



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

Cabinet

25th June 2020

Report of the Head of Streetcare Mike Roberts

Appendix B and C Private - Not for publication pursuant to Regulation 5(2) & (5) of Statutory Instrument 2001 No. 2290 and Paragraphs 13, 14 and 15 of Part 4 of Schedule 12A to the Local Government Act 1972. Pursuant also to Paragraph 21 of the Schedule, and in all the circumstances of the case, the public interest in maintaining the exemption is considered to outweigh the public interest in disclosing the information.

Matter for Decision

Wards Affected: ALL

All

Materials Recovery and Energy Centre, Crymlyn Burrows

1.0 Purpose of the Report:

To determine the future of the above facility following consultations with staff on service changes previously identified in principle by Cabinet in July 2018.

2.0 Executive Summary:

Further to staff consultation, it is proposed to undertake a formal change of operations at the MREC in line with that of a Transfer Station, with enhanced capacity for dealing with recycling. In doing so, it is also proposed to change MREC employees to the Council's Terms and Conditions.

3.0 Background:

Following the Member decision in July 2018 to insource the MREC facility, TUPE transfer of the staff and operations at the MREC was completed on 1st October 2019. Formal consultations on service change at the facility, as further identified in principle alongside the insourcing decision, subsequently started on 6th January 2020. This report sets out the outcome of those consultations.

4.0 Issues:

A number of key issues were considered as part of the consultation, in particular:

- Core requirements going forward;
- Changing service need;
- National Policy on waste treatment;
- The financial benefit or otherwise of continuing with the existing operation;
- Carbon Footprint;
- The contribution of Incinerator Bottom Ash to Recycling Performance (given fines associated with the statutory targets);
- The Environmental Permit (required to operate); and,

- Terms and conditions of employment.

Core requirements going forward

Local authorities were originally conceived to deal with public health related matters and dealing with municipal waste is one of the most important functions the Council has. The waste service also has one of the highest public profiles. Having collected waste it is critical as part of core service delivery that the council has a secure and efficient local drop-off point to enable expensive vehicles and crews to get on with the business of collection. This fundamental requirement has been secured by insourcing the MREC, and now the facility and service delivery need to be made as efficient and effective as possible to secure both into the future.

With the national strategy moving towards a circular economy and with more limited landfill availability in future, it will become increasingly important to have a very effective local transfer station where materials can be bulked for transhipment to various outlets and re-processors as required. As part of this, and to maximise income, it will also become increasingly important to be able to deliver high quality individual material streams as more recyclables generally become available across the UK. At present the Council's plastics and cans are collected together for efficient collection operations along with the fact the materials are easily separated later. However, at the moment the Council has to sell the mixed materials for lower income to be separated by someone else. As well as expanding drop-off capacity for recyclables, it would be very beneficial in order to secure outlets and higher incomes to have increased sorting capacity, and this has been considered as part of the service change. Also, the range of recycling services will inevitable expand in future, the next anticipated service extension being the kerbside collection of Absorbent Hygiene Products, the first pilot phase of which is expected to be trialled in spring 2021 as new replacement vehicles come into service.

Changing service need

The Council's recycling operation has grown to the extent it now has three times as many recycling vehicles as refuse vehicles, and the recycling service has outgrown the recycling shed constructed to the rear of the MREC main building. The limited 'drop-off' capacity is now leading to significant inefficiencies and delays in the recycling service against a context of increasing service demand. Furthermore, under the national waste strategy not only will recycling continue to grow but the amount of residual waste will continue on a downward trend, and in this context the Council's proposed service change can be seen as a means of securing a future for the facility going forward.

National policy on waste treatment

With respect to waste treatment, the national policy is clear on having a smaller number of larger-scale high efficiency 'heat and power' enabled facilities to deal with waste residues as the most sustainable option. The MREC facility is not one of these and furthermore high efficiency plants require collaboration between councils and others to make them economic. A single local authority alone, or even a pair of local authorities, is not well placed to run a large-scale waste processing plant. Larger volumes of waste are generally needed to achieve economies of scale along with large investments. Whilst providing much needed capacity in relation to recycling, the proposed service change will facilitate collaborative working on regional residual waste treatment arrangements.

The financial benefit or otherwise of continuing with the existing operation

The ability to improve financial performance under existing arrangements depends on a reduction in tonnage due to moisture loss in the RDF process, along with a lower disposal costs for the RDF, and the related savings outweighing the additional variable 'run-time' related process costs (such as landfilling of unsuitable material, fuel/vehicle use, plant maintenance, electricity usage and any resultant overtime etc.). The financial benefit to the council of processing third

party waste is always going to be marginal without on-site incineration and power generation from the RDF.

