



COUNCIL – 1ST OCTOBER 2024

SUBJECT: WASTE STRATEGY FUNDING REQUIREMENTS

REPORT BY: CORPORATE DIRECTOR FOR ECONOMY AND ENVIRONMENT

1. PURPOSE OF REPORT

- 1.1. To agree the proposed financial commitments associated with the delivery of the Waste Strategy and Outline Business Case (OBC) following the recent response from Welsh Government (WG) and Cabinet endorsement on 18th September 2024.

2. SUMMARY

- 2.1 Endorsed by Cabinet in July 2023, the draft waste strategy set out the strategic direction and longer-term plan to ensure the council meets and exceeds its statutory performance targets, while being realistic about the timescales and resources required to meet these ambitions.
- 2.2. The strategy is based on five strategic objectives:
 - Reduce overall waste arisings.
 - Increase repair and reuse.
 - Increase the proportion and quality of material that is recycled.
 - Optimise contribution to and use of renewable energy, and
 - Help our residents to manage waste more sustainably.
- 2.3. The document also explores key areas of data to set out the council's current performance as well as setting out the rationale for a number of proposed interventions and service changes.
- 2.4. It is clear however that the council cannot make the changes alone, and that a collective effort is required. On 17 January 2024 Cabinet endorsed an in-depth 12-week consultation period to allow residents and other stakeholder groups the opportunity to help shape the proposals within the final version of the waste strategy.
- 2.5. At that meeting, it was agreed a further report would be presented to Cabinet in summer 2024 once the consultation had been completed and the

responses analysed. The report to Cabinet on 18th September set out the key findings from the 12-week public consultation on the council's draft waste strategy along with comments received from the Cross-Party Members Working Group and Joint Scrutiny Committee.

- 2.6. Through the consultation findings, this report also offered some initial operational recommendations to help mitigate the public impact of some of the proposals, and it sought approval of the waste strategy and OBC for agreement with WG.
- 2.7. The financial implications that were outlined in the Cabinet report on the 18th September 2024 identifies a capital cost requirement of £54.804m, however, this includes capital costs for replacement of existing vehicles so when this is removed the total capital funding requirement stands at £48.309m. There is also currently a revenue requirement of £1.400m of borrowing to fund the required Caerphilly CBC investment which is structured and taken out on a 25-year 4% annuity loan. Welsh Government have made it clear that they would not be able to provide any revenue support for the project but have offered assurances regarding capital support. On September 6th, 2024, the Deputy First Minister in Welsh Government approved, in principle, the Councils request for £27.559m in funding support. This support has now been confirmed in a formal award notification which was received from WG on 17th September 2024. An additional uplift will be provided to aid the Council's transition to ultra-low emission and electric vehicles. Of the £27.559m, £0.952m has been approved for the current financial year (2024/25).
- 2.8. To deliver the changes required, new depot and recycling infrastructure is required, and the capital investment therefore includes this as a major element of the capital expenditure. To achieve this, a new site will need to be acquired and cabinet have supported the investment of £4.657m in purchasing an appropriate mid valleys site to develop a new future proofed recycling facility to allow the move to a WG Blueprint waste and recycling collection service.
- 2.9. At its meeting on 18th September 2024, Cabinet endorsed the following recommendations, with the purpose of this report focussing on recommendation 2.9.4 below.
 - 2.9.1 Consideration was given to the key findings from the 12-week public consultation on the council's draft waste strategy and subsequent comments from the cross-party member working group and Joint Scrutiny Committee. This included some initial operational recommendations – described in detail at 5.9 of the report - to help mitigate the public impact of some of the proposals.
 - 2.9.2 The proposed final draft of the waste strategy and OBC was approved.
 - 2.9.3 The update on the OBC also outlined in the financial implications section (section 8 of this report) which set out a total capital requirement of £54.804m and Welsh Government's approval in principle of funding support for

£27.559m plus additional funding (amount to be confirmed) to support the Council's transition to ultra-low emission and electric vehicles was noted.

2.9.4 To recommend to Council the Council's total capital requirement of £24.868m should be funded through borrowing, £0.636m of which would be required in 2024/25 be endorsed.

