

## MTRP Proposal - 18/19 and Beyond - Business Case

<b>Service Area</b>	Streetscene and City Services
<b>Unique Reference Number</b>	SS181901
<b>Proposal Title</b>	Composting at Docks Way
<b>Version</b>	20/12/2017
<b>Proposal Summary Description</b>	Re-establish a composting facility at Docksway site
<b>Impact on Performance</b>	This activity will not have a direct impact on recycling performance as tonnage profile and type of activity would remain unchanged
<b>Impact on FTE Count</b>	2 additional FTE to be created
<b>Impact on other Service Areas</b>	The proposal just involves operational changes affecting the service area as new operations are to be brought in-house
<b>Impact on Citizens</b>	This proposal has no impact on citizens as it will not affect any service delivered to them
<b>Delegated Decision (Head of Service/Cabinet Member/ Cabinet)</b>	Cabinet Member
<b>Activity Code</b>	STR11 Sustainable Waste

<b>Net Savings (£000's)</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	42	14		

<b>Implementation Costs (- £000's)</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>Revenue – Redundancy/Pension</b>				
<b>Revenue – External consultants</b>				
<b>Revenue - Other</b>				
<b>Capital – Building related</b>				
<b>Capital - Other</b>	(*)			
<b>Implementation Cost - Total</b>				

### **Current Position**

- Currently the Service area uses a conditioned area at its Docksway site to store the green waste collected from households in Newport and through its Household Waste Recycling Centre. The green waste is then collected by the Council's contractor, Viridor Exeter Ltd, who take the material to its composting facility at Walpole, Somerset, where it is composted, with the Council claiming that tonnage towards its recycling target.

## **MTRP Proposal - 18/19 and Beyond - Business Case**

- Current contract introduced in 01/05/2017 for a period of 4 years, includes a 'no fault' termination clause that would enable the Council to cease the activity after a set notice period.
- Current cost of this activity is £35/tonne, including haulage

### **Key Objectives and Scope**

Key objectives of this proposal are:

- Reduction in cost of the service
- Creation of 2 new jobs locally
- Greater resilience at disposal site and HWRC site
- Environmental benefit from reduced transportation
- Potential to offer service to other councils

Additional benefits could be found from the use of the compost produced by the activity in-house, for NCC grounds and parks etc.

### **Options considered**

#### 1. Option 1: Bring composting in-house

The Council historically composted garden waste at its Docksway landfill site. The operation was an in-house service which ceased due to quality issues which arose from the mixed collection of garden and cardboard, and an externalised composting activity was carried out by using a private contractor.

Nowhowever, garden waste and cardboard are collected separately, which would solve all the previous issues linked to the cardboard's presence in the mix.

This option would imply terminating the current contract in place for composting the green waste collected by the Service area, and re-instating the in-house composting activity that was in place until 2012.

Benefits would imply a tighter control of the composting operations, especially around contamination issues, as the Service has experienced problems with the current contractor in the past which resulted in increased disposal costs. It would also bring savings due to reduced operational and haulage costs, estimated at around £58,000/year.

This proposal also represents a potential option to develop the composting activity in the future to offer the service to neighbouring local authorities, which

## **MTRP Proposal - 18/19 and Beyond - Business Case**

could generate a future revenue income for the Service area.

Additionally, it would have a positive impact on employment, as 2 new FTEs would be needed to operate the facility.

### 2. Option 2: keep Status Quo

No changes would be implemented, there would be no operational impact to current services but NCC would not achieve the key objectives detailed above or achieve the proposed savings

### **Recommended Proposal/Option**

The recommended option is to develop the in-house composting activity. This would imply terminating the existing contract and conditioning Docksway site to enable the activity.

The composting process would require the following phases:

- Receipt of garden waste and bulking pre-shredding;
- Shredding material in approximately 300 tonne batches;
- Building of windrows with shredded material;
- Turning windrows;
- Screening of material into compost products and some oversize material;
- Loading of compost products.

These operations, plus the required cleaning and equipment maintenance, would require 2 FTE as follows:

- Basic operative-grade 3 (top of the scale) £22,510 per annum
- HGV driver or supervisor-grade 4 (top of the scale), £25,657 per annum

Plus the following equipment:

- Shedder
- Telehandler
- Screener

And associated costs

Finally, the compost obtained as an end of process product should meet the PAS100 quality qualification to ensure compliance with legislation, so there would be certification costs linked to this.

