

17 November 2021**Agenda Item:7****REPORT OF THE SERVICE DIRECTOR, PLACE AND COMMUNITIES****PFI WASTE CONTRACT AND THE RESOURCES AND WASTE STRATEGY****Purpose of the Report**

1. To brief and update Members on Private Finance Initiative (PFI) Waste Management in Nottinghamshire and the opportunities for improvement resulting from the Resources and Waste Strategy for England 2018 and the associated Environment Bill.

InformationBackground and Context

2. The County Councils 26-year Waste PFI Contract with Veolia has entered its sixteenth year. The PFI Contract manages the recycling, reprocessing, treatment and disposal of around 320,000 tonnes per annum (tpa) of waste against a total tonnage of Local Authority Collected Municipal Waste (LACMW) in Nottinghamshire of around 410,000 tpa. The balance of tonnage is treated through other contracts, including the Eastcroft Energy from Waste (EfW) facility.
3. The PFI contract covers the majority of elements of the Council's statutory duty as Waste Disposal Authority (WDA) for Nottinghamshire but does not include kerbside waste collections which are universally undertaken by the Borough and District Councils directly acting as statutory Waste Collection Authorities (WCA).
4. The Contract runs until 31 March 2033 and encompasses recycling and composting operations; delivers the network of Recycling Centres and manages the arrangements for treatment and disposal of residual waste (including the Eastcroft EfW tonnage when it is unavailable).
5. The contract has a value of approximately £28.5million per annum (mpa), and the Council receives around £2mpa in PFI credits from central government to support the arrangements.
6. Two reports on the impact of the Resources and Waste Strategy for England 2018 and the proposed Environment Bill on the PFI Waste Contract were considered by the Communities and Place Review and Development Committee in November 2020 and April 2021 and this report builds on the agreed recommendation from those reports.

Contract Performance

7. The key aim of the PFI contract was always to move the County away from landfill as a form of residual waste disposal. With methane emissions from landfill a major contributor to greenhouse gas emissions reducing reliance on landfill for the disposal of biodegradable waste has long been a UK priority, and is now a global imperative.

8. Through the contract, residual waste in Nottinghamshire is now largely sent for energy recovery with approximately 5% of residual waste being sent to landfill in 2019/20. Nottinghamshire's performance is one of the lowest in our statistical neighbours' group and is significantly better than our geographic neighbours of Derbyshire (20% landfill in 2019/20) and Leicestershire (32% landfill in 2019/20). The 5% still being landfilled is generally non-recyclable wastes, wastes not suitable for energy recovery or material sent to landfill during facility shutdowns when other options are unavailable.
9. Recycling and composting performance at the 12 Recycling Centres is generally around 80%, which is exceptionally high and helps maintain overall recycling levels in the County despite inconsistent kerbside recycling performance from the WCA. Furthermore, the Recycling Centres have consistently delivered 98% customer satisfaction in the annual service user satisfaction survey since 2010, which is carried out by an independent consumer research company.
10. Overall recycling and composting rates in Nottinghamshire have plateaued in recent years at around 43-44% mirroring the situation nationally. This is partly due to the withdrawal by central government of national targets imposed on the borough and district councils and the impacts of the financial crisis in 2007/08. The materials collected at the kerbside as part of dry recycling collections are consistent across all 7 WCA and all 7 also collect garden waste on a charged for basis. Despite this consistency of collections recycling rates vary significantly across the County ranging from 50% in Rushcliffe down to 25% in Bassetlaw. This variance is shown in table 1 below.

Table 1

	ADC	BDC	BBC	GBC	MDC	NSDC	RBC	County
2017/18	41%	25%	39%	35%	33%	32%	50%	44%
2018/19	36%	26%	38%	34%	33%	33%	49%	43%
2019/20	37%	25%	37%	33%	34%	33%	50%	43%

Material Quality and Contamination

11. The PFI contract specifies a maximum 5% contamination rate (by weight) for recyclable material that is presented at the Mansfield Materials Recovery Facility (MRF) by the WCA. The facility has been designed to separate the materials received by mechanical and manual sorting, but it can only operate efficiently and effectively if input standards are maintained at the 5% level. If materials are not sorted properly then the quality of the materials leaving the MRF will be unable to find markets and may not therefore be recycled and may have to be sent for energy recovery instead.
12. The present input specification for the MRF includes paper, cardboard, plastic bottles, yoghurt pots, margarine/butter tubs, tins, cans and aerosols. Contamination rates have increased in recent years (due to the decreasing funding to WCA through austerity measures to undertake public information and education and kerbside enforcement) and are now on average around 15%, with some loads reaching over 20%.