2.9.5 Prior to Council consideration, the proposed purchase of the mid valley site that has been identified as the preferred option and the proposal to delegate the negotiation and completion of the acquisition to the Head of Land and Property in consultation with the Corporate Director for Economy and Environment and relevant Cabinet member was endorsed.

2.9.6 Any in year Waste Service revenue underspends are ringfenced to smooth revenue operation variations as the strategy is implemented over the next five years was approved.

3. RECOMMENDATIONS

3.1. Cabinet recommends to Council that the Council's total capital requirement of £24.868m should be funded through borrowing, £0.636m of which would be required in 2024/25.

4. REASONS FOR THE RECOMMENDATIONS

4.1. The draft waste strategy builds upon the previously endorsed Routemap and sets out the strategic direction to reduce waste and exceed Welsh Government statutory recycling targets.

4.2. Following a period of public consultation, the views of residents and other stakeholder groups have been considered in detail and helped shape the final version of the strategy for Cabinet and Council consideration.

5. THE REPORT

5.1. Endorsed by Cabinet in July 2023, the draft waste strategy set out the strategic direction and longer-term plan to ensure the council meets and exceeds its statutory performance targets, while being realistic about the timescales and resources required to meet these ambitions.

5.2. The draft strategy is based on five strategic objectives:

- Reduce overall waste arisings.
- Increase repair and reuse.
- Increase the proportion and quality of material that is recycled.
- Optimise contribution to and use of renewable energy, and
- Help our residents to manage waste more sustainably.

- 5.3. The document also explores key areas of data to set out the council's current performance as well as setting out the rationale for a number of proposed interventions and service changes.
- 5.4. It is clear however that the council cannot make the changes alone, and that a collective effort is required. On 17 January 2024 Cabinet endorsed an in-depth 12-week consultation period to allow residents and other stakeholder groups the opportunity to help shape the proposals within the final version of the waste strategy.

5.5. **Engagement to inform the draft strategy's development.**

The engagement and support of elected members has been crucial in shaping the draft waste strategy to date. In July 2023, Cabinet agreed to establish a cross-party member working group, to include trade union representatives, which has been instrumental in the development of the draft strategy.

In developing the draft strategy for public consultation, the group of 12 members reviewed several aspects of the strategy, giving a clear steer for each proposal. In addition, officers have worked closely with representatives of the Welsh Government appointed consultant teams (WRAP and Local Partnerships) to undertake thorough modelling of a range of options to inform the draft strategy in readiness for public consultation.

A Joint Scrutiny Committee was also held on 15 January 2024 for members to offer their views prior to Cabinet consideration of the draft strategy on 17 January 2024.

5.6. **The consultation process**

The 12-week consultation ran from Monday 5 February 2024 until Tuesday 30 April 2024.

Residents were invited to give their views in a variety of ways, including:

- A survey, which was available on the council's website, with hard copies also available from all county borough libraries. Hard copies could be returned via libraries or through the post.
- A dedicated edition of Newslite, delivered to each household within Caerphilly County Borough also featured a hard copy version of the proposals and associated consultation materials.
- A total of 16 informal face-to-face drop-in sessions were arranged at libraries and other community venues across the county borough. A further four online drop-in sessions were held, and extensive promotion of these sessions was supported by colleagues from the communications team. As far as possible, these sessions were held on different days of the week and different times of the day, including

evenings and weekends, to enable as many people as possible to attend.

- In addition to the advertised sessions, ‘pop up’ opportunities for residents to offer their views were held at supermarket foyers and other locations across the county borough, with attendance also at the council’s programme of town centre spring events.
- A dedicated meeting of the Viewpoint Panel, which is a group of residents who are regularly invited to get involved in the council’s consultation activities. Anyone who is a resident can join.
- Online engagement opportunities through the council’s digital engagement platform, Engagement HQ.
- Extensive targeted engagement with stakeholders, waste and recycling council staff and seldom heard groups. Identification of these was supported through the development of the integrated impact assessment for the draft proposals.
- Further engagement as identified in discussion with local elected members.

A full breakdown of each engagement session held, the date and location, the approximate number of attendees and an overview of feedback can be found at:

[Link to Consultation Report](#)

5.7. Options and Infrastructure

In selecting the preferred solution there has been consideration of a number of options and associated infrastructure requirements. The Waste and Resource Action Programme (WRAP) and their appointed consultants SLR conducted extensive and comprehensive analysis of various recycling service options outlined below and modelled them against the baseline.

