



Implications of the Lancashire Municipal Waste Strategy and PFI Funded Waste Disposal Arrangements 2nd September 2008

Report of Head of City Council (Direct) Services

PURPOSE OF REPORT			
To inform members of the implications of adopting the New Waste Management Strategy for Lancashire 2008 to 2020 and to determine a course of action with regard to the adoption of it.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	June 2008		
This report is public			

RECOMMENDATIONS OF COUNCILLOR JON BARRY

- (1) That the costs outlined within the report for the collection of food waste (Option 2) are built into the forthcoming review of the Medium Term Financial Strategy (MTFS), for subsequent referral on to Council.
- (2) That subject to the outcome of (1) above, a service for the separate collection of food waste, as outlined in Option 2 of the report is implemented in two phases starting in April 2010 and April 2011.
- (3) That the council does not currently expand the capacity of the trade service but officers continue to investigate service efficiencies that may afford greater recycling opportunities for trade waste customers. Officers will continue to assess the impact of issues like LATS and the new waste disposal facility and ensure the financial implications are built into the MTFS.

1.0 Introduction

- 1.1 At its meeting of 8 July 2008, Cabinet resolved in principle to adopt the New Lancashire Municipal Waste Strategy 2008-2020 (LWMS 2008-2010). This strategy sets challenging targets for waste collection authorities, including, by 2010, both the collection of food waste for composting and a segregated collection service for trade waste.
- 1.2 The strategy sets challenging targets for reducing waste growth and increasing recycling and composting. At a Countywide level the target is to recycle and compost 56% of all waste by 2015 and 61% by 2020. Performance against these targets will be assessed by the Audit Commission as part of the CAA process.

1.3 Performance of waste collection authorities is integral to achieving this target. In 2007/8 Lancaster City Council recycled and composted 30.83% of all waste collected. The target for 2008/9 is 33%, 2009/10- 36% and 2010/11- 40%. The actual amount of waste collected per household reduced to 371.1kg. The amount of waste collected within the District is very low which is good in terms of meeting the aim of reducing waste. The infrastructure for collecting waste that is now in place combined with an effective approach to education and enforcement should ensure that we meet our recycling and composting targets as set within the corporate plan.

1.4 Despite this increase in performance the national waste strategy and the County wide strategy demand that Councils set ever more challenging targets thus reducing the overall amount of waste landfilled. Within this District there are two waste streams that are as yet relatively untapped. These two streams are-

- Food waste
- Trade waste

1.5 Food Waste- The 'Animal By-Products Regulations 2002 ' prohibit the depositing of food waste for composting in open windrow. There is currently no locally available facility for composting food waste in an enclosed vessel and, accordingly, all food waste is taken to landfill in the residual waste stream. However, from April 2010, when the County Council's new PFI funded waste treatment plants are operational, facilities will be available for composting food waste within enclosed vessels. It is estimated that food waste comprises around 14% of the amount of waste landfilled. This report offers options for the collecting of food waste in compliance with the cost sharing agreement we have with County and in line with Lancashire's Municipal Waste Management Strategy.

1.6 Trade Waste -The Environmental Protection Act 1990 stipulates that Waste Collection Authorities have a duty to collect waste from any business within their district when requested to do so.

The Council's collection resources are currently working at full capacity. Any increase of either tonnage of material collected for recycling or range of materials collected, such as glass, would have to be supported by an investment in extra vehicle(s) and staff posts. The collection of trade waste is a commercial activity in a fiercely competitive market. Customers could, at any time, terminate their contracts with the Council and use a private contractor for the disposal of waste. There is a risk that vehicles added to the fleet to meet an increasing demand from customers could later become under utilised and thus present a cost to be born elsewhere.

1.7 The Landfill Allowance Trading Scheme (LATS) imposes a charge on waste disposal authorities for any annual tonnage of biodegradable waste deposited in landfill over a specific predetermined target. The County Council has in turn, set similar targets for trade waste deposited by district councils. Lancaster City Council will be liable for LATS charges of £36158 in 2008/9. It is expected that there will be a substantial increase to this charge for 2009/10.

1.8 The PFI funded disposal plant will be operational in 2010/11 when the gate fees for trade waste collected by district councils is likely to be approximately £130 per tonne. (We are currently charged a total of £57.47 per tonne).

1.9 The majority of the extra charges above will have to be passed on to the producers of the waste (the trade waste customers). It is difficult to assess what impact this will have on the trade refuse service but it seems likely that the customer base will alter considerably.

1.10 This uncertainty needs to be factored into the MTFs as trade waste contributes to the Council's General Fund. (£136,000 in 2007/8).

