

HAMPSHIRE AND ISLE OF WIGHT LOCAL GOVERNMENT ASSOCIATION

Friday 29 September 2006

WASTE MANAGEMENT

Report by HIOW Working Group on Project Integra

RECOMMENDATIONS

It is recommended that Members:

- (1) Note that the proposals in this paper have been approved by the Chief Executives Group and the Project Integra Management Board; and
 - (2) Endorse the proposals in this report for the evolution of the Project Integra partnership and specifically agree:
 - (a) That the Project Integra Board, in continued consultation with the Hants Chief Executives' Group, oversees the structural and constitutional review of the partnership and presents a revised Constitution to all partners for ratification no later than January 2007.
 - (b) In the meantime, partners continue to develop clusters as envisaged in the document.
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BACKGROUND: 4 KEY POINTS

1. **The Cost of waste management is rising in Hampshire, as it is nationally**
 - This is due to pressure to recycle more; tighter specification for recoverable materials, the steeply rising price of landfill and the cost of new systems and infrastructure.
 - The National Audit Office July 2006 Report "*Reducing the Reliance on Landfill in England*" states that modeling by DEFRA implies that "Local authority yearly municipal waste management costs will rise from just under £2 billion in 2003-04 to £3.4 billion in 2009-10 and £4.2 billion in 2012-13 to fund new waste management practices"
 - This puts a significant strain on councils and their wider service areas at a time when many residents and local enterprises are asking for more support to recycle.
2. **The national Agenda is following Hampshire's example and moving toward a "Material Resource" based approach**
 - This approach seeks to maximise the value of material already in the economy and minimise the impact of extracting new raw materials and end disposal.
 - The approach breaks down distinctions between Municipal and other Waste Streams and creates opportunities to support the local economy.
 - The Government is proposing a "wider role for local authorities" in delivering this agenda.

3. **There is a business case to optimise recycling and move toward more joined up working:-**
- It costs around £33m a year to collect household waste for recycling, composting and disposal in Hampshire
 - It costs around £50m a year to “dispose” of this material, including processing for recycling and composting.
 - The aggregated household recycling/composting rate is around 33% in the two-tier areas and around 25% in the unitary areas. This takes into account all routes for recycling and composting, not just kerbside collection.
 - The rising cost of disposal can be mitigated through increasing recycling (see Appendix 1, section 4).
 - Global comparisons conclude that highly urban areas cannot be expected to perform to the same level as rural/suburban areas, even if the similar systems are in place. While there is scope to improve in all areas, the comments below on optimising recycling recognise that there will, all else being equal, be demographic variations in performance. In all cases target percentage figures quoted are a whole county average.

4. **Optimising Recycling**

- A sustainable *average* countywide household recycling rate of 40% is cost effective and achievable using widely proven systems.
 - This assertion is based on all authorities adopting present Hampshire best practice for optimising performance (see Appendix 1, section 1) or otherwise optimising the amount of recyclate collected per householder (115kg /person/year in rural and suburban areas).
 - Experience in East Hants, Havant, Fareham, Test Valley and others has shown that moving to alternate weekly collection (AWC) increases performance and avoids long term costs, estimated to be in excess of £2m per year Countywide. This is set out in more detail in Appendix 1, section 2
 - This average level of recycling can be supported by the existing recycling and composting facilities.
 - Recycling at an average of 40% will reduce landfill and save around £2m a year on landfill disposal costs (annex 1, section 4).
- **A sustainable average countywide household recycling rate of 50% is an aspirational target that brings more significant challenges:**
 - A 50% recycling rate would avoid further net disposal costs of £2m a year to the disposal authorities but may increase costs for collection authorities and put pressure on the existing *recycling and composting* facilities.
 - However, if this level of recycling can be achieved, then the cost of commissioning further large scale *disposal* facilities exclusively for non-recycled household waste could be avoided, at least until the middle of the next decade.
 - An overall average of 50% recycling is theoretically achievable based on global best practice but may not be optimal in terms of sustainability. The business case for reaching 50% is being explored and formal adoption of a higher target by partners is contingent on the viability of the business case.
 - Work is being undertaken under the Material Resources Strategy (MRS) to model the *whole system costs*. This includes both collection and disposal and their relationship with other parts of the process chain ie producers and consumers.
 - The objective is to explore the financial, material flow and energy (carbon) implications of future scenarios that could increase the recycling rate up to 50%.

