

**NORTH LONDON WASTE AUTHORITY - INTER AUTHORITY AGREEMENT –
SUBMISSION OF SCHEDULE B TO INCLUDE CO-MINGLED COLLECTION**

FORWARD PLAN NO HCS3 F21

CABINET MEETING DATE

26th March 2012

CLASSIFICATION:

Open

**If exempt, the reason will be listed in the
main body of this report.**

WARD(S) AFFECTED

All Wards

CABINET MEMBER

Cllr Feryal Demirci

Neighbourhoods

KEY DECISION

Yes

REASON

Affects Two or more Wards

CORPORATE DIRECTOR

Kim Wright, Corporate Director of Health and Community Services

1. CABINET MEMBER'S INTRODUCTION

- 1.1 The recycling service in Hackney seeks to meet the needs and expectations of our residents and to ensure we follow industry best practice. We will continue this approach, but in doing so we must deliver improved recycling performance and accessible services in an integrated manner to achieve higher participation and increased efficiency.
- 1.2 The comprehensive recycling service adopted by Hackney since 2002 has led to tremendous growth in recycling. Thanks to all the efforts of the residents of the borough, our recycling rate has increased from just 2% in 2002 to 25% this year.
- 1.3 Whilst the increase in our recycling rate is to be commended, the range of housing stock, the 50% recycling targets and the ever increasing cost of waste disposal pose significant challenges in identifying and adopting a system of collection that is easy to understand and as comprehensive as possible.
- 1.4 In short, the current service model has served Hackney residents well but it needs to evolve to meet the growing demands placed upon it. A solution has to be found which encourages participation and which allows for a comprehensive service to all our residents.
- 1.5 A successful co-mingling trial in Cazenove ward, and modelling analysis, has shown single streamed co-mingled collection as the best alternative approach to the collection of dry recyclables. This model best serves our street based households as well as our estates, where there is currently a poor performing two stream approach with paper collected separately.
- 1.6 This report recommends co-mingling as the preferred recycling collection option, summarises the reasons that a change to co-mingled collections is proposed, and sets out the financial implications, operational impact, environmental impact/sustainability, as well as considering resident preferences and behaviours.
- 1.7 The key decision in this report to move to co-mingled recycling, excluding bring banks, will provide the best overall solution to improving the borough's recycling rates, whilst delivering the service in the most cost effective manner.
- 1.8 I commend this report to Cabinet.

2. CORPORATE DIRECTOR'S INTRODUCTION

- 2.1 The Council will shortly be required to confirm Hackney's preferred waste collection systems and estimated tonnage for municipal waste going forward as part of the North London Waste Authority (NLWA) Inter Authority Agreement (IAA).
- 2.2 Cabinet in June 2011 agreed to enter into an Inter Authority Agreement (IAA) that will govern the interface between the NLWA and its seven constituent boroughs regarding future NLWA waste management contracts. Authority was also delegated to the Corporate Director, Health and Community Services, in consultation with the Corporate Director of Finance and Resources and the Cabinet lead member for Neighbourhoods, to agree detailed terms to the final form of the IAA and to complete the required schedules providing details of collection systems and pattern of collection projected forward to reflect increases in recycling rates and changes to waste levels. Subsequent to the meeting, Part A schedules were submitted to the NLWA detailing collection systems including source separated collection for street based households and two-stream recycling on estates. The schedules reflected the service at the time of submission, but work was already in hand to determine whether alternative approaches would be more likely to achieve increased recycling performance with greater efficiency and sustainability. Any changes to the preferred collection approaches need to be advised by the submission of Part B schedules by 13th April 2012. Although delegated authority in consultation with the lead member has been approved to submit part B schedules, this report proposes an amendment that requires a key decision.
- 2.3 Following modelling analysis and the results of a co-mingling trial in Cazenove ward, this report proposes an alternative approach to the collection of dry recyclables from street based households with the introduction of single stream co-mingled collection. Single stream co-mingled collection is also proposed for estates where there is currently a poor performing two stream approach with paper collected separately. Public highway bring sites will remain source segregated. The report seeks approval to reflect the proposed changes in the submission of Part B schedules to the NLWA.
- 2.4 As a consequence of the proposal to change to a co-mingled approach, the report includes the procurement options for delivery of the service, which will pass to Cabinet Procurement Committee for approval on 17th April 2012.

3. RECOMMENDATIONS

3.1 Cabinet is asked to:

3.1.1 Approve co-mingled recycling collection as the preferred collection method for dry recyclables from street based households, flats above shops, estates and recycling on the go.

3.1.2 Note the recommendations in 3.2 of this report that will be passed to Cabinet Procurement Committee on 17th April 2012 for approval.

3.2 Cabinet Procurement Committee is asked to:

3.2.1 Note the contents of the report and the recommendations as made to Cabinet on 26th March 2012.

3.2.2 Agree to insource the recycling to be delivered by the Environmental Operations Service alongside residual waste collection when the current arrangements expire in February 2013.

