

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO COMMUNITY SERVICES COMMITTEE

Agenda Item No.

meeting date: TUESDAY, 12TH JANUARY 2010
 title: FUTURE WASTE DISPOSAL ARRANGEMENT & PFI
 submitted by: JOHN C HEAP - DIRECTOR OF COMMUNITY SERVICES
 principal author: GRAHAM M JAGGER – STREET SCENE MANAGER

1 PURPOSE

- 1.1 To provide members of this Committee with an analysis of the options available to the Council as regards delivery of the various waste streams that we collect to the County Councils PFI facilities and
- 1.2 To decide which of the options is best for the Council to select taking into account both operational and financial issues affecting the Council and the Councils commitment to meeting the objectives as set out in the Waste Management Strategy for Lancashire 2008-2020.
- 1.3 Relevance to the Council's aims and ambitions
- Mission Statement & Vision shared by the Local Strategic Partnership: -
 - An area with an exceptional environment and quality of life for all; sustained by vital and vibrant market towns and villages acting as thriving service centres meeting the needs of residents, businesses and visitors.
 - Council Ambitions
 - To protect and enhance the existing environmental quality of our area.
 - Community Objective
 - To contribute to minimising the impact of Global Warming.
 - To provide a high quality environment keeping land clear of litter and refuse.
 - Citizens Charter
 - collect household waste from domestic properties on a weekly basis
 - collect mixed dry recyclables from domestic properties on an alternative weekly basis
 - collect garden waste suitable for composting on an alternative weekly basis
 - collect waste paper from domestic properties on a fortnightly basis
 - empty the containers on the local recycling centres as needed
 - Ribble Valley Locality Plan 2009/10
 - Identify opportunities to further improve the waste collection scheme
 - Work to reduce the amount of household waste collected that has not been separated out for recycling to 388kg a year per person.
 - Council Priorities for 2009/10
 - None.

2 BACKGROUND

- 2.1 At the last meeting of this Committee on 3rd November 2009 having considered a detailed report on this subject it was resolved at Minute 498 that Committee:
- agree in principle to the delivery of all our waste streams to the PFI facilities subject to a full financial costing report being submitted to the January 2010 meeting of this Committee.
- 2.2 This stage now represents a major step forward in both the implementation of the County Councils PFI project and the arrangements to be put in place between the Borough Council as the waste collection authority and the County Council as the waste disposal authority for the delivery of our waste into their new facilities.
- 2.3 By choice the Council has decided for good financial and operational reasons as explained to and agreed by this Committee previously not to sign up to the County Councils scheme of Property Based Payments Mechanism (Cost Sharing Agreement) relating to the disposal of waste from Ribble Valley. This means that the arrangements to be entered into involve both statutory requirements and obligations for some waste streams and negotiated agreements in respect of others. It has always been the case that this Committee and hence the Council would choose to pursue the best practicable and financial option available for Ribble Valley and its residents. That has been made clear in all discussions and negotiations with the County Council so far.

3 ISSUES

- 3.1 We have now arrived at a position where we need to decide on the changes that need to be implemented in order that waste collected in Ribble Valley is where possible, both practically and financially channelled into the County Councils new PFI facilities. This however is a complex matter involving many issues some of which do not yet have clear or definitive answers. A number of assumptions therefore have had to be made when both preparing and comparing options for consideration.
- 3.2 At the time of writing this report there are outstanding matters that we have been trying to resolve with Lancashire County Council, the waste disposal authority that could have an effect on any decision taken now. Similarly what decisions are eventually taken as regards the 5year capital programme and the replacement programme for refuse collection vehicles can also influence this matter. Any decisions that are therefore taken should be made with these issues in mind.
- 3.3 The attachments to this report set out 3 possible options for consideration. The criteria affecting each option is set out first, the financial details arising next and finally the background and assumptions at the end. All costs are the best estimates at the moment based on currently available information but may vary in the future. It should also be noted that the costs given are full year costs and the anticipated changes are themselves not expected to come into effect before September 2010. Any effect on this committees revenue budgets will therefore only be for a part year in 2010/11 but for the full year thereafter. It should also be noted even at this early stage that the County Councils Property Based Payments Mechanism/Cost Sharing Agreement with the other District Councils comes to an end in 2014 and as yet it is not known what might happen after that. Whatever does happen could have further financial implications for this Council depending on the outcome of negotiations around that time.
- 3.4 Committee should be aware in considering this important matter about the background to the establishment of the Waste Transfer Station in our Salthill Depot.

