

PART 1 - PUBLIC

Decision Maker: Environment Portfolio Holder

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

Date: 18 January 2012

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

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 2012/13 may be required.
- 1.2 The government has expressed its intention to amend The Controlled Waste Regulations (1992) to allow the full costs of waste disposal to be recovered from customers who currently only pay for the collection element of the service, with effect from April 1 2012. Report ES10193 (January 2011) confirmed that such charges will be applied when and if the revised legislation is enacted, which it is anticipated will increase income by £58k above inflation. An increase of 13% on the overall TWCS prices would also be required to achieve the income targets for 2012/13.
- 1.3 However, the government has not yet confirmed the necessary revision to the CWR (1992), and if this legislation is delayed, TWCS prices would need to be uplifted by 17% to increase projected annual income by £90k above the inflation target, matching the budget option put forward.
- 1.4 To maintain income targets, allowing for the annual increase in Landfill Tax, the annual inflationary increase of contractor disposal payments, and the annual inflation estimate applied to all income budgets, an above inflation increase of 7% in our prices for non-household waste delivered to the Household Waste Recycling Centres 2012/13 is required.

2. RECOMMENDATION(S)

That the Portfolio Holder agrees the following actions

- 2.1 Should the revised legislation be agreed, the implementation of disposal charges to those Schedule 2 customers re-designated under the changes to the Controlled Waste Regulations (1992), along with an increase of 13% in the costs of both collection and container rental for customers utilising the trade waste collection service and / or renting containers from the council, with an increase of £4 for the waste transfer note.
- 2.2 Should the government fail to implement the changes to the Controlled Waste Regulations (1992), an increase of 17% in the costs of both collection and container rental for customers utilising the trade waste collection service and / or renting containers from the council, with an increase of £4 for the waste transfer note.
- 2.3 An increase of 7% in our prices for non-household waste delivered to the Household Waste Recycling Centres 20012/13.

Corporate Policy

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

Financial

1. Cost of proposal: Estimated cost Cr £90k
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: Trade waste collected service and trade waste delivered service
 4. Total current budget for this head: £488k Cr and £216k Cr
 5. Source of funding: Existing revenue budget for 2012/13
-

Staff

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

Legal

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

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 1,400 customers
-

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 Appendix 1 shows the current (2011/12) LBB TWCS charges compared with other (private sector) service providers in the borough as well as a comparison to neighbouring authorities. This demonstrates that the council charges below the average compared to other local authorities but is competitive with the private providers.
- 3.3 Based on financial analysis of the TWCS, after netting off customers lost and new customers joining (comparing customers as at 1/11/11 to those before the price increase at February 2011), customer fall-out equated to 11% of the customer base.
- 3.4 Since this is the third year of above inflation increases, a customer fallout rate of 11% has been incorporated into the financial projections, to allow for an element of the customer base finding alternative service providers.
- 3.5 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.
- 3.6 If the changes to the CWR (1992) are not implemented by the government, it will be necessary to increase TWCS prices by 17% to maintain the income targets and budget options incorporated in the 2012/13 budget.
- 3.7 The issues around the trade waste delivered directly to the Household Waste Recycling Centres at Waldo Road and Churchfields are less complex. Traders simply pass over a weighbridge to determine the weight of the waste they deposit, and pay a rate per tonne for the disposal of this waste. To maintain current income levels, allowing for the annual increase in Landfill Tax, the annual inflationary increase of contractor disposal payments, and the annual inflation estimate applied to all income budgets, an above inflation increase of 7% in our prices for non-household waste delivered to the Household Waste Recycling Centres in 2012/13 is required

3.8 Schedule 2 Issues

- 3.9 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 its subsequent disposal which equates to 65% of the usual price for trade customers.
- 3.10 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.
- 3.11 LBB is compliant with this legislation. However, this represents a 'discount' of £58k 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.

- 3.12 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.
- 3.13 Following extensive consultation, DEFRA have proposed substantial revisions to the CWR, and the proposed legislation is currently at consultation stage. DEFRA have yet to confirm whether or not the Regulations will be updated with effect from 1st April 2012.
- 3.14 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.
- 3.15 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.”
- 3.16 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.
- 3.17 If the revised CWR is implemented, Waste Services' additional income from implementing disposal charges to those customers currently exempt such charges would be approximately £58k. Recommendation 2.1 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.
- 3.18 To achieve the budgeted income targets, an overall increase of 13% in TWCS prices would also be required.
- 3.19 It should be noted that, although the government proposes to introduce the revised CWR, the necessary legislative changes have not yet been implemented. Whilst DEFRA officers remain confident that the required time-scales will be achieved, this cannot be guaranteed.
- 3.20 Thus if the changes to the CWR are not able to be introduced, to achieve the budgeted income targets, the 17% increase in TWCS charges will be required to compensate for the government's failure to revise legislation as expected.

