

<b>Committee:</b>	Scrutiny	<b>Date:</b>
<b>Title:</b>	Recycling Update Report	1 May 2018
<b>Report</b>	Cat Chapman, Operations Manager, 01799	<b>Item for decision:</b>
<b>Author:</b>	510557	No

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## Summary

1. Scrutiny committee requested a report concerning Waste & recycling service costs, performance, market situation and risks.
2. Following a tightening of China's import quality controls and the banning of certain waste categories under the environmental initiative Operation Sword, the materials markets have been struggling as the remaining world markets for the affected materials are flooded with material which has resulted in a significant fall in material values.
3. Quality of material collected for recycling and presented to the contractor for sorting and onward processing is of paramount importance in ensuring that higher material values can be achieved.
4. The council's current materials processing contract will come to an end in May 2019 and there is no potential for an extension under the current contract, therefore the contract pricing mechanism will be reviewed in light of the current market situation to ensure the best price is obtained for the council during the procurement of the new contract.
5. Stagnating recycling rates coupled with increasing waste arisings across Essex and nationally is driving a slow down in recycling performance.
6. Areas which have seen significant improvements in recycling rates in recent years have seen major service change to drive this, such as moves to reduced residual waste collection frequency.

## Recommendations

7. Report is for information only

## Financial Implications

8. The budget set for 2018-19 allowed for an average gate fee of £34 over the year to allow for fluctuations, but the variance in the markets had not been

anticipated to be this severe and could not be forecast with any certainty until the changes began to take effect earlier in 2018.

9. Essex County Council act as the waste disposal authority, and under the Inter Authority Agreement between the council and Essex County Council, several funding mechanisms are in place to facilitate recycling, such as the payment of avoided disposal costs, recycling credits, compost credits and an Inter Authority Agreement payment. These funding arrangements could be jeopardised if the council were to decide to cease collection of recyclables, and ultimately Essex County Council may decide to pass on the cost of the increased disposal. The current charge for disposal is currently set at £130.66 per tonne for the year 2018-19.
10. At present, with the income received from recycling credits set at £68.31 per tonne, this is still a higher value than the gate fee for recyclable materials anticipated to come into effect from May 2018. This is a vital income stream to support the waste and recycling service budget.
11. Initial work on scoping for the new material sorting contract, which will be required from May 2019, has begun and models for contract pricing are being discussed to ensure that the best value contract is secured for the council, however this does present a significant level of financial uncertainty post May 2019.
12. The council receives no income from ECC for the diversion of food waste as the treatment costs outstrip the value of the recycling credit; therefore there is no financial driver for the council to increase food waste capture and diversion from residual treatment.

## Impact

13. The council has a legal obligation to collect recyclables from our residents under the Waste (England and Wales) (Amendment) Regulations 2012 which states that from 1 January 2015 waste collection authorities must collect waste paper, metal, plastic and glass separately by way of a separate collection. The council's current commingled collection for dry recyclables satisfies this requirement following an assessment of the technical, environmental, economic and practicability of collection methods for the district, therefore it would not be legal for the authority to withdraw the kerbside recycling scheme.
14. The quality of the material the authority collects impacts upon the material values obtained by the contractor and will also have an impact upon the outcome of the tender for the new contract for recyclables processing, therefore it is essential that the authority continues the extensive communications to residents on the importance of presenting quality, clean and dry recyclables for collection.