13. Much of the unwanted material is organic in nature, with food waste and liquid in cans and containers, and nappies the main issues, alongside glass, all of which can contaminate the large quantities of paper and card within the bins. Often whole loads are rejected because of contamination caused by just a few residents.
14. Previous analysis of Nottinghamshire waste has shown that around 20% of the material in the residual bin could have been recycled using the current systems with around 12% suitable for placing in the dry recycling bin, and a further 8% being glass which can be recycled through bring sites or kerbside collections where they are provided. Simply capturing this material could have a significant positive impact on recycling rates in some areas.
15. Communications campaigns can have a major impact on quality, but limited resources both nationally and locally have reduced the amount of repeat communications undertaken at a WCA level. This alongside the ever increasing demands on collection crews due to housing growth has limited their ability to check loads at the point of collection and means that other options to improve the quality of material are now necessary.

Opportunities for Improvement

Resources and Waste Strategy for England

16. As a response to plateauing recycling rates nationally and with an aim of improving quality, the Government published its Resources and Waste Strategy (RWS) for England in December 2018. The strategy sets out a roadmap towards increasing recycling rates across England and supports the circular economy.
17. Initial consultations on the proposals within the strategy took place in Spring 2019 and covered 3 key areas, these being consistent kerbside collections which aims to standardise collections across England, an Extended Producer Responsibility (EPR) which focusses on ensuring higher quality recyclable packaging and a Deposit Return Scheme (DRS) for drinks containers.
18. In March 2020 the Environment Bill (which will embed these proposals into law) started its route into legislation. Unfortunately, due to the COVID -19 Pandemic this has been delayed, but it is now expected that legislation will be in place by the Autumn, with many of the expected service improvements due to be in place by 2023/24.
19. A second round of consultations closed earlier this year and the responses are expected to be published late 2021/ early 2022. These consultations added further detail and expected timelines around the introduction of these key proposals.
20. Government has indicated that funding will be available for changes Local Authorities have to make to meet “new burdens” as a result of the Resources and Waste Strategy, although changes made before that will need to be funded by the Council direct. DEFRA has indicated the calculation of funding support would be done on a formula basis, meaning winners and losers at the WCA level in a County as diverse as Nottinghamshire. How any formula would be applied at a WDA level is also yet to be clarified.

Deposit Return Scheme (DRS)

21. The proposals in the RWS include a Deposit Return Scheme (DRS) where an up-front charge would be levied on drinks containers, and when returned to an appropriate outlet would generate a cash return. The intention being to increase the number of these being captured for recycling. Previous evidence suggested that only around 50% of plastic drinks bottles are recycled.
22. Further detail is to be confirmed, but it is expected that the DRS will be an 'on the go' model, and will only include drinks containers under 750ml, which represents the items that are consumed outside of the home.

Extended Producer Responsibility (EPR)

23. Also proposed is an Extended Producer Responsibility (EPR) process where manufacturers would effectively be taxed for using virgin materials and rewarded for using recyclable ones. The intended outcome of this long term would be a move to the use of more recycled materials, and a stronger market for those materials.
24. In the short term there would be new tax streams which would be used by government to fund the local changes needed in kerbside collection and processing systems required to achieve a proposed 65% recycling rate by 2035.

Consistency in Collections

25. The key consultation, which will have the largest impact on the waste management service the WDA and WCA provide is the Consistency in Collections proposals.

Dry Recyclables

26. As part of the consistent approach to dry recycling collections the Government has legislated through the Environment Bill, the collection of glass bottles and containers, paper and card, plastic bottles, plastic pots tubs and trays and steel and aluminium cans by 2023.
27. The preferred solution proposed by the RWS is the kerbside separation of materials with only limited co-mingling allowed. If enacted fully in the Environment Bill this could fundamentally change the kerbside collection arrangements in much of England, and particularly in Nottinghamshire, which has an established wide ranging co-mingled collection model in place.
28. It should be noted, that as part of this mandated list of materials for collection the only items not currently collected in Nottinghamshire are plastic pots, tubs and trays and glass, though glass is separately collected at the kerbside by 4 out of the 7 Waste Collection Authorities and a significant tonnage is collected through the bring bank networks of those that do not currently collect it at the kerbside.
29. In the second round of consultations, the Government also consulted on the capture of additional dry recyclable materials, these being aluminium foil, trays and tubes, steel and aluminium aerosols, metal jar lids, food and drink cartons (i.e. Tetrapak) and plastic film such as bread bags and plastic bags.
30. In Nottinghamshire aerosols are already accepted and when responding to the consultations officers agreed that the other proposed items should be included provided there is access to

long-term sustainable markets and the appropriate costs around the sorting and collecting of these additional materials is covered, although concerns around the potential issue of food contamination, particularly on the foil products, were raised.

31. Work has already commenced on identifying improvements to sorting systems in order to meet the challenges of collecting additional materials at the kerbside, and it is expected that some small service enhancements will be enacted prior to the wholesale changes required once the Environment Bill becomes law. For example the recycling of plastic bottle tops through the MRF has now been agreed by Veolia and will be promoted as a change to the MRF input specification once the necessary changes to the sorting process are complete.

