

**SURREY COUNTY COUNCIL****CABINET****DATE: 25 NOVEMBER 2014****REPORT OF: MR MIKE GOODMAN, CABINET MEMBER FOR ENVIRONMENT AND PLANNING****LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR – ENVIRONMENT & INFRASTRUCTURE****SUBJECT: MANAGING SURREY'S WASTE: PROGRESS AND NEXT STEPS****SUMMARY OF ISSUE:**

Surrey County Council (SCC) and the 11 districts and boroughs that make up the Surrey Waste Partnership have made much progress over the last few years with regard to managing Surrey's waste, containing costs and improving performance. This report discusses SCC's approach to making further improvements which is made up of the following three elements:

- *Developing new waste infrastructure including the Eco Park*

Progress with the delivery of the Eco Park since the Cabinet meeting on 24 June 2014 is set out in this report.

- *Community Recycling Centres*

A number of performance improvement and efficiency savings activities have already commenced. In order to make further savings, more changes need to be considered, including charging for certain materials and rationalising opening times.

- *Partnership working*

Working with Surrey districts and boroughs to make a step change in performance and efficiency.

Surrey authorities are currently revising their joint waste strategy and this will provide the framework for delivering change.

**RECOMMENDATIONS:**

It is recommended that:

1. A further report on the Eco Park is brought back to the Cabinet in February 2015 with an updated value for money and affordability assessment.
2. The Cabinet endorses the need to reduce costs at Community Recycling Centres by rationalising the service offering and requests that officers provide a detailed proposal in February 2015.

3. The Cabinet supports the proposal to develop a new model of working with district and borough councils to deliver waste services across Surrey.

#### **REASON FOR RECOMMENDATIONS:**

Changes in SCC's approach to managing Surrey's waste, including joint working arrangements between the Waste Disposal Authority (WDA) and Waste Collection Authorities (WCA) have the potential to make savings which will help address a funding gap that arises from increasing costs and reducing funding, in addition to contributing to other savings that will be required across SCC in the coming years

Changes to the management of Community Recycling Centres will optimise their use and has the potential to deliver further savings.

The Cabinet previously requested that in the event that all necessary consents to develop the Eco Park were not secured by 1 November 2014 it should receive a further report. In view of the continued delay it would be appropriate to report again when the position is clear.

#### **DETAILS:**

##### **Introduction**

##### *Performance to date*

1. Surrey County Council and the 11 Surrey districts and boroughs, working as part of the Surrey Waste Partnership have made considerable progress over the last few years.
2. The amount of household waste generated in Surrey has decreased by around 50,000 tonnes since its peak in 2007/8, despite population increases during this time. However, it appears that waste volumes may be starting to increase again, though it is not yet clear if this is a long term trend (see figure below).

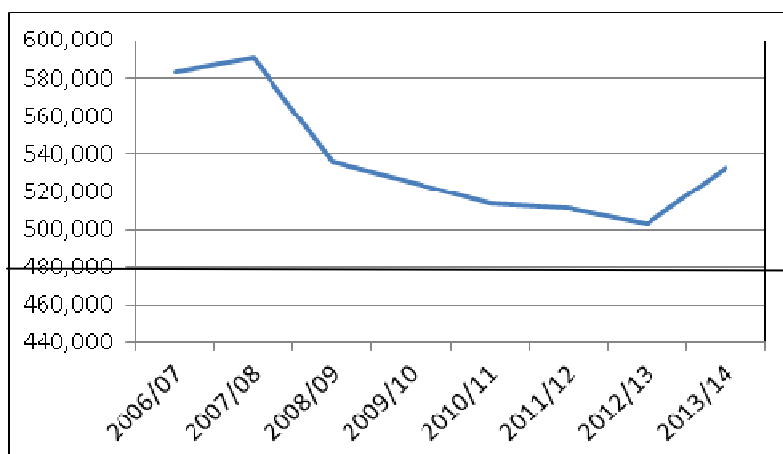


Figure 1: Tonnes of household waste generated in Surrey per annum

3. Surrey's overall recycling rate has increased by around 20% since 2006/7 but performance has levelled off more recently (see figure below).

