

Waste Management

Recommendations in relation to the delivery of budget policy decision (046 Waste PFI)

Report to the Cabinet Member for Environment, Planning and Cultural Services - February 2016

Executive Summary

Having conducted a financial review of its statutory requirements in respect of waste treatment and disposal operations Lancashire County Council, at its cabinet meeting of 26 November 2015, adopted a number of policies in order to reduce the cost of the provision of waste services. This report provides the recommendations of the waste management service in relation to the delivery of the approved policies. The recommendations are summarised at Section 7.0.

The recommendation in relation to residual waste is to cease the treatment processes employed at Farington and Thornton Waste Recovery Parks (WRPs) and provide transfer arrangements for residual waste instead. Alternative processing arrangements will be sought through a formal procurement exercise with the intention of finding a cost effective third party outlet for unprocessed waste and maximising diversion from landfill.

In accordance with the approved policy the in-vessel composting facility for co-mingled garden and food waste at Thornton WRP is to close with immediate effect and that the composting facility at Farington WRP is to close on 31st March 2016. A separate windrow contract will be procured to compost 'garden only' waste. Facilities will be provided to waste collection authorities for the processing of garden waste only which will require engagement with seven district councils in respect of their collection options.

It is recommended that the operation of the Materials Recovery Facility at Farington WRP be continued.

Redundant processing equipment and other assets will be protected and preserved whilst market options are assessed and such that they could be re-introduced into service should future opportunity present itself.

In order to maintain efficient operations, protect the Council's interests as both client and shareholder of the company, and to maximise the financial benefit of the proposals, it is recommended that Council requests that the Company appoints a new structure agreed with the Council, based on the revised service requirements, at the earliest opportunity; and delivers the transformation of the Company as soon as possible.

All of the 'soft' services carried out by the Company are to be ceased on 31st March 2016 or as soon thereafter as is practicable, giving consideration to any formal processes that the Company must follow and allowing suitable time for the planned cessation of services so to minimise impacts on service users. These comprise the Environmental Education Service, Adult and Community Programme, Waste Minimisation Programme, Community Sector Development Programme and Communications and Community Liaison Programme.

These proposals will bring forward the Council's waste service budget reduction timescale and reduce reliance on allocated reserves during the forthcoming two financial years. Whilst delivery of savings in 2016-17 will be dependent upon when elements of the service transition are completed, it is anticipated that a reduction in spend of allocated transitional reserve in the region of £5m - £8m can be achieved over the two year period. The proposals will also provide a reliable cost base against which to assess other options and short term opportunities.

A separate exercise has been identified to assess the marketability of the Council's assets and a longer term strategy for the provision of waste services which can run alongside the delivery of these operational and company changes.

It is considered that the implementation of the policies adopted in November 2015 and the recommendations in this report will secure waste operations at the lowest guaranteed cost and with least risk to the Council. The resulting operations will also provide a catalyst for establishing a new long term strategy for dealing with Lancashire's rubbish which is likely to include further changes at the waste recovery parks at some future time.

1.0 Background

Lancashire County Council ("the Council") has delivered a reduction in its revenue spending of over £300m over the past five years. As a consequence of continuing Government cuts in funding, and increasing demand for many of its services, the Council is currently forecasting a need to deliver a further spending reduction of more than £300m by 2020.

With many services already having been severely cut back the Council has to consider radical changes to what it delivers in order achieve the additional spending reduction. It is anticipated that the available revenue spend will only be sufficient to support the minimum statutory requirements that the Council must deliver, and at their most basic level.

In order to understand what services would be provided at this level the Council conducted a 'Base Budget Review' (BBR) to assess what services are statutory, what is the minimum cost of providing statutory services and what the risks and implications are of doing so.

In the case of the waste management service there is a clear statutory requirement in its role as waste disposal authority to deal with the household waste collected by district councils. However, largely as a result of the Council's former waste PFI contract the current service model for dealing with a large proportion of the waste collected is significantly more expensive than could otherwise be achieved.

The BBR highlighted the fact that the Council could potentially reduce its revenue spend on waste services by £8.5m. To achieve this, it suggested the closure of a large proportion of the council's waste recovery park processes and, most notably, the landfill disposal of all residual waste.