- The MRS is having a major impact on thinking in the household waste arena but is a much wider concept. The MRS has implications for economic development, infrastructure and the personal and organisational change needed to face the rising costs of energy and the climate change debate.
- To assist understanding of the wider impacts, Project Integra will promote better indicators such as weight per person recycled and tonnes diverted from landfill.

5. **Moving towards joint working**

- Desk top studies in Hampshire and in comparable County Groupings conclude that £2m or more of costs could also be avoided through economies of scale such as optimising rounds, vehicle fleets and pooling management resources and expertise. (see Annex 1, section 3).
- There is already significant shared knowledge and experience within the county and this can be better utilised through closer joint working.

6. **Working with business**

- There are likely to be further opportunities for cost savings for local authorities and local businesses through co-collection and recovery of materials. This forms part of the material and energy flow work being undertaken through the MRS Group mentioned above.

7. **Project Integra has recognised that it needs to evolve to tackle the existing and future challenges**

- Project Integra urgently needs to be in a position to respond in order to minimise current and future cost pressures and tackle the resource management agenda.
- If no progress is made toward the targets, then up to 22% (180KT) of Hampshire's waste will still be diverted, untreated, to landfill each year.
- Existing Infrastructure could handle increase in recycling and composting to the 40% level but it will not leave surplus capacity for neighbouring authority or commercial material that could help defray expenditure. New facilities will be needed to exceed 40% and/or to benefit from income from third party material.
- Additional *disposal* infrastructure will be required **to be in place** by 2013/14 at the latest if the high recycling targets are not met.
- In addition, the Materials Resources Strategy has highlighted the significant new infrastructure will be required to divert commercial waste away from landfill. This could help take the pressure off the municipal waste infrastructure in terms of both capacity and unit costs.
- In a fast moving, multi-agency environment, there are always unknowns and tensions. An effective partnership structure should be based on trust and transparency and not wait for all questions to be answered.
- This paper suggests how the next phase of evolution could proceed to meet these challenges.

KEY OBJECTIVES

8. The key objectives of Project Integra are set out in the Joint Municipal Waste Management Strategy (JMWMS). A key objective, taking into account the issues mentioned in paragraph 4 above, is to improve performance to achieve up to 50% recycling by 2010. In addition, the JMWMS seeks to reduce the rate of waste growth and prevent untreated municipal waste being sent to landfill.
9. These objectives must be achieved against a background of spending restraint. Further work is being undertaken to model the *whole system costs* of future scenarios.

10. This paper proposes the structural framework for delivering the change required. Based on consensus achieved through member and officer workshops, the paper proposes four main elements to a revised Project Integra:
- Cluster working
 - A Strategic Board
 - Central Support
 - Partner Commitment and Accountability

CLUSTER WORKING

Role of Clusters in delivering the key Objectives

11. Even though Hampshire has a track record of successful collaboration at countywide level, different authorities are at different stages of development and with 14 partners it is difficult to be responsive and innovative, yet fully inclusive, at the same time.
12. Clusters provide an opportunity for smaller groups of partners, working within an overall countywide strategic framework, to be more innovative and responsive and to seek economies of scale at a manageable operational level. They enable trust and shared responsibility to be developed to a high level between a few, contributing to the whole.
13. The method of working including Member representation will be determined by the individual clusters.

Characteristics of Clusters

14. **Evolving**
- It is for the clusters themselves to determine their scope and structure
 - Clusters should work within the strategic and policy framework agreed at Board level but are not otherwise subordinate to the Board
 - Clusters are not bound to follow the direction taken by other clusters
 - The objective is not to identify an “ideal state” but be able to continually adapt in response to local circumstances and opportunities.
15. **Adding Value**
- Working within an agreed strategic framework, the Clusters will mainly focus on operational issues, and seek to add value to the work of all the partners involved
 - The main objective will be to deliver savings and economies of scale while improving performance and public satisfaction.
16. **Communicating**
- Clusters should be prepared to share information and best practice with other clusters and the wider partnership
 - Clusters should be prepared to learn from others.
17. **Sharing**
- What to share is entirely for individual clusters to decide but could include:
- Staff and members’ expertise and know how
 - Risks
 - Resources (including financial, staff, assets and vehicles)
 - Service delivery.

