

SURREY COUNTY COUNCIL

CABINET

DATE: 24 MAY 2016

REPORT OF: MIKE GOODMAN, CABINET MEMBER FOR ENVIRONMENT AND PLANNING

LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR ENVIRONMENT AND INFRASTRUCTURE

SUBJECT: DELIVERING THE SURREY WASTE STRATEGY



SUMMARY OF ISSUE:

In November 2014 Cabinet endorsed a partnership approach to managing waste services across Surrey which would deliver savings and offer best value to the Surrey taxpayer.

Since then:

1. increasing waste volumes, reduced material values and reduced funding have increased the imperative to deliver further improvement and achieve better public value for money
2. there have been extensive discussions with stakeholders, and research and development work has taken place, to identify the most appropriate model for delivering better public value.

This work has shown that achieving savings will require a coherent framework for delivery where costs and benefits are shared equitably across the two tiers of local government. This new approach would ensure that all authorities are invested in making savings against the total costs of waste management in Surrey, delivering best value to the Surrey taxpayer.

By joining up waste management functions, Surrey residents would also experience a more consistent, simplified service which would enable them to recycle more. This approach is aligned with SCC's strategic goals of ensuring Surrey's economy remains strong through increasing recycling and reducing the amount of waste sent to landfill, and ensuring residents experience services that are easy to use and value for money.

This report seeks approval from Cabinet to support the principle of a single co-ownership approach to waste management in Surrey, tasks officers to work with colleagues in district and borough councils to develop a detailed proposal by autumn 2016, and take the necessary steps, as the Waste Disposal Authority, to centralise the management of recyclables in anticipation of the new partnership arrangement. This approach is consistent with SCC's corporate strategy vision of one place, one budget and one team for Surrey.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. notes the consultation and discussions that have taken place through the Surrey Waste Partnership and the key messages arising from it.
2. agrees that combining the function of the Waste Disposal Authority with that of Surrey's Waste Collection Authorities to deliver waste services via a new co-ownership partnership is essential to deliver public value for Surrey's residents, and tasks officers to work with district and borough councils to develop detailed proposals which will be implemented from 2017/18, and report back to Cabinet in autumn 2016.
3. agrees to work with district and borough councils to manage kerbside collected recyclables centrally through a new partnership arrangement and to replace the current recycling credit scheme with a system more suited to the achievement of public value for Surrey residents.

REASON FOR RECOMMENDATIONS:

The delivery of the Surrey waste strategy through a single co-ownership approach will deliver significant cost savings for Surrey district and borough councils, and the County Council, which are essential in delivering public value to the Surrey taxpayer. The distribution of costs and savings between SCC and individual Waste Collection Authorities will need to be determined through development of detailed proposals which are essential to the delivery of the Council's financial strategy.

The approvals will provide a mandate for officers to develop proposals and allows for changes to the role of SCC as the Waste Disposal Authority to centralise management of recyclables through new partnership arrangements.

DETAILS:

Current situation

1. In two tier areas such as Surrey, the responsibility for managing waste is split between the County Council and the district and borough councils. The 11 district and borough councils are Waste Collection Authorities (WCAs) and are responsible for the collection of Surrey's municipal waste which includes waste from households. SCC is the Waste Disposal Authority (WDA) and is responsible for the disposal and treatment of Surrey's municipal waste collected at the kerbside, and waste and recycling from Surrey's Community Recycling Centres.
2. SCC and the district and borough councils work together as the Surrey Waste Partnership (SWP). All Surrey authorities have signed up to the SWP's Joint Municipal Waste Management Strategy which was last revised in 2015.
3. Targets in the strategy are focussed around improving recycling, reducing waste sent to landfill and containing the costs of waste management across the two tiers of government. One of the core values in the strategy is to deliver best value to residents through delivering waste management services that are both high quality and cost effective. Other core values are focussed around working in partnership, sustainability, innovative thinking and treating waste as a resource.

