Appendix B

Blaby District Council

the heart of Leicestershire

Date: 30th March 2016
My Ref: KP/am
Contact: Kevin Pegg
Tel No: 0116 272 7615
Email: kp1@blaby.gov.uk

Phil Crossland
Director of Environment and Transport
Leicestershire County Council
County Hall
Glenfield
Leicestershire
LE3 8RS

Dear Phil

**RE: Dry Recycling Credits Consultation with Districts**

Thank you for your letter dates 23rd December 2015, and your subsequent clarification dated 17th February 2016 regarding the above. I have now taken advice from the Councils Cabinet Executive on your proposals and they have endorsed this response.

Whilst Members understand that in the current financial climate that savings have to be made, they are very disappointed that any of the proposed changes will have a detrimental effect on Blaby District Councils premier service, which was endorsed by a recent residents survey results which showed 97% satisfaction levels for both the refuse and recycling service.

The ethos behind the introduction of the Recycling Credit Payment was to incentivise WCAs to invest time and resources into diverting recycling away from landfill and although they have increased by 3% each year since their introduction, they have not kept pace with landfill costs therefore the risk fort he WDA is that any reduction in the tonnages that are currently recycled will affect the WDA by a factor of 2:1.

Therefore any comments regarding your proposals will be secondary to the arrangements remaining as they currently are.

Option (2) – The reduction in the value of recycling credits from £51.37 per tonne in 2015/16 to £38.83 per tonne in 2018/19 and remain static is therefore the preferred option for Blaby District Council.

In order to provide certainty of service going forward, Members would like to see

**K Pegg, Neighbourhood Services Group Manager**

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this in place for a minimum of three years. This is because the effect of this option would mean a reduction of service for residents in the weekly collection of recyclables down to a fortnightly collection regime. Members would not wish to see collection regimes altered for 3 years after this change.

The budgeting effect of this reduction would therefore mean that we would have to make up to _ compulsory redundancies in the refuse and recycling service, and the estimated costs thereof are £85,500, and our Members have asked that LCC fund the cost of these redundancies.

In addition to the above, by moving from a weekly to a fortnightly collection regime larger 240L recycling bins will be required to be rolled out across the 40,000 properties within the district. Therefore, Members have requested that I ask you to consider a bid at the current cost of £1 million from your invest to save budget the fund the purchase and roll out of larger bins as a result of your proposed budgetary cuts.

Option (3) – Develop and agree a new payment to incentivise a reduction in residual waste. Members are keen to introduce this, but believe it should be developed outside of the discussion on recycling credits.

Option (4) – Leicestershire County Council to procure capacity from an MRF for all districts recycling and direct all districts to use it. This option was seen as the least favourable option to Members, as it would mean a complete, radical change to residents existing arrangements and, as such, has not been fully quantified until the location of the MRF has been identified, or the location of any transfer station is known.

However, should a suitable MRF/transfer facility be located within Blaby District Councils boundary or fairly adjacent then the total loss of the recycling credits would force Blaby District Council to change their collection regimes for both refuse and recycling to at least a fortnightly collection regime.

This would mean that there could be up to _ compulsory redundancies at a calculated cost of £213,750, and a capital cost for 80,000 larger bins at £2 million. Members have again asked that Leicestershire County Council fund these costs should this option be your preferred choice.

I hope the above information is sufficient to enable you to come to a decision regarding any changes to the recycling credit payment mechanism, however should you wish to discuss any of the options in greater detail, please do not hesitate to contact me.

Yours Sincerely

Kevin Pegg
Neighbourhood Services Group Manager

Charnwood

Phil Crossland
Director of Environment and Transport
Leicestershire County Council,
County Hall,
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Leicestershire LE3 8RJ

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Tuesday, 29 March 2016

Dear Phil,

**Dry Recycling Credits – Options for Achieving MTFS Savings**

**Consultation with District Councils (Districts)**

Thank you for your letter dated 23rd December 2015 giving Charnwood Borough Council the opportunity to feed into your proposals for Dry Recycling Credits.

The Council understands the need for savings to be made and the difficult financial position that The County Council faces going forward. Whilst understanding your need for savings, Charnwood Borough Council does not agree with any of the proposed changes to the current Recycling Credit Scheme, and believes that all of the options will seriously compromise our ability to meet the desired levels of recycling performance in the future. We also have concerns that by reducing/removing the incentives for Waste Collection Authorities to have high performing recycling services, negative impacts will be realised through increased residual waste which will, inadvertently, add to Leicestershire County Council's disposal costs. Maintaining our current service provision will be very difficult without having the Recycling Credit income to supplement the cost of providing the service. Any views expressed within this correspondence as part of the consultation should be considered as a secondary option against our preferred position of maintaining the status quo.

