

THIRD SECTOR RECYCLING SERVICES

1.0 EXECUTIVE SUMMARY

- 1.1 The Council entered into a 25 year PPP contract with Shanks (now Renewi) in 2001. This contractual arrangement provided for waste processing and disposal across Argyll and Bute but excluded Helensburgh and Lomond and a number of islands which are subject to different delivery models. The contract runs until 2026.
- 1.2 The contract specifically makes provision for named third sector partners to collect and manage recyclable material in specific areas. These third sector partners include both Kintyre Recycling Limited and Fyne Futures. The Council has contracts in place with both Kintyre Recycling Limited and Fyne Futures to collect recyclate waste in specified geographic areas (Kintyre and Bute). The contracts run until March 2020. All Dry Mixed Recyclate in the contract area falls within the definition of Core Council Waste in terms of the PPP contract. This means that if the material is not collected and recycled by KRL or Fyne Futures it must be recycled via the Renewi contract. The total tonnage encompassed by the contract dictates the contract payment with variable prices applying depending on the banding within which the tonnage falls.
- 1.3 Since the PPP contract was signed in 2001 there has been significant change in the waste sector. Recently the value of recycled material has generally plummeted and operating costs have also increased generally. One of the main purposes of the third sector groups currently delivering these services is to provide employment for individuals with barriers to conventional employment. In the past this aligned well but alignment is coming under increasing pressure as grant funding opportunities have dried up and income for materials has reduced. This impacts on the viability of the current operations of these groups but also on the cost effectiveness of this delivery model for the council recycling services. A report was considered by Council in November 2018 relating to KRL and an additional funding allocation was made as part of the budget agreed in February 2019. This report provides an update.
- 1.4 KRL have requested an additional £56k per annum to continue to deliver the service and advised that they cannot continue to deliver the service at the current contracted rate.

- 1.5 There is currently no formal notification from KRL terminating the service. Despite the lack of notice officers do not believe, for the reasons stated above, that KRL can afford to continue to operate the contract without additional funding beyond 31 August.
- 1.6 Fyne Futures have also recently stated that they are unable to meet their service obligations as detailed in the contract within its value and have requested an additional £50k per annum
- 1.7 In light of the recent request for additional funding from Fyne Future it is sensible to look holistically at options for future service delivery. It has not been possible in the time since their request to complete the full evaluation of alternatives which include the Bute services.
- 1.8 It is therefore recommended that both KRL and Fyne Futures are provided with additional funding on a pro rata basis until the end of March 2020 when their current contracts expire. This allows sufficient time for officers to evaluate options for service delivery in Kintyre and Bute post March 31st 2020.
- 1.9 It is recommended that Council:
 - a. Instructs officers to negotiate the continuation of the KRL and Fyne Futures contracts until March 2020.
 - b. Approve a supplementary estimate of £32,662 to continue the kerbside service delivery by KRL in Kintyre until March 2020.
 - c. Approve a supplementary estimate of £29,167 to continue the kerbside service delivery by Fyne Futures on Bute until March 2020.
 - d. Instruct officers to report to Policy and Resources committee on options for service delivery post March 31st 2020 once an evaluation of those options has been completed.

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2.0 INTRODUCTION

- 2.1 This report provides Members with a recommendation in relation to the Council's contracts with Kintyre Recycling Limited (KRL) and Fyne Futures Ltd.
- 2.2 The background section of the report below is broken down into sections the first section covers KRL and the second section covers Fyne Futures.

3.0 RECOMMENDATION

- 3.1 It is recommended that Council:
- a. Instructs officers to negotiate the continuation of the KRL and Fyne Futures contracts until March 2020.
 - b. Approve a supplementary estimate of £32,662 to continue the kerbside service delivery by KRL in Kintyre until March 2020.
 - c. Approve a supplementary estimate of £29,167 to continue the kerbside service delivery by Fyne Futures on Bute until March 2020.
 - d. Instruct officers to report to Policy and Resources committee on options for service delivery post March 31st 2020 once an evaluation of those options has been completed.

4.0 DETAIL

- 4.1 In recent years there has been significant change in the waste sector. The value of recycled material has generally plummeted due to multiple factors. Operating costs have also increased with fuel costs, insurance cover and inflation generally. One of the main purposes of the third sector groups currently delivering these services is to provide employment for individuals with barriers to conventional employment. In the past this aligned well with the provision of recycling services because of the nature of the task, the funding available and the income that could be obtained when selling on the recyclable material. That

alignment is coming under increasing pressure as grant funding opportunities have dried up and income for materials has reduced. This impacts on the viability of the current operations of these groups but also on the cost effectiveness of this delivery model for the council recycling services.

- 4.2 There is an opportunity to reduce the costs of the current delivery model but this would impact on the levels of employment that could be offered to individuals with barriers to employment. A failure to do so however will make the services increasingly costly and result in cost pressures on the council.

Greenlight

- 4.3 Greenlight Environmental Ltd provided services to West Dunbartonshire Council, Inverclyde Council and Argyll and Bute Council and employed 109 staff. Greenlight Environmental Ltd was a social enterprise that provided the following services to Argyll and Bute Council:

- Sorting and onward recycling of blue bin co-mingled recycling materials delivered to them from Council collections in the Helensburgh and Lomond area;
- Segregated colour glass collections from public recycling bottle bank bring sites and commercial premises throughout mainland Argyll and the Isle of Bute.

