

# CYNGOR SIR POWYS COUNTY COUNCIL

## Report for Delegated Decision

By Cllr John Powell Portfolio Holder for Waste & Recycling

November 2016

**REPORT AUTHOR:** Nigel Brinn, Head of Service, Highways Transportation and Recycling

**SUBJECT:** Strategic Rationalisation of Trade Recycling

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**REPORT FOR:** Decision

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### **1.0 Summary**

- 1.1 The trade waste & recycling service generates an annual income of £1.4M through the collection of commercial waste & recycling from approximately 1400 businesses within the County.
- 1.2 The trade recycling service currently generates an income of £236K, however the cost for operating this service is in excess of £400K, which places a significant burden on the overall viability of the service.
- 1.3 Whilst the service has projected a £73K surplus for 2016/17 this remains £130K short of the £1.6M target set within the MTFs. In addition the recycling service is heavily subsidised by the trade residual service, which has seen a notable drop in income through competition with other external providers.
- 1.4 Currently the recycling service operates across the whole of the county covering both rural and urban areas. However costs can be significantly reduced by focusing on main towns and those business located along the arterial routes.
- 1.5 In order to make the necessary efficiencies the recycling fleet will need to be rationalised and the collection rounds re-designed, which would yield an annual net saving of £165K. The proposal is to design rounds with an increased number of collections targeting areas with a greater density of customers. This will result in the withdrawal from some areas that do not have a sufficient number of businesses to allow an efficient service to be provided. Alternative options will be offered for those businesses affected by this withdrawal.

### **2.0 Background**

- 2.1 Due to the way the trade service has been operated with a mixture of collections on the trade and domestic rounds it has been difficult to accurately quantify the financial position of the trade waste & recycling service. The trade review and improvement project established more accurate costs for the service from which it

is now clear that the potential to recover costs is being restricted by operational inefficiencies due to the geography of the county.

- 2.2 Rationalisation of the trade recycling fleet was undertaken in January 2016, reducing the number of vehicles and staff by three, yielding an operational cost saving of £54K. However, the level of subsidy required from the residual trade service remains at an unsustainable level.
- 2.3 The service increased its charges for residual collections and also began charging County Council buildings, including schools, for the cost of recycling collections in April 2016. There has been a notable drop in customers primarily due to direct competition from other external organisations who are able to cherry pick areas and thus undercut the Council's prices.
- 2.4 In order to incentivise recycling the prices charged are significantly lower in comparison to residual collections. This does mean that the recycling service taken in isolation is operating at a loss as the rural nature of the County presents logistical issues where it is difficult to design an efficient collection route that can recover its costs.
- 2.5 The trade recycling service currently operates from two depots (Brecon and Newtown) with a fleet of four 15 tonne split bodied collection vehicles with a dedicated staff of seven.
- 2.6 The trade recycling service collects from businesses throughout the county with only a small percentage of rural properties being collected on the domestic rounds. The geography of the county has made it increasingly difficult to design efficient collection rounds, particularly in the North of the County where the mileage of some rounds currently exceeds 120 miles per day with only a small take up of service in areas visited.

### **3.0 Proposal**

- 3.1 To implement an arterial recycling collection service operated with a reduced number of vehicles and staff from a centralised strategic position (Rhayader depot).

### **4.0 One Powys Plan**

- 4.1 One of the key priorities of the One Powys Plan is remodelling council services to respond to reduced funding.

### **5.0 Options Considered/Available**

- 5.1 Three alternative options were investigated to identify potential savings, which are as follows:
- 5.2 **Option 1** - To implement an arterial recycling collection service operated with a reduced number of vehicles and staff from a centralised strategic position (Rhayader depot).

- This option could potentially yield a net saving for the authority in the region of £165K per annum.
- The changes would restrict collections to main towns and arterial routes, which is likely to affect approximately 39 businesses situated in the North of the County. These premises would still receive their residual collections and would be offered additional residual capacity or receive recycling collections on the domestic rounds where practicable. There is also the option of having a Household Waste Recycling Centre or Community Recycling Site permit.
- Currently the trade recycling service requires a dedicated staff of seven, it is envisaged that the staff dependency will be reduced to four through the implementation of these changes. There are no planned redundancies and it is proposed that the authority would reduce its current allocation of agency staff by three.
- Whilst implementing these changes the authority will seek to maintain customer levels. However, the combined loss of residual and recycling income is estimated at £57K should each of the identified businesses seek an alternative provider, which would reduce the potential net saving from £165k to £108K. This is a relatively low risk as external operators are less willing to serve these rural areas for the same logistical reasons.

5.2 **Option 2** – To withdraw the trade recycling service in its entirety. This option, whilst attractive financially, presents significant risk and may place the authority under scrutiny if challenged on their duties under the Environment (Wales) Act 2016 which requires waste collectors to collect waste and recycling separately from 2017.

