

GMCA Overview and Scrutiny Committee

Date: 26th July 2023

Subject: Potential Implications of the National Resources and Waste Strategy and Provision of Waste Services from 2026

Report of: Councillor Tom Ross, Portfolio Leader for Green City Region & Waste

Purpose of Report

This report provides an overview of the potential implications of the national Resources and Waste Strategy for waste collection and disposal and also sets out the process being undertaken to review options for future provision of waste services in Greater Manchester.

Recommendations:

The GMCA Overview & Scrutiny Committee is requested to:

1. Consider how the implications of the National Resources and Waste Strategy may impact on the ambitions of the Greater Manchester Strategy.
2. Make recommendations and put forward comments to the GMCA Waste & Resources Project Team in order to inform their report to the GMCA.
3. Note that it is suggested that the Overview & Scrutiny Committee receive a further report on the proposed approach to future waste and recycling contracts ahead of a decision being taken by the GMCA.
4. Highlight any other areas within the report that could require potential further scrutiny.

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Equalities Impact, Carbon and Sustainability Assessment:

Recommendation - Key points for decision-makers

This report provides an overview of the potential implications of the national Resources and Waste Strategy for waste collection and disposal and also sets out the process being undertaken to review options for future provision of waste services in Greater Manchester. The GMCA is requested to note and comment on the contents of the report.

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion	RR	If the Waste Strategy requires the separate collection of food waste this will add another receptacle which some residents may have difficulty managing within the home.
Health		
Resilience and Adaptation		
Housing		
Economy	G	
Mobility and Connectivity		
Carbon, Nature and Environment	A	
Consumption and Production	G	
Contribution to achieving the GM Carbon Neutral 2038 target	The strategy as a whole should contribute to achieving Carbon Neutrality in 2038 but this depends on how the Government specifies how we collect waste streams.	
Overall	G	Positive impacts overall, whether long or short term.
	A	Mix of positive and negative impacts. Trade-offs to consider.
	R	Mostly negative, with at least one positive aspect. Trade-offs to consider.
	RR	Negative impacts overall.

Carbon Assessment				
Overall Score	#DIV/0!			
Buildings	Result	Justification/Mitigation		
New Build residential	N/A	This report does not relate to any non residential (including public) buildings.		
Residential building(s) renovation/maintenance	N/A			
New build non-residential (including public) buildings	#DIV/0!			
Transport				
Active travel and public transport	N/A			
Roads, Parking and Vehicle Access	N/A			
Access to amenities	N/A			
Vehicle procurement	N/A			
Land Use				
Land use	N/A			
No associated carbon impacts expected.	High standard in terms of practice and awareness on carbon.	Mostly best practice with a good level of awareness on carbon.	Partially meets best practice/ awareness, significant room to improve.	Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management

The English Resources and Waste Strategy and its implementation has been captured in the GMCA's Strategic Risk Register with the necessary mitigations actions identified.

Legal Considerations

Legal considerations are captured within the report but at the time of writing any consequences of undertaking actions contrary to the English Resources and Waste Strategy have not been published.

Financial Consequences – Revenue

Financial Revenue considerations are captured within the report but at the time of writing any consequences of undertaking actions contrary to the English Resources and Waste Strategy have not been published.

Financial Consequences – Capital

Financial Capital considerations are captured within the report but at the time of writing any consequences of undertaking actions contrary to the English Resources and Waste Strategy have not been published.

Number of attachments to the report: None

Comments/recommendations from Overview & Scrutiny Committee

Background Papers

- 1 [Resources and waste strategy for England - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/resources-and-waste-strategy-for-england)
- 2 [Consistency in Household and Business Recycling in England - Defra - Citizen Space](#)
- 3 [Extended Producer Responsibility for Packaging - Defra - Citizen Space](#)
- 4 [Introducing a Deposit Return Scheme in England, Wales and Northern Ireland - Defra - Citizen Space](#)
- 5 The GMCA's combined and submitted responses to the EPR, DRS and Collection Consistency consultations – available from the Contact Officer

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

Yes

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

GM Transport Committee

N/A

Overview and Scrutiny Committee

Overview and Scrutiny Committee 26 July 2023

Housing, Planning and Environment Overview and Scrutiny Committee, Waste Strategy Report, 14 January 2023

1. Introduction/Background

The Department for Environment, Food and Rural Affairs (Defra) has been consulting on the national Resources and Waste Strategy (RaWS) over the last 4 years with a series of prolonged delays in publishing consultation responses. Activity has recently stepped up and details of what is proposed and the potential changes that may be needed for both waste collection and disposal arrangements in GM are now starting to become clearer although cost recovery and other fundamental points are yet to be developed.