4. Much has been achieved by the SWP over the last few years. Waste collection arrangements have largely been aligned, the range of recycling materials able to be collected has greatly increased, and food waste collection from houses is now universal. These improvements in the service for Surrey residents have resulted in performance increases, with the overall recycling rate rising from 35% in 2007/8 to around 53% today.
5. Alongside these performance and service improvements, the overall annual expenditure on waste management in Surrey has been contained at around £79 million, despite a rise in population and increases in the cost of waste disposal.
6. At present, the County Council transfers approximately £11 million per annum to district and borough councils to support collection systems via a range of mechanisms. These transfers are predominantly statutory, whilst a number were introduced at different times to bring about positive changes in recycling performance. The majority of monies transferred from SCC to the district and borough councils are in the form of recycling credit payments.
7. Recycling credits are a statutory payment and are paid for each tonne of material that a WCA retains for recycling rather than passing to the WDA for disposal. The payment is only statutory when WCAs retain the material for recycling. If SCC manages the recyclable material, recycling credit payments do not have to be made.

The need for change

8. The unprecedented financial situation affecting all of Surrey's authorities means that fundamental changes are needed to improve waste management across the county. Alongside this, there is continuing pressure on waste services due to demographic changes and increasing waste volumes, coupled with reduced material values and increased disposal costs.
9. Whilst there has been a significant increase in recycling rates and associated avoided disposal costs, recycling performance has flat-lined in recent years. This suggests that the current financial arrangements no longer incentivise further improvement and can distort the true cost of collecting and disposing of waste.
10. There are also significant differences between the recycling rates of the district and borough councils, as shown in Figure 1 below. This indicates that there are still savings to be made from diverting waste from expensive disposal routes and maximising the value of material by recycling more.

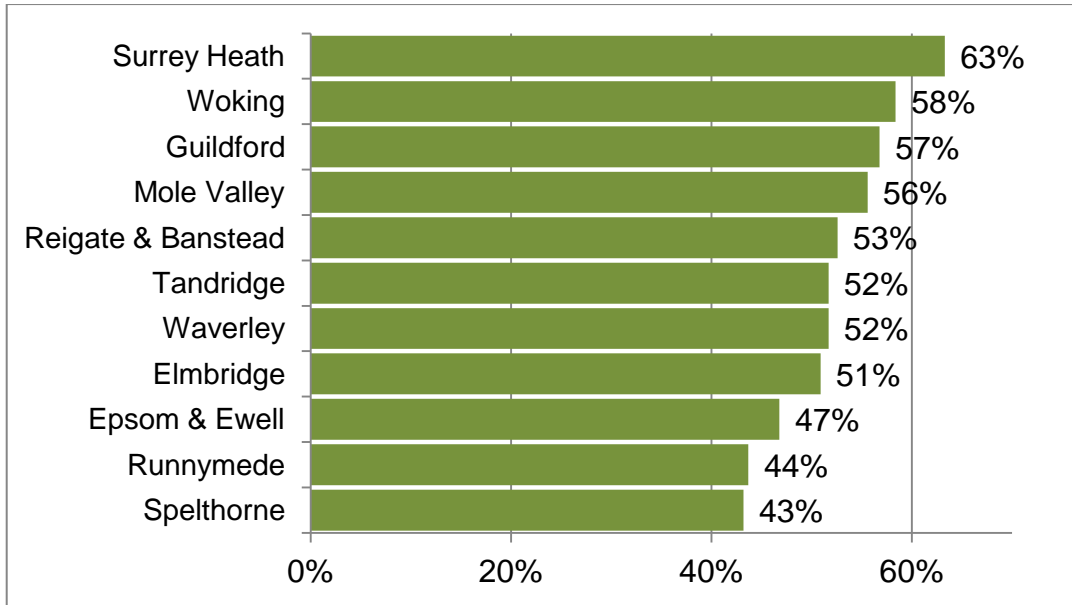


Figure 1: Recycling rates by district and borough council in 2014/15

11. The SWP is a forum through which waste management issues are discussed and improvement actions are agreed. However, the SWP has no delegated authority to make decisions and therefore the implementation of specific actions in the joint strategy is patchy. In addition, understanding who benefits and who should pay for improvements under the current system is challenging.
12. Over the last few years, an increasing proportion of the total cost of managing waste in Surrey has been borne by SCC as the Waste Disposal Authority (see Figure 2 below). SCC spent £47.2 million on waste in 2009/10 and this had risen by £8.3 million to £55.5 million in 2014/15.