The Waste Transfer Station was necessary following the closure of the Henthorn Road Landfill site and was built on this Council's site by the County Council at their expense. An agreement exists whereby the Waste Transfer Station shall operate from our Depot for a period of 25 years. The facility was designed and constructed to handle 3 waste streams only and similarly we are resourced in terms of equipment and staff to load two types of waste at any one time. As has been explained in previous reports when the County Council's PFI project starts to take effect as the disposal authority they want to see all our waste streams go through their new facilities. This means that our present arrangements for handling paper and cardboard need to change. Our current contractor is primarily a material processor and cannot continue to have our waste under the PFI arrangements. This means we must set in place our own collection operation so that the materials can go to the new facilities. Clearly there is much to take into consideration when looking at the best way forward both operationally and financially for this Council. The options that follow reflect the changes in responsibility as regards costs and income when waste is delivered into the PFI facilities. Members will need to be aware that whilst the Council loses some costs such as the cost of bulk haulage we also lose the income from the sale of materials. The examples shown indicate the anticipated changes relating to each option.

3.5 The following is an overview of each of the three options attached to this report. The options are NOT set out in any order of preference as each contain their own individual issues which affect the outcome.

3.5.1 **Option 1**

This option, if practicable, would provide the most efficient and effective method of delivering the new service from both this Council's position and that of the County Council. However an assessment of the Waste Transfer Station itself indicates it is highly unlikely to be able to re-configure the buildings to be able to handle four waste streams at any one time. Plus we are only currently resourced to handle two waste streams a day. The cost of any physical alterations that might be possible to be made raises a question of who should pay for them, ourselves or the County Council and also if the site could be made to accommodate the handling of all waste streams i.e. residual waste, green waste, paper and cardboard and mixed dry recycle who would pay the cost of the extra resources needed to load the material for bulk haulage by the County Council's contractor.

3.5.2 **Option 2**

This is similar to the first option but is where we cannot integrate the bulk handling of waste paper and cardboard at the Waste Transfer Station and instead it has to be driven in the collection vehicles to either the PFI facilities themselves, to their chosen paper re-processor or to an alternative Waste Transfer Station in another nearby Borough. The figures set out in this option assume the material is only driven a relatively short distance out of the Borough and there is an issue as to which authority should pay for the time taken to 'deliver' the material (as opposed to a haulage contractor collecting it).

3.5.3 **Option 3**

This proposal depends entirely on whether or not the County Council would agree to allow us to continue to operate our paper and cardboard service as at present and still pay the cost of bulk haulage for the other waste streams. Recent discussions suggest that the County Council would not find this acceptable. In this case they would be financially penalised under their PFI contract for not ensuring that paper

and cardboard from Ribble Valley went to their contractor. There is an exclusivity clause in their contract where Global Renewables Ltd get all waste streams from all collection authorities in the County, should that not be the case, as explained, there are financial penalties to be paid.

- 3.6 As Committee will see there are many issues contained within each option some of which are best estimates others which cannot be resolved at this present time. Members are asked to consider the wider context of each of the options and not solely the financial effect that each has on the Council.

4 RISK ASSESSMENT

- 4.1 The approval of this report may have the following implications:

Resources

- The estimated full year financial effect of each option is set out accordingly.

Technical, Environmental & Legal

- The effect of all of the above has been taken into consideration in preparing this report.

Political

- There are no specific political issues arising out of this report at the present time.

Reputation

- The Council is committed to working to achieve the outcomes as set out in the Waste Management Strategy for Lancashire 2008-2020 and taking this matter forward contributes to that objective.

5 RECOMMEND THAT COMMITTEE

- 5.1 Consider carefully the terms of the 3 options attached to this report and
- 5.2 Decide which option to instruct the Director of Community Services to take forward in further discussions and negotiations with Lancashire County Council.

JOHN C HEAP
DIRECTOR OF COMMUNITY SERVICES

Background Papers - None

For further information please contact Graham Jagger on 01200 414523.

