

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Universal Services
Date:	28 April 2025
Title:	MRF Update Chickenhall Lane Eastleigh
Report From:	Director of Universal Services

Contact name: Sam Horne

Email: sam.horne@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to seek approval to proceed with the development of a new Materials Recovery Facility (MRF) in Eastleigh to ensure that the County Council can appropriately manage the increased range of dry recycling materials in line with Simpler Recycling and deliver enhanced recycling performance in Hampshire.

Recommendations

2. That the Executive Lead Member for Universal Services notes the update to the project and the associated financial, timeframe and performance implications.
3. That the Executive Lead Member for Universal Services endorses the approach to continue to focus on a twin-stream solution for dry recycling in line with the Government's preferred approach set out in the legislation, however this is not a direction from the County Council as a Waste Disposal Authority (WDA) to the Waste Collection Authorities (WCAs) in relation to the separation of waste.
4. That the Executive Lead Member for Universal Services gives approval to spend and delegates authority to the Director of Universal Services, in consultation with the Chief Finance Officer, to spend the budget required to deliver the MRF in line with the approved capital allocation of up to £50.5 million, to include consideration of investment in automated sorting technology and artificial intelligence where appropriate as part of the project, and where it can be demonstrated that it would deliver improved performance. Regular updates will be provided to the Executive Lead Member for Universal Services on progress and any significant alterations to the programme.
5. That the Executive Lead Member for Universal Services delegates authority to the Director of Universal Services, in consultation with the Head of Legal Services, to develop and enter into the required contractual arrangements needed to support delivery of the new MRF as well as any agreements to enable its procurement and construction.
6. It is recommended that officers explore, with district and borough partners, whether, once operational, we can share any proportion of the dry mixed

recycling income beyond that required by the disposal authority to cover their processing costs with any such future proposals to be brought back to the Executive Lead Member for Universal Services for consideration and decision in due course.

7. That the Executive Lead Member for Universal Services authorises officers to commence discussions with all Project Integra partners to develop principles to underpin an updated Joint Municipal Waste Management Strategy which seeks to deliver increased performance and environmental outcomes for Hampshire in terms of the whole waste system.

Executive Summary

8. This paper seeks to:
 - restate the background to the project
 - outline the context behind the unavoidable delays to the programme since the previous update
 - update and explain the project costs
 - explain the twin-stream approach and why it is the optimal system for Hampshire
 - set out the revised anticipated timetable for the project.

Contextual information

9. Hampshire County Council, as a Waste Disposal Authority (WDA), has a statutory duty for the disposal of municipal waste arisings in Hampshire. To fulfil this function, it has, in conjunction with its waste disposal partners (Portsmouth City Council and Southampton City Council) entered into a long-term waste disposal service contract (WDSC) with Veolia UK Ltd.
10. The WDSC is a Design, Build and Maintain as well as Service contract, which required the provision of the necessary infrastructure from the start. This was progressed from 1997 onwards, with the recycling infrastructure originally designed to deal with a defined specification of recyclable materials. As time has passed however, both consumption habits and packaging design has evolved, and the Hampshire infrastructure has become outdated with limited scope to address this without significant investment.
11. In December 2018, the Government published its Resources and Waste Strategy for England¹, which makes up a key part of its Environment Bill. This set a broad direction of travel in a number of areas affecting waste collection and processing, including a drive to achieve consistency in kerbside recycling nationally. This has mandated a standard set of dry recyclables which all Waste Collection Authorities (WCAs) should collect from households from April 2026, including paper, cardboard, aluminium and steel cans, plastic bottles, plastic pots, tubs and trays (PTTs), cartons and glass, and to include plastic films from 2027.
12. At present, the two MRFs in Hampshire are not capable of handling PTTs, cartons, glass or plastic films, and therefore Hampshire authorities will be

¹ [Resources and waste strategy for England - GOV.UK](#)

unable to meet the legislative requirements of the Resources and Waste Strategy. It is neither physically viable nor cost effective to upgrade the existing MRFs as set out in earlier reports to the Executive Member for Economy, Transport and Environment in July 2020² and September 2021³.

