

Commercial Waste Collection: Trade Waste Charges 2016/17

Report by Ricky Moffat, Head of Commercial Operations

1 Purpose of Report

The purpose of this report is to seek approval for a proposed price increase of 10% in financial year 2016/17 for the Council's Trade Waste Charges.

This proposal will:-

- Address a budget shortfall which has arisen due to a change in the customer base and type of waste collected by the Council.
- Ensure the Council recovers the full operating and disposal costs for providing this service.
- Recognise that the recycle market is particularly volatile at this time and reduce the potential risks in collecting and disposing of each waste stream.
- Continue to build on previous work which endeavours to support businesses in reducing material which would otherwise be sent to landfill.
- Review prices for the first time since 2014/15.

2 Background

2.1 Legal Requirements

It is incumbent on Local Authorities, and indeed supported by Scottish Government legislation that Councils fully recover the costs associated with the collection and disposal of commercial waste.

In this regard Council's have a statutory duty to arrange for the collection and disposal of commercial waste, from commercial premises, if requested by the occupier of premises within its authority area. This is in accordance with section 45 of the Environment Protection Act 1990.

One exception to the charging levels relates to charities. A local authority can charge for the collection costs but not the actual disposal costs. Accordingly it is proposed that a sum equal to the anticipated disposal costs for this waste stream for charities is identified separately and provision is made in the Council's budget.

Currently the Council services approximately 96 charity premises/facilities.

2.2 Factors Affecting Service Delivery

Council will be aware that in late 2018 residual waste will be taken to the new energy from waste facility to be constructed at Millerhill.

Currently this waste stream is disposed of through the contract with New Earth Solutions. The actual disposal element of this waste stream is in accordance with the current contract and future disposal costs will be established utilising the contract with FCC. The disposal costs per tonne over the recent period and for 2016/17 are shown below.

	2014/15	2015/16	2016/17
Tipping Fees	£10.95	£12.23	£13.50
Landfill Tax	£80.00	£80.52	£80.93
Haulage	£9.48	£8.99	£9.32
Total	£100.43	£101.74	£103.75
Year on Year change	+1.7%	+1.1%	+2.0%

In addition to increased disposal costs, other costs will increase e.g. base staff costs increased by 1.50% in 2015/16 and are projected to increase by a further 1% in 2016/17 in addition other employers costs are projected to increase. Furthermore vehicle costs (excluding fuel) continue to rise in line with continued investment in new vehicles by the Council.

Similarly dry recyclate will continue to be disposed in accordance with the rates contained within the contract currently operated by Viridor.

However, this market is proving to be extremely volatile with significant cost increases being experienced.

In setting the rate for the disposal of dry recyclate therefore there is a requirement to ensure the Council is not exposed to further costs as a result of the depressed market and requires to offer a service which reduces the potential risk.

Furthermore the wider economic impact has been affecting customers and the number of customers choosing to use the Council trade waste service has declined over the last few years.

2.3 Price Increases

Appendix 1 outlines the proposed Trade Waste Charges for 2016/17.

2.4 Review of the Service

It is also proposed in light of the changing waste management and recycling market that the Head of Commercial Operation conducts the ongoing review of review of the service.

In the short term the following activities are planned:-

- Cessation of Season Tickets
- Rationalisation of collection frequencies.

3 Report Implications

3.1 Resource

The Trade Waste Service is provided by the Council to both internal and external customers and the following table summarises the estimated financial impact of a 10% price increase

	Internal	External	Total
Estimated cost of service provision	£313,000	£305,000	£618,000
Projected income 2016/17	£318,000	£316,000	£634,000
Net income surplus	£5,000	£11,000	£16,000
Existing Income Budget	£300,000	£369,000	£669,000
Projected Shortfall against income Budget	(£18,000)	£53,000	£35,000
Match internal income and expenditure budgets	£18,000	£0	£18,000
Increase required to 2016/17 budget	£0	£53,000	£53,000

The £18,000 of additional income from Internal Customers would be matched by an increase in Service Directorate budgets and is therefore budget neutral. It is anticipated that the Trade Waste income budget will be under-recovered by approximately £96,000 in 2015/16. A 10% increase in charges would reduce this to £53,000 which would require to be included to the 2016/17 base budget.

3.2 Risk

Given the difficult budget position facing the Council, failure to ensure that the costs of providing a waste service to commercial customers are fully recovered would exacerbate an already difficult financial position.

Similarly failure to encourage full recycling would impact on the Council's ability to fully meet its zero waste obligations.

