

ECONOMY, TRANSPORT AND ENVIRONMENT SCRUTINY COMMITTEE

MINUTES of a meeting of the Economy, Transport and Environment Scrutiny Committee held at Committee Room, County Hall, Lewes on 15 June 2016.

PRESENT Councillors Richard Stogdon (Chair) Councillors
Mike Pursglove (Vice Chair), Claire Dowling, Pat Rodohan,
Judy Rogers and Barry Taylor

LEAD MEMBERS Councillor Carl Maynard

ALSO PRESENT Rupert Clubb, Director of Communities, Economy and
Transport
Nick Skelton, Assistant Director Communities
Karl Taylor, Assistant Director Operations
Lucy Corrie, Head of Communities
Brian Banks, Team Manager - Road Safety
Carl Valentine, Head of Transport & Operational Services
Justin Foster, Waste Team Manager
Sue Short, Waste PFI Accountant

Councillor Mike Blanch

1 MINUTES OF THE MEETING HELD ON 16 MARCH 2016

1.1 The Committee RESOLVED to agree as a correct record the minutes of the meeting held on 16 March 2016.

2 APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from Councillor Rosalyn St Pierre.

3 DISCLOSURES OF INTERESTS

3.1 Cllr Maynard declared a personal, non-prejudicial interest under item 5, as he is the Leader of Rother District Council (RDC). Cllr Dowling declared a personal, non-prejudicial interest under item 5 as she is a member of Wealden District Council.

4 URGENT ITEMS

4.1 There were none.

5 REPORTS

5.1 Reports referred to in the minutes below are contained in the minute book. The committee agreed to change the order of the agenda and examined item 6, the report on the Scrutiny Review of School Crossing Patrol Alternative Funding first and then discussed item 5 the Waste PFI Contract report.

6 WASTE PFI CONTRACT UPDATE REPORT

6.1 The Committee considered a report by the Director of Communities, Economy and Transport which provided an update on the Waste PFI (Public Finance Initiative) Contract.

6.2 The Assistant Director, Operations introduced report and introduced Justin Foster, Waste Team Manager and Sue Short, Waste PFI Accountant to the Committee. East Sussex County Council (ESCC) is the Waste Disposal Authority which is distinct from the waste collection authorities who collect refuse from residential properties. ESCC is working with Brighton and Hove City Council (BHCC) in a 30 year contract with Veolia which has built and operates a number of waste disposal facilities including:

- the Newhaven Energy Recovery Facility (ERF);
- the Woodlands composter at Whitesmith;
- the Hollingdean Materials Recovery Facility (MRF); and
- twelve Household Waste Recycling Sites (HWRS).

6.4 Justin Foster, Waste Team Manager outlined the main sections of the report. The operation of the Waste (PFI) Contract is complex and has been reviewed recently by the Department for Environment, Food and Rural Affairs (DEFRA). ESCC and BHCC were awarded £113m in PFI credits from DEFRA towards the cost of the contract. The contract payments to Veolia include amounts for the repayment of the capital invested to build the facilities, interest charges, the operation of contract, plus a small profit for the contractor.

6.5 The Committee thanked the Waste Team Manager for the quality of the report. The Waste Contract expenditure represents a large proportion of the department's budget. The Economy, Transport and Environment (ETE) and the Audit, Best Value and Community Services (ABVCS) Scrutiny Committees are both interested in the impact that the Waste Contract has on the Council's revenue budget and savings plans.

6.6 The Committee discussed the report in more detail and the key points of the discussion are summarised below.

Waste Collection and Recycling targets.

6.7 The European Union (EU) Waste Directive imposes a target of recycling 50% of all waste by 2020. This target has been reflected in the Waste Contract targets. The United Kingdom (UK) has an aspiration to meet that target and current UK performance is 44%. It is a stretching target and could be achievable. What is not known is whether there will be any financial penalties if ESCC does not meet this target.

