



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Environment Overview and Scrutiny Committee

Monday, 7 October 2024

Report of Councillor Rhys Baker
Cabinet Member for Environment and
Waste

Commercial Waste Food Collections

Report Author

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Purpose of Report

To provide an overview of the opportunities and associated risks of expanding the current commercial waste collection service to include separate food waste collections. Under the Environment Act 2021, it has been mandated that businesses must separate their food waste for collection. A financial appraisal and risk assessment have been undertaken to assess the feasibility of this opportunity.

Recommendations

The Committee is recommended to:

- 1. Consider the financial implications of this opportunity and support the conclusion that introducing a commercial food waste collection service is not financially viable at this time.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Sustainable South Kesteven Enabling economic opportunities
Which wards are impacted?	All Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 This report sets out a full financial appraisal with respect to providing a food waste collection service to local businesses and the conclusion reached is that at the present time It would create an operating deficit. Therefore, the recommendation is not to proceed but keep this opportunity under review.

Completed by: (insert name and job title)

Legal and Governance

- 1.2 There are no significant legal or governance implications arising from this report, with reference to the legislative framework included in the body of the report.

Completed by: Graham Watts, Monitoring Officer

Climate Change

- 1.3 The Environment Act offers new powers to set new binding targets, including for air quality, water, biodiversity, and waste reduction. The new policies outlined in this report regarding waste would, once implemented, support the improved recyclability of materials and the move towards a circular economy.

Completed by: Louise Case, Sustainability Project Support Officer

2. Background to the Report

Background

- 2.1. The Environment Act 2021 (the Act) introduced several changes to the way local authorities are required to collect household and business waste. One of the biggest changes mandated by the Act, is the separate collection of food waste. Whilst for household waste the Act mandates collections start by 31st March 2026, it outlines two different deadlines for commercial waste. These are:
- 31st March 2025 for all businesses with over 10 employees,
 - 31st March 2027 for businesses with 10 or fewer employees (microbusinesses).
- 2.2. Currently, the Council's trade waste service collects residual waste (this includes food) and dry mixed recycling (DMR); the service does not offer a separate food waste collection and there is no capacity within the current service to offer this.
- 2.3. The current trade waste service is performing strongly; there has been year on year income growth and the current customer base is around 746 customers with an annual revenue of £709,000 (2023/24). There are approximately 4,705 businesses within the district, and this gives the Council's trade waste collection service a 15.9% share of the market.
- 2.4. This report outlines the opportunity for the Council's trade waste service to expand to include food waste collections and provide a financial assessment of the opportunity.
- 2.5. It should be noted that it is mandated that businesses arrange for separate food waste collections in-line with the deadlines highlighted in 2.1, it is not mandated that the Council (or any other waste collection service) must offer this service. Thus, if the Council choose not to expand their service to include food waste collections, there will be other companies offering this service and businesses within the district will be able to dispose of their food waste through these channels.

3. Key Considerations

Trade Food Waste Collection – Opportunities and Costs

- 3.1. An analysis of the businesses within the district has highlighted that around 20% of the 4,705 registered businesses are food outlets and therefore will be required to separate their food waste for collection by either 31st March 2025 or 2027 (depending on size).
- 3.2. Analysis of the Councils Trade Waste customer base has highlighted that the service currently has 746 customers, of these 175 (23.5%) are food outlets,

however, only 27 (3.6%) are estimated to have more than 10 employees. This means that, for 96.4% of the current customer base, there is either no requirement for a separate food waste collection or there will be no requirement to collect food waste until 31st March 2027. These figures indicate that there will be a small market for separate food waste collections by the 2025 deadline, but a larger market available by the 2027 deadline.

- 3.3. There would be significant costs associated with setting up the service. Initial cost estimates suggest that the annual operating cost of the service would be £208,039.33 per annum. Table 1 shows a breakdown of this figure.