4. REASONS FOR DECISION

4.1 Recycling and how Hackney manages waste has come a long way since 2002 when just 2% of our household waste was recycled. Over the past 10 years Hackney has implemented one of the most comprehensive recycling services in London. Our household recycling, food waste recycling, recycling on-the-go and garden waste services to date have resulted in approximately 24% of our household waste being recycled or composted. However, this level of performance falls short of the national target of 50% recycling by 2020 and a significant step change is required. Also, the cost of managing and disposing of waste generated within Hackney is due to rise significantly in the coming years. The NLWA household levy will be £4.8m in 2012/13. This figure is significantly assisted by the use of a budget surplus this year. Officers expect an increase in 2013/14 of over 52%. In addition to this, further increases are expected as the NLWA adopts menu pricing as part of the payment mechanism going forward so that Boroughs pay for the treatment of waste and recyclables by waste-stream.

4.2 Hackney adopted the North London Joint Waste Strategy (NLJWS) in July 2008. This is our statutory waste strategy, and we have worked together with the NLWA to procure a long term waste treatment contract. As part of this and the wider strategy we now need to confirm our borough waste collection methodology and estimated tonnages. It is right to review our position at this stage as the NLWA procurement reaches a critical and final part of the process and boroughs come together on the IAA. Decisions are required that will have long term operational and financial implications. Delay or uncertainty at this stage will lead to additional costs and Hackney falling short of necessary recycling performance.

4.3 Under Cabinet approved delegated authority, officers have provided the NLWA with a schedule stating Hackney's collection current methodology

including the provision of a source separated service to street based households. The schedule also allows for two stream recycling on estates.

- 4.4 This report recommends an alternative approach to the way in which dry recyclables are collected in Hackney and as a consequence, the submission of a Part B schedule to the NLWA. The change is considered necessary to maximise recycling performance and provide a sustainable, efficient and cost effective service. The evidence for this proposed change has been gathered over a considerable period, firstly through a modelling exercise to determine the best available approaches, benchmarking to review other authorities' performance and then by a successful co-mingled trial conducted in Cazenove ward.

5. PART B OF THE INTER AUTHORITY AGREEMENT (IAA)

- 5.1 Hackney is one of seven boroughs in the NLWA area. A draft joint waste strategy was prepared by the eight partners (the seven boroughs and the NLWA) in 2004 setting out the partners' plans for managing waste between 2004 and 2020. The joint waste strategy entitled the "North London Joint Waste Strategy, Mayor's Draft, September 2004" was adopted by Hackney Cabinet on 22 November 2004. The process of agreeing the strategy with all Partner Authorities was delayed pending a move to a tonnage based levy and the Mayor of London's comments were received in December 2006. However, during 2006, legislation came into force that made it necessary to carry out a retrospective Strategic Environmental Assessment (SEA) of the NLJWS to identify the environmental implications of the NLJWS before it is formally adopted by the partner authorities and its provisions implemented. As well as updating and finalising the strategy, the proposed changes arising from the Mayor of London's comments needed to be incorporated along with the changes arising from the SEA process. In July 2008 Cabinet adopted the North London Joint Waste Strategy.
- 5.2 The NLWA's current main waste contract with London Waste Limited (LWL) expires in December 2014. Cabinet in September 2008 noted the delegated report on the Memorandum of Understanding setting out in principle, an agreement to work with the constituent boroughs in support of the NLWA strategy towards identification and procurement of Waste Disposal service provider(s). The NLWA is in the process of procuring two replacement contracts, the 'Waste Services Contract' for the treatment of waste produced by the Authority's constituent Boroughs and the Fuel Use Contract for the separate incineration of fuel produced from the residual waste delivered to produce energy.
- 5.3 Cabinet in October 2008 approved the affordability envelope for the project and agreed principles of an IAA and in December 2010 agreed the principles of the IAA. Cabinet in July 2011 agreed to enter into the IAA.

