



London Borough of Hammersmith & Fulham

CABINET

10 December 2012

ANNUAL REVIEW OF TRADE WASTE SERVICE

Report of the Deputy Leader (+ Residents Services) – Councillor Greg Smith

Open Report

Classification - For Decision
Key Decision: Yes

Wards Affected: All

Accountable Executive Director: Lyn Carpenter, Executive Director of Environment, Leisure and Residents Services

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1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is for Cabinet Members to decide whether or not to continue with the London Borough of Hammersmith and Fulham's Trade Waste collection service.
- 1.2 On 5 March 2012 Cabinet agreed to postpone a decision on whether the Trade Waste collection service should continue, pending the Bi Borough service review. This report therefore provides an update on the LBHF Trade Waste collection service for 2012/13 and includes some bi-borough comparison data from the Service Review completed during 2012. The key recommendations from the service review are:
- To form an integrated, bi-borough team,
 - Realignment and streamlining of processes,
 - Improved customer consultation and use of feedback to improve services, and presentation of alternative service delivery models for Members to consider as a second phase

2. RECOMMENDATIONS

- 2.1 That the London Borough of Hammersmith and Fulham continues with the Trade Waste collection service, due to the predicted positive contribution to corporate overheads, and pending Member consideration of alternative service delivery models identified in the Bi Borough Service Review and programmed for 2014/15.

3. DETAIL

- 3.1 The Table below provides the income and budget performance for the Trade Waste & Recycling service since 2011/12:

£000's	Actual 2011/12	Budget 2012/13	Forecast Outturn 2012/13
Income – External	(2,280)	(2,644)	(2,572)
Income – Internal	(306)	(407)	(329)
Total Income	(2,586)	(3,051)	(2,901)
Direct Costs	2,481	2,640	2,609
Net (Profit) / Loss Before Overheads	(105)	(411)	(292)

- 3.2 External income is projected to increase to £2.572m in 12/13 and if the bi borough service review recommendations are implemented, is expected to exceed £2.6m in 2013/14 (growth of 16% since 2011/12). The Trade Waste service consistently makes a significant net profit before indirect costs (overheads). After overheads the service makes a net loss. However, if the service was to be closed, this net surplus budget (i.e. the £292k) would need to be written out, meaning either a £292k growth bid or this net income would need to be found elsewhere within the organisation. Similarly, by closing the service it is not expected that there would be any significant resulting reduction in corporate overheads, and as such these overheads would simply be reallocated across other parts of the Council.

- 3.3 The profit or loss after corporate overheads is set out in the table below:

£000's	Actual 2011/12	Budget 2012/13	Forecast Outturn 2012/13
Net (Profit) / Loss Before Overheads	(105)	(411)	(292)
Indirect Costs (Overheads)	537	445	445
Net (Profit) / Loss After Overheads	432	34	153

**1 – Indirect Costs (Overheads) estimated equal to 2012/13 as 2013/14 figures are not yet available.*

- 3.4 Debt management has also improved following the implementation of a more robust debt monitoring and reporting framework and targeted recovery of significant outstanding debts. The total trade waste Debtor position as at 30th September 2012 was £481K, an improvement of £124k on the same period last year. Significant work is planned for this area and was highlighted within the Bi borough Service Review.

Waste Disposal costs

- 3.5 As part of the service review, officers compared the WRWA disposal rate with other similar facilities. The net gate fee paid by WRWA constituent authorities is £103, which is higher than the maximum gate fee of £101 found during benchmarking. This issue is being followed up as phase 2 of the service review and is detailed under paragraph 3.6.

