



## **SPECIAL CABINET – 20<sup>TH</sup> MARCH 2024**

**SUBJECT: TRADE WASTE SERVICE CHANGES AND CHARGING POLICIES**

**REPORT BY: CORPORATE DIRECTOR ECONOMY AND ENVIRONMENT**

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### **1. PURPOSE OF REPORT**

- 1.1 To provide Cabinet with proposals for providing a revised Workplace Recycling Regulations collection service to comply with new legislation and agree appropriate principles for collection service recharge rates.

### **2. SUMMARY**

- 2.1 The new Workplace Recycling Regulations come into force on 6th April 2024. Under the regulations, all businesses and workplaces must present specified recyclable materials for collection separately from each other and separate from residual waste. This will apply to all Local Authority trade customers and Local Authority owned buildings. Local Authorities and those that collect the specified recyclable materials must collect them separately from other recyclable materials; and keep the materials separate once collected and not mix them.
- 2.2 The Authority currently provides a weekly trade waste service for residual waste, recycling and food waste. This is co-collected alongside the domestic collection stream. Whilst the regulations do not require a change to the existing residual and food waste services, the current co-mingled recycling service will not be compliant from April 2024, so the Council must make changes to the way dry recycling is presented and collected from trade customers.
- 2.3 A review of the trade services was undertaken in 2023 with support from Local Partnerships and WRAP Cymru, to determine what action Caerphilly needs to take to adapt for compliance with the new regulations, but also provide sufficient flexibility for future demand from Caerphilly businesses. The review concluded that the Council retain the residual and food collections while seeking a partner to collect and process the dry recycling elements in the short to medium term. This is largely due to the constraints that the Council face around the storage and processing of the separately collected dry recycling materials.
- 2.4 The quickest route to market was determined as using the Dynamic Purchasing System (DPS) to run a mini competition, rather than an open tender. To maximise value for money the Council will be seeking a 3-year contract with annual extensions up to a

maximum period of 5 years. This will align with the wider strategic changes proposed for the domestic recycling which is currently being consulted and provides time to consider future options for recycling collections.

- 2.5 Whilst this process has already commenced it is anticipated that contract award will not take place until May 2024, with the service commencement taking place thereafter. Consequently, there will be a delay between the regulations coming into force, on April 6<sup>th</sup> and contract commencement which is anticipated for May/June. Therefore, it is proposed that the Authority undertake an interim arrangement utilising existing staff and a combination of existing and short-term hire fleet for the period.
- 2.6 The Council currently follow a traditional pricing structure which encourages recycling by having 50 percent lower price charges for recycling collections over the residual stream. This historical subsidy was introduced to encourage businesses to recycle.
- 2.7 The trade service costs are also heavily reliant on the residual collection income which equated to 83 percent of service income in 2022-23, which is significantly subsidising the recycling service. If the Council are to ensure all trade services achieve full cost recovery the recycling and food waste trade charges will have to be realigned.

### **3. RECOMMENDATIONS**

It is recommended that Cabinet:

- 3.1 Note the requirements of the Workplace Recycling Regulations and their impact on Council owned buildings, trade customers, and the Council's trade waste collection service.
- 3.2 Note the outcome of the review into the trade waste service, the preferred outcome and the approach to Market.
- 3.3 Support an interim 'compliant' service to be undertaken by the Council from April 6<sup>th</sup> to service commencement.
- 3.4 Approve a full cost recovery approach to realign the recycling and food waste charges from April 2024. This will further be amended once the outcomes of the procurement and customer demands are better understood. A new charging structure will be brought forwards in consultation with Cabinet Member and delegated to the Corporate Director for approval.
- 3.5 Approve an uplift in the annual Waste Transfer Note charges from £21 to £40.
- 3.6 Approve an additional £180,000 to purchase additional containers for businesses to meet their requirements under the regulations. This is to be funded from uncommitted Capital earmarked reserves.

### **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 In order to comply with legislative changes outlined in the new Workplace Recycling Regulations.
- 4.2 To ensure that all costs associated with the collection of trade waste are recovered.
- 4.3 The Authority is at risk of circa £2m per annum fines for not achieving statutory recycling targets. These proposals maximise recycling from businesses which links to the key objectives of the draft waste and recycling strategy.

