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DATE: 30 December 2010

## **ENVIRONMENT POLICY DEVELOPMENT AND SCRUTINY COMMITTEE**

**Meeting to be held on Tuesday 11th January 2011**

Please see the attached report(s) marked "to follow" on the agenda.

**7c TRADE WASTE COLLECTION SERVICE ANNUAL PRICE INCREASE**  
(Pages 3 - 14)

*Copies of the documents referred to below can be obtained from*  
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Report No.  
ES10193

London Borough of Bromley

Agenda  
Item No.

## PART 1 - PUBLIC

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**Decision Maker:** Environment Portfolio Holder

**For pre-decision scrutiny by the Environment PDS  
Committee on**

**Date:** 11th January 2011

**Decision Type:** Non-Urgent Executive Key

**Title:** **TRADE WASTE COLLECTION SERVICE ANNUAL PRICE  
INCREASE**

**Contact Officer:** John Woodruff, Head of Waste Services  
Tel: 020 8313 4910 E-mail: john.woodruff@bromley.gov.uk

**Chief Officer:** Nigel Davies, Director of Environmental Services

**Ward:** All

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### 1. Reason for report

- 1.1 To maintain income targets, allowing for the annual increase in Landfill Tax, the annual inflationary increase of contractor collection and disposal payments, and the annual inflation estimate applied to all income budgets, an above inflation increase in our prices for 2011/12 is required. The level of increase is such that it requires approval by the Portfolio Holder. An increase of 15% is required, which would increase annual income by £58k above the inflation target (£43,600).
  - 1.2 The Controlled Waste Regulations (1992) currently prohibit local authorities from recharging certain customers for the cost of disposing of the waste collected. The government are currently consulting on revising this legislation, allowing such charges to be made, in line with the 'Polluter Pays' principle. This Report proposes that such charges are applied when and if the revised legislation is enacted, which it is estimated will increase income by £58k above inflation.
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### 2. **RECOMMENDATIONS**

That the Portfolio Holder agrees the following actions:

- 2.1 Implement an increase of 15% in the costs of both collection and container rental for customers utilising the trade waste collection service and / or renting containers from the council.

2.2 The implementation of disposal charges to those Schedule 2 customers re-designated under the proposed changes to the Controlled Waste Regulations, should the revised legislation facilitate this, in line with the time-scales specified in such revised legislation.

### Corporate Policy

1. Policy Status: Existing policy.
  2. BBB Priority: Quality Environment. Vibrant, Thriving Town Centres
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### Financial

1. Cost of proposal: Estimated cost Net income increase above 3% inflation of £58k .
  2. Ongoing costs: Recurring cost.
  3. Budget head/performance centre: Waste Services
  4. Total current budget for this head: £-385,970
  5. Source of funding: Existing revenue budget for 2010/11
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### Staff

1. Number of staff (current and additional): n/a
  2. If from existing staff resources, number of staff hours: n/a
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### Legal

1. Legal Requirement: Statutory requirement. Environmental Protection Act 1990, Controlled Waste Regulations (1992)
  2. Call-in: Call-in is applicable
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 1,400 customers
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: n/a

### **3. COMMENTARY**

- 3.1 In 2008 as part of the IE&E Programme, extensive work was carried out on benchmarking Bromley's current charging structure for the Trade Waste Collection Service (TWCS), against both neighbouring authorities and private sector competitors within the borough.
- 3.2 In the light of the evidence from benchmarking, the lessons learnt from other authorities, and the legislative constraints pertaining at the time (and still in place, although under review), it was proposed to instigate a three stage approach to maximising the margin generated by the TWCS.
- 3.3 The first stage, implemented in 2009/10, aimed to move the service from deficit to surplus.
- 3.4 To achieve this aim, customer charges were increased by 11%, and an annual charge of £78 to businesses was introduced for provision of WTN paperwork showing Bromley being a *registered waste carrier* in line with our private competitors and other boroughs.
- 3.5 An integral element of the business plan was to analyse any customer fall-out and impact on margin, thus gaining invaluable information regarding the vulnerability of our customer base to price-based fluctuation.
- 3.6 Based on financial analysis of the TWCS, after netting off customers lost and new customers joining (comparing customers as at 1/11/10 to those before the price increase February 2010), customer fall-out equated to 3.8% of the customer base – a net loss of 50 customers.
- 3.7 Since this is the third year of above inflation increases, a customer fallout rate of 5% has been incorporated into the financial projections, to allow for an element of the customer base finding alternative service providers.
- 3.8 Appendix 1 shows the current LBB TWCS charges compared with other (private sector) service providers in the borough. This demonstrates that LBB prices are not the cheapest available for all bin sizes within the Bromley catchment area. However, the low fall-out over the last 2 years suggests that our customer base is not as market-sensitive as feared.
- 3.9 Our customers tend to be Small and Medium Enterprises (SME's), and there are factors which make our service more attractive than price alone may suggest. We provide an extremely flexible service, with collections available daily. Our competitors cannot provide this level of flexibility. A proportion of our customer base is 'off the beaten track' - our competitors may be less willing to accept such jobs, and may charge a premium for them. Finally, customers regard the council service as reliable, with a rapid response to any issues, whether practical or financial.
- 3.10 Appendix 2 shows the prices charged by neighbouring authorities, which further suggests that pricing is not the only reason for TWCS customers to utilise their local authority. It should be noted that Bromley's charges compare favourably with the average of these price schedules.

