



## 12-01 Cost and quality performance in refuse collection services

To all APSE main contacts in England, Wales, Scotland and Northern Ireland

### Key issues;

- Refuse collection is amongst the most high profile of local public services but pressure on the service continues to increase
- The service needs to control costs whilst delivering to demands on recycling and cost control measures
- There is a continuing national debate about the frequency of refuse collection services but this has to be informed by the realities of local performance and available resources.

### 1. Introduction

Refuse collection is amongst the most high profile of all local frontline services and continues to be a source of both public and political debate, with ongoing discussions about the frequency of collections, recycling performance and service costs. APSE performance networks performance indicators for refuse collection services cover a number of dimensions of the service including performance indicators on cost, productivity and quality.

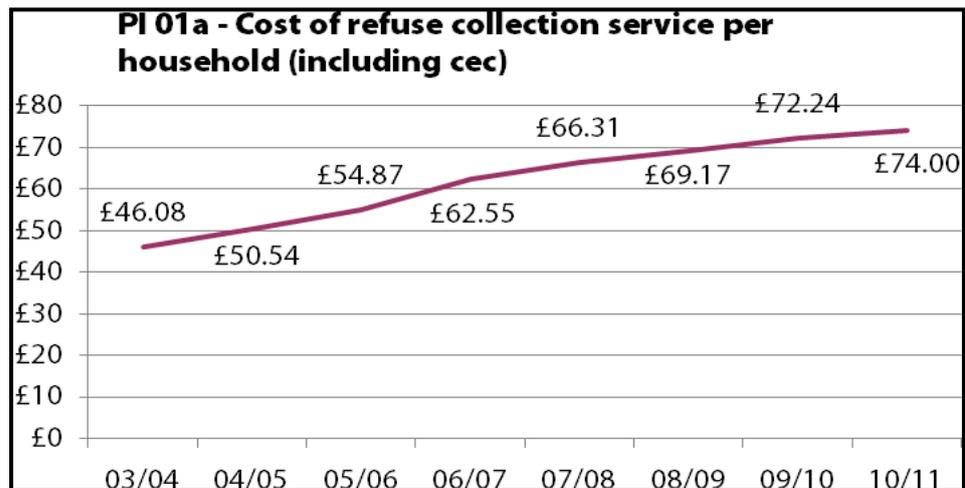
This briefing provides a summary for local authorities regarding trends covering a number of elements of the service. The analysis is based on averages across all 'family groups' (the unique grouping process applied to APSE performance networks data to provide more accurate comparative data) and is therefore service-wide, for the last five years (2006/07 (Year 9) to 2010/11 (Year 13)).

APSE members may recall that in last year's trend analysis briefing APSE reported on our agreement to share data between APSE and Waste Data Flow. We initially urged caution on using the performance data during the process of data integration with Waste Data Flow. However that process of integration has been highly successful and APSE is confident that the figures within this latest briefing reflect the new data lines and new data collection methodology applied to this service. The successful synchronisation of certain data has helped to reduce the burdens of data collection whilst preserving the accuracy of the data and reporting process. APSE would like to thank both the participants and the 'group champions' who assisted during this process.

### 2. Trend analysis and key findings

The cost of the refuse collection service per household has risen from £72.24 in 2009/2010 to £74.00 for 2010/2011. This figure however also reflects increases in central establishment charges (CEC) to a new all time high of 5.07% coupled with increased performance in recycling and hence in many cases new and more complex and discerning methods of collection. Whilst this shows an on-going increase from £62.55 in 2006/07 there is a corresponding reduction in waste sent to landfill and in the

volume of household waste sent for recycling, which shows a near to 10% increase since 2006/07 to a level of 38.92% for 2010/11.

