

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Environment and Transport
Date:	8 November 2011
Title:	Project Integra Review
Reference:	3378
Report From:	Director of Economy, Transport and Environment

Contact name: Clare Saunders

Tel: 01962 832246

Email: clare.saunders@hants.gov.uk

1. Executive Summary

1.1. Following the Project Integra (PI) Review, Hampshire County Council has been requested to formally respond to Project Integra on the recommendations agreed at the meeting of the Strategic Board on 28 July 2011.

1.2. This paper seeks to

- provide background information to the PI partnership and why the review was instigated;
- summarise the recommendation of the PI Strategic Board (PISB);
- confirm Hampshire County Council's position on the recommendation of the PISB; and
- seek agreement on a proposed alternative to the recommendations of the PISB.

2. Contextual information

2.1. PI is the partnership of all the local authorities in Hampshire with responsibility for managing household waste (collection, recycling and disposal). Over and above the normal WDA/WCA interaction, the County Council provides both a financial contribution and significant officer time as a contribution to the working of the partnership. Table 1 of Appendix 1, which is an exempt item on the Agenda following this report, sets out the financial contributions made by the PI Partners in 2010/11.

2.2. The County Council also provides services to PI through a Service Level Agreement, the value of which in 2010/11 is £53,150 (included in the PI Executive budget). These services include the management of data and general communications and the Materials Analysis Facility (MAF). Through a separate Service Level Agreement (SLA) Hampshire County Council also

manages the delivery of the Recycling for Hampshire (R4H) Campaign (value of £200,000 pa).

- 2.3. The partnership was initially very successful in facilitating the development of what are quite rightly regarded as some of the best waste collection, processing and disposal infrastructure in the UK and Hampshire is currently recognised as the leading county for landfill diversion of household waste in the UK. There is however a collective view amongst partner authorities that successes achieved through the partnership have been significantly less in recent years.
- 2.4. In addition, whilst the brand Project Integra remains synonymous with the provision of the excellent facilities as referred to above, the County Council believes that PI no longer provides the vision and strategic direction that are essential to drive a modern integrated and cost effective waste management service.
- 2.5. A formal review, the first since 2005, was commissioned in June 2010, to consider PI's current position, assess what its future objectives should be, and determine what would be required to make the partnership fit for purpose. It was carried out by an "internal" Review Team comprising of senior officers from the Partner Authorities and overseen by a Review Board comprising elected members and chief executive level officers again from the partner authorities. The broad recommendations of the PI Review were that PI Partners should:
 - agree, as a matter of urgency, a replacement Joint Municipal Waste Management Strategy (JMWMS) which sets new ambitions for waste management in Hampshire to which all of the partner authorities are committed at the political level;
 - undertake to work energetically together to reduce the annual whole system costs to the council tax payer of reaching the targets set in the new JMWMS; and
 - agree the proposed changes to the structure and culture of PI to enable its objectives to be achieved.
- 2.6. However, following initial feedback from all Partners and in order to address these findings and recommendations of the Review Board, further work was undertaken to develop, via a series of officer workshops, three potential options for the future functioning of PI:
 - (1) no formal PI Programme or Funding;
 - (2) circa 50% reduction in cost, delivered through a reduced and refocused PI Programme; and
 - (3) revised PI Programme without any reduction in cost.
- 2.7. These were presented for consideration to the PISB on 28 July 2011. Members of the Strategic Board recommended that:

The review of PI should be implemented as per Option 3 (a revised PI Programme without reduction in cost) but:

- expenditure on training, implement 50% reduction in MAF and Recycle for Hampshire expenditure;
- reduce the number of PI meetings (4 to 3);
- consider bringing Recycle for Hampshire into PI;
- redefine role of Executive Officer;
- each member to make recommendations to their own Authority; and
- should come back to PI Board for decision.

The Minutes record that the proposal for this recommendation, made by Councillor Parker (Hart District Council) and seconded by Councillor Dibbs (Rushmoor Borough Council), was agreed unanimously.

- 2.8. It was further agreed that each partner authority would formally consider this recommendation for the future working of PI and report back to the next meeting of the PISB on 10 November 2011.