- 4.4 In August of 2018 Greenlight Environmental Ltd. ceased trading. To ensure continuity of the glass waste service Argyll and Bute Council brought the collection service back in-house. The Council now collects glass from commercial premises and from recycling centres (bring sites) across the Council area.

Kintyre Recycling Limited

- 4.5 KRL operate the kerbside collection and sorting of recyclate materials for Argyll and Bute Council in the Kintyre area. KRL have a contract with the Council that is currently valued at £160k per year and runs until 31 March 2020. KRL have requested an additional £56k per annum to enable them to continue to provide the service.

- 4.6 Following previous representations by KRL the Council allocated three additional payments over and above the contract sum to compensate for the changes brought about by external factors set out above:

- February 2018 – one off payment of £18k to cover the cost of additional recycling bags
- November 2018 - £32k subject to the submission of evidence that if an overspend had been incurred the Council would fund any shortfall in KRL's financial year 2018/19
- February 2019 - £23,330k awarded to allow KRL to continue to operate until 31st August 2019

- 4.7 KRL advised that the KRL management board stated that no further efficiencies could be made within their current operating model. KRL have expressed that they have problems within the following areas:
- operating an ageing fleet;
 - operating within a building that KRL feel is no longer fit for purpose.
- 4.8 KRL have advised officers that they have, in conjunction with HIE, looked at diversification into other markets and wanted to concentrate on the more lucrative re-use, textiles and furniture sales market. HIE awarded KRL funding for consultancy fees to undertake an options appraisal on their services and organisation as a whole. In addition, this funding award covered an element of operating costs for services provided by KRL. The funding, however, cannot be used to support operating costs associated with the kerbside collection activities.
- 4.9 The original notice of contract termination was withdrawn by KRL. If KRL wish to cease the provision of the service a new notice should be submitted giving the Council a 3 month notice period. Despite the lack of notice officers do not believe, for the reasons stated above, that KRL can afford to continue to operate the contract without additional funding beyond 31 August 2019.

Fyne Futures

- 4.10 Fyne Futures' operate kerbside recycling collections and sorting on Bute. Their contract is valued at £129,802 per year and has the same terms and conditions as the KRL contract. Fyne Futures have stated that they are currently having to supplement the 2017 contract with income from other work and are unable to sustain the current position. Fyne Futures have Fyne Homes as a parent organisation which provides them with access to managerial and professional support.
- 4.11 Fyne Futures collect paper and card which in blue bins. This material is taken directly to Renewi and processed through the PPP contract. Fyne Futures also collect cans and plastics which they sort, bale and send to market directly. On Bute, some households use plastic bags for cans and plastics whilst others have a second blue bin which is used for these materials.
- 4.12 Fyne Futures have recently requested an additional £50k per annum to compensate for increasing costs and reducing income, which would enable them to break even.
- 4.13 Fyne Futures have not given any formal notice of termination currently but could do so with a 3 month notice period in similar terms to the KRL contract. Fyne Futures are open to negotiation regarding the future of their contract.

In-house delivery option

- 4.14 Should the council have to provide a collection service, the most efficient model would most likely utilise blue wheeled bins and refuse collection vehicles operated

by 3 staff each. All material collected by the council would be disposed of via Renewi who would store the material and transport it to central belt off takers in bulk trucks.

- 4.15 Before taking any decision to deliver the services in house it is necessary to evaluate the options and their financial implications. Any waste collected by the council in the PPP contract area, which includes Bute and Kintyre, automatically comes within the scope of the Renewi PPP contract. The payment for that contract is based on a price per tonne for waste within its scope. The price per tonne varies depending on the total amount of waste. Relatively small changes in the tonnages can move the price into a different band. Small changes in the price per tonne are applied to the circa 36,000 tonnes of waste within the scope of the contract. Variations in waste tonnages and price per tonne can therefore have a significant financial impact and this leads to a complex evaluation process.
- 4.16 As a result of Fyne Futures recent request for additional funding they have been included in this report to enable a holistic approach to be taken in regards to service delivery across the council area. It has not been possible in the time since their request to complete the full evaluation of alternatives which include the Bute services.

5.0 CONCLUSION

- 5.1 The report considers the requests from KRL and Fyne Futures for additional funding. The evaluation of the in-house service delivery option compared to continued delivery by KRL and Fyne Futures is complex as a result of the potential impact on the Renewi contract. The terms of the contract mean that small variations in tonnage and price can have a significant financial impact. It is therefore important that decisions relating to future delivery are based on a thorough and robust evaluation.
- 5.2 In light of the recent request for additional funding from Fyne Future is sensible to look holistically at options for future service delivery. It is therefore recommended that both KRL and Fyne Futures are provided with additional funding on a pro rata basis until the end of March 2020 when their current contracts expire. This allows sufficient time for officers to evaluate options for service delivery in Kintyre and Bute post March 31st 2020.

6.0 IMPLICATIONS

- 6.1 Policy – Options for service delivery post March 2020 will need to take account of the emerging Waste Strategy.
- 6.2 Financial – a full evaluation of the financial implications of service options will be required.
- 6.3 Legal – Regard must be had to the terms of the contracts under consideration.
- 6.4 HR - TUPE implications of future delivery options will need to be considered.

- 6.5 Equalities / Fairer Scotland Duty – A number of employees of the third sector groups have barriers to conventional employment.
- 6.6 Risk – Varying the tonnage that comes within the scope of the Renewi contract will have financial implications for the contract.
- 6.7 Customer Service – None

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