Separate Weekly Food Waste Collections

32. Another key element in the Consistency in collections proposals is that WCA will be required to introduce weekly separate kerbside food waste collections from 2023 dependant on current contractual obligations with the aim of increasing capture rates for organic material, allowing the banning of this material from landfill in due course.
33. Exploratory work on how separate food waste collections could be implemented across Nottinghamshire has begun, with Bassetlaw District Council leading on the project, and an implementation plan has been drafted. It is now also an item on the Joint Waste Management Committee and Joint Officer Board agendas to ensure discussion continues and all parties are involved in decision-making.
34. Veolia have begun discussions with potential third-party outlets to treat the food waste collected and have identified a potential solution for discussion with the WCA. The network of Waste Transfer Stations (WTS) should make implementing this at a County level relatively simple. The major costs and risks sit with the WCA who would need to procure food containers, new bins and vehicles and establish new collection arrangements.
35. All parties are awaiting further detail on what funding will be made available and this will determine the timelines around implementation as well as methodologies. Waste Management Officers are submitting an Expression of Interest to Defra in a bid for additional transactor and technical and commercial support which is available to help facilitate the introduction of separate food waste collections.

Garden Waste

36. Another key proposal is the suggestion of free garden waste collections during the 'growing season'. Waste Management Officers raised a number of concerns around this proposal as it was unclear what was meant by 'growing season' and what the knock-on financial effects of such a scheme would be on WCA. Additionally, whilst the increased tonnage of garden waste collected at the kerbside would increase recycling rates the impact of CO2 reduction appears to be minimal. There is also the likelihood that much of the collected garden waste would be diverted from the recycling centres.
37. Furthermore, if this proposal was to be taken forward it would mean Veolia would need to look for additional capacity for garden waste treatment as the current facility, Veolia Oxton, is already accepting approximately 75ktpa and is therefore operating at capacity. As a third-party facility (it is not a contract facility within the PFI Waste Contract) the site currently takes green

waste from Nottingham City through a commercial agreement which limits the available capacity for Nottinghamshire waste.

Wider Veolia Opportunities

- 38. Veolia is one of the largest resource management companies in the world, comprising a range of multinational businesses dealing with waste management, energy, water, industrial site services including facility decommissioning and land remediation. They are the UK's leader in waste management and can ensure our waste is dealt with effectively, sustainably, and ethically.
- 39. The Councils long term relationship with Veolia provides an opportunity to utilise the skills and experience of the private sector to effectively meet the operational and financial challenges of the RWS and build a new waste management service which increases recycling rates and consistency across the county.
- 40. The wider role of Veolia in resource management can also potentially be used to develop a range of solutions to problems which could help the Council achieve its aim of being carbon neutral in all its activities by 2030.

Other Options Considered

- 41. The WCA and WDA could implement significant changes to waste collection and waste disposal in Nottinghamshire by negotiation before the results of the Resources and Waste Strategy consultations have been published and proposals have been legislated. However, this would be at the risk of not receiving additional central government funding for "net burdens".

Reasons for Recommendations

- 42. Recycling performance has stagnated locally and nationally, and the quality of the dry recycling currently being collected is of poor-quality impacting on the ability of the contractor to meet required international market quality standards for material sales.
- 43. Government has published its Resources and Waste Strategy 2018 which presents a number of opportunities for improving recycling performance and is expected to legislate to deliver these improvements over the coming months and years.
- 44. There has been increasing public interest and demand to be able to recycle more material at the kerbside, and a growing awareness of the environmental impacts of poor waste management practices globally.

Statutory and Policy Implications

- 45. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

46. There are no direct financial implications associated with this report, however any identified improvements progressed will require a financial business case and will undoubtedly require capital investment and/or attract increased revenue costs.

Implications for Service Users

47. The RWS and Environment Bill will bring about a fundamental review of waste collection and treatment systems across England. Whilst this report only identifies minor changes at this point, long term service users will be provided with enhanced services which will allow a wider range of materials to be recycled at the kerbside.

Implications for Sustainability and the Environment

48. Enhanced recycling provision delivered through the RWS and Environment Bill will reflect and help deliver the Councils ambition to be Carbon neutral in all its activities by 2030.

RECOMMENDATIONS

That Committee:

- 1) Acknowledges and approves the ongoing work with and by partners to prepare for the requirements of the Resources and Waste Strategy for England 2018 and the Environment Bill.
- 2) Agrees the input specification for the MRF being widened to include plastic bottle tops once the necessary sorting process changes at the site are implemented in advance of any changes necessary to comply with the Environment Bill.
- 3) Approves the ongoing programme of communication and engagement activity with stakeholders to improve and increase the quantity and quality of material collected and sent for recycling.

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Constitutional Comment (ELP 27/10/21)

49. The recommendations fall within the delegation to Transport & Environment Committee by virtue of its frame of reference.

Financial Comment (RWK 18/10/2021)

50. There are no specific financial implications arising directly from the report.

Background Papers and Published Documents

- None.

Electoral Division(s) and Member(s) Affected

- All