There are 4 main elements to the RaWS:

- Deposit Return Scheme (DRS);
- Extended Producer Responsibility (EPR);
- Consistency framework for waste collections; and
- Collection of food waste on a separate, weekly basis.

This report provides an overview of each element and identifies the potential impacts for GM waste services.

In mid-2019, GMCA let two contracts for waste management services to Suez Recycling and Recovery UK Ltd (Suez) and the contracts were and still are very competitive. At the time of the procurement, the UK waste management market was fairly competitive, but since then there has been a series of mergers and acquisitions that have consolidated the market into a small number of large organisations. The initial term of the current contracts will expire in 2026. Both contracts have 2 periods of extension of three years followed by the option of a further five years. GMCA will therefore need to consider whether it is going to the market for service provision from April 2026 or extending the existing contracts. A procurement exercise will take at least 2 years to complete, hence the need for an options appraisal to be undertaken and a decision to be made by the end of 2023. This report provides details on the approach being developed to consider the options and timescales for decision making.

2. Deposit Return Scheme

In January 2023 Defra issued the consultation response on the implementation of a deposit return scheme (DRS) to commence in 2025. The scheme is intended to address recycling on the go through a network of reverse vending machines in shops that will be available for members of the public to deposit in scope packaging items and receive a payment for each item.

The key features of the DRS scheme are:

- Polyethylene terephthalate (PET) plastic bottles and steel and aluminium cans in the size range of 50ml – 3 litres will be included in the scheme (glass containers will not be included in England);
- Container labels will include a mark to identify the product as part of a DRS and an identification marker (QR or bar code) that can be read by a scheme return point;
- Deposit Management Organisation(s) (DMOs) will be appointed through an application process set out in the regulations and will be responsible for managing the overall operation of the DRS, setting deposit levels and meeting the collection targets. The DMO(s) will be an independent, not for profit and private organisation(s);
- Retailers selling in-scope containers will be obligated to host a return point and will receive a handling fee to compensate them for costs incurred. Some retailers (e.g. micro-retailers) may apply for an exemption from having to host a return point;
- Government will pursue an additional permitted development right for reverse vending machines to remove planning delays;
- Local authorities and where relevant, waste operators, can separate out any containers in their waste and redeem the deposit, providing the containers meet the quality required for return; and
- Regulations are to be in force by the end of 2023 and the DMO(s) appointed by summer 2024. A commencement date for DRS of 1st October 2025 will be set.

The implications for the GMCA include:

- Defra believe that around 90% of in scope PET bottles will be captured via DRS by year 3 of the scheme being in operation. If correct then this will divert significant quantities of these containers away from kerbside collections affecting recycling rates and losing income from the contracts;
- Communications on what type of container can go to DRS will confuse some members of the public; and

- The GMCA's ability to claim deposits will be limited as it will depend on the condition of containers and whether labels have survived being collected in a compacting refuse collection vehicle and then processing at our Materials Recovery Facility (MRF). If the QR/barcode is unreadable then the deposit will not be paid.

3. Consistent Collections and TEEP

At the time of writing the Government's response on consistency of collections was still awaited. If the response is published before the Scrutiny Meeting a verbal update will be provided.

The RaWS proposed approach on consistency in household and business recycling in England contains a number of proposals including:

- Prescribing a core set of recyclable materials to be collected separately by every local authority. These are:
 - plastics including pots, tubs and from 2027, plastic films/flexible plastics
 - Metals
 - Paper/card
 - Glass
 - Food waste
 - Garden waste
 - Non-recyclable waste

The reasons provided for the separate collection of the materials are that Defra believe collecting in this way will increase the quality of the recycling, promote consistency of collections across England and increase quantity of materials collected. It should be noted that there is little data to support this view that separate collections collect greater quantities of materials. This point is further demonstrated by the fact that the local authorities with the highest recycling rates on a national basis operate commingled collections as we do in GM.

