



DRAFT PORTFOLIO HOLDER DECISION NOTICE

PROPOSED INDIVIDUAL DECISION BY THE PORTFOLIO HOLDER FOR ENVIRONMENT

TOPIC – BIFFA REQUEST TO INCREASE TRADE WASTE COLLECTION PRICES

PROCEDURAL INFORMATION

The Access to Information Procedure Rules – Part 4, Section 22 of the Council's Constitution provides for a decision to be made by an individual member of Cabinet.

In accordance with the Procedure Rules, the Corporate Director (Governance), the Chief Executive and the Head of Finance are consulted together with Chairman and Vice Chairman of The Overview and Scrutiny Committee and any other relevant overview and scrutiny committee. In addition, all Members are notified.

If five or more Members from those informed so request, the Leader may require the matter to be referred to Cabinet for determination.

If you wish to make representation on this proposed Decision please contact the relevant Portfolio Holder and the following Committee Administrator by 5.00pm on Wednesday 29 August 2012.

Contact Officers:

Case Officer:

Robert Heathcock, Tel: 01962 848477, Email: rheathcock@winchester.gov.uk

Committee Administrator:

Nancy Graham Tel: 01962 848235, Email: ngraham@winchester.gov.uk

SUMMARY

This notice is a revised version of PHD411 which was issued as a draft but is not now proceeding.

This notice considers a request from Biffa to increase the rates they charge to commercial customers for the collection of trade waste. It examines the reasons for this request and considers some of the associated risks.

Under the terms of the Joint Environmental Services contract, Biffa are required to provide a Trade Waste Collection Service which they manage and operate as a commercial service/ business. All income and costs are retained by the contractor in recognition of the profitability of the service, and Biffa pay an annual sum to the

Council to offset the costs of the household waste collection service. This sum currently amounts to £172,000 pa.

Trade waste is disposed of through the Hampshire County Council (HCC) waste disposal infrastructure for which a commercial charge is made. The charge raised by HCC is paid by the City Council as the Waste Collection Authority and subsequently passed onto Biffa for payment as the contractor running the trade waste collection service.

Trade waste collected by Waste Disposal Authorities is disposed of through the Energy Recovery Facilities (ERFs) to avoid landfill and meet Landfill Allowance Targets. From a sustainability perspective it is not desirable for the Council to encourage their contractors to dispose of waste to landfill, nor encourage its transport further than may be necessary to reduce its disposal costs.

These additional disposal costs have to be met by Biffa and have to be reflected in their charges to customers. It is also expected by the Government that such charges will be passed onto waste producers to provide an incentive to reduce waste and reduce the amount of materials disposed of through landfill (the "polluter pays" principle). At the present time, the current charges do not adequately reflect the increased waste disposal charges that will be incurred by Biffa for disposal as from 1 April 2012.

Proposed Increases in Trade Waste Charges

Biffa are committed to keeping the trade waste contract and to try and maintain the current level of business but needs it to return a decent margin in order to continue to pay the City Council the current pay-back of profits, which is set at £172,000 per year.

There have been no increases in Trade Waste Collection charges since April 2011, as inflation was low during this period and disposal costs were reduced after several years of significant increases.

In April 2012 Biffa approached the Council with proposed charges for the Trade Waste service, based on their interrogation of the data received on the number of customers, disposal costs and service provision. This request was later than would have been usually requested due to the lack of resources whilst refuse and recycling collection problems were being resolved. Because of the need to issue charges to customers, Client Officers considered the request now described in this Portfolio Holder Decision Notice and agreed the increases, on the basis that from the information provided, they were considered to be reasonable for 2012/13 and can be revised again in 2013/14. Any delay in agreeing the charges would have left customers unclear about the costs of the service and affected Biffa's ability to deliver.

Biffa requested that they be permitted to increase trade waste collection and disposal costs from 1 April 2012 as set out in Appendix 1 of this decision notice in order to cover the following issues and to ensure that the service is not loss-making:-

- (i) increase in HCC disposal charges which takes into account the increase in RPI and a small element of the Landfill Tax Accelerator.
- (ii) Increase in fuel costs,
- (iii) A reduction in the number of customers since list was produced for the original tender in June 2010

Customers were not obliged to renew their trade waste contract with Biffa and can test the market with other suppliers if they feel that they can procure the service at a reduced cost through an alternative supplier. It is therefore felt that the proposed increases are acceptable based on the information described earlier.