Practical Implications

18. Cluster working is the newest and most innovative area of evolution for the Project Integra partnership and, purposely, the least prescribed. There are already existing examples of cluster working; the New Forest and Test Valley Joint Management arrangement and the joint contract between the Waste Disposal Authorities. Opportunities for Joint Working on collection are being explored in the North of the County and elsewhere.
19. Emerging or developing clusters will need to be supported (morally and practically) by the Strategic Board and the Central Support unit

ROLE OF THE STRATEGIC BOARD IN DELIVERING KEY OBJECTIVES

Why a Strategic Board?

20. Hampshire has pioneered infrastructure, systems and governance on a countywide basis. While these are not fixed for all time, they provide an excellent platform for moving forward.
21. The role of the Strategic Board is to agree and promote a strategic overview of the whole system and provide a framework for all partners to draw optimum benefits on behalf of the communities they serve.

Characteristics of the Board

22. **Strategic**
 - Concerned with issues of direction and overall resource management, setting the framework within which partners agree to operate.
 - The Board is not responsible for, nor does it direct, how individual partners apply their own resources in this field but seeks to build consensus on strategic issues and provide mutual support
 - The Board is responsible for its own support such as the "Recycle for Hampshire" campaign and the continuing research programme. It develops an action plan updated annually, for approval by the partner authorities. This plan provides the mandate for how the Board directs its own resources and the development of policy
 - Not concerned with day to day or short term operational *management* issues – these are the preserve of clusters or individual authorities.
 - Critical role in providing the opportunity for Partners to influence the debate on future infrastructure capacity as outlined under paragraph 7 above. This is essential, since that debate needs to take place simultaneously with evaluation of collection arrangements which may include new waste streams.
23. **Representative**
 - The Board will continue to be a representative joint committee constituted by the partner authorities under section 101(5) and 102(1) of the Local Government Act 1972.
 - As with the current constitution, any proposal that has contractual or financial implications for one or more partner authorities will require the support of the Members appointed by those authorities for the proposal to be adopted.
 - Chairman and Vice chairman appointed by the Board members.
 - All partners otherwise equal in status in terms of their ability to contribute and influence.

24. **Transparent**

- Meets in public
- Publicises decisions
- Provides opportunities for others to comment.

25. **Accountable**

- The Board, while accountable to each partner organisation, does not control any of their resources, other than those that partners have specifically committed to the partnership through service level agreements etc.
- The Board is not responsible for, nor does it direct, how individual partners apply their own resources in this field but seeks to build consensus on strategic issues and provide mutual support.
- The Board is responsible for its own support costs and a joint project fund. It oversees joint initiatives such as the “Recycle for Hampshire” campaign and a continuing research programme. It develops an action plan, updated annually, for approval by the partner authorities. This plan provides the mandate for how the Board directs its own resources and the development of policy.
- The Board has a key role in monitoring and reporting performance.
- The Board will publish a Joint Strategy and supporting action plan. The 5 year action plan will be updated annually. (Note this is broadly the same concept as the current “business” plan but the term is dropped in deference to the view that Project Integra is a facilitation network, not a business).

Practical Implications

26. While some aspects of the current arrangements will continue, the most important change will be for the Board to adopt a more strategic focus.
27. The constitution should be revised along with the terms of the original memorandum of understanding. The key terms of the memorandum of understanding, when revised and agreed by all partners, should form supplementary documents to the constitution. Proposals for the outline of the revised Constitution are shown in Annex 2.
28. The role of the Policy Review and Scrutiny Committee will also need to be revisited in the constitutional review. Members had mixed views about the Committee but felt that the strongest element of its role was that of policy development. One option would be retain a pool of non-executive members who could be drawn on to fulfil a task and finish role. The Committee could also take a proactive role in performance management, using this as an objective basis for determining which topics should be scrutinised.

ROLE OF CENTRAL SUPPORT IN DELIVERING KEY OBJECTIVES

29. Partners agree there is a need for independent Central Support to the Board, individual partners and clusters. It is not a barrier or filter between any of the relationships within the partnership but may, by request, act as a facilitator or intermediary.

Key Characteristics of Central Support

30. **Independent**

- Central support should be accountable to all partners and sufficiently independent to act in the collective, rather than individual, interest.

