

Committee: **Community Services Scrutiny Committee**
Date of meeting: **5th December 2019**

Report Subject: **Bridging the Gap - Trade Waste Service – Strategic Business Review**

Portfolio Holder: **Cllr Garth Collier, Deputy Leader and Executive Member for Environment**

Report Submitted by: **Richard Crook, Corporate Director, Regeneration and Community Services**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
22/10/19	29/10/19	23/11/19			5/12/19		12/12/19	

1. **Purpose of the Report**
To update and seek Members views on the progress made in relation to the Trade Waste Service Strategic Business Review and to provide options in relation to the revised pricing strategy for implementation in April 2020.
2. **Scope and Background**
 - 2.1 Developing and growing the Trade Waste Service is in line with the Commercial Strategy of the Authority to assist with Bridging the Gap and supports the Authority to become more commercially minded and innovative.
 - 2.2 The Trade Waste Service has been identified as part of 'Bridging the Gap' strategy with the commercial potential to generate additional income and provide a £23,000 contribution to the programme for 2020/21.
 - 2.3 Blaenau Gwent County Borough Council currently offers a chargeable, weekly trade waste collection service for residual waste, dry recycling and food waste to local businesses, schools and council buildings. Currently the Service has 350 customers including 90 internal clients – schools, corporate property. This represents 20% to 25% of the total local Trade Waste market
 - 2.4 Recycling and food collections are charged through a mix of contracted bins and bag purchases. Appendix 1 shows the current charges for the Commercial Waste Service
 - 2.5 The current operation consists of a residual collection two days a week, a recycling collection over three days a week and a food waste collection service one day a week.

- 2.6 The service historically has operated at a deficit and is forecast to return an operational deficit of £9.4k for 2019/20 with the residual side continuing to subsidise the recycling revenues. The service is forecast to carry over a similar deficit into the next financial year if nothing changes. The revenue costs of operating the Trade Waste service and deficit forecast are included in Appendix 2.
- 2.7 Following a review of the service by WRAP (Waste Resource Action Programme) in 2017, which identified opportunities to improve the level and quality of the recycling derived and deliver service growth, a report was presented to Council and the following recommendations were approved:
- For the service to address the excess residual waste that is collected currently to help move the service from a position of financial deficit to surplus;
 - To introduce a multi-stream collection arrangement that maximises material separation (and quality) whilst minimising vehicle passes. Included in this is the separate collection of glass, alongside fibres, plastics/cans and food waste – delivering a service that responds to the requirements of the Environment (Wales) Act 2016;
 - To appoint a Trade Waste Officer to implement the necessary changes to improve the Trade Waste Service; and
 - To utilise the Trade Waste Officer to deliver proactive marketing which will enable the Authority to seek out the customers and collections that it wants that best align with the collection capacity available.
- 2.8 In response to the review undertaken by WRAP, the following actions have been undertaken:
- An Assistant Team Leader for Commercial Waste and Development has been appointed;
 - A customer survey has been undertaken to assess how local businesses view the service. Participation rate was low at around 1.35%. See summary results in Appendix 6.
 - Orders have been placed following the award of £150k Welsh Government grant for 2 bespoke kerbside trade waste recycling vehicles which will support the new multi-stream collection service; and
 - An analysis of the current budget has been undertaken to inform the revised pricing strategy. It is intended that the revised pricing strategy is introduced in April 2020 in line with introduction of the new service.
- 2.9 The revised pricing strategy has been developed in line with the following principles:
- To address current pricing differentials across dry recycling;
 - To rationalise the price for a receptacle based on a price per litre;
 - To increase the range of receptacles available to customer in line with the new service;
 - To adopt a smaller bin, higher price convention;
 - To bring the prices in line with neighbouring local authorities offering a similar multi stream collection service;

- To generate a sufficient surplus in order to reinvest in the service to allow for development and growth and support the Bridging the Gap programme;
- To maintain convention of higher residual prices than recycling prices to incentivise customers to recycle; and
- To maintain the current residual prices whilst focussing on rationalising recycling costs.

3. **Options for Recommendation**

3.1 **Option 1** – Scrutiny supports ‘Maintaining current pricing structure’

Appendix 1 details current Pricing Structure.

The new service will offer a range of different receptacles in line with the multi stream collection service. Plastic bags currently issued to clients will no longer be available as part of this offer.

3.2 **Option 2** – Scrutiny supports – ‘Introduction of a revised pricing strategy for commercial dry recycling, food recycling and residual collections’.

