

Report to: **Executive**

Date: **15th September 2022**

Title: **Waste and Recycling Services Update**

Portfolio Area: **Leader – Cllr Pearce**
Lead Member for waste and recycling services – Cllr Baldry

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **26 September 2022**

Author: **Andy Bates** Role: **Head of Paid Service / Chief Executive**

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RECOMMENDATIONS:

That the Waste Working Group RECOMMENDS the Executive to:

- 1. Endorse the actions being taken by the project team to ensure a safe transfer of the service on 03 October 2022;**
- 2. Endorse the approach to the service transition phase;**
- 3. Consider the information in section 5 of the report regarding the garden waste collection service and recommend to Council to implement a chargeable garden waste service from March 2023.**

That the Executive RESOLVES to:

- 4. Requests that a further report be brought back to the December Executive on the progress of the transition period and the costs incurred to date on the service transfer;**
- 5. Notes the organisational changes made by the Head of Paid Service and endorse the further changes required to ensure that the Waste and Operations team and the wider organisation, has the capacity and skills required to deliver the Council's key services and corporate priorities.**

- 6. Approves the use of the £120,000 from the Revenue Grants Earmarked Reserve to fund the Council's share of the 2-year fixed term senior role outlined in paragraph 6.3.2**

That the Executive RECOMMENDS to Council:

- 7. To end the current free non-statutory Garden Waste collection service from Monday 31 October to ensure that there are sufficient resources and capacity to deliver the statutory waste and recycling collections services; and**
- 8. To introduce a chargeable, fortnightly Garden Waste collection from early spring 2023 at a charge of £49 per bin per household subscription.**

1. Executive summary

- 1.1 This report follows the recommendations and decisions taken by the Executive on 12 July 2022 (minute E.27/22 refers).
- 1.2 A further meeting of the Council's cross-party Waste Working Group on 25 August 2022 reviewed progress on the service transfer and evaluated the information presented by officers.
- 1.3 In considering the options, the Waste Working Group has been clear that the service provided to residents:
- i. Does not deteriorate further
 - ii. That any service change results in minimum disruption to residents
 - iii. That the existing workforce is reassured over the change in management and control.
 - iv. Enables the Council to deliver a consistent collection service following transfer as soon as possible.
 - v. Improve the service and increase recycling rates in the South Hams.
- 1.4 Section 4 of the report explains the significant work that the project team are undertaking to ensure a safe transfer of the service. It should be noted that the outgoing contractor is fully supporting the transition.
- 1.5 Section 5 considers the options for reducing the overall cost pressures by charging for a garden waste collection service.
- 1.6 Section 6 explains the organisational changes that are being made to ensure the Council has the skills and capacity to deliver its key services and corporate priorities.
- 1.7 The financial implications are summarised in this report. There is a separate report on the Executive agenda on the Medium-Term Financial Strategy (MTFS).

2. Background

- 2.1. At its meeting on 12 July 2022, the Executive agreed and recommended to Council that the Council: (Minute E.27/22 refers)
- a. agrees to terminate the contract by mutual agreement, resulting in the transfer of all services currently provided under the contract back to the Council with effect from 3 October 2022;
 - b. delegates authority to the Head of Paid Service (Chief Executive) and Director of Customer Services Delivery, in consultation with the Leader and Lead Member for waste and recycling services, to:
 - i. conclude the negotiations based on the outline of draft settlement terms set out in Appendix A of the report to finalise the settlement agreement and any other necessary agreements.
 - ii. to formulate and implement a mobilisation plan for the Council's delivery of the service; and
 - iii. keep the Waste Working Group informed on progress.
 - c. transfers the value of the 2021/22 deductions to the sustainable waste management earmarked reserve, as part of the closure of the 2021/22 accounts, in order to contribute to anticipated set up costs of bringing the service back in house as outlined in section 4 of the report.
 - d. allocates all additional payments from the waste contractor in 2022/23, to contributing to the anticipated set up costs of bringing the service back in house as outlined in section 4 of the report.
 - e. approves the use of the business rate retention reserve to fund the anticipated revenue costs during the transition period as outlined in section 4 of the report.
 - f. allocates a budget for one-off set up costs, as outlined in Section 4
- 2.2. Council subsequently approved these recommendations at its meeting on 14 July 2022.
- 2.3. At the meeting on 12 July 2022, the Executive noted that the Lead Member would bring a further report to the Executive in September 2022 setting out an operational plan designed to stabilise the service and the changes required to reduce the current operating costs in the medium term.
- 2.4. The Executive noted the intention for the Head of Paid Service to make the necessary organisational changes to enable a seamless handover of the service.