## MTRP Proposal - 18/19 and Beyond - Business Case

In summary the expected annual operational costs of the composting activity would be the following:

Activity	Annual cost (£)
Annual Tonnage In	6,871 <sup>(*)</sup>
Labour	48,167
Maintenance	20,650
Fuel (Red Diesel)	16,063
Compliance PAS 100	10,000
Other (PPE, training etc.)	4,817
Total	99,697

(\*) Includes about 5% contaminated material that needs to be disposed of

The current cost of the service, for the same tonnage profile (6,871 which is the tonnage collected in 16/17, less 5% contaminated material) at £35/tonne is £228,461/year, thus a full year operation would bring in a total saving of £128,764. Once the annualised capital costs (see below) are deducted, a net annual saving of £55,864 would be achieved, this would be coded to NN02 46170 3479.

### Required Investment

Implementation costs would imply purchase of all the required equipment to operate the composting facility:

Equipment	Capital cost
Shredder	£350,000
Telehandler	£100,000
Screeener	£200,000
Conditioning of site	£15,000
Total	£665,000

This would have an annualised cost of £72,901 over a 10 year period (interest rate of 2.4%) as detailed below:

Year	Bf Amount	Annual MRP	Interest	Total	Bal cf
		years	@		
		10	2.40%		
	£	£	£	£	£
1	665,000	66,500	11,638	78,138	598,500
2	598,500	66,500	10,474	76,974	532,000
3	532,000	66,500	9,310	75,810	465,500
4	465,500	66,500	8,146	74,646	399,000
5	399,000	66,500	6,983	73,483	332,500
6	332,500	66,500	5,819	72,319	266,000
7	266,000	66,500	4,655	71,155	199,500
8	199,500	66,500	3,491	69,991	133,000

## MTRP Proposal - 18/19 and Beyond - Business Case

9	133,000	66,500	2,328	68,828	66,500
10	66,500	66,500	1,164	67,664	0
Total Payable		<u>665,000</u>	<u>64,006</u>	<u>729,006</u>	
Total Payable annualised				<u>£72,901</u>	

### High Level Milestones and Timescales

Action	Implementation date	Comments
Contract termination	4 months before inhouse composting goes live	
Tender to purchase equipment	As soon as decision is made	Tendering process will last a minimum of 3 months
Installation/conditioning of site	Lead time for machinery to be delivered-not less than 3 months	
Staff recruitment and training	Process to start 3 months before start date	

This means implementation will last a minimum of 6 months once a decision has been made. For a Cabinet Member decision made around November-December 2017 the starting date would be 01/07/2018.

### Key Risks/issues

Risk Description	Risk Score (as per matrix below)	Mitigation Measures
Lead time for equipment	9	All required equipment will need to be procured via open tender. These processes are long and sometimes can be delayed further if additional information etc. is required; once a supplier is selected, lead time for equipment such as this can be 12 to 15 weeks. To avoid delays that may impact on the in-year savings a minimum period of 6 months needs to be allowed from the moment the proposal gains approval to the implementation date
Ability to meet PAS 100 standard	9	Requirements to produce PAS100 quality compost have been taken into account when costing machinery etc., however there might be contamination processes that may pose a risk; to prevent that clear procedures detailing how to tip, store and manipulate the material need to be in place, and measures such as fencing off the area closer to the access road to the site will be considered
Outlet for material	6	Finding outlets for the compost is a commercial operation which would involve additional costs and a carefully designed strategy; however this BC has been

## **MTRP Proposal - 18/19 and Beyond - Business Case**

		prepared on a zero income basis and assumes NCC will be using the entire product in-house (grounds, parks etc.) or distributing it free of charge to residents or businesses in the area, which significantly reduces the risk.
Risk Description	Risk Probability	Risk Impact
Lead time for equipment	3	3
Ability to meet PAS 100 standard	3	3
Outlet for material	3	2
<b>Specific linkage with Future generation act requirements</b>		
<p>Integration – This proposal contributes towards a greener city and works towards the Wellbeing of Future Generation Goals through increased resilience, environmental benefits (local process and reduced contamination through reduced transportation) and circular economy. It also contributes to generate local employment.</p> <p>Long Term – This proposal contributes to increased resilience within the service area as it provides a long term solution for one of its waste streams.</p> <p>Prevention – By placing operational control back in-house dependence on private contractors is minimised.</p> <p>Collaboration – This proposal opens up the possibility of future collaboration with neighbouring authorities as Council services could be offered to them, this would contribute to strengthen relationships and promote a collaborative environment and potential partnerships.</p> <p>Involvement – this proposal would allow NCC to work together with community groups, local retailers etc. to offer compost for free or at a discounted price for local projects; it also contributes to the circular economy by providing a locally sourced outlet to suppliers in the area.</p>		
<b>Fairness and Equality Impact Assessment</b>		
No		