- 3.6

2011/12 Data

Energy From Waste	Minimum Gate Fee	Maximum Gate Fee	Median
Post 2000 Facilities	£44	£101	£82

- 3.7 In terms of unit cost for waste disposal, both boroughs have a statutory duty to dispose of any trade waste collection arranged by the Council through the Western Riverside Waste Authority (WRWA). As such, both boroughs are charged the same unit cost. Waste disposal costs are the single largest cost contributor for both boroughs, making up 58% of the total cost base for LBHF and 49% for RBKC). As such, average waste disposal costs are estimated as higher per customer for LBHF at £827, compared to £746 for RBKC. A higher proportion of RBKC customers have recycling agreements (41% RBKC compared to 30% LBHF), giving rise to reduced waste disposal costs as waste sent for recycling costs £78 per tonne, compared to £136 per tonne for waste sent for disposal. Due to the statutory duty to dispose of municipal waste (waste collected by or on behalf of a local authority) through WRWA, officers are investigating the potential to renegotiate the contract on the basis that the rates are currently not competitive.

- 3.8 **Conclusion**

The LBHF Trade Waste Service does make a surplus if corporate overheads are excluded. Further changes to processes, marketing and sales approaches as a result of the Service Review will also bring improvements. Members will be invited to consider whether they wish officers to consider alternative service delivery options presented in the separate Service Review outcome report as a Phase 2. If Members are minded to factor street scene issues into the decision about the future

of the service, it is felt that the service should continue and be reviewed as part of the second phase of a Bi Borough service.

4. RISK MANAGEMENT

- 4.1. The sales performance and profitability of the Trade Waste activity is reviewed and monitored on a monthly basis, with action plans developed for any adverse variance. This is also included as a risk on the Risk Register for the Cleaner, Greener and Cultural Services Directorate.

5. EQUALITY IMPLICATIONS

- 5.1 An equalities impact assessment has been undertaken and the proposals outlined will not impact any specific group.

6. FINANCE AND RESOURCE IMPLICATIONS

- 6.1 All fees and charges continue to be reviewed to ensure that they achieve full cost recovery whilst remaining competitive compared to other major providers in the area. Proposals for further revisions from 1st April 2013 are currently being prepared as part of the Council's annual budget setting process.
- 6.2 Whilst corporate growth of £230K (excluding any contamination costs) has been secured through the MTFs process to fund the increased waste disposal costs from 2013/14, the service should continue to be reviewed in terms of overall profitability to ensure that it remains a commercially viable business that is not unintentionally subsidised by the Council. Phase 2 of the Bi Borough Service Review for Trade Waste will consider alternative service delivery models, which may allow for further financial and non-financial efficiencies to be delivered.

7. LEGAL IMPLICATIONS

- 7.1 The Council has a statutory duty under Section 45 of the Environmental Protection Act to arrange for Trade Waste collections services if requested and is permitted to levy a reasonable charge for such service. The Council has a choice whether to provide such service itself or arrange to outsource it so long as it fulfils its duty to provide for Trade Waste collection.
- 7.2 The Council is further obliged to undertake disposal of the Trade Waste by its joint waste disposal authority namely Western Riverside Waste Authority (WRWA) and the charges for waste disposal are governed by

its extant agreement with WRWA. The Council is represented on the governing board of WRWA.

- 7.3. Any procurement to select a service provider for providing waste collection service would need to be undertaken in compliance with the Public Contracts Regulations 2006 as amended. Accordingly, any decision for reviewing options for Trade Waste disposal need to be taken with these obligations in mind.

8. PROCUREMENT IMPLICATIONS

- 8.1 The comments below relate to the implications for the various scenarios open to the Council, with the first option being the favoured way forward:

1. Continue with current arrangements - there are no procurement related issues
2. Recommend stopping the service of collecting commercial waste (although for efficiencies it is collected alongside domestic waste). This will require the contract to be renegotiated. Depending on the reconfigured service, if this amounted to a material change in the contract, then a procurement exercise may be triggered for the re-packaged service
3. If the Council no longer offered a general commercial waste collection service, it would still have a statutory obligation to provide it. The start up costs of an in-house provision would be disproportionate, and it would be more likely that the Council would procure the service from Serco or another contractor; and the customer re-charged. These scenarios would be too costly for most businesses to buy into, and it would be likely that, if any, there would only be a handful of users.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		
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