Dual Stream Recycling, specifically:
 - To increase the revenue budget by an annual net cost of **£73,000** (Full Cost £252,000 offset by SCC of £126,000 and Tamworth BC of £53,000) in 2022/23 increasing to **£82,000** (Full Cost £267,000 offset by SCC of £126,000 and Tamworth BC of £59,000) in 2025/26 as detailed in the financial implications section.
 - To increase the revenue budget for a one off cost for transition of **£68,000**. The full cost offset by SCC of £34,000 (capped at £94,000) and Tamworth BC of £34,000 in 2022/23.
 - To include a project in the Capital Programme for Bins/Bags acquisition in 2021/22 of **£229,000**. This project will be funded by a contribution of **£95,000** from Tamworth BC and the Council's share of **£134,000** from the waste property growth earmarked reserve.

3. Background

- 3.1 The Environmental Protection Act 1990 (EPA) makes District Councils responsible for the collection of household waste as the Waste Collection Authority (WCA). Upper tier County Councils are responsible for its disposal as the Waste Disposal Authority (WDA). A District can make its own arrangements for the disposal of recycling; where it decides to do so it has to pay the gate fees to the re-processor but in return it receives a payment from the WDA which is known as a Recycling Credit. The District also

receives any income generated from the sale of the DMR post-sorting, depending on the nature of the contract it has with the re-processor. The Recycling Credit was introduced by the Government in order to incentivise Districts to invest in recycling services. A District can at any time hand back disposal responsibility to a WDA, but it is worth noting that the WDA has powers to direct a District to deliver waste to a designated place. In effect this gives the WDA power of direction to take back disposal responsibility without agreement even if there are financial consequences for the District.

- 3.2 Ever since recycling services were introduced in Tamworth and Lichfield nearly 20 years ago both Districts have procured contracts for the disposal of dry recyclable materials (DMR) and garden waste. Throughout this period the gate fees have been lower than the aggregate of the Recycling Credit and any income received from the sale of the material, with the surplus generated being used to offset the cost of providing these services
- 3.3 The current recycling service requires residents to present all their DMR in a single blue bin which is emptied fortnightly. This collection methodology is known as commingling and the material once collected is taken to Biffa Waste Services' transfer facility in Aldridge before it is bulked up and transported to a Material Recycling Facility (MRF) in the North East for processing.
- 3.4 Six Staffordshire Waste Collection Authorities (WCAs) – Lichfield and Tamworth along with Newcastle, East Staffs, South Staffs and Cannock have contracts for the processing of the DMR with Biffa Waste Services Ltd; all expire in March 2022. The procurement process for a replacement processing contract showed that the market for the processing of DMR has shifted dramatically, primarily because of material quality issues, such that the current arrangements for delivering the service (collection methodology and disposal) may have to change.
- 3.5 Contamination levels in comingled waste can regularly exceed 15%, which is unattractive to the re-processors. As a consequence gate fees for new contracts based on this methodology have nearly trebled compared to the existing rate plus the amount of income payable for the sale of materials has fallen. In contrast gate fees are much lower and income levels higher for materials collected by dual-streaming where the fibre is collected separately from the other materials. This is due to the higher quality of material collected by these methodologies compared to commingling
- 3.6 Following an options appraisal, Cabinet on 6 July 2021 agreed to the implementation of dual stream collections using a bag for paper/card and for the WCAs retain responsibility for disposal. For operational reasons it will be necessary to provide a second bin to some rural households; these households would have separate bins for fibre and for glass cans & plastics, collected fortnightly on an alternating basis. The move to a new system of dual stream recycling will be supported by a scrutiny task group to help inform and shape the operational detail of the new collections.
- 3.6 At their meeting 7 September 2021 Cabinet accepted the financial settlement negotiated with Staffordshire County Council to share the costs of implementing and operating dual stream collections. Cabinet also recommended the MTFs be updated to reflect
- 3.8 Cabinet received a report on 6th July 2021 on the advantages and disadvantages of the six options. The decision made was as follows:

1.1 *The following recommendations were approved by Cabinet (final approval being subject to parallel agreement by the Council's JWC partners Tamworth Borough Council):*