Risk Evaluation

There are a number of risks that need to be taken into account associated with deciding whether or not to approve Biffa's request for raising their charges namely:

Loss of Business: Biffa operate the trade waste service in highly competitive markets and there is a risk that if significant numbers of customers choose to use an alternative company then this will have a significant impact on their income and profitability.

Adverse Publicity: the additional charges may attract adverse publicity, particularly as many local businesses are experiencing the effects of poor growth in the economy.

Use of Alternative Disposal Routes: there is also some risk that a few customers may decide to switch their service to another provider which disposes of its waste by landfill rather than through the ERF's, which could lead to an increase in landfill as this is a cheaper disposal option.

Reputation: although Biffa are a private company, their name and reputation locally is strongly linked with the City Council. In the event of any adverse publicity arising from the increase in charges, this may have an adverse impact on the reputation of the Council.

Impact on Trade Business: if the Council does not approve the requested changes then there is significant risk that the service may become unprofitable. Although Biffa are contractually bound to make the payment to the Council of £172,000 referred to above, the increase in charges would potentially have a considerable impact upon existing customers, who may look to find alternative service providers, and in future waste contract tenders, the value of any trade rebate to the Council may therefore be less due to the reduced volume of available business.

In asking for the increase, Biffa will have considered the potential impacts as a result of the increased charges. It is considered that the balance lies in favour of approving the increase and seeking to work to Biffa to mitigate the potential impact of these risks on the Council's interests.

PROPOSED DECISION

That the increased charges be approved as detailed in Appendix 1 to this Notice.

REASON FOR THE PROPOSED DECISION AND OTHER ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

Trade waste collected by Waste Disposal Authorities is disposed of through the Energy Recovery Facilities (ERF's) to avoid landfill and meet Landfill Allowance Trading Targets. From a sustainability perspective it is not desirable for the Council to encourage their contractors to dispose of waste to landfill, nor to require its transport further than may be necessary to reduce disposal costs.

Currently a small amount of household waste is collected co-mingled with trade waste and, if transported to a landfill facility, this would require separate collection, thus increasing costs and carbon / vehicle emissions. From an environmental and financial perspective, disposing of the waste through an alternative route is not a financially or environmentally viable option.

RESOURCE IMPLICATIONS:

There are no direct resource implications to the City Council from this decision as it relates to the approval of the charges that Biffa will apply to this collection service in order to make it commercially viable.

This is important as under the terms of the Environmental Services contract, the City Council receives a subsidy/rebate of £172,000 which is used to offset the contract costs.

It is important that the charges are set at the correct level in order to make the service attractive enough to retain existing customers for future contracts so that a similar level of rebate can be obtained from future tenderers.

CONSULTATION UNDERTAKEN ON THE PROPOSED DECISION

No specific external consultation has been undertaken but the proposed charges have been subject to detailed scrutiny by officers to compare them to local providers and to assess their reasonableness.

The Joint Environmental Services Client Manager has also been consulted on the proposals during this scrutiny process.

FURTHER ALTERNATIVE OPTIONS CONSIDERED AND REJECTED FOLLOWING PUBLICATION OF THE DRAFT PORTFOLIO HOLDER DECISION NOTICE

N/A

DECLARATION OF INTERESTS BY THE DECISION MAKER OR A MEMBER OR OFFICER CONSULTED

N/A

DISPENSATION GRANTED BY THE STANDARDS COMMITTEE

None

Approved by: (signature)

Date of Decision:

Councillor Roger Huxstep - Portfolio Holder for Environment

Appendix 1 – Current and Proposed Trade Waste Charges April 2012 – Mar 2013

Container	Current Charge	Proposed Charge single lift	Current Charge multiple lifts	Proposed Charge multiple lifts
Sack	£2.00	£2.21	£2.00	£2.21
240L	£6.67	£7.44	£6.03	£6.73
240L (Schools)			£5.43	£6.48
330L	£7.82	£8.69	£7.10	£7.90
750L	£11.18	£11.91	£10.29	£10.97
750L(Schools)			£8.86	£9.47
1100L	£13.15	£14.45	£12.01	£13.22
1100L(Schools)			£12.01	£13.22