31. **Accountable**
- The Board is responsible for commissioning and monitoring central support on behalf of all partners
 - An Executive Officer should oversee and co-ordinate central support services and report to the Chairman of the Strategic Board
 - The Executive Officer's performance and development should be subject to an agreed appraisal process.
32. **Comprehensive and co-ordinated**
- The types of services delivered centrally are those which benefit the whole partnership, including internal communications, education, behavioural change, research, joint bids for funding etc.

Practical Implications

33. While option of an "arms length" Central Support *Unit* has been considered, the most straightforward way of providing services is through clear, output based, Service Level Agreements with partners, co-ordinated by the independent Executive Officer.
34. At present much of the work undertaken is delivered via a service level agreement with Hampshire County Council (HCC). The *value* of this work in terms of staff hours, exceeds the *monetary contribution* given from central funding by the partners back to HCC. Examples include the significant time the communications team put into (the very successful) external bids for funding and for underwriting the costs of keeping existing support staff on the establishment pending confirmation of future funding
35. It is suggested that the interest of the partnership would be best served if the current system of Service Level Agreements (SLA) remains but, in the interest of transparency, the scope of the SLA, outputs, targets, performance and financial considerations are agreed as part of the 5 year action planning process and regularly reviewed.

THE ROLE OF PARTNERS IN DELIVERING KEY OBJECTIVES

36. The role of partners was not specifically covered by the Board at the member workshop, but nevertheless it is vital to agree on how the partners are expected to contribute and also deal with issues of mutual accountability. This is, in hindsight, arguably a weakness of the original constitution.
37. **Roles of partners are :**
- To invest time and resources to Strategic Board and relevant cluster.
 - To ensure that the Board and its Members remain properly focused on strategic issues
 - To contribute to the development and agreement of the JMWMS and 5 year action plan.
 - To brief other partners on own intentions through sub-strategy.
 - To share and disseminate good practice.
 - To commit to deliver jointly agreed objectives.
38. The Project Integra partnership has a major contribution to make towards the successful delivery of the MRS through the collection and treatment of household waste. However, partners now also have additional responsibilities under the principles of the MRS and the "wider role for local authorities" signalled in the Review of England's Waste Strategy consultation early in 2006. These include good practice in facilitating the delivery of future infrastructure through the planning system, supporting the local economy, facilitating the collection and treatment of other 'used' material streams and demonstrating good practice in procurement.

Practical Implications

39. The success of the whole partnership depends on individual partners fulfilling their obligations with enthusiasm and commitment . One potential benefit of clusters would be to increase mutual accountability between partners and revitalise generate renewed. Partners should therefore be prepared to be forward looking, aware of their obligations and serious about continually improving performance

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APPENDIX 1 - Performance & Costs