Appendix 3 details proposed charges for the Commercial Waste Recycling Service commencing from April 2020

Appendix 4 details the proposed charges for Commercial Residual waste Service (black bags)

Preferred Option – Option 2

4. **Evidence of how this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 The improved Trade Waste service supports the Council Priority ‘*Strong and Environmentally Smart Communities*’ in particular ‘*to increase rates of recycling to enable us to achieve national targets*’.

4.2 Local authorities in Wales have been set statutory recycling targets through the Wales Waste Measure 2010, and failure to meet the targets will result in a financial penalty from Welsh Government.

The Environment (Wales) Act 2016 requires a full separate collection service for segregated recyclable material to be made available to those that produce waste.

4.3 The improved Trade Waste service supports the following Well-Being objectives:

- Blaenau Gwent wants to look after and protect its natural environment; and
- Creating a vibrant area that lives in harmony with its natural environments, using resources in a fair and sustainable way.

5. **Implications Against Each Option**

5.1 **Impact on Budget (short and long term impact)**

5.1.1 Option 1 – Maintaining current pricing structure

The discontinuation of the plastic bag recycled waste offer and alternative wheeled bin will potentially increase income slightly however this will have minimum impact on offsetting the current forecasted £9.4k cost of service deficit nor generating the £23k 'Bridging the Gap' target set for 20/21.

5.1.2 Option 2 – Introducing a revised pricing strategy for commercial dry recycling, food recycling and residual collections.

Based on the current client base, with the combination of the revised pricing strategy, cessation of paying for co-mingled recyclate processing costs and the forecasted income from clean recyclate, the budget is forecast to achieve approximately £33k surplus. This would offset the current forecast operational deficit of £9.4k and the £23k 'Bridging the Gap' target set for 2020/21.

In order to continue to grow and develop the service in future years and keep pricing aligned to other service providers the pricing strategy will be reviewed on an annual basis.

It is therefore proposed that this annual price review will take place outside of the Council's Fees and Charges register to allow the service to be reactive to market forces and customer needs & requirements.

The Trade Waste Service budget will follow the commercial strategy and trade as a Profit and Loss account.

5.2 **Risk Including Mitigating Actions**

5.2.1 Option 1 – Maintaining current pricing structure

If there are no price increases the service will continue to operate at a deficit and there will be no surplus funds available to develop or grow the service.

5.2.2 Option 2 – Introducing revised pricing strategy for commercial dry recycling, food recycling and residual collections.

Customer reaction to any increase in price has the potential to lose some customers. The plan to mitigate the impact is for the Assistant Team Leader to engage with customers prior to the introduction of the new service to include, as a minimum, the following points:

- Detail of new service and the reasons behind the changes which will include reference to compliance with the Environment Act as well as

promoting the fact that BGCBC are an environmentally responsible authority committed to a sustainable future;

- Enhanced brand value potential for businesses who can communicate adherence to the latest environmental requirements to their customers as an additional unique selling point;
- The annual administration fee will be held at £49.50 and not increased in 2020/21; and
- The price for residual collections will remain broadly the same. The only small increase will be as a result of the slight adjustments made in line with the smaller bin, higher price convention.

5.3 **Legal**

There are no legal implications associated with this report.

5.4 **Human Resources**

There are no HR implications within the scope of this report.

6. **Supporting Evidence**

6.1 **Performance Information and Data**

Summary Data from The Trade Waste Benchmarking Group indicate that compared to neighbouring authorities with similar demography, our dry recycling charges are almost half the average, our food waste charges are slightly below the average and our residual waste charges are above the average - **Appendix 5**. Pricing from the private sector is not freely available which makes it difficult for the public sector to benchmark costs to the private sector.

BGCBC Customer Survey Questionnaire (participation rate 1.35%): 81% consider they already recycle business waste. Headline responses were: Competitive pricing, more support from BGCBC, better communication, & interest in food waste collection. Summary results - **Appendix 6**.

6.2 **Expected Outcome for the Public**

Local commercial customers will have confidence that the service provided by the local authority is efficient, effective and Environment (Wales) Act 2016 compliant.

6.3 **Involvement (consultation, engagement, participation)**

Consultation with neighbouring local authorities through the Trade Waste Benchmarking Group has been undertaken to develop the pricing strategy.

6.4 **Thinking for the Long term (forward planning)**

Increased recycling and recovery of waste will help to decrease pressure on natural resources whilst also contributing towards positive results for both the economy and the environment.