## 5. THE REPORT

### 5.1 Background

- 5.1.1 On 4 December 2023 the new Workplace Recycling Regulations (the Waste Separation Requirements (Wales) Regulations 2023) were laid by the Welsh Government. These new regulations impact on all business, charities and third sector organisations in Wales and will come into force 6th April 2024.
- 5.1.2 All businesses and workplaces must present specified recyclable materials for collection separately from each other and separate from residual waste. This will apply to all Local Authority trade customers and Local Authority owned buildings. The materials must be presented as follows.
- Glass.
  - Paper and card.
  - Metal, plastic, and cartons.
  - Food waste from premises producing 5kg of food waste and more/week.
  - Unsold small waste electrical and electronic equipment (sWEEE).
  - Unsold textiles.
- 5.1.3 Local Authorities and those that collect the specified recyclable materials must collect them separately from other recyclable materials; and keep the materials separate once collected and not mix them. The new recycling regulations will be regulated by Natural Resources Wales (NRW). Both workplaces and business waste collectors will face fines or enforcement action if they do not comply with the requirements.
- 5.1.4 The Authority currently provides a weekly trade waste service for residual waste, recycling and food waste. This is co-collected alongside the domestic collection stream. The number of customers and tonnages collected for each stream is indicated in table 1 below.

Table 1 – Trade Service Summary

Material type	Number of customers	Proportioned tonnages (t)	Cost recovery position	Compliance position after 6 April 2024
Residual	1084	2133	Positive recovery	Yes
Dry Recycling	611	616	Not achieving cost recovery	No – service change required
Food Waste	123	350	Not achieving cost recovery	Yes

Textiles and sWEEE	0	0	n/a	Service provision required
<b>Overall</b>	<b>1174</b>	<b>3099</b>	<b>Positive recovery</b>	

5.1.5 Whilst the regulations do not require a change to the existing residual and food waste services, the current co-mingled recycling service will not be compliant from April 2024, so the Council must make changes to the way dry recycling is presented and collected from trade customers. In addition, the service must prepare for a potential increase in recycling demand that the new regulations may generate as businesses change their collection requirements.

5.1.6 Under the Councils legal duty of care simply sign posting businesses to a private collector is not permitted. Under Section 45 of the Environmental Protection Act 1990 which places a duty on local authorities to arrange or facilitate for the collection of trade waste from premises in its area if requested by the occupier to do so.

## 5.2 Preferred Trade Solution

5.2.1 A review of the trade services was undertaken in 2023 with support from Local Partnerships and WRAP Cymru, to determine what action Caerphilly needs to take to adapt for compliance with the new regulations, but also provide sufficient flexibility for future demand from Caerphilly businesses. To prepare for the new collection requirements various approaches were considered for compliance which included recycling collections by the Council and processing through existing infrastructure.

- 1) recycling collections by the Council and taken to a partner for processing.
- 2) seek a partner for recycling only, retain residual, and food collections.
- 3) seek a partner for recycling, textiles, sWEEE and food, retain residual collections.
- 4) externalise all trade collections and processing.

5.2.2 Upon review it was found that there were several constraints that limited the viable options opens to the Council. Whilst the current collections fleet could be utilised (although not ideally configured for a long-term solution) the existing infrastructure has limited flexibility to accommodate the separately collected waste/recycling streams. As the collected materials cannot be mixed with other recycling materials, they would require additional and new storage areas, that currently do not exist. The low tonnages collected would require long storage periods to make onward haulage cost effective and could create permit issues for the existing Caerphilly sites.

5.2.3 In exploring options to tackle the infrastructure challenges, market testing and discussions with neighbouring authorities yielded little opportunities for a viable solution. Equally, externalising all the trade services was not a sensible approach as the service is currently making a financial surplus overall. Such an approach is not in the spirit of the corporate vision and such change is not required as the service is already suitably configured to support residual and food waste collections. The only challenge area to address is the separate collection of dry recycling and the associated processing.

5.2.4 The longer timeline for the wider strategic changes for domestic collections and infrastructure changes were also considered. The required infrastructure changes may take two to three years to complete, so any solution would ideally mirror this timeline.

5.2.5 In summary the review concluded the best solution for Caerphilly at this moment in time was to retain the residual and food collections while seeking a partner to collect and process the dry recycling elements. The Council will remain in full control of the trade services offered and administer the customer contracts. The partner will simply provide the dry recycling collections and processing. In summary:

- The trade contract is held between the Council and the Trade premise.
- The Council will provide all containers that the customer requires and state the service parameters offered.
- Residual waste collections and processing remains unchanged and are provided by the Council.
- Food waste collections and processing remains unchanged and are provided by the Council.
- Separate dry recycling (paper, card, metals, plastics, cartons and glass) will be collected by a partner and processed at their facility for onwards sale.
- Adhoc collections of textiles and SWEEE will be provided by the partner.
- The partner will provide vehicles, resources and processing facilities for the materials they collect.