#### **3.11 Schedule 2 Issues**

- 3.12 As highlighted in previous reports, sections 45 & 75 of the Environmental Protection Act 1990 (EPA) and Schedules 1 and 2 of the Controlled Waste Regulations 1992 (CWR) specify instances where local authorities are only allowed to charge for the collection of waste, but not for the cost of it's subsequent disposal which equates to 35% of the usual price for trade customers.

- 3.13 This legislation applies to educational establishments, charities, places of religious worship, hospitals, residential hostels, residential homes and charity shops (also Royal Palaces, prisons and Army barracks). An updated advice note from DEFRA regarding these issues was sent to all authorities in October 2008.
- 3.14 LBB is compliant with this legislation. However, this represents a 'discount' of £58,000 per annum provided to those organisations within our customer base falling within these definitions. This is the cost of disposing of the waste, which we are not allowed to charge for.
- 3.15 Waste Services have thus committed resource to lobbying and working with DEFRA to revise the current legislative issues surrounding 'Schedule 2' customers, with a view to including the disposal charge in their pricing structure. – following the national policy that those that create waste pay for its collection and disposal. DEFRA set up a Steering Group with representatives from national government, local authorities and Schedule 2 customers, and Bromley was represented on this Steering Group.
- 3.16 Following extensive consultation, DEFRA have proposed substantial revisions to the CWR, and the proposed legislation is currently at consultation stage. Following consultation the Regulations may be updated with effect from 1<sup>st</sup> April 2011.
- 3.17 The updated CWR will allow local authorities to incorporate charges for waste disposal into their pricing structure for many customers where this is currently prohibited, including educational establishments, nursing and residential homes, hospitals, and some charitable organisations.
- 3.18 The updated CWR will continue to confirm that "waste collection authorities (WCA) have a duty under section 45(1)(b) of the EPA to arrange for the collection of commercial waste where requested to do so."
- 3.19 It will also continue to confirm that "If a request is made of the authority to collect commercial waste, the authority must have in place arrangements to meet the request. Telling enquirers that the authority does not offer a commercial waste service or, for example, to look in Yellow Pages or providing a list of waste contractors in the area is not sufficient to comply." This effectively precludes the option of selling the TWCS to the private sector.
- 3.20 If the revised CWR is implemented, Waste Services' additional income from implementing disposal charges to those customers currently exempt such charges would be approximately £58,000. Recommendation 2 thus requests approval for the implementation of such charges to our customer base once the legislation is in place (should the Government decide to implement it).
- 3.21 It should be noted that, although the government proposes to introduce the revised CWR in April 2011, they have proposed a 12 month 'notice period' before the charges can be introduced. If this proposal is agreed by government, the revised charges would be introduced from April 2012. However, Waste Services will continue to lobby for a more immediate introduction of the revised charges.

#### **4. POLICY IMPLICATIONS**

- 4.1 Bromley's policy is to provide a reasonably priced alternative to private sector TWCS operators. Waste collection authorities (WCA) have a duty under section 45(1)(b) of the EPA to arrange for the collection of commercial waste where requested to do so, and this policy thus fulfils our statutory obligation.

- 4.2 Some businesses, particularly SMEs may have operational issues with their location, volume or storage of waste, or need for high frequencies of collection. Private sector TWCS providers may be reluctant to accept such business, or may charge disproportionately high prices for their service. The purpose of the legislation is to ensure that businesses can approach their local authority as a last resort, to ensure that they are able to obtain a TWCS. For this reason, the authority's prices are required to be 'reasonable'.
- 4.3 Appendix 1 demonstrates that although some of Bromley's prices are higher than our private sector competition, they are reasonable. The aim is to ensure the price increase is seen as reasonable by our existing and potential customer base, to avoid the overall income falling below projections should too high a proportion of our customers transfer their service to the available alternative service providers.