- 5.4 As stated in the report to July 2011 Cabinet report, the IAA between the NLWA and its seven constituent Boroughs will require Hackney to provide binding projections of waste tonnages that we anticipate delivering to the Authority's Waste Services contractor over the course of 30 year duration of the proposed contract. The IAA is an agreement between each of the eight signatory parties. Whilst the IAA is still in draft and not executed it reflects a commitment on the part of the Boroughs to provide these tonnages three calendar months after receiving cost information from the Authority based upon bids received at the Invitation to Submit Detailed Solutions (ISDS) stage in its procurement process (the 'trigger point').
- 5.5 Bidders based their submissions at ISDS upon submissions by each Borough which have been used to populate Schedule 2A of the draft IAA. Based on the provisions of the IAA this Schedule will be superseded by Schedule 2B which Boroughs are required to make a submission to the NLWA to allow the population of the IAA with the binding tonnage projections by Borough going forward. The IAA also states that, if submissions are not received by the three month deadline by a given Borough their Schedule 2A will be directly transposed to Schedule 2B by default and will form the binding tonnage projections.
- 5.6 The 'trigger point' information was received by officers on 13th January 2012. This makes 12th April 2012 the deadline for a submission from each Borough, by which time the IAA is expected to be executed and Schedule B can be completed with the submissions provided by each Borough. Schedule 2B requires Boroughs to specify whether the tonnages they will deliver for recycling and composting will be co-mingled or source separated, thus effectively fixing the collection systems for those types of waste over the contract period subject to the flexibilities set out below.
- 5.7 The binding projections are required at this stage in the NLWA's procurement process so that it can issue instructions to its remaining bidders in September 2012 at the Invitation to Submit Final Solution (ISFS). As the name suggests this is the final round of bidding. The preferred bidder to each of the NLWA's two contracts will be selected on the basis of very detailed submissions. The financial cost and time required for bidders to produce their submissions and the need for absolute clarity in selecting the final bidders requires that the tonnages of waste to be delivered are fixed.
- 5.8 The waste streams that Boroughs are required to submit tonnage projections for in Schedule 2B of the IAA are:
- Source segregated dry recyclables
 - Co-mingled dry recyclables
 - Garden Waste (separately collected)
 - Kitchen Waste (Separately Collected)
 - Co-mingled Garden and Kitchen Waste

- Residual Waste Unsuitable for Solution (Landfill)
- Residual Waste Suitable for Solution (i.e. that which can be processed in the proposed MBT Facilities)
- Clinical Waste

5.9 The Schedule does not make a distinction between household waste and non-household waste (such as trade waste) in this instance as its contractor will not make this distinction in processing the waste delivered to it within a specific stream. However the NLWA will require the respective tonnages outside of the schedule itself primarily to enable it to calculate contributions to the eight-authority 50% combined household waste recycling and composting target and to calculate the precise composition of waste to be delivered to the contractors within each waste and fuel stream.

5.10 Cabinet in June 2011 delegated authority to the Corporate Director, Health and Community Services in consultation with the Corporate Director of Finance and Resources and the Cabinet lead member for neighbourhoods to agree detailed terms to the final form of the IAA and to complete the required schedules providing details of collection systems and pattern of collection project forward to reflect increases in recycling rates and changes to waste levels.

5.11 **Policy Context**

5.11.1 On 14th June 2011, the Government published the conclusions of its review of waste policies in England and it is helpful to highlight the direction of national policy in regards to recycling. Although the Government states that it is looking to target waste streams with a high carbon impact, on recycling it also states that we must continue to increase the percentage of waste collected from both households and businesses which is recycled, at the very least meeting the revised waste framework directive target to recycle 50% of waste from households by 2020. It recognised the challenge ahead particularly for urban areas and within the tight funding settlement for local authorities. One of the principal challenges mentioned is to ensure that the approach to extracting recyclables, such as paper and plastic from our waste generates material of sufficient quality to meet the needs of reprocessors here and abroad and to comply with international rules on waste shipments.

5.12 **Short Section on Modelling and The Need To Review Methodology**

5.12.1 The current kerbside sort collection approach in Hackney using 55 litre boxes is working as effectively as it can having been in use since 2003. However, despite the recyclables being present within the waste stream to capture, the performance of current kerbside sort recycling service has begun to plateau. A number of factors have been identified that contribute

to limitations of the current service to deliver the performance necessary to contribute fully to achieve higher levels of recycling.

- 5.12.2 To determine the most suitable recycling collection approach for Hackney, officers have worked together with constituent boroughs and the NLWA procurement team to review collection options. Consultants appointed by the NLWA provided modelling support so that various collection scenarios could be examined using best available data. The modelling forecast what each Borough could achieve through their current collection systems and, by looking at different scenarios, provide an indication of what achievements could be made through alternative collection systems. A key consideration in the modelling was the property make-up within Hackney which heavily influences residents' ability to participate effectively in collection schemes. Also, Hackney's streetscene makes it very difficult for the kerbside sort approach to operate effectively and to integrate with other waste and cleansing services.
- 5.12.3 The modelling also utilised the Waste Resources Assessment Toolkit for the Environment (WRATE) that has been developed by the Environment Agency (EA) to enable local authorities to model the potential effects of current and future waste services on the environment. This allows authorities to consider the whole life benefits (or costs) of utilising different technologies and introducing new collection services, and supports them in the decision making process. As a Life Cycle Assessments tool, WRATE considers the impact of municipal waste from the point of collection through to the point of final disposal or the point whereby the waste has been processed into materials for use again within the materials chain. One of the default impacts measured when using WRATE analysis is "Global warming potential" (kg carbon equivalent).
- 5.12.4 Modelling undertaken for Hackney using DEFRA's WRATE analysis has confirmed the benefit of recycling and supporting collection methods that maximise recycling performance and consequently divert more waste from disposal. The precise tonnages to be submitted as part of the Schedule B of the IAA are yet to be determined, but estimates indicate a minimum 15% carbon saving by adopting a higher performing co-mingled recycling collection method over a lower performing segregated sort method.
- 5.12.5 In addition to modelling, officers reviewed London-wide recycling performance and the collection approaches adopted by other boroughs.