1.11 Middleton Transfer Station - As part of the County Council's new waste disposal arrangements work is currently taking place to build a new Waste Transfer Station at Middleton. From 2010, waste materials delivered there, will be 'bulked up' and taken to one of the Mechanical/Biological treatment plants (MBTs) at either Leyland or Thornton. Officers of the County Council have reported that they expect this facility to be complete and operational by December 2009. This will allow that some of the City Council's waste can be transported from there to contribute towards the commissioning of the MBTs.

2.0 Proposal Details

2.1 Food Waste- There are a number of options available for collection of food waste. Whilst officers have spent considerable time examining best practice from elsewhere, it should be noted that at this stage many Councils have not yet introduced food waste collections. What examples there are show that in order to maximise the amount of food waste collected there is a need to introduce a system that is generally acceptable to householders and makes it as easy as possible for them to recycle their food waste.

It is proposed that to achieve this the service should consist of a weekly kerbside collection of food waste, collected from 23 litre caddies. To deliver the service most efficiently households that currently take advantage of the garden waste collection service would alternate between leaving food waste in the caddy for collection one week and placing food waste together with garden waste in the green wheeled bin for collection the next week. This method of collection is the one that would be most likely to maximise recycling rates collected by the Council, be most acceptable to householders and provide the service in the most efficient way.

All households would be also provided with a smaller, 5 litre kitchen caddy (from which to transfer waste from the kitchen to the larger 23 litre caddy) and a starter pack of 25 corn starch liner bags. They would be expected to either buy further supplies of the bags from local suppliers or to line the caddies with newspaper.

Further options are outlined in the options analysis below.

2.2 Trade Waste

Because of the uncertainty surrounding trade waste outlined above It is proposed that the Council does not invest in any enhancements of its trade waste collection service in the short term and that officers continue to review this activity and report back to Cabinet if the situation changes.

3.0 Details of Consultation

3.1 There has been no consultation with regard to the separate collection of food waste from households

3.2 Many of our trade waste customers are requesting a separate collection of recyclable materials.

4.0 Options and Options Analysis (including risk assessment)

4.1 Food Waste

Option	Pro	Con	Risk
<p>Option 1</p> <p>All households to be provided with a 23 litre caddy</p> <p>Replace refuse collection vehicles with two compartment vehicles for separate food waste collection. Introduction of this option would be phased over 4 years in line with the replacement of existing collection vehicles.</p>	<p>Food waste can be collected separately from all households on a weekly basis. There will be no increase in the number of vehicles collecting waste from households</p>	<p>This is a high cost option</p>	<p>In low participation areas the capacity of the food waste compartment of the vehicle could be under utilised, leading to operational inefficiencies</p>
<p>Option 2</p> <p>Weekly collection of food waste.</p> <p>All households to be provided with a 23 litre caddy.</p> <p>For householders with green bins (approx 50,000) collect food waste mixed with garden waste on one week and use purpose built vehicle to collect food waste on 'grey weeks' from a 23 litre caddy .</p> <p>For householders without green bins (approx 10,000) collect food waste each week from the 23 litre caddy.</p>	<p>This is the lower cost option, in the longer term, that provides for a weekly collection of food waste.</p>	<p>This option will cost more than Options 3 and 4 and it will require the services of an extra collection crew to visit every household on a fortnightly basis</p>	<p>Potential for customer dissatisfaction at the number of vehicles deployed for the waste collection service</p>

<p>Option 3 Collect food waste fortnightly on 'green weeks' providing an additional collection resource for households without gardens. Only households without green bins (approx 10,000) to be provided with a 23 litre caddy</p>	<p>This is the lowest cost option that provides a fortnightly collection of food waste from all households</p>	<p>Householders will have to keep food waste for two weeks. Alternatively, they can also dispose of it in the grey bin as part of the residual waste stream. The process at the waste treatment plant will then yield a lower grade compost</p>	<p>Customer dissatisfaction that food waste is collected only fortnightly leading to greater risk of attracting vermin and flies.</p>
<p>Option 4 Take no action. Householders with green bins could dispose of food waste in these bins</p>	<p>There will be no extra cost if this option is taken up</p>	<p>Householders without gardens will have to continue disposing of food waste in the grey bin as part of the residual waste stream. This will yield a lower grade compost from the treatment plant</p>	<p>Complaints and criticism of the scheme. This could compromise the Council's position with the Lancashire Waste Partnership and the County Council could discontinue the paying of the cost sharing allowance. (currently £973,800 pa)</p>

	Option 1	Option 2	Option 3	Option 4
<p>Refuse Collection Vehicles</p>	<p>12 vehicles upgraded over four years as current leases expire.</p>	<p>None</p>	<p>None</p>	<p>n/a</p>
<p>18 Tonne Vehicles</p>	<p>None</p>	<p>2 in 2010/11 2 in 2011/12</p>	<p>1</p>	<p>n/a</p>
<p>HGV Driver</p>	<p>None</p>	<p>2 in 2010/11 2 in 2011/12</p>	<p>1</p>	<p>n/a</p>