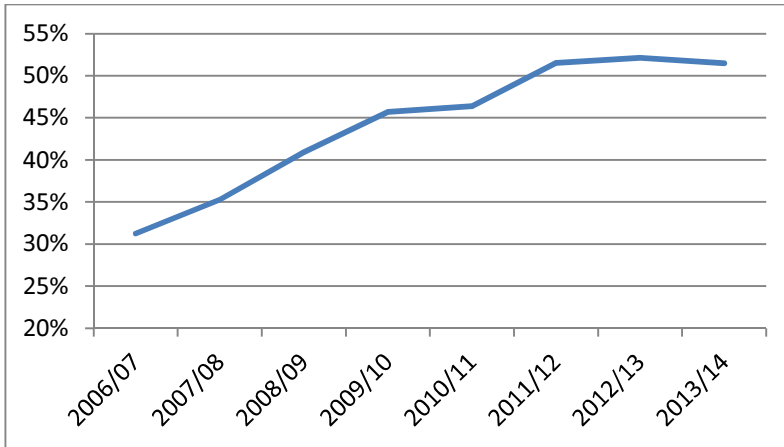


Figure 2: Percentage of waste recycled, reused and composted in Surrey per annum

- Despite a rise in population and increases in the cost of waste disposal (e.g. landfill tax and haulage cost increases), the overall expenditure on waste management in Surrey has been contained at 2010 levels. However, the proportion of overall costs borne by SCC has risen over this time (see figure below).

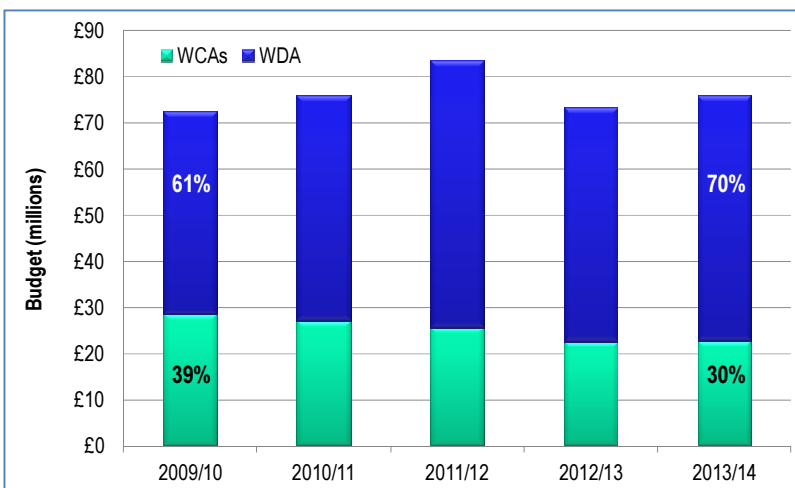


Figure 3: Net expenditure on waste by SCC (WDA) and districts and boroughs (WCAs)

*Current issues*

- Surrey-wide recycling rates have started to level off and major changes will be required to make significant improvements in the future. All authorities collect a wide range of materials so residents now need to be encouraged to use existing recycling services more fully.
- There is significant variation in recycling performance amongst Waste Collection Authorities, with a 17% gap between the highest and lowest recycling rates in 2013/14 (see figure below).

