



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
6 October 2020
Agenda Item 5

Key Decision [Yes]

Ward(s) Affected: All

Commercial Food Waste Collections

Report by the Head of Environmental Services

Executive Summary

1. Purpose

- To brief members on the proposed, and recommended, product build and launch of a new Commercial Food Waste (CFW) collection service for Adur and Worthing businesses.
- To seek approval to proceed with the above and delegate authority, where appropriate, to the Director for Communities to procure equipment and tender for contracts, where required, to operate the service.

2. Recommendation

2.1. The Joint Strategic Committee is recommended:

- a) To delegate to the Director for Communities authority to procure for, and purchase, a waste food collection vehicle.
- b) To delegate to the Director for Communities authority to procure for a food waste disposal agent, and to enter into a contract with the most economically and operationally advantageous provider.
- c) To approve the introduction of a new commercial food waste collection service for business only.

d) To approve the purchase of the vehicle and associated equipment (£85,000), funded from the Capacity Issues Reserves split as follows:

- 70% to Worthing (£59,500); and
- 30% to Adur (£25,500).

This is based on expected volumes of business for each Council.

e) To note that a progress report will be presented to the Executive Member of the Environment 6 months after the implementation of the scheme.

3. Context

A&W Commercial Waste Services collect general and recycling waste weekly, from businesses within Adur and Worthing. Recycling waste is disposed of via West Sussex County Council's facility. General waste is disposed of via a private waste disposal contractor, to be processed by incineration and converted to electricity (energy from waste). Offering a new Commercial Food Waste collection service would fill a gap in the market in Adur & Worthing Councils' Commercial Waste Services portfolio.

In line with Platforms for our Places, local Adur and Worthing businesses stand to benefit by having cheaper waste disposal bills and by reducing their operational impact on our environment if this new product is introduced.

- 3.1. Fees for the disposal of general waste are charged for 'per tonne' measured by the lorry load, 'at the gate'.
- 3.2. A&W Councils are currently in contract to process commercial general waste.
- 3.3. The commercial customer market for waste disposal is highly competitive and Adur & Worthing Commercial Waste price rises must be carefully considered and planned. Rising general waste disposal costs are reducing surplus made (margins) across the current commercial waste portfolio, relative to the market price for the customer product.
- 3.4. During in-house customer survey work conducted December 2019 to January 2020, a gap-in-the-market for the collection of food waste from businesses such as restaurants and care homes, as a new commercial product, was identified.
- 3.5. Competitor waste providers already offer commercial food waste collection services to business customers within the Adur and Worthing areas and beyond.
- 3.6. Some commercial customer contracts mandate a separate waste stream for food waste (e.g. schools). Without a separate commercial food waste collection product, Adur & Worthing Commercial Waste would be excluded from some future tenders.
- 3.7. Following waste composition analysis we found that, on average, 30% of a general commercial waste bin's contents were in the form of food waste.

Removing this weighty element from the bin, and disposing of it separately, saves the Councils in general waste commercial disposal fees which are more expensive.

- 3.7.1. Example: For food waste producing customers, an 1100 litre general waste bin weighing (a popular product) 90Kg of waste typically holds approximately 25Kg of food waste. Diverting food waste to a cheaper, more sustainable means of disposal saves Adur & Worthing Councils approximately £148 per year, per customer, in general waste disposal fees.
- 3.8. A full-option and cost-analysis approach has been taken. 11 product options have been considered, including 'do nothing'.
 - 3.8.1. Compared with partnering with another Council and a private operator, Option 1c (run and manage service in-house, using own vehicle and staff) was selected as the best option for the Councils to pursue.
 - 3.8.2. £13K is expected in commercial disposal fee savings, at a base size of 65 customers, or more, over a 1 year period.
 - 3.8.3. Combined with expected annual commercial disposal savings of around £13K, the expected net income/ saving is likely to be between £18K and £30K, when inflation and rises in general waste tipping fees are considered, plus product price rises.
- 3.9. For many business customers who currently have multiple collections of general waste per week, customers can expect a reduction in their bills.
 - 3.9.1. Example: A **business customer** who downsizes their general waste regime and takes the new commercial food waste collection product, paying £1,632.80 per year for 4 collections per week (52 weeks per year), can expect to **save** around £400 per year on their annual bill (subject to survey).

