

# **FOR PUBLICATION**

## **COMMERCIAL RECYCLING, CHANGES TO LEGISLATION**

MEETING:                   1. CABINET  
                                  2. EXECUTIVE MEMBER FOR ENVIRONMENT

DATE:                       1. 10 MARCH 2015  
                                  2. 2 MARCH 2015

REPORT BY:               ENVIRONMENTAL SERVICES MANAGER

WARD:                      ALL

COMMUNITY ASSEMBLY:   ALL

KEY DECISION REFERENCE (IF APPLICABLE):   501

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FOR PUBLICATION

BACKGROUND PAPERS FOR PUBLIC REPORTS:

TITLE: Working papers           LOCATION:  
  The Depot

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### 1.0 **PURPOSE OF REPORT**

To set out the arising implications to the Council and its customers of the changes to recycling legislation. To explain the background rationale for our proposed response to this changing legislation affecting commercial waste. To recommend a way forward for Members to consider

## 2.0 **RECOMMENDATIONS**

- 2.1 That option one (See Appendix B) is adopted namely that, we do not introduce commercial waste recycling and use the TEEP arguments in this report to prove the economic issues that prevent us from providing the service.
- 2.2 To keep the implementation of option one under review and consider the introduction of a commercial recycling service if future circumstances allow, and to seek to find a viable option for commercial recycling as the service is re-tendered in the autumn of 2018.

## 3. **BACKGROUND**

- 3.1 The demand for the Council's commercial waste services has held up well against the national and local economic difficulties. The Council is committed to providing value for money services.
- 3.2 From January 2015 The Revised Waste Framework Directive requires anyone collecting waste to set up separate collections of paper, plastic, metal and glass for both household and commercial waste. These materials must be collected separately unless it is not technically, environmentally or economically practicable (TEEP) to do so.
- 3.3 Local Authorities with a responsibility for collection of waste have a duty under the Environmental Protection Act 1990 to collect waste from commercial premises if requested. It is also the duty of the Waste Collection Authority to recover the cost of collection and disposal of the waste collected unless the authority considers it inappropriate to do so.
- 3.4 There are 853 commercial customers with a turnover of £540k that is expected to generate a surplus of £77k this year. This subsidises essential community services reducing the cost to the council of the overall service.
- 3.5 Officers will continue to market the service in order to maintain current levels of customers however given the capacity issue with Veolia as shown in 4.2.1, we can only sustain a level of customers comparable to that which is current.

Our marketing initiative includes:

- Provision of leaflets to potential customers
- Marketing with other council publications

- Consideration of representation at a Destination Chesterfield forum
- Right service at right price
- High level of customer service
- Consideration of direct debit introduction

- 3.6 Most commercial customers are keen to recycle at least one material and historically we have lost a few customers to private companies who are able to provide recycling. Commercial recycling has been investigated previously and these investigations have failed to offer a financially viable scheme.
- 3.7 In October 2012 discussions with Veolia about how we might provide a trial commercial recycling collection resulted in them offering to provide collections from selected commercial properties free of charge, on a six month trial. They hoped that the income from the weight of material collected would offset the cost of providing the collections.
- 3.8 Potential customers were identified from the trade client list and a route was created, collections took place on Saturday mornings, the only time when a vehicle was available. The trial actually lasted 20 months and the original list changed over this period finishing up with 60 customers producing on average a total of 1.3 tonnes per week.
- 3.9 In August 2014 Veolia advised that they were not able to continue the free collections because the trial arrangements were causing them to make a significant loss. Total costs to them for the last twelve months have been £8856 but income generated over the period only amounted to £697. Therefore the operating loss was £8159 on the limited trial and inevitably losses would be very significant in providing the service to all on a permanent basis.
- 3.10 Letters were sent to all the participants advising them that the trial would end on 20<sup>th</sup> September 2014 and bins previously provided for recycling would be collected. This resulted in a small number of complaints but to date, none of the customers have cancelled their contracts.
- 3.11 Correspondence with other local authorities within the Derbyshire Waste Partnership (DWP) show that every authority is taking the same approach as recommended in this report, namely to utilise the TEEP argument as the provision of a commercial recycling service is not financially viable. The Partnership covers the whole of Derbyshire.
- 3.12 CBC like all those within the DWP have utilised the route map provided nationally by the Waste Resources Action Programme (A nationally

accredited and government supported body) to determine the case for TEEP to apply. As such there is confidence that this is a robust and transparent approach that will defend against potential challenge.