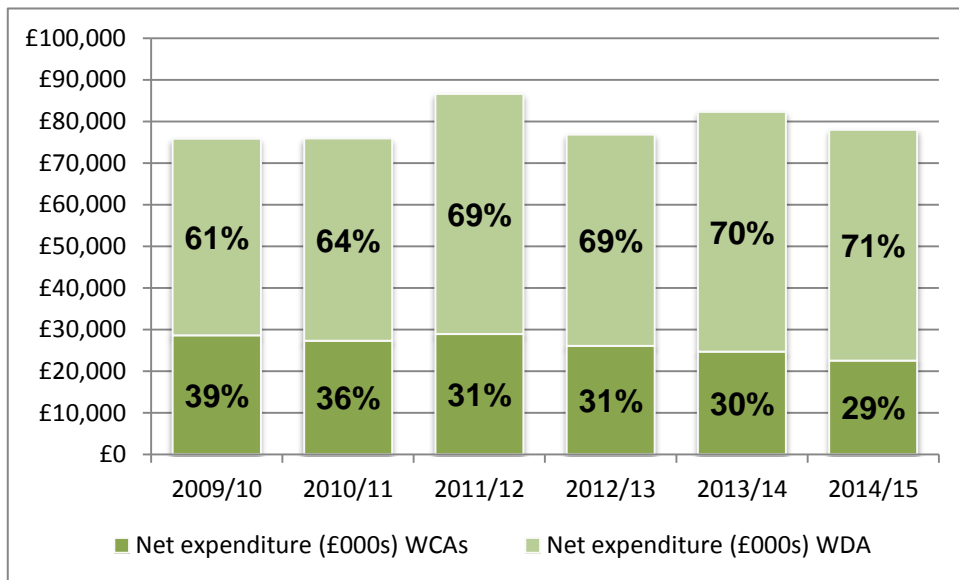


Figure 2: Net expenditure on waste by SCC (WDA) and district and borough councils (WCAs)

Savings opportunities

13. The SWP has worked on identifying where savings can be made. This has included:
 - research into what other authorities in England have done in terms of waste partnership working
 - financial modelling to further understand the scale of opportunity from improving performance and managing waste more effectively
 - exploration of different models of working and how these may apply to Surrey.
14. This work suggests that up to £8 million in savings could be made against the total spend on waste across the two tiers of local government in Surrey by capturing more recycling, collecting material more efficiently and optimising reprocessing arrangements to gain greater value for the material. These opportunities are explained in more detail in the following paragraphs.
15. **Capturing more recycling (£4 million)** - A significant amount of recyclable material is still being disposed of as residual waste. By encouraging residents to recycle more, savings can be made due to the difference in cost between residual waste disposal and sending material for recycling. All Surrey authorities now offer a comprehensive recycling service so current efforts are focussed around behaviour change initiatives and communications campaigns. The SWP has run several successful projects in recent years including winning the LGC Campaign of the Year award for a recent textiles recycling campaign.
16. **Getting better value from material (£1.4 million)** - Once more material has been captured for recycling, further savings can be made through joint materials contracts and developing more cost effective reprocessing solutions. For example, all SWP authorities have recently combined the garden waste collected from the kerbside with garden waste taken to Community Recycling Centres which has resulted in savings on the cost of composting the material.
17. **Running waste services more efficiently (£2.6 million)** - There is also an opportunity to reduce costs by joining up and rationalising collection arrangements, and through joint procurement of goods and services. Four authorities have already made significant steps towards this as explained in paragraphs 33 to 36 below.
18. Whilst progress has been made, delivering the changes required to fully realise these savings within existing ways of working has been challenging. Buy-in to performance improvement and savings opportunities varies across the county, collection efficiency is sub-optimal and most material is offered to the market in a piecemeal way, reducing value and increasing cost.

Delivering the savings

19. The Improvement and Efficiency Social Enterprise (iESE) have used their experience of working with a number of waste partnerships across the country to create a conceptual model of how authorities can work together

and the level of savings they can expect to achieve from these different arrangements, as shown in Figure 3. This model shows that the amount you can save depends on how you work together.

20. Small amounts of savings can be achieved via co-existence and cooperation and greater savings are possible through co-ordination and collaboration, for example, through joint procurement of certain goods and services. The arrangements in Surrey currently fall towards the bottom end of the collaboration and coordination segment of the model.
21. The most significant savings of 8-15% are only possible when authorities take a co-ownership approach to delivering waste services. In this model authorities are strategically aligned to jointly own the waste agenda and the delivery of waste services and functions.