Table 1: Options Modelled

Scenario	Description
Option 1a	(KSS) WG Blueprint Kerbside Sort with weekly Garden waste
Option 1b	(KSS) WG Blueprint Kerbside Sort with fortnightly Garden waste
Option 2	Three-stream, One Pass Retaining food and garden collections on a separate vehicle
Option 3a	Three-stream, Twin Pass with weekly Garden waste
Option 3b	Three-stream, Twin Pass with fortnightly Garden waste

Each of the above options were also modelled against changes in residual waste frequencies (3 and 4 weekly). Modelling these frequencies has considered the proven benefits of frequency changes, but also the decreasing levels of residual

waste sent to Energy from Waste (EfW) facilities. Whilst no EfW levels have been set beyond 2025, this project has taken a long-term view to decreasing residual waste levels as much as reasonably and practicably possible.

After a thorough evaluation, the recommended option is Option 1B with the construction of a new depot and transfer station in conjunction with the introduction of the blueprint recycling service, utilising Resource Recovery Vehicles (RRV's), with separate fortnightly garden waste collections with considerations given to collections being seasonal.

Significantly, the modelling also highlighted the need for a new transfer station and depot infrastructure for all options other than the baseline. This is because the current waste transfer station located at Full Moon, Cross Keys has insufficient developmental capacity to enable any sorting or bulking of source segregated recyclate. Additionally, the current depot at Tir-y-Berth does not have capacity for the significant number of additional vehicles that would be required with any of the options other than the baseline (table 1).

Development of the current waste transfer station at Full Moon and a Brownfield Site adjacent to Trehir HRC were considered during the modelling. These are assets and land already in Caerphilly's ownership, and therefore provided a logical basis to begin. However, the modelling ruled out Full Moon due to its footprint and lack of development land available at the site. In terms of the Trehir site, more brownfield land would need to be acquired adjacent to the Trehir site. From further consideration the topography of the adjoining land at Trehir proved problematic along with significant development costs. Consequently, a mid-valley location was modelled, and the outputs identified shorter travel times and fewer vehicles required. To further substantiate this conclusion further in-depth analysis has been undertaken on options 2 and 3 (twin pass options) which are included within the OBC. This review clearly discounts these options based on several factors including value for money, logistics, reduced performance and less favourable from a decarbonisation perspective.

Given the logistical benefits, a mid valley location was the preferred option as outlined by WRAP/SLR as part of the modelling work. The preferred site was broadly based upon the new facility at Vale of Glamorgan with a comparable and favourable footprint to take this forward. However, the availability of suitable land to develop a new recycling facility /depot has been challenging. The Council has considered several locations as part of this project including sites at Penallta Industrial Estate, Penmaen Industrial Estate, Trehir, Cross Keys, Pantglas Industrial Estate, Bedwas, Pontllanfraith, Oakdale Business Park, Nelson, Rhymney, and Dyffryn Industrial Estate. Unfortunately, most of the initial options were discounted due to the lack of capacity to develop the facility, cost, and the urgency of a decision to purchase the site to allow an appropriate lead time for development.

A preferred mid valley site has now been identified and the Council has negotiated a price for purchase. However, whilst the current landowner has agreed to reserve the site, they have indicated that they would need a final commitment to purchase from the Council during October 2024. If this is not received, they have advised that they

will pursue other options as there is interest in the site from other parties. However, the costs relating to the development of a new recycling facility has increased since the Initial Strategic Project Assessment was prepared.

It was initially anticipated that the current site and building could be refurbished to allow for the required recycling facility but there are significant limitations relating to the height of the building and number of supporting columns within the building. There are also concerns about the current entry/exit points to the facility which would not allow for a one-way system as well as the location of the required fuel pumps and other associated depot infrastructure. In its current format, the site would not allow for any future proofing. Therefore, the preferred options and financial implications have been based on the acquisition of the site and buildings, demolition, and construction of a new 'fit for purpose' facility on the footprint of the existing site which has increased the proposed development costs. The proposed site layout plan is included below in Figure 1.