3. Future direction - Hampshire County Council Response

- 3.1. Hampshire County Council does not believe that Option 3 with the additions, as proposed by the PISB, provides either a proper strategic direction for PI or adequately addresses the need for future performance improvements. Whilst the County Council acknowledges that this option will deliver some minimal savings, it feels that it does not address the outcomes of the PI review nor does it deliver, what the County Council sees as PI's primary function; value for money for the Hampshire tax payers through improved efficiencies and performance. Therefore the County Council proposes an alternative approach which would reduce the total cost of waste management in Hampshire and:

- simplify, streamline and provide greater transparency in the financial management of PI;
- improve the efficiency and effectiveness of the structures supporting the partnership and reduce the current high resource inputs; and
- improve functionality and delivery of performance improvements.

- 3.2. The proposal is twin streamed and sets out a different strategic direction for the future of PI as well as a package of initiatives intended to improve recycling performance and deliver waste prevention activities. These include the introduction of financial mechanisms linked to Material Recovery Facility (MRF) income and disposal savings, rather than requiring annual partner contributions, which will:

- encourage a reduction in contamination rates by making authorities liable for the disposal of contamination in their material over the 5% threshold agreed in the input specification;
- use the resultant disposal savings, to the County Council and its WDA partners, from the above to fund the Recycle for Hampshire campaign;
- enable improved performance in respect of capture /recycling rates through a sharing of the resulting processing/disposal savings; and

- deliver and implement a Waste Prevention Action Plan.

4. Strategic Direction

- 4.1 The environmental agenda has broadened in recent years, with inextricable links between the major resource areas of water, waste and energy such as the potential for co-digestion of food waste with sewage sludge resulting in the production of a biogas, a renewable energy source.
- 4.2 The County Council recognises that these issues need to be supported and directed at a strategic level in order to maximise available synergies and opportunities. Therefore it is proposed that a Joint Advisory Board for Resource Management (Water, Waste & Energy), operating as a sub-group of the Hampshire Senate, be formed.
- 4.3 It is proposed that this body should take on responsibility for the overall strategic direction for resource management in Hampshire, whilst all regulatory and contractual responsibilities remain with the appropriate organisation.
- 4.4 Project Integra
- 4.4.1 The County Council proposes that Project Integra, with its nationally recognised and respected name, remains but with a more targeted focus. Now that the waste infrastructure has been delivered, and with the provision of additional municipal infrastructure not a short term priority, the PI Partnership should be focused on working together to reduce the £104 million per year bill for municipal waste management services in Hampshire.
- 4.4.2 The County Council believes that PI should concentrate its efforts on:
- waste prevention;
 - recycling and performance improvements;
 - cost reductions; and
 - training.
- 4.4.3 The County Council recognises that there are organisational issues that will need to be overcome but believes that, in the current financial climate, it may be timely to reconsider the range of joint working mechanisms and that this should now be the focus of PI's strategic thinking. This could include collective procurement of bags and bins to shared depots or multiple authority contracts.
- 4.4.4 Recent initiatives for joint working between PI partners have demonstrated how savings can be realised from delivering service efficiencies across authority boundaries. The partnership work of

Basingstoke and Deane Borough Council & Hart District Council and the service mergers of Winchester City Council & East Hampshire District Council have been delivered without significant involvement from PI, which has become more involved in operational detail rather than wider strategic issues.

- 4.4.5 The County Council believes that PI should be driving forward joint working opportunities, however these may manifest themselves, supporting partners in their initiatives to achieve the savings that can be realised.
- 4.4.6 If this new strategic direction is supported and adopted, the PI partners will need to determine the relative need for, level and funding of any executive support function. In addition it may be appropriate to ensure the existing governance arrangements are suitable.
- 4.5 The County Council does not discount the need for day to day operational collaboration but suggests that this should be addressed at an appropriate, operational, level. That is why, in parallel to these proposed changes in strategic direction, the County Council has also proposed a further package of initiatives intended to support performance improvements. These initiatives are in line with the PI Review recommendations of bringing about cost and administration benefits to all partners.

5. Efficiency and Performance Proposals

- 5.1 Currently the governance, management and delivery of services for PI includes a variety of mechanisms, including:
- the 5yr business plan, reviewed annually, and signed off by the PISB and then approved by the individual partner authorities;
 - the R4H campaign developed by an joint Member and Officer group, signed off by PISB and the individual partner authorities and delivered by the County Council under an SLA; and
 - the PI SLA negotiated by the Executive Director with Hampshire County Council to provide services on behalf of the Partnership including Data management, communications and the management of the MAF.
- 5.2 This inevitably adds layers of, often hidden, cost in the process required to obtain agreement and the need for each partner to make budgetary provision for its contributions.
- 5.3 As described in Section 4, above, the County Council has proposed changes in the governance structures for resource management issues such as waste. In the following section proposed changes to the operational management of PI's activities are set out.