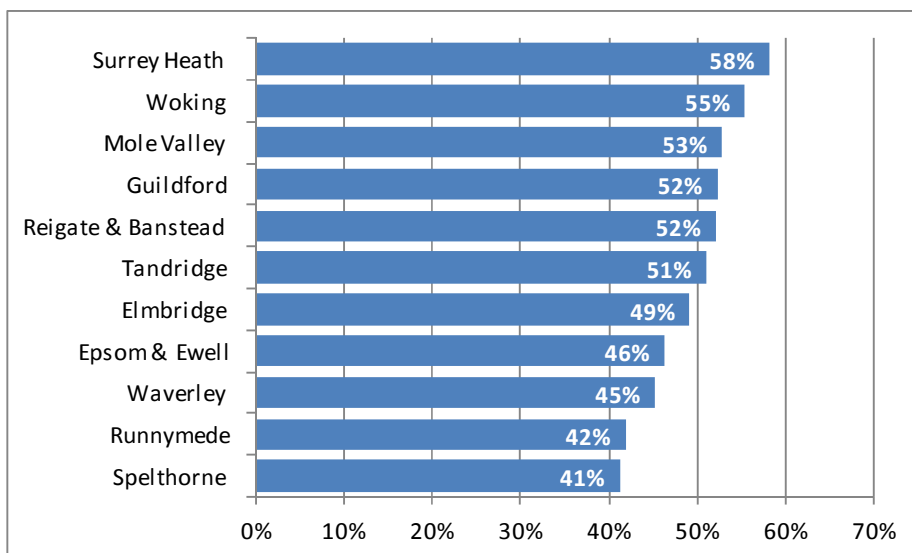


Figure 4: District and Borough Recycling rates 2013/14

7. Increases in population along with a continued reduction in funding from central government will put pressure on all council services. It is expected that local authorities will have to make difficult choices about service provision in the future and rising costs in waste management have the potential to divert resources away from other essential services.
8. The challenges outlined above mean that the current situation is unsustainable and we need to look at new ways of working together to reduce costs and increase performance whilst still providing a good service to Surrey residents.

#### *Approach*

9. SCC's approach to making further improvements includes the following elements:
  - Working with Surrey districts and boroughs as part of the Surrey Waste Partnership to make a step change in performance and efficiency.
  - Developing new waste infrastructure including the Eco Park.
  - Optimising the operation of Community Recycling Centres.
10. Surrey authorities are currently revising their joint waste strategy and this will provide the framework for delivering change across the Partnership.

#### **New strategy**

11. The Surrey Waste Partnership's joint waste strategy was last revised in 2010. Much has changed since then with regard to the financial climate, legislation and how the Surrey Waste Partnership has developed. This means that it is a good time to review performance over the last few years and ensure a new strategy is up to date and relevant.
12. The strategy will last for 10 years with biennial reviews. A draft strategy will be considered by the Surrey Waste Partnership in December with the aim of formal adoption in the New Year.

13. A consultation with residents and other key stakeholders such as businesses and waste management companies took place between 1 July and 12 October 2014. Stakeholders were consulted on potential principles and actions to be contained within the strategy and nearly 1000 responses were received.

14. Whilst consultation responses are still being considered, it is likely that the content of the new strategy will contain the following elements:

*Objectives:*

- Provide a high quality service that residents and businesses like, understand and use to its full potential
- Maximise value and reduce costs: Treat Surrey waste as a commodity and obtain increased value for the public sector.

*Targets:*

- Reducing the amount of household waste generated.
- Increasing the recycling and recovery rate.
- Reducing the amount of waste sent to landfill.
- Reducing the cost of running waste management in Surrey.

15. SCC's approach to delivering the strategy will focus on optimising the services that we are responsible for and collaborating with district and borough councils in order to transform how we manage waste in Surrey.

### **Eco Park**

16. On 24 June 2014 the Cabinet received a progress report on the delivery of the Eco Park. It was agreed, during that meeting, to continue with phase one of the Eco Park development, whilst minimising the commitment of expenditure until the necessary remaining consents are obtained. It was also agreed that the Strategic Director Environment and Infrastructure, Director of Finance and Director of Legal and Democratic Services, in consultation with the Leader and Cabinet Member for Environment and Planning, continue to monitor progress and report back to the Cabinet in the event of material changes to the risks and assumptions set out in the Cabinet reports of 24 June 2014 and 30 October 2013 and in particular if the remaining outstanding consents are not obtained by the end of October. The purpose of this section of the report is to update the Cabinet on progress with regard to this.

17. Since the report to the Cabinet on 24 June 2014, all regulatory approvals necessary to commence construction have been received and Defra continue to support the development.

*Contract Signature and progress by the construction contractor*

18. Following the Cabinet decision on 30 October 2013, the Council and SITA immediately entered into a contract variation to deliver the council's waste strategy, including the Eco Park. SITA then entered into an Engineering Procurement and Construction (EPC) Contract with their preferred supplier M+W Group.

19. SITA gave M+W a 'Notice to Proceed' with phase one of the works on 31 October 2013. This was consistent with the contractual mechanisms approved by Cabinet. Phase one of the works comprises detailed design, early site works and advanced procurement of long lead-in items. Phase two includes the main build of the Eco Park facility. This two stage process was designed to minimise the council's exposure to cost risk as the second Notice to Proceed would only be given once all the necessary permissions had been secured.
20. The detailed design works have been undertaken by M+W but SITA and the Council agreed that M+W would not proceed with further site preparation works or advanced procurement until the necessary permissions had been obtained. The advantage to this approach is that it reduces the council's expenditure in advance of receiving the necessary permissions.

