

**Cheltenham Borough Council**  
**Cabinet 18 March 2014**  
**Trade waste review**

<b>Accountable member</b>	<b>Councillor Roger Whyborn, Cabinet Member Sustainability</b>
<b>Accountable officer</b>	<b>Jane Griffiths, Director Commissioning</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	Cheltenham Borough Council currently offers a trade waste and recycling service for businesses within the borough. During the O&S Ubico task group reference was made to the way in which the service was marketed, and it was noted that the council was undertaking a review of its trade waste services. This reports sets out the findings from this review which has considered whether there are opportunities to grow the business in the current economic climate.
<b>Recommendations</b>	<ol style="list-style-type: none"> <li><b>1. To note the findings from the review of the trade waste service</b></li> <li><b>2. To continue to promote the service so that the council keeps its market share, but to not implement any service enhancements at this current time.</b></li> <li><b>3. To submit an application to the Environment Agency aimed for completion within 2014/15 with regards to the Swindon Road site license so that further opportunities for trade recycling can be considered.</b></li> </ol>
<b>Financial implications</b>	<p>There are no direct financial implications arising from this report. The impact of any future service changes will be considered as and when the need arises.</p> <p><b>Contact officer: Des Knight, Accountant – GO Shared Services, des.knight@cheltenham.gov.uk, 01242 264124</b></p>
<b>Legal implications</b>	<p>The relevant legal provisions are set out in paragraph 1.5 of this report.</p> <p><b>Contact officer: shirin.wotherspoon @tewkesbury.gov.uk, 01684 272017</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>No HR implications for CBC. Ubico will need to consider how it resources any growth in service and additional collections.</p> <p><b>Contact officer: Richard Hall@cheltenham.gov.uk, 01594 812634</b></p>
<b>Key risks</b>	<b>As set out in the report and the associated risk register</b>

<p><b>Corporate and community plan Implications</b></p>	<p>Effective commercial waste and recycling services support the council's aims for a quality environment and to support the economy</p>
<p><b>Environmental and climate change implications</b></p>	<p>Recycling in general offers environmental benefits, including reducing the amount of waste going to landfill, reducing the need for raw materials and reducing climate change impacts (because recycling a material generally uses less energy than manufacturing from virgin materials).</p> <p>Consequently, if there was an opportunity to expand the trade recycling service, this would deliver greater environmental benefits and would further enhance the council's environmental objectives. It would also help to support local businesses wanting to recycle.</p>
<p><b>Property/Asset Implications</b></p>	<p>In developing a business case to expand trade waste recycling will need to take into account the space capacity of the depot and any additional investment costs.</p> <p><b>Contact officer: <a href="mailto:David.Roberts@cheltenham.gov.uk">David.Roberts@cheltenham.gov.uk</a></b></p>