13. In October 2022, the County Council sought and received planning permission to construct a new MRF to meet the legislative requirements of the Environment Bill on a site owned by the County Council off Chickenhall Lane in Eastleigh. It was anticipated that construction would commence during 2023 with completion in 2025, but due to significant delays in the Environment Bill progressing through Parliament which would confirm the full specification of the MRF required, the start of construction has been unavoidably delayed.
14. On 29 November 2024, the Government published a Simpler Recycling policy update⁴ confirming the Government's position regarding the preferred system for waste collections. It clearly sets out the legislative position that all WCAs in England should collect paper and card separately from other dry recycling to maintain its quality, unless there is clear technical, environmental or economic rationale as to why it is not possible to fulfil this duty. This is now supported by primary and secondary legislation which has been laid.
15. Discussions with the WCAs through the Project Integra waste partnership have been ongoing for some time to determine the optimal system for managing dry recyclables in Hampshire. There is general consensus from a partnership perspective that a twin-stream system offers the best long-term outcomes for environmental and economic benefits, and following a cost analysis to compare twin-stream and co-mingled options, it was shown that twin-stream offers the greatest cost benefit from a whole system perspective. This was presented to the Project Integra Strategic Board on 10 February 2025, and was followed up with individual meetings with WCA Portfolio Holders during February and March, led by the Executive Lead Member for Universal Services and the Head of Waste and Environment Statutory Services.
16. These discussions highlighted the challenge that some WCAs have indicated that a twin stream system may carry a greater capital and revenue cost than a fully co-mingled system from a collection perspective. The opposite is true for the processing costs incurred by the WDAs which are far greater for co-mingled than twin stream.
17. The discussions with the WCAs also highlighted several areas where there is the potential to make operational changes that will improve the efficiency and effectiveness of collection services such as alternative tipping locations and provision for additional materials (batteries, small WEE etc..). We will be working with each authority and Veolia to ensure that, where possible, these changes are implemented.
18. The Government's policy update on 29 November 2024, which stated clearly that a twin stream approach with fibres separate from other materials is the optimal system to be employed, endorses the County Council's existing position and the proposals for a twin-stream MRF and, with the support of and in

² [Recycling and Single Materials Recovery Facility Update-2020-07-02-EMETE Decision Day](#)

³ [Recycling Infrastructure Planning Application-2021-10-28-EMETE Decision Day](#)

⁴ [Simpler Recycling in England: policy update - GOV.UK](#)

conjunction with Portsmouth and Southampton City Councils, now provides the required assurance to progress with the development as previously set out.

19. This report is prepared to enable the County Council to proceed with the development of the MRF, to align with the legislative direction, and is not a direction by the County Council, as a WDA, to the WCAs in relation to the separation of waste.

Finance

20. The County Council is part of a Tripartite Agreement with Portsmouth and Southampton City Councils and is the lead client for the WDSC. As part of the Tripartite Agreement the costs are apportioned based on property numbers and capacity required at the outset of the WDSC. Based on agreed contractual splits, Hampshire County Council would contribute around 77% of the capital required.
21. The Executive Member for Economy, Transport and Environment previously approved a capital allocation of £30m for this project in July 2020. Due to the unavoidable delays to construction while clarity was received, and the economic and market changes that have occurred in the intervening period, it was clear that this original capital allocation is no longer sufficient.
22. As such, a further report was considered by the Executive Lead Member for Universal Services on 20 January 2025⁵ to recommend to Cabinet and Full Council to increase the County Council's capital allocation to £50.5m. This provides the necessary contingency in the current financial climate to build the new MRF as well as redeveloping the existing Portsmouth MRF as a dedicated fibre (paper and card) processing plant, while enabling some flexibility to consider enhanced automation of the facility based on a suitable business case.
23. The primary drivers for the increase in costs are:
 - a. Inflation – since the original decision was made in 2020 there has been a sustained period of high inflation that has increased the cost of both service and materials.
 - b. Market demand – there is significant demand created because of the legislative requirements of Simpler Recycling and as a result the restricted supply is enabling suppliers to select the optimum contracts for them.
 - c. Construction sector challenges – the increased cost of materials. Labour shortages as well as the more general economic uncertainty has impacted on the sector impacting on availability and costs.
 - d. Facility automation – additional funding has been allocated to provide the ability to deliver automated sorting and data collection which would futureproof the new facility, subject to a suitable business case considering the capital and revenue implications. Due to the increasing availability of and confidence in the technology this is an option which now warrants consideration with regards to future proofing.