Figure 1: CCBC Proposed RTS



The above option is the proposed blueprint compliant facility. The costs for the development of the facility are outlined in paragraph 8.4.

6. ASSUMPTIONS

- 6.1 On September 6th, 2024, the Deputy First Minister in Welsh Government approved, in principle, the Councils request for £27.559m in funding support. An additional uplift will be provided to aid the Council's transition to ultra-low emission and electric vehicles. Of the £27.559m, £0.952m has been approved for the current financial year (2024/25). This has now been followed with a formal offer letter to provide the required funding by WG on 17th September 2024. There is an assumption that WG will ensure appropriate funding is made available in accordance with the written offer over the coming years to allow the development of a new waste recycling facility to facilitate the transition to a Blueprint collection methodology.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1. Unsustainable consumption of precious resources and waste disposal has a significant impact on the environment and cannot be decoupled from its impact on our climate. It is important steps are taken to move away from the inefficient linear economy (where resources are taken, made into products, used, and finally thrown away) and transition to a more circular economy. In a circular economy, precious resources are kept in use for longer, maximising material quality and offering social and economic opportunities.
- 7.2. The draft waste strategy builds upon the previously approved Routemap and sets out the strategic direction to reduce waste and exceed Welsh Government statutory recycling targets. The council is at risk of circa £2.713m per annum fines (at current performance levels) for not achieving statutory recycling targets; the Minister previously took the decision not to fine the council subject to a root and branch review and supplementary actions being implemented to meet future targets.
- 7.3. The draft waste strategy sets out how Caerphilly will minimise the negative impacts of waste on the environment by reducing waste, ensuring items are used again, recycled for further manufacturing, or sent for recovery. It builds upon the short- term interventions agreed as part of the Routemap and provides evidence to the Minister of Caerphilly's commitment to make change.
- 7.4. The link to the full Integrated Impact Assessments for the draft waste strategy can be found here: [Link to IIA](#) and [Link to IIA](#). The document will be further refined in light of feedback through the public consultation and subsequent further input from the cross-party member working group.

8. FINANCIAL IMPLICATIONS

- 8.1. The summary Capital and Revenue position in regard the Waste Strategy is shown below in Table 2, a detailed breakdown can be found in Appendix 2:

Table 2 – Revised Revenue and Capital Costs

Strategy	2023/24 Year 0 £m	2024/25 Year 1 £m	2025/26 Year 2 £m	2026/27 Year 3 £m	2027/28 Year 4 £m	2028/29 Year 5 £m	2029/30 Year 6 £m	Total £m
Total Revenue Cost	9.317	10.520	10.031	11.184	11.261	12.649	12.840	77.802
Total Revenue Funding	-9.317	-10.520	-10.031	-9.784	-9.861	-10.058	-10.259	-69.831
Revenue Gap	0.000	0.000	0.000	1.400	1.400	2.591	2.581	7.971
Total Capital Cost	0.000	1.588	25.138	24.776	3.301	0.000	0.000	54.804
Total Capital Funding	0.000	0.000	0.000	-8.872	0.000	0.000	0.000	-8.872
Capital Gap	0.000	1.588	25.138	15.904	3.301	0.000	0.000	45.932

8.2. These costs are current best estimates but remain indicative at this stage and subject to change as officers prepare the Final Base Case (FBC). Final costs will depend on a range of factors including the final decision made on kerbside collection service changes, manufacturers and contractors selected, final site designs, and inflationary pressures. Prices have been indexed to allow for 2% inflation, site acquisition and development costs are based on a QS report in 2026 prices and includes indexation of 5.9%.

8.3. Operational revenue costs show an overall cost neutral position - this has been achieved by identifying additional savings from the blueprint WRAP modelling (which included materials sales and material processing cost savings) including fuel savings from zoning collection rounds, HRC rationalisation and not requiring a secondary sort at HRCs. In addition, a different approach has been taken to CCBC vehicle replacement funding strategy. Future core capital budgets will need to be committed to vehicle replacement in addition to a revenue sinking fund. In the Cabinet meeting on the 18th of September, Cabinet approved the proposal that any Waste service underspends would be ringfenced for this purpose to smooth the variations as the strategy is implemented over the next five years. All prices include assumptions on inflation. It should be acknowledged that this is high-level financial modelling undertaken for outline business case and contains many assumptions and estimates at this stage, there is therefore risk around this position, and it is subject to change.