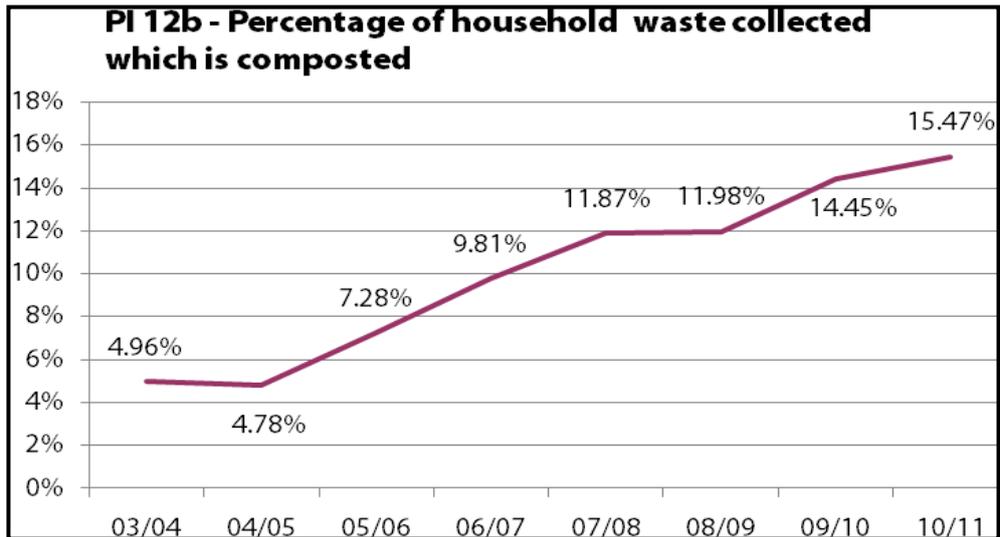


The net cost of recycling in 2006/07 was at £20.51 per household but for 2010/11 this rises to £24.88 however this increase is positively offset by continuing performance improvement in outcomes. Costs have been well contained compared to the improvement in performance with increased recycling, per tonne per household, rising from 0.34 tonnes per household in 2006/07 to 0.43 tonnes per household in 2010/11.



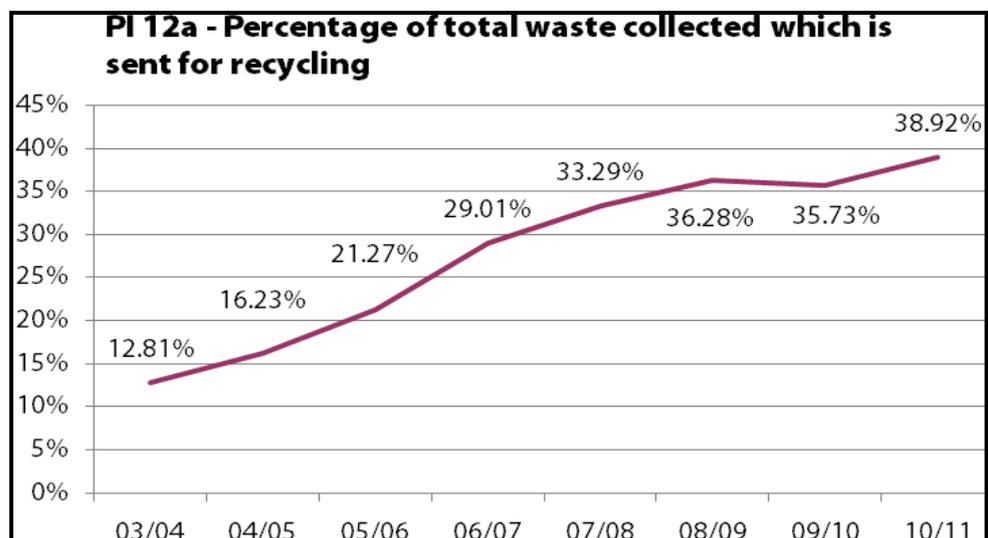
Whilst there has been a slight increase in recycling costs further 'gains' are evidenced by the volume of household waste sent for composting which shows a further marked improvement from last year of 1.25% taking levels to 15.47% and showing overall an over 50% improvement from 2006/07 levels of 9.81% to the current 15.47%.

Overall in recent years this has shown a slight slowdown in the rate of improvement but this is likely to reflect the fact that composting may now have reached saturation point in terms of both take-up and local collection priorities. This may also reflect the impact of moves towards Anaerobic Digestion (AD) on composting for food/green waste.

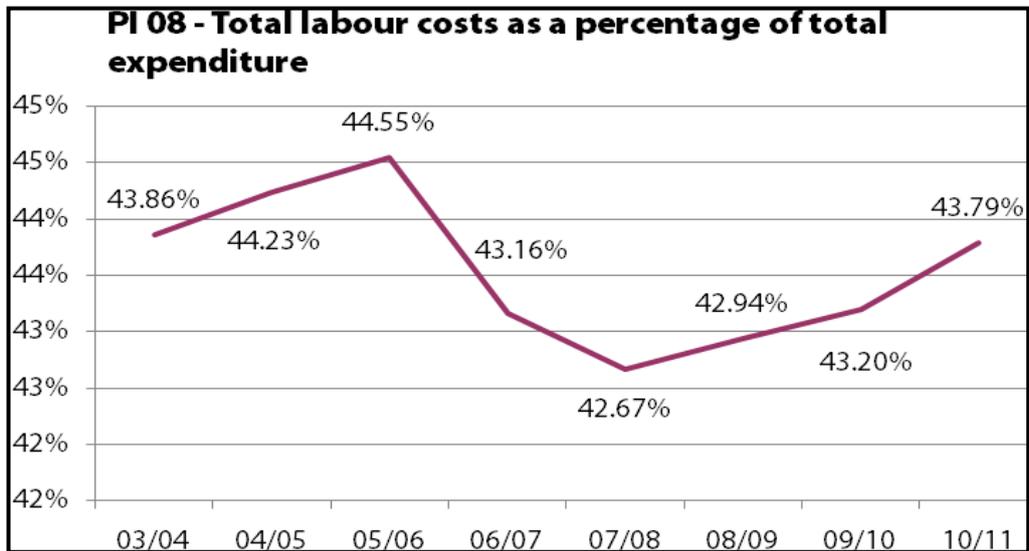


The overall percentage of total waste collected which was sent for recycling in 2010/11 reached a new high of 38.92% compared to 29.01% in 2006/07.

