
Newport City Council Business Planning - Summary



Business Plan for Newport City Council's waste and recycling services from 2016/2017 to 2029/2030.

Executive summary

The following report sets out the business case and forward plan for the development of recycling and waste services for Newport City Council (NCC). This plan has been prepared in line with the Welsh Local Government Association (WLGA) Business Planning Toolkit and takes into account the results of extensive service options modelling commissioned by WRAP Cymru on behalf of NCC.

Strategic Case

In 2015/2016 NCC reported a recycling rate of 57.1%, like other Welsh authorities NCC are required to meet Welsh Government (WG) statutory recycling targets of 64% by 2019/2020 and 70% by 2025/2025, therefore without a step change in the performance of the service NCC will fail to meet these targets. This is not however, just an environmental and sustainable goal, failure to meet these targets also comes with a potential financial penalty of £200 a tonne for every tonne the target is missed by. If this fine were to be exercised, based on current performance, NCC would be liable to a fine of £326,686 in 2019/2020 and £1,253,020 in 2024/2025¹.

Year	2017/18	2019/20	2024/25
Baseline	£0	£327k	£1.25 million
Scenario 5	£0	£0	£0

In addition to potential fines for performance failures, the service is also being affected by cuts to the WG Waste Grant, which part funds the service, meaning that additional funding will need to be provided by NCC. To mitigate the impact of ongoing budget cuts, NCC will also need to reduce the costs of service delivery as much as possible, service innovation and efficiencies are being explored to this end. A do nothing business as usual, approach will not provide NCC with the recycling performance or budget savings requirements to operate a sustainable waste and recycling service.

If the grant continues to decrease at 5% per year and no change is made, NCC would face the following funding gap:

Year	WG Grant	Additional funds required vs. 2016/17
2016/17	£2.76 m	£0
2017/18	£2.62 m	£138k
2018/19	£2.49 m	£269k
2019/20	£2.36 m	£393k
2020/21	£2.24 m	£511k
2021/22	£2.13 m	£623k

¹ Thus far NCC has received no fines from Welsh Government after marginally missing targets, however it is unclear if this position would be maintained in the future.

Year	WG Grant	Additional funds required vs. 2016/17
2022/23	£2.03 m	£730k
2023/24	£1.92 m	£831k
2024/25	£1.83 m	£927k

Economic Case

To understand the impact of future service scenarios, options for each of the core waste and recycling services (kerbside collections, household waste recycling centre operations (HWRCs and commercial waste) have been analysed and then combined as part of the BPT Cost Benefit Analysis (CBA) tool. Five CBA scenarios have been tested as part of this process (details of these can be found in **Error! Reference source not found.**) and their performance against the following outputs measured:

- Cost of service delivery;
- Performance of the service;
- Environmental impact of the service; and
- Employment generated by the service.

When the results of each scenario, against these measures, were compared scenario 5 performed best in each area, apart from cost of service expressed and NPV where it was only £300k per annum more expensive than the lowest cost scenario – Scenario 2.

A summary of scenario 5 can be found in Table 1.

Table 1 - Summary of Scenario 5

Scenario 5	
Kerbside Refuse and Recycling Services	<ul style="list-style-type: none"> • Current Service until September 2018 when three weekly refuse collections are modelled. • In April 2024 four weekly refuse collections are modelled.
HWRCs	<ul style="list-style-type: none"> • Undertake improvements work to Docks Way HWRC, whilst developing a new site to open September 2018.
Trade Waste and Recycling Collections	<ul style="list-style-type: none"> • Current service until April 2017 when the trade recycling service is commissioned to a third party.

As summary of the comparative performance of scenario 5 against the baseline can be found in **Error! Reference source not found.** The dates identified above reflect the original assumptions and it should be noted that the benefits from trade waste and recycling collections commissioning will be delayed. For the purposes of comparison across the original modelling work, these dates have not been amended.