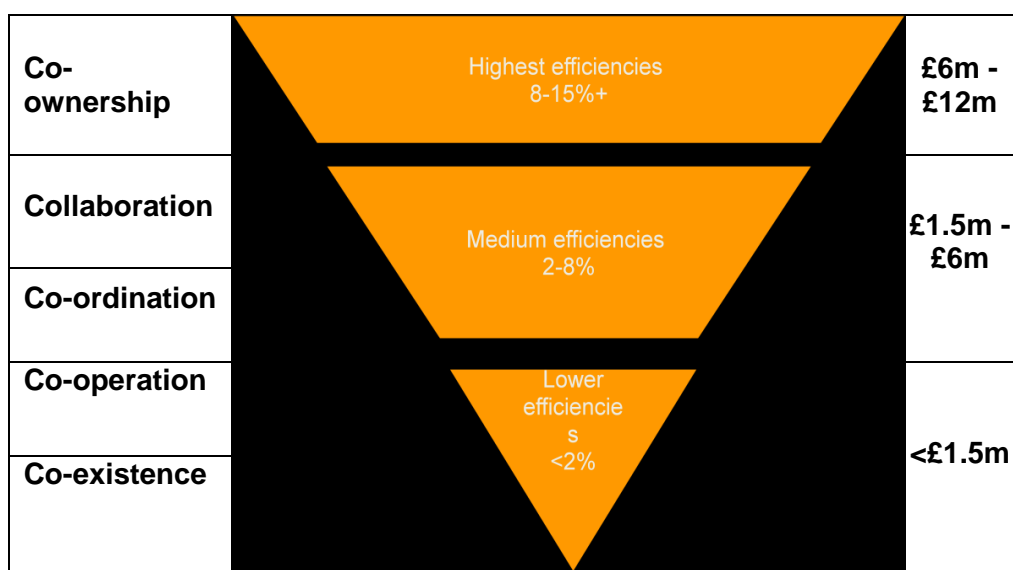


Figure 3: Savings opportunities from partnership working
Source: iESE waste partnership route map

22. Applying the iESE model to Surrey would suggest savings between £1.5m and £6m are possible for Surrey authorities from greater collaboration, and an opportunity exists to save up to £12m per year from a co-ownership approach to delivering waste services across the county. Despite the fact that savings have already been made in Surrey, this estimate goes further than the £8m per year that the SWP has estimated could be possible, as a fully integrated service would create additional efficiency and commercial opportunities.
23. A co-ownership approach that delivers best public value would involve all of Surrey's authorities creating a single joint entity to manage the collection, recycling and disposal of all of Surrey's waste. This would mean the integration of all waste services across the two tiers of local government. The greater benefits gained by working together would then be shared across all authorities.
24. Key characteristics of a co-ownership entity are:
 - joint committee or board with executive powers
 - legally binding Inter Authority Agreement

- budget for waste management is based on costs of managing waste allocated via a cost benefit formula
 - savings are shared amongst all authority partners based on an agreed set of principles
 - single management team
 - consistently managed kerbside collection services.
25. There are different options for how a joint entity could be set up, for example by creating a company or a virtual joint waste authority.
26. To fully unlock all of the savings opportunities available, all authorities would need to participate, but this may not be able to happen all at once; partners could join over an extended timeframe.

Consultation with district and borough councils

27. Discussions have taken place with key stakeholders within district and borough councils regarding how savings can be realised across the two tiers, and how different models of working are perceived.
28. The benefits of working better together were discussed with Surrey Chief Executives at their September 2014 meeting. Following this meeting, one-to-one visits were held between the SWP and Leaders, portfolio holders and lead officers from each district and borough council to discuss short term improvement opportunities and the future of waste management in Surrey.
29. Whilst there was general consensus that savings opportunities should be pursued, there was a range of views on what is required if they are to be successfully delivered. It became clear that authorities have different starting points and the appetite for the nature, scale and speed of change varies.
30. The findings of the visits were reported back to Chief Executives at their March 2015 meeting. The outcomes of this meeting were that:
- the current system of cross-tier financial transfers is not effective and will not be retained
 - all 12 authorities must make a commitment to drive value across the whole system to reduce costs and benefit Surrey taxpayers
 - the nature and pace of what could or should be done in collaboration varies between the authorities
 - officers should continue to explore new ways of working and report back.
31. Since then SCC has worked closely with SWP colleagues to identify how savings may be realised and this was discussed at SWP meetings last year.
32. A further report was taken to the SWP and Surrey Chief Executives in March 2016 which outlined a suggested direction of travel for how waste management in Surrey will work in the medium to long term, based on a co-ownership model, as described above. Chief Executives agreed that those

authorities ready to move forward now should do so, and those that were not should consider what would be required for them to get there.