1. AWC – Performance

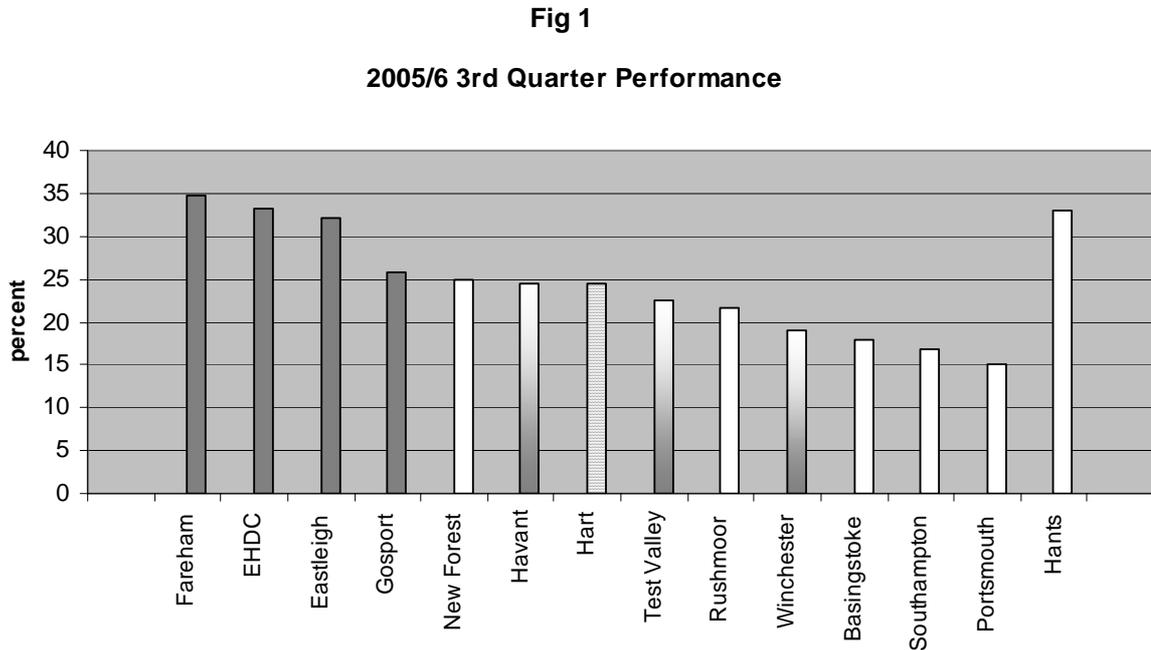


Fig 1 shows that authorities that have fully adopted AWC (dark columns, closest to the left) are achieving on average around 10% higher recycling rates than those in other districts. While the rate in Gosport is not as high as the other AWC (rural / suburban) authorities, it compares well with the other more urban authorities. Authorities with the graduated pattern are those that are currently rolling out AWC (sometimes called ABC). Hart will commence ABC this autumn.

2. AWC Costs

2.1 It is not possible to be too formulaic about the financial implications for moving to AWC as each district starts from a different position. However the following examples from Hampshire outline the financial impact in four different cases.

2.2 **Havant Borough Council** – Prior to rolling out AWC, Havant were using a “backdoor” sack system for refuse and kerbside wheeled bins for recycling. Table 1 shows the cost of various options evaluated in 2004:

Table 1 (source = Report to HBC Executive 16 November 2004)

Option	Collection System	Average annual Service Cost over 10yrs	Cost increase/ (savings) over 10yrs	Recycling % (05/06)
1	Current system	£1.69m	N/A	21.5%
2	Wheeled bin: Weekly refuse, alternate recycling	£1.72m	£0.3m	27.1%

3	Wheeled bin: Weekly waste and recycling	£2.32m	£6.3m	30.4%
4	Wheeled bin: Alternate Weekly waste and recycling	£1.38m	(£3.1m)	36.6%

2.2 East Hants District Council

In 2000 EHDC went out to tender using a range of scenarios. Table 2 shows the cost of various options. This shows that if EHDC had taken up the option of rolling out a fortnightly recycling to all households and kept a weekly refuse service, the net cost would have been £3.2m higher over the 10 year contract compared to the AWC option.

Table 2 (source = Report to EHDC Cabinet 5 December 2001)

Option	Collection System	Service Cost per annum in year 1.	Cost increase / (savings) versus baseline over 10 years	Recycling %
1	Prior to re-tendering	£1.62m	N/A	15%
2	Status quo (weekly residual + fortnightly recycling for 70% households (baseline))	£1.72m	Baseline	15%
3	Weekly residual and fortnightly recycling for 100% households	£1.88m	1.53m	24%
4	AWC system to 100% households plus bank holiday working	£1.59m	(1.71m)	30%+

- 2.3 **Fareham Borough Council** moved from a weekly refuse service with fortnightly collection of recyclables to AWC with garden waste collection in the autumn of 2005. The service is provided by the in house contractor. There was no significant variation in cost by moving to this service, however three vehicles and crews were transferred from refuse to garden waste to provide a new service. The annual cost of the garden waste service is around £300K.
- 2.4 **Southampton City Council** commenced roll out of AWC in 2003 but then switched back to weekly collection of refuse. This was reported to have resulted in over £700K per year additional costs. In addition, officers reported that recycling rates fell in the areas that reverted back to weekly refuse collection.
- 2.5 **Conclusion** Based on the above case studies it is likely that similar costs (typically around £300K per authority per year for an authority with around 45,000 households) can be avoided (eg EHDC) or reinvested (eg Fareham) in new services from moving to AWC.