Option 2 - Reach local agreements to reduce the value of the recycling credits

A reduction in the amount of Recycling Credit is the most attractive of all of the options considered should, at least, 70% of the current credit levels be payable. This would continue to incentivise the Council to provide high quality services, although at a greatly reduced rate. In order to manage the uncertainties in the market, a 50:50 risk share could be discussed in order to manage the possibility of gate fees exceeding credit payments in the short term. If gate fees exceeded the credit payments in the longer term, Charnwood Borough Council would be inclined to ask Leicestershire County Council to take control of the recycling service and forego any credits due.

<u>Option 3 Develop and agree a new payment to incentivise reduction in residual waste/increase in recycling</u>

It is the opinion of Charnwood Borough Council that this should be developed in isolation to the proposals on Recycling Credits.

<u>Option 4 Leicestershire County Council to procure capacity for all District dry recycling and direct Districts to use it and Option 6 Leicestershire County Council to build a Materials Recycling Facility (on its own or with another authority) and direct Districts to use it</u>

These options are not preferred as they would remove any financial incentives for Charnwood Borough Council to improve its recycling performance. The loss of income is likely to result in a review of the current provision, with cost savings and service reductions likely as a consequence. If either of these options were approved, Charnwood Borough Council would like to have a proximity requirement which would ensure that the tipping off point (transfer station or treatment facility) was within 10 miles of the current depot. This is consistent with our current requirement for the treatment of Dry Mixed Recycling. A tipping off point further away is likely to have significant impacts upon the service operations and additional costs, for which Charnwood Borough Council would require financial compensation over and above the current levels of tipping away fees.

Charnwood Borough Council are currently finalising the procurement of a new sorting and treatment contract for Dry Mixed Recycling. The contract will commence on 1st May 2016 and will operate for 2 years, with an extension of 2 further years permissible under the agreement. I hope that this clarifies our position on our Materials Recycling Facility contract.

I hope that you find this letter useful in reaching a recommendation from the review. I would be happy to discuss the contents further at a mutually convenient time. If you have any questions please do not hesitate to contact me.

I would also like to reiterate that this letter has been approved and has the full support of Charnwood Borough Council's Cabinet as the consequences from these proposals will have a high impact on the Council's operations.

Yours sincerely,

Chris Traill

Chris Traill
Strategic Director of Neighbourhoods and Community Wellbeing

DISTRICT OF HARBOROUGH

**Harborough District Council**
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Mr P Crossland
Director of Environment & Transport
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In reply quote: BJ/ WasteCons
Please ask for: Beverley Jolly
Direct Line: 01858 821198
Email: b.jolly@harborough.gov.uk
Your ref: Date: 14 March 2016

Dear Phil,

I refer to your letter dated 23 December 2015 regarding the Dry Recycling Credits and the options for achieving the County Council's Medium Term Financial Strategy savings.

Enclosed with this letter is a table of the shortlisted options where we have stated the impact on the District Council and the potential impact on waste collection.

As you will see all options have a major negative impact on the finances of the District Council. If the existing arrangements are not able to be continued, the District Council's preferred option is Option 2. This has the least negative financial impact on the District Council and potentially the least negative impact on the material collected.

As requested, we hereby provide an update on the Harborough District Council's (HDC) contractual arrangements for the collection and re-processing of dry recyclate. Please note that prior to the consultation letter being issued, HDC had re-negotiated a 7 year extension to the current waste collection contract, and as such, the information below is based on the revised arrangements which come in to effect on 1 April 2016;

- Waste contractor will continue to collect recyclates fortnightly;
- Waste contractor will continue to "bulk" recyclates at the depot for onward transportation; and
- Waste contractor will transport "bulked" recyclate to a materials recycling facility. We currently anticipate that this will be Casepak in Leicester.

If you have any questions or require any further information, please do not hesitate to contact me.