Refuse Loader	12 over four years	2 in 2010/11 2 in 2011/12	2	n/a
Kerbside Caddy	60,000 over four years	30,000 in 2010/11 30,000 in 2011/12	10,000	n/a
Kitchen Caddy	60,000 over four years	30,000 in 2010/11 30,000 in 2011/12	60,000	n/a
Supervisor	From 2010/11	From 2010/11	None	n/a
Driver	From 2010/11	From 2010/11	None	n/a
Vans (2 NO.)	From 2010/11	From 2010/11	None	None

4.2 Trade Waste

	Pros	Cons	Risks
Option 1 Enhance the trade waste collection service by investing in extra vehicles	This will increase the tonnage of trade waste that is recycled	Any extra collection vehicles would cost from £110,000 per vehicle	Customers can, at any time, terminate collection contracts with the Council, rendering vehicular resources to be redundant.
Option 2 Officers continue to investigate enhancements to the service whilst maintaining resources deployed at the current level.	No extra costs	It may not be possible to increase the tonnage, or range of materials recycled without further investment	None at present

5.0 Officer Preferred Option (and comments)

5.1 Food Waste

The officer preferred option is Option 2. This option provides for a weekly collection service of separated food waste from every household in the District. and at a lower cost than Option 1. It is important that even at relatively early stage officers are provided with a preferred option as in order to roll out in 2010/11 there is a need to order the necessary infrastructure, which in the case of vehicles and waste receptacles have considerable lead times.

5.2 Trade Waste

The officer preferred option is Option 2. The trade waste market is unpredictable and any further investment at this time would be risky.

6.0 Conclusion

The report outlines options members have in respect of the implementation of a domestic food waste collection service in compliance with the LMWS. It also provides information for members in respect of the trade waste and an option in respect of its potential enhancement.

RELATIONSHIP TO POLICY FRAMEWORK

The Council's Corporate Plan 2008/9, Priority Outcome No 6 is to 'Reduce waste in the District by recycling and reuse'

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The Council's collecting of both food waste for composting and separated trade waste for recycling will contribute towards sustainability.

The service will be provided to all households.

FINANCIAL IMPLICATIONS

The report highlights a number of areas which need to be considered as part of the forthcoming Medium Term Financial Strategy review.

Food Waste

A detailed financial appraisal has been carried out for each of the options identified in the report and the latest revenue projections are set out below :-

	2010/2011	2011/2012	2012/2013	2013/2014	Full Year Cost
Option 1	£250,000	£331,600	£501,300	£584,400	£565,200
Option 2	£364,000	£608,900	£552,600	£552,600	£552,600
Option 3	£369,200	£208,200	£208,200	£208,200	£208,200
Option 4	* £973,800	* £973,800	* £973,800	* £973,800	* £973,800

* subject to County Council withdrawing cost sharing funding (figures exclude inflation)

As the table illustrates, option 3 is undoubtedly the cheapest option. Although the preferred option (2) has a lower full year cost than option 1, it should be recognised that the cumulative cost of option 1 would be lower for a significant period of time (37 years). Any Cabinet recommendations are to be incorporated into the forthcoming review of the MTFs.

Trade Waste

The 2008/2009 revenue budget includes £40,500 for LATS charging which is subject to year on

year inflation of 2%. Whilst this is sufficient to cover this years charge of £36,158 there is expected to be a substantial increase within 2009/2010 which is not quantifiable at this point of time.

With regard to the anticipated 126% increase to gate fees when the PFI funded disposal plant becomes operational in 2010/2001, it is expected that a majority of this charge will be passed on to customers. However, such increases in charges will undoubtedly affect the customer base and again the amount is not quantifiable.

Although the amounts are not quantifiable as yet, the MTFS should be updated accordingly to highlight the future uncertainty, and any change to service provision at this point in time is done at serious risk.

Sale of Recyclables

As part of the interim cost sharing agreement with County, the City Council is currently responsible for making disposal arrangements for recyclables. Income generated from their sale contributes to the waste collection budget. Once the County Council's new waste disposal arrangements are in place the Council will deliver recyclables to the waste disposal facility and be paid a compensatory amount to cover the lost income. County state that the compensatory amount will be based on income levels from recyclables received in 2003/4. If this is applied once the waste disposal facility opens, we could potentially lose income from the sale of recyclables (2007/2008 actual is £26,900 and 2008/2009 budget is £36,000). Discussions are currently taking place between the Head of City Council (Direct) Services and Lancashire County Council, as there are a number of substantive reasons why officers consider this to be unfair. Should no agreement be reached there is a potential impact on the MTFS.

As a final point, where appropriate / possible the MTFS will be updated to take account of the 2007/08 outturn also, and Members will be aware that various savings were achieved in last year. There will also be a further opportunity to review and update the financial projections as part of the full 2009/10 budget exercise.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments to add.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments to make

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None

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