6.8 Waste collection arrangements and the impact on recycling rates and contract costs:

- The Committee heard that there was an impact on the waste contract from the collection arrangements and recycling performance of the collection authorities. ESCC has a duty to dispose of all household waste delivered to it by the waste collection authorities. Consequently, the more waste that is recycled under the current arrangements, the less ESCC has to pay in disposal costs.

- The Lead Member for Transport and Environment commented that it was up to each waste collection authority to determine how they collect waste, and that the waste collection arrangements were not part of the Waste PFI Contract.
- The Committee considered that it would be useful to have a breakdown of recycling rates across the various collection authority areas in order to target resources to improve recycling. Officers explained that there are known variations in recycling performance which are due to underlying factors such as areas of deprivation and housing stock (i.e. some types of housing do not have space for wheelie bins or to store waste).

Waste reduction and encouraging recycling

6.9 The Committee discussed what ability ESCC has to influence the amount people recycle and get supermarkets and other organisations to reduce packaging.

- Encouraging people to recycle more is largely a Borough and District Council responsibility. However, the Waste Team is working with Boroughs and Districts to improve recycling rates through education and other projects. There is an issue with the type of premises for collection and waste bin facilities. The Waste Team and partners are targeting efforts at people who research has shown are likely to recycle more.
- ESCC is obliged to make recycling credit payments to the Borough and District collection authorities for the amount of recycled waste they retain and do not transfer to ESCC for disposal. This acts as an incentive for the collection authorities to do well and recycle more.
- There are some national initiatives to reduce waste, such as the policy on charging for plastic bags. The reduction of packaging is difficult to tackle, although there is some work taking place by the Local Government Association (LGA). These are very visible types of recycling but do not represent a large saving due to the low tonnages involved.
- Supermarkets are covered by Producer responsibility regulations, but they also have to consider food standards issues. There are regulations that cover their packaging responsibilities which give the Environment Agency (who is the organisation responsible enforcement) ways of tackling packaging at source.
- The reduction of other waste streams like food waste and rubble/soil will deliver more savings under the waste contract due to the tonnage they represent. The Committee was told in the past 27% of waste in residual (black) bins was food waste. Officers commented that the amount of food waste is an issue but the amount of food waste has reduced recently due to economic pressures and wider publicity about food waste. Officers will provide the Committee with information on the current residual waste composition.
- The Waste Team has looked at the feasibility of setting up food waste collections with Borough and District Councils, but there are financial issues involved with the implementation and set up costs. It may be necessary to have separate collections for food waste. At present the evidence from initial partnership work suggests the cost of setting up collections does not make it viable to provide a separate food waste collection service (i.e. the collection costs outweigh the savings that could be made).
- Charging for garden/green waste (which contributes to recycling rates) is another issue. Some collection authorities charge for this service and others do not. If universal charging was introduced it is unclear whether this would increase or reduce ESCC's disposal costs.

Contract management resources

6.10 The Committee were informed that the current staff costs of managing contract are around £300,000 per year. There have been a number of reductions in staff as part of restructuring exercises and the requirement to make savings. If there is a need to carry out additional detailed work in order to achieve further contract efficiencies (as the DEFRA Review has highlighted), the department may need to buy in additional resources.

Waste management facilities

6.11 The Hollingdean Materials Recycling Facility (MRF) currently provides recycling facilities for all BHCC recycling. BHCC are contractually obliged to deliver all their recycling to Hollingdean, with BHCC and Veolia sharing the profits from the sale of recycled materials. Around 10% of the waste that goes to Hollingdean will go on to the Newhaven ERF for disposal because it cannot be recycled. Prior to the Joint Waste Contract with Kier, the District and Borough Councils were sending recycling materials to the Hollingdean MRF.

6.12 Household Waste Recycling Sites (HWRS). The Committee observed that the report suggests that recycling rates at the HRWS sites could be improved. Officers responded that there are reasons for this, mainly due to the fact that many items that are taken to HWRS sites are bulky and difficult to recycle. There is a piece of work underway to look at how recycling rates could be improved at HWRS.