The proposed pricing strategy as set out in this report in part mitigates the volatile nature of the recycling market.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:-

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- X Sustainable growth
- Business transformation and Best Value
- None of the above

3.4 Key Priorities within the Single Midlothian Plan

The proposals set out in this report allow the Council to support its aim of “taking a lead in encouraging the more efficient management of waste”.

3.5 Impact on Performance and Outcomes

This report is not proposing any new services or policies. However it is necessary to increase trade waste charges to ensure the service recovers the financial costs, whilst at the same time enables the Council to meet its legal responsibilities of providing the service.

3.6 Adopting a Preventative Approach

Increasing trade waste charges ensures the Council recovers fully the costs of providing this service and encourages customers to review their approach to waste management.

3.7 Involving Communities and Other Stakeholder

No consultation is necessary as the Council is required to recover costs of collecting trade waste from Non Domestic Customers. However, the Director Resources will advise customers directly of the revised charging arrangements as proposed in this report.

Additional the Director Resources will advise the chair of the local business association directly of the proposed increase in charges as set out in this report.

3.8 Ensuring Equalities

This report is not proposing any significant changes to services and therefore has not been assessed for equalities.

However it is proposed that charities will continue to be offered a free collection service and only being required to pay the disposal costs for their waste in accordance with the legislative framework.

3.9 Supporting Sustainable Development

There are no sustainable development issues arising directly from this report.

3.10 IT Issues

There are no IT implications arising directly from this report.

4 Summary

This report proposes changes to the Council's Trade Waste service as follows;

- Revise the standard charges to reflect the operating costs incurred by the Council based on customer basis.
- Continue to encourage businesses to recycle their waste.

5 Recommendations

Council is recommended to: -

- a. Approve a 10% increase in charges and the addition of £53,000 to the 2016/17 budget
- b. Authorise the Director, Resources to advise all customers of the changes; and
- c. Introduce the revised arrangements with effect from 1 April 2016.

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Background Papers:

Appendix 1 – Trade Waste Charges

Waste Management Trade Waste Charges

Scale of Charges

Table 1:Residual Waste

Size & Frequency		Residual			
		2012/13	2013/14	2014/15	2016/17
Bin Size	Frequency	Annual Cost £s	Annual Cost £s	Annual Cost £s	Annual Cost £s
240 Litre	1 per fortnight	-	99.09	109.00	120.00
240 Litre	1 per week	176.94	198.17	218.00	240.00
240 Litre	2 per week	353.88	396.35	436.00	480.00
360 Litre	1 per fortnight	-	134.79	148.00	163.00
360 Litre	1 per week	239.62	268.37	295.00	325.00
360 Litre	2 per week	479.24	536.75	590.00	649.00
660 Litre	1 per week	394.32	441.64	486.00	535.00
660 Litre	2 per week	788.64	883.28	972.00	1,069.00
1100 Litre	1 per week	619.78	694.15	764.00	840.00
1100 Litre	2 per week	1,239.56	1,388.31	1,527.00	1,680.00
Ro-Ro Box	1 per week	6,330.27	7,089.90	7,799.00	8,579.00
Ro-Ro Box	2 per week	12,660.54	14,179.80	15,598.00	17,158.00

Table 2: Charity

Bin Size	Frequency	Annual Cost £s	Annual Cost £s	Annual Cost £s	Annual Cost £s
240 Litre	1 per fortnight	-	65.11	72.00	79.00
240 Litre	1 per week	116.27	130.22	143.00	157.00
240 Litre	2 per week	232.56	260.47	287.00	316.00
360 Litre	1 per fortnight		83.04	91.00	100.00
360 Litre	1 per week	147.63	165.35	182.00	200.00
360 Litre	2 per week	295.23	330.66	364.00	400.00
660 Litre	1 per week	225.47	252.53	278.00	306.00
660 Litre	2 per week	450.94	505.05	556.00	612.00
1100 Litre	1 per week	342.75	383.88	422.00	464.00
1100 Litre	2 per week	685.50	767.76	845.00	930.00

Table 3:Recycling Bins etc

		2014/15	2016/17
Bin Size	Frequency	Annual Cost £s	Annual Cost £s
240 Litre	1 per fortnight	49.00	54.00
240 Litre	1 per week	99.00	109.00
360 Litre	1 per fortnight	74.00	81.00
360 Litre	1 per week	148.00	163.00
660 Litre	1 per week	272.00	299.00
1100 Litre	1 per week	452.00	497.00

Table 4:Bin Lease Charges

Lease Cost 2013/14		Lease Cost 2016/17	
Bin	Cost	Bin	Cost
240	10.8	240	11.88
360	19.2	360	21.12
660	112.8	660	124.08
1100	116.4	1100	128.04