Developing a co-ownership approach

33. Following consideration by the SWP of joint working arrangements, four Surrey authorities have already made significant progress towards joining up services and realising some of the savings outlined above.
34. Elmbridge, Mole Valley, Surrey Heath and Woking are currently tendering for a joint waste collection contract, due to commence in June 2017. This is expected to achieve significant savings for the partner authorities and will provide a high quality and consistent service for their residents. The contract is being set up in a way that allows for other Surrey WCAs to join at any time.
35. In order to do this, the authorities have signed an Inter Authority Agreement (IAA) which sets out how they will procure the contract. Upon appointing the contractor, the authorities will enter into a new IAA which is currently being drafted.
36. Principles of this IAA include mutual trust, cooperation and consultation. The IAA stipulates that no partners should be worse off as a result of a decision made by the entity. The IAA also sets out the terms governing joint working arrangements and specifies how costs, liabilities, rights and responsibilities will be shared and managed between the partners.
37. The principles developed for the joint collection contract provide a template for joint working in Surrey and can be used as a basis for the co-ownership approach.
38. In response to feedback from district and borough councils, it is proposed that SCC will work with those councils that are ready to move forward now to develop a proposed approach, which would include arrangements for others when they are ready to join. This would also include developing new financial arrangements replacing the recycling credit scheme for authorities that decide to remain outside the new partnership arrangements.

Proposed next steps

39. In order to facilitate the change as outlined above, it is proposed that SCC takes on the management of the kerbside collected recyclable material, in lieu of the new co-ownership entity managing the material, and notifies districts and borough councils of the change through the statutory mechanisms that allow for this.
40. This development is necessary for the recycling credit regime to be replaced by a new model that better reflects the total cost of managing waste in Surrey and stimulates change more effectively. It is likely that this mechanism would be a single financial transfer mechanism based on the avoided cost of disposal as a result of collecting recycling, and the cost of managing the collected residual waste. Recycling credits will only be replaced once a new system has been agreed.
41. Between now and the autumn SCC will work with SWP colleagues to continue to develop proposals for change and how they will be implemented.

This will include an options appraisal to identify the preferred organisational structure and high level principles for how costs and benefits will be shared across the partner authorities. The potential impact on individual authorities will also be assessed in more detail.

42. It is proposed that Officers report back to Cabinet in autumn 2016 with detailed proposals for new arrangements which would be implemented from 2017/18.

CONSULTATION:

43. Between October 2014 and March 2015, one to one visits with all district and borough councils took place in order to discuss short term improvement opportunities and the future of waste management in Surrey. These discussions involved:
- SWP Chief Executive sponsor (or deputy)
 - SWP Member representative
 - SWP Manager
 - SWP Officer Chairman
 - WCA Portfolio Holder
 - WCA Leader
 - WCA Chief Executive
 - WCA Lead Officer.
44. The consultation on the joint strategy took place between 1 July and 12 October 2014. Residents and other key stakeholders, such as businesses and waste management companies, were consulted on potential principles and actions. Nearly 1000 responses were received which were taken into account when revising the strategy.

RISK MANAGEMENT AND IMPLICATIONS:

Risk	Mitigation
45. Speed and extensiveness of change not enough to fully realise savings.	Continue to positively engage with stakeholders to develop programme of work and regularly review savings projections to ensure delivery remains on target.
46. SCC is unable to make required changes within existing contractual arrangements with SITA.	Early engagement with SITA. Maintain open and transparent relationship to ensure SCC and SITA are working towards shared goals that deliver mutual benefit.
47. Changes in material values create additional disposal costs or reduced income.	Development of more secure markets based on confirmed scale and quality specifications.