Clearly, providing multiple separate collection containers at each home (including flats) will be a challenge irrespective of the type of property and has raised concerns nationally. There is a collection method that can accommodate the materials (excluding garden waste and non-recyclable waste) on a single vehicle. It is referred to as the kerbside sort methodology

and utilises a number of boxes for the materials which are then emptied into compartments on a 'resource recovery vehicle' (RRV). This is very much a manual process reliant on lifting and tipping of boxes and potentially the hand sorting of any mixed streams.

RRV-based services have a much lower productivity rate and lower capacity – therefore significantly more vehicles and crews would be needed to collect Greater Manchester's recyclable waste. However, RRVs are more fuel efficient compared to the traditional compacting refuse collection vehicle and have a lower purchase price.

GMCA previously commissioned an analysis of the impacts of the RaWS proposals on consistency. The following table compares the financial¹, infrastructural, environmental and contractual impacts of replacing our current collection system with the Government's preferred waste collection methodology. The study is currently being updated with additional financial information and the modelled costs are therefore going to change and will show further increased costs to reflect inflationary pressures.

Service description	Current Services	Kerbside Sort Service
	Four bin system	Separate collection
	Separate collection for each numbered waste stream (i.e. four containers) using compacting refuse collection vehicles (RCVs)	Streams (i) to (iv) <u>collected weekly</u> on the RRV, streams, (v) and (vi) separately collected. This would effectively require an RRV fleet alongside an RCV fleet.
	(i) mixed food & garden waste (ii) mixed paper, card & cartons (iii) plastic bottles, glass & metal cans (iv) non-recyclable waste	(i) food waste (ii) mixed paper & card (iii) plastics & cartons (iv) glass and metals (v) garden waste (vi) non-recyclable waste
Modelled revenue costs (rounded) per annum opex		
Collection	£51.8m	£68.0m reflecting the increased number of vehicles for the recycling service
Disposal	£45.5m	£36.0m reflecting the lower cost of treating separate food and garden waste ²
Infrastructure impact		
Collection	N/A – as current services	<ul style="list-style-type: none"> Complete change of collection fleet – significant increase in

¹ The modelling used cost and performance information provided by each WCA and does not include all costs associated with service provision (for example staffing costs only include frontline staff and immediate supervision). In developing the comparator modelling agreed assumptions were applied on parameters. The results presented here are high level.

² This has been calculated using an estimated gate fee for the treatment of the two streams at merchant facilities.

		<ul style="list-style-type: none"> vehicle numbers (from 258 to 352) Many WCA depots could not accommodate the expanded fleet and workforce Complete change of recycling receptacles Slower vehicle emptying H&S concerns over the return to boxes (e.g. manual handling, lacerations, noise)
Disposal		<ul style="list-style-type: none"> Would require re-configuring of all TLSs to accept segregated streams (e.g. construction of new bays) Change of vehicle types for the handling of waste at transfer loading stations (e.g. to forklift trucks) Some potential redundancy of the MRF Increased turnaround times on site due to increased vehicle numbers Potential development of our own biowaste treatment infrastructure such as anaerobic digestion for food waste
Environment – CO₂ equivalent emissions annually		
Collection and transport (pa)	74kt	71kt
Materials processing and disposal (pa)	2,390kt	2,348kt
Contractual and procurement		
Collection	N/A – as current services	<ul style="list-style-type: none"> Transition to the new service would take several years as current districts fleet replacement programmes are generally staggered May require costly in-term change for the two outsourced authorities Procuring vehicles and containers will be challenging as demand will be very high from many other councils
Disposal		<ul style="list-style-type: none"> Uncertainty over capacity of market to accommodate increased and changed material flows Changes would require new and potentially separate contracts for the treatment of food waste and garden waste or construction of biowaste treatment capacity by the GMCA Unless services changed at natural contract end would

		require significant contract change (with costs associated)
Modelled recycling performance	51.3%	52.4%

The Government's preference may be for the separate collection of materials but it is recognised that this may not be possible for every area. Therefore, a mechanism by which waste collection authorities can undertake a technical, economic and environmental practicability assessment (known as a TEEP assessment) to justify the selection of a system that deviates from the preferred option is going to be provided.