6. SECTION ON THE CO-MINGLED COLLECTION PILOT

- 6.1 In June 2009, WRAP published a document entitled 'Choosing the right collection system' in which it endorsed the kerbside sort collections from both a quality and cost perspective where practical¹. The paper went on

¹ http://www.wrap.org.uk/downloads/Choosing_the_right_recycling_collection_system.004dd208.7179.pdf

to state that single stream co-mingled collections may be appropriate in circumstances where the other options are impractical e.g. dense urban areas where on-street parking and heavy traffic require fast loading without the need to return containers to the point of collection or for high density flats, transient areas and multi-occupied properties.

6.2 All of these factors are evident within Hackney and shared with other inner London boroughs. A co-mingled approach would address a number of issues with the current service. These include:

- Providing greater capacity to collect, store and present recyclables
- Improving containment of recyclables.
- Increased resident participation and accessibility to the scheme
- Reducing congestion on streets due to improved productivity.
- Improving the street scene by removing the number of receptacles presented.
- Providing the flexibility to add further materials to collections.

6.3 **Cazenove Trial**

6.3.1 In light of the findings of the modelled recycling collection scenarios and experience elsewhere, particularly in other London Boroughs, a co-mingled trial commenced on 6 September 2011. Changes have been made to the collection round infrastructure. Co-mingled kerbside collection services are typically delivered using a single use sack or wheeled bin to provide residents with adequate capacity to recycling their waste. Residents have been asked to use single-use recycling sacks that have been provided free and to retain their green boxes whilst the trial is undertaken.

6.3.2 The trial focuses on Cazenove ward and incorporates related services including commercial waste recycling, recycling on the go and revised residual waste and street cleansing schedules. The trial also demonstrates the manifesto commitment of same day waste and recycling collections with street cleansing within 24 hours.

6.3.3 Previously 1386 street based households in this ward were served by one contractor delivered collection round, but another seven rounds also collected within parts of the ward on the same day (Tuesday) and serviced a further 1181 street based households. The co-mingled trial is being undertaken by the Council's Environmental Operations team utilising one vehicle to collect dry recyclables from all 2567 street based households. Food waste is being collected by a separate small cage vehicle with wheeled bins.

6.3.4 Collections remain weekly and the range of materials able to be recycled through the green box scheme remain largely the same, the exceptions being namely batteries, engine oil and textiles no longer able to be collected. These materials currently contribute 0.4% of the total annual

tonnage collected through the scheme and can be recycled using other local facilities.

- 6.3.5 The priority on sustainability should be to minimise waste production and particularly residual waste tonnage requiring waste treatment. This will have the greater environmental impact. Kerbside sort schemes with segregated waste do perform better than co-mingled collection schemes regarding carbon impact, but as co-mingled generates increased recycling performance this soon out-weighs the benefit of kerbside sort. The evidence that co-mingled schemes in an urban setting out-perform kerbside sort is clear from benchmarking, feedback and case studies. However, it was important to test whether this would be the case in Hackney. The co-mingled trial in Cazenove ward which is now into its seventh month of operation is demonstrating increased recycling performance and consequently diverting more waste from residual waste processing.
- 6.3.6 The results of the trial to date have been very positive. Dry recycling levels have increased by over a quarter (26%), equating to an additional 1.85 tonnes of recycling being collected per week on average. Beneath the headline figures extensive monitoring has revealed that the change to co-mingled recycling has led to significantly increased volumes of waste recycled from the vast majority of homes in Cazenove ward. The increase has been most marked in Hackney's most numerous housing types:
- 1 household properties: 44.8% increase
 - 2 household properties: 45.3% increase
 - 3 household properties: 34.1% increase
 - 4 household properties: 21.1% increase
- 6.3.7 If the Cazenove trial results were replicated across the rest of Hackney recycling volumes would increase from 89% of properties currently on the green box service.
- 6.3.8 Residents are recycling more regularly with 19.6% more households recycled every week using the orange sack than they did using the green box service.
- 6.3.9 More households are recycling than before with 2.7% more households recycling using the orange sack service than the green box service.
- 6.3.10 Very few households are not using the service with 92.5% of households making use of the orange sack recycling service.
- 6.3.11 The trial has also identified other significant benefits:
- Congestion has been reduced as the speed of recycling collections has more than doubled (55.2% quicker) eg Osbaldeston Road – 52

minutes quicker on average (1 hour 28minutes – reduced to 36 minutes)

- Street cleanliness following collection has improved since orange sacks were introduced

6.4 Resident Focus

6.4.1 Hackney has a statutory obligation to deliver recycling services that are accessible to all residents across the borough regardless of where and in what type of property they live. For street level properties this means providing a service that meets the needs of all 49,380 households. This service must be capable of capturing a greater proportion of dry recyclates currently being disposed of each year.