- 5.4 Hampshire County Council believes that these proposals will deliver benefits in terms of budget management, significant operational and efficiency improvements as well as streamlining the decision making process enabling swifter responses to emergent issues, with responsibilities appropriately delegated.
- 5.5 Whilst the management of PI is funded from annual budgetary contributions by the partners, the sale of recyclable materials delivered to the MRFs generates an income which is then distributed proportionately between the partners under the Income Share Agreement, which forms part of the Memorandum of Understanding between the partners. As the markets for recyclable materials have grown and matured, so has the value of this material to the Waste Collection Authorities, reaching £3.7 million in 2010/11. New material sales arrangements can be expected to increase this value in the future.
- 5.6 However, whilst the income derived from the sale of these materials has increased along with the increase in material capture rates, so have the levels of contamination, with the accompanying increase in disposal costs being borne by the WDAs.
- 5.7 The proposals, outlined below, would remove the need for the annual budgeting of contributions for these elements, whilst incentivising PI Partner improvements in the quality and quantity of Dry Mixed recyclable (DMR) materials. The tables in Appendix 1 show the PI partners' 2010/11 MRF Income and PI contributions (Table 1), their 2010/11 MRF income after the proposed introduction of the mechanisms outline below (Table 2) and an example of the effect of an 10% increase in materials value would have on material sales income to reflect anticipated increases (Table 3).

Funding mechanism for the Materials Analysis Facility (MAF)

- 5.7.1 It is proposed that, rather than PI Partners making annual contributions to the funding of the MAF, the associated operational costs of their usage of the facility i.e. contamination assessments or other investigations, be deducted from their MRF Income Share.

Contamination Reduction mechanism

- 5.7.2 Contamination and materials outside of the MRF Material Input Specification within the DMR delivered to the MRFs impacts on their operations and the quality and value of the final sorted materials. The contaminants separated out from the saleable materials also require disposal.
- 5.7.3 The MRF Material Input Specification limits the acceptable level of contamination to 5% . The current contamination average, as measured by the MAF is 12.26% (ranging from 7.21 – 18.55%). The waste disposal authorities currently pay for the disposal of all MRF residues. There is currently no direct mechanism with which to

encourage the WCAs to reduce the level of contamination in their DMR deliveries and thus maximise the quality, and value, of their materials.

- 5.7.4 It is proposed to address this through a re-charging mechanism whereby the WCA will be re-charged the cost of disposal for any MRF residue arising from their deliveries over the agreed 5% limit, as measured by the MAF contamination monitoring process. These monies will be deducted from the Waste Collection Authorities' (WCAs) MRF revenue share.
- 5.7.5 This mechanism should encourage the WCAs to actively seek, through the Recycle for Hampshire campaign and other initiatives, ways to minimise the contamination levels in the DMR presented for processing through the MRFs. An added benefit is that the resultant improvement in quality should also result in both higher quantities of material being sold to market and potentially an increased value of this material.

Recycle for Hampshire (R4H)

- 5.7.6 The Recycle for Hampshire campaign, a communications campaign to raise 'waste awareness' and increase recycling, has been successful at improving the quality and capture rates of recyclable materials across Hampshire. The current recommendation of the PISB is that the campaign be scaled back by up to 50%.
- 5.7.7 This proposal sees the R4H campaign as an integral part of a continued drive to maximise the performance of recycling across the county. It is therefore proposed that Hampshire County Council, and if agreed the other WDAs, re-invest the disposal savings made from the introduction of the proposed Contamination Incentive Mechanism, above, into the R4H campaign, which would continue to be hosted and delivered by the County Council. This will remove the need for Partner contributions as shown in Table 2 of Appendix 1.
- 5.7.8 It is proposed that the campaign be managed by a joint member board consisting of representatives from the WDAs and other PI partners.

Improving Capture Rates

- 5.7.9 Improving capture rates, obviously will result in improved performance and increased income for the Collection Authorities. In addition the Disposal contract with VES has a mechanism that sees a significant reduction in MRF gate fees over a threshold of 114,000 tonnes input per annum. Not only does reaching this level of inputs reduce the WDAs costs but it also diverts materials from the ERF, deriving further savings and creates spare capacity that can be sold to third parties to generate income.

