

## Future Waste Strategy Inquiry – Contracts and Finance

Date: 29 November 2021

Report of: Head of Democratic Services

Report to: Scrutiny Board (Strategy and Resources)

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

### **What is this report about?**

#### **Including how it contributes to the city's and council's ambitions**

- Following the September and October cycle of scrutiny board meetings both the Environment, Housing and Communities and Strategy and Resources Scrutiny Boards have now agreed the terms of reference for a joint inquiry into Waste Services in Leeds.
- The main driver for this work is the publication of the Government's Resources and Waste Strategy (RWS) in December 2018 and subsequent and ongoing consultations linked to that strategy. The proposals within the strategy aim to enable the Government to meet targets including zero avoidable waste by 2050, double resource efficiency by 2050, zero plastic waste by 2042 and zero waste to landfill by 2030.
- The strategy will therefore have a significant impact on the way waste is managed by local authorities including the materials collected, the frequency of collections, the infrastructure required to deliver new services and the way in which the costs incurred by councils are funded.
- The Government is still consulting on three areas of the 2018 strategy (Consistency in Household and Business Recycling Consultation, Extended Producer Responsibility for Packaging Consultation and Deposit Return Scheme Consultation).
- With a clear focus on how value can be added though the involvement of Scrutiny this inquiry aims to take a forward-looking view of the Council's Waste Services in advance of the proposals in the Resources and Waste Strategy becoming a reality in Leeds. For the purpose of this board the focus of the work will be on finances and contracts.
- The Environment, Housing and Communities Scrutiny Board will lead the inquiry into the future of the Council's waste services, focusing on resilience, sustainability and interventions that can improve the future services, including increasing the percentage of waste that is recycled, but with consideration as to the relative carbon reduction impact too. However, given the wide breadth of issues relating to waste services, and to maximise capacity within the scrutiny service elements of the work – expressly related to finance – have been delegated to the Strategy and Resources Scrutiny Board.

- Following discussion at the October meeting of Strategy and Resources a particular focus of the work will be on recycling and how that might be improved in the city given the wider context of the climate emergency and the ongoing budgetary challenge faced by the Council. In addition, discussion at the October meeting of the Board has assisted in framing the areas of interest for this Board. These principally focus on how the Council can maximise its available budget to deliver the best results for Leeds residents both in terms of the services that are available at the kerbside and that bring the best environmental benefit to the city. Exploring what additional funding might be available from Government and how this could be used are also important factors.
- The Council has some important contracts that deal with recycling and waste management. Two of these are the operation of the Recycling and Energy Recovery Facility (RERF) which is where all the city's kerbside general/black bin waste is taken and the SORT contract which deals with all the kerbside recyclates collected in the city's green bins. These two contracts are delivered by Veolia (RERF) and HW Martin (SORT). This is the first evidence gathering session to be undertaken by the Board and representatives of HW Martin and Veolia have agreed to attend the meeting to provide information and take questions from Board members.

## **Recommendations**

- a) Members are asked to note the contents of the Appendices 1 and 2 providing relevant information on service costs, tonnages of waste collected, recycling rates and the contractual arrangements Leeds has in order deal with the different waste streams and highlight further areas of interest linked to this scrutiny inquiry that can be brought back to future meetings of the Board.
- b) Note the evidence provided by today's guests and use this to assist in the formulation of a scrutiny statement to be reported back to the Environment, Housing and Communities Board.