6.13 Newhaven Energy Recovery Facility (ERF). It was confirmed that the ERF is operating at full capacity. Veolia is able to process some commercial waste, in addition to the waste from ESCC and BHCC. Both councils receive a share of the income from this activity.

Contract efficiencies and savings

6.14 Councillor Blanch outlined the interest from the ABVCS Scrutiny Committee in what can be done to achieve further efficiencies and savings in the contract cost. Councillor Blanch asked if the work with DEFRA had helped to identify areas for further savings, and whether DEFRA considered there was an opportunity to reduce some of the senior debt which ESCC pays interest on.

6.15 Officers responded that DEFRA had identified potential areas for savings that they would like to undertake more detailed work on with ESCC. There are many overlaps in the areas identified by DEFRA and those identified by the Waste Team where savings can be made (e.g. working with other authorities).

6.16 The Director of Communities, Economy and Transport (CET) commented that the DEFRA review report is draft and has not been presented yet. The offer from DEFRA is to provide time from specialists to work on developing savings, which the department will have to pay for. There will need to be an assessment of whether paying DEFRA represents value for money in delivering contract savings. The Waste Team is focussed on where savings can be made, and the department will take a risk based approach to savings opportunities in order to decide if it is worth buying in additional resource.

6.17 Sue Short, Waste PFI Accountant explained that 62% of the current contract cost is for operational costs. The remaining 38% of the cost is attributable to capital repayment, interest payments and profit requirement. The Director of CET stated that whether ESCC can reduce the level of debt in order to make savings is a difficult issue, as ESCC would need to find the capital to pay off the debt. It is not clear whether Veolia would be interested in agreeing to allow some of the capital to be re-paid early, especially if this had an impact on the returns from the contract. There may also be a one-off cost associated with paying off some of the debt early.

6.18 The Committee discussed the affordability of the contract and the key cost variables outlined in paragraph 3.3.1 (appendix 1 of the report) and shown in the graph on page 24. The cost of the contract rests on the risks involved in these key variables changing, and in particular if there is a growth in the amount of household waste. Officers confirmed that the growth in housing has been built into the modelling of contract costs. However, any additional income through a growth in Council Tax revenue will be paid to the Council as a whole and not to the department directly.

Best value review of contract

6.19 The Committee discussed the possibility of conducting a best value review of the contract, as provided for under section 5 of the contract. The Committee questioned whether this would materially add to the efforts being made by the officers to achieve contract efficiencies. The Director of CET commented that in his view Veolia would participate in a best value review of the contract, but ESCC may not derive much benefit from conducting a review.

6.20 The Committee were generally in favour of undertaking a more detailed review of the contract, especially in view of the escalating future contract costs. However, the Committee agreed that it should carefully assess whether it would be worth the officer and Member effort in doing a more detailed value for money review. This assessment will be based on an outline terms of reference for the review.

Next steps

6.21 The Committee agreed the first step is to finalise the work with DEFRA which will inform a draft terms of reference for a value for money review. The Committee can then decide what the next steps should be. The Director of CET agreed to draft the terms of reference for the review, once the DEFRA review report has been finalised and assessed. A report with the draft terms of reference will be brought to the next Scrutiny Committee meeting in September for the Committee to consider.

6.22 The Lead Member for Transport and Environment suggested that it would be a good idea for Members of the Committee to visit the waste facilities so they can understand how the ERF and other facilities operate. The Committee agreed to have tour of waste facilities.

6.23 The Committee RESOLVED to:

- 1) Note the report and thank officers for their work;
- 2) Undertake a tour of the waste disposal facilities; and
- 3) Receive a report at the next Committee meeting to consider a draft terms of reference for a contract review and decide what the next steps will be.

7 SCRUTINY REVIEW OF SCHOOL CROSSING PATROLS ALTERNATIVE FUNDING - TWELVE MONTH IMPLEMENTATION UPDATE REPORT

7.1 The Committee considered a report by the Director of CET which provided a twelve month update on the implementation of the recommendations from the Scrutiny Review of alternative funding for school crossing patrols.

