

Somerset Waste Partnership Annual Report and Draft Business Plan 2020 - 2025

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1. Purpose of the Report

- 1.1 This report seeks a decision from South Somerset District Council on the Somerset Waste Partnership's Draft Business Plan 2020-2025. The plan provides a framework within which the Somerset Waste Board can make decisions and steer the delivery of waste partnership services. The Business Plan is attached as Appendix A.
- 1.2 The actions in the draft business plan sets out how the SWP will work towards the vision over the next five years, with a particular focus on the coming years' actions. There are three main areas of focus within the business plan which are delivering excellent services, changing behaviours and building our capability.
- 1.3 It also seeks approval of the draft budget for 2020/21 and approval of the proposed revisions to the Waste Partnership's Inter-Authority Agreement necessary to align it with the new collection contract and the approach to the roll-out of Recycle More. The Business Plan budget and Inter-Authority Agreement were approved for consultation by SWB in December 2019.

2. Forward Plan

- 2.1 This report appeared on the District Executive Forward Plan with an anticipated Committee date of 9th January 2020.

3. Public Interest

- 3.1 This report is to inform the Council of the work that is proposed to develop the waste and recycling functions across the area managed by the Somerset Waste Partnership which includes South Somerset, giving reasons behind the proposed future of the services.

4. Recommendations

- 4.1 That the District Executive approves:
- a. the Somerset Waste Partnership's Draft Business Plan 2020-25.
 - b. the draft budget for 2020/21.
 - c. the amended Inter-Authority Agreement

5. Background

- 5.1 The Somerset Waste Partnership (SWP) is responsible for providing waste and recycling services on behalf of all five local authorities in Somerset. The partnership is governed through a Joint Committee known as the Somerset Waste Board (SWB). The SWB Constitution requires the preparation of a Business Plan on an annual basis. The plan has a five year

horizon with particular focus on the next 12 months. The Board has delegated authority for decision making across all services and therefore must make proposals to the partners on how savings can be made, taking into account any requirements to make savings and proposals on how this can be achieved.

5.2 The Board's business planning cycle requires a draft report to be approved by the Board in December and circulated to partners for comment prior to the adoption of the Board's Annual Budget the following February. Once approved or noted by all partners, the plan will be formally adopted by the Board to provide a framework within which the Board can make decisions and steer the delivery of Waste Partnership services.

5.3 The update of the business plan focusses on the progress that has been made, and continues to be made, following the change in waste disposal methodology from landfill to an energy from waste facility, the procurement of a new collections contractor, and the subsequent implementation of Recycle More, which is planned for introduction in South Somerset in 2020 - 2021. SWP's Business Plan contains three areas of focus, beneath which site a range of activities. The three areas of focus are:

Focus	Delivering excellent services	Changing behaviours	Building our capability
Outcome	<i>Household waste is effectively collected, reused, recycled and treated</i>	<i>People trust SWP and see waste as a resource - managing their waste properly</i>	<i>SWP has the capacity, capability and influence to deliver our vision</i>
Activity	Changes to collections	Campaigns	Transforming systems and processes
	Changes to disposal	Looking beyond domestic waste	Strategy & Influence
	Improving services	Community Engagement	Building partnerships

5.4 With a new collection contract and the roll-out of Recycle More a number of changes to the Inter-Authority Agreement (IAA) are necessary. The draft amended IAA was approved by the Board in December 2019, reflecting principles agreed by the Board in September 2019 which had been developed by the Strategic Management Group (SMG) and all partner Section 151 Officers. The following principles (agreed by the Board and SSDC Officers) have informed the revisions required to the IAA (Appendix B):

- District collection partners should not be penalised or rewarded for when they roll out within the programme. No savings will be taken from the Somerset Waste Partnership until roll out has been fully funded.
- As a significant proportion of Recycle More savings will be from disposal costs, the disposal partner SCC will also contribute its savings from Recycle More until the break-even point has been reached (2022/23). Should there be extraordinary circumstances beyond that has been forecast that have a significant impact on disposal costs or savings, then we a view would need to be taken at the time on how any additional savings or costs should be fairly apportioned.