5.7.10 It is proposed to work collectively, or individually, with WCAs on an “invest to save” basis to explore ways of increasing their DMR capture rates for the mutual benefit of all parties.

Waste Prevention

5.7.11 Waste prevention is top of the waste hierarchy, representing the preferred option for treating waste. It is suggested that it is the most challenging activity to achieve as it requires changes to not one, but a range of behaviours and as a result can be highly resource intensive.

5.7.12 Following the Government’s Waste Review in June 2011, Waste prevention has become a high priority and Defra’s recent Strategic Steer for Waste Resources Action Programme (WRAP) has refocused the organisation on Waste Prevention. This will enable the Government to meet its EU commitment to have in place a waste prevention programme by no later than 12 December 2013 (ref: The Waste Regulations 2011).

5.7.13 It can be expected that WDAs, who would stand to benefit from the disposal savings that will result from any reduction in waste arisings, will be required to develop and implement local Waste Prevention plans. It is therefore proposed to develop and implement a county wide Waste Prevention Action Plan, linked to the wider regional and national initiatives to benefit from the available economies of scales.

5.7.14 The Programme could be implemented by a voluntary working group of Councils, co-ordinated by the County Council (who would provide the majority of funding on an “invest to save” basis), with the potential for introducing incentive mechanisms for specific actions taken by individual authorities.

5.8 The Table below indicates the potential level of savings that are likely to accrue if these improvements in performance were to be achieved. Further details of the current and revised PI partner contributions and income are shown in Appendix 1.

Activity	Definition	Savings (£/yr)	Income (£/yr)	Comments
Contamination	5% Decrease i.e. to contractual levels	£22,395		Disposal only, assumes no increase in recycling
Recycling	10% Increase	£420,059		Disposal savings (includes ERF income)
			£536,804	Additional MRF Income for WCAs
Waste Prevention	1.5% Decrease	£245,395	?unknown?	Kerbside black bag only
Sub-total		£687,849	£536,804	
Total benefit to Tax payer/yr				£1,224,653

6. Human Resources

- 6.1. A number of Hampshire County Council Officers are employed directly as a result of the current management of PI both in support and fulfilment of the executive functions and in delivery of the Recycling for Hampshire Campaign.
- 6.2. In light of the current review and the recommendations of the PISB, formal HR advice has been sought to ensure the positions and interests of these officers is being considered and managed appropriately and professionally.

7. Conclusion

- 7.1 The current recommendation from the PI Strategic Board is not felt, by Hampshire County Council, to adequately address the need for PI to be re-invigorated with a new strategic direction and purpose. Rather it retains the existing structures whilst seeking to make modest savings from the existing programmes in order to reduce the budget cost of PI to the Partners.
- 7.2 In response to this, the County Council is proposing a new high level strategic structure for broader resource management issues. It proposes that PI, with a reduced frequency of meetings at Board level, focuses on:
- waste prevention;
 - recycling and performance improvements;
 - cost reductions; and
 - training.

as well as preferring mechanisms that would remove the majority of the need for WCA budget contributions to PI, accepting that there may be a desire to

retain some of the executive and procedural functions, and which should act as incentives to the WCAs to improve the quality, and quantity, of their recycling performance and implement a waste prevention programme.

8. Recommendations

- 8.1 The recommendations of the Project Integra Strategic Board be not agreed.
- 8.2 The alternative strategic and operational proposals, as set out in this paper, be presented to Project Integra partners for discussion.
- 8.3 That the proposal for a new Joint Advisory Board for Resource Management (Water, Waste & Energy) be further developed and presented to the Hampshire Senate for consideration.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
Corporate Improvement plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1 None

2. Impact on Crime and Disorder:

2.1 None

3. Climate Change:

a) How does what is being proposed impact on our carbon footprint/energy consumption?

The proposals within this report impact on our carbon footprint in two ways. Firstly in the proposal for a strategic Joint Advisory Board for all resource management issues to maximise the join up of synergies between water, waste and energy issues. Secondly in the proposals to improve the efficiency and performance of the capture and quality of Dry Mixed Recyclates that will reduce the consumption of scarce raw materials.

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

These proposals seek to further improve the management of wastes as a resource by improving the quality and quantity of recyclable materials being captured and thus feed back into the material cycle. This action reduces the need for the consumption of additional raw materials.