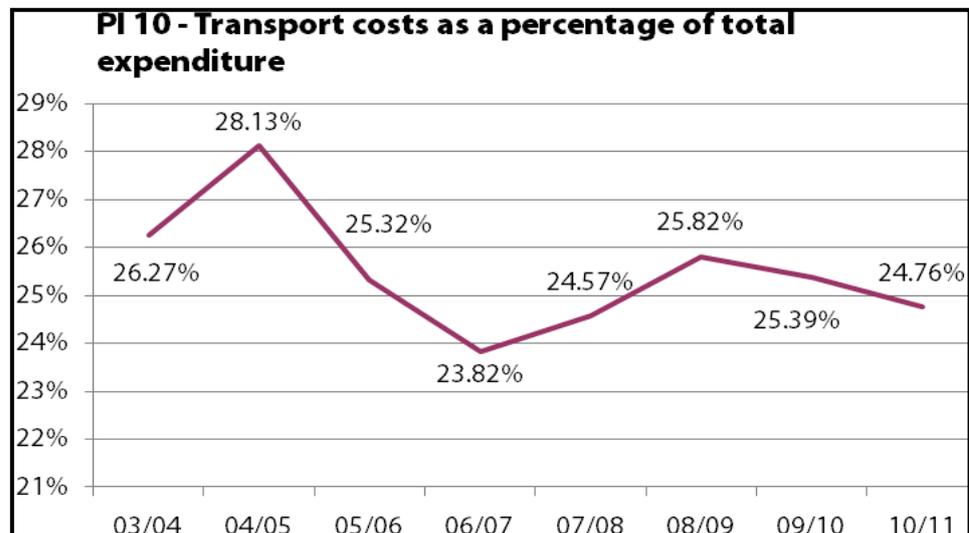
Last year we reported a slight dip in the tonnage of domestic waste sent for recycling per household and reflected that this may have been due to the severe weather experienced throughout the UK during December 2009/10. However, this years improved recycling rates, which nonetheless reflect a further severe winter in 2010/11, do not prove that theory. However the recovery of recycling levels could simply reflect that councils having taken on board lessons from the 2009/10 severe weather, to improve local responses to severe weather, and to preserve their ability to continue to perform high volumes of recycling, even when normal collection patterns are disrupted.



The spike in labour costs evidenced last year which was attributed to 'catch up' collections following the severe weather is again reflected in this years figures at 43.79%. This compares to last year at 43.20%. This could equally however indicate increased labour costs overall, reflecting new service demands, such as recycling and assisted collections, rather than a one off spike due to weather conditions. Further analysis in future years should provide a more accurate explanation.



In 2006/07 transport costs made up 23.82% of the total expenditure costs of the service. In 2010/11 the figures show costs at 24.76%. However this does not reflect any particular direction of travel on transport costs as they have tended to average at a round a quarter of all services costs. Transport costs will continue to present challenges both in terms of fuel cost inflation and price instability and in future years there could be a further impact if capital investment in new or upgraded fleet is delayed due to budget constraints (leading to increased maintenance costs).



In 2006/07 the central establishment charges were at 3.89% as a percentage of total service expenditure. In 2010/11 this figure has risen to at 5.07%. Many service managers will regard these ongoing increases in central establishment charges as unsustainable. Absence figures are decreasing (to a new low of 5.88% a reduction of 1.08% from last year alone) and in many cases new automated systems have been put into place to assist with service management and HR systems.

These reductions and new technologies have not been reflected in reductions in CECs but in fact many are seeing year on year 'non-negotiable' increases in central establishment charges.

If this direction of year on year increases continues than it is plausible to suggest that CEC will have doubled for refuse collection services since the start of data collection in 2003/04. This is a worrying trend and should cause service managers to attempt to establish at a local level the reasons for unabated increases on frontline services which clearly adds to service costs at a time when frontline services are expected to generate service based efficiencies and cost reductions.

### **3. Interpreting the data**

As a frontline service refuse collection is a high profile area and one which continues to be at the forefront of local public service delivery. It is often considered to be the most tangible local service provided by councils to local residents and has provoked political debates about collection frequencies and the 'rights' of residents to a decent refuse collection service. In spite of its high profile status the service has nonetheless shared the pain in terms of efficiency demands to produce the same or improved service outcomes but within constrained budgets.