Yours sincerely,

Beverley Jolly
Corporate Director,
Harborough District Council

**APPENDIX C**

## Recycling Credit Alternative Mechanism Table

| Option No. | Description | Commentary (LCC) | Response/Impact (HDC) | Costs (£) | |
|---|---|---|---|---|---|
| 2 | Reach local agreements to reduce the value of the recycling credits. | **Shortlisted Option**<br>Districts expressed a preference for this option (linked to a workshop engagement/District feedback letters and feedback at a meeting of 9th October 2015). | • The figure currently being suggested is 67.89% of the current credit, this would equate to £34.88 per tonne.<br>• This would have a direct financial impact.<br>• An option to mitigate the financial impact could be to review the frequency of collections on recycling, for example to 3 or 4 weekly. This could have a direct impact on the amount of recycling collected and could increase the amount of residual waste being placed in bins and/or taken to Recycling and Household Waste Sites owned by LCC. | In this scenario the District Council would be £129,500 worse off than 1 April 2016. | |
| 3 | Develop and agree a new payment to incentivise reduction in residual waste/increase in recycling. | **Shortlisted Option**<br>Option broadly supported by Districts at Consultation Workshop 2 (10th September 2015) Andrew Harper (Waste Partnership Manager) will work with partner authorities to develop incentive payment mechanism (to be fed back to LCC within the early part of this consultation). | • This option is partially feasible but, it would be preferable for a joint risk approach to be adopted. This would ensure that decisions by either party do not have a significant burden on the other party, and by sharing risk this should be avoided.<br>• Matters which will require consideration are;<br>o How would the scheme be operated and by whom;<br>o What resources would be required to carry out waste minimisation schemes, such as additional staffing (Previous cost savings have been directly in this area as it was felt it would have less impact than other options);<br>o If bins were to be reduced in size, who would fund the capital required? If this was adopted HDC would probably receive numerous complaints from residents, so would require an incentive to participate, eg 50% payment in savings to HDC on residual waste disposal costs.<br>o How do you factor in housing growth?<br>• It is also felt that the incentive scheme needs to be separate to the recycling credit payment mechanism and fairly applied to all, if introduced.<br>• The baseline date for the tonnages of residual/recycling/overall waste would be key in this scenario as over the last few years we have worked hard to increase recycling and reduce residual waste. If the baseline is set on the tonnage at this point it would be difficult for HDC to have any positive impact on the tonnages and therefore able to benefit from the incentive scheme. The cost of operating the schemes would also outweigh any advantages to the District. | The indicative cost of waste minimisation (including analysis of the impact of the various interventions) at HDC for Staff and Resources is £65,000. | |
| 4 | LCC to procure capacity for all District dry recycling and direct Districts to use it. | **Shortlisted Option**<br>Option deliverable within required timescales and within LCC's powers as Waste Disposal Authority under the Environmental Protection Act 1990. | • If this option was to take place the LCC Transfer Station to which we would, ideally, be directed would need to be either in the District or close to it as possible as otherwise the collection vehicles would not be able to complete all scheduled work and tip off during the day. Consequently, there would be extra costs for additional vehicles and the time taken for the additional mileage in transporting materials to the Transfer Station.<br>• In the event that HDC are directed a significant distance outside the District, this will require additional vehicles or reduce waste collection frequency in excess of that outlined above, which assumes that the facility is within or in close proximity of the District.<br>• If alterations were made to the collection services, this could have any negative impact on our current low levels of contamination.<br>• Regardless of the location of the Transfer Station, as tipping off can be twice daily, the increase in traveling would impact heavily on the services, to the point that in some areas we would not complete the scheduled collections.<br>• An alternative, to reduce the impact on the number of vehicular movements to the Transfer Station would be to continue to use the current bulking facility at the depot in | In the event that this option were pursued, it is anticipated that an additional 2 no. vehicles would be required. The approximate cost per vehicle per annum, including depreciation, is £100,000.<br><br>**OR** | £200,000 pa + |
| | | | | Alternatively, the option of continuing to bulk at the depot and then drive to Whetstone (or other reasonable location) would still incur a cost of approximately £100,000 to £120,000 in transportation fees and bulking. | £120,000 pa |

| | | | | | |
|---|---|---|---|---|---|
| | | | Great Bowden and bulk up from that site to Whetstone. This would reduce the number of vehicles entering, for example, Whetstone and avoid long queues at an already busy site.<br>• If we are bulking the material at the depot and taking this to Whetstone, an alternative would be to direct deliver to Casepak, this would save time and costs for LCC on double handling at Whetstone. There could be an opportunity to share the LCC savings on this transaction with HDC.<br>• On the basis of the above, there may be an opportunity to direct deliver to LCCs chosen materials recycling facility, which could reduce LCCs costs. However, this is dependent upon the location of the facility. | | |
| 6 | LCC to build an MRF (on its own or with another authority) and direct Districts to use it. | **Shortlisted Option**<br>With LCC's powers as Waste Disposal Authority under the Environmental Protection Act 1990. Building with another partner likely to be more costs effective option due to economies of scale. Negotiation required, but less than other options as lower numbers of partners involved. | As with the above option, tipping away fees may need to be applied if outside the District and there maybe the issue of completing the rounds if we had to send each collection vehicle to the tipping site directly, which is not an efficient use of this type of fleet. | As above, dependant on the location of the site. | |

