

<b>Title of meeting:</b>	Cabinet
<b>Date of meeting:</b>	21 February 2023
<b>Subject:</b>	Recycling infrastructure update
<b>Report by:</b>	James Hill - Director for Housing, Neighbourhood and Building Services
<b>Author:</b>	David Emmett - Head of Waste Services
<b>Wards affected:</b>	All
<b>Key decision:</b>	Yes
<b>Full Council decision:</b>	No

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## **1. Purpose of report**

- 1.1 This report sets out the business case for Portsmouth City Councils capital investment of a 11.52% share in a new materials recovery facility (MRF) at Chickenhall Lane in Eastleigh and associated works at the Waste Transfer Station (WTS) network across Portsmouth, Southampton and Hampshire. This will enable the delivery of a new system (twin stream) for collecting dry recyclable waste across Portsmouth, Southampton and Hampshire that complies with the requirements for consistency in kerbside recycling services set out in the Environment Act 2021.
- 1.2 The report sets out the benefits to residents with the introduction of twin stream recycling to enable improved recycling at the kerbside.
- 1.3 Hampshire County Council (HCC) have agreed the capital investment required for the MRF and Southampton City Council (SCC) have set aside funding in their capital programme.

## **2. Recommendations**

- 2.1 That cabinet approves the requirement for a new Materials Recovery Facility (MRF) at Chickenhall Lane in Eastleigh and the associated necessary works to the WTS network, as outlined in this report subject to approval by the Director of Finance and Resources to incur expenditure in line with the sum in the approved capital programme. It is additionally subject to continued support for the scheme from tripartite disposal authority partners HCC and SCC, and Hampshire district authorities.

- 2.2 That approval be given to procure, spend and enter into the necessary contractual arrangements, in consultation with the City Solicitor and Monitoring Officer, to implement the proposed development of the new MRF and associated works to the WTS network as set out in this report to be funded from prudential borrowing from the Public Works Loan Board.
- 2.3 That authority to make the arrangements to implement the scheme, including minor variations to the design or contract, be delegated to the Director of Housing, Buildings and Neighbourhood Services in consultation with the Director of Finance and Resources as appropriate.

### **3. Background**

- 3.1 PCC as a unitary authority is both a Waste Collection Authority and a Waste Disposal Authority (WDA). As a WDA the Council has a statutory duty for the disposal of municipal waste arisings and recycling in Portsmouth. In order to fulfil this function, it has, in conjunction with its waste disposal partners HCC and SCC, entered into a multi-year waste disposal service contract with Veolia UK Ltd.
- 3.2 The Waste Disposal Service Contract (WDSC) with Veolia is a Design, Build, and Maintain as well as Service contract, which requires the provision of the necessary infrastructure.
- 3.3 The MRFs were originally designed to deal with a set specification in terms of inputs to sort: namely plastic bottles, steel and aluminium cans, paper and cardboard. Whilst over time there have been some minor changes to this specification, namely adding aerosols, it is limited in its scope from changing significantly without requiring major refurbishment or replacement to be able to accommodate and sort different material streams.
- 3.4 In December 2018, the Government published its Resources and Waste Strategy for England (see background document list), which is the mechanism by which it will deliver on the ambition of the 25 Year Environment Plan to leave the environment in a better condition for future generations.
- 3.5 This was followed up with major consultations in February 2019 and April 2021 on the four key areas where legislative change is proposed:
- consistency of recycling collections;
  - Deposit Return Scheme (DRS) for drinks containers;
  - Extended Producer Responsibility (EPR) for packaging; and
  - a plastics packaging tax.
- 3.6 The key aim of the consistency of recycling collections work stream is to ensure a consistent range of material is collected in the kerbside recycling stream across England. The Government have identified the below streams that would need to be collected from the kerbside:
- cardboard;
  - paper;
  - aluminium & steel cans;



- foils;
- plastic bottles;
- pots, tubs and trays (PTTs);
- cartons;
- glass bottles and jars; and
- plastic films (from 2026/27).

3.7 At present the two Material Recycling Facilities (MRFs) located at Alton and Portsmouth are not capable of handling PTTs, plastic films, cartons, or glass, hence they will not be able to meet the legislative requirements. It is neither physically viable nor cost effective to upgrade the existing MRFs.