⁵ [Universal Services Proposed Capital Programme 2025/26, 2026/27 and 2027/28 and 24/25 Q3 Update-2025-01-20-ELMUS Decision Day](#)

24. The design and construction will be managed by the County Council's waste management contractor, Veolia UK Ltd. The costs will be refined as the parties engage with suppliers to ensure that best value is being achieved.
25. As noted in the February 2025 Cabinet report, it is proposed that the MRF will be funded through prudential borrowing, supported by a robust business case to be submitted for approval in due course. The capital costs will be shared with Portsmouth and Southampton City Councils, in line with agreed funding agreements on apportionment.
26. As discussed above, projected cost information for both a twin-stream and a co-mingled collection system was collated from all 11 Hampshire WCAs, both unitary authorities and the County Council to identify the optimal approach on a whole-system cost basis. The analysis showed that twin-stream has the lowest overall total cost in terms of capital and revenue. The graph and table below were collated using the cost information provided by each of the individual authorities to estimate the cost of implementing both a fully co-mingled and twin stream systems. The figures include both the collection and disposal costs with the graph showing the estimated total cost (capital and revenue) and the table showing the additional ongoing estimated revenue costs.

Graph 1: Total system costs – capital and revenue

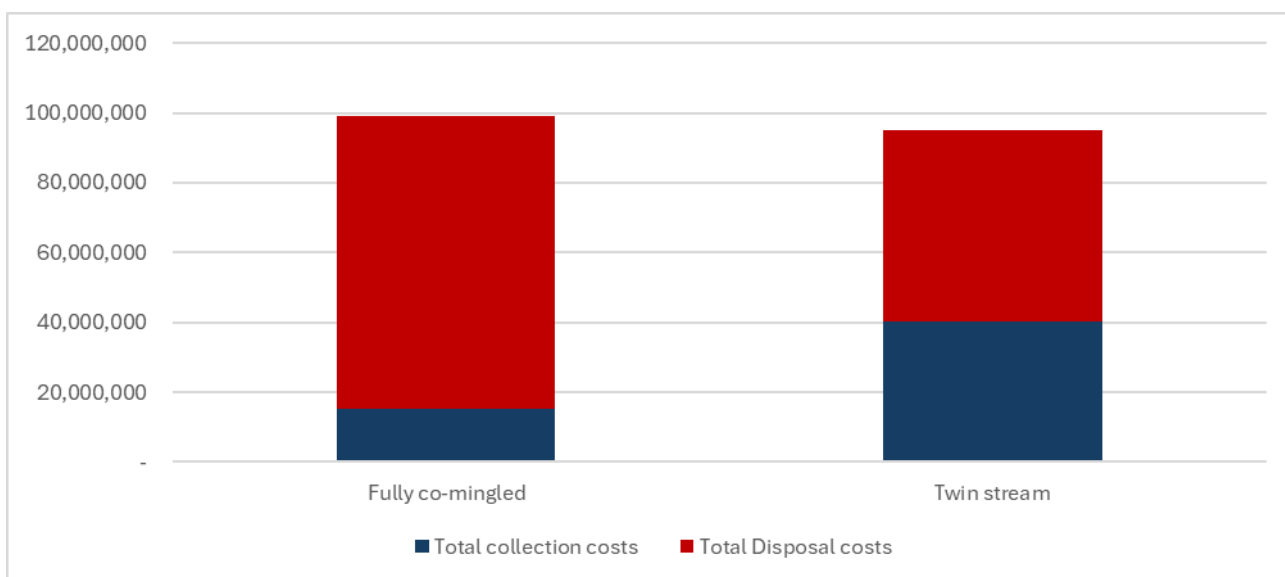


Table 1: Revenue costs – Year 1

	Comingled System	Twin Stream System
Revenue Cost	£23,455,573	£16,610,996

27. Under the packaging Extended Producer Responsibility (pEPR) legislation all local authorities are to receive funding from the pEPR Scheme Administrator⁶, the

⁶ [Estimates for payments to local authorities under Extended Producer Responsibility- EIR2024/23440 - GOV.UK](https://www.gov.uk/government/consultations/estimates-for-payments-to-local-authorities-under-extended-producer-responsibility-eir2024/23440)

body established to implement and manage the pEPR scheme, to fund the cost of collecting and processing in-scope packaging. It is the expectation of the Scheme Administrator that this would be used primarily to fund the costs associated with compliance of Simpler Recycling and any new collection services required. This was confirmed by DEFRA in their UK joint policy statement on packaging Extended Producer Responsibility⁷ where they noted that local authority payments should enable them to deliver against the objectives set out in the statement to;

- the use of environmentally sustainable packaging
- the prevention of packaging becoming waste
- an increase in the reuse of packaging, and in the quantity and quality of packaging materials recycled; and a reduction in the packaging material placed on the market.