- 2.5. At the same meeting, the Executive requested the Section 151 Officer to bring a further report to the Executive in September 2022 on the ongoing revenue costs of delivering the service in-house (after the transitional period) and the impact on the Council's MTFS.
- 2.6. The Council has now formally agreed the Heads of Terms agreement and the Director, Customer Service Delivery and Head of Paid Service are working with the contractor on finalising the deed of variation and settlement agreement.
- 2.7. The service will transfer back to the Council on Monday 03 October 2022.
- 2.8. The key priorities are:
 - a. The safe transfer from FCC to the Council on day one.
 - b. A period of stabilisation to ensure that residents receive a reliable service. (Known as the transitional period of up to 9 months)
 - c. To improve recycling collections within the District. (Known as the improvement phase which will last up to 18 months).
- 2.9. The Council has recruited a dedicated project manager and has a project team covering all aspects of the project including internal and external expertise in waste and fleet management, IT, health and safety, HR, assets and finance. The Project team report to the Council's senior leadership team (SLT) on weekly basis.
- 2.10. Some members will be aware that in September 2017, the Council received a presentation to consider the introduction of a charged for garden waste service as part of the plans to align waste services across Devon (all but one of the other Districts having already introduced charged for services) but at that time decided not to bring forward a formal proposal. As a result, residents within the District have continued to receive a free service whilst other Districts in Devon have been operating a paid for service.

3. Service Transfer

- 3.1 As stated in paragraph 2.4 the key priority of the service transfer is to ensure that the Council can meet its statutory obligations, ensuring the service is operating safely and securely for the benefit of residents and staff.
- 3.2 Members and indeed the public need to recognise that service disruption will continue, there will be no overnight fix of all the service problems. The Council will inherit the same issues that the contractor has experienced for over 18 months, particularly around availability and retention of suitably qualified drivers and staff. Whilst incidents of criticism of the workforce have been

low, the significant press, social media and Council debate on the issues will have no doubt have left a proportion of the workforce demoralised and disenfranchised.

- 3.3 Engaging with the workforce and rebuilding their trust and confidence in the council is equally important as the priorities stated in paragraph 3.1.
- 3.4 To ensure this, the Council is working closely with FCC across all aspects of the transition covering the following main areas:
 - a. TUPE transfer and retention of the current FCC workforce
 - i. Initial introductory meetings with the Council management team took place on 23 August 2022.
 - ii. The Council has provided FCC staff with an email address, text and whatsapp number to enable the staff to ask any questions.
 - iii. An all-staff welcome meeting is arranged for Saturday 17 September 2022.
 - iv. FCC staff have received a pay award for 2022/23. The Council has been liaising with our neighbouring LA's (Local Authorities) and is reviewing pay rates, terms and conditions to ensure that we can offer a package comparable with other LA's to ensure that we retain staff on day 1.
 - v. Compiling a staff charter i.e. we will do 'xxxx', we expect you to do 'yyyy'.
 - vi. Identifying and putting in place contracts with the temporary staffing agencies to ensure the continuity of employment of any agency staff currently employed by FCC.
 - b. Health and safety
 - i. The Council is reviewing all the existing risk assessments and is preparing revised Safe Operating Procedures to help ensure smooth and safe transition of the service.
 - ii. New Personal Protection Equipment (PPE) has been procured and all transferred staff will have PPE with the South Hams logo on day 1.
 - c. Seeking the regulatory licences required to operate the services. These include:
 - i. Transport operator licence
 - ii. Transfer of environmental permits
 - iii. Insurance
 - d. IT systems, infrastructure and data
 - i. We have successfully procured the same IT systems currently used including the back office and customer portal systems.