3. Savings from Joint Working

3.1 The Innovation Forum

The Innovation Forum aims to “pioneer ways of delivering a better quality of life and improved public services for local communities”. All CPA excellent authorities were invited to participate. In late 2004 it set up a project led by West Sussex CC and supported by DEFRA and ODPM (now DCLG) to consider “how closer joint working between local authorities can achieve improved performance and drive efficiencies”.

Based on evidence collected, the Project Steering Group concluded:

“A key benefit can be seen in terms of the delivery of efficiency improvements. Evidence from a range of case studies including Shropshire, Essex and Norfolk suggests that the following could be achieved in shire areas through closer joint working:

- *Joint working, such as bringing together collection arrangements, can deliver savings of 10-15% depending on the number of waste collection authorities involved and their willingness to bring together operational arrangements.*
- *A further 5% can be saved potentially by bringing together collection and disposal activities.*
- *In addition, if the joint working involves bringing together ‘back office functions’, further savings of at least 5% can be expected in administrative costs.*

Assuming that little of those savings has so far been realised then if the best practice were to be replicable across all shire county areas the total annual saving nationally would be £140-164m p.a. based on 2005/06 estimates. While some of these savings could help to meet Gershon targets it is recognised that significant change is required to realise the maximum efficiencies and therefore the figures quoted are only likely to be achievable in the long term”.

Extrapolating this data to the local level, the above savings would equate to around £3-4m p.a. in Hampshire which is similar to our own estimates.

3.2 Work for Project Integra by Jacobs Babtie

Following a bid to DEFRA for consultancy support, in 2004, Defra appointed consultants Jacobs Babtie to investigate the possible theoretical savings from joint working. While Officers had reservations about the process adopted, the assumptions behind the eventual conclusions were sound. The report concluded that the northern authorities (Hart, Basingstoke and Rushmoor) could, assuming they converged collection systems and contract management, collectively save around £800K per year by 2012 compared to the status quo. The report is available on the Project Integra website.

4. Savings to HCC based on reduced disposal costs

4.1 HCC have calculated that additional costs of disposal could be avoided if recycling rates increase. Table 3 sets out four possible scenarios for the year 2008/9. It should be noted that this does not take into account

- any increase in collection cost or the cost of new infrastructure, although as seen in the previous section, improved performance in collection need not be a net cost to the authority.
- cost of new infrastructure

4.2 These costs are avoided by not paying for material to be landfilled, instead paying the (lower) variable costs of processing via the MRFs and composting sites.

	Scenario1	Scenario2	Scenario3	Scenario4
Overall Recycling rate	31%*	40%	45%	50%
WCA recycling rate	27%	35%	40%	45%
HWRC recycling rate	43%	55%	60%	64%
Energy Recovery rate	46.6%	46.6%	46.6%	46.6%
Landfill rate	22.3%	13.4%	8.6%	3.4%
Projected “Disposal” Costs	£57.8m	£55.8m	£54.7m	53.6m

Scenario One is the baseline based on projections for that year 2008/9 assuming no significant change in current recycling rates.

If 40% can be achieved (average collection authority rate of 35%), then the avoided cost is £2m pa. A further £2m could be avoided if the aspirational target of 50% can be achieved. This is, however likely to result in increased collection and infrastructure costs. The sustainability of this option will be reviewed during the next few months.

APPENDIX 2 - Review of Existing Constitution

The Constitution will need to be amended to reflect the new emphasis on clusters and the waste to resource agenda.

It is also proposed that the revised constitution will subsume the remaining aspects of the Memorandum of Understanding. The Existing Board have expressed a wish to do this for some time.

The Constitution will therefore form part of a trio of core documents which must be approved by the constituent authorities:

- The Constitution
- The JMWMS
- The 5 year Action Plan

New Constitution headings:

- Background and Purpose
- Vision, aims and objectives (including cross reference to the Joint Municipal Waste Management Strategy)
- Functions and Composition of the Board
- Role of Board members
- Decision making
- Action plan (formally Business plan)
- Role of Policy Review and Scrutiny Committee
- Executive Officer and Professional Support
- Conduct and Expenses of Members

Supplementary Documents to the Constitution

These would include the following: Legal opinion is being sought on whether these would need to be referred to each individual authority for modification.

1. Intra authority payments
2. Joint Campaigns (eg Recycle for Hampshire)
3. MRF materials input specification
4. Delivery points.
5. Executive Officer job description