28. As part of the wider implementation of Simpler Recycling, WCAs who had not already fully implemented food waste collections were also awarded capital funding to purchase vehicles and containers, alongside transitional funding as part of the New Burdens principle. In addition, DEFRA has stated that all WCAs will receive revenue funding for food waste collections from April 2026 when the legislative requirement starts.

29. Following a series of individual authority meetings between the County Council and the WCAs, the Executive Lead Member for Universal Services wrote to the Project Integra Strategic Board Member of each WCA setting out the position of the County Council. This letter recognised that a number of WCAs had highlighted the costs associated with the enforced legislative changes to dry mixed recycling services as being a potential barrier to implementing a twin stream collection system. In recognition of this, the Executive Lead Member for Universal Services noted she was willing to explore whether, once operational, the County Council could share any proportion of the dry mixed recycling income beyond that required by the disposal authority to cover the fact that the County Councils pEPR payment is net of income.

30. It is noted that the income derived from the sale of recyclate is based on market prices that can go both up and down, however it is important to note that the quality of the material is key as this both maximises the value of the material as well as minimising the cost of dealing with contamination which currently costs the County Council over £2 million per annum. Delivering a highly efficient and effective recycling service that captures as much uncontaminated material as possible will result in both increased levels of income as well as increased recycling performance levels. In line with the Simpler Recycling directives, keeping the fibre (paper and cardboard) stream separate from other recyclables results in greater quality and better income, which demonstrates why a twin-stream approach is preferable from a whole system perspective. High performance will in turn also ensure that the potential for reductions in pEPR funding are mitigated as far as possible. This system will only be achieved if both

⁷ [UK joint policy statement on packaging Extended Producer Responsibility - GOV.UK](#)

the collection and disposal elements of the system are working together in partnership.

Timetable

31. Following agreement to recommence the MRF programme, it is anticipated that construction of the facility will begin by the end of 2025. In line with the estimated delivery timeframe (shown in the table below), it is therefore expected that the MRF would be operational by the end of 2027. It is recognised that this misses the legislative target for compliance in April 2026 and it is not clear at this stage what the implications on the Hampshire authorities for not meeting the target could be. However, it is important to note that progressing with the twin-stream option as previously approved will result in the facility being completed sooner, and will thereby support the WCAs in achieving compliance with the Simpler Recycling regulations more quickly than other alternatives, which would require either a variation to the existing planning permission or an entirely new one, both of which may be very complex and unfeasible within the confines of the current site.

Procure contractors for construction and fitting	July 2025
Commence pre-site works	September 2025
Commence construction of building	October 2025
Building substantially complete	End of 2026
Installation complete / testing phase	September 2027
Plant operational	By end of 2027

32. The timeline to deliver the infrastructure required to manage fully co-mingled material would be significantly longer as the current proposed facilities and planning permissions would need to be reviewed. The earliest date that commingled infrastructure could be operational is 2029/30 and this is subject to being able to utilise the Eastleigh site for one of the two MRFs that would be required. This would result in a further delay of at least 12-24 months before Hampshire residents would be able to recycle the increase range of dry recyclable streams stipulated in the legislation.

Waste Strategy

33. To ensure that the most is made of this significant and positive change to recycling services across Hampshire, it is proposed that the County Council, working collaboratively with all Project Integra partners, commences discussions to form principles to underpin the development of a new updated Joint Municipal Waste Management Strategy (JMWMS) both to refocus on applying the waste hierarchy and engaging residents to do their bit. This should have a strong focus on establishing a clear justification for using a data and insights led approach that supports a whole systems cost ethos that will be in the best interests of all

residents and service providers following local government reorganisation, expected in 2028.