Against the backdrop of the BBR the Waste Management Group developed budget proposals for the period 2016 – 2018 and in this respect, on the 26 November 2015, the Council's Cabinet adopted the following policy position in relation to the Council's waste company and processing operations:

- 1. To reduce processing activities and associated costs within the Farington and Thornton waste recovery parks, where these processes are uneconomic relative to available alternative disposal options.*
- 2. In ceasing processing activities any related plant and equipment will be 'mothballed' and maintained to take advantage of future market opportunities.*
- 3. Cease composting of co-mingled food and garden waste. Advise waste collection authorities that in future the council will only provide facilities for composting green waste that does not include food.*
- 4. Downsize the council's waste company through a transformation and restructuring exercise.*
- 5. Cease the Environmental Education service (including adult and community programme) provided by the company.*

6. Cease the waste minimisation and communications services provided by the waste company.

7. Undertake market testing and procurement activity to determine potential market opportunities for reconfiguring the entirety of the council's waste services. This will include exploring the release of value from assets including the council's waste recovery parks, transfer stations and long term landfill contracts.

To reduce the revenue budget from 1st April 2016 by £8.500m and to use £7.750m reserves in 16/17 and £4.500m reserves in 17/18 to fund the 'transition period' to enable service reconfiguration by 1st April 2018.

On this basis this report provides recommendations for delivery of the Council's new policies with regards to waste processing and associated requirements in respect of the Council's waste company.

2.0 Legislative and policy position

An important consideration in the strategy for changing processing operations is the current European and national legislative and policy framework.

Article 11 of the Waste Framework Directive 2008 ("the Directive") requires EU member states to achieve a reuse/recycling target of 50% of waste from households by 2020. Due to the way in which EU legislation operates, the Directive sets out the particular objective that a member state is required to achieve, but allows the member state a discretion as to how it achieves the specified aims.

In 2014/15 the Council achieved a municipal waste re-use/recycling rate of 47.3%. The majority of this (33.6%) was achieved through doorstep collections, 11.35% through Household Waste Recycling Centres and 2.37% from the Waste Recovery Parks. The ability to improve this rate is severely restricted by the financial position both of the Council and the Waste Collection Authorities given the lack of resources available to improve or incentivise collection services; or persuade householders to recycle more.

In the event that the UK does not meet the 50% target the EU has the ability to impose financial penalties. These can be passed down to local authorities by Government through the provisions of the Localism Act 2011. To date the Government has refused to confirm how it would intend to apportion fines in the event of infraction of EU law, maintaining the position that it expects the UK to meet the target; a view which is not shared across the rest of the waste industry.

Whilst we grapple with meeting the 2020 target, on the 2nd December 2015 the European Commission published its 'Circular Economy Package' for consultation. Among the headline figures within the package are a 60% and 65% municipal waste recycling target (by 2025 and 2030 respectively) as well as a restriction on waste to landfill of 10% (by 2030). Measures are also put forward to mandate the separate collection of bio-waste where it is technically, environmentally and economically practicable.

As part of the package Member States will be "encouraged to adopt measures including landfill taxes or incineration levies"; although there is not likely to be one single measure that the EU will dictate that Member States must adopt.

Whilst we have an indication of the direction of travel of the EU circular economy strategy, we are still some way from understanding exactly what will find its way through the various EU processes or indeed how the strategy will be transposed into UK legislation or national policy. However, what can be certain is that in planning any short, medium or long term strategies for the delivery of waste services the Council must be mindful of the potential implications of the wider EU and national position.

3.0 Base budget review position

The Council's BBR concluded that the minimum statutory requirement which is immediately available to the Council in delivering waste processing and treatment options is to landfill residual waste, windrow compost garden waste and send co-mingled and source separated dry recyclables direct to market.

The BBR estimates that the minimum service level could be provided for £8.5m less than the existing waste service as a result of changes to processing and treatment operations and additional services carried out by the Council's waste company.

The following processing/disposal assumptions were included:

Residual waste: Residual waste treatment processes would cease and the facilities would be operated as basic waste transfer stations.

Garden waste: The in vessel composting facilities at the waste recovery parks would be closed and garden waste processed at third party windrow facilities following procurement of appropriate arrangements.