6.4.2 The current green box collection service has been provided, largely unchanged, to street level properties since 2003 yet we have introduced many new materials to the service to match residents' expectations. The borough has changed in a number of visible ways during the past 7 years. Our properties and demographic have changed significantly. The current service has been shown to be extremely limited in providing a good quality service to many property types in Hackney. This is particularly true of small blocks of flats, where former single dwelling buildings have been converted into multiple flats or properties that do not have adequate frontage to store and present receptacles. Current trends and future projections indicate that the growth in purpose built flats and conversions will continue at pace in the borough. This will further increase the challenge of meeting our statutory requirements for service delivery. In contrast the service works effectively for single properties. Furthermore, while the service works reasonably effectively for single properties, the Cazenove trial is finding that these households have increased their volumes of recycling by 44% following the change to co-mingling.

6.4.3 The retention of the current service will ultimately lead to it servicing a decreasing number of single dwelling properties with a frontage for who the current service is effective. It is likely that the increased difficulty coupled with the practical and operational issues in delivering a service to the remaining properties would lead to a much lower capture of materials and ultimately drop out from using the service. Complaints would increase and requests for alternative individual or communal recycling containment would continue.

6.4.4 The current system's design has several elements that residents find frustrating, and discourage greater uptake of recycling services. These include the non-collection of boxes stored in locations away from the pavement, the locations to and the way in which boxes are returned, and the non-collection of partially contaminated boxes. Changing to a co-mingled collection method would effectively address these resident service issues. For example, early results from the Cazenove trial found a 64% decrease in the number of missed collections compared to the same

period in 2010. In 2011 residents reported 1,550 missed recycling collections. If the Cazenove trial results were replicated borough-wide, nearly 1000 fewer missed collections would be reported each year.

6.4.5 Many residents do not fully engage in a service that impacts on other areas of their daily routine or local environment. The current service causes significant congestion issues within the borough due to the time taken to sort materials into their respective compartments on the collection vehicle. The receptacle and sorting process can also result in an increase in litter impacting street cleanliness. The Cazenove trial has shown that moving to co-mingled recycling would more than double the speed of collections, and would improve street cleanliness. It would also provide Hackney with flexibility around containment options and future proof the service by enabling the addition of materials to collections as technology, infrastructure and end markets continue to develop. The retention of the existing service would see us fail to address these issues and they would become progressively more significant in the medium and long term.

6.4.6 A randomised survey of over 240 households in Cazenove ward sought to establish whether residents were supportive of the change to a co-mingled service, and what if any impact they felt the change had on aspects of service delivery. It found that:

- The co-mingled sack service is over three times more popular than the source-separated green box with those who have used both.
- 68.1% felt putting all their recycling mixed together in the sack made recycling easier - 6.6% felt it made it harder.
- 49.6% felt having more capacity to collect their recycling whenever they needed it made recycling easier - 3.6% felt it made it harder.
- 33.5% of respondents felt they were recycling more than before - 2.9% said they were recycling less.
- 43.5% said that they had noticed an increase in the speed of collection - 2.1% thought collections were slower.
- 39.3% had noticed a reduction in congestion caused by collection vehicles – 1.2% thought it had got worse.
- 34.9% felt the amount of litter on the street after collections had decreased – 3.7% thought it had got worse.

6.4.7 Hackney has, over the years, undertaken extensive engagement with its residents on recycling. There is a belief that face to face engagement with residents can resolve all issues and achieve the performance gains necessary for the Council to meet future regional and national targets to which it is committed. Door knocking, although successful at raising awareness and encouraging participation in recycling services, is expensive to deliver and the effects are often short lived. WRAP suggest that it is only really effective if it is delivered to promote a change in service. There are significant reputational risks in regularly door knocking properties to promote an existing service. Questions would be raised in

terms of spending money to carry out campaigns to an already well informed public at a time when there are well publicised financial pressures. This has been evident during the recent door knocking of the two control areas using the kerbside service (Kings Park and Lordship wards) undertaken in conjunction with the co-mingled trial. No increase in recycling levels was seen as a result of this face-to-face engagement; indeed recycling levels fell 1.8% over the following four months compared to the four months before and recycling levels were 5.6% lower than over the same period in 2010.

6.4.8 The trial has shown that the change in service has been embraced, it is resulting in more people recycling more materials and initial feedback in terms of satisfaction with the service is overwhelmingly positive. It is essential that we acknowledge this and put the resident at the heart of our decision making, providing them with a high quality, accessible, simple and flexible recycling service that is capable of meeting their needs and expectations while delivering the performance required to meet regional and national targets. The retention of the existing service will not enable this to happen.