- Somerset Waste Partnership hold the Recycle More Project Fund and any deficits will be funded through contract savings before they then become attributable to partners. Once breakeven point is reached, contract savings will be shared on the basis currently stated in the IAA.

5.5 The IAA has also been changed to reflect the fact that under the new collection contract, SUEZ will not be liable for the costs of secondary contributions for the small number of employees who are eligible for the Local Government Pension Scheme. As has been agreed by SMG and all partner s151 officers, passing this liability on to the contractor would simply result in risk pricing from SUEZ, meaning that partners would in effect pay more to achieve the same aim. These costs will be shared by District Council partners in accordance with household numbers. It should be noted that there will be no deficit on day 1 of the contract and future payments will be made in accordance with future actuarial assessments.

5.6 The Somerset Waste Partnership and SUEZ will share recycling revenue risk. Recyclate revenue can fluctuate according to the tonnages of each materials collected and due to market prices. Once roll-out of Recycle More has been completed all partner section 151 Officers (endorsed by SMG) agreed that an equalisation reserve should be put in place in order to smooth out the risk of fluctuations in the level of recyclate income received by District Council partners (noting that this will not impact on SCC). The following principles were endorsed by the Board in December:

- The equalisation reserve should only be commenced after roll-out is complete but similar prudent forecasts should be used during the roll-out period (without building up a reserve)
- The fund should be built up from 20% of SWP's recyclate revenue as this value was considered prudent.
- The level of the reserve will be reviewed annually as part of the budget setting process.

District Partners will pay Somerset Waste Partnership the gross monthly costs and will then receive a quarterly payment in arrears for their share of recyclate income.

5.7 All partners have agreed capital borrowing to purchase the vehicles, fund depot works and equipment, and purchase the new containers. Each district partner is borrowing £5.0m on behalf of the Somerset Waste Partnership at a return of PWLB plus 1%. and Section 151 officers have agreed the borrowing principles and schedule and to capitalise the new container costs within this. Loan agreements have been agreed between SCC and the Districts for this, and a number of minor amendments to the IAA are necessary to ensure consistency between the IAA and these loan agreements.

5.8 A verbal update / presentation will be made to the cabinet, which will include an update on the implementation of Recycle More and the 'Slim my Waste, Feed my Face' food waste behavioural change campaign. .

6. Council Plan Implications

6.1 Our Aims:

Protect and enhance the quality of our environment.

6.2 Our Values:

Working with partners to improve services, efficiencies, resilience and influence.

6.3 Council Plan Environment Theme:

Work with partners to promote recycling and minimise waste.

7. Financial Implications - SWP

The Board is almost exclusively funded from contributions from partners and, apart from one-off funding bids, has no automatic block grant from Central Government. It is therefore dependent on agreement between partners on the level of funding provided by each of them in line with the cost sharing formula.

- 7.1 Section 6 of the Business Plan shows the projected year budget for Somerset Waste Partnership. A draft Annual Budget for the forthcoming year will be brought to the December meeting of the Somerset Waste Board. While the figures shown here are subject to refinement, historically projections at the stage have been very close to the final budget due in February 2020, particularly for collection partners, with only minor variations for final customer numbers. It is therefore considered a very low risk to approve the Business Plan ahead of the final Annual Budget for 2020/21.
- 7.2 The current estimate for collection partners is that there will be between a 2.5% and 4.25% budget uplift from the 2020/21 budget. The projection varies for each collection partner, primarily according to household growth and garden waste customer growth. All recycle more one-off costs are excluded from these figures (these are set out later in the report).
- 7.3 The key drivers for the variance are:
- Collection inflation – estimate 3% (mostly fixed). The key drivers for this are CPI and fuel increases.
 - Household growth estimated average 1% (final figures will be available on 1st December).
 - Garden customers growth estimated at 6% (although this provides a corresponding income to each partner).
- 7.4 An update on Recycle More and its implementation is included within the business plan under section 6.2. The overall savings from Recycle More are anticipated to be over £2 million per annum once it is fully rolled out. The Board have previously agreed that the roll out will be funded from the Recycle More Project Fund (and where appropriate from capital), and that no savings as a result of the new collection contract will be taken until all roll out costs have been fully funded. Roll out is due to complete in February 2022. Savings will start to be seen in 2022/23 once roll out has been fully funded.