- ii. New equipment to continue vehicle tracking and fleet management and the associated software
 - iii. Mobile phones and the IT and connections required for both depots
 - iv. A data cleanse of all the collection round data is being carried out by the team.
- e. Transport, fleet and infrastructure
 - i. The Road Haulage Association will carry out an independent vehicle condition inspection and any repairs required will, where possible, be completed before the service transfer by FCC or funding provided by FCC.
 - ii. Work is underway to ensure that enough lease vehicles are available to continue the operation on service transfer.
 - iii. The Councils Asset's team will be carrying out a joint inspection of both Depots. FCC will carry out or fund any repairs required.
 - iv. Work is underway with FCC and the landowner to reassign the lease of the additional land at Ivybridge that is used for parking some of the waste collection fleet.
- f. 3rd party supplier contracts. The team have been evaluating and procuring suppliers required to operate the service. Some examples of these are shown below :
 - i. Recyclate haulage
 - ii. Fuel
 - iii. Fleet maintenance and tyres
 - iv. Fire Prevention and alarms
 - v. Consumables such as toilet cleaning materials
 - vi. Utilities
- g. Communications. The project team are developing a clear and simple communications plan that will explain to households, town and parish councils, Members, staff and the incoming FCC staff, the Council's transition plan. This will involve all media streams and include frequently ask questions..

4. Transition plan

- 4.1. Over the last 18 months service performance has been consistently below the standards set out within the contract and the contractor has incurred significant additional costs. The Council is aware of significant monthly expenditure above the budgeted costs. Predominantly these costs are made up of:
 - additional resources (staffing and vehicles)
 - inflationary costs (fuel and wages)
- 4.2. When the service transfers back on 03 October 2022, the Council will inherit all these additional operating costs. In July

2022, Executive and Council agreed to fund these costs from reserves during a transition period of 9 months.

- 4.3. The key goals of the transition phase are to:
 - Improve the consistency of the service
 - Improve the efficiency of the service
 - Reduce the operating costs of the service
 - Improve the overall resilience of the service
- 4.4. To achieve this the Council is reviewing the existing data and has commissioned a round review through a specialist provider, Integrated Skills. During September they will model a range of options that will be assessed against the goals outlined above.
- 4.5. To complement this work and utilise local knowledge, officers have started to and continue to engage with Members, and have contacted Town and Parish Councils to collate known problems such as consistent missed areas, multiple rounds in the same areas etc.
- 4.6. It is anticipated that both pieces of work will be completed by the end of the first week of October, enabling the engagement of the drivers and crews to input their operational knowledge.
- 4.7. It is anticipated that any changes to the collection rounds will be made during the first 3 weeks of November. This will allow for any communication to affected residents.
- 4.8. Whilst it will be extremely unlikely that any whole district round changes will occur at this point, there will be options for incremental improvements that can be planned, communicated and implemented between day 1 and the summer of 2023.
- 4.9. Throughout the summer, FCC have been unable to deliver a consistent and reliable non-statutory garden waste collection service due to significant resource constraints, in particular HGV and LGV driver shortages. The Council will inherit these same constraints on 03 October. It is imperative that the Council can maintain a safe and reliable statutory service (residual, recycling & clinical waste collections) at this time.
- 4.10. To enable to achieve the actions set out in paragraphs 4.2 to 4.9 it is recommended that the non-statutory garden waste collection service is ceased from 31 October 2022.
- 4.11. Officers will be exploring a whole range of other options to improve the efficiency of the overall service, including:
 - a separate food waste collection
 - alternative arrangements for extremely rural areas
 - alternatives for the Devon Aligned Service (DAS) where it is operational effective and/or the costs are excessive
 - 3 weekly collections

4.12. The Council will be reviewing its policies in relation to the service. It is important that the service should operate under the following guiding principles:

For the Resident that means

- Clear and consistent
- Equitable and fair

For the Council that means

- Affordable and efficient

5. Garden Waste Options

5.1. Current Position

5.1.1. The Government intends to introduce changes through the Environment Act which will have a bearing on the range of materials which Councils will be required to collect, the timing of the introduction of which, will have operational and financial implications for the Council.

5.1.2. Residents have experienced significant disruption to garden waste collections over recent months due to driver shortages and most residents have only received a collection every 4 or even 6 weeks since the reintroduction of the garden waste collection service on 28 March 2022. Currently the contractor is maintaining a 4-weekly service for the majority of residents.