At this stage the Government has not specified the format of this TEEP assessment (and we believe it will be subject to further consultation), it has however provided an indication of the kinds of constraints that may contribute towards a deviation – these include:

- Technical practicability – the impact of housing stock (e.g. flats, multi-occupancy, student accommodation), rurality, availability of suitable containers, storage of containers at properties, and storage in existing waste infrastructure;
- Economic practicability - local authorities will need to demonstrate that their specific financial costs (caused by their local circumstances) makes it significantly more expensive to have separate collections based on (e.g.) housing stock, rurality, and availability of recycling and treatment infrastructure; and
- Environmental practicability - local authorities will need to make the case that separate collection is of no significant environmental benefit based on, for example greenhouse gas emissions, rejected tonnages, lifts per vehicle and journey length.

Greater Manchester's 'choice' of waste collection model will be very strongly driven by its housing stock. The conurbation has a very high proportion of high-density street level properties where multiples of containers are very unlikely to be able to be accommodated without impinging on daily life in and around the home and on the street. Where pockets of properties might be able to accommodate the Government's preferred waste collection option it would be uneconomic and impractical to operate a different collection method from the majority.

Until we see the TEEP guidance it is impossible to say with any confidence whether we will be able to continue with our current 4 bin collection systems. If a TEEP assessment supports the continuation of current services then we will still need to make changes to enable the collection and handling of pots, tubs and trays (PTTs) and plastics films/soft

plastics. This will require a modification of our materials recovery facility (MRF) for additional infrared processing equipment with an estimated capital cost of c. £15 to £20m. This investment will be a decision to be considered later this year by GMCA. Collection of these materials will still be dependent on market availability and demand. This remains problematic with only some plastic polymers (eg polypropylene) having stable markets. The position on markets for soft plastics/films is even more uncertain due to the loss of the main UK reprocessing plant due to the company going into administration.

If kerbside sort services are required then the fleet of existing recycling collection vehicles will need to be replaced by compartmentalised resource recovery vehicles in significant numbers as set out in the table previously. Our MRF would become redundant, there would need to be changes to depots and the transfer loading stations to accept waste in different fractions and utilise different plant and equipment to unload, sort and bale materials.

When the Government's response is finally published the GMCA Waste and Recycling Committee will be updated with a full assessment of the potential implications and work will commence on the development of the Greater Manchester Waste Strategy.

4. Extended Producer Responsibility

Extended Producer Responsibility (EPR) is timetabled for implementation from the 2024/25 financial year. Any organisation that is involved in placing packaging materials on the market will be required to pay modulated fees according to the type and quantity of packaging they handle. These fees will be paid into a fund that will then be used to pay local authorities involved in the collection and recycling of packaging materials.

Despite the scheme coming into effect next year, actual details of how it will operate remain limited. Defra has been engaged in a series of webinars with the packaging sector and local authorities to develop the scheme. It appears that a model is being developed based on average costs for collection, handling, treatment, recycling and disposal of packaging materials.

For each tonne of packaging material handled the local authority will receive a payment which can then be adjusted to net off income, contamination etc and will also be moderated to reflect performance benchmarks. As the payments are based on modelled data it is likely

that there will be winners and losers and potential for dispute. The scheme will be administered by a body which has yet to be set up and much of the guidance on appeals, scheme operation and assessment will need to be developed by the scheme administrator.

The current timetable for the 2024/25 payments is for draft figures to be released in August 23. These will then be refined and finalised by January 24 with funds starting to flow in quarterly payments from April 2024. Defra estimate that EPR will generate in excess of £1 billion to contribute towards local authority management of packaging waste.