6.5 **Preventative Focus**

The diversion of materials from disposal, towards high quality recycling or recovery will help the transition to a more efficient use of resources derived from waste.

6.6 **Collaboration / Partnership Working**

Blaenau Gwent is working in collaboration with Welsh Government and WRAP to implement a sustainable, effective and recycling led improved Trade Waste service.

6.7 **Integration (across service areas)**

The delivery of a consistent recycling service will facilitate integrated activity across Corporate buildings, schools and canteens, as internal customers of the service.

6.8 ***EqlA (screening and identifying if full impact assessment is needed)***

7. **Monitoring Arrangements**

7.1 The performance of the Trade Waste service will be monitored on a monthly basis, including, but not limited to:

- Number of customers;
- Financial position;
- Tonnage of recyclables and food waste collected;
- Tonnage of residual waste collected; and
- Recycling performance.

Background Documents /Electronic Links

- *Appendix 1 – Current Dry Recycling Charges 2019/20*
- *Appendix 2 – Trade Waste Revenue Budget Summary and Forecast Deficit*
- *Appendix 3 – Proposed Dry Recycling Charges 2020/21*
- *Appendix 4 – Proposed Residual (black bag) Charges 2020/21*
- *Appendix 5 – Comparisons with other authorities (2019/20)*
- *Appendix 6 – Summary Results of the on-line Customer Survey (2019)*

Appendix 1

Current Dry Recycling charges 2019/20

Container Size (Ltrs)	Container Type	Waste Material	Weekly Price	Price per Litre
80	Plastic Bag(Blue)	Glass, Cans, Plastics,	N/A	£0.0015
80	Plastic Bag (Clear)	Paper, cardboard,	N/A	£0.0015
360	Wheeled Bin	Glass, cans, Plastics, Paper & Cardboard	£4.90	£0.014
1100	Wheeled Bin	Glass, cans, Plastics, Paper & Cardboard	£14.20	£0.013
Average Price per litre (Bins & Bags)				£0.0075
Average Price per litre (Bin price only, un-skewed by low bag price)				£0.0135

Current Food Recycling charges 2019/20

Container Size (Ltrs)	Container Type	Waste Material	Weekly Price	Price per Litre
23	Caddy	Food	£0.00	£0.000
140	Wheeled Bin	Food	£3.30	£0.024
Average Price per litre				£0.024

Current Residual charges 2019/20

Container Size (Ltrs)	Container Type	Waste Material	Weekly Price	Price per Litre
120	Wheeled Bin	Residual	£5.60	£0.047
240	Wheeled Bin	Residual	£9.21	£0.038
360	Wheeled Bin	Residual	£13.34	£0.037
660	Wheeled Bin	Residual	£26.38	£0.040
1100	Wheeled Bin	Residual	£39.03	£0.037
Average Price per litre				£0.040

Current residual prices are not structured to smallest bin = highest price.

Appendix 2

2019/20

Trade Waste Revenue Budget Summary And Forecast Deficit

Heading	Cost
Employee Related Costs	£127,147
Transport Related Costs	£55,087
Supplies & Services Costs	£114,395
Total Cost of Current service	£296,629
Total income	£287,166
Variance	-£9, 463

Appendix 3

Proposed Dry Recycling charges 2020/2021

Container Size (Ltrs)	Container Type	Waste Material	Weekly Price	Price per Litre	Comments
120	Wheeled Bin	Glass	£2.80	£0.023	No comparison with current price as glass is currently co-mingled
240	Wheeled Bin	Glass	£5.00	£0.021	No comparison with current price as glass is currently co-mingled
55	Plastic Caddy	Paper & Cardboard	£1.10	£0.020	No comparison with current price as 55L caddy is a new option
80	Re-Usable hessian Sack	Paper & Cardboard	£1.40	£0.018	No comparison with current price as 80L hessian sack is a new option
120	Wheeled Bin	Paper & Cardboard	£2.00	£0.017	No comparison with current price as 120L is a new option
240	Wheeled Bin	Paper & Cardboard	£3.25	£0.014	No comparison with current price as 240L is a new option
360	Wheeled Bin	Paper & Cardboard	£4.50	£0.013	8.6% Price Reduction (Currently £4.90)
660	Wheeled Bin	Paper & Cardboard	£8.20	£0.012	No Comparison with current price as 660L is a new option
1100	Wheeled Bin	Paper & Cardboard	£13.50	£0.012	4.9% Price Reduction (Currently £14.20 weekly)
55	Plastic Caddy	Plastic & Cans	£0.94	£0.017	No comparison with current price as 55L caddy is a new option.
80	Re-Usable hessian Sack	Plastic & Cans	£1.19	£0.015	No comparison with current price as 80L hessian sack is a new option
120	Wheeled Bin	Plastic & Cans	£1.70	£0.014	No comparison with current price as 120L is a new option
240	Wheeled Bin	Plastic & Cans	£2.76	£0.012	No comparison with current price as 240L is a new option
360	Wheeled Bin	Plastic & Cans	£3.83	£0.011	21.8% Price Reduction (Currently £4.90 weekly)
Average Price per litre				£0.016	Neighbouring LAs average price per Litre (2019/20): £0.020, £0.018 & £0.019