Financial and Value for Money Implications

48. The SCC Medium Term Financial Plan and wider financial strategy requires the achievement of significant savings to the County Council's revenue account from the Waste budget.
49. It is currently estimated that total savings to the Surrey taxpayer, i.e. across the 12 councils in Surrey, could be £8 to £12 million. Detailed work prior to autumn 2016 will determine the allocation of costs and savings between individual councils and demonstrate the methods and timing by which savings will be made.

Section 151 Officer Commentary

50. The revised approach set out in this report is aimed at securing the lowest cost for managing waste across Surrey, and is consistent with the objectives of the council's Medium Term Financial Plan.
51. The actual methodology for sharing costs and benefits between authorities, including the estimated financial impact on Surrey County Council, will be set out in a later report once detailed proposals have been developed.

Legal Implications – Monitoring Officer

52. The responsibilities of the Council as waste disposal authority for Surrey and the districts and boroughs as waste collection authorities are set out in paragraph 1 above. This report proposes that new partnership arrangements are developed with the districts and boroughs to meet those duties. Legal Services will advise on identifying the most appropriate legal model to support the arrangements.
53. It will be necessary to serve formal notices on the districts and boroughs in order to take on management of recyclables collected at the kerbside. This approach has been fully discussed with the SWP.

Equalities and Diversity

54. The Equalities Impact Assessment (EIA) for the Joint Municipal Waste Management Strategy, as summarised below, contains mitigating actions which will be followed in taking these proposals forward.

<p>Information and engagement underpinning equalities analysis</p>	<p>A second revision of the Joint Municipal Waste Management Strategy (JMWMS) has been produced. In order to assess equality impacts, residents, including groups with protected characteristics, were consulted as part of the strategy's development. The strategy was updated following the consultation.</p> <p>In addition, a SCC EIA specialist undertook reviews of draft strategy documents both before and after the consultation and minor amendments were made to reduce some potentially negative equality impacts.</p>
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Key impacts (positive and/or negative) on people with protected characteristics	<ul style="list-style-type: none"> • Communications not reaching the protected groups • Changes to household products and waste collection services as a result of lobbying • Reducing capacity for non-recyclable waste • Recycling more materials • Space for recycling at new developments • Not collecting contaminated recycling bins • Changing collection systems
Changes you have made to the proposal as a result of the EIA	No changes. The actions of the JMWMS are high-level and there is sufficient flexibility to allow partners to mitigate the impacts when planning any changes in detail.
Key mitigating actions planned to address any outstanding negative impacts	<ul style="list-style-type: none"> • Communications teams to fully engage with impacted groups • SWP manager to fully consider the implications of lobbying on groups with protected characteristics • Local policies for reducing non-recyclable bin capacity should allow flexibility for groups with protected characteristics • Consider the needs of groups with protected characteristics when assessing the suitability of new materials for recycling • Consider the needs of groups with protected characteristics when reviewing bin space provision at new developments • Local policies for dealing with contaminated recyclable bins should allow flexibility for groups with protected characteristics • Collection authorities should carry out a full EIA for their district/borough when proposing any changes to collection systems
Potential negative impacts that cannot be mitigated	At this stage it is not perceived that the actions of the strategy will result in any negative impacts that cannot be mitigated.

55. Further Equality Impact Assessments will be completed as part of the project planning and implementation process as the detailed plans described in this report develop.

Climate change/carbon emissions implications

56. Increased efficiency and better performance arising from working together to deliver waste services more effectively is likely to have a beneficial impact, for example:
- Reducing waste arisings and recycling material rather than disposing of it reduces the carbon impact of producing new materials and the associated emissions from packaging, transportation and disposal.

- Joint working and rationalising services will improve collections routes and disposal efficiency, reduce the number of vehicles required and the associated emissions from haulage.

WHAT HAPPENS NEXT:

57. Subject to Cabinet approval, Surrey County Council will notify district and borough councils of its intention to manage kerbside collected recyclables centrally through new partnership arrangements and subsequently replace the current recycling credit scheme.
58. A further report will be brought to Cabinet in autumn 2016 with detailed proposals for new arrangements which would be implemented from 2017/18.

Contact Officer:

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Consulted:

Consulted on issue:
See Consultation section above

Consulted on the report to Cabinet:

- Leader
- Chief Executive
- Surrey Chief Executives

Annexes:

None

Sources/background papers:

- Cabinet Reports: 25 November 2014, 24 February 2015
- Joint Municipal Waste Management Strategy, Revision 2 (2015)
-