5. Separate Weekly Food Waste Collection Implications

The Environment Act places a duty on Waste Collection Authorities (WCAs) to separately collect food waste on a weekly basis from **all** households including flats and high rise. In response to this requirement, GMCA has commissioned a specialist organics technical consultancy, WRM, to review the potential options for food waste collection and treatment in the future from a cost and performance perspective. Options included continuing with the current mixed garden and food waste collections as well as options for separately collecting the food and treating this via Anaerobic Digestion (AD) technology. WRM's initial findings show that separate weekly food waste will:

- Require c. 80 additional vehicles for district collections (across the 9 districts in the GMCA waste disposal arrangements) with associated additional depots, drivers/crews and operating costs;
- Will capture c. 20ktpa more food waste, equivalent to less than 2% increase on the GM household waste recycling rate;
- Will cost more overall than the current mixed garden and food collection with In-Vessel Composting (IVC) treatment. The current collection/treatment costs are modelled at £25.98m per annum. Separate food waste collection and treatment is modelled to cost £37.88m per annum, an increase of £11.89m per annum when compared to the current service; and
- There is currently no available AD treatment capacity in the North West.

In February 23, Defra approached all waste disposal authorities to ask if separate food waste collection would have an impact on residual waste disposal contracts. If so, then each waste disposal authority was invited to submit an application for transitional arrangements (TA) by the end of February on behalf of the constituent waste collection authorities to defer the date

by when food waste must be collected separately from 100% of households. The alternative to transitional arrangements would be for a collection authority to justify continuing to collect mixed /garden and food waste through a TEEP assessment.

To facilitate roll out of collections, Defra has announced £295m of New Burdens funding. This is ring fenced to collection authorities only and is only to be used for bins and vehicles. This ignores the impact and cost of modifications to disposal authority reception sites as well as the potential need for additional depots to house additional collection vehicles. The industry view is that the financial sum available is completely inadequate to facilitate the change envisaged by Defra.

In GM, all districts collect food mixed with garden waste with 7 districts collecting weekly and 2 collecting fortnightly. There will also be reduced collection frequency at points in the winter as green waste volumes decline. If continued mixed collections of food and garden waste are permissible subject to TEEP then it appears that those districts that do not currently collect weekly will need to do so, no reduction in service in winter will be permitted and 100% of households including flats will need to be provided with a service (there is limited coverage of high-rise properties currently).

Six collection authorities requested transitional arrangement to 2034 to tie in with the end of the GMCA residual waste disposal contract and 3 collection authorities (Stockport, Tameside and Trafford) will seek to rely on a TEEP assessment to continue mixed collections of garden and food waste. Defra has yet to issue guidance on TEEP and has not issued a clear timetable for doing so.

6. Conclusions on the RaWS

The RaWS will potentially have significant impacts for waste management in Greater Manchester. The four key elements of the RaWS are all interlinked and it will be necessary to understand all of them to fully assess the scale of change that may be required. The approach by Defra of drip feeding information is affecting the ability of the waste industry and local authorities to respond to these challenges, slowing down investment and development of the necessary infrastructure.

The next element likely to be released will be on consistency of collections. The guidance on TEEP needs to be released at the same time so that we can assess what elements of

existing services can be retained, adapted or replaced. As a minimum we may have to invest in new sorting infrastructure at the MRF or alternatively may need to invest in a complete new collection fleet, additional boxes/bins, additional depots and new waste handling equipment. Once we have clarity we can complete the assessment and then start to develop the Greater Manchester Waste Strategy that will set out our long term aims and objectives and how we will meet the requirements of the RaWS.

7. Future Service Provision

As previously stated, the initial seven year term of the 2 contracts with Suez will come to an end in 2026. Careful consideration needs to be given to the approach to provision of future services given the uncertainty and implications that may come from the RaWS and the appetite and capacity of the market to respond to a procurement.

GMCA Waste and Resources team has therefore commenced a work stream to review a range of options for service provision and for these to be considered from a quantitative and qualitative perspective in order to make a recommendation to GMCA. A project team has been established that comprises GMCA officers, district waste officers and external advisors from KPMG, DLA and WSP.

Modelling work and market intelligence gathering will be ongoing throughout the summer period with the aim of finalising the options appraisal in the Autumn. An evidence based report with recommendations will then progress to a GMCA meeting before the end of the calendar year.