Proposed Food Recycling Charges 2020/2021

Container Size (Ltrs)	Container Type	Waste Material	Weekly Price	Price per Litre
23	Caddy	Food	£0.70	£0.030
140	Wheeled Bin	Food	£3.66	£0.026
Average Price per litre				£0.028

Appendix 4

Proposed residual (Black Bag) charges 2020/2021

Container Size (Ltrs)	Container Type	Waste Material	Weekly Price	Price per Litre
120	Wheeled Bin	Residual	£5.60	£0.047
240	Wheeled Bin	Residual	£9.80	£0.041
360	Wheeled Bin	Residual	£14.00	£0.039
660	Wheeled Bin	Residual	£25.10	£0.038
1100	Wheeled Bin	Residual	£40.20	£0.037
Average Price per litre				£0.040

Prices Structured to Smallest Bin = Highest price

Average price per litre remains static

Appendix 5

Comparisons with other authorities (current prices for 2019/20)

Dry Recycling (16 Welsh Local Authorities)

Total Average Dry Recycling Charge	0.0127 £ Per litre
Current BGCBC Charge	0.0074 £ Per litre
Highest Charging LA	0.0288 £ Per litre
Lowest Charging LA	0.0020 £ Per litre

Food Waste Charges (6 Welsh Local Authorities)

Total Average Residual Charge	0.0275 £ Per litre
Current BGCBC Charge	0.0248 £ Per litre
Highest Charging LA	0.0436 £ Per litre
Lowest Charging LA	0.0198 £ Per litre

Residual Waste Charges (16 Welsh Local Authorities)

Total Average Residual Charge	0.0343 £ Per litre
Current BGCBC Charge	0.0400 £ Per litre
Highest Charging LA	0.0653 £ Per litre
Lowest Charging LA	0.0188 £ Per litre

Appendix 6

Summary Results of the On-Line Customer Survey (2019)

Participation rate calculated at 1.35% based on the estimated number of businesses in the borough (1,555) and the number of responses received (21) calculated as follows:

350 = the current customer total, 1,555 = total market size where 350 is 22.5%* of the total market. (* see sub section 2.3)

The data returned by the survey is not representative of the total market and is not statistically robust due to the poor response rate. However, of the 21 responses received, the main points were as follows:

- 81% (17) of the respondents stated that they already recycle their business waste.
- Many would like the council to collect their business recycling for free.
- There was confusion with pricing with a number of respondents comparing the private sector 100% co-mingling with a separated service.
- Better communication was a popular request
- Over a choice of communication methods, 95% (20) stated E mail as their preferred option
- Better information and instruction of how to recycle was requested
- A number requested collections during their business's opening hours
- One query was why are we not separating the same as our domestic waste?
- 10% (2) of respondents requested information on what happens to their recycling
- 48% (10) of respondents stated that they would be 'very likely' to be interested in food recycling
- A greater range of materials to be collected was another request
- Ability to deliver reusable waste at a reuse & recycling centre locally was suggested

Respondent's Business Size

Response Options	No. of Responses	Percentage of Total Sample
Micro, 0 – 9	11	52%
Small, 10 - 49	6	29%
Medium, 50 - 249	3	14%
Large, 250 +	1	5%

Respondent's Business Type

Response Options	No. of Responses	Percentage of Total Sample
Other	5	24%
Retail	3	14%
Wholesale & Retail Trade	3	14%
Office	2	10%
Real Estate Activities	2	10%
Human Health & Social Work Activities	2	10%
Repair Of motor vehicles	1	5%
Professional, Scientific & Technical Activities	1	5%
Administrative & Support Service Activities	1	5%
Education	1	5%
Hospitality	0	-
Transportation & Storage	0	-

- Other 1.) Manufacturing (Plastics)
- Other 2.) Manufacturing
- Other 3.) Groundworks
- Other 4.) Electronic design & manufacture