- *Subject to Staffordshire County Council's agreement to fund an equitable share of the additional costs, the Joint Waste Service move to a dual-stream collection methodology (Option 5); subject to recommendation 1.2. The key principles the Council would seek in an equitable cost share between itself and the County Council would be as follows:*
 - *There should be no capping of the level of support, the sharing should be on an open book reconciliation of actual costs,*

- *The cost sharing to including all additional costs of a dual-stream service, including costs of transition and implementation,*
- *That there should be no modification of the current mechanism of uplifting recycling credit in line with RPI.*

If unable to agree this equitable split the Council would hand back comingled disposal as detailed in the final bullet point of recommendation 1.1.

- *The dual-stream collections be based on a default of a bin for glass cans and plastics and a bag for paper and card (a second bin may be provided where this proves more suitable to residents and collection rounds).*
- *Delegation of the authority to enter into contracts for the disposal of dual-stream waste to the Cabinet Member for Climate Change and Recycling and the Head of Operational Services and subject to recommendation 1.2.*
- *If Staffordshire County Council do not agree to fund an equitable share of the additional costs of dual-stream collection; the existing comingled collection methodology (option 2) to be retained and the transfer of responsibility for the disposal of Dry Mixed Recycling be returned to Staffordshire County Council from 1st April 2022 (subject to recommendation 1.2).*

1.2 *The Cabinet recommended that Council update the Medium Term Financial Strategy based on the additional financial implications of the selected option:*

- *Option 5: to increase the revenue budget by a maximum of £146,909 (Full Cost £251,988 and Tamworth BC cost £105,079) per annum from 2022/2023. This budget pressure may reduce as a result of cost sharing negotiations with Staffordshire County Council. In addition, to include a new project in the Capital Programme in 2021/22 for £229,183 (Lichfield DC £133,614 and Tamworth BC £95,569) funded by contributions from Staffordshire CC, Tamworth BC and Lichfield DC (reserves) or;*
- *Option 2: to increase the revenue budget by £50,491 (Full Cost £86,605 and Tamworth BC cost £36,114) per annum from 2022/23*

4. Proposal for Consideration

- 4.1 Since the 6th July, negotiations have been undertaken with both members and officers of Staffordshire County Council in a constructive and collaborative manner. As with all negotiations, compromises on the part of all parties have had to be made in order to get to an overall agreement.
- 4.2 The final position reached is that Staffordshire County Council has committed to sharing 50% of the additional recurring costs of £251,000 per annum of implementing dual stream recycling in both Lichfield DC and Tamworth BC in 2022 (so £125,000 per annum additional); and has agreed to an open sharing of the transitional costs on a 50/50 basis up to a maximum level of £94,000 and available up to the end of June 2022; but has not agreed to uplift RPI on recycling credits.
- 4.3 Officers have completed further preparatory work and believe the transitional costs can be managed well within the maximum envelope identified by the County Council so the risk is low.
- 4.4 The position reached is that there is agreement between Lichfield DC, Tamworth BC and Staffordshire County Council to share on a 50/50 (LDC/TBC and SCC) basis the additional permanent costs of

implementing dual stream recycling and to share the transitional costs moving to dual stream up to a maximum contribution of £94,000 from the County Council. Agreement could not be reached on maintaining the current level of inflation funding and so this represents a cost pressure for the Joint Waste Service.