## **Why is the proposal being put forward?**

- 1 This report follows initial consideration of both the terms of reference for the inquiry and some initial summary information which provided details of the cost of waste services in Leeds along with details around tonnages collected through the various waste streams.
- 2 The government published its Net Zero Plan in mid-October, saying "£295 million in funding would be available to all English councils to prepare for the implementation of free separate food collections for all households from 2025". The Comprehensive Spending Review (CSR) published on 27 October 2021 stated that it included "funding to implement free, separate food waste collections in every English local authority from 2025, supporting the near elimination of biodegradable municipal waste to landfill by 2028". A capital figure of £300m has been allocated in the CSR for 2023/24 and £100m for 2024/25. Leeds City Council has asked for clarity on these allocations and if they are ongoing/accumulative revenue budgets and/or one off capital allocations. There has been no announcement on revenue funding, however Government continues to say they will fund all new burdens. Whilst it may be considered a positive that this funding featured in the CSR, critical detail is still outstanding on how and when the funding will be allocated to local authorities and what

collection models may be considered acceptable by DEFRA (through anticipated revised “technically, environmentally and economically practicable” regulations).

- 3 There was no mention in the CSR of the other waste reforms that the Government has recently consulted on; namely the extended producer responsibility, consistent collections (in particular kerbside glass and garden waste collections) or a deposit return scheme. However, the Environment Bill (which gained Royal Assent on the 9th November) will enable DEFRA to require local authorities to collect food waste weekly, which would divert it from landfill (not an issue in Leeds due to the RERF) and reduce emissions. Core recyclable waste streams will also be required to be collected and collections to be made more consistent.
- 4 This report introduces the Board’s first evidence gathering session on this issue, with a focus on existing ways household waste is collected at the kerbside and recycled and the related contracts. External witnesses have been invited and as noted above HW Martin and Veolia are expected to be in attendance. Given the remit of this Board’s involvement in this inquiry the witnesses are expected to provide subject matter expertise in a number of areas that link to the terms of reference agreed at EHC in September and then noted by Strategy and Resources at its October meeting. The four areas of focus for Strategy and Resources Scrutiny Board and taken from the Terms of Reference, together with an updated context provided by the Service, are as follows:

➤ **Cost and viability of alternative waste streams**

A key initial question will focus on whether the Council can recycle more waste and introduce recycling of food, glass and a wider range of plastics as part of its kerbside collection service and to determine the cost and viability issues associated with any planned expansion. The Council is committed to the delivery invest to save measures and the Board will look at potential opportunities to develop policies that align with that agenda as a means to secure additional funding.

**Service comment/update:** *The opportunities to recycle should not be limited to kerbside collections and the consideration of options in terms of “cost and viability” should also factor in the comparative carbon “cost”/benefit as well as the financial. For example, textiles are not mentioned but perhaps need equal consideration as “a wider range of plastics”?*

➤ **Contractual issues/recycling markets**

A major factor in availability of kerbside collection is the resale value of the recycled material. Understanding any limitations linked to the resale value of recycled material and any wider limitations in terms of appropriate facilities or availability of a structure to take the recycled waste in Leeds and any associated costs of delivering them. It will also be important to understand the current contract status in terms of where recycled waste goes once collected in Leeds and whether there is room for this to include more materials and at what potential cost.

**Service comment/update:** *The issue is not just limited to the resale value, but the cost of processing the sorted material and the availability of sustainable markets for the quantities produced in Leeds.*

➤ **RERF**

The RERF facility has a 10% recycling target as part of the existing contract with the Council, this target has historically been missed with financial compensation paid as per the contractual terms. This is an area of interest both in terms of how that compensation is used by the Council and what measures might be introduced to ensure that the 10% target is met, and more items are recycled in the future.

**Service comment/update:** *The current contract with Veolia for the operation of the RERF has a 2% recycling performance target included. The original target had been 10%, however, due to the generally good recycling behaviours shown by Leeds residents, the generally poor quality of recyclable materials that do end up in the black bin and changes in international recycle markets, all parties involved in the contract agreed to make revisions to a more realistic target. This followed a period of significant additional investment into new technologies/equipment by Veolia to attempt to extract more material that a sustainable market could be found for. It is worth noting the RERF is currently over performing on the land fill diversion target – with 99.7% of waste being diverted against a contractual target of 96.5%.*