3.8 The overarching Environment Act (see background document list) became law in November 2021. The Government is now working on the secondary legislation and guidance to support delivery of the consistency of recycling collections element.

3.9 Cabinet confirmed PCC's "preferred option" of twin stream recycling set out in the cabinet report from July 2021 'Future of Waste Collection Services' (see background document list) and the CCE report from December 2021 'Joint Municipal Waste Management Strategy' (see background document list).

#### **4. Programme**

4.1. A planning application was submitted for a new facility and was subsequently approved by Hampshire County Councils Regulatory Committee on 19 October 2022 for a new MRF at Chickenhall Lane in Eastleigh (see background document list).

4.2. It is estimated the project will take approximately 30 months until the facility is completed and has been fully commissioned and operating from approximately June/July 2025.

4.3. The changes required to the WTS infrastructure will be undertaken concurrently with the development of the new MRF with the completion of works expected at the same time to enable the system to work effectively.

#### **5. Scheme details**

5.1. The proposed development would comprise a MRF with capacity to process around 135,000 tonnes per annum (tpa) of dry recyclable material. It is anticipated however that the initial input of dry recyclable materials would be in the order of 107,000 tpa with the capacity available to increase this to meet the demand of anticipated housing growth across Portsmouth, Hampshire and Southampton during the life of the facility.

5.2. The MRF would process the following materials from Portsmouth, Southampton and Hampshire's local collection services and Household Waste Recycling Centres (HWRC);

Fibre mix



- Newspapers and Pamphlets
- Mixed Paper
- Cardboard

Container Mix

- Mixed coloured Glass
- Plastic bottles
- Plastic pots, tubs and trays (PTT);
- Plastic Film
- Tins and cans
- Aerosol cans
- Foils
- Cartons

5.3 For residents in Portsmouth this will result in a greater set of materials that can be recycled at the kerbside including new material such as plastic food packaging, cartons, and glass bottles/jars.

5.4 The current Portsmouth MRF site and glass bays will be repurposed as a major WTS hub for both fibre and container mix recycling in the Portsmouth, Hampshire, and Southampton waste disposal infrastructure network. At the Portsmouth WTS both recycling streams will be bulked ahead of on-ward transport by HGV to the new Eastleigh MRF for processing. PCC will continue to deliver kerbside recycling rounds into the site. The Portsmouth Energy Recovery Facility (incinerator) will remain in place and operational.

## 6. Business Case

6.1. Three possible options for Hampshire, Southampton and Portsmouth City Council were considered:

1. Do nothing – current infrastructure and recycling kerbside mix will not meet the Environment Act legislative requirements.
2. Kerbside sort – Project Integra commissioned consultancy firm Wood Group UK Limited to undertake analysis work on the collection/disposal system in Hampshire – this option was the most expensive.
3. Twin-stream recycling – This is the selected option for all Hampshire Authorities confirmed in the consultancy work undertaken by Wood Group UK limited. The report evidenced Hampshire's disposal infrastructure is set up for co-mingled MRF recycling. Additionally, the system financially provided the best value for money both for collection and disposal authorities. The twin-stream system will meet the Environment Act legislative changes

6.2. Portsmouth access the WDSC through a tripartite arrangement with HCC and SCC. PCC contribute 11.52% of the fixed costs associated with the loan repayment for the construction of all the household waste disposal infrastructure across

Portsmouth and Hampshire. The majority of the disposal infrastructure will revert to PCC, HCC and SCC at the end of the WDSC. PCC also pay a gate fee for all waste and recycling processed through the infrastructure.

6.3. PCCs capital contribution of the new MRF will be based on the current tripartite split.

6.4. To support the work a financial model and business case have been developed to measure the affordability of the new MRF. Details of that financial appraisal can be found in confidential appendix II.

6.5. The borrowing costs of the new facility will be funded through a reduction in contract costs associated with the new MRF. The net operational costs are estimated to be in the region of current costs (see exempt appendix II for details).