- 4.5 After many months of negotiations on these matters, the draft agreement as set out in 4.4 is considered the best that can be reached so Cabinet has to decide if this is acceptable.
- 4.6 If this draft agreement is not considered acceptable there is no further room for negotiation and in these circumstances, Lichfield DC and Tamworth BC (subject to decisions yet to be taken) would need to confirm to Staffordshire County Council that we wish to hand back responsibility for disposal of dry mixed recycling from 1 April 2022.
- 4.7 Handing back disposal of dry mixed recycling needs to be considered with caution. If the intent was to retain comingled collection, this would be the most expensive option for the Staffordshire taxpayer, the least environmentally sustainable option and would do nothing to improve recycling rates. Moreover there is a risk that the County Council could use their powers of direction to compel a switch to dual-stream recycling, which Lichfield and Tamworth would have limited ability to subsequently shape. It is understood that the other Staffordshire Waste Collection Authorities currently contracted to Biffa have agreed a switch to dual-stream collection with the County Council. Handing back comingled disposal would leave Lichfield and Tamworth as an outlier locally and moving contrary to the national trend towards improving recycling rates by improving the quality of what's collected.
- 4.8 If the financial agreement is considered acceptable, then delegated authority is requested for the Head of Operational Services in consultation with the Cabinet Member for Climate Change and Recycling to implement a new system of dual stream recycling in a phased manner from April 2022 for Lichfield DC and from May 2022 for Tamworth BC (subject to their separate decisions on this matter). Briefing of all elected Members on the new system will take place prior to implementation and a communications plan and public information campaign on the new system would occur prior to the transition from collecting the current comingled waste to dual stream recycling.
- 4.9

Alternative Options	1. Alternative options have been considered but they are a net additional cost to the Staffordshire taxpayer and have no beneficial environmental impact over existing arrangements.																																																
Consultation	1. Tamworth Borough Council as our partners in the Joint Waste Service. 2. Staffordshire Council as the WDA.																																																
Financial Implications	<p>The Financial Impact Assessment provided in the report to Cabinet on 6 July 2021 detailed the financial implications of the various options on the Joint Waste Service compared to the Approved Budget.</p> <p>The impact on Lichfield District Council of the dual recycling option together with a more pessimistic scenario (5% increase in tonnage and a 50% reduction in income) and more optimistic scenario (5% reduction in tonnage and a 50% increase in income) using the 2020/21 cost sharing ratio would be:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="6">Dual Stream Bag and Bin (Disposal – District)</th> </tr> <tr> <th>2021/22 £</th> <th>2022/23 £</th> <th>2023/24 £</th> <th>2024/25 £</th> <th>2025/26 £</th> <th>Total £</th> </tr> </thead> <tbody> <tr> <td colspan="7" style="background-color: #00a0e3; color: white;">Revenue Cost - Central Assumptions</td> </tr> <tr> <td>Full Cost (annual inflation of 2%)</td> <td>£0</td> <td>£252,000</td> <td>£257,000</td> <td>£262,000</td> <td>£267,000</td> <td>£1,038,000</td> </tr> <tr> <td>Less : cost sharing SCC (50% assume no inflation)</td> <td>£0</td> <td>(£126,000)</td> <td>(£126,000)</td> <td>(£126,000)</td> <td>(£126,000)</td> <td>(£504,000)</td> </tr> <tr> <td>Cost to Joint Waste</td> <td>£0</td> <td>£126,000</td> <td>£131,000</td> <td>£136,000</td> <td>£141,000</td> <td>£534,000</td> </tr> <tr> <td>Less: Tamworth BC share (41.7%)</td> <td>£0</td> <td>(£53,000)</td> <td>(£55,000)</td> <td>(£57,000)</td> <td>(£59,000)</td> <td>(£224,000)</td> </tr> </tbody> </table>		Dual Stream Bag and Bin (Disposal – District)						2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	Total £	Revenue Cost - Central Assumptions							Full Cost (annual inflation of 2%)	£0	£252,000	£257,000	£262,000	£267,000	£1,038,000	Less : cost sharing SCC (50% assume no inflation)	£0	(£126,000)	(£126,000)	(£126,000)	(£126,000)	(£504,000)	Cost to Joint Waste	£0	£126,000	£131,000	£136,000	£141,000	£534,000	Less: Tamworth BC share (41.7%)	£0	(£53,000)	(£55,000)	(£57,000)	(£59,000)	(£224,000)
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Lichfield DC (58.3%)	£0	£73,000	£76,000	£79,000	£82,000	£310,000
Revenue Cost - More Pessimistic Assumptions						
Full Cost (annual inflation of 2%)	£0	£381,000	£389,000	£397,000	£405,000	£1,572,000
Less : cost sharing SCC (capped)	£0	(£126,000)	(£126,000)	(£126,000)	(£126,000)	(£504,000)
Cost to Joint Waste	£0	£255,000	£263,000	£271,000	£279,000	£1,068,000
Less: Tamworth BC share (41.7%)	£0	(£106,000)	(£110,000)	(£113,000)	(£116,000)	(£445,000)
Lichfield DC (58.3%)	£0	£149,000	£153,000	£158,000	£163,000	£623,000