### **5.3 Route to Market**

5.3.1 Various options for the procurement of a partner have been considered and the preferred low risk approach with the quickest route to market is via the Dynamic Procurement System (DPS). Interested parties will be invited on to the framework and then a mini tender completed for the dry recycling contract.

5.3.2 A three-year contract (with possible annual extensions for a further two years) will be advertised. This approach will provide any partner a sufficient length for investment in vehicles and resources, but also provide the Council with time to deliver the wider infrastructure changes to provide separate collections over the longer term. A period of three to five years will provide the Council the flexibility to consider their approach to trade services in the future and either take the dry recycling elements back in house, continue with the short to medium term partner approach or seek a new arrangement.

5.3.3 Even with the DPS route it is estimated that the contract award will not take place until May plus the partners mobilisation requirements are currently unknown. Based on market testing it is hoped that the appointed partner will be able to provide a Compliant service by June 2024.

### **5.4 Interim service support**

5.4.1 As outlined in 5.3.3 the procurement will not be concluded until mid-May and the partner mobilisation lead-times are not known at this time. This could leave Caerphilly exposed to not providing compliant trade recycling services. Therefore, an interim solution has been developed, where the Council will provide the required separate recycling collections for the period between April and the contractor being in place. The authority will utilise local outlets for processing and onward transportation of materials via existing contracts that are already in place and negotiations are underway to ascertain the costs.

5.4.2 The interim position will utilise a combination of existing fleet and short-term hire as well as existing resources to provide the collections. An additional vehicle may be required to ensure there is sufficient capacity across the domestic and trade service,

but this will be closely monitored in line with customer demand.

- 5.4.3 It is not currently viable for the Council to undertake the dry recycling collections with the current infrastructure as a long-term option, but for a short period the service will be able to make contingency arrangements for the separately collected materials. By ensuring all trade customers have access to a compliant trade service from April 6<sup>th</sup>, 2024 this will protect the Council from negative attention from the regulator, guard the Council's reputation and help maximise customer retention.

## **5.5 Customer Readiness**

- 5.5.1 Whilst the Welsh Government are running a national campaign around the new regulations, the Council will support the trade customers with a comprehensive engagement and communications plan beginning ahead of April. All trade customers will have to be contacted to ensure their contracts are amended to reflect the need to recycle in line with the new regulations.
- 5.5.2 Whilst the new regulations come into force on the 6th April, it is envisaged that it may take several weeks or even months for all customers to transition to the new service. The Council will aim to ensure all trade customers are encouraged to make the required changes as quickly as possible, but the service is ultimately reliant on the trade premise to co-operate. The Council will aim to have provided all the required container changes ahead of the contract award.
- 5.5.3 As a result of the move to separate recycling and food waste services, it has been estimated that the current customer base may require over an additional 1000 new recycling containers and almost 2000 food caddies. The initial outlay cost could be circa £180,000, however these costs will be recovered through the trade charges over time. Additional staff resource may be required to ensure timely deliveries of the containers, but this will be gauged in line with customer demands.

## **5.6 Regulator engagement**

- 5.6.1 The new regulations will be enforced by Natural Resources Wales (NRW). To protect the Council's position and reputation, engagement with NRW is ongoing. NRW are aware of Caerphilly's commitment to provide compliant services and the current constraints that the Council face. Officers will continue to provide NRW with regular updates as the Council transition the trade services.

## **5.7 Conclusion**

Based on the review undertaken and to ensure Caerphilly are in the strongest position for the demands of the new Workplace Recycling Regulations it is recommended that the trade service adopts the following:

- Complete the tender process for a dry recycling partner,
- Introduce an interim 'compliant' service which will be undertaken by the Council from April 6<sup>th</sup> to service commencement with the newly tender partner organisation.
- Approve a full cost recovery approach to realign the recycling and food waste charges from April 2024 and this will be further amended once the outcomes of the procurement and customer demands are better understood. A new

charging structure will be brought forwards in consultation with Cabinet Member and delegated.

- Approve an uplift in the annual Waste Transfer Note charges from £21 to £40.