5.1.3. Several other Councils have stopped garden waste collections, including Plymouth City Council, where the decision has been taken to suspend garden waste services with immediate effect, citing in-year financial pressures as the reason.

5.1.4. When the Council takes control of the service on 03 October, it will not be possible to improve on this and as a discretionary service it is likely that it will suffer further disruption over the next few months as the Council looks to improve the statutory services.

5.1.5. The Council's expert independent technical advisors have recommended the suspension of the garden waste collection service on transfer, to provide greater resilience to the core statutory waste and recycling service.

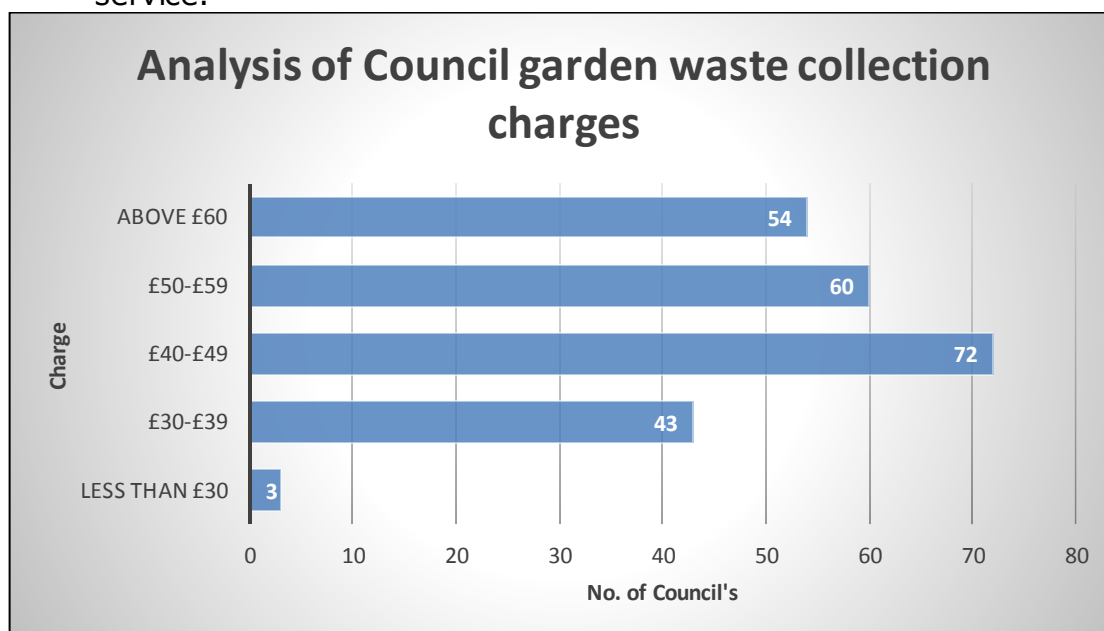
5.2. Future Arrangements

5.2.1. In July 2022, during the debate in the Executive and Council meetings, Members agreed to a fundamental review of the discretionary garden waste service and indicated their support in principle for a paid for garden waste collection service (in line with other Devon authorities).

5.2.2. The table below shows the current year (2022/2023) subscription costs and the take up of services in Devon.

Council	Service offered	Cost	% take up
East Devon	11 month Fortnightly (Not over Christmas)	£48 per bin	25-30%
Exeter	11 month Fortnightly (Not over Christmas)	Up to £51.50	61%
Mid Devon	12 month Fortnightly	Up to £50	32%
North Devon	Fortnightly (Feb to Nov) Monthly (Dec & Jan)	£45 per bin	55%
Teignbridge	11 month Fortnightly (Not over Christmas)	£50 per bin	37%
Torridge	11 month Fortnightly (Not over Christmas)	£45 per bin	34%
West Devon	11 month Fortnightly (Not over Christmas)	£40 for 4 sacks	24%

5.2.3. The table below shows the analysis of the charges Councils apply across the country for a garden waste collection service.



Source www.local.gov.uk (where Councils have provided this information). It should be noted that these are the current year (2022-2023) charges and do not reflect the increasing inflationary costs such as fuel and wages.