Revenue Cost - More Optimistic Assumptions						
Full Cost (annual inflation of 2%)	£0	£112,000	£114,000	£116,000	£118,000	£460,000
Less : cost sharing by SCC (50% assume no inflation)	£0	(£56,000)	(£56,000)	(£56,000)	(£56,000)	(£224,000)
Cost to Joint Waste	£0	£56,000	£58,000	£60,000	£62,000	£236,000
Less: Tamworth BC share (41.7%)	£0	(£23,000)	(£24,000)	(£25,000)	(£26,000)	(£98,000)
Lichfield DC (58.3%)	£0	£33,000	£34,000	£35,000	£36,000	£138,000

	2021/22 £	2022/23 £	Total £
Capital and Transitional Costs			
Transitional Costs (Mid May)		£68,000	£68,000
Purchase of Bins and Bags	£229,000		£229,000
Less : sharing by SCC (50% capped @ £94,000)		(£34,000)	(£34,000)
Additional cost to the Joint Waste Partnership	£229,000	£34,000	£263,000
Less : Tamworth BC share	(£95,000)	(£34,000)	(£129,000)
Additional cost to Lichfield DC	£134,000	£0	£134,000
Waste Property Growth Reserve	(£134,000)	£0	(£134,000)

Waste Property Growth Reserve	£
Opening Balance	(£214,372)
Capital and Transitional Costs	£134,000
Closing Balance	(£80,372)

In the event that the dual stream option is not selected, then the cost of the alternative option to the Joint Waste service is projected to be **£87,000** per annum, Tamworth BC's share would be **£36,000** per annum and Lichfield DC's share would be **£51,000** per annum) from 2022/23.

Approved by Section 151 Officer	Yes
Legal Implications	There are no legal implications associated with this proposal.
Approved by Monitoring Officer	
Contribution to the Delivery of the Strategic Plan	The provision of the Joint Waste Service a plays a key role in assuring we have a clean, green and welcoming place

Equality, Diversity and Human Rights Implications	There are no equality, diversity and human right implications associated with implementing the recommendations on the Future of the Dry Recycling Service. An Equality Impact Assessment has been completed and confirms that that vulnerable residents can use this system safely – the existing system of assisted collections will continue and be expanded to encompass the revised collection system.
Crime & Safety Issues	There are no crime and safety issues associated with implementing the recommendations.
Environmental Impact	Of the available options, dual-stream collection and disposal is considered likely to deliver the best recycling rates
GDPR/Privacy Impact Assessment	There are no GDPR or privacy impact issues associated with this report as it contains no personal data or reference to personal data.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Reputational risk if transition to dual stream is not smooth	Likelihood : Yellow Impact : Red Severity of Risk : Red	Brief Elected Members on the new system; Public information and Communications campaign on new system.	Likelihood : Green Impact : Red Severity of Risk : Yellow
B	The JWS does not manage to enter into an agreement for the continued disposal of recyclates.	Likelihood: Yellow Impact: Red Severity of Risk: Red	Ensure early dialogue with BIFFA and keep WDA updated.	Likelihood: Green Impact: Red Severity of Risk: Yellow
C	The service is not compatible with the proposals adopted in the National Waste Strategy	Likelihood: Green Impact: Red Severity of Risk: Yellow	Further review of the service	Likelihood: Green Impact: Red Severity of Risk: Yellow
D	Split bodied vehicles not available in time	Likelihood: Yellow Impact: Red Severity of Risk: Red	Continuing Dialogue with manufacturer and order against agreed deadlines	Likelihood: Green Impact: Red Severity of Risk: Yellow

Background documents

June Cabinet – Future of Dry Recycling Services

<https://democracy.lichfielddc.gov.uk/documents/s10915/Item%205%20-%20DMR%20Cabinet%2028.06.21.pdf>

Relevant web links