4. Issues for consideration

Adur & Worthing Councils Environmental Services and the Adur & Worthing Councils Business Development Manager recommend the creation of a new Commercial Food Waste collection service for business customers within the areas of Adur and Worthing.

- 4.1. Adur & Worthing Commercial Waste products are strategically important for the Councils, financially. Over 2500 customers must be defended. The current commercial waste portfolio operates in a highly-competitive environment. Two local service providers have been identified who offer food waste collections as part of their service.
- 4.2. To remain competitive and support our local customers in-line with Adur & Worthing Councils' Platforms' agenda, commercial food waste collections should be included in the Adur & Worthing Commercial Waste's product mix.
- 4.3. Defra's Waste Strategy Paper for England should conclude by 2023. It is expected that it will become mandatory for local government authorities to provide the collection of food waste as a service to residents in future.
 - 4.3.1. It is therefore strategically important to have this capability ready for 2023. The acquisition of plant and equipment and new skills gained through the commercial product, will facilitate Adur & Worthing Councils' potential future public food waste collection service.
- 4.4. Currently, commercial general waste collected by Adur & Worthing Councils is not sent to landfill, but is treated locally by an 'electric generation, energy from waste' process. Food waste with its generally inherent high water content can hamper this process. At the commercial waste disposal facility, 'wet' waste must be sorted from drier combustible material, a burden which can be reflected in disposal prices per tonne.
 - 4.4.1. Separating out, and therefore removing food waste from this process, could save money in future general waste disposal contracts.
 - 4.4.2. Diverting food waste to a food waste disposal specialist to be converted to a biogas, is recognised as a more sustainable method of electrical energy production.
 - 4.4.3. Electricity generated from biogas as opposed to electricity from general waste is a less carbon intensive process and more efficient.
 - 4.4.4. In the UK, biogas is classified as a renewable energy.

4.5. COVID-19

All market assessment, consultations and engagements took place prior to the COVID-19 UK lockdown in March 2020. Market conditions have of course changed since then and work continues to assess the likely impact to revenue from existing Adur & Worthing Commercial Waste collections. However, as the UK emerges from lockdown and the economy begins to show signs of recovery, it is expected that there will still be demand from those customers still operating, who wish to save money on their bills and help reduce their environmental impact in the long-term. There is also an opportunity to win new customers should we be able to offer a transferable or comparable service.

5. Engagement and Communication

- 5.1. An in-house market research survey, gauging local appetite for commercial food waste collections, was conducted during December 2019 and was concluded in January 2020. The Business Development Team also attended a WRAP food waste conference (July 2019) and the 'Turning Trash into Treasure - rethinking food waste seminar', held at the Brighthelm Centre, July 2019.
 - 5.1.1. Twenty existing food waste producing customers were asked about their food disposal habits, the type of customer they served and their kitchen type. Surveyed (December 2019) on current waste disposal methods and their views on operation and prices.
 - 5.1.2. WRAP conference attended (Summer 2019). This conference specifically covered approaches to food waste management by other local authorities in the UK.
- 5.2. Dialogue and early commercial discussions on a potential food waste collection partnership commenced with Brighton Paper Round during September 2019, concluded January 2020. Although discussions were positive, the financials have been assessed as not representing best value for Adur & Worthing Councils at this time. The relationship with Brighton Paper Round, a competitor commercial waste operator within Adur and Worthing, remains positive and a future working relationship has not been ruled out.
- 5.3. No commercial contract for the disposal of commercial food waste has been quoted for at this time. Two food waste disposal agents within 1 hours' drive have been identified as potential suppliers to the Council, although a strict tender process must be followed if, and when, the go-ahead for commercial food waste is granted.

- 5.4. Basic 'quick quotes' have been obtained from providers for a specific food waste collection vehicle at around £65K. Using existing waste collection vehicle stock has been discounted due to its unsuitability for the purpose. Some Councils have used traditional waste collection vehicles for the purposes of food waste collections, but those vehicles then went on to suffer higher than would be expected faults and corrosion, in-life.
- 5.5. No formal arrangements with any potential supplier have been made.
- 5.6. Quotes gained through direct means or via other local authorities, are for illustrative purposes only. It should be noted that Chichester District Council launched a commercial food waste collection product in January 2020 using a specific food waste collection vehicle and local food waste disposal agent in Ford, West Sussex. Through shared Council learning, Adur & Worthing Commercial Waste would likely wish to follow a similar approach to an equivalent product build and route to market.
- 5.7. If approved, commercial food waste 'the product' will be offered alongside Adur & Worthing Council's mature commercial waste services and be part of the Cheaper Greener Trusted campaign (ongoing, launched June 2020).
- 5.8. 65 customers will be selected proactively to form part of the first cohort, based on collection frequency, likely saving, and appetite for change. However, there would be no restriction on any business customer within Adur & Worthing who wished to join the new service.
- 5.9. If approved, Adur & Worthing Councils Commercial Waste team would seek to roll-out the service to both Adur and Worthing within the first year. However, the most efficient round would always be sought as an operational priority to keep on-costs to a minimum.
- 5.10. A separate accompanying 'food waste' bolt-on element to the Cheaper Greener Trusted campaign would be required. Should the new product be approved, a 'window sticker' for businesses would be developed to show the public how that customer (business) now 'recycles more' and 'disposes of their food waste responsibly'. It is hoped that this advertising strategy would drive consumer demand, for the new commercial food waste product, for local businesses.
- 5.11. In line with current commercial waste activities, regular service updates on the commercial food waste collections' performance will be made available to the relevant executive Council member (e.g. Environment and Digital).

6. Financial Implications:

- 6.1. The new food collection service will require a new vehicle, associated weighing equipment, and new bins.

Capital investment required:	£
Collection vehicle	65,000
Digital weighing equipment	17,000
Food waste bins	3,000
Total budget required	<u>85,000</u>

Overall a capital investment of £85,000 is needed to launch the service which is not currently contained within the budgets of the Council.

- 6.2. From initial research, around 65 of our current trade waste service customers would be suitable to transition across to the new service, and it is estimated that by year three, we may be able to extend the service to 90 existing customers. The new service would offer the customers the ability to secure a saving in existing disposal costs.
- 6.3. However, this will come at a cost to the current trade waste service which will lose some income and any associated tipping charges. Overall the cost of the project over the next 3 years as the service expands to existing customers is estimated to be:

	2021/22	2022/23	2023/24
	£	£	£
Income per year	12,090	24,660	37,740
Less : Costs			
Staffing	-3,080	-6,280	-9,610
Tipping charges	-1,540	-3,210	-5,010
Vehicle running costs	-2,180	-2,710	-3,260
Net income from food waste	<u>5,290</u>	<u>12,460</u>	<u>19,860</u>
Impact on trade waste service:			
Income lost	-18,090	-36,660	-55,740
Less: Tipping charges	10,270	21,360	33,330
Net lost income	<u>-7,820</u>	<u>-15,300</u>	<u>-22,410</u>
Net overall loss	<u>-2,530</u>	<u>-2,840</u>	<u>-2,550</u>

This assumes that all administration costs will be absorbed within existing resources.

- 6.4. Whilst the service itself is profitable, the potential loss of net income associated with trade waste means that overall the Council will make a small net loss associated with the introduction of food waste to existing customers. This will be absorbed by the expected growth in the commercial waste service in 2021/22 as we will offer a more appealing suite of services and enable us to retain existing customers where there is now a requirement for separate food waste collections.
- 6.5. If the service is able to win new customers from competitors, as expected, then there would be a favourable impact on the current net income to the existing commercial service. Each new bin collected from a new customer will generate a surplus and so the losses associated with the conversion of the existing customers would be eliminated with the sale of an additional 10 - 12 bins per year to new customers. There is an opportunity to bid for several new, large-scale food collection contracts in the New Year which would rapidly improve the position.
- 6.6. By investing in this service, the Council will protect the current waste collection service:
- It will provide the opportunity to bid for trade waste contracts where the customer requires food waste collections as part of the overall package of services;
 - It will build capacity within the trade waste service to take on additional new customers without having to invest in a new round;
 - Deliver on promises in Platforms for our Places regarding climate resilience, food waste, and waste minimisation/recycling.
 - Provide an attractive offer to new customers who have not previously used the Council's trade waste services.
- 6.7. Given that the margins in the initial year are likely to be very small, it is recommended that the investment needed to set up the service (£85k) is funded from the Councils' reserves split on the basis of expected use (Adur 30% / Worthing 70%).

7. Legal Implications

- 7.1. Section 111 of the Local Government Act 1972 provides that the Council shall have the power to do anything that is calculated to facilitate, or which is conducive or incidental to the discharge of any of its functions.
- 7.2. Section 1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 7.3. Section 1 of The Local Government (Contracts) Act 1997 provides that every statutory provision conferring or imposing a function on a Local Authority confers the powers on the Local Authority to enter into a contract with another person for the provision or making available of assets or services, or both for the purposes of, or in connection with, the discharge of the function by the Local Authority.
- 7.4. The procurement of the services referred to in this report must comply with the procedures set out in the Councils' Contract Standing Orders.

Background Papers

None.

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Sustainability & Risk Assessment

Although an in-depth sustainability impact assessment has not been made, diverting food waste to a recognised and understood sustainable means of disposal and energy conversion, will likely have a positive impact on the reduction of carbon emissions, a known climate change agent.

No additional risks to public safety or Adur & Worthing Councils' staff have been raised so far during research for the viability of commercial waste. If approval is granted, a full risk assessment will be made for all operational activities surrounding the product. It is expected that the product will reflect the same level of risk as that of general and recycling waste collections in the area.

- I. Commercial food waste collections will require an additional vehicle to collect the waste. All vehicle rounds' routing will be optimised to reduce and or control the overall impact of carbon emissions, in-line with Adur & Worthing Councils' fleet management systems. It is expected that the overall amount of vehicles on the road at any given time will be the same as present, once the collection rounds are established.
- II. All manual handling assessments will be carried out as per Adur & Worthing Councils' Health and Safety Team's requirements.
- III. Education and training will be provided to both customers and staff to ensure that only food waste is disposed of in the food waste collection bins using existing staff.

1. Economic

As a Platforms for Our Places local business enabler, the introduction of commercial food waste collections will reduce some customer bills for waste, enabling them to free up cash.

2. Social

If approved, commercial food waste collection will require coordinated Adur & Worthing Councils' Commercial Waste team-led education for restaurants and alike.

It is expected that a wider public and business educational and promotional campaign would be launched focusing on food waste disposal and food waste reduction best practices. This education will also form part of a 'recycling' update as part of the 'Cheaper Greener Trusted Campaign'.

- 2.1 Social Value: The new product raises the matter of food waste segregation (and reduction) with the wider business community at large. Segregation of a third waste stream will require customer buy-in to see the wider gain to the environment and their operation.

- 2.2 Equality Issues: No issues identified.
- 2.3 Community Safety Issues (Section 17): Matter considered and no issues identified.
- 2.4 Human Rights Issues: Matter considered and no issues identified.

3. Environmental

If approved, management of the waste collection fleet will be managed in a way so that the overall amount of vehicles on the road at once does not increase above the current level. Shifting food waste away from traditional disposal methods also likely reduces the waste's carbon footprint.

- 3.1. Where possible, fleet optimisation will be achieved by coordinating the round collections so that vehicles collecting waste streams are set for different days. For example, food waste won't be collected alongside vehicles already collecting general and recycling waste from the same customer on the same day. Using a recently rolled-out improved commercial waste administration platform (Adur & Worthing Digital Team Product) detailed digital collection round mapping is now available to sequence refuse collections in the most efficient manner.
- 3.2. Ultra-low emission technology and electric vehicles are now mainstream, but have yet to be industrialised for trucks. However, as with cars and bikes, it is expected that this technology will soon be found in commercial vehicles at scale. When the technology is available, is proven and affordable, Adur & Worthing Councils will seek to use vehicles using newer more environmentally balanced vehicles as part of its fleet, reducing its environmental impact.
- 3.3. Due to the specialised nature of food waste collection (waste viscosity), a 'twin-pack' general and food waste vehicle isn't practical due to weight distribution and likely road safety issues.
- 3.4. The back-haul of waste for processing should be managed in such a way to reduce the need for travel, where possible, thus saving on empty miles. Waste will be transferred to the disposal agent, once the vehicle or bulk container is full.
- 3.5. Producing electricity via anaerobic digestion is recognised as a sustainable form of energy.

4. Governance

Commercial food waste collection is fully in-line with the Council's commercial ambitions and is supported by the Strategic Finance Board.

No implications to the Councils' reputation or relationship with our partners or community have been identified. No additional implications for resourcing, risk management (including health and safety), or the governance of either Council has been identified.

If approved, regular service updates on the product's performance will be made available to the relevant executive Council member (e.g. Environment and Digital).