6.5 **Operational impact**

6.5.1 As well as showing improved recycling performance, the Cazenove trial is demonstrating the practical deliverability of the service. One refuse collection vehicle and one other smaller vehicle for food waste cover all households in the ward compared with at least the equivalent of four/five Contractor vehicles. The Waste Operations crews are also handling on average 26% more recyclable waste as well. The speed of collection has more than doubled and street cleanliness has improved, both of which have been noticed by a significant proportion of Cazenove residents. It is also much easier to deliver same day refuse and recycling collections when the services operate at a similar pace and resource.

6.5.2 Extending this to a universal co-mingled collection service will further improve the operational efficiency and flexibility of the service. An example of a future challenge to the current service is being able to sustain kerbside sort through the projected traffic congestion during the period of the Olympics and also being able to work around the Traffic Management Act and London Permit Scheme which requires collections to be undertaken outside morning and evening peak periods in traffic sensitive roads. Speed of collection and flexibility will be paramount. Co-mingled collections offer this without compromising recycling performance.

6.5.3 Of particular note within the current Cazenove ward trial area is that the move to single stream co-mingled on estates from the split stream co-mingled approach has produced efficiency to enable an additional 30 recycling sites to be served at no additional collection cost.

7. **INTEGRATED WASTE COLLECTION – DELIVERY OPTIONS**

7.1 Should Cabinet agree to a co-mingled collection service the delivery options for this service need to be considered and agreed. This element will be further debated within the delegated authority of Cabinet Procurement Committee on 17th April 2012.

7.2 The options for delivery of a co-mingled recycling service are as follows:

- Procurement of an externally delivered recycling service
- Procurement of an externally delivered integrated waste service
- Insourcing the recycling element and remodelling the service

7.3 **Option 1 and Option 2**

7.3.1 The current market for recycling is separated into those who deliver source-separated services, those who deliver co-mingled services and those who do both. Contractors who deliver co-mingled services generally do this using an integrated approach, alongside residual waste collection. The efficiencies produced by this methodology are such that there is little appetite for single co-mingled collection contracts either for contractors or for local authorities.

7.3.2 Given the current successful performance in terms of both quality and value of the in-house Environmental Operations Service, Officers do not feel that outsourcing is a robust option at this point in time. Procurement of an externally delivered integrated waste service would additionally require considerable officer time to develop the relevant documentation and standards during a very busy Games year.

7.4 **Option 3**

7.4.1 As tested during the Cazenove trial, the current make-up of the Council's in-house Environmental Operations service lends itself to deliver a co-mingled collection service alongside the collection of residual waste.

7.4.2 The Environmental Operations Service can deliver recycling with confidence and efficiency making best use of existing facilities at Millfields without the need for new depot infrastructure. Additional refuse collection vehicles will be required, but of a type that complement existing vehicles and servicing arrangements. It is also possible to utilise existing Council refuse collection vehicles by altering the current fleet replacement programme to move RCVs from residual waste collection to recycling in their later years of service due to the lighter stresses on the vehicles when collecting recyclables.

7.4.3 This would be a comprehensive integrated service covering estates, flats above shops, commercial premises, recycling on the go and street based households. As recycling increases and if demand requires it, vehicles

and crews can easily switch from residual to the recycling service. Options for co-collection of food waste, garden or residual waste can also be explored in future. This flexibility and simplicity of service cannot be replicated with kerbside sort.

7.4.4 Only by bringing recycling, waste and street cleansing services under the control of Environmental Operations will the Council maximise opportunities for innovative working practices, and thereby best equip the service with the flexibility to continue to deliver high quality services against a tough financial backdrop. The benefits of this approach can already be seen through the development of Hackney's flats-above-shops and on-the-go-recycling services. Since October 2012, 917 households have been able to recycle from their doorstep for the first, and a further 3,000 will begin receiving the service in April 2012. Furthermore, residents and visitors to Hackney are now able to recycle their litter using one of over 240 bins in the borough's town centres and parks. This has all been delivered at no operational cost to the Council by utilising existing equipment and revising existing staff's ways of working. The savings of such an approach compared to delivering a dedicated co-mingled service was in excess of £130,000 per annum.

7.5 Recommended Option

7.5.1 It is therefore recommended that recycling is delivered alongside residual waste collection as an integrated service supplied by Hackney's Environmental Operations. This provides both clear financial savings and additionally will enable the service to develop incrementally to ensure that we are in the best position to meet the targets agreed with the NLWA.

7.6 Financial Analysis

7.6.1 Hackney's domestic waste collection, recycling and disposal net budget is approximately £14.8m in 2011/12 (excludes commercial waste collection and disposal costs, which are recovered through the charges to commercial waste customers).