Carbon Footprint

In terms of sustainability, creating refuse derived fuel requires a large amount of energy, with an associated large 'carbon cost'. This completely undermines any carbon benefit claim in terms of power generation using the RDF, or using the RDF as a fossil fuel substitute at a later stage.

Contribution of plant derived Incinerator Bottom Ash to Recycling Performance

Officers undertook a review of the impact of the proposed service changes on the council's recycling performance as reprocessed Incinerator Bottom Ash (IBA) currently counts towards the statutory recycling targets. The Council therefore benefits from a contribution towards its recycling performance from IBA associated with any Refuse Derived Fuel that can be produced at the plant. Meeting the targets is necessary to avoid potential fines. The amount of IBA recycling depends on where the RDF goes, and what it is used for. Appendix A shows a comparative assessment of the IBA likely to count towards the Council's recycling target from the MREC verses a modern high performance incinerator plant such as Trident Park in Cardiff. The assessment shows that transferring residual waste for use at an Energy from Waste plant results in greater recycling performance for the Council than existing arrangements.

The Environmental Permit

The operation of the MREC site is subject to compliance with an Environmental Permit issued by the industry regulator, Natural Resources Wales. As the site is currently permitted for residual waste processing and incineration, it has the most expensive and highest level of permit, with associated strict conditions. Having said that, basic ongoing recycling operations are not covered specifically in the current operating permit, which is a position that needs to be regularised, and about which there has already been discussions with

NRW. An issue is that there are no environmental controls in the recycling building to the rear of the MREC, and the building generally operates with the front and rear doors open. Consequently, whilst there is plenty of ventilation by the same token there is no odour control. With the expanding recycling at the site NRW are keen to update the operating permit and as part of doing so the issue of environmental controls for the recycling operation would need to be addressed and the associated investment met, even if the recycling operation were to continue to be located in the rear building. In summary, the council needs to invest to ensure compliance with the permit regardless of the proposed service change. However, the financial burden of regulatory compliance would be less going forward after the proposed service change in terms of both revenue and capital expenditure.

Terms and conditions of employment

NPTRL employees are presently on different terms and conditions to council staff. The issue of terms and conditions has therefore been considered as part of the service change. These will be detailed in a subsequent report to Personnel Committee

5.0 Proposals

As stated above, the waste management context that existed a few years ago, i.e. mainly landfill with a smaller amount of recycling, has now 'flipped' and the trend towards higher reuse, recycling and composting with reducing residual waste is set to continue. The world has changed and the provision of relative service capacity needs to change with it. Recognising this context, at a meeting of Cabinet in July 2018 Members identified that, in principle, they would like to see activity restricted at the MREC to that of a transfer station but with increased recycling capacity to deal with the Council's expanding recycling operation. This consultation was therefore put in hand to test such a proposition, although it had to wait until after the TUPE transfer of staff was completed.

In summary, the proposed service change is as follows:

- To remove the redundant and mothballed incineration infrastructure;
- To cease production of Refuse Derived Fuel which has been shown to be of questionable cost benefit and to remove associated infrastructure;
- To reconfigure internal arrangements within the main building to accommodate expanded recycling operations;
- To relocate recycling activity from the now outgrown recycling building at the rear of the plant (which has no environmental controls) into the space created in the main building, including additional capacity for greater volumes of recycling and sorting (e.g. sorting of co-collected plastics and cans which currently have to be sold at lower rate of income for separation elsewhere), and a more-efficient drop-off for our collection operation;
- To potentially install a new access to the rear of the site and let part of the site including the outgrown recycling building be used by a third party to generate income for the Council;
- The renewal of environmental control systems;
- Subject to approval of a change to transfer station, to put in place a new contract for residual waste off-take for incineration elsewhere; and,
- Implement a new staffing structure and move staff onto Local Government terms and conditions of employment.

Initial consideration indicated that around 20 less staff would be required to run the site as a Transfer/Recycling Centre. However, very good progress has been made as part of the consultations with staff to

reduce the potential for any compulsory redundancies. Furthermore, with the Council being a significant employer there are existing and likely to be further redeployment opportunities for those who wish to continue in employment, and who have not already otherwise been accommodated.