#### *Planning*

21. On 6 August 2014 notice was received from the Secretary of State that he did not propose to call in SITA's application to vary the Eco Park planning consent (required as a result of a change in gasification technology supplier and the further refinement of the design by the EPC contractor). Because of the time that had passed since the Planning and Regulatory Committee had considered the variation and following the decision in the Kides case (*R (on the application of Kides) v South Cambridgeshire District Council and others*) the planning authority, were required to consider whether any new material consideration had arisen since the resolution in principle to grant planning permission.
22. Officers took a further report to the Council's Planning and Regulatory Committee on 24 September 2014 and the Committee resolved to grant planning consent. However, a local resident has recently applied to the High Court for permission to seek a judicial review of that decision.

#### *Environmental Permit*

23. A final decision document and environmental permit were issued by the Environment Agency on 29 October 2014.

#### *Impact of regulatory uncertainty on timescales*

24. As has been stated earlier in this report, the financial assessment within the 30 October 2013 Cabinet report was based on an anticipated start date for phase two of the development of 1 July 2014. It was expected that all the necessary permissions would have been secured by this date, enabling work to proceed.
25. At the meeting on 30 October 2013, Cabinet recognised that there was a degree of uncertainty about when the necessary permissions would be secured and that there was a risk of further delay, which causes some uncertainty over costs.
26. A further financial assessment was undertaken for the Cabinet report of 24 June 2014 and this indicated that a delay in commencement of phase two of the development until 1 November 2014 would not have a material impact on the value for money and affordability position that was reported to Cabinet on 30 October 2013. Therefore proceeding with the delivery of the Council's waste strategy through the contract variation with SITA, including development of the

Eco Park, continued to represent best overall value to the public and was the most affordable option for the council.

27. As a result of the delay in obtaining the necessary consents, SITA and the Council have not been able to give M+W the second Notice to Proceed by 1 November 2014. As a consequence M+W have exercised their contractual right to submit a revised price for the Eco Park development. The updated pricing information is expected to be received shortly and will be evaluated by SITA and council officers, supported by external advisers. A further report, including an updated value for money analysis will be brought to the Cabinet during February 2015.

### **Community Recycling Centres**

28. SCC has 15 Community Recycling Centres across Surrey, operated by its contractor SITA. These sites vary in size, volumes of waste handled, and recycling performance.
29. Given the current financial climate, it has been necessary to investigate opportunities for making savings through optimising and rationalising the way in which the sites are managed.

#### *Current performance*

30. Recycling rates at Community Recycling Centres have risen from less than 40% in 2007/8 to around 60% in 2013/14.
31. The Surrey Community Recycling Centre network is the highest rated council service in terms of customer satisfaction. An attitudes and behaviour survey of 3,440 residents carried out in August of this year found that overall satisfaction was 85% with the range of waste recycled at the sites and the helpfulness of the staff scoring well.

#### *Savings opportunities*

32. Recent analysis has shown that it may be possible to achieve savings of around £1.8 million per annum at Community Recycling Centres if a number of actions are taken.

#### *Measures already in place*

33. A number of activities have already commenced which include:
- Increasing the capture of materials from residual waste through black bag splitting, thereby making savings through separating materials for more cost effective recycling and disposal routes.
  - Greater enforcement of the van permit scheme to prevent non household (commercial) waste from being deposited at the sites.
  - More cost effective, outlets for 'difficult' waste materials such as mattresses and bulky plastics.

### *Further opportunities*

34. A significant proportion (up to £1.5 million) of the above savings at Community Recycling Centres depend on actions that would alter the service currently provided. These include:
  - Targeted reduction in opening days and/or hours.
  - Charging for non-household materials such as rubble, plasterboard, tyres, gas bottles and asbestos.
35. Analysis of site usage data has shown that there are certain times of day where visitor numbers are comparatively low. This means that sites could close earlier or open later with minimal impact. Sites could also be closed on one day a week, with neighbouring sites closing on different days to ensure residents still have nearby options for waste disposal if their local site is closed.
36. SCC has a statutory obligation to provide facilities for residents to dispose of their household waste free of charge. However, certain materials do not fall under this category, and whilst these are currently accepted at Community Recycling Centres, SCC could cover the cost of disposing of these materials for a small fee.
37. Further savings and income opportunities are also being investigated and details costing are still being drawn up. These include:
  - Accepting, and charging for, commercial waste at more sites.
  - Generating income through selling materials either on or off site (e.g. reuse shops).
  - Closing particular sites which are inefficient to operate in their current form and cannot be improved due to prohibitive redevelopment costs or site-specific restrictions.