- 3.13 Our research shows that it is unlikely that CBC's implementation of the recommendation in this report will be challenged, particularly as this approach is being taken by all members of the DWP. We also separate our glass household collection; as such we offer a more comprehensive overall recycling service than other members of the Partnership.

## **4 WAYS TO PROVIDE A COMMERCIAL RECYCLING SERVICE**

- 4.1 Discussions have taken place with Veolia regarding the cost of setting up a recycling collection service across all our commercial customers.

- 4.2 There are a number of issues;

- 4.2.1 Veolia report that they do not have any spare capacity within their current fleet and workforce to offer a separate collection to all CBC commercial customers. The only way they could provide a service would be to procure an additional split body refuse collection vehicle and an additional 2 members of staff. Using the contract variation prices this would be £140,380 per annum. See Appendix A for calculations showing how this might be recouped.

- 4.2.2 Veolia are reluctant to collect recycling from all commercial properties based on their national experiences. They report that a number of types of premises cannot be relied on to present recycling as it is requested. They would not be prepared to collect from any food premises e.g. take-away, restaurant or any eating establishment as they have evidence that the recycling from these types of premises is badly contaminated.

- 4.2.3 If we remove the total number of schools where free recycling is already taking place and the food establishments where Veolia have indicated they would not be prepared to collect recycling from that leaves approx. 650 customers who may be interested in taking on a recycling contract.

- 4.2.4 During the trial a number of the businesses taking part indicated that due to the amount of waste they were able to recycle they would like to reduce the size of the residual waste bin at their property, as this was only a trial we did not allow them to do this as it would have had a detrimental effect on the income stream.

- 4.2.5 However, this needs to be taken into account if a recycling service was offered as a permanent service as it is obvious that by recycling, residual waste will reduce. Customers would look to reduce the size of

their current residual bin and they would expect the total cost of collections, both recycling and residual, would be less than they are currently paying.

4.2.6 An alternative option would be for Veolia to collect commercial recycling as overtime using current vehicles and staff. This would only be practical for a small number of our customers, but would give us the opportunity to provide a limited recycling collection. We would need to turn customers away once the capacity was full.

4.2.7 The costs associated with providing a recycling service are shown in Appendix A.

4.2.8 Options and risks are attached Appendix B.

## **5 FINANCIAL CONSIDERATIONS**

This is a summary of detailed information to be found in the appendices.

### **Commercial Recycling Collections**

Operational costs for a full recycling round in year one	£142,724
Operational costs for a Saturday only recycling round	£ 34,985

- **By implementing the recommendations of this report, we will minimise the adverse financial effects from the changes in legislation. At this stage we cannot accurately forecast the net effect on our income. That said however, we have provided some estimates within the options.**

## **6 RECOMMENDATION**

6.1 That option one (See Appendix B) is adopted namely that, we do not introduce commercial waste recycling and use the TEEP arguments in this report to prove the economic issues that prevent us from providing the service.

6.2 To keep the implementation of option one under review and consider the introduction of a commercial recycling service if future

circumstances allow, and to seek to find a viable option for commercial recycling as the service is re-tendered in the autumn of 2018.

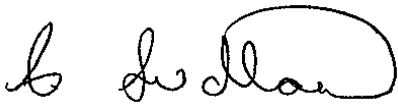
## 7.0 REASONS FOR RECOMMENDATION

- 8.2 To contribute to improving the Council's overall financial position and reduce the overall cost of the waste and recycling service by continuing a viable and profitable commercial waste service.

Further information on this matter can be obtained from Carole Grew (Extension 5797)

Officer recommendation supported.