- The cessation of the trade recycling service would remove the operating costs of £400K and could generate a significant surplus for the authority. However it is unlikely that our customers could cope without paying for an increase in their residual capacity. Customers may be unwilling to pay for additional residual capacity and may opt to take up a service with an alternative provider, which would have a significant impact on savings/income.
- The current residual fleet of two vehicles could not cope with the additional tonnage and additional resources would need to be sought, increasing operating cost significantly reducing the potential saving.
- The trade recycling service contributes approximately 3.13% towards the statutory recycling target set by Welsh Government. Failure to meet the target by this amount could incur fines of £412K, thus negating the avoided operational costs.
- Local Authorities are permitted to recover reasonable costs through the collection of trade waste and recycling. The authority has set the cost of

residual collections at a level that ensures full cost recovery of both the residual and recycling service. Therefore if the authority decided to discontinue its trade recycling service it could be considered that the authority would be charging more than what would be considered reasonable costs and would need to revisit its current residual pricing structure.

- Powys would be the only authority in Wales that does not provide a trade recycling service, which could result in considerable negative publicity.
- The Environment (Wales) Act 2016, which is due to be implemented in 2017 requires the separate collection of recyclable materials from businesses. Whilst reducing the businesses offered a recycling collection under Option 1 would be permissible on the basis of TEEP (Technically, Environmentally, Economically Practicable), this would not apply to all business in Powys.

5.3 **Option 3** – To relocate trade recycling from Brecon to Rhayader and condense collections over three days in the Mid and South, maintaining the service in the North as per current arrangements.

- Trade recycling would be collected over three days (Mid & South only), with the remaining two days per week being dedicated for domestic communal collections.
- This option would see a potential £150K saving for the service area, although this could not be considered a net saving for the authority as the costs of the vehicles and staff would merely be redistributed to the domestic service.

## 6.0 **Preferred Choice and Reasons**

6.1 Option 1 - To implement an arterial recycling collection service operated with a reduced number of vehicles and staff from a centralised strategic position.

6.2 This option could potentially yield a net saving for the authority in the region of £165K annually.

6.3 The implementation of an arterial recycling route would result in some businesses situated in Montgomeryshire no longer receiving a collection by the dedicated trade recycling fleet. Alternatives options for these premises would be as follows:

- Collect recycling on the domestic service
- Offer a recycling permit for either the Household Waste Recycling Centres or Community Recycling Sites
- Provide affected customers with additional residual capacity

## **7.0 Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc**

7.1 Reducing the number of vehicles and annual mileage will reduce the carbon footprint attributed by the authorities recycling service and will assist the Council in realising its climate change objectives.

7.2 The proposal does not impact on Equalities, Crime and Disorder, Welsh Language and other policies.

## **8.0 Children and Young People's Impact Statement - Safeguarding and Wellbeing**

8.1 The proposal does not impact on securing the safety and protection of children and young people and supporting the promotion of their wellbeing.

## **9.0 Local Members**

9.1 All local Members with businesses in their wards which are affected will be informed prior to any change taking place.

## **10.0 Other Front Line Services**

10.1 Implementing an arterial route that focuses on main towns would enable greater cost recovery.

## **11.0 Support Services (Legal, Finance, HR, ICT, BPU)**

11.1 Legal – Senior Corporate Solicitor notes that no redundancies are required, and agency staff only are to be reduced. Consideration will need to be given to the Agency contract terms and conditions when terminating these agency contracts.

11.2 Finance – The Finance Business Partner Place notes the contents of the report, the finance team have been fully involved in costing the options presented. There would be further financial risk with option 2, if the recycling service were to be withdrawn customers would probably also take their residual service to another provider, this would significantly reduce the level of income received by the authority through the residual service and place the HTR service under further financial pressure.

11.3 HR – Proposal outlines reduction of operatives from seven to four which can be achieved by ceasing reliance on agency workers. This may result in a change of base for some employees from Newtown to Rhayader when disturbance payments will apply

11.4 Comments from ICT and BPU are not required.

## **12.0 Local Service Board/Partnerships/Stakeholders etc**

12.1 The proposal will impact a number of business in Montgomeryshire that are not situated near to a trunk road or class I highway network. It should be noted that

residual collections in these areas will be maintained and alternative options offered to businesses to ensure that they continue to be able to recycle their commercial waste.

### **13.0 Communications**

- 13.1 The revised routes will mean that the majority of businesses will receive email and written correspondence informing them of a change to their current collection day.
- 13.2 The businesses that will no longer receive a collection by the authority's trade collection service will be contacted directly to discuss the options available.
- 13.3 The view of the Senior Communications Manager is

### **14.0 Statutory Officers**

- 14.1 The Solicitor to the Council (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report"
- 14.2 The Section 151 Officer notes

### **15.0 Members' Interests**

- 15.1 The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
To implement an arterial recycling collection service operated with a reduced number of vehicles and staff from a centralised strategic position	To achieve operational costs savings of approximately £165K annually.

<b>Relevant Policy (ies):</b>	Powys Change Plan		
<b>Within Policy:</b>	Y	<b>Within Budget:</b>	Y

<b>Relevant Local Member(s):</b>	All
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<b>Person(s) To Implement Decision:</b>	Nigel Brinn
<b>Date By When Decision To Be Implemented:</b>	Immediately Following Decision

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