**APPENDIX C1**

Impact of Gates Fees on the proposed Dry Recycling Credit reduction of 27%, resulting in a net Dry Recycling Credit of £394,317 at the current tonnage of 9,900 tonnes.

| | | from 1 April 2016 | 27% loss in Recycling Credit | 27% loss in Recycling Credit | 27% loss in Recycling Credit | 27% loss in Recycling Credit | 27% loss in Recycling Credit |
|---|---|---|---|---|---|---|---|
| | | Current Gate Fee | Current Gate Fee | Gate Fee £10 | Gate Fee £20 | Gate Fee £30 | Gate Fee £40 |
| **Gate Fee per tonne** | | -£24.69 | -£24.69 | -£10.00 | -£20.00 | -£30.00 | -£40.00 |
| **Gate Fees** | | -£244,431 | -£244,431 | -£99,000 | -£198,000 | -£297,000 | -£396,000 |
| **Net Receipt** | | **£279,378** | **£149,886** | **£295,317** | **£196,317** | **£97,317** | **-£1,683** |
| **Loss of Dry Recycling Credit** | **based on 1 April 2016** | | **£129,492** | **-£15,939** | **£83,061** | **£188,061** | **£281,061** |

**Steve Atkinson** MA(Oxon)• MBA• FIoD• FRSA
*Chief Executive*

Please ask for: Mrs Caroline Roffey
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Our ref:
Date: 21 March 2016

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Phil Crossland
Director
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Dear Phil

**Consultation response – Savings on recycling credits for dry recycling**

Thank you for your letter of 17 February 2016 providing clarification on aspects of the dry recycling credit consultation you are currently undertaking with the District Councils in Leicestershire. This matter has been discussed by the HBBC Executive and this response has its endorsement.

Our comments are as follows:-

<u>Option 2: Reach local agreement to reduce value of recycling credits</u>
This option creates the least financial impact for HBBC and, of the options presented, is the one which HBBC would support. HBBC has not determined the future arrangements for the dry recycling service after November 2018. Options include in-house collection or collection by a contractor, with a separate disposal agreement, or a joint collection and disposal contract. We will seek the arrangement which delivers the best value for money for our residents.

LCC has advised that the credit of £39.83 would require Districts to commit to their existing collection arrangements. Whilst ideally HBBC would wish to maintain the current collection streams, we may need to vary the collection system. HBBC would be willing to commit to maintaining a fortnightly 240l collection (probably co-mingled), but we are unable to commit to maintaining a dual stream collection.

To enable the authority to support this option, there needs to be clarity on levels of credit post 18-19 for at least seven years.

ctd ...

Similarly, we may need to remove the kerbside collection of batteries and textiles as the low tonnages collected may not warrant the provision of this service going forward.

HBBC is not prepared to commit to maintaining our current bring sites (public recycling banks). The tonnage collected is small and we will need to ensure the usage of the sites justifies their provision. These would be reviewed on an annual basis.

This option requires the Districts to accept all the risks on variable gate fees (which reflect global commodity markets). We would request further consideration of a risk share between the Districts and LCC on variation in gate fees.

<u>Option 3: Development of a payment mechanism to support a reduction in residual waste.</u>
It is clear from the report LCC commissioned in January 2016, "Analysis of Leicestershire's recycling composting and reuse", that there is only a limited number of options which would achieve a significant reduction in residual waste. Some of these require significant capital investment and are, therefore, only likely to be feasible for HBBC if LCC is able to provide capital investment to fund these changes.

We agree that this mechanism should be introduced alongside one of the other options, and would not support the introduction of this mechanism in isolation.

HBBC has the third lowest rate of residual waste (kg/hh) in Leicestershire and, as such, imposes a lower burden per household on LCC's waste disposal budgets. Your proposal that this payment is made for absolute reductions in residual tonnage does not reflect or reward this positive starting position.