Signed



Executive Member

Date: 02/03/15

Consultee Executive Member/Support Member comments (if applicable)/declaration of interests

## APPENDIX A

### Summary of the costs and potential charges for the introduction of a commercial recycling collection.

#### Residual Bin profiles

Size	Current number of bins	Numbers after recycling is introduced*	New bins required for residual Waste	Number of bins required for recycling**
140l	17	180	180	180
240l	163	148		148
360l	148	176		176
660l	176	207	30	207
1100l	207			

\*Assuming most customers would want to decrease by one bin size

\*\* Assuming customers would want a recycling bin one size below their current residual bin.

NB. The new bin requirement relies on all bins which are brought in being fit for re-issue. This may of course not be the case.

The costs of the new bins could be recouped over a number of years through the bin hire element in the annual charge.

Cost of exchanging/delivering bins if only 50% of 650 possible customers take up recycling assuming that 50% are 2 wheeled bins and 50% are 4 wheeled bins.

Size and no	Price per unit	Total cost £
To exchange/deliver 165 x 2 wheeled bins	6.46	1,066
To exchange/deliver 165 x 4 wheeled bins	7.75	1,279
		<b>2,345</b>

#### To provide a Refuse Collection vehicle, driver and loader for a full commercial recycling round

Item	p/hour £	p/week £	p/a £
3 axle vehicle	37.69	1,507.60	78,395
HGV driver	16.06	642.40	33,405
Loader	13.74	549.60	28,579
			<b>140,379</b>
Cost of bin deliveries			2,345

Total operational costs for first year	<b>142,724</b>
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These costs will need to be recouped from the customers. Below are 2 scenarios based on the number of customers taking up the recycling option, the cost are split 33% of total cost to 2 wheeled bin and 67% to 4 wheeled bins.

### Possible charging structure for Commercial Recycling Collections

	Collection cost	Bin hire cost	Cost for recycling collection (Not including residual waste charges)
<b>650 customers</b>			
140-360l bins	144.92	19.30	164.22
660-1100l bins	294.23	50.07	344.30
<b>325 customers</b>			
140-360l bins	285.45	19.30	304.75
660-1100l bins	579.54	50.07	629.61

Only if we get the maximum 650 customers do the prices come down to be advantageous to our customers. All other options leave them paying more for both recycling and residual waste.

To collect using overtime would be limited to 100 properties on a Saturday due to the capacity of our contractor.

### Cost of exchanging wheeled bins:

Assuming that 50% are 2 wheeled bins and 50% are 4 wheeled bins

Size and no	Price per unit	Total cost
To exchange/deliver 50 x 2 wheeled bins	6.46	323.00
To exchange/deliver 50 x 4 wheeled bins	7.75	387.50
		<b>710.50</b>

### To provide a Refuse Collection vehicle, driver and loader for a Saturday only commercial recycling round

Item	p/hour	8 hr Saturday	p/a
3 axle vehicle	37.69	301.52	15,679
HGV driver	24.09	192.72	10,021
Loader	20.61	164.88	8,574
			<b>34,274</b>
Costs of bin deliveries			710



Total operational costs for first year	<b>34,984</b>
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These costs will need to be covered by the customers. The table below shows figures based on 100 customers taking up the recycling option, the costs are split 33% of total cost to 2 wheeled bin and 67% to 4 wheeled bins.

	Collection cost £	Bin hire cost £	Total cost for recycling collection £
100 customers			
140-360l bins	230.90	19.30	250.20
660-1100l bins	468.80	50.07	518.87

Again these prices are not low enough to provide a saving to our customers.

### Commercial Costs – other Council comparisons

#### Amber Valley Borough Council

#### Derbyshire Dales District Council

Bin size	Cost of collection & disposal of residual waste	Cost of collection of materials for recycling	Bin size	Cost of collection & disposal of residual waste	Cost of collection of materials for recycling
240	315.35	189.88	240	306.80	None
360	407.78	219.59	360	374.40	none
660	625.61	261.49	660	535.60	none
1100	874.20	299.15	1100	717.60	none

#### Bolsover District Council

Bin size	Cost of collection & disposal of residual waste	Cost of collection of materials for recycling	Bin size	Cost of collection & disposal of residual waste	Cost of collection of materials for recycling
240	252.28	none	240		
360	310.44	none	360		
660	485.68	none	660		
1100	677.56	none	1100		