Option 1**Appendix 'A'**

All waste streams delivered into RV transfer station
 7 x 3 stream collection rounds
 2 x waste paper and cardboard collection rounds
 Additional 2 drivers and 4 loaders (possible TUPE)
 2 x additional vehicles
 Haulage costs met by LCC
 No green waste gate fees
 Loss of income from co-mingled recyclate
 Retention of recycling credits for waste paper and cardboard
 One off costs for improvements to accommodate waste paper and cardboard through the Councils Waste Transfer Station.

| Savings / Income | | Costs / Losses | |
|--|----------------|--|----------------|
| Haulage: (1) | | Loss of saleable income for co-mingled recyclate: (4) | |
| Residual – 13717 tonne @ £5.35 | £73,386 | 2300 tonne @ £12.50 tonne | £28,750 |
| Co-mingled – 2300 tonne @ £19.09 | £43,907 | | |
| Green – 3500 tonne @ £5.92 | <u>£20,720</u> | | |
| | £138,013 | | |
| Green Gate Fees: (2) | | Cost of additional 2 collection rounds: (5) | |
| 3500 tonne @ £22.50 per tonne | £78,750 | 2 drivers + 4 loaders | £143,366 |
| | | 2 x vehicles | |
| | | repairs, diesel, tyres, RFL, etc | £38,100 |
| | | annual loan costs for 2 new vehicles | <u>£66,718</u> |
| | | | £248,184 |
| Recycling Credit income for waste paper and cardboard: (3) | | | |
| 2300 tonne @ £46.84 tonne | £107,732 | One off capital cost for improvements to RV transfer station to accommodate waste paper and cardboard: (6) | |
| Total | £324,495 | Total | £256,934 |
| Net annual saving £47,561 | | | |

Notes:

1. Savings on haulage costs are based on fixed rates for each waste stream for 2010/2011, however tonnages are estimates based on 2009/2010 figures and may vary.
2. Savings on green gate fees are based on the value of the gate fee for 2010/11 and the estimated tonnage using 2009/2010 figures.
3. Recycling credit income has been based on the rate for 2010/2011 and the estimated tonnage expected to be collected using 2009/2010 figures. Whilst the rate will remain constant the tonnage figure may vary.
4. The loss of saleable income is based on the budgeted income at the current contract rate of £12.50 per tonne and we have estimated the tonnages to be collected using 2009/2010 tonnages. Whilst the rate will remain constant the tonnage figure may vary.

vary.

5. Whilst integrating this service into the overall refuse and recycling collection operation, the numbers of rounds providing each element of the service will remain the same i.e. 7 rounds for the three stream and 2 rounds for the paper and cardboard. The costings shown are based on 2 drivers and 4 loaders at the maximum pay scales. However if the crews are transferred from Swinnerton Environmental Ltd and TUPE conditions apply then the annual salary costs could be around £11,000 less.

The capital cost of 2 additional refuse collection vehicles necessary to carry out waste paper and cardboard collection is estimated to be £390k.

However, it may be possible in the short term to delay the purchase of these new vehicles. This could be done if the purchase of two replacements for our existing refuse collection vehicles, as currently in the five year capital programme, goes ahead. The 2 vehicles being replaced could be retained to carry out this service. To do this however would mean essential repairs totally £60,000 would need to be carried out in 2010/11.

This would only be a short term measure of possibly 3 years. The council would then need to acquire 2 new vehicles to carry out the collection and waste paper and cardboard.

6. There will be estimated one off capital costs for improvements to the waste transfer station to accommodate waste paper and cardboard of around £10,000. Whilst we consider County liable for these costs the issue has yet to be resolved and under the circumstances impractical to undertake any major work or expenditure until we have a commitment by the County Council that they will cover these costs. This option therefore is subject to:
 - a) A more detailed review whether the Waste Transfer Station has the capacity to accommodate an additional waste stream.
 - b) That the County Council pay for any additional costs incurred due to meeting their requirement to provide them this material through the Waste Transfer Station.

Option 2

Only waste streams collected through 3 stream service delivered into RV transfer station
 7 x 3 stream collection rounds
 2 x waste paper and cardboard collection rounds
 Additional 2 drivers and 4 loaders (possible TUPE)
 2 x additional vehicles
 Haulage costs met by LCC
 No green waste gate fees
 Loss of income from co-mingled recyclate
 Retention of recycling credits for waste paper and cardboard
 Costs incurred due to the delivery of waste paper and cardboard direct to waste paper market.