## **7. Reasons for recommendations**

7.1 The new MRF is required to provide a twin stream collection service which will mean that residents can recycle a wider range of materials at the kerbside including glass and PTT. This will additionally enable PCC to meet the requirements of the Environment Act 2022.

7.2 The financial model and business case show borrowing cost of the new facility will be funded through a reduction in existing contract costs and therefore can be met within current cash limits.

## **8. Integrated impact assessment**

See appendix III

## **9. Legal implications**

9.1 Section 57 (which is not yet in force and is subject to future regulations by the Secretary of State) of the Environment Act 2021 (which received Royal Assent in November 2021) amends the Environmental Protection Act 1990 with the effect of standardisation across England in the range of material that must be collected for recycling at kerbside, as listed in the main body of the report.

9.2 Section 57 of the Act (when it becomes effective) places specific obligations on Waste Collection Authorities to make arrangements for recyclable household waste to be collected separately from other household waste, for recycling or composting. Moreover, recyclable household waste must be collected as individual streams subject to specific exceptions: if it is not technically or economically practicable to collect them separately from each other, or if collecting the waste separately has no significant environmental benefit. In any case, dry recyclable waste streams must never be mixed with food or garden waste streams.

9.3 For PCC this means an increase in the range of materials that must be collected for recycling at kerbside and changes in the way it collects and processes recyclable waste. In order for PCC to prepare for the above provisions coming into force and to realise a twin stream recycling collection system, which was approved by the Cabinet in July 2021, a new MRF is necessary. This report seeks approval of a proposal to develop a new MRF (together with associated infrastructure) in Eastleigh that will facilitate PCC meeting its new duties under the Environment Act 2021.

9.4 PCC is working with HCC and SCC to establish whether the proposed MRF at Eastleigh may be designed and built through the Waste Disposal Service Contract (WDSC) with Veolia on the basis that the contract provides for an additional MRF that has not yet been realised. A detailed review of WDSC is taking place in this regard to ensure that the option to do so under the WDSC would be compliant with public procurement law and rules. An alternative would be to undertake a competitive tender for the proposed development pursuant to the Public Contracts Regulations 2015.

## **10. Director of Finance's comments**

10.1 The Environment Act 2021 has resulted in a requirement for additional capital investment and on-going revenue costs in local authorities' waste management systems in order to meet the new legislative requirement. There will be EPR payments available from April 2025 to help cover costs associated with managing packaging waste, but the authorities in the current tripartite agreement will need to identify the capital investment required to meet the new requirements whilst at the same time providing further financial certainty from delivering this service past the current contract term.

10.2 The additional capital cost will come in the form of a new MRF and work to the WTS network. The Council have already, in their Approved Capital Programme set aside £4.84m for their 11.52% share of a new Single Material Recycling Facility to be funded from unsupported borrowing on the basis that this investment will lead to increased ability for residents to recycle more materials at the kerbside, meet the Environment Act legislative requirements and be affordable in current cash limits.

10.3 The business case and financial model (see exempt appendix II) demonstrate that the costs of borrowing and the revised ongoing operational costs can be funded through a reduction in existing contract costs and therefore cash limits.

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Signed by: James Hill - Director of Housing, Neighbourhood and Building Services

### **Appendices:**

Appendix I - MRF - Proposed site layout

Appendix II - EXEMPT - MRF business case and financial model overview

Appendix III - Integrated Impact Assessment

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>
The development of a Material Recycling Facility and Associated Infrastructure at Land off Chickenhall Lane, Eastleigh, Hampshire (No. CS/22/92463) (EA110)	<a href="#">Report and Conditions.pdf (hants.gov.uk)</a>
Government Resources and waste strategy	<a href="#">Resources and waste strategy for England - GOV.UK (www.gov.uk)</a>
Environment Act 2021	<a href="#">Environment Act 2021 (legislation.gov.uk)</a>
Cabinet report (21 July 2021) Future of Waste Collection Services	<a href="#">Future of Waste Collection Services.pdf (portsmouth.gov.uk)</a>
CCE report (01 December 2021) Joint Municipal Waste Management Strategy	<a href="#">Joint Municipal Waste Management Strategy</a>

The recommendation(s) set out above were approved/ approved as amended/ deferred/  
rejected by ..... on .....

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Signed by: