

## Report to Cabinet

Thursday, 21 March 2024

By the Cabinet Member for Environmental Health,  
Recycling and Waste

**DECISION REQUIRED**



Not Exempt

### Commercial Food Waste

#### Executive Summary

This report considers the implications and processes for introducing a commercial food waste collection service by 31 March 2025 as required through the Environment Act 2021.

There are several projects which will form the process of introducing weekly food waste collections which include vehicle procurement, receptacles procurement, space to park the new vehicles, communications and recruitment to increase establishment.

This report sets out all the associated projects and considerations to enable us to deliver a commercial food waste collection service by January 2025 to meet the deadline for businesses to recycle all recyclable waste streams by 31 March 2025.

#### Recommendations

That the Cabinet is recommended:

- i) To approve the implementation of a weekly food waste collection to our commercial waste provision before 31 March 2025.
- ii) To recommend to Council to approve capital expenditure of £130,000 required to purchase the vehicle and £5,000 for containers in 2024/25.
- iii) To recommend to Council that the revenue expenditure of £51,903.75 and the income of £32,500 with a net expenditure of £19,400 required for the transition to commercial food waste collections in FY24/25 is approved. This expenditure includes staff wages and the ongoing running costs.

## **Reasons for Recommendations**

- i) The Environment Act 2021 requires businesses, except micro-firms, to recycle all recyclable waste stream, excluding garden waste and plastic film. As a commercial operator we are not obliged to collect food waste but if we don't then we will likely lose income from businesses who will need to use the service.
- ii) The commercial waste service does not currently offer a food waste offering within the current service provision. To provide a comprehensive competitive commercial waste service a food waste service is required to ensure we are offering businesses all waste streams. Businesses are required to separate their waste in line with legislation by 31 March 2025.
- iii) Full Council approve capital and revenue budgets.

## **Background Papers**

None

**Wards affected: All**

**Contact:** Abigail Nye, Commercial Manager (Recycling & Waste)

## **Background Information**

### **1 Introduction and Background**

- 1.1 Horsham District Council provides a commercial waste service that collects dry mixed recycling and residual waste, which may include food from 1,851 businesses across the Horsham District as well as in Mid Sussex and Crawley. We are able to collect commercial waste from outside of the District and do this where this geographically suits us to increase our income.
- 1.2 This service provides a financial return for the Council, which for 2023/24 is forecast to be a surplus of £115,000.
- 1.3 As part of the Government's Simpler Recycling announcement on the implementation of the Environment Act 2021, there is a requirement for all non-household municipal premises, except micro-firms (ten employees or less), to arrange separate food waste collections. This needs to be in place by 31 March 2025 and does not have to be weekly. Businesses will also be required to recycle all recyclable waste streams, excluding garden waste and plastic film.
- 1.4 Micro-firms with fewer than ten full-time equivalent employees have an extended deadline of 31 March 2027.
- 1.5 This report sets out a proposal to introduce a food waste collection service as part of the Council's Commercial Waste service. Essentially, if the Council wants to continue to provide a commercial waste service, it will need to provide food waste collection as otherwise competitors will have a more attractive overall offer that the Council couldn't match.
- 1.6 We have undertaken a market research exercise with three other competitors to identify our potential market position for food waste collections. We know that we are at the top end of the pricing schedule compared to our competitors. This includes our potential pricing structure as well as costs to us.
- 1.7 Accordingly, the Council will need to have regard to the following considerations to facilitate the implementation of a food waste collection service:
  - Vehicle and container procurement – decision on number and size of vehicles to procure.
  - Depot size constraints to accommodate the new vehicles.
  - Recruitment – the need to employ additional drivers and loaders.

### **2 Relevant Council policy**

- 2.1 The introduction of commercial food waste collections will support the Inspiring Greener Futures Council Plan Theme which states "We aim to be a net zero council by 2030 and a net zero district by 2050. Horsham District will be held in high regard for best practice in rewilding, regenerative farming and recycling".

### **3 Details**

#### **3.1 Existing interest**

Of the 1,851 of our commercial waste customers, just over 200 are in the food and accommodation sectors and 10% of all of our customers have already expressed an interest in a food waste service. To ensure that the service remains profitable we would have a target of signing up 250 customers ahead of launching the new service.

The intention would be to launch the service in January 2025 as businesses are required to have a service in place for 31 March 2025. Businesses will want to secure contracts in advance of this date to ensure their own compliance and we need to ensure we are able to provide a service to meet these expectations of the businesses.

#### **3.2 Vehicle Procurement**

The intention is to use one 12 tonne vehicles to deliver this service. The lead in time to receive new vehicles is up to 18 months and so action needs to be taken to secure vehicles as soon as possible. It may be possible to purchase an ex-demonstration vehicle, which could be acquired more quickly, although if that is not possible, there may be a need to hire a vehicle for a period of time.

#### **3.3 Container Procurement**

We will offer customers the option of either 140L or 240L containers. We intend to purchase a stock of 300 bins at a cost of £5,000.

#### **3.5 Communications/ Marketing**

The introduction of the new commercial food waste service will be built into our marketing plan for 2024/25. We will market to existing customers to inform them of the legislation change along with their responsibilities.

#### **3.6 Financial impact**

There are capital costs to set up the service as well as ongoing running costs set out in the table below:

		Year 1 25/26	Year 2 26/27	Year 3 27/28 (2 vehicles)	Year 4 28/29 (2 vehicles)	Year 5 29/30 (2 vehicles)
<i>Estimated number of lifts</i>		350	500	800	1,000	1,000
Income @ £10 per lift		( 182,000)	( 260,000)	( 416,000)	( 520,000)	( 520,000)
Staffing costs		73,000	73,000	146,000	146,000	146,000
Vehicle running costs		62,000	62,000	124,000	124,000	124,000
Disposal costs		22,568	32,240	51,584	64,480	64,480
(Profit) / Loss before depreciation		( 24,432)	( 92,760)	( 94,416)	( 185,520)	( 185,520)
Depreciation	vehicles	18,571	18,571	37,143	37,143	37,143
	Containers	968	1,383	2,213	2,766	2,766
<b>Net (Profit) / Loss</b>		<b>( 4,892)</b>	<b>( 72,805)</b>	<b>( 55,060)</b>	<b>( 145,611)</b>	<b>( 145,611)</b>

The prices above are based on 2024/25 prices and do not include inflation or salary increases.

Market research has been undertaken to help establish our pricing structure to customers. This is detailed in appendix A and works out at an average charge of £10 per lift (£9 per lift for a 140L bin and £11 per lift for a 240L) for each food waste bin. We project to make a small profit in year 1 as we expect that we can achieve our minimum levels within six months of launching the service. In year two we project to be at 500 lifts per week. In year 3 we project to have increased demand and therefore capacity to add another round. This will continue to grow into year four and five to generate a profit. There is also an opportunity to recalibrate the existing service by looking at our rounds efficiency.

We recommend the start-up of the service in January 2025. This will allow us to start growing the service before April 2025 when food waste collections become mandatory for businesses. The impact on the 2024/25 budget will be:

		FY24/25 Jan - March
Estimated number of lifts		250
Income @ £10 per lift		(£32,500)
Staffing costs		£18,250
Vehicle running costs		£15,500
Disposal costs		£4,030
Marketing		£3,000
Hire	vehicles	£10,000.00
Depreciation	Containers	£1,123.75
Cost sub total		£51,903.75
<b>Net (Profit) / Loss</b>		<b>-£19,403.75</b>

Whilst this shows a loss, it will allow us to start building the food waste business and help to generate a small profit in year 1.

### 3.7 Disposal Options

Officers have investigated various options for disposing of the food waste. It is recommended that we enter into a contract with Biogen (based in Basingstoke), who have offered a competitive gate fee and have confirmed that they would be able to accept our waste immediately. This would be operated via a transfer station at Hookwood.

There would be potential to renegotiate rates and locations with WSCC once the domestic food waste disposal route is up and running and able to accept material.

## 4 Next Steps

- 4.1 The key activity is to work with the procurement team to source and purchase a suitable vehicle. If a vehicle is not able to be secured in time for go live in January 2025, then a rental vehicle will be secured for the interim. Hire costs would be expected at £800 per week for a 12 tonne hire vehicle at £800 per week which totals £10,000 for the three month period. If we had to hire from April 2025 then the impact on profit is shown below:

Number of weeks on hire following launch April 25	Cost £	Total (profit)/loss impact
12 weeks	£10,000	£484
26 weeks	£21,000	£6,821
38 weeks	£31,000	£12,178
52 weeks	£41,600	£18,136

- 4.2 Officers will also progress the procurement of the waste containers, the recruitment of staff and finalise arrangements with the preferred disposal site.

## 5 Views of the Policy Development Advisory Group and Outcome of Consultations

- 5.1 The Environmental Health, Recycling and Waste Policy Development Advisory Group received a presentation on commercial food waste on 18 January 2024.

Members supported the introduction of such a service. This report was due to be discussed by the PDAG on 14 March and a verbal update on their discussions will be provided at the Cabinet meeting.

- 5.2 The Monitoring Officer and the Director of Resources have been consulted to ensure legal and financial probity.

## 6 Other Courses of Action Considered but Rejected

- 6.1 The alternative option would be to not introduce a commercial food waste collection service, which is not recommended. Although the consequence to businesses should they not have separate recycling waste streams in place by 31 March 2025 is currently unknown, the requirement for separate food waste collections is a statutory requirement. If we were not to implement a food waste service, we would have a high risk of losing a large proportion of our commercial customers and the service would quickly become unviable. This is because all business with over 10 FTE will be required to have food waste collections and won't want to use two contractors to empty their different waste streams.

## 7 Resource Consequences

- 7.1 Capital expenditure

Capex	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Vehicle	£130,000	-	£130,000	-	-	£260,000
Bins	£5,000	£2,000	£3,000	£5,000	£2,000	£17,000
<b>Total</b>	<b>£135,000</b>	<b>£2,000</b>	<b>£133,000</b>	<b>£5,000</b>	<b>£2,000</b>	<b>£277,000</b>

The majority of costs are from the two vehicles that the service would need to buy as it expands the food waste offering.

- 7.2 Revenue expenditure and income; assuming we don't need to hire a vehicle beyond 31 March 2025 and assuming growth targets in bin lifts are met.

	2024/25	2025/26	2026/27	2027/28	2028/29
Income	(£32,500)	(£182,000)	(£260,000)	(£416,000)	(£520,000)
Exp	£51,900	£177,100	£187,200	£360,900	£374,400
<b>Net</b>	<b>£19,400</b>	<b>(£4,900)</b>	<b>(£72,800)</b>	<b>(£55,100)</b>	<b>(£145,600)</b>

- 7.3 A loss is anticipated in 2024/25 as the service operates from 1 January 2025 as there will be some initial costs to start with until the service is large enough to generate profit and cover the ongoing revenue costs.

- 7.4 Note there is a revenue cost of £800 per week to hire a vehicle until the vehicle arrives. This is included in the 2024/25 figures, but not in later years. Hiring a truck

for more than 3 months into 2025/26 would change the profit into a loss. The 2025/26 budget will be set with more of an understanding of the lead times.

- 7.5 HR consequences. To operate one round requires one driver and one loader which will mean increasing the establishment in 2024/25.

## 8 Legal Considerations and Implications

- 8.1 The legal implications have been incorporated into this report. Otherwise, the requirements relating to the collection of waste for non-domestic premises are contained in the Environmental Protection Act 1990 as amended by the Environment Act 2021.

## 9 Risk Assessment

- 9.1 This is considered to be a low-risk project as in the event that the project fails all of the resources can be transferred to the domestic food waste offering. The vehicle will be able to be transferred, as well as staff and also containers as these containers are the same containers used for domestic household refuse and recycling.

9.2

Risk	Action to reduce risk
Project delay – it is possible that there will be a delay to the project for several reasons such as procurement taking longer than predicted or unable to recruit staff	<p>Ensure the project team is running and keeping on track with various projects.</p> <p>Seek early Cabinet and Council approval</p> <p>Use established procurement frameworks and work closely with procurement.</p> <p>Ensure all stakeholders are kept updated and engaged</p> <p>Engage with the agencies to use temp staff if required.</p> <p>Hire a vehicle for a temporary vehicle whilst awaiting delivery of vehicle</p>
There is a risk of losing revenue to existing customers if we did not implement a commercial food waste service.	If we lost 10% of our customer base, we would lose £109k from our existing revenue.
If the legislation start date was to be delayed then we could lose customer sign ups	Unlikely that this would happen and we have already had several enquiries from business about food waste. If we had to drop the service then we would



	be able to transfer the vehicle, containers and staff to the domestic food waste.
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## **10 Procurement implications**

- 10.1 The Council will comply with all necessary Procurement Regulations and the Council's Procurement Code. The procurement processes will be overseen by the Council's Senior Procurement Manager and Senior Solicitor ensuring compliance.

## **11. Equalities and Human Rights implications / Public Sector Equality Duty**

- 11.1 It is not considered that there are any such implications arising from this report.

## **12 Environmental Implications**

- 12.1 Food waste will be diverted from the residual waste stream and recycled, leading to waste minimisation.
- 12.2 The impact of operating an additional refuse collection vehicle would be an increase in carbon emissions of 9 tonnes per annum. It should be noted that the vehicle will run on HVO fuel, and therefore produces significantly lower levels of CO<sub>2</sub>. If the vehicle was powered by traditional diesel, it would produce an additional 90 tonnes of CO<sub>2</sub>.
- 12.3 The food waste processed through anaerobic digestion will go for agricultural closed loop recycling. Recycling the waste, rather than treating it as residual waste will have a positive environmental impact.

## **13 Other Considerations**

- 13.1 The procurement will ensure GDPR, and data protection processes are in place and compliant with all relevant legislation.
- 13.2 Crime and disorder incidents are unlikely to occur but do need to be taken into consideration for potential vehicle or infrastructure vandalism. Monitoring processes are in place to deter this behaviour.