5.2.4. The waste hierarchy states that we should all

- Reduce

- Reuse
- Recycle

5.2.5. The Council's overall aims align with the above waste hierarchy and we want to encourage households and businesses to reduce residual waste and increase recycling. However, the collection and disposal of all waste streams waste has significant environmental impacts and residents are unable to influence these for residual and recycling waste streams due to the treatment and processing of this waste.

5.2.6. The Waste Framework Directive sets out the basic principles and definitions relating to waste management. The Directive lays down some basic principles, one of which is the 'proximity principle', which suggests that waste should generally be disposed of as near to its place of origin as possible. This principle also involves recognition that the transportation of wastes can have a significant environmental impact.

5.2.7. Residents and the Council can make a significant reduction by home composting or using community composting facilities.

5.2.8. The environmental impact of collecting garden waste is estimated (based on 2020-21 fuel usage data) as being between 120 and 150 tonnes of CO2 emissions and represents approximately 2-3% of the Council's carbon emissions.

5.2.9. In March 2022, the Executive and Council approved the creation of a community composting scheme with funding of £200,000 to enable the creation of additional community composting groups. Officers will continue to promote the take up of these services.

5.2.10. Charging for a garden waste collection service will enable Residents to choose how they dispose of their garden waste:

Option	Environmental impact	Cost to Resident
Home composting	None	None
Disposal at a community composting site	Limited	Limited - travel costs to local composting site
Disposal at a recycling centre	Some	Travel costs to recycling centre
Collection by South Hams District Council	High	Approximately £2 per collection (based on a biweekly collection)

Collection by independent contractor	High	£10 - £20 per collection
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5.2.11. The benefits of a chargeable garden waste collection service include:

- Reduces the overall environmental impact
- Reduced cost to the Council of providing a non-statutory discretionary service
- Residents have a choice - only those that want the service pay for it. i.e. reduced cross subsidisation by council tax payers
- With limited availability of HGV drivers, it enables the Council to prioritise statutory services (residual, recycling, street cleaning services)
- Manage resources effectively – we only collect only where needed

5.2.12. Based on the information in paragraphs 5.2.2 and 5.2.3 it would be reasonable to assume that a fortnightly service operating for 11 months per year (with a break from mid-December to mid-January), would result in 25-30% of households opting to take up the service. Based on a charge of £49 per bin per household this would contribute £563,000-£676,000 to the costs of running the service.

5.2.13. The only other viable option to enable the Council to meet the budget pressures is to discontinue the service.

6. Impact on wider Council resources

6.1. As set out in the previous reports to Executive (12 July 2022) and Council (14 July 2022) (paragraph 3.9 of the reports refers), bringing the service under the Council's direct control will have wide ranging implications across the Council which have necessitated a number of organisational changes these include:

- The appointment of an Assistant Director to lead the Council's strategy, people management, organisational development and communications services.
- Realigning Directors' responsibilities including for Environmental Health and HR

6.2. With the transfer of the waste service, further changes are now required to strengthen management, leadership and capacity within the Service Delivery Directorate.

6.3. Whilst the TUPE data is not yet finalised it is anticipated that over 150 staff will transfer from the contractor to the Council, increasing the total staffing establishment by over 40%. Prior to the outsourcing of the service, a Director had the sole responsibility for the waste and street cleansing services. Rather

than increase the number of directors in SLT, it is proposed that:

- 6.3.1. The role of Head of Waste (reporting to the Director, Customer Service Delivery) is upgraded to Assistant Director, Waste and Operations with responsibility for all front-line services including: Localities, Toilets, Carparking, Grounds and Property Maintenance. This will provide management oversight and a single focus on all waste and street scene services. There will be a realignment of roles within this area.
- 6.3.2. In addition, to drive improved customer service and operational efficiency, we need to exploit technology to continue to modernise the way in which we work and to reduce our operating costs. We plan to do this by putting in place a temporary 2-year fixed term senior role. This will be funded from the Revenue Grant Earmarked reserve at a total one-off cost of £120,000.
- 6.4. The organisational changes set out above will be achieved without increasing the overall size of the existing senior management structure.