Co-mingled and source separated recyclables: The Materials Recovery Facility (MRF) would close and co-mingled and source separated dry recyclables would be sourced directly into recycling markets.

On the basis of these processing operations being deliverable, the BBR savings were adopted as the basis for the budget option put forward to cabinet. However, the policy decision taken was more flexible in how the savings should be delivered in respect of the residual waste process and the MRF, in order to allow the waste service to consider further options in respect of these operations.

4.0 Delivery of policy in relation to waste processing and disposal operations

The BBR and the subsequent adopted policy decision are aimed at establishing the lowest cost base and to deliver savings. However, the need to meet the statutory targets and potential future changes in strategy and policy, are such that the immediate delivery of savings, and subsequent operational changes that will follow, will provide a stable base position from which a longer term strategy needs to be developed.

The Council needs to plan a long term solution for how it intends to treat and dispose of waste in Lancashire. In delivering the budget policy it is therefore important that the Council does not make short or medium term decisions that may ultimately prejudice its long term aims. But a fundamental reduction in the cost base of Council processing and treatment operations, along with significant reduction in risk profile for unseen or additional costs, is imperative.

4.1 Residual waste:

The facilities currently employ a mechanical and biological treatment (MBT) process to treat residual waste (general household rubbish). The mechanical element separates recyclables (mainly glass/metal) and the organic content. The biological treatment is the composting of the organic content, which produces compost like material known as organic growth media (OGM).

In Lancashire we have witnessed significant changes in the composition of our residual waste over the last 10 years. These include reductions in organic waste brought about by recession, changes in attitudes towards recycling and food waste; and significant improvements in the amount of recyclable waste collected at doorstep. As a result, whilst the MBT process employed in Lancashire achieves what it is designed to, the greater majority of output from the process still need further processing. Where capacity cannot be sourced for this the output has to be landfilled.

Changes in national legislation have significantly affected the business case upon which selection of the MBT process was based. Many other authorities who have adopted MBT processes are in the same position as Lancashire and it is commonly accepted in the waste industry that MBT is not a cost effective treatment option in the current market. Furthermore, the process is complex, has high operational and lifecycle costs and is the major source of odour at the facilities; which in turn requires complex and expensive air management and treatment processes.

In respect of the budget policy decision taken officers have reviewed potential alternative options and consulted with the Council's waste company (GRLOL) and it is considered that there are three options available to achieve a lower cost operation for residual waste; (1) continue existing process and seek efficiencies, (2) implement a reduced treatment process, and (3) cease treatment processes.

4.1.1 Option 1: Continue existing process and seek efficiencies

The MBT process gives very little performance benefit to the Council in terms of statutory targets. In addition, the core diversion of residual waste through the facilities has, on average, been around 27% of the waste received. As such, of the circa 240,000 tonnes delivered the process only guarantees to divert around 64,000 tonnes from landfill. In addition, a further 10,000 tonnes of Organic Growth Media is produced which can be applied to land if facilities are available, but there is additional cost in doing so. The remaining 166,000 tonnes then either needs secondary processing or is landfilled.

The major benefit in terms of this option is that it would reduce the number of redundancies that would be encountered as a result of the changes.

However, there are a number of key risks in relation to this option which also need to be considered:

- Delivery of any saving is reliant upon the company achieving efficiencies.
- The complexity of the operation carries a relatively high risk of increased or unforeseen operating or lifecycle costs.
- The existing offtake arrangement for residues from Farington is without obligation and could be ended by the off-taker at any time.
- There are no formal offtake arrangements in place for residues from Thornton.
- Procurement of formal offtake arrangements risks increasing costs.
- This option would require installation of fire suppression equipment at both facilities (an insurance requirement) at a cost of circa £2m - £4m which may otherwise be unnecessary.
- The existing process provides a continued risk of odour problems.

The option is readily deliverable and requires no additional capital expenditure at this time.

4.1.2 Option 2: Implement a reduced treatment process

There is potential to modify or amend the existing residual waste treatment process in order to reduce its complexity and some of the associated risks.

The process change would essentially involve partial treatment to produce an RDF (fuel for waste to energy) or SRF (fuel for cement kilns) material, without the biological treatment of the organics. There are a number of variations on this theme but the actual process adopted would be dependent upon what market could be secured – which in turn would require procurement and is therefore a key risk of this option.