➤ **Government Waste Strategy**

The Resources and Waste Strategy was published in 2018 but due to delays caused by Brexit and then Covid-19, consultation on this has yet to fully complete with the remainder of it expected to take place in 2021. As a consequence of these delays the Council is also in a holding pattern in terms of developing and evolving the service to recycle more materials which is a clear aim of the Government strategy and the Climate Emergency related aims of the Council. A key issue is funding for new services, as this agenda develops in 2021 and beyond more clarity may also emerge on funding and timescales which would be helpful to the Council but could also offer scrutiny an opportunity to be involved in the process pre-decision in terms of developing and delivering additional recycling services in Leeds. The recently announced Government consultation, noted above, offers some initial information on this in terms of materials to be recycled by local authorities and possible additional funding though it is recognised that a significant limitation is that currently funding levels are not confirmed.

**Service comment/update:** *In DEFRA's consultation document of May 2021 it said "Government recognises that these new duties will impose additional costs on local government, and it will follow the new burdens guidance to ensure the costs of new statutory duties for local authorities are covered. The Secretary of State may also make regulations to allow for different recyclable waste streams to be collected together where this does not significantly reduce the potential for these waste streams to be recycled or composted.". It also said, "Given the additional costs involved in separate food waste collection, Government will ensure that local authorities are resourced to meet any new burdens arising from this policy, including up front transition costs and ongoing operational costs.". DEFRA have indicated they will provide a response to the consultation in early 2022.*

- 5 Council officers will also be in attendance to provide input into discussion and deal with any member questions that relate to services in Leeds.

## What impact will this proposal have?

### Wards Affected:

Have ward members been consulted?

Yes

No

- 6 The Vision for Scrutiny sets out the ambition for Leeds City Council's Scrutiny function to engage in policy review and development, which can contribute to achieving service improvements, thereby adding value for the people of Leeds. Scrutiny Board members have identified future waste services as an area in which they believe their engagement, challenge and review could achieve such results. Particularly considering the ongoing work at a national level on the Resources and Waste Strategy.
- 7 As the Government rolls out changes to how local authorities collect waste which could impact how and what waste is collected in the city, Strategy and Resources Scrutiny Board, working in partnership with Environment, Housing and Communities (EHC) Board, will contribute to a forward-looking inquiry into Waste Services in the city. It is hoped that by maximising the resources available within the scrutiny function the inquiry can provide valuable input as the Council adapts to the proposals in the Government's Resources and Waste Strategy. The inquiry which is led by the EHC board is aimed at understanding and providing recommendations on how the Council might organise and prioritise its waste services taking account of costs, benefit to the environment, carbon reduction and improving the existing service.

## What consultation and engagement has taken place?

- 8 Consultation on the Terms of Reference has taken place between both Chairs, along with the Executive Board Member for Environment and Housing, the Director of Communities, Housing and Environment and the Chief Officer for Environmental Services.

## What are the resource implications?

- 9 Resources to support the Scrutiny function are, like all other Council functions, under considerable pressure and constructive consultation should therefore take place between the Executive and Scrutiny about the availability of resources prior to any work being undertaken.
- 10 Scrutiny Boards should:
- Seek the advice of the Scrutiny officer, the relevant Director and Executive Member about available resources
  - Avoid duplication by having a full appreciation of any existing forums already having oversight of, or monitoring a particular issue
  - Ensure any Scrutiny undertaken has clarity and focus of purpose, will add value, and can be delivered within an agreed time frame

## What are the legal implications?

- 11 There are no specific legal implications associated with this report.

**What are the key risks and how are they being managed?**

12 There are no specific risk management issues associated with this report.

**Does this proposal support the council's 3 Key Pillars?**

Inclusive Growth

Health and Wellbeing

Climate Emergency

**Appendices**

13 Appendix 1 – Five-year analysis of Leeds household waste

14 Appendix 2 – Summary of waste contracts

**Background papers**

15 None