Consultation and Equalities

34. This decision seeks approval to progress with the proposed MRF programme in line with the timetable set out above, and in accordance with previous Executive Decisions in 2020 and 2021.
35. As this development will maintain, and in many ways enhance, the recycling service offering provided in Hampshire, it is deemed that it will have a neutral impact on all protected characteristic groups as well as other policy considerations.
36. The County Council has engaged with all WCAs both as a collective through Project Integra meetings as well as undertaking individual meetings with each WCA to understand the position of, and potential challenges faced by each authority in relation to the different system options.
37. During the individual WCA meetings a number of operational constraints were highlighted that could improve the efficiency of collection services such as tipping locations and provision to capture additional materials. We will work to support these changes, where feasible to ensure that the systems operate as effectively as possible.

Climate Change Impact Assessments

38. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

Climate Change Adaptation

39. This project has been assessed using the climate change adaptation project tool and this has identified that it has a low vulnerability to the impacts of climate change. The proposed development has the potential to be impacted by extremes of weather and a key action will be to ensure the design of the facility and the wider site takes account of the potential impacts and mitigates against them as far as practicable.
40. The project supports two of the County Council's strategic priorities:
 - *Hampshire maintains strong and resilient economic growth and prosperity* - Through investment in high quality modern facilities to sort recycling to enable supply to secondary markets as well as provision of local employment.
 - *People in Hampshire enjoy a rich and diverse environment* - The provision of modern and high-quality recycling infrastructure will help support improved recycling performance for Hampshire, and therefore better environmental outcomes.

41. This project will support the delivery of a change to a twin-stream kerbside recycling service across Hampshire, with the outcome of increasing the recycling performance across the County. This system has been assessed against the alternatives of maintaining a fully co-mingled recycling service or opting for a 'kerbside sort' approach, and determined the best option, with a carbon impact assessment being a key factor in the decision. This also supports the legislative direction outlined by the Government in November 2024. The assessment showed that the twin-stream system would result in a significant reduction in carbon emissions compared with the current co-mingled service and an equal reduction to that achieved through a kerbside sort system.
42. The modelling work showed that the preferred twin-stream approach delivers a significant increase in the overall recycling rate for the Project Integra partnership by approximately 13.4%. This significant shift in recycling performance results in a reduction of the equivalent of 13,603 tonnes of CO² per annum compared to the current system from a waste disposal perspective. Whilst from a whole system perspective there is a small increase in the carbon impact of the collection of material (2,175 tonnes CO² equivalent), there is still a significant overall net reduction of 11,428 tonnes CO² equivalent.

Conclusions

43. There is a clear priority to progress with the development of the new dry recycling infrastructure to enable the WCAs to achieve compliance with the legislative and regulatory requirements of Simpler Recycling as soon as is practicable. This will also ensure that the residents of Hampshire, as well as Portsmouth and Southampton can recycle a wider range of dry recycling streams than they are currently able to, as well as enabling Hampshire County Council and its' Tripartite partners to fulfil their statutory duties as WDAs.
44. To comply with the relevant legislation, it is clear that a twin-stream approach offers both the most economically and environmentally beneficial solution when the whole system of waste collection, processing and disposal is considered. A twin-stream MRF also ensures that Hampshire is able to deliver the infrastructure necessary for the WCAs to be compliant with the legislation much sooner than would be possible with an alternative system.
45. Further financial and waste flow modelling is required following market engagement to determine the value of investing in automated sorting and artificial intelligence as part of the project. This will include consideration of the benefit associated with increased data gathering and how this can be used to deliver improved performance in line with the proposed waste strategy set out above.
46. To achieve the maximum environmental, social and financial benefits associated with the upcoming significant changes to waste services, it is recommended that the County Council works with all its Project Integra partners to develop the principles to underpin an updated joint municipal waste management strategy, to be brought back for consideration by the Executive Lead Member of Universal Services at the appropriate point.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
<ul style="list-style-type: none"> • Universal Services Proposed Capital Programme update • Recycling Infrastructure Planning Application • Recycling and Single MRF update 	20/01/2025 23/09/2021 02/07/2020
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>
<ul style="list-style-type: none"> • Simpler Recycling in England: Policy Update 	29/11/2024

Section 100 D - Local Government Act 1972 - background documents	
<p>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.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

As this development will maintain, and in some ways enhance, the recycling service offering provided in Hampshire, it is deemed that it will have a neutral impact on all protected characteristic groups as well as other policy considerations.