We recognise that this option provides the greatest opportunity to reduce long term demands on the whole collection / disposal system.

<u>Options 4 and 6: LCC to procure capacity for all district dry recycling and direct districts to use it, and LCC to build a MRF of its own.</u>
This option would remove the incentive for HBBC to continue with its current recycling performance. As such we would consider the following changes to our services:-

- Changing to a co-mingled collection
- Removing the bring sites (recycling banks)
- Reducing our efforts to control contamination
- Reducing the frequency of collections for dry recycling (change to 3 or 4 weekly).

ctd ...

Proximity to the MRF will also have a significant impact on the costs to deliver this service. HBBC's dry recycling is transferred through Williams Recycling on the A5 near Hinckley, and the contractor operates from our base at the Harrowbrook Industrial Estate in Hinckley. This gives us very low down time on collection rounds and thus improves our collection efficiency. Any increase in down time will have a corresponding increase in cost to HBBC. We therefore request that LCC has regard to waste strategy and the "proximity principle" to dispose of waste as close as possible to where it is produced to limit waste movements and improve waste transport. A MRF or transfer station near Hinckley would, therefore, be more favourably received than one further away.

For these reasons, options 4 and 6 are the least preferred by HBBC.

Additional comments

1. Whilst accepting LCC's financial pressures, all of the options will significantly reduce the funding available to HBBC to collect recycling, to meet recycling targets and to reduce LCC's waste disposal costs.

2. We request that LCC ensure the credit reduction / incentive does not exceed the savings identified in the MTFS to minimise the impact on the Districts.

I would like to reiterate that HBBC's dry recycling contract is for collection and disposal and is in place until November 2018. Any changes need to reflect this and, therefore, due to the protracted procurement timetable, we require confirmation of the LCC proposals by September 2016.

We look forward to further discussions on this matter in the near future but, in the meantime, if clarification is needed on any of the points made, please do not hesitate to contact me.

Yours sincerely

Steve Atkinson
Chief Executive

Melton Borough Council

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**CONFIDENTIAL**
Mr P Crossland
Environment and Transport Department
Leicestershire County Council
County Hall
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| | |
|---|---|
| *Please ask for:* | Christine Marshall |
| *Direct Dial:* | 01664 502532 |
| *E-mail:* | cmarshall@melton.gov.uk |
| *Date:* | 25th February 2016 |

Note: Redaction of items under EIR Regulation 12(5)(e) regarding commercial confidentiality

Dear Phil,

**Dry Recycling Credits – Options for Achieving MTFS Savings Consultation with District Councils**

Following our recent meeting and in light of your request for early feedback we have considered this in some detail and our response is below. We will also be responding more generally with the other districts to the options and Mark Hall Chief Executive of Oadby and Wigston Borough Council is aware of this letter and its contents.

Firstly, we would like to reiterate that the proposals to remove or reduce credits for recycling materials will have a very significant impact on our organisation. Their value in 2014/15 was some [redacted] representing over [redacted] of the entire budget towards waste management. I am setting this out to demonstrate the significance of the issue to Melton as a 'smaller' organisation, and the magnitude of the impact that the proposed changes would incur. Also of useful context is the fact that the corporate saving process has effectively dealt with the current years saving of [redacted] from the credits relating to green waste, however members have indicated that the Waste budget due to its significance (representing [redacted] of the Councils overall net budget) will need to accommodate the further savings that have been targeted for 2018/19.

If the currently targeted [redacted] is removed then we probably feel we could accommodate the saving required of [redacted] from smaller contract changes. However it is fair to say that if the full sum is targeted the outlook is somewhat bleaker and only a very radical approach will get close to the quantum of savings required. [redacted]

In this context we have been seeking out opportunities for joint procurement, particularly with neighbouring authorities, but we are now in the position whereby these have become exhausted: Rutland have extended to 2022, HDC have extended with Foxer and Charnwood are most likely to extend with SERCO. All of these end dates are well beyond the interim extension we have agreed with BIFFA to take us to 30th September 2018. We have opened dialogue with non-Leicestershire LA's but have the ever present difficulty regarding the WDA position on both sides. [redacted]

I would also point out that we are also very mindful of the fact that Melton has been very proactive in seeking to reduce waste in previous years, but the ever tightening financial position means that members are less and less able to sustain this.

[redacted] We are also intending to consult with the public later this year and obviously your decision making on this process will feed into the extent of the change that we have to put before members and the public.