Table 1: Projected Commercial Food Waste Service Annual Operating Costs

Operating Cost Description	Annual Cost (£)
Driver - full time	39,000.00
Overtime / Cover	5,750.00
Sales & Back Office	35,333.33
Disposal (forecast £20 pt)	32,256.00
2nd Lorry (£100k initial cost over 5 years)	20,000.00
Vehicle Repairs	15,000.00
Vehicle Tyres	2,500.00
Vehicle Depreciation	20,400.00
Total Transport Expenses (Fuel 150 miles @ £150 per day)	37,800.00
Annual operating cost	208,039.33
Estimated reduction in general waste tonnage charge for existing rounds (see 2.10)	59,352.80
Annual operating costs (inclusive of reduction in disposal fee)	148,686.47

- 3.4. A further consideration when setting food waste collection fees, is the potential financial savings which can be achieved when removing food waste from the residual waste stream. Based on estimates of the current level of food waste within the commercial residual stream, it is estimated that around £59,352 p/a could be saved on disposal costs. These financial savings are linked to the cost of waste disposal – when mixed with residual waste it costs around £114 per tonne for food waste disposal, if the food waste is separated and sent for anaerobic digestion the cost is around £20 per tonne. The £20/tonne is currently an estimate, and this may change once the food waste collections are mandated. If the £59,352 disposal fee savings are deducted from the annual operating cost shown in Table 1, there would be an annual estimated operating cost of £148,686.47 (in addition to the initial capital costs).
- 3.5. Initial capital investment would also be required for the specialist food waste collection vehicle; these are currently retailing at around £100,000 per vehicle depending on type required (the type of vehicle required will be linked to the disposal tipping specifications).

- 3.6. Unlike domestic collections, which will be predominantly funded by new burden funding, commercial food waste collections will not receive additional funding. Therefore, the costs of running the service will need to be covered by the customers. Currently, it is difficult to estimate what the cost per collection will be. However, Table 2 provides an estimate of projected operating costs and income for year one *based on a fully subscribed service*.

Table 2: Projected Operating Costs and Income for Year 1

Operational Costs	Annual Cost (£)
Annual operating costs (inclusive of reduction in disposal fee)	148,686.47
Income (existing switch to food @ 80 bins per day)*	171,360.00
Estimated loss on existing general bin size Y1	11,229.00
Year 1 forecast surplus	11,444.47

**pricing calculation based on trade waste pricing matrix and WRAP guidance*

- 3.7. Whilst Table 2 shows a potential surplus, this is based on a fully subscribed service, and this would not be attainable by the 2025 deadline. The projections used in Table 2 would only be likely once the mandated collections are extended to all businesses in 2027.
- 3.8. The information within this section highlights that there is a small market for commercial food waste collections, however, this opportunity comes with a significant financial requirement. At the current time, it is not known what proportion of the food retailers within the district would be impacted by the 31st March 2025 deadline and without a fully subscribed service, the service would not cover its operating costs.
- 3.9. The next section provides an overview of the opportunities and risks associated with the decision to collect food waste from commercial premises.

Opportunities and Risks

- 3.10. Table 3 highlights the key opportunities and risks associated with rolling out the service.

Table 3: Opportunities and Risks

Opportunity	Risk
Potential market: Early access to the potential market – as the service is newly mandated there	Financial risk: There is a risk that the initial cost of setting up the service will not be covered by the income generated.

will be customers actively seeking this service to ensure compliance.	
	Competition: There will be other waste collection companies looking to collect this waste who will be able to offer more flexible pricing.
	Loss of custom: 3.6% of the current customer base have been identified as needing the service by 31 st March 2025, if these customers want all their waste to be collected by the same organisation, we may lose them to competitors who will offer the service.
	Storage of vehicle: The Operators Licence for Mowbeck Depot only allows for 38 vehicles, currently there are 37 vehicles registered on the licence.

- 3.11. Based on the information outlined in Table 3, there are significant financial risks alongside the other risks identified which confirm that the Council should not introduce a commercial food waste collection service by 31st March 2025.
- 3.12. However, as the 2027 deadline approaches and 20% of the businesses within the district are mandated to separate their food waste for collection (including 175 current customers), there will be a stronger case for funding this service (see Table 2).

4. Other Options Considered

4.1 The following options were considered:

- Introduce the service in line with the 2025 deadline – this would be costly and due to the small customer base; the service is unlikely to cover its costs.
- Do nothing – the Council's trade waste collection service would continue with only residual and recycling collections. The Council is not mandated to offer this service and there are other waste collection companies who will offer this service within this district.

5. Appendices

5.1. Appendix 1: Financial Breakdown of Commercial Food Waste Collections

