



## **REPORT of INTERIM DIRECTOR OF RESOURCES**

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**to  
STRATEGY AND RESOURCES COMMITTEE  
2 APRIL 2020**

### **REDUCTION IN INCOME FOR RECYCLATE**

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

1.1 To update Members with regard to the reduction in income for recycling.

#### **2. RECOMMENDATION**

That Members note the contents of this report.

#### **3. SUMMARY OF KEY ISSUES**

##### **3.1 Background**

3.1.1 Recyclate is a worldwide commodity and as such is reliant on the availability of global markets. Last year we reported a reduction in income due to a change in China's Waste Legislation. This ban has meant that the recyclate usually destined for China is now flooding the European Union (EU) and United Kingdom (UK) markets resulting in a dramatic fall in prices paid for plastics and paper.

3.1.2 Under the current Waste and Recycling Contract between Maldon District Council (DC) and Suez there is a pricing mechanism used to calculate the income payable to the Council by the Contractor. This price is reviewed every six months.

3.1.3 The pricing mechanism stipulates that on 01 April and 01 October of each Contract Year, the Recycling Income unit rate shall be adjusted, calculated as follows:

$$R = (A \times B) + A$$

R = Reviewed Price

A = Recycling Income Unit Rate at preceding review date or in the case of the first review, at the Services commencement date

B = Weighted average percentage movement in the relevant recycling indices x 50%.

##### **3.2 Finances**

3.2.1 The price for mixed recycling saw the largest drop from £54.28 in April 2019 to £38.55 for April 2020. It is estimated that this will result in an estimated loss income of £70,000.

- 3.2.2 Mixed paper accounts for over 60% of this material collected by weight and prices has seen the sharpest fall from £34 per tonne in January 2019 income to £0 by the end of the year. If the market for this material improves then the price paid for mixed recyclate may increase in the second part of the year.
- 3.2.3 Over 50% of the UK collected plastic packaging is still exported for recycling. There is a potential global impact of coronavirus on short term manufacturing output using this recycling material. If this is the case, there could be a fall in the demand for the material being exported which will affect the level of income adversely. It is not possible at this time to quantify this.
- 3.2.4 The 2019 / 20 forecast for income from the sale of recyclate was £336,000, it is now anticipated the income will be £242,000.
- 3.2.5 It should be noted that the recyclate will also attract a recycling credit from Essex County Council. This is paid per tonne and is unaffected by world material markets, it is predicted to be £425,000 for 2020 / 21.

### **3.3 The future**

- 3.3.1 The price for recyclate continues to be unstable and it is unlikely that the price will recover further therefore the waste budget will have to be adjusted to allow for this reduction in income next year.
- 3.3.2 On 18 December 2018 the government published its Resources and Waste Strategy. Following on from the 25 Year Environment Plan launched in January 2018 – the Resources and Waste Strategy is the government’s key document providing strategic national direction for the future of waste management.
- 3.3.3 Part of the Resources and Waste Strategy is a review of the Producer Responsibility for Packaging System. This reform will include producer funding to pay local authorities for the collection and management of household packaging waste. Further consultation on this proposal is expected this year with the new system operational by 2023.

## **4. CONCLUSION**

- 4.1 This anticipated reduction in income of £70,000 will have a huge impact on the waste budget.

## **5. IMPACT ON STRATEGIC THEMES**

- 5.1 The waste contract seeks to maximise recycling and minimise refuse as a part of the Corporate Goal of Protecting and Shaping the District.

## 6. IMPLICATIONS

- (i) **Impact on Customers** – customers wish to continue to recycle therefore the financial shortfall will have to be mitigated.
- (ii) **Impact on Equalities** – there are no impacts on equalities
- (iii) **Impact on Risk** –This Therefore the price paid per tonne for mixed recyclate may fall again at the next review.
- (iv) **Impact on Resources (financial)** – Loss of £70,000.
- (v) **Impact on Resources (human)** – None.
- (vi) **Impact on the Environment** – None.

Background Papers: None.

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