With existing offtake arrangements this option could only currently be delivered from Farington. The existing arrangement is without any formal obligation on either party and would therefore either have to be renegotiated or re-procured.

Whilst of the options currently available, this one has the potential to incur the lowest revenue cost, there would be a need for capital investment on new infrastructure and modifications to the facilities estimated by GRLOL to be in the region of £760,000. For budget purposes it would be appropriate to add an optimism bias factor of 40% to 50% to this estimate at this stage. The works cannot be conducted until an end market is secured; and the infrastructure and modifications themselves would require procurement activities. The option would require the closure of each facility for a period in order to complete the modifications. There would also be the requirement to conduct the fire suppression works at a cost of £2m - £4m in order to maintain existing insurances. Both the modifications and sprinkler works could prove redundant in the context of any long term strategy for the facilities; and it is therefore premature to progress this option in advance of the proposed market testing exercise. A further concern is in relation to its delivery as it is anticipated that due to the procurement and modification requirements the partial treatment process could take up to 12-18 months to deliver.

4.1.3 Option 3: Cease treatment processes

This option is simply not to process residual waste but transfer it for treatment or disposal by third parties. This option would effectively result in the Farington and Thornton facilities operating as waste transfer stations. In doing so the amount of residual waste received at the facilities would reduce to only that delivered directly by the waste collection authorities; as waste would not be transferred in from other transfer stations but go direct to the third party.

This option provides the most certainty now of annual revenue saving and is the lowest operating cost by some margin.

The off take costs, at least initially, are the highest; but unlike the other two options the cost of offtake arrangements can be based on the worst case scenario – the cost of landfilling residual waste; which is a guaranteed cost position and there is no risk therefore of increased offtake costs. There is the potential that offtake arrangements could be procured at a cost less than landfill and thereby increase the savings achieved.

However, the main risk associated with this option is that should alternative offtake facilities not be available, or secured at a cost less than landfill, then either the saving would be reduced or increased amounts of residual waste would be disposed of to landfill. It is possible that increased quantities of waste could need to be landfilled whilst any procurement takes place.

There are no other operational, financial or environmental risks associated with this option and one additional key benefit is that it establishes a definitive lowest cost and risk position against which to assess any alternative options in the future.

The option is readily deliverable and requires no additional capital expenditure.

4.1.4 Summary and recommendations in respect of residual waste

As indicated earlier, whilst a reduced treatment process (option 2) is viable, and could ultimately yield the lowest revenue position, the timetable required for delivery of this alternative is such that it cannot be considered immediately available. Also, given the need for capital investment and physical modifications to the facilities this option lends itself best to review as a potential longer term option to be considered as part of the proposed market testing exercise.

Assessment of potential savings for the residual process alone, in isolation, is complicated by the fact that company overheads and staff costs are spread across all current processes. However, when combined with the wider savings (including cessation of garden waste processing and other services), the overall saving that could be realised utilising existing operations and seeking efficiencies (option 1) is estimated to be in the region of £6m; and subject to those efficiencies being achieved. It is estimated that the combined saving for an operation where residual waste treatment processes cease (option 3) will be in excess of £8m, with a demonstrable potential for additional operational savings. Whilst there are a number of factors that could influence these estimates, it is clear that option 3 is the lowest revenue cost option.

The degree of risk in achieving savings is markedly different for the two options. There is no certainty that option 1 could be fully realised and it is reliant on a number of current unknowns. It also carries both financial and environmental risks. By contrast, option 3 is based on fixed contract prices and there is certainty over its delivery.

The MBT process itself would cost an estimated £20m a year more to operate than a transfer facility. In terms of performance it provides little guarantee of diversion from landfill considering its high operating cost. Over 70% of the outputs require further handling, processing or disposal - all of which incurs additional cost. As a result of option 3 more waste may initially be disposed of to landfill than is currently but the current MBT process is, and former PFI contract was, predicated upon outputs going to landfill. This is prevented by securing offtake arrangements which would be the same for either option; and as such the degree of risk of waste being landfilled is similar for both.

