

PART A

Report to: Budget Panel
Date of meeting: 29th November 2011.
Report of: Head of Strategic Finance
Title: Trade Waste Services: Environmental Services

1.0 **SUMMARY**

1.1 This report provides background information relating to the trade waste service and its financial viability.

2.0 **RECOMMENDATIONS**

2.1 Whether to support a 5% increase in charges for 2012/2013.

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3.0 **DETAIL**

- 3.1 The Budget Scrutiny Committee periodically reviews the trade waste service and recommended in October 2009 that it should be required to break even without recourse to subsidy from council tax payers. The Papers attached to this report provide background data and forecast information relating to the service.
- 3.2 The Council is the Waste Collection Authority for the purposes of the Environmental Protection Act 1990 and as such must, if requested to do so by an occupier of commercial premises, arrange for the collection of their waste which can be done either directly by the Council or the Council can arrange for a third party to collect it. The Council can make a reasonable charge for such a collection.
- 3.3 **Appendix A** attached indicates that the trade waste service in 2010/2011 made a small surplus of £720 (on a turnover of £1.4m) and suggests budgeting of the highest calibre. Appendix A also forecasts a small deficit at the end of the financial year 2011/2012 of £10,638. It is quite probable that this will not actually materialise when the accounts are closed as there are often salary savings that were not predicted during the year. (the fact that the trade waste account is showing a £378k surplus at the end of October is due to the fact that bills are sent out in advance at beginning of April and October). On the basis of the projections at Appendix A the aim for the service to break even has largely been achieved for the past two years.
- 3.4 **Appendix B** provides an advanced forecast of the draft budget for 2012/2013. It is not the final estimate as work is still ongoing but it should be a reasonable reflection of the situation. Expenditure increases that need to be absorbed include an anticipated 2% pay award; a 10% assumed increase in fuel costs; and a further 10% increase in disposal costs payable to Herts County Council. These increases will very likely also apply to the private sector providers within Watford. As a consequence of these increased costs the waste service is anticipated to make a £31k deficit. In these circumstances what are the options facing the Council?
- 3.5 The Council could withdraw its trade waste service as it statutorily only need to ensure a trade waste provider operates within the Watford area. This has a number of disadvantages which include:
- without the presence of a direct council service the private sector suppliers would have no competitive restriction from increasing prices to suit their profitability. Should traders balk at a significant increase in costs then that is likely to increase the incidence of fly tipping which would increase costs falling to the Council.
 - withdrawal of the service would result in the need to relocate existing employees. This may not result in additional costs as the refuse service generally has a pool of agency staff and substitution should be possible.

- the Council has two relatively new freighters earmarked for the trade waste service. These would either need to be 'mothballed' for circa 5 years until the remainder of the fleet became time expired or else would need to be sold at a considerable loss (each freighter costs circa £140k when purchased brand new). Should the Council have leased these freighters then firstly they would be more expensive than outright purchase but there would also be significant penalty charges in an early termination.
- finally part of the costs of the trade waste service relate to central support costs such as income and debt recovery (£38k forecast cost in 2012/2013) and it is a moot point whether these costs would actually fall or be transferred to another service. An actual reduction in staffing probably would have redundancy cost implications.

3.6 The Council could decide to recognise the extreme pressures on the business community at the present time and could resolve to finance any forecast deficit. This would however ultimately need to be subsidised by council tax payers. It would also be counter to the Budget Panel previous recommendation (which was accepted by Cabinet) that the service should seek to break even.

3.7 The Council could seek to recover anticipated increased costs through a minimum increase in current charges. In that respect **Appendix C** indicates the current charges for the 3 main providers within Watford where the Council tariff falls in the middle of the three. It is questionable whether the lowest cost provider can continue to operate an extremely low charging schedule and that perhaps its strategy to achieve greater volume may not be sustainable. In any event the private sector providers will also experience pay awards, fuel and disposal cost increases. Based upon Appendix B a 5% per cent increase in trade refuse charges should achieve circa £30k of additional income and should result in an approximate break even being achieved for another year. It is **recommended** that this is the option that Budget Panel should support.

4.0 IMPLICATIONS

4.1 Financial

4.1.1 The Head of Strategic Finance comments that any deficit from the service would need to be funded from alternative savings unless it was resolved to utilise reserves in the short term.

4.2 Legal Issues (Monitoring Officer)

4.2.1 The Legal Implications are contained within the body of the report.

4.3 Potential Risks

4.3.1	Potential Risk	Likelihood	Impact	Overall score
	Failure to recover unavoidable increases in costs will make it difficult to achieve a balanced budget for all council services. budgets	2	3	6

Background Papers

No papers were used in the preparation of this report.

File Reference

None.

Appendices

Appendix A – Trade waste financial analysis 2011/12

Appendix B – Trade waste projected financial performance & Income summary

Appendix C – Cost comparison with our competitors