Table 2 - Comparison of scenario 5 and baseline

	Baseline	Scenario 5
Cost of Service Delivery –2016-2030, NPV (£ million)	£70.6 m	£66.3 m
Performance of the Service – Recycling Rate in 2024/25 ¹	62%	73%
Environmental Impact of the Service – Environmental Costs, 2016-2030, NPV (£ thousand) ²	-£1,00	-£3,200
Employment Generated by the Service – FTEs in 2029/30	203	252
<p><i>Notes:</i></p> <ol style="list-style-type: none"> <i>The statutory recycling target for Wales in 2024/25 is 70%.</i> <i>Negative environmental costs are associated with an environmental benefit</i> 		

Scenario 5, has emerged as the most beneficial option on which to base this optimised future business plan, with the intention being to present the business plan to members when the impact of these changes could be quantified.

The advantages of progressing with scenario 5 as part of this business plan are:

- **One of the lowest overall budget requirements in 2030.** The 2030 budget requirements of scenario 4 and scenario 5 are extremely similar (with £10k per annum) This is due to both scenarios receiving the highest amount of income from the sale of dry recycling and lowest residual waste disposal costs. When taking NPV into account, as shown in **Error! Reference source not found.**, Scenario 5 is more costly than Scenario 2, however the difference is marginal. The budget required for operating Scenario 5 in 2029/2030 is £6.17m compared to a business of usual baseline of £8.09m.
- **Successfully meeting the 2024/25 statutory recycling targets.** All scenarios lead to an improvement in recycling rates compared to the baseline, which would not allow NCC to meet the 2019/2020 or 2024/2025 statutory recycling targets set by the Welsh Government. However only scenarios 3, 4 and 5 will meet the 2024/2025 statutory recycling target of 70%. Furthermore, as NCC may be at risk of fines from Welsh Government of £200 per tonne for every tonne of material under the recycling target, only scenarios 3, 4 and 5 will guarantee that no fines will be paid. This represents a potential £1.25 million saving (including avoided fines) in 2024/25 alone compared to the baseline.
- **The highest environmental cost saving of any option.** All of the modelled CBA scenarios save more Greenhouse Gas (GHG) emissions (expressed in tonnes of CO₂) than the baseline, business as usual position. Savings in GHG emissions are strongly linked to recycling performance, which is highest for Scenario 5.
- **The greatest increase in employment of any option.** This is largely driven by the additional employment generated by the commissioning of the trade recycling service and expansion of all trade waste and recycling collections.

Commercial Case

If NCC were to implement scenario 5, there are no substantial changes required to current contractual arrangements, as main activities proposed would not affect any of the subcontracted activities-they will only impact in house services or services not being provided

currently. There is also minimal risk to guaranteed minimum tonnages as part of existing disposal contracts. The only service which would need to be formally procured by NCC, is the operation of the trade waste recycling service. However, as this contract would be for service operations only and NCC would retain all responsibility for the growth of the service, this once again, presents minimal risk to the authority.

Financial Case

The impact of implementing option 5 on NCC’s overall budgetary position is positive with the future service, including all operational and capital expenditure being less than the business as usual baseline. However, as option 5 requires services to change and develop capital funding is required for the improvement of Docks Way, the opening the new HWRC and the expansion of the trade waste service. The non- annualised capital expenditure associated with these items are £352,490 and £515,000 (17/18) respectively. NCC will need to gain approval to fund these items through the authority’s finance systems, however grants may be available via the WG CCP Capital Grants programme, although availability and award of this money cannot be guaranteed.