Prior to starting consultations a new proposed staffing structure was devised, along with associated job evaluated roles, for which Job Descriptions and Person Specifications were made available. All proposed jobs are in line with the Council's Local Government Terms and Conditions as opposed to the former company's 'blue book'. Members should note that as part of TUPE transfer, staff have already transferred to the LG Pension Scheme, where they have not opted out, as the previous pension provision provided by NPTRL could not legally be offered by the council.

6.0 Outcome of Consultations

The consultations included a series of team meetings with staff and Trade Unions, including 1-2-1 meetings for every member of staff, and home visits where employees could not attend at work. Refinements were made to the proposals as part of the consultations, with updates being posted on notice boards.

The final proposed structure detailing posts and salaries is shown in Appendix B¹. Job descriptions and person specifications are available but not included for reasons of brevity.

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Subject to Member decision on the way forward, provisional appointments have been identified to the proposed posts as shown in Appendix C².

If Members approve moving ahead, during the formal notice period there will be a further '12 week' opportunity to resolve outstanding issues.

The existing site/building configuration is shown in Appendix D.

The proposed site/building configuration, and plan for internal arrangements, is shown in Appendix E.

No alternative proposals have been submitted by managers or staff at the MREC.

Staff feedback during the consultations has been considered in finalising the structure and these proposals. It is noted that since becoming Council employees, staff have enjoyed Trade Union representation and trade union involvement has been key in this consultation process. The Trade Unions are supportive of the proposals and their members moving to Council Terms and Conditions.

A report will be brought to Personnel Committee in order to implement these changes.

7.0 Workforce Impacts:

The revised transfer station arrangements would provide efficient offloading, bulking and transfer arrangements for both refuse and recycling commensurate with the changing circumstances of waste

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management. As such, downtime of expensive collection vehicles and crews due to off-loading delays would be significantly reduced.

In terms of voluntary or other unavoidable redundancy, redundancy payments have and will be in accordance with the NPTRL Company Handbook 2016, section 14.7

In terms of any pay detriment as the Company Handbook does not contain a policy, the Council's policy of 12 months' pay protection is proposed to apply.

A report will be brought to Personnel Committee in order to implement these changes.

8.0 Financial Impacts:

Revenue Expenditure

A revenue summary for the MREC in 2020/21, assuming a change to Transfer Station operations on 1st October 2020, is shown in Appendix F. Costs for the current financial year are expected to be in line with the Council approved budget for this year of £4.956M, and similarly for next year. If the changes are approved, further efforts will also be made to deliver additional efficiency savings for next year.

It is noted provision has been made in the detailed budget for a virement from the MREC budget to the corporate Health and Safety team budget, reflecting the transfer of the previous plant health and safety officer role from one to the other. Approval to move the monies will be sought as normal via the next corporate budget monitoring report.

It is also noted that waste management and the way the waste industry operates creates some challenges for the Council in terms of its Financial Regulations and Contract Standing Orders. This is because the waste industry generally works on the basis of short term informal contracts, which can change in line with market conditions at the 'drop of a hat'. Such arrangements are therefore the most cost effective way

of operating in terms of securing income for example, but Local Government processes are all designed around more regulated 'time costly' tendering and formal contracts with ongoing commitments, which pass more risk onto the contractor (at a cost to the Council). The challenge going forward is to ensure probity concerning the standards expected with public funds and considering the level of income for recyclables in particular.

Further to a temporary cessation of fuel production at the plant to facilitate improvements to the ventilation stack, and production continuing to be halted pending consideration of this report, it is noted that if it is not determined to move forward with the Transfer Station proposal then the service will revert to waste treatment. In this case some costs such as those relating to energy, maintenance and salaries would increase.

If establishing a transfer station is confirmed, there may be further efficiencies and revenue savings associated with co-locating the refuse and recycling collection fleets at Crymlyn Burrows. In such case it would be proposed to undertake a feasibility study into associated further change, the outcome of which would be the subject of subsequent workforce consultation if appropriate.

Capital Expenditure

Consultant's SLR have assessed the total investment required at the facility to secure its new future as a waste transfer and recycling centre amounts to £5.55M.