## **6. ASSUMPTIONS**

- 6.1 It is difficult to measure the cost to the Council of collecting and managing trade waste recycling as materials are collected on the same rounds as household collections which is how the service is undertaken currently. A WRAP calculation based on current customer receptacles has been used to derive tonnages, which was subsequently used to pro-rata costs.
- 6.2 Assumptions have been made due to uncertainty of demand level. Officers have looked at current requirements and types of business to predict recycling containers required. Additional food caddies have been factored in due to regulation changes requiring any business producing over 5kg of food waste per week to arrange a separate collection. As a direct result, residual waste containers have been downsized due to the subsequent separation of recycling and food.
- 6.3 There is a financial risk due to numerous assumptions used when calculating the newly required Dry Recycling service. Customers may choose to use an alternative private supplier for their Trade Waste service, particularly as other suppliers could offer a more dynamic pricing schedule.
- 6.4 All trade customers must have some element of recycling in their new contracts after April 2024.
- 6.5 It is projected that 25 percent of the current residual tonnage from trade premises could move to recycling and food waste collection services.

## **7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

### **7.1 The link to the IIA**

## **8. FINANCIAL IMPLICATIONS**

- 8.1 The Council currently follow a traditional pricing structure which encourages recycling by having 50 percent lower price charges for recycling collections over the residual stream. The residual collection charges currently subsidise the recycling charge to try and encourage more businesses to participate in recycling.
- 8.2 The trade service costs are also heavily reliant on the residual collection income which equated to 83 percent of service income in 2022-23, which is significantly subsidising the recycling service. If the Council are to ensure all trade services achieve full cost recovery the recycling and food waste trade charges will have to be realigned.
- 8.3 A benchmarking exercise (Table 2) has also identified that the annual Waste Transfer Note (WTN) charges that each trade premise is required to pay is almost 50 percent lower than neighbouring authorities. Caerphilly currently charge £21/year.

Table 2 – Local Authority, Waste Transfer Note charges

<b>Local Authority</b>	<b>WTN charge (WGLA benchmarking data)</b>
Cardiff	£61.50
Monmouthshire	£35.19
Pembrokeshire	£40.70
Rhondda Cynon Taf	£30.00
Merthyr Tydfil	£46.60
<b>Average annual charge</b>	<b>£42.80</b>

8.4 To ensure a robust charge setting that provides full cost recovery for the Council and balancing the fairest approach for Trade customers the costs will be amended based on current projections from April 2024. This will be further amended once the outcome of the procurement is concluded. Trying to predict the possible charges may expose the Council to unnecessary risk or over inflate charges for trade customer. However, if the current customer base remains static the food charge would have to increase significantly to ensure full cost recovery.

8.5 The following charging principles are proposed:

- Recycling and food charges will be realigned to ensure full cost recovery from April 2024, this will be further refined after the procurement exercise has been completed.
- Residual charges will remain higher than the recycling and food charges to encourage recycling although the exact costs of the compliant recycling service is not yet confirmed.
- The Annual WTN charges are realigned to the regional average.

8.6 It has been estimated that the current customer base may require over an additional 1000 new recycling containers and almost 2000 food caddies. The initial outlay cost could be circa £180,000, however these costs will be recovered through the trade charges over time. Additional staff resource may be required to ensure timely deliveries of the containers, but this will be gauged in line with customer demands.

## **9. PERSONNEL IMPLICATIONS**

9.1 For the interim arrangements, existing staff will be utilised and where necessary may be required to work additional shifts over the short term. This will be undertaken on a volunteer basis. Initial discussions with staff have identified sufficient resource availability.

9.2 Temporary staff may be required to provide additional container delivery support, but the existing staff will be utilised wherever possible.

9.3 Waste officers already manage multiple waste related contracts, any additional training requirements identified will be implemented.

## **10. CONSULTATIONS**

10.1 On 8 February 2024, a meeting of the Waste Members Working Group was held to



provide an update on the trade waste service following an initial session which was held in October 2023. Members were asked to consider the various options and challenges faced for complying with the new Workplace Recycling Regulations.

- 10.2 Members were asked to endorse the preferred solution to seek a partner for the collection and processing for dry recycling, as well as support the approach to market in order to allow the Council flexibility to take all trade services back in house at a future point. Discussions and validations were also sought to revise the charging structure to ensure full cost recovery.
- 10.3 The Waste Members Working Group endorsed all three elements of the proposals.

## **11. STATUTORY POWER**

11.1 The following statutory powers are identified:

- Workplace Recycling Regulations (the Waste Separation Requirements (Wales) Regulations 2023)
- Environment Protection Act (2010)
- Revised Waste Framework Directive (2018)
- Environment Act (2021)
- Waste (Wales) Measure (2010)
- The Controlled Waste Regulations (England and Wales) 2012

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