## 5. FINANCIAL IMPLICATIONS

- 5.1 Income is obtained by a charge for providing the collection service, based on a cost per container emptied. This incorporates a cost for the disposal of the waste collected (except in the case of Schedule 2 customers, where this element is currently omitted). Income is also generated by implementing a charge for the rental of containers (of varying sizes) to contain the waste. A further charge is levied for the provision of an annual Waste Transfer Note (a legislative requirement).
- 5.2 Customers are billed annually in advance in March. Evidence gathered from the customer database shows a small drop in customers (3.8%) following the 13% price increase in April 2010. For 2011/12 a fallout rate of 5% has been assumed to account for the impact of an increase in prices above inflation for a third year.
- 5.3 Costs vary due to any change in tonnages collected. Currently, projected TWCS tonnages for 10/11 are running at 10,000 tonnes for the year.
- 5.6 The projected income and costs for 2011/12, based on indicative price increases of 15% are shown as Appendix 3. This has been modelled with a potential customer fall-out of 5%.
- 5.7 In order to maintain the current budgeted surplus, prices must be set to recover three elements to the costs incurred by the TWCS. The annual increase in Landfill Tax (£8 per tonne), inflationary increases in contractor charges (collection 4.6%, disposal 4.6%, both in excess of the budgeted assumption of 2.3% for 10/11). Finally, the 11/12 budget assumes a 3% increase in all income streams, which must also be allowed for.
- 5.8 Simply to maintain the current surplus allowing for the above, a price increase of 10.5% would be required (£43,600), as shown in Appendix 3. However, this report recommends an increase of 15% generating a further £58k income.

## 6. LEGAL IMPLICATIONS

- 6.1 None. These changes to pricing schedules maintain Bromley's compliance with the Environmental Protection Act 1990 (EPA) and Schedules 1 and 2 of the Controlled Waste Regulations 1992 (CWR)

<b>Non-Applicable Sections:</b>	Personnel
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Background Documents: (Access via Contact Officer)	Note from Defra regarding the Environmental Protection Act 1990 (EPA) and Schedules 1 and 2 of the Controlled Waste Regulations 1992 (CWR), including Schedule 2 Customers, where the cost of disposal cannot be recharged.
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## APPENDIX 1 – Current Trade Waste Collection Services prices in the Bromley area

Prices below all exclusive of VAT

Waste Carrier	Container	Price per collection	Hire	DOC WTN Charge
Biffa	1100	£13.97	N/A	£86.25 per year
	660	£11.15	N/A	£86.25 per year
	240	£7.07	N/A	£86.25 per year
	Bag	£2.30 each min 100	N/A	£86.25 per year
Sita	1100	£10.93	N/A	£115.00 per year
	660	£10.06	N/A	£115.00 per year
	240	£6.90	N/A	£115.00 per year
	Bag	£1.95 each min 50	N/A	£115.00 per year
Anywaste	1100	£12.33	N/A	£61.33 per year
	660	£10.57	N/A	£61.33 per year
	240	£6.75	N/A	£61.33 per year
	Bag	£2.35 each min 200	N/A	£61.33 per year
Veolia	1100	£9.43	N/A	£120 per year
	660	£8.05	N/A	£120 per year
	240	£5.75	N/A	£120 per year
	Bag	-		
LB Bromley	1100	£11.94	£2.13	£80 per year
	660	£7.47	£1.95	£80 per year
	240	£4.53	N/A	£80 per year
	Bag	£2.00	N/A	£80 per year

Table below is a weekly cost including all DOC WTN charges and any hire charges

Container	Biffa	Sita	Anywaste	Veolia	LB Bromley
1100	£15.63	£13.14	£13.51	£11.74	£15.36
660	£12.81	£12.27	£11.75	£10.36	£10.81
240	£ 8.73	£ 9.11	£ 7.93	£ 8.06	£ 5.99
Bag	£ 3.96	£ 4.16	£ 3.53	N/A	£ 3.50