We feel very strongly that a lower saving level with an incentive approach that encourages minimisation of waste to landfill is the most sustainable route forward. [redacted] We have also been exploring members' views around smaller bins although again with all of these matters we would need some certainty, so that we can procure the best value contract possible for the tax payers of Leicestershire and Melton.

Please do not hesitate to contact me if you wish to discuss this letter further.

Yours sincerely

C A Marshall

**Christine Marshall CIPFA**
**Strategic Director**

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*Please ask for:* Christine Marshall
*Direct Dial:* 01664 502532
*E-mail:* cmarshall@melton.gov.uk
*Date:* 30th March 2016

Dear Mr. Crossland,

**DRY RECYCLING CREDITS – OPTIONS FOR ACHIEVING MTFS SAVINGS CONSULTATION WITH DISTRICT COUNCILS**

Further to my previous letter, we have now have further comments to make on the above consultation following consideration of the matter by our relevant Committee and Officers, which are detailed below.

**Option 2. Reach Local agreements**

We consider this most likely regardless of the way forward, as each collection authority is in a different position. This was our joint experience with the changes to the Green Waste Credits in 2015. Its success and suitability will be determined entirely by the content of the agreement and in this respect we would refer to the comments relating to option 3 below. Similarly, we cannot comment on changes to provision, recycling rates, disposal rates and contamination until the details are established.

**Option 3.Payments to incentivise reductions in waste and increase recycling**

We regard this as the most favourable option with potential to make savings for both Collection and Disposal authorities. We can foresee a system whereby the incentive is created through the use of disposal costs, i.e. landfill tax @ approx. £100 per tonne, in that every net £ reduced is shared between the authorities (on an agreed basis). This would incentivise collection authorities and/or disposal authorities to implement a range of initiatives achievable within their arrangements, for example through:

- campaigns for better recycling and less waste;

- use of smaller containers;
- introduction of food (and other) waste collections and
- any other improvements that could be secured within our contract (bearing in mind it is scheduled for re-tendering in the near future).

This approach would make these measures more achievable because it would create self-sustaining 'income' in the form of our share of savings from landfill tax and on the disposal authority side, every tonne removed from landfill would generate a saving at an agreed rate/share. This also resonates strongly with the emerging EU directives on overall levels of recycling and any directives on collection methods. It would mitigate against the attractiveness of perverse actions in order to plug the deficit caused by the removal of credits, for example cessation of one or more aspects of our collection services which would result in greater quantities and proportions of residual household waste (glass, garden waste etc.) or diversion of waste to RHWS.

This approach would offer us both the opportunity and the financial incentive to pursue the kinds of measures described above and have a positive impact on provision, recycling rates, disposal rates and contamination until the details are established. Some sensitivity testing would be required in relation to each of these initiatives and indeed any combination of them, and similarly they would need to be costed against potential savings through reduced landfill tax, but from the work undertaken through the LWP to date it would appear that there is scope to reduce landfill waste. Put in the context of waste collection from Melton going to landfill, if it generates a saving of:

- 15% which when translated into landfill costs could amount to £161k
- 20% which when translated into landfill costs could amount to £210k
- 25% which when translated into landfill costs could amount to £268k.

This could then be used to implement such measures and could have beneficial knock on effects through reduced collection costs arising from reduced quantities.

**4. LCC to procure capacity and direct dry recycling**

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This option does not incentivise any behaviour change or contribute to the reduction in waste or improved recycling, and as such will have no beneficial impact on the whole waste stream and issues described at option 3 above.

Melton is currently in the process of replacing its collection contract and will need to incorporate such an approach into its procurement processes, as failure to do so could result in an arrangement within our new contract being undermined at considerable cost, which under the EPA 1990 the disposal authority would be liable. This in turn may counter-balance any savings achieved.

**6 LCC to build an MRF and direct its use**

This option appears attractive because it would facilitate all of the issues addressed at option 3 above, depending upon its location and recycling capability. However, we would have doubts whether such a facility could be built within the timeframe indicated based on the 'standing start' position at present. This has particular difficulties for Melton due to the issues described at option 4 above, with the prospect of having to re-arrange disposal practices mid-term within our new contract.

In summary, and as previously stated, we feel very strongly that a lower saving level with an incentivisation approach that encourages minimisation of waste to landfill is the most sustainable route forward. This would enable us to explore other ways of reducing costs without having to make what may be very unpopular and unpalatable decisions and also provide the necessary financial support for options that may not be viable if assessed from a WCA aspect only. We have also been exploring members' views around smaller bins although again with all of these matters we need some certainty so that we can procure the best value contract possible for the tax payers of Leicestershire and Melton.