### *Next steps*

38. It is SCC's intention to operate an optimised network of Community Recycling Centres which provide a good service to Surrey residents whilst extracting maximum value from waste materials.
39. Some of the measures discussed above will result in service changes and the Cabinet will be asked to consider any major changes before they are implemented. More detailed proposals will be brought to the Cabinet in early 2015.

## **Working with District and Borough Councils: making a step change**

### *Savings opportunities*

40. There is great potential for improved efficiency and service enhancements to be made in all areas of waste management in Surrey. A considerable number of these opportunities depend on collaborative working between SCC and the district and borough councils. These opportunities arise in three key areas:



- Capturing more material for recycling.
  - Improving the efficiency of kerbside collection systems.
  - Recovering more value from the material collected.
41. At least £4 million of savings per annum could be made as a result of capturing more material for recycling at the kerbside. This is based on the difference between residual disposal cost and cost of (or income from) recycling the material instead. This would require communications that encourage a change in residents' behaviour and approach to recycling. A linear increase in capture rates so authorities are collectively recycling 62% of material by 2018/19 is assumed. Under current arrangements, SCC would directly benefit from around £1.8 million of these savings whilst WCAs would benefit from the rest through recycling credits and material sales.
  42. £2.8 million of savings per annum could be made as a result of all Surrey WCAs working together more effectively to improve the efficiency of collections. Projections made by the Surrey Waste Partnership indicate savings per authority per annum of £371,000 for contracted out authorities and £120,000 for Direct Service Organisations. Under current arrangements, SCC would not directly benefit from these savings.
  43. Further savings could be made by pooling materials and jointly tendering for cost effective recycling and disposal outlets. Current costs for commingled recycling vary greatly amongst Waste Collection Authorities, with some paying up to £40 per tonne whilst others generate a small income. If all kerbside dry recyclable material was recycled at a net cost of £0, at least £0.6million could be saved per annum.

#### *New models of delivery*

44. There is considerable variation amongst districts and boroughs with regard to recycling performance and the way in which collection services are operated. Commitment to joint initiatives has been patchy and more work is required to realise all the saving opportunities discussed above.
45. Whilst improvements have been made over the last few years, current financial arrangements no longer incentivise further changes and can distort the true cost of collecting and disposing of waste. Because of this, it can be hard to identify new initiatives that offer best value to the Surrey taxpayer as costs and savings are not always distributed equitably.
46. Achieving the savings discussed above will require a coherent framework for delivery where costs and benefits are shared equitably across the two tiers of local government. This new approach must ensure that all authorities are invested in making savings against the total costs of waste management in Surrey, delivering best value to the Surrey tax payer.

#### *Next steps*

47. Surrey Chief Executives met recently and acknowledged that the current situation is unsustainable and that the current variation in performance and operations is unacceptable.

48. SCC and Surrey Waste Partnership representatives are visiting all authorities at a Leader and Chief Executive level to discuss saving opportunities and agree an acceptable pace of change. Those authorities that are ready will consider the steps required to work more closely together and agree a plan of implementation.

#### **CONSULTATION:**

49. There has been extensive consultation on the Eco Park in the past and details of this can be found in the 25 June 2013 and 30 October 2013 Cabinet reports.
50. Consultation on the new joint strategy took place from 1 July to 12 October 2014.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

##### *Risks*

51. Delays in delivering key waste infrastructure through the PFI contract may lead to negative financial and reputational impact.
52. Inability to implement new cost saving policies at Community Recycling Centres may lead to overspend in the Waste budget.
53. Changes to services at Community Recycling Centres may reduce public satisfaction levels.
54. Critical elements of the waste programme will need to be delivered in partnership with districts and boroughs. If collaborative working with districts and boroughs proves to be unsuccessful this will lead to failure to meet efficiencies through joint working. A failure to increase recycling rates would lead to increased disposal costs.
55. Revised European Waste Regulations which come into effect on 1 January 2015 will potentially have a significant impact on plans for waste collection systems and sorting facilities.