Waste Collection and disposal Net budget 2011/12	
	£m
Waste collection service	5.400
Recycling	4.038
NLWA levy for domestic waste (budget held by Corporate Finance)	5.412
	14.850

Source: CLG Revenue Analysis 2011/12 return

7.6.2 The cost of managing and disposing of waste generated within Hackney is due to rise significantly in the coming years. Where we currently pay NLWA £5.4m to manage Hackney's household waste in 2011/12, NLWA expect the equivalent cost to be between £9m and £12m by 2016/17, once menu pricing and the cost of NLWA infrastructure investment (both

certainties) are accounted for, in addition to landfill tax increasing year on year.

- 7.6.3 The cost has been partly suppressed in recent years by balances within NLWA, which is not an option going forward. The shift to single stream co-mingled recycling arrangements works as a platform that enables Hackney to contribute towards the NLWA region achieving its target recycling rate of 40% through borough collection services by 2020 (other measures will also need to be considered in order to achieve this rate), and mitigate some of the additional future costs of waste disposal and collection.
- 7.6.4 The proposal to “in-source” Hackney’s recycling function will mean significant savings on current arrangements, and will contribute further to mitigating the rising cost of waste disposal.
- 7.6.5 The recycling contract will cost £2.6m for the period March 2011 to February 2012. The contract rises with RPI annually, and for the purposes of this report is estimated at 4% for the final year of the contract, meaning an annual cost of £2.7m for the period March 2012 to February 2013. The existing contract also allows the contractor to retain the income derived from selling of recyclate (though Hackney has benefited from reductions to its contract cost in recent years through negotiation on this point).
- 7.6.6 An in-sourced recycling service will be managed and operated within the Environmental Operations division of Public Realm. The service has costed the new function, and has estimated that replacing the contract with an in-house function delivering a co-mingled recycling service will achieve an annual revenue saving of £1.35m by 2017/18, (which has a gross controllable budget of £21m in 2012/13), as a result of the change in service delivery and the integration of a greater number of inter-related services.

Co-mingling savings	budget	2013/14	2014/15	2015/16	2016/17	2017/18
		£000	£000	£000	£000	£000
Annual revenue saving		550	200	200	200	200
Cumulative revenue saving		550	750	950	1,150	1,350

- 7.6.7 The saving will be achieved through the change of service delivery and economies of scale derived from by bringing together the recycling function with the existing waste collection and street cleansing services. Co-mingling allows a quicker, more efficient service, meaning we need fewer staff and vehicles.
- 7.6.8 Co-mingling will also mean savings on waste disposal, as we divert more waste from landfill and our recycling rate improves. By 2019/20, we

expect to be diverting an additional 7,000 tonnes from landfill (this is based prudent extrapolation of the Cazenove co-mingling trial), and this will deliver further savings, which will be modelled definitively once the ongoing NLWA procurement exercise and subsequent finalising of waste menu prices have concluded.

7.7 Equality Impact Assessment

7.7.1 The proposals in this report will make recycling more accessible and are designed to increase residents' participation through a more practicable and cost effective service. We also provide disabled residents of street level properties with the option of an assisted collection of recyclables on request. The service also liaises with Hackney Homes and other Registered Social Landlords (RSLs) to identify potential problems about access to our services.

7.7.2 All waste and recycling services are promoted to residents through range of methods including the Council's website, information leaflets, publicity throughout the year via Hackney Today and minority press and community outreach and door knocking.

7.8 Sustainability

7.8.1 Co-mingled recyclates are compacted together when collected, but not to the same level of compaction as residual waste. The material is taken for sorting to Bywaters Materials Recycling Facility (MRF) in Bow under contractual arrangements set up by NLWA. A number of Members have taken the opportunity to visit the MRF.

7.8.2 There is also a clear trend and evidence towards improved sorting infrastructure. MRFs built through the new NLWA contract will be at least of a fourth generation benefiting from technological development and experience of operating existing MRFs. In 2007 WRAP carried out detailed studies to make sure that non-bottle plastic packaging recycling would be technically and economically viable. It also carried out a thorough life cycle assessment to make sure it was the best environmental option. WRAP also provide technical support and funding to stimulate further processing capability of all plastics in the UK. This year WRAP provided a £1.17m capital grant to help fund the Biffa Polymers facility in Redcar which washes and sorts rigid mixed plastics. WRAP's latest work, including involvement of retailers, is identifying that even the recycling of difficult plastics (eg. black food trays, toothpaste tubes and plastic films) is becoming a reality.

7.8.3 For glass the most popular and environmentally favourable approach is to remelt it to produce more glass, a process which can be repeated over and over again. Where it is not possible to use glass in this way (for example, green container glass which exceeds the limited green furnace capacity we have in the UK), the glass may be exported for use in glass

furnaces on the Continent or put to alternative uses. Glass collected through co-mingling and separated through a MRF is currently unsuitable as it cannot yet be colour separated.

7.8.4 Alternative domestic markets for glass include its use as a coarse aggregate substitute for use in road construction, concrete product manufacture or as trench backfill. When crushed to a finer size, it may be used in sports turf applications (e.g. golf course bunkers or as top dressing for fairways), grit blasting, glass bead manufacture or as a fluxing agent in brick manufacture.