Communication/Consultation	Continuation of clear communication regarding quality of recyclables.
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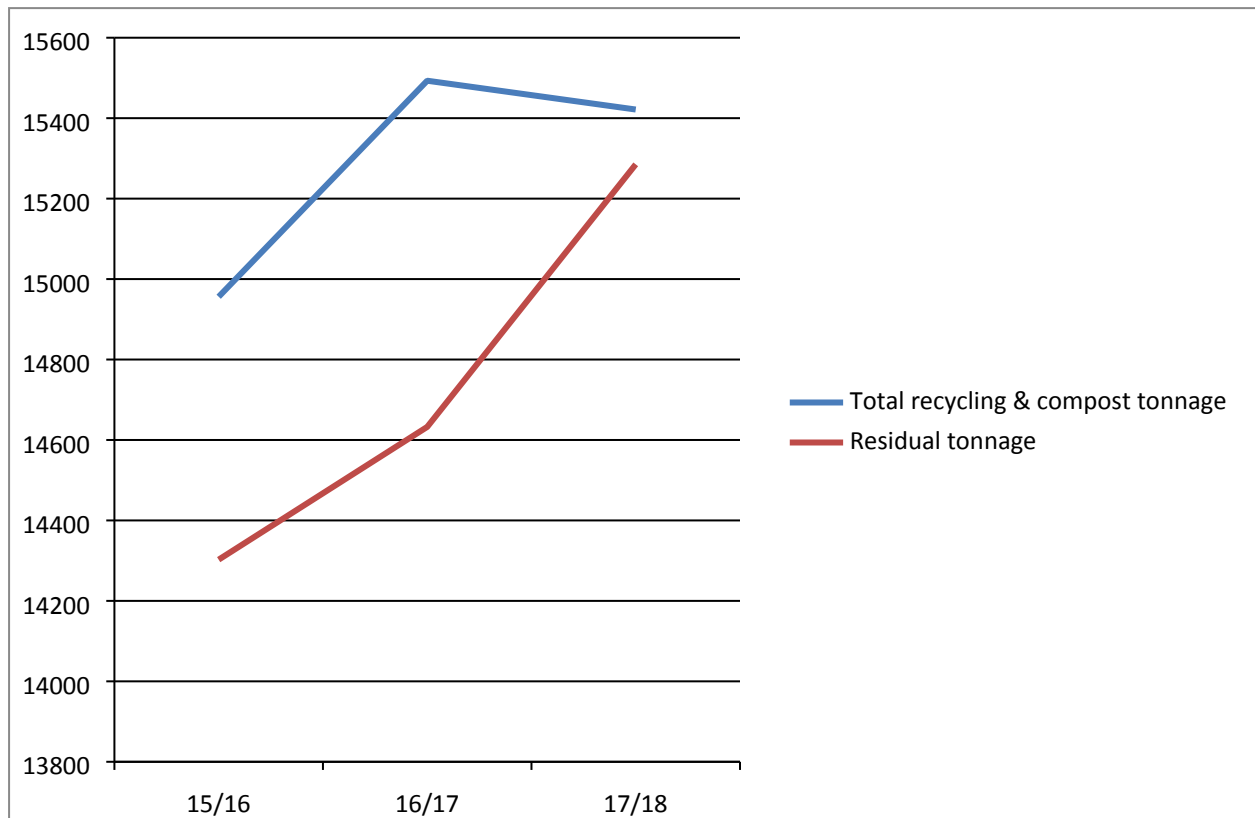
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A
Ward-specific impacts	N/A
Workforce/Workplace	N/A

## Situation

15. The Chinese government enacted an environmental initiative named Operation Sword with effect from 1 January 2018 which banned the import of certain recyclates and waste categories. New quality requirements for remaining imports, especially paper and plastic, also came into force with an increased inspection regime at ports.
16. As a result of the new import controls in China, MRF operators have sought and are continuing to seek and develop alternative markets for their sorted materials in the UK and Europe, as well as the wider world markets.
17. Viridor, the incumbent contractor for the council's dry mixed recycling sorting contract, anticipated the market change in advance and no plastic has been sold to China by Viridor since March 2017.
18. Operation Sword has the following impacts upon the material values according to the Lets Recycle mid-point indices which benchmarks material values throughout the year
  - a. The following materials have seen a fall between November 2017 and March 2018:
    - i. Mixed paper fell by 90%, from £50 per tonne to £5 per tonne
    - ii. Cardboard fell by just over 50%, from £111 per tonne to £55 per tonne
    - iii. Aluminium fell by 1%, from £1005 per tonne to £995 per tonne