The gap in revenue is driven by two items, the revenue cost of borrowing for Caerphilly based on an approximate 60% WG /40% CCBC funding split and assumed policy changes in relation to the Emissions Trading Scheme to include waste incineration and energy from waste (EfW) facilities from 2028.

The increase for borrowing would be a budget setting growth item of £1.4m. A revenue budget increase would be required if we do nothing to pay for the fines that could be levied for not hitting the 70% recycling target. Under the option 'do nothing with 3 weekly residual collections' recycling is projected to increase so the fines would reduce however we would still not hit the 70% recycling target and there is the potential that Welsh Government could look

to increase the target and fine in the future. Modelling has assumed that interest rates will reduce from current levels and that debt is structured and taken out on a 25-year 4% annuity loan after contribution from core capital budgets, this would equate to borrowing costs which are broadly in line with the current forecast fines.

Assumed ETS Policy changes have been included for the purposes of modelling from 2028 and would be on average £1.2m, these would need to be addressed through the budget process when they are approved. This increase would be required regardless of the option taken forward, the amount would be determined by the tonnages going through EfW facilities.

- 8.4. The total capital cost to implement the strategy is forecast at £54.804m. On the 17th September, Welsh Government issued a formal funding award letter, £47.842m of the strategy costs were identified as eligible for match funding, resulting in a grant offer of £0.952m for 2024/25 and in principal support of a further £26.607m for future years, this equates to circa 58% of the eligible strategy costs and total funding support of £27.559m. In addition, they confirmed that funding support would also be made available to aid the Council's transition to ultra-low emission and electric vehicles estimated at £2.4m.
- 8.5. The remaining 42% of eligible strategy costs of £20.283m and the balance of ineligible strategy costs of £4.585m would need to be match funded by the Council, of which £0.636m is required in 2024/25. The Council does not have sufficient uncommitted reserves to fund this so would either need to reprioritise existing commitments or undertake borrowing. The revenue cost of borrowing £24.868m, based on an annuity loan at 4% and after accounting for existing vehicle replacement revenue budgets would be £1.4m per year. For comparison the fines for not achieving recycling targets are forecast at £2.713m up to 2023/24 and forecast to be £1.337m per year thereafter, based on current performance against the 70% target.

9. PERSONNEL IMPLICATIONS

- 9.1. The proposals in the waste strategy to increase recycling performance would result in changes to the waste service and working practices. None of the changes will result in a reduced number of staff within the service but will require a significant increase in staffing.
- 9.2. The workforce has a key role to play in making the step changes required and they have been engaged in the development of the draft strategy and this will continue through to implementation. A workforce working group has been established and consists of representatives from the various functions across the waste service as well as Trade union representatives and officers from HR, Health and Safety and Transformation.
- 9.3. The scale of changes within the previously agreed route map and the draft waste strategy are wide ranging and support will be required from across the

Council to deliver the changes. The programme of projects detailed within the report will be managed and delivered through a robust project management process which involves all key service areas across the council. There are currently 9 officer working groups looking at various elements of the strategy which include representatives from Waste, Communications, Procurement, IT, Customer Services, HR, Health & Safety, Transformation, Property, and Infrastructure.

10. CONSULTATIONS

10.1 Public consultation has been central in the development of the Waste Strategy, in line with the Gunning principles.

11. STATUTORY POWER

11.1 The following statutory powers relevant to the Draft Waste Strategy are identified:

- Environment Protection Act (2010)
- Revised Waste Framework Directive (2018)
- Environment Act (2021)
- Waste (Wales) Measure (2010)

11.2 Equality Act 2010 and Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011. One of the specific duties covers matters of consultation and engagement.

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Background Papers:

[Link to Draft Waste Strategy, Cabinet 17 January 2024 & Draft Engagement Strategy and Consultation Questionnaire, Cabinet 17 January 2024](#)

[Link to Report to Cabinet 18th September 2024](#)

Appendix One

[Link to Appendix 1](#)

Proposed Waste Strategy Routemap

Appendix Two

[Link to Appendix 2](#)

Revised Revenue and Capital Costs

Appendix Three

[Link to Appendix 3](#)

Outline Business Case