To continue a high cost, high liability, complex treatment operation, with ongoing financial and environmental risks, and little guarantee in terms of environmental performance, cannot be justified. Whilst it would bring the benefit of continued employment for a much greater number of employees at GRLOL it would not be deliverable within the available budget. Additional action would be required which would inevitably mean further ongoing reductions within the waste company and a call upon savings from elsewhere.

The option to cease residual waste treatment processes results identifiably in the lowest revenue cost for the Council and is by far the lowest risk operation. There is certainty in its delivery and it is considered that it can be delivered within the available budget. The actual cost of operating, once established will provide a very clear baseline against which to evaluate alternative options.

On this basis the recommendation of the waste management service is that the Council ceases treatment processes at Farington and Thornton waste recovery parks and establishes a waste transfer operation at the two facilities instead.

It is recommended that the existing processing equipment at both sites be protected and preserved in order to fully assess the marketability of the assets, both for short and longer term solutions to residual waste processing.

In taking this decision the Council would have to be mindful of the inherent risk in operating complex treatment processes at the two facilities whilst in a state of transformation and with reducing numbers of personnel. To minimise this risk it is recommended that the receipt of residual waste for processing at the two facilities be ceased on 31st March 2016 with a view to having completed all processing by 1st July 2016 and transfer operations commencing from 1st April 2016.

In order to seek alternative processing or disposal facilities, and to maximise diversion from landfill, it is recommended that a formal procurement exercise be conducted to establish short term alternative processing arrangements; whilst the proposed market testing exercise is conducted and a long term strategy for treatment of residual waste developed.

4.2 Garden Waste:

The policy decision in respect of the required action for the composting of food and garden waste is more straightforward. The in-vessel composting facilities (IVCs) employed at Farington and Thornton are designed specifically to meet the legislative requirements that surround composting of food waste, particularly Animal By-Products Regulations. As a result, the processes are much more complex, and significantly costlier than simple traditional windrow composting of garden waste without food.

The amount of food waste received within the garden waste is extremely low. On average the food waste within the garden waste is less than 1%. As such, out of the circa 65,000 tonnes a year of co-mingled garden and food waste dealt with at the waste recovery parks less than 650 tonnes will be food.

The policy decision taken was to cease composting of food and garden waste and only provide facilities for garden waste without food. To achieve this at the lowest cost the IVCs at Farington and Thornton will close and the equipment protected and preserved.

To deliver the policy the procurement of alternative windrow facilities will be required which it would be intended to do on a 3 year basis with up to 2 years extension. It is anticipated that the necessary windrow contracts can be in place by September 2016.

In order to prevent the need for usual comprehensive annual winter maintenance costs for the IVCs (circa £200,000) and to reduce the risk of operating IVCs in the interim period, it is anticipated that the Council's existing windrow contract with Sita at Darwen and Pendle be utilised for windrow composting whilst alternative, more localised, facilities are procured.

On this basis, the Thornton IVC can be closed with immediate effect with any food and garden waste directed to Farington (tonnages are seasonally low and can be accommodated at just one facility until the end of March). The Farington IVC can be closed on 31st March 2016, or as soon after as is practicable to accommodate district collection changes.

There are currently seven district councils which collect food and garden waste co-mingled. These authorities will need to adopt garden waste only collections if they intend to utilise the Council's facilities. It is intended to engage with each district council individually to discuss potential options in this respect.

4.3 Co-mingled recyclables:

Doorstep collected co-mingled waste (glass, cans, plastic) is processed at Farington waste recovery park through the Materials Recovery Facility (MRF). The MRF separates out the co-mingled materials into different material types and grades in order to obtain best value for the material in the market. There is no MRF at Thornton.

Recycling markets in the UK are currently at a 7 year low. Low oil prices have depressed the demand for recovered plastics forcing some re-processors out of business and generally causing a reduction in price for plastics. There is low market demand for steel caused by recession in China. A change in packaging compliance schemes on glass recovered via aggregate has resulted in a reduction in glass value to the point that we currently have to pay to get it processed. The demand for recycled paper has also dropped over the last 12 months with 2 paper mills in Britain going into administration with the loss of 650,000 tonnes of capacity and a third operator closing 800,000 tonnes of processing capacity across Europe.