7.2 Brian Banks, Road Safety Team Manager, introduced the report and outlined the latest update to the recommendations, including the updated information for schools and funding sources in appendix 3 of the report.

7.3 The number of school crossing patrol sites that ESCC funds is relatively static and there is little growth in the number of patrols. At present there are 29 sites funded by ESCC, 21 sites funded by sponsorship, and 5 operated by volunteers. The Road Safety Team Manager tabled an up to date list of all school crossing patrol sites.

7.4 In regard to the 13 sites that ESCC consulted on ceasing the funding for the school crossing patrol:

- 3 sites were re-assessed and found to meet the Council's criteria for funding;
- 6 sites were sponsored; and
- 4 sites were closed (two had patrol officer vacancies, and two were at light controlled crossings).

7.5 The Committee asked under what circumstances school crossing patrols are re-assessed to see if they meet ESCC's criteria for funding. Officers responded that sites will be re-assessed if there is no patrol officer in post (e.g. due to retirement or a patrol officer leaving). In addition, all sites are re-assessed every year (but not if they have been closed) by the School Crossing Patrol Supervisor and a site will be re-assessed if the Road Safety Team receives a request to do so.

7.6 The Committee commented that the possible sources of grant funding listed in "Funding News for Children and Young People" (appendix 3) was a general list that may give a false impression that there was a lot of funding sources available. It may be better to have a specific list of the funding sources that are prepared to fund school crossing patrols.

7.7 Officers responded that the Road Safety Team had taken advice from the ESCC funding advisor. There are no specific funding schemes that will fund a school crossing patrol, but there may be geographic or new funding streams that become available. The Assistant Director, Communities commented that he believes there is sufficient support for schools to find funding if they want to follow that option.

7.8 The ESCC Funding Team will provide advice to schools individually on the sources of funding that might be available for school crossing patrols. There is also support to seek funding for other schemes the school may want to fund and thereby release funding for crossing patrols if necessary. In addition, Academies can legitimately spend funds on school crossing patrols.

7.9 The Committee asked if crossings that have had their ESCC funding removed are re-assessed again. The Road Safety Team will re-assess any site if requested to do so, but does not have the resources to routinely assess all 130 primary school sites. Of the 6 sites that were sponsored following the removal of funding, it is not known whether the school is funding the crossing or the crossing is funded by external sponsorship. The Road Safety Team Manager said that he could find out and inform the Committee in due course.

7.10 The Committee sought further information on the number of light controlled crossings that are in use at school sites. The Road Safety Team Manager informed the Committee that since the Scrutiny Review report, three crossings have been installed (two zebra crossings and one Puffin light controlled crossing). In assessing a site for a Puffin crossing, the presence of a school crossing patrol would be taken into account as part of the site usage assessment.

7.11 The Committee RESOLVED to note the report and the progress made on implementing the recommendations of the Scrutiny Review.

8 SCRUTINY COMMITTEE FUTURE WORK PROGRAMME

8.1 The Committee considered the future work programme.

8.2 The Committee discussed the Reconciling Policy, Performance and Resources (RPPR) process. Director of CET outlined that a three year medium term financial plan (MTFP) was set in the last budget setting and he does not anticipate the savings plan changing. Consequently the Committee may not need November item to discuss the MTFP for the department.

8.3 The Committee agreed to add the six month monitoring report for the Scrutiny Review of Highway Drainage to the work programme for March 2017, and the twelve month monitoring report for September 2017.

8.4 The Committee resolved to note the programme and amend the programme in accordance with paragraph 6.23 (3) and 8.3 above.

9 FORWARD PLAN

9.1 The Committee considered the Forward Plan of key decisions.

9.2 The Committee RESOLVED to note the Forward Plan.

The meeting ended at 11.57 am.

Councillor Richard Stogdon
Chair