## 1. Background

- 1.1 Ubico, on behalf of the borough council operates a trade waste and recycling service for businesses within the borough. The service is provided using a dedicated crew together with an additional crew allocated to the task on three days per week (undertaking household waste collection on the other two days). Ubico manage the customer contact, and trade waste account management, whilst GO Shared service (GOSS) undertake the billing and debt recovery.
- 1.2 In recent years the income from trade waste has gradually declined, partly due to the recession and to other commercial operators in the market. There has also been a move in some national commercial businesses, driven by economies of scale, where contracts for waste and recycling are centralised and local managers no longer having the discretion as to who collects their waste and recycling.
- 1.3 The current market share is around 12.5% of all commercial businesses, as there are a range of providers operating in Cheltenham including SITA, Grundon, Biffa, Smiths, Printwaste and number of smaller operators. Since 2009 all new customers are expected to pay by direct debit, but those who have been with the council prior to 2009 continue to pay quarterly in arrears. Customers have a choice of service on offer including bin size depending on the nature of the business and frequency of collection. The charges for trade waste are reviewed on an annual basis, and take in account the cost of collection, the administrative overheads (both in Ubico and the council) and the cost of landfill tax which is currently £80 per tonne. The charges are fixed and do not give much ability to react to the external market, although some discounts are offered to larger customers. In spring 2011 HM Revenues and Customs (HMRC) decided that local authority run trade waste services were outside of the scope of VAT.
- 1.4 The reasons for conducting the review were to establish the relative merits of:
- Expanding the service
  - Disposing of the service e.g. to a commercial operator
  - Maintaining the service at approximately the same level, and if so establishing necessary steps to ensure market share is maintained at a sustainable level
- 1.5 The legal situation with regards to undertaking the service, means that the council as the collection authority must recover its costs for the service, may supply containers and shall make a reasonable charge for doing so, can serve notice regarding the storage of commercial waste, and must deliver trade waste to a site directed by the disposal authority (ie Gloucestershire CC) and pay disposal costs. s45 (1) (b) Environmental Protection Act 1990 provides that the council, as the collection authority, has a duty, 'if requested by the occupier of premises in its area to collect any commercial waste from the premises, to arrange for the collection of the waste'. The council's obligation to charge is set out in section 45 (4) Environmental Protection Act 1990 as follows:
- A person at whose request waste other than household waste is collected under this section shall be liable to pay a reasonable charge for the collection and disposal of the waste to the authority which arranged for its collection; and it shall be the duty of that authority to recover the charge unless in the case of a charge in respect of commercial waste the authority considers it inappropriate to do so.'
- In setting charges the usual local authority rules apply, namely the council is not allowed to run a 'for profit' service, but may make reasonable contributions to its financial overheads from the operation of the service.
- 1.6 Although no focused customer surveys have been undertaken a very limited survey was undertaken by the O&S Ubico task group. Feedback from customers indicates that the current 'no frills' service at a fully predictable and competitive price (see 2.1), is popular with customers, especially smaller concerns for whom it appears to be well-suited, and therefore serving a niche

market.

## **2. Reasons for recommendations**

- 2.1** The review undertook some benchmarking with other providers who operate in Cheltenham. Although the advertised price of service from other providers appeared to be cheaper, once additional charges associated with the service were included it would appear that the service offered to businesses by the council is competitive. See appendix 2.
- 2.2** Historically limited marketing of the service has been undertaken due to the guidance received with regards to the VAT situation. However it is recognised that more could be done with regards to the information given to customers. For example other councils' websites highlight the advantages that the service is outside of the scope of VAT and that the price as advertised includes all charges. Some councils will specifically target small to medium sized enterprises as they are more likely to be in a position to make local decisions on suppliers, and some councils target the recycling market on the basis that this potentially saves the customer money as it is a cheaper service as there are no landfill costs.
- 2.3** Therefore there are some simple messages which can be given out on the website, as to the services available, and through some targeted signposting this should assist the council in maintaining its market share in what is a fairly aggressive market.
- 2.4** Any marketing is clearly designed to increase the market share. However as the service is currently operating at capacity, there is a risk that the additional capacity cannot be provided in a timely and cost-effective way. The proposal will be to operate on a Saturday which gives the customer more choice on collection day and will provide additional capacity to take on additional customers should the marketing of the service grow beyond what is available. (See 4.1)
- 2.5** The Swindon Road site license currently does not permit the acceptance of trade waste and therefore an opportunity to undertake a co-mingled collection or food waste service is not cost effective at this time. However it is proposed that the license be reviewed, recognising however that during the statutory consultation there may be public opposition from nearby residents. If the Environment Agency accepted the proposed amendments then there should be an opportunity based on a business case to expand the trade recycling service, particularly to offer food waste.

The trade waste service also needs to be able to offer a wider range of collection dry recyclates, as current recycling rates for trade waste are below the Council's target. This is quite challenging, as (in contrast to domestic recycling), it must fully cover its costs. Achieving enhanced recycling rates for trade waste is closely associated with being able to amend the site licence.