Yours sincerely

CAMarshall

**Christine Marshall CIPFA**
**Strategic Director**

**Services Directorate**
*Please ask for:* Steve Bambrick
*Telephone:* 01530 454555
*Fax:*
*Our Ref:* SB/LM/003
*Your Ref:*
*Date:* 30th March 2016

Phil Crossland
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Dear Phil,

**Dry Recycling Credits – Options for Achieving MTFS Savings, Consultation with District and Borough Councils (Districts)**

Thank you for your letter dated 17 February 2016 which was requested for clarity following the meeting at County Hall on 1 February 2016. This letter is sent to you jointly from myself and Councillor Alison Smith MBE, Deputy Leader and the Portfolio Holder for Community Services, following consultation with the Leader. However this position has not yet been considered by the Council's Cabinet.

For clarity, if this letter is to be reported to the County Council Cabinet then I would request that it is dealt with as a confidential item as I believe some of the contents are exempt from disclosure.

The District Council fully understands the financial circumstances placed upon the County Council and the challenges going forward in terms of delivering your Medium Term Financial Strategy (MTFS). We have noted the saving of £1.03 million (net) in 2018/19 from the dry recycling credits budget of £3.4 million and the potential that it may need to be removed in its entirety at some point in the future. This potential future loss is clearly of concern to the District Council and I would encourage you to discuss any further changes with the District Council's at your earliest opportunity. For now, my comments are confined to the current proposals.

The District Council wishes to engage positively with the County Council, work in partnership, support what is possible and maximise savings and income opportunities for and across both tiers whilst ensuring no loss of value to the public purse as a whole.

In responding to the four options in the letter we will outline the position of the District Council.

Clearly, any change in funding is likely to have an impact and we understand your request for as much detail as possible, however, until final decisions are made we cannot state definitively what, if at all, the service changes may be. We state this as there are also other influences on the District Council finances which may either improve or worsen the financial impacts from this particular change and when known may affect the Council's decision making.

However, to try and assist we will outline what the options may be for the District Council and we would be more than happy to keep discussing these as other impacts become known.

You have previously indicated that the only realistic options from your earlier consultations are now options 2, 3, 4 and 6. Therefore for clarity I have adopted your numbering in my response to the options below:.

**Option 2 – Reach local agreements to reduce the value of the recycling credits**

This would reduce The District Council's credits payment by £370,000 per year if reduced in its entirety based on 2015/16 tonnage but by £99,900 to £270,100 based on a 27% (pro rata) reduction

Whilst still significant, this option would likely have the least financial impact on the District Council. Depending upon the scale of reduction, the Council would have to consider a number of changes to its waste collection in order to mitigate the impact of a loss in income.

At this stage it is likely that the Council will consider the following changes to its service:

- The charging for garden waste collections; this may have an adverse impact on the volume of waste collected through the residual waste bins i.e. contamination of residual waste with garden waste;
- A change to our collection methodology for recyclable materials i.e. move to co-mingling various materials which would inevitably lead to a potential for an increase in contamination of recyclates; and
- Double shifting. This would involve operating two shifts a day to reduce number of vehicles required and therefore also reducing the Council's costs. This would mean working later into the evenings with potential disturbance and inconvenience for residents

**Option 3 – Develop and agree a new payment to incentivise reduction in residual waste/increase in recycling**

The District Council fully supports this work in partnership and we will continue to play an active part through the Leicestershire Waste Partnership and via the Waste and Street Scene Officer meetings. We will also continue to use our officer time and promotional budgets to promote recycling and reduced waste to landfill. We will also continue to support and actively participate in reuse, and reduce campaigns including Recycling and Compost Weeks, Love Food Hate Waste etc.

Again, depending upon the level of financial reduction that may arise through this option, the District Council may again need to consider the options set out above to mitigate the loss of income.

**Option 4 – LCC to procure capacity for all District dry recycling and direct Districts to use it**

This option would reduce the Council's annual income by upto £900,000 (£370,000 credits and £530,000 income from sale of materials) based on 2015/16 tonnage and material values. The impact of this would be very significant in terms of the Councils finances and MTFS.