7.8.5 Another popular use for recycled glass is in fibreglass insulation manufacture where either mixed colour container or flat glass cullet is used offering numerous benefits over virgin materials.

7.9 **Consultation**

7.9.1 Section 4 above details the co-mingled recycling trial undertaken in Cazenove ward and the result of consultation with residents.

7.9.2 Going forward a full communication strategy will be produced to make sure that the changes are widely and full understood.

7.10 **Risk Assessment**

7.10.1 Extensive risk registers are maintained by NLWA on the procurement project and can be viewed on the NLWA website and within each Authority report. The IAA and its implication for Hackney are formally registered as a key corporate project on Hackney's Corporate Risk Register.

7.10.2 The NLWA's future contracts will each be subject to a Project Agreement (a contract) that will contain complex 'Payment Mechanisms'. The Payment Mechanisms reflect the need for the contractors and any supporting financial institutions to have certainty around the amount of waste or fuel that will be delivered to different waste management facilities that it will build and operate to treat the waste delivered by the Boroughs or, in the instance of the Fuel Use Contractor, the fuel delivered by the waste services contractor. The Payment Mechanisms ensure that the contractors will receive payment sufficient for them to service the underpinning financial outlay and meet its costs of delivering the service (the Guaranteed Minimum Tonnage). Among other things the Project Agreements will also set out the framework by which changes can be made to the service (the Change Procedure) and how other waste might be delivered to fill any spare capacity in the facilities that might address any shortfall against projections or potentially offset the costs of the contract. The Charging Mechanism within the draft IAA mirrors the Payment Mechanism and the IAA also contains a Change Procedure that complements that in the draft Project Agreement.

7.10.3 The following are key considerations behind the Schedule B tonnage projections in the context of the draft Project Agreement and IAA:

- Guaranteed Minimum Tonnages
- Maximum Tonnages and Exclusivity
- The Payment Mechanism and IAA Charging Mechanism.
- The IAA Change Procedure.
- Third Party Waste and Replacement Waste
- Key trends, drivers and uncertainties around tonnage projections.
- The treatment and disposal cost drivers

8. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES

8.1 This report proposes two major changes to Hackney's recycling service, firstly the move to a co-mingled collection and, if the first proposal is approved, that the new co-mingled service be provided in-house, once the current contract expires in February 2013.

8.2 All financial issues relevant to this report are explored at 7.6. The savings obtained will be included in the Councils Medium Term Planning Forecast (MTPF) and assist the Council deliver on the challenging savings requirement over the medium term.

9. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL HR AND REGULATORY SERVICES

9.1 Cabinet is asked to agree the recommendations in paragraph 3 of this Report regarding the North London Waste Authority Inter Authority Agreement.

9.2 The change to co-mingled collections of waste in the Borough would be considered a key decision by virtue of provisions made under the Local Government Act 2000 in that it would either "(a) result in the local authority incurring expenditure which is, or the making of savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates; or (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the local authority". Therefore it is necessary to include the decision on the Forward Plan and report it to Cabinet. This Report sets out the justification for and arguments in favour of a change to co-mingled collection.

9.3 It is also proposed, as a result, not to continue with the provisions of the external recycling contract. This service would then be replaced by an internal service. Such an internal transfer of a service would not be subject to procurement Regulations, although there would be likely to be

a transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

10. COMMENTS OF ASSISTANT DIRECTOR PROCUREMENT FLEET AND ENERGY

- 10.1 The proposed arrangements move from source separated to co-mingled waste collection. The anticipated improvements in collection rates then inform the undertaking we provide to the NLWA about the volume of recycling and residual waste which we require to be processed on our behalf. The proposals mean that Hackney will consolidate the collection of recycling and waste and enable further integration with street cleansing. For its part the NLWA is in the latter stage a major procurement process that will facilitate fundamental change in its arrangements for processing waste. Notwithstanding the considerable extent of change occurring, both Hackney and the NLWA must maintain stable disposal services and deliver environmental performance improvements during transition.
- 10.2 Paragraphs 7 – 7.5 summarise delivery options for the co-mingled recycling collection service and identify that these include continued external provision. However, only two options - complete outsourcing of an integrated service or complete in-sourcing allow the benefits of consolidation to be achieved.
- 10.3 Complete outsourcing of the service now would be a considerable endeavour which would compete for the finite resources available to the Council for preparation for the Olympics and so would adversely affect both. Furthermore, outsourcing would require us to specify a service that we have not yet had the opportunity developing and refining. Given the changes at NLWA level, the risk of service disruption would be unnecessarily increased. Acknowledging that Hackney already directly delivers waste collection and street cleansing services, the recommendation to in-source recycling collection and consolidate all three elements is endorsed. The proposal delivers significant financial savings (paragraph 7.6.6 refers) in addition to those already secured on recycling collection, and allows further refinement and savings to be made in the future.

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