The current revenue cost of operating the MRF is in the region of £1.5m per annum. The net annual income received for recyclables which are processed through the MRF is £914,000 giving an overall net cost of MRF operation of £586,000. On the basis of a cost of £20 per tonne, currently being paid for co-mingled recyclate in East Lancashire, the cost of sourcing the same material directly to market would be £954,000.

Aside from this net cost benefit, the market downturn has meant that there is very little processing capacity available locally. MRF operators can pick and choose the material they wish to take, generally choosing the better quality material from consistent commercial sources which have less contamination than that of household waste. Where co-mingled household materials are accepted by processors they now charge a premium. For example, in 2014 unprocessed co-mingled recyclables had an income value of £27 per tonne; now, as mentioned, we are currently paying £20 per tonne for it to be taken off our hands.

As such the operation of the MRF does add value to the material and carries operational and financial risks that would otherwise not be encountered. But whilst current market values for materials are at an all-time low level, with little sign of recovery, global markets are volatile. It was only a matter of three years ago that materials were realising £3m more than the income being achieved now. In this

context, continuing to operate the MRF has the potential to be much more profitable in the longer term.

Notwithstanding that collected recyclables are critical in meeting the re-use and recycling target, the Council has a statutory duty to manage household waste collected by the district councils. The biggest concern in the event of the closure of the MRF would be the availability of alternative processing capacity. It is not considered that this could be procured locally at this time. The worst case scenarios could be the need to transfer co-mingled recyclables long distance or overseas; or possibly even landfill them.

Of the current processes at the facilities, the MRF is the one that has the greatest potential to add value in the future and is therefore a commodity to both the Council and in the market place. On this basis, and given the capacity risks, it is recommended that the MRF operation is continued, subject to ongoing monitoring and review of its economic viability; and further consideration in respect of the marketability of the assets.

5.0 Delivery of policy in relation to Global Renewables Lancashire Operations Ltd

The Council terminated its waste PFI contract in July 2014; and in doing so took ownership of the Waste Recovery Parks at Farington and Thornton along with the company which operates them, Global Renewables Lancashire Operations Ltd ("GRLOL"). Despite having realised a reduction in annual cost in excess of £12m in doing so, GRLOL (the "Company"), its operation of the facilities, and the additional services it provides to the Council, is the single biggest cost to the Council's waste service budget.

A decision to scale back processing operations will have a major impact on the Company structure and staffing; and this is recognised in the budget policy decisions taken which included downsizing the waste company *'through a restructuring and transformation exercise'* and ceasing some of the additional services which it provides.

5.1 Company transformation and restructuring exercise

The Company employs in the region of 330 staff; and as a result of the budget policy decision and the recommendations of this report, a significant number of posts will become redundant. Managing the transformation of the company, whilst also ceasing or modifying operations, has significant HR, information systems, financial, legal and health and safety implications.

The nature and scale of the company transformation requires sufficient skilled resources to be deployed by the Council to support the Company and ensure that the Council's interests as both client and shareholder are protected during the transformation, restructuring and modification of operations. The Council has identified dedicated resources to achieve this.

There is an evidenced risk of management and operational staff leaving the company during the transformation process. With such complex, high risk processes within the facilities, this could heighten health and safety risks for the Company and the Council. Informing staff of operational proposals at the earliest opportunity, and the establishment of the proposed revised operating structure, is considered to be the best way of maintaining a motivated workforce during the transition period.

On this basis it is recommended that the Company is requested to agree with the Council a new operating structure based on the proposed service requirements; and appoint to that structure as soon as is feasibly possible, thus securing those staff that will be part of future operations to help deliver the operational changes. The Council will be required to assist the Company in ensuring that all relevant formal processes and procedures are followed and these will dictate any potential timeline for the transformation exercise.

5.2 Cessation of soft services

Under the terms of the service level agreement the Company also provides the following 'soft' services which will cease as a result of the budget policy decision:

- Environmental education service
- Adult and community programme
- Waste minimisation, waste reduction and resource recovery programme
- Communications and community liaison programme

The Company will formally cease to provide these services as of 31st March 2016 although in reality cessation of the services will be dependent upon any formal processes that the Company must follow and the need to allow suitable time for the planned cessation of the services in order to minimise impacts on service users.

At the time of the budget policy decision a separate service under the soft services, the 'Community Sector Development Programme', had been considered a function that could potentially continue.