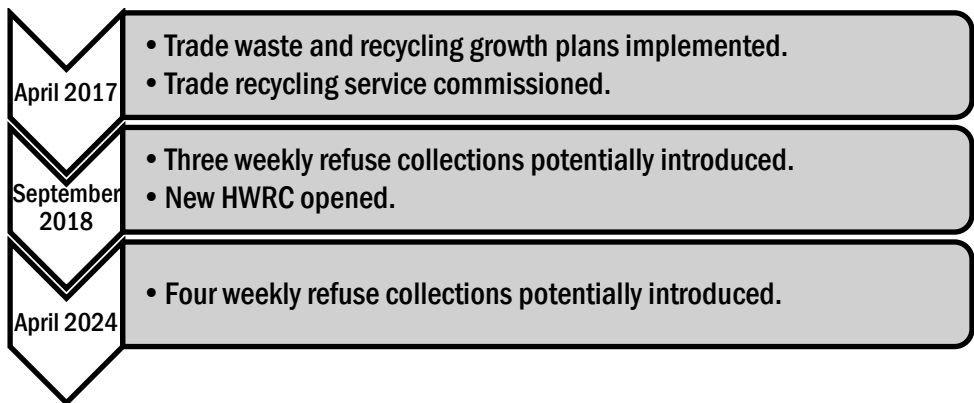
As discussed previously, with the ongoing reduction in the availability of the WG waste grant, NCC will also need to consider internally how this gap in required funding will be met.

Action Plan and Forward Work

In order to meet the savings and performance levels discussed as part of this business plan, NCC will need to develop and manage a programme of short, medium and long term actions. Many of the changes discussed as part of the business plan will also require close working with members in the development of policy and direction and this will need to be factored in to the planning process.

A timetable for the implementation milestones for scenario 5 can be found in the next figure

Figure 1 - Scenario 5 Implementation Milestones



And a list of the main short, medium and long term actions can be found in the tables below:

Table 33 – Proposed Short Term Actions November 2016 – March 2018

Action	Timeframe (*)	Measure of Success
Gain political agreement to commissioning of trade recycling service.	2016/2017 Q3 (*)	Agreement gained for commissioning of service
Recruit trade waste and recycling sales team	2016/2017 Q4 (*)	Experienced and capable officer recruited
Commission trade recycling service	2016/2017 Q4 (*)	Operations are successfully awarded to an operator
Develop trade waste and recycling sales strategy and business plan	2016/2017 Q4 (*)	A clear sales and development strategy and accompanying business plan is developed
Implement trade waste and recycling sales strategy and business plan	Q1 2017/2018 (*)	Strategy put in place with clear performance KPIs
Design new HWRC	Q2 2017/2018 (*)	Design in place and location of suitable site
Appointment of Contractor to develop new HWRC	Q4 2017/2018	Completion of Construction work at new HWRC
Gain political agreement to 3 weekly collections.	Q4 2017/2018	Agreement gained for service change
Develop transition plan for new waste and recycling services	Q4 2017/2018	Clear plan developed with all stakeholders on board.
Development of household communications plan for new waste and recycling service	Q4 2017/2018	Multi-channel communication plan produced

(*) Note these actions are in the past so should be moved to the earliest possible periods

Table 4 –Proposed Medium Term Actions – April 2018– November 2020

Action	Timeframe	Measure of Success
Re-routing of new waste and recycling service	Q1/Q2 2018/2019	Achievable rounds which have been approved by workforce and managers
Completion of new HWRC	Q1 2018/2019	Opening of new HWRC
Potential implementation of three weekly refuse collections	Q2 2018/2019	Successful implementation of three weekly collections

Table 5 – Proposed Long Term Actions – November 2020+

Action	Timeframe	Measure of Success
Monitor the impact of all new services	Q3 2018/2019 onwards	Transparent monitoring of service performance
Policy and political review of the potential impact of four weekly refuse collections	Q2 2022/2023	Potential approval of four weekly refuse collections
Potential implementation four weekly refuse service	Q1 2024/2025	Four weekly refuse collections potentially implemented

It is also recommended that the outputs of this business plan is reviewed an updated annually by officers and members to monitor costs and also progress against recycling

targets. Officers should work within the NCC scrutiny process to ensure that members are aware and have the opportunity to examine progress against this plan.

As this plan covers such a significant time period it is also likely that other external factors such as changes in the financial markets, developments in technology and indeed developments within Newport itself, mean that it is sensible to undertake a more significant review every three years, or before a significant policy decision point. Undertaking this review would be the responsibility of the Head of Service and the Portfolio holder responsible for waste and recycling.