The amount and profile of expenditure is summarised below:

| <u>Item</u> | <u>Cost</u> |
|---------------------------------------|-----------------|
| New Air treatment/Ventilation System* | £1,250k |
| Modifications for Transfer Station | £3,900k |
| Contingency | £ 400k |
| Income from scraping of existing kit | <u>(£ 690k)</u> |
| Total | £4,860K |

[* Required regardless of service change]

Anticipated expenditure profile:

| | |
|---------|--------------------------------------|
| 2020/21 | £ 180k |
| 2021/22 | £3,375k |
| 2022/23 | £1,005k |
| 2023/24 | £ 300k (contract retention payments) |
| Total | £4,860k |

Alongside the insourcing of the MREC facility it is intended to wind up the former operating company NPTRL along with its parent company, NPT Waste Management Limited (the Council's Local Authority Waste Disposal Company). There is currently some £2.5M in cash and reserves held within the two companies, and monies remaining after both are wound up will transfer to the Council's accounts as 100% shareholder. Some of this money will be needed for ongoing maintenance of the former Giants Grave Landfill site, further to the site closure plan previously agreed with NRW, however any balance could be used to offset the Council's capital investment requirement for the transfer station. Initially it is proposed that £500k be retained to fund the maintenance of the Giants Grave Landfill site with £2M earmarked towards funding the capital expenditure, thereby reducing the call on limited capital resources to circa £2.9M (pending confirmed proceeds from the winding up of both companies and detailed consideration of the landfill site closure plan). The revenue consequence of funding this £2.9m via borrowing will have a first call of circa £100k per annum on the 2021/22 Budget pressures.

Additional cost to facilitate leasing of the rear building:

| <u>Item</u> | <u>Cost</u> |
|------------------------------------|-------------|
| Modification to Recycling Building | £50k |
| New Access off Ffordd Amazon | £75k |

It is proposed that action will be undertaken with the Economic Development/Business support team to identify an appropriate business, and the value for money in making the additional investment needed to lease the rear building will be considered by means of a business case at that time.

9.0 Integrated Impact Assessment:

A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act 2010, the Welsh Language Standards (No.1) Regulations 2015, the Well-Being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

An initial first stage impact assessment has been undertaken, as attached at Appendix G, which has indicated a full in-depth assessment is not required.

10.0 Valleys Communities Impacts:

The actions proposed would help secure recycling services going forward in the valley communities as well as other areas in the County Borough.

11.0 Legal Impacts:

None

12.0 Risk Management Impact

An efficient and effective local drop-off point is essential for the operation of the Council's core waste collection services, and will be secured by this proposition. Sites with appropriate planning permission are scarce and alternative options are very limited if the facility at Crymlyn Burrows were not available. Furthermore, the cost of developing a new alternative facility would be more. Failure to make changes in line with changing service provision would put recycling services in particular at risk.

The Council needs to continue the process of making savings in relation to residual waste to assist its own financial position and that of Bridgend Council.

13.0 Recommendations:

It is recommended that:

- Further to the completed consultations, Members confirm the previous in principle decision to convert the MREC to a transfer station with enhanced recycling capability;
- Members recommend to the Personnel Committee that a revised structure in respect of staff to implement a transfer station with enhanced recycling capability and that appropriate notices of change and/or redundancy are provided as deemed appropriate by the Personnel Committee (with any new roles being subject to Local Government Terms and Conditions);
- Members note the capital requirements and approve the allocation of £5.55M including contingency in the council's capital programme;
- Delegated authority is granted to the Head of Streetcare to vary the environmental permit in line with the service change;

- Delegated authority is granted to the Head of Streetcare and Head of Legal Services to undertake a procurement exercise for an up to five year residual waste treatment contract and to enter into any arrangements as may be appropriate to facilitate this procurement exercise and award a contract to the highest scoring tenderer; and,
- The Head of Streetcare investigates the feasibility and benefit of relocating the Council's refuse and recycling collection fleets to the Transfer Station, and reports the findings to Members accordingly for further decision.

14.0 Reasons for Proposed Decision:

To determine the future of the MREC further to changes previously agreed in principle and subject to consultation. The direction of travel for residual waste will continue on a downward trend whilst reuse and recycling etc. will continue to increase. Existing service arrangements will therefore become increasingly misaligned with the developing waste management context if changes are not made.

15.0 Implementation of Decision:

The decision is proposed for implementation after the three day call in period.

Appendices:

- Appendix A: Comparative assessment of recyclable Incinerator Bottom Ash, MREC vs High Efficient EfW Plant
- Appendix B: Proposed personnel structure for Transfer Station³

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- Appendix C: Summary of workforce implications⁴
- Appendix D: Existing site/building configuration
- Appendix E: Proposed site/building and internal configuration
- Appendix F: Draft revenue budget
- Appendix G: Integrated Impact Assessment Screening

List of Background Papers:

Report to Cabinet – Procurement of Waste Management Services, 25th July 2018 and associated minutes of the meeting.

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