Reflecting on this year's data the service continues to demonstrate improvements in containing costs but is able to demonstrate improved recycling performance and diverting waste from landfill. Labour costs have been contained well below inflation levels reflecting the freeze on local government pay. Despite the challenge of fuel price instability service innovations, such as training staff on fuel efficient driving skills, and techniques such as route optimisation, have helped to contain transport costs.

The service is well placed to inform current debate on the frequency of collections. Recycling levels have increased in line with new methods of refuse collection. Recycling has been optimised by new collection methods whilst allowing the service to develop without increased costs or at least containing costs at or below inflation levels. This should make evidence based decision making at a local level more informed. Whilst clearly the local method and frequency of refuse collection is for local determination the evidence provided by performance networks data will allow for an assessment based on the likely costs of different methods, the impact on recycling, impact on waste management and disposal issues.

The Waste Review has also announced the ending of the Landfill Allowance Trading Scheme (LATS) after the 2012/13 scheme year in England. The view of DEFRA is that whilst LATS has proven effective in influencing local authorities to take action to divert biodegradable waste from landfill, this has been through a combination of waste prevention measures, increasing recycling and composting, and investing in waste treatment facilities. Reliance instead will be on existing measures such as the Landfill Tax to deliver reductions in the amount of waste sent to landfill. This approach is consistent with the direction of wider Government reviews across the UK on waste policies. Ending LATS does not mean that diverting waste from landfill is any less of a priority, and waste will still need to be diverted from landfill to ensure that environmental benefits, (and EU Landfill Diversion Targets) are achieved. The requirements of LATS on local authorities remain in place and will be enforced until the end of the 2012/13 scheme year.

Moves to green technologies and the need to invest in sustainable and secure energy for the UK will continue to inform the future focus of the service. Waste to energy will continue to be a major focus for future service development, with the opportunity for refuse collection services to support waste to energy developments and the possibility of income generation through schemes such as the Renewable Heat Incentive (RHI)

which includes energy from Municipal Solid Waste. DECC was planning to launch the Renewable Heat Incentive (RHI) for non-domestic generators on 30 September 2011 but this was delayed due a State Aid issue raised by the European Commission. The Commission has now given State Aid approval to the RHI subject to the large biomass tariff being reduced from 2.7p per kWh to 1p per kWh. Revised regulations have now been re-laid in Parliament to reflect the required amendment to the tariff for large scale biomass.

As these changes occur, and waste is increasingly showing its potential to be a commodity for cash strapped councils, there will be a need to refocus on broader strategic outcomes and continued local and sub-regional integration on waste strategies. Encouraging behavioural change in support of those strategies will continue to present challenges for local authority refuse collection services. In particular the overall tonnage of waste produced by UK households, which local authorities must then deal with despite budget constraints, remains a concern. These issues present new challenges for the service in both immediate and longer terms and the balance of using waste as a resource compared to the costs of dealing with waste effectively and efficiently and in an environmentally sound way.

At an operational and cost level challenges remain. Whilst staff absence levels continue to decrease, which has a positive impact on service delivery and labour cost management, increasingly the focus must remain on matching resources to service delivery needs. This presents its own potential difficulties as authorities respond with new and more dynamic patterns of working and service delivery. Reliance upon overtime or other ad-hoc payments are unlikely to be sustainable ways of delivering services within tightly constrained budgets.

As detailed above a further area of concern is that of 'hidden costs' being bolted on to frontline services through central establishment charges (CECs). Whilst it is recognised that there should be a system for 'recovery' of genuine corporate support to frontline services these costs should be both fairly apportioned and reflect budget and service level reductions elsewhere. Anecdotal evidence, which is nonetheless supported by the figures in APSE performance networks, suggest that whilst reductions are made in the budgets available to frontline services there is no subsequent correlating decrease in the application of central establishment charges. Therefore the use of CECs falsely inflates service costs beyond those genuine cost increases attributed to the delivery of the service.

#### **4. Full data reports**

The full copies of APSE performance networks data reports are only available to those member authorities who are also members of APSE performance networks. The network is supported by benchmarking meetings and APSE's refuse collection advisory group. To find out details about the 'APSE service improvement and performance management advisory group' please email [mbaines@apse.org.uk](mailto:mbaines@apse.org.uk) or email Debbie Johns for details about the APSE refuse collection advisory group and performance networks on [djohns@apse.org.uk](mailto:djohns@apse.org.uk). Membership details about performance networks is available on the APSE website ( [www.apse.org.uk](http://www.apse.org.uk) ) or email Emma Nolan on [enolan@apse.org.uk](mailto:enolan@apse.org.uk)

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