| Savings / Income | | Costs / Losses | |
|--|-----------------|--|-----------------|
| Haulage: (1) | | Loss of saleable income for co-mingled recyclate: (4) | |
| Residual – 13717 tonne @ £5.35 | £73,386 | 2300 tonne @ £12.50 tonne | £28,750 |
| Co-mingled – 2300 tonne @ £19.09 | £43,907 | | |
| Green – 3500 tonne @ £5.92 | <u>£20,720</u> | | |
| | £138,013 | | |
| Green Gate Fees: (2) | | Cost of additional 2 collection rounds: (5) | |
| 3500 tonne @ £22.50 per tonne | £78,750 | 2 drivers + 4 loaders | £143,366 |
| | | 2 x vehicles | |
| | | repairs, diesel, tyres, RFL, etc | £38,100 |
| | | annual loan costs for 2 new vehicles | <u>£66,718</u> |
| | | | £248,184 |
| Recycling Credit income for waste paper and cardboard: (3) | | | |
| 2300 tonne @ £46.84 tonne | £10,7732 | | |
| | | Costs incurred for the delivery of paper and cardboard direct to the market: (6) | |
| | | £27,021 | |
| Total | £324,495 | Total | £303,955 |
| Net annual saving £20,540 | | | |

Notes:

1. Savings on haulage costs are based on fixed rates for each waste stream for 2010/2011, however tonnages are estimates based on 2009/2010 figures and may vary.
2. Savings on green gate fees are based on the value of the gate fee for 2010/11 and the estimated tonnage using 2009/2010 figures.
3. Recycling credit income has been based on the rate for 2010/2011 and the estimated tonnage expected to be collected using 2009/2010 tonnages. Whilst the rate will remain constant the tonnage figure may vary.
4. The loss of saleable income is based on the budgeted income at the current contract rate of £12.50 per tonne and we have estimated the tonnages to be collected using

2009/2010 tonnages. Whilst the rate will remain constant the tonnage figure may vary.

5. This figure identifies the costs of integrating the waste paper collection service into the overall refuse and recycling collection operation. The numbers of rounds providing each element of the service will remain the same i.e. 7 rounds for the three stream and 2 rounds for the paper and cardboard. The costings shown are based on 2 drivers and 4 loaders at the maximum pay scales. However if the crews are transferred from Swinnerton Environmental Ltd and TUPE conditions apply then the annual salary costs could be around £11,000 less.

The capital cost of 2 additional refuse collection vehicles necessary to carry out waste paper and cardboard collection is estimated to be £390k.

However, it may be possible in the short term to delay the purchase of these new vehicles. This could be done if the purchase of two replacements for our existing refuse collection vehicles, as currently in the five year capital programme, goes ahead. The 2 vehicles being replaced could be retained to carry out this service. To do this however would mean essential repairs totally £60,000 would need to be carried out in 2010/11.

This would only be a short term measure of possibly 3 years. The council would then need to acquire 2 new vehicles to carry out the collection and waste paper and cardboard.

6. We have assumed that any additional costs incurred by the Council in our collection vehicles delivering waste paper and cardboard directly to the market is repaid by LCC this will be determined on the distance to the market and affect on the collection schedule. For this exercise the anticipated costs are as follows:

a) 2 drivers @ 2hrs per day overtime x 52 weeks = 1040 hours x £16.22 = £16,869

b) Vehicle costs (maintenance / fuel etc) 26.66% of vehicle costs = £10,152

Option 3

Only waste streams collected through 3 stream service delivered into RV transfer station

7 x 3 stream collection rounds

Waste paper and cardboard collection undertaken by contractor

Haulage costs met by LCC

No green waste gate fees

Loss of income from co-mingled recyclate

| Savings / Income | | Costs / Losses | |
|----------------------------------|----------------|--|---------|
| Haulage: (1) | | Loss of saleable income for co-mingled recyclate: (3) | |
| Residual – 13717 tonne @ £5.35 | £73,386 | 2300 tonne @ £12.50 tonne | £28,750 |
| Co-mingled – 2300 tonne @ £19.09 | £43,907 | | |
| Green – 3500 tonne @ £5.92 | <u>£20,720</u> | | |
| | £138,013 | | |
| Green Gate Fees: (2) | | | |
| 3500 tonne @ £22.50 per tonne | £78,750 | | |
| Total | £216,763 | Total | £28,750 |
| Net annual saving £188,013 | | | |

Notes:

1. Savings on haulage costs are based on fixed rates for each waste stream for 2010/2011, however tonnages are estimates based on 2009/2010 figures and may vary.
2. Savings on green gate fees are based on the value of the gate fee for 2010/11 and the estimated tonnage using 2009/2010 figures.
3. The loss of saleable income is based on the budgeted income at the current contract rate of £12.50 per tonne and we have estimated the tonnages to be collected using 2009/2010 tonnages. Whilst the rate will remain constant the tonnage figure may vary.
4. We have assumed that we will continue to deal with paper and cardboard under the same collection arrangements and under the same terms and conditions and that delivery to PFI relates only to the residual, co-mingled and green waste streams.