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 Bromley's prices, although high compared to our private sector competition, 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). Further income is obtained 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 drop in customers of 11% as a result of the price increase in April 2011. It has been assumed that a further customer fallout of 11% for 2012/13 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 2011/12 are projected to be 9,000 tonnes for the year.
- 5.4 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 3.51%, disposal 4.5%). Finally, the 2012/13 budget assumes a 4.5% increase in all income streams, which must also be allowed for.
- 5.5 Once the timescale for this change in legislation is confirmed, future adjustments in TWCS prices will be calculated to incorporate this additional income.
- 5.6 Should the Regulations be changed with effect from 1st April 2012 for the Schedule 2 customers, a price rise of 13% is recommended, with a £4 price increase for waste transfer notes assuming an 11% fallout of customers.
- 5.7 However, should the Regulations not be changed, an annual price rise of 17% is required plus a price rise of £4 for the waste transfer note in order to meet the budget option target of £90k. This has been modelled with a potential customer fall-out of 11%.

5.8 The table below shows the initial 2012/13 budget and the two price increase options: -

| | Initial Draft Budget Incl £90k & inflation 2012/13 £'000 | Projected Budget 17% rise & 11% fallout 2012/13 £'000 | Projected Budget 13% rise & 11% fallout 2012/13 £'000 |
|---------------------------------|---|--|--|
| Expenditure | | | |
| Staffing & equipment | 24 | 24 | 24 |
| Collection contract costs | 335 | 298 | 298 |
| Disposal contract costs | 722 | 642 | 642 |
| | 1,081 | 964 | 964 |
| Income | | | |
| Collection income re containers | (1,119) | (1,013) | (1,029) |
| Bulk rental income | (145) | (145) | (140) |
| Waste transfer Note income | (88) | (78) | (78) |
| Domestic hire/collection income | (331) | (330) | (319) |
| | (1,683) | (1,566) | (1,566) |
| Total surplus income | (602) | (602) | (602) |

5.9 Finally, to maintain income targets, allowing for the annual increase in Landfill Tax, the annual inflationary increase of contractor disposal payments, and the annual inflation estimate applied to all income budgets, an above inflation increase of 7% in our prices for non-household waste delivered to the Household Waste Recycling Centres in 2012/13 is required.

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)

| | |
|---|---|
| Non-Applicable Sections: | Personnel |
| 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. |

APPENDIX 1 – Comparison of Current Trade Waste Collection Service prices with other local authorities and commercial companies operating with the Bromley area

Comparison of trade waste collection prices per annum (excluding vat) for 2011/12

| London Boroughs | 60L bag £ | 240L £ | 660L £ | 960L £ | 1100L £ | WTN £ |
|-----------------|--|---------------|---------------|---------------|---------------|--------------|
| Bromley | 117.25 | 266.21 | 439.30 | 667.93 | 701.56 | 82.00 |
| Bexley | 26.52 | 233.00 | N/A | N/A | 840.00 | N/A |
| Croydon | 266.24 | 447.72 | 1,193.92 | N/A | 1,343.16 | 40.00 |
| Kingston | Does not offer as trade waste collection service | | | | | N/A |
| Lambeth | N/A | 428.59 | 629.85 | N/A | 801.39 | N/A |
| Lewisham | N/A | 291.00 | N/A | N/A | 589.00 | N/A |
| Merton | 143.00 | 417.60 | 629.20 | N/A | 772.20 | 95.00 |
| Richmond | 183.50 | 340.14 | N/A | N/A | 1,000.75 | N/A |
| Average | 122.75 | 346.32 | 723.07 | N/A | 864.01 | 72.33 |

Comparison to commercial companies (incl of WTN)

| | 60L bag £ | 240L £ | 660L £ | 1100L £ |
|------------------------|---------------|---------------|---------------|---------------|
| Bromley | 199.25 | 348.21 | 521.30 | 783.56 |
| Biffa | 67.17 | 390.00 | 559.00 | 689.00 |
| Sita | 100.40 | 410.80 | 540.80 | 644.80 |
| Anywaste | 147.50 | 420.50 | 537.50 | 615.50 |
| Cory | 40.73 | N/A | N/A | 455.00 |
| Grundon | 86.67 | N/A | N/A | 433.33 |
| Orion | 41.17 | N/A | N/A | 476.67 |
| Bywaters | 65.00 | N/A | N/A | 662.13 |
| Company average | 78.38 | 407.10 | 545.77 | 568.06 |

From the tables above, it can be seen that the council charges below the average compared to other local authorities but is competitive with the private providers. The majority (62%) of our customers use 1100L (40%) and 960L (22%) containers.