##### *Mitigation*

56. Strong resourcing within SCC with appropriate governance arrangements and strategic overview in place.
57. Expert support from a DEFRA appointed transactor.
58. Delivery plans will be scrutinised at the correct level and detailed analysis will be used to identify where any potential negative impact of changes can be minimised.
59. Effective stakeholder identification and communication will take place in order to fully explain the reasons behind any changes.
60. SCC has representation on all Surrey Waste Partnership project groups and is leading on several workstreams. Continued engagement with district and boroughs at Leader and Chief Executive level will ensure partnership initiatives have appropriate support and commitment.

61. Detailed modelling to analyse compliance with the revised Waste Regulations is currently underway and results and recommendations for the Surrey Waste Partnership will be available in November.

#### **Financial and Value for Money Implications**

62. A further report, detailing the impacts of this additional delay in the Eco Park delivery on the value for money and affordability of the project will be brought to the Cabinet during February 2015. To date, the contractor has incurred development costs of approximately £7 million, which would be payable by the council whether or not the Eco Park was constructed.

#### **Section 151 Officer Commentary**

63. Finance colleagues continue to work closely with the service to develop full costs and assessments of income levels for the various proposals included in this report. The Director of Finance is satisfied that all material financial implications have been addressed in this report as far as is feasible at this stage. Work will continue, in particular with regard to the Eco Park and the review of the affordability and value for money assessments ahead of the February Cabinet meeting.

#### **Legal Implications – Monitoring Officer**

64. Surrey County Council is the waste disposal authority and as such has a statutory duty, which requires it to arrange for the disposal of the waste collected by the Borough and District Councils from households in Surrey. It must also provide places where Surrey residents can bring household waste and dispose of the waste deposited there. The Council must work with the borough and district councils, which are each responsible for waste collection in their area and there are a range of powers available to both these tiers of government which can facilitate joint working up to and including asking the Secretary of State to create a single joint waste authority

#### **Equalities and Diversity**

65. This report confirms that there has been no change to the Equalities and Diversity implications of the Eco Park as described in the 30 October Cabinet 2013 report.
66. An Equality and Diversity impact assessment is currently being undertaken as part of the joint strategy revision, focusing on the consultation of residents and the draft actions of the strategy. The results of the assessment will be used to modify the strategy as appropriate before it is sent for approval by partners.
67. An Equality and Diversity impact assessment will be developed alongside the proposals for service changes at the Community Recycling Centres and will be included when detailed proposals are brought to the Cabinet in 2015.

#### **Climate change/carbon emissions implications**

68. This report confirms that the climate change and carbon emissions implications for the Eco Park remain the same as described in the 30 October 2013 Cabinet report.

69. The majority of the saving initiatives discussed above are likely to have beneficial implications, for example:
- Reducing waste arisings and recycling material rather than disposing of it reduces the carbon impact of producing materials and associated emissions from transportation and disposal.
  - Joint working and rationalising services will improve collection routes and disposal efficiency, reduce the number of vehicles required and the associated emissions from haulage.

<b>WHAT HAPPENS NEXT:</b>
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70. A further report will be brought to the Cabinet in February 2015.

**Contact Officer:**

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**Consulted:**

There has been a comprehensive consultation process with regard to the Eco Park, as described in the 25 June Cabinet report and which included:

- Constituency MP and other Local MPs
- All local Residents Associations (Charlton Village RA; Shepperton RA)
- Spelthorne Local Committee, which includes local councillors and county councillors
- Spelthorne Borough Council relevant officers (e.g. Chief Executive, Deputy Chief Executive, Director for Environment)
- Over 10,000 local residents
- Elmbridge Borough Council
- Neighbours to the Charlton Lane site
- SCC Cabinet

(Note: this does not relate to the County Planning Authority consultation as part of the planning application as this was a separate process.)

Consulted on the report to the Cabinet:

- Leader
- Cabinet Member for Environment and Planning
- Chief Executive
- Strategic Directors-
  - Environment and Infrastructure
  - Business Services
- Director of Finance
- Monitoring Officer
- Chief Executive Lead for Waste (Surrey Heath Borough Council)

**Informed:**

All relevant stakeholders informed

**Sources/background papers:**

- Cabinet Reports:– 2 February 2010 – 14 March 2011 – 26 March 2013 – 25 June 2013 - 30 October 2013, 24 June 2014 (including the EIA which remains appropriate)
- Mott MacDonald technical advisors report – Technology Review August 2012
- Mott MacDonald Technical Due Diligence – M&W proposal June 2013