## APPENDIX 2 - Current TWCS prices offered by neighbouring authorities

Prices below all exclusive of VAT

Waste Carrier	Container	Price per year (one collection per week)	Hire	DOC WTN Charge
Bexley	1100	£805	£114	N/A
	660	£n/a	N/A	N/A
	240	£ 219	N/A	N/A
	Bag	£48.50	N/A	N/A
Sutton	1100	£847.60	N/A	N/A
	660	£707.20	N/A	N/A
	240	£390	N/A	N/A
	Bag	£104	N/A	N/A
Merton	1100	£720.20	£169	£85.00 per year
	660	£587.60	£137.28	£85.00 per year
	240	£390	£80.60	£85.00 per year
	Bag	£ 132.60	N/A	£85.00 per year
Kingston	1100	Don't offer a service	N/A	N/A
	660	Don't offer a service	N/A	N/A
	240	Don't offer a service	N/A	N/A
	Bag	Don't offer a service		
Croydon	1100	£1,310.40	N/A	£40 per year
	660	£1,164.80	N/A	£40 per year
	240	£436.80	N/A	£40 per year
	Bag	£260	N/A	£40 per year
Richmond	1100	£971.60	£70.67	N/A
	660	£725.02	£49.48	N/A
	240	£330.23	£15.42	N/A
	Bag	£178.16	N/A	N/A
Lewisham	1100	£534.90	£80	N/A
	660	£471	£70	N/A
	240	£206.78	£29.60	N/A
	Bag	N/A	N/A	N/A
LB Bromley	1100	£610.05	£108.64	£80 per year
	660	£382	£99.87	£80 per year
	240	£231.49	N/A	£80 per year
	Bag	£101.96	N/A	£80 per year

Table below is a current weekly cost including all DOC WTN charges and any hire charges

Container	Bexley	Sutton	Merton	Kingston	Croydon	Richmond	Lewisham	LB Bromley
1100	£17.67	£16.30	£18.73	-	£25.97	£20.04	£11.83	£15.36
660	n/a	£13.60	£15.57	-	£23.17	£14.89	£10.40	£10.81
240	£ 4.21	£ 7.50	£10.68	-	£9.17	£6.65	£4.55	£ 5.99
Bag	£ 0.93	£ 2.00	£ 4.18	-	£5.77	£3.43	N/A	£ 3.50

20010/11 forecast

95%

95%

	Latest budget For LBB 2010/11 £	Initial Draft Budget 2011/12 No Fallout	LBB Budget if uplifted by 10.5%		LBB Budget if uplifted by 15%	
			2011/12 5% Fallout	2011/12 5% Fallout	2011/12 5% Fallout	2011/12 5% Fallout
<b>Expenditure</b>						
0100 - Officer's Pay (0.5 fte)	17,250	17,250	17,250	17,250	17,250	17,250
1502 - Purchase & Repair Of Other Equip	7,030	7,300	7,300	6,935	7,300	6,935
3650 - Refuse Collection Contract - Cleaning and Mntce of Bulk Containters (Trade) (3)	32,800	33,350	33,350	31,682	33,350	31,682
3650 - Refuse Collection Contract - Collection of Bulk Containers - Trade (2B)	284,780	309,060	309,060	293,607	309,060	293,607
3650 - Refuse Collection Contract - Provision for Collection of Trade Bags (1B)	15,820	15,990	15,990	15,190	15,990	15,190
3651 - Waste Handling-Contractor Charges	709,140	790,500	790,500	750,975	790,500	750,975
	<b>1,066,820</b>	<b>1,173,450</b>	<b>1,173,450</b>	<b>1,115,640</b>	<b>1,173,450</b>	<b>1,115,640</b>
<b>Income</b>						
Bag income	(50,480)	(49,090)	(54,244)	(51,532)	(56,454)	(53,631)
Bulk collection income	(825,960)	(834,790)	(922,539)	(876,412)	(958,206)	(910,295)
Bulk rental income	(127,360)	(133,430)	(147,440)	(140,068)	(153,445)	(145,772)
Wheelie bin collection income	(89,590)	(95,770)	(105,826)	(100,535)	(110,136)	(104,629)
Bad debt provision	20,000	20,000	20,000	20,000	20,000	20,000
Waste Transfer note	(94,280)	(99,200)	(101,680)	(96,596)	(101,680)	(96,596)
	<b>(1,167,670)</b>	<b>(1,192,280)</b>	<b>(1,311,729)</b>	<b>(1,245,143)</b>	<b>(1,359,919)</b>	<b>(1,290,923)</b>
<b>TOTAL CONTROLLABLE EXPENSES</b>	<b>(100,850)</b>	<b>(18,830)</b>	<b>(138,280)</b>	<b>(129,503)</b>	<b>(186,469)</b>	<b>(175,283)</b>
<b>Income from domestic hire and collection</b>	<b>(285,120)</b>	<b>(285,846)</b>	<b>(315,860)</b>	<b>(300,067)</b>	<b>(328,723)</b>	<b>(312,287)</b>
Income inflation target at 3%		(43,600)				
Income target to fully cover costs and maintain surplus of £386k		(81,294)				
<b>Total overall including domestic hire &amp; collection</b>	<b>(385,970)</b>	<b>(429,570)</b>	<b>(454,139)</b>	<b>(429,570)</b>	<b>(515,192)</b>	<b>(487,570)</b>
<b>Total surplus income should be</b>	<b>(385,970)</b>			<b>(43,600)</b>		<b>(101,600)</b>

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