## APPENDIX B

### Options and Risks for Commercial Recycling

Option	Risks	Estimated financial impact
<p>1. Do nothing – use the TEEP arguments in the report to prove economic issues – increase commercial charges in line with council uplift guidelines and increase in disposal costs</p>	<p>1. May lose customers who want to recycle – however the number lost to date is minimal. Large companies e.g. MacDonalds, Subway are pushing their franchisees to have recycling collections so there are a few there we may lose.</p> <p>2. Financial impact</p> <p>3. Challenge, low as explained in the body of the report</p> <p><b>Level: Low</b></p>	<p><b>To the Council</b> Relatively minor, impossible to accurately forecast, however estimated at £500 p/a</p> <p><b>To the customer</b> Only implication is if the customer remains with us and decides to pay for a separate recycling service</p>
<p>2. Work on overtime rates and offer a recycling collection to a finite number of customers</p>	<p>1. Customers having a recycling bin will be looking for a saving and to reduce the size of their residual bin</p> <p>2. Financial impact</p> <p>3. Figures do not show a savings for our customers even if we sign up 100 for a Saturday collection.</p> <p><b>Level: Medium</b></p>	<p><b>To the Council</b> Impossible to accurately forecast , however, unless the Council had sufficient customers to recover the costs from Veolia, it would adversely affect our surplus by £35,000</p> <p><b>To the Customer</b> <b>Increased costs</b></p>
<p>3. Do nothing – use the TEEP arguments in the report – increase</p>	<p>1. It is highly likely that we would lose even more customers due the high price rise</p> <p>2. Financial impact</p>	<p><b>To the Council</b> Significant reduction in surplus, impossible to accurately forecast,</p>

<p>commercial charges by 10-15% to subsidise/offset the possible loss of customers</p>	<p>3. Challenge, TEEP argument has less credibility if charges are increased.</p> <p><b>Level: High</b></p>	<p>however estimated at £38.5k, based on a 50% loss of customers</p> <p><b>To the customer</b> 10 – 15% increase in charges across the board</p>
<p>4. Provide a price for recycling collections which is so high as to deter customers from using it. Don't advertise widely but have the price agreed so that those making enquiries can be provided with the information.</p>	<p>1. Meets the new legislation. 2. Difficult to say if anyone would be happy with the price – if they ask for the service it would have to be provided by Veolia as day rates. 3. Dissatisfied customers leaving for other providers 4. Financial impact</p> <p><b>Level: High</b></p>	<p><b>To the Council</b> Impossible to accurately forecast, however it is expected that our current surplus of £77k would reduce to virtually nil</p> <p><b>To the Customer</b> Significant price increases</p>
<p>5. Accept the costs suggested by Veolia for an additional crew and provide a recycling service.</p>	<p>1. If not all the current commercial customers move to a recycling collection then the full costs of the service will not be met leaving the council with a very significant deficit. 2. Customers having a recycling bin will be looking to reduce the size of their residual bin 3. Financial impact</p> <p><b>Level: Very high</b></p>	<p><b>To the Council</b> Impossible to accurately forecast, however it is estimated that our current surplus would go into a deficit with a possible loss of £217k</p> <p><b>To the customer</b> Dependant on customer take up but increased costs are likely unless savings arise from having a smaller residual waste bin</p>

<p>6. Negotiate with Veolia to remove the commercial element of the Waste and Recycling Contract and let a new contract for commercial waste to include residual and recycling.</p>	<ol style="list-style-type: none"> <li>1. Significant implications with the Veolia contract – may have to buy them out. After the current contract was let Veolia was asked if they were interested in buying the whole commercial business from CBC – after some investigation they refused – there was no margin in it for them</li> <li>2. As a collection Authority CBC has to collect waste from a commercial premises if requested – the authority should recover the cost of collection and disposal so this can be so high as to be prohibitive</li> </ol> <p><b>Level: Very High</b></p>	<p><b>To the Council</b>  Impossible to accurately forecast as there is no way of knowing what sort of price would come in for the new contract  It is expected that a new contract would cost in the region of £250k more</p> <p><b>To the Customer</b>  Significant price increases would be required in order to mitigate the very significant increased costs</p>
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