8. Financial Implications - SSDC

- 8.1 The September estimates showed our share of the SWP would go up by £216,649 (3.97%). The figures being taken to the December waste board meeting show that this has increased to £248,403 (4.55%). Most of this movement is for garden waste but there is also an increase for household growth and salary costs.
- 8.2 Some of this increase is reduced by SSDC only factors. Original budget estimates produced in September calculated an overall budget increase of £154,194, however that has now increased to £185,948. SSDC's Medium Term Financial Plan had an increase of £180,800 built in, however the update report on this agenda now includes an increase of £5,150.
- 8.3 The costs of the contract include an element of risk sharing on the income received for sale of recyclable materials. It is proposed to establish an equalisation reserve and set aside a proportion of the savings from Recycle More to mitigate possible increases in net costs. This risk will be underwritten by general reserves in the interim period until the roll out is completed.

9. Carbon Emissions and Climate Change Implications

- 9.1 SWP is already independently ranked as the seventh-best area in England for carbon saving, equivalent to taking more than 25,000 cars off the road for a year. In 2018/19 SWP reused and recycled 133,734 tonnes of waste. Thanks to residents and recycling crews separating

recycling, over half stays in Somerset and over 90% stays in the UK. Back in 2008 SWP was the first authority to produce a full annual report showing exactly what happens to all its recycling. For the first time, SWP has turned this into an infographic so that we can clearly show the public what happens to their recycling. This is an important part of SWP getting the message out to more people that sorting your recycling means it's high quality and can be kept in the UK and maximise our carbon savings. Moving to Recycle More will result in capturing more recycling and generating energy from residual waste. Amongst other environmental benefits, fewer refuse vehicles will be required and these will be more efficient and generate lower emissions than our current fleet. Opportunities for using bio-fuels or other more environmentally beneficial power sources can be realised as technology develops.

- 9.2 The diversion of waste from landfill to become a fuel source for energy production significantly reduces the overall environmental impact of Somerset's residual waste and has huge implications for carbon emissions.
- 9.3 Other elements of the business plan, including the emphasis on waste reduction, re-use and the outcomes of building partnerships will also contribute to promoting the message of combating climate change.

10. Equality and Diversity Implications

- 10.1 Equalities Impact Assessments will be carried out as appropriate with the development of each Business Plan activity prior to proceeding with that activity. In most cases the decision to proceed based on the outcome of the impact assessment will be delegated to the Managing Director and Senior Management Team of SWP. Where significant issues are identified through the assessment process that would have implications for major projects or programmes the decision to proceed will return to the Board prior to commencing development.

11. Privacy Impact Assessment

- 11.1 A Privacy Impact Assessment is not essential to accompany this report as the information will fundamentally be the same as is currently used and managed.
- 11.2 Looking forwards, as the SWP looks to build capacity and use technology to understand people's behaviour to reduce waste and improve recycling, we will need to assess the management of personal information and an impact assessment may need to be carried out if we are to ensure compliance with data protection regimes.

Background Papers

DX report – 6th Dec 2018

SWP Business Plan 2019 - 2024

SWP Risk Register 2019 - 2024

Waste Board Constitution

<http://democracy.somerset.gov.uk/mgCommitteeDetails.aspx?ID=196>