- 2.6** Commercial businesses have a statutory obligation to ensure that their waste is collected and disposed of in accordance to environmental legislation. Consideration was given whether the council should be undertaking a proactive enforcement campaign. Currently the enforcement team are involved in working with householders to minimise the waste going to landfill via the residual waste collection which is costing the council money. It is felt that this approach should continue to be the priority for proactive action.

## **3. Alternative options considered**

- 3.1** As part of the review consideration was given to an aggressive marketing campaign, service enhancements and to look to increase the market share.

The true problem is that in order to aggressively market the service, significant upfront revenue and capital costs need to be incurred with no guarantee that businesses would switch - and many of the providers could offer discounts in order to keep customers. The council would need to employ an individual who understood the service, acting as account manager and have marketing

experience (likely cost £40,000 including oncosts), the operation cost of running an additional full time crew is in the region of £100,000 plus additional costs for tipping charges, overheads and bins as well as the administrative costs of billing and debt collection. In addition, significant capital or fleet hire costs would need to be incurred for additional vehicle(s). There is a risk therefore that the number of new customers would not meet the costs associated with the service, which given that they must be recovered means that the overall prices could become uncompetitive.

However in proposing an incremental i.e. conservative approach to marketing the service, as in paragraphs 2.3 to 2.5, there may be opportunities to increase capacity if circumstances change. Both domestic refuse and recycling services are running near to capacity, and should it become necessary to increase capacity in domestic waste in the future, say requiring an extra crew, it may become possible to share capacity between the domestic and trade services.

**3.2** Consideration was also given as to whether there is a value in the business which could be sold to the private sector. Consultants estimate that the business would be worth around 20 to 30% of turnover. It was considered that although the council would receive a one off receipt it would not be beneficial in the long run. There are a number of risks associated with the procurement process including the potential loss of customers due to uncertainty and poaching and the capacity and costs to the organisation to undertake the procurement exercise which would all impact on any one off receipt.

**4. Consultation and feedback**

**4.1** The trade waste review was undertaken in partnership between the council and Ubico and included officers from the Joint Waste Team. The Cabinet Member working group were advised of the findings from the review and endorsed the approach.

**4.2** The review has considered the recommendations arising from the O&S Ubico task group.

**5. Performance management –monitoring and review**

**5.1** The current customer base will be monitored through the regular performance meetings. The revised website communications will be monitored to see if they are effective and what impact this is having on capacity.

**5.2** Should the Environment Agency grant a revised license for the Swindon Road depot then consideration can be given to developing a business case which may enable an enhanced recycling service.

<b>Report author</b>	<b>Contact officer: Jane Griffiths, director commissioning,</b> <b>jane.griffiths@cheltenham.gov.uk</b> <b>01242 264126</b>
<b>Appendices</b>	1. Risk Assessment 2. Price comparison graph (Dec2012)
<b>Background information</b>	

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	By 'over-marketing' the service the customer base may grow and outstrip capacity	Director commissioning	Feb 2014	3	4	12	R	Ensure promotion activity is measured Utilise round rescheduling to maximise capacity within the collection teams Utilise capacity on a Saturday	March 2015	Rob Bell	Ubico
2	By not being able to offer co-mingled and food recycling service, may not hold market share	Director commissioning	Feb2104	3	4	12	R	Apply for amendment to site license Consider business case if EA accept revised license Continue to market current recycling service	March 2016	Rob Bell	Ubico
3	If businesses are not recycling then it is adding to the impacts on landfill	Director commissioning	Feb 2014	3	6	18	R	Joint waste team to consider what information should be given to businesses to encourage them to recycle.	March 2015	Steve Read	Joint waste team
4	If the current market share is lost then there is a danger that prices will rise in order to recover fixed costs, which may result in further market share reduction.	Director commissioning	Feb 2014	3	3	9	R	Continue to monitor costs and income via performance meetings Monitor promotion campaign	March 2015	Rob Bell	Ubico