NWLDC consider we have an effective and efficient method of collection and disposal that not only meets the TEEP requirements by source separating at kerbside but also maximises financial benefit to the public purse through bulking and selling the material through our own Material Recycling Facility (MRF). A facility which has been consistently improved, developed and invested in over the last 9 years including in 2015/16 the purchase and installation of Material Separating Technology for plastics, steel and aluminium,.

If this option was chosen and progressed the Council would have to consider its approach to current collection arrangements due to the significant loss of income. Unfortunately, no definitive position can be stated at this point in time due to various other unknown factors which may positively or negatively affect the Councils MTFS..

However, the changes the Council are likely to consider are;

- The charging for garden waste collections; this may have an adverse impact on the volume of waste collected through the residual waste bins i.e. contamination of residual waste with garden waste;
- An assessment of the frequency of collections, including whether it would be possible to switch from alternate week to three weekly collections for residual waste;
- A change to our collection methodology for recyclable materials i.e. move to co-mingling various materials which would inevitably lead to a potential for an increase in contamination of recyclates; and
- Double shifting. This would involve operating two shifts a day to reduce number of vehicles required and therefore also reducing the Council's costs. This would mean working later into the evenings with potential disturbance and inconvenience for residents

**Option 6 – LCC to build a MRF (on its own or with another authority) and direct Districts to use it**

NWLDC has its own MRF and as always we are open to any discussions on how the site and facility can be developed further in partnership to improve efficiency or effectiveness for mutual benefit.

**Capital Funding**

The District Council welcomes the opportunity to discuss any identified 'invest to save' projects which may lead to mutual benefit as identified in a robust business case.

**Contractual arrangements**

The District Council manages its own refuse and recycling services in house and as such has no contractual arrangements for the collection of waste materials. However, we do have short term sales contracts for materials which all have annual break clauses built within.

**In summary**

The Council recognises the difficult financial circumstances that are driving the current consultation on reduction of recycling credits.

Of the 4 remaining options you have asked the Council to comment on, there are no options which would have no impact on the District Council.

Option 2 presents the likely minimum financial impact but even with that option it is possible that the District Council will need to consider changes to its service in order to try and recover some or all of the reduced income.

NWLDC are also fully supportive of Option 3 and will continue to support the Leicestershire Waste Partnership and we will work in partnership through this group and Waste & Street Scene meetings to collectively increase recycling and reduce waste to landfill for mutual benefit. However at this stage it is not clear what the overall financial impact of Option 3 will be and therefore I cannot be clear whether this would lead to service changes.

Option 4 and 6 will lead to inevitable changes to our waste services which in my view will not be welcomed by residents and businesses. To address the significant loss of income through these options the Council would look at minimising resources into recycling, promotions, campaigns and initiatives.

If you would like any further information on any of these points please do not hesitate to contact me and we would be happy to meet up further and discuss any point.

Regards

**Steve Bambrick**

**Director of Services**

**Cllr Alison Smith MBE**

**Deputy Leader and Portfolio Holder for Community Services**

**Vicky Cormie**

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| **From:** | Mark Hall <Mark.Hall@oadby-wigston.gov.uk> |
| **Sent:** | 30 March 2016 14:45 |
| **To:** | Vicky Cormie |
| **Cc:** | Joanna Guyll; Phil Crossland |
| **Subject:** | Dry Recycling Credit Consultation - Oadby & Wigston BC |

Dear Vicky

Below is the formal response from Oadby & Wisgton Borough Council in relation to the consultation on dry recycling credits

I will transpose this into a formal letter to the County Council but wanted to ensure that you had a response by the deadline of 5pm today

Thanks
Mark

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Oadby & Wigston Borough Council:

1. Deplores LCC's proposal to withdraw recycling credit payments as this is purely a financially based decision that does not take into account the negative knock on effect that this will have on district council services to residents or to the environment in the form of recycling rates and the diversion of waste from landfill.
2. That reluctantly the council would consider Option 1 as long as the level of the recycling credit agreed was at least £37.50 and there was an agreement that this was not then reduced in subsequent years as LCC searches for further savings
3. That the Council would not presently consider Option 2. The Council would be prepared to look at it when more detailed work has been done and there is reassurance that O&WBC was not going to be penalised for already having very, very low residual waste arisings, one of the lowest in the country.
4. That if LCC pursues Options 3 or 4 where all of the recycling credits are withdrawn then the Council would have no option other than to review and significantly downgrade the quality of its existing recycling service. This would be highly likely to have a negative effect on recycling rates and therefore increase the amount of residual waste that LLC would have to pay to have land filled.

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