- iv. Mixed glass fell by just over 7%, from a cost of £14 per tonne for recycling to a cost of £15 per tonne
- b. The following materials have remained largely stable or improved during the same period:
  - i. Steel cans rose by over 27.5%, from £100 per tonne to £127.50 per tonne
  - ii. Mixed plastic rose by over 16%, from £30 per tonne to £35 per tonne
- 19. The quality of material presented for sorting is of paramount importance in ensuring that the contractor is able to secure the best possible material values. This will be a key consideration for prospective bidders when the council tenders for the new recyclables processing contract during late 2018.
- 20. It is essential that communication work continues to aid residents to ensure that their recyclables are of top quality and that incorrect items which may contaminate the recyclables are not presented.
- 21. The council's recycling rate has fallen in recent years from 51.12% in 2015/16 to an estimated 50.22% in 2017/18. The actual tonnage of recyclables collected has remained largely consistent over the 3 year period, with fluctuations in the composting rates attributed to the length of the growing season largely responsible for the fluctuations demonstrated in the overall recycling and composting rate. This is set against a growth in residual waste tonnage of almost 1000 tonnes in the 3 year period which is in part attributable to housing growth within the district.

Year	Recycling tonnage	Compost tonnage	Total recycling & compost tonnage	Residual tonnage	% recycle rate	kg/hh residual
15/16	9409.88	5546.18	14956.1	14302.5	51.12%	406.76
16/17	9456.08	6037.04	15493.1	14632.5	51.43%	413.21
17/18	9426.46	5995.03	15421.5	15285.2	50.22%	422.24



22. The capacity to bring more recyclables into the collection system is limited due to the volume of material currently collected. For example, collection rounds collect largely comparable tonnages on residual week as recycling week, but due to the volume of the recyclables they are required to tip twice during the round compared with once on a residual collection week. This requirement for dual tipping has a significant impact upon the capacity of the rounds for additional work, particularly for rounds in the north of the district, and currently rounds are very close to capacity. If work were to be carried out to increase the capture of materials this would need to be carefully considered against the existing capacity within collection routes, otherwise there would be increases to staffing and vehicle costs which would significantly outstrip the increased income from recycling credits.

23. Authorities which have seen significant improvements in recycling and composting rates in recent years have all introduced significant changes to the collection system, such as a move to alternate weekly collection of residual waste. As the council already has a well established alternate weekly residual waste collection system the next step would be to consider an extended collection cycle for residual waste of 3 or 4 weeks and increasing the frequency of the recycling collections. This is being piloted in certain areas around the country and the findings of these pilots will be reviewed.

24. The council's recycling offering is very comprehensive and includes the main volume of recyclables and compostables contained within the waste stream. The only notable exception to this is the textiles and shoes stream, but following a previous trial of kerbside collection of textiles and shoes resident participation proved to be limited and the collection service proved to be

uneconomic for the contractor to carry out and the trial was terminated by mutual agreement. Other items, such as batteries and electrical items which are not currently collected at the kerbside, would be limited in impact in terms of percentage of the waste stream and would be costly to collect and therefore unviable to introduce on a large scale.

25. Waste reduction would lead to an increase in recycling rate, however waste reduction initiatives are very costly as they involve significant officer time to generate sufficient change in resident behaviour to have a notable effect upon the volume of waste generated, and there would be no financial benefit to the council for implementing these under the existing framework of reimbursement from Essex County Council.
26. The key focus for mitigating the financial impact of the change in material values must be upon improving the quality of material presented by residents for collection in order to secure the best prices and position the council well for the coming procurement of the dry recyclables processing contract.

## Risk Analysis

27. The key risks associated with the issue are financial and at the present time cannot be accurately forecast.

Risk	Likelihood	Impact	Mitigating actions
Significant overspend against current budget for dry recyclables processing	3	3	Continued communication activities to improve quality of materials presented for recycling.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.