7. Financial Implications of bringing the waste service back in-house

- 7.1. At Council on 14 July 2022, it was agreed that the Section 151 Officer would bring a report to Council in September 2022 on the ongoing revenue costs of delivering the service in-house (after the transitional period and the impact on the Council's MTFS).
- 7.2. Based on the advice from our technical advisor, it is anticipated that the on-going revenue costs of delivering the service will be in the region of £1.25m per annum higher than the current budgeted contracted cost. This figure was stated in the Executive report of 12 July 2022 and this is still the best estimate of what the additional cost will be once in steady state and the new rounds have bedded down. Therefore, an annual cost pressure of £1.25m has been built into the MTFS for 2023/24 onwards. As the Council is taking the service back in October 2022, the increased cost in 2022/23 will be reported as part of the overall budget monitoring report for 2022/23.
- 7.3. The MTFS sets out that after building in this extra cost pressure of £1.25m per year for waste, the budget gap for 2023/24 is projected to be £374,616 which is 3.3% of the projected Net Budget of the Council of £11.47m for 2023/24. The Council is awaiting details of a government technical consultation on the principles of a two-year finance settlement which will give more clarity and assurance on the assumptions within the MTFS.

- 7.4. During the transitional phase of the first nine months (October 2022 to June 2023), it is anticipated that current operating costs will be £350,000 per higher than the current contract costs. In July 2022, Members approved the use of £3million of the business rates retention reserve, to fund the anticipated transitional costs of bringing the service back in house. The £3million has been calculated as being 9 months (transitional phase) at an additional £350,000 per month.
- 7.5. Officers estimated that one-off set-up costs will be between £1.25m - £1.5m, these costs include:
- Project management, temporary additional staffing and backfilling within the current establishment.
 - External technical consultants e.g. to re-design the collection rounds
 - Legal costs in relation to the agreement with FCC
 - External one-off costs i.e. IT, PPE,
 - Additional vehicles (to be determined), alongside a comprehensive vehicle forward plan
- 7.6. The one-off set up costs will be financed from a contribution from the contractor towards the Council's set up costs and funding in the Council's Waste Earmarked Reserve which has a current balance of £1.065 million at 31 March 2022. This Earmarked Reserve contains the additional income from increased recycling credits and dry recycling income and it also holds the value of the 2021/22 contractual performance deductions, in order to contribute to the anticipated set up costs of bringing the service back in house in October 2022 and capital outlay.

8. Next Steps

- 8.1. As per paragraph 4.10, Executive is asked to recommend to Council that the non-statutory garden waste collection service is ceased from 31 October 2022.
- 8.2. The Executive is asked to recommend to Council to implement chargeable, fortnightly Garden Waste collection from early spring 2023 at a charge of £49 per bin per household subscription.
- 8.3. The Executive notes the organisational changes made by the Head of Paid Service and endorses the further changes required to ensure that the Waste and Operations team and the wider organisation, has the capacity and skills required to deliver the Councils key services and corporate priorities.
- 8.4. The Executive approves the use of the £120,000 from the Revenue Grants Reserve to fund the 60% of the 2-year fixed term senior role outlined in paragraph 6.3.2.

- 8.5. Based on the decisions above requests officers bring back a further report to the Executive in December that will cover service progress, costs and further decisions required.

9. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	Given the financial implications to the Council of the decisions to cease the garden waste collection and the introduction of a charged-for service, the final decisions are matters for the full Council acting on a recommendation from the Executive.
Financial implications to include reference to value for money	Y	The financial implications of bringing the waste service back in house in October 2022 are set out in Section 7 of the report. In addition, the Executive is asked to approve the use of the £120,000 from the Revenue Grants Earmarked Reserve to fund the Council's share of the 2-year fixed term senior role outlined in paragraph 6.3.2. This post will be shared with West Devon Borough Council on a 60% (SHDC)/40% (WDBC) basis.
Risk	Y	There are operational risks with bringing the service back in-house, but these are mitigated by a clear mobilisation plan supported by appropriate technical and professional expertise and additional resources outlined above. There is a risk of not being able to bring operating costs in line with available budgetary resources in the medium term.
Supporting Corporate Strategy	Y	Quality Council Services Natural Environment
Climate Change - Carbon / Biodiversity Impact	N	
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	
Safeguarding	N	

Community Safety, Crime and Disorder	N	
Health, Safety and Wellbeing	N	
Other implications	N	

Supporting Information

Appendices:

None

Background Papers:

None