However, as a result of the Company operations now proposed, and cessation of the other soft services, the Company structure will be predominantly based around the delivery of operations at a very basic level. The potential line management provision for the function will also be lost as part of the transformation. On this basis, and in recognition of the financial position of the Council since the establishment of the budget options, it is now recommended that this service also be ceased in line with the other soft services provided by the Company.

6.0 Long term strategy and market testing

As mentioned previously the proposals recommended within this report will provide a cost effective base position from which a longer term strategy can be developed.

The Lancashire Waste Partnership's Municipal Waste Management Strategy is out of date; the need for all member authorities to make financial savings has 'ridden roughshod' over the best intentions of the ageing document. The waste PFI contract, which was the cornerstone of the Council's waste treatment strategy has been terminated; and the budget policy decisions are to further reduce operations.

However, unlike many other authorities who have invested in PFI projects the Council has the flexibility to manage operations how it wishes and respond to future legislative and policy changes as well as the prevailing financial concerns. Owning the assets outright gives the Council a secure footing in planning a long term strategy and being able to test whether the market can deliver a better position at an acceptable cost.

The purpose of protecting and preserving the process equipment and any redundant assets is that it may ultimately be of benefit in acquiring a long term solution and in marketing the facilities.

A separate project team has been established to investigate the market testing and procurement options and the waste management group is working with the team to explore potential opportunities.

7.0 Summary and recommendations

It is imperative that the Council reduces the cost of managing the waste generated in Lancashire. The budget policy decision taken seeks to reduce the Council's spend on waste services by £8.5m as a result of changes to operations and processes employed at the two waste recovery parks, and by transformation of the Council's waste company, GRLOL.

It is considered that the recommendations within this report are the only viable way of achieving the prescribed cost reduction. It is anticipated that the service changes can be delivered with minimal environmental impact although it should be recognised that there is the possibility of some increased landfilling of residual waste, at least in the short term. However, as already happens for outputs from the MBT process, officers will seek to establish alternative arrangements for treatment and processing of residual waste in order to maximise its diversion from landfill.

Early delivery of the budget savings will reduce the Council's reliance on allocated transitional reserves in the 2016-17 and 2017-18 financial years. Whilst delivery of savings in 2016-17 will be dependent upon when elements of the service transition are completed, it is anticipated that a reduction in spend of allocated transitional reserve in the region of £5m - £8m can be achieved over the two year period.

The waste operations that will result from these recommendations will provide an important building block to establishing a long term strategy for dealing with Lancashire's rubbish; which is likely to involve further changes to operations at the waste recovery parks at some future date. It could take a number of years to fully investigate, establish and procure what the best long term strategy is for Lancashire. In that time it is imperative that we implement the lowest cost, least risk, operation, in order that we can manage Lancashire's rubbish effectively and efficiently within the means we have available to us.

Significant redundancies will be encountered at GRLOL; the order of magnitude is likely to exceed 250. An employee support package has been put in place and voluntary redundancy will be made available to staff leaving in April 2016 and beyond.

The redundancy and other one-off transitional costs encountered as a result of the changes will be offset against early delivery of the savings in 2016-17 and on this basis, and in order to reduce operational risk during the transition period, it would be prudent that transformation of the company and the services it provides is delivered expeditiously.

The recommendations of this report are thereby summarised as follows:

1. That waste transfer operations are established for residual waste at Farington and Thornton waste recovery parks (to also accommodate the transfer of other waste types).
2. To note that IVC composting processes are ceasing with immediate effect at Thornton WRP and from 1st April 2016 at Farington WRP.
3. Separate windrow facilities are procured for garden waste composting.
4. MRF operations are continued subject to ongoing review.
5. That redundant processing equipment and other assets be protected and preserved whilst market options are assessed and such that they could be re-introduced into service should future opportunity present itself.
6. The Company be requested to agree a new operating structure with the Council based on the proposed service requirements; and appoint to that structure at the earliest opportunity.
7. The Company be requested to deliver its transformation as soon as possible.
8. That all of the soft services provided by the Company are ceased from 31st March 2016 or as soon after as practicable.

Report submitted by:

Steve Scott
Head of Service – Waste Management
February 2016