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<b>Report To:</b>	<b>Environment and Regeneration Committee</b>	<b>Date:</b>	<b>9 March 2023</b>
<b>Report By:</b>	<b>Director, Environment &amp; Regeneration</b>	<b>Report No:</b>	<b>ENV018/23/GM</b>
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<b>Subject:</b>	<b>Commercial Waste Services</b>		

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## 1.0 PURPOSE AND SUMMARY

1.1  For Decision  For Information/Noting

1.2 The purpose of this report is to advise Committee of an under recovery of income within the Council's Commercial Waste Service and to advise of the proposed increase in charges for 2023/24 and plans to develop proposals to completely remove the subsidy as part of the 2024/25 Budget.

## 2.0 RECOMMENDATIONS

2.1 It is recommended that Committee note the financial under recovery of the Commercial Waste Service and approve the following:

- i) 2023/24 Increase commercial trade waste charges by 10% to reflect the increase in inflationary costs to the service and to eliminate the current income shortfall,
- ii) To align internal Trade Waste Charges to those levied commercially, and;
- iii) That Officers will develop proposals to deliver a non-subsidised service as part of the 2024/25 Budget.

**Gail MacFarlane**  
**Shared Head of Roads & Environmental Services**

### 3.0 BACKGROUND AND CONTEXT

3.1 The Council provides a commercial waste service to businesses, charities and internal Council services across Inverclyde. The Environmental Protection Act 1990 S45 (1b) states that

*It shall be the duty of each waste collection authority –*

*(b)if requested by the occupier of premises in its area to collect any commercial waste from the premises, to arrange for the collection of the waste.*

*(4)A person at whose request waste other than household waste is collected under this section shall be liable to pay a reasonable charge for the collection and disposal of the waste to the authority which arranged for its collection; and it shall be the duty of that authority to recover the charge unless in the case of a charge in respect of commercial waste the authority considers it inappropriate to do so.*

It is therefore clear that the Council has an express statutory duty to arrange for the collection of commercial waste if it is requested to do so by an occupier of commercial premises.

3.2 A total of 582 individual premises are collected on a variety of frequencies weekly generating revenue of £606k annually broken down as follows

Customer type	Quantity	Tonnage generated	Income £000s
Commercial	476	2185	396
Charity	43	199	31
Council	61	1047	179
Total	580	3431	606

3.3 Council policy is that charity customers receive a 50% discount on their charges. The Council Services receive a significant discounted rate which has not changed since 2010. For comparison the charges are shown below:

Customer type	240l	1100l
Commercial	£6.25	£25.01
Charity	£3.20	£10.28
Council	£3.61	£10.84

3.4 Although the Council services appear relatively low at 11% of all customers, the Council have the largest volume collected per premises and generate around 30% of the tonnage and income.

In addition, the Council collect glass and dry mixed recyclate of around 490 tonnes annually from 190 properties many of which are collected fortnightly. The majority of recycling is produced by Council premises which are collected on a weekly basis. The internal customers generate around 10 times the volume of recycling material compared to normal business customers.

3.5 Income from commercial waste has decreased over the years as a result of business closures, national contracts and competition from external providers. The decline in the customer base has predominantly occurred as a result of the larger customers moving to commercial waste operators who can be more competitive due to economies of scale etc but for smaller businesses the Council remains likely to be the only option available to them.

- 3.6 The Council operate the Commercial Waste Service with two refuse collection vehicles, two drivers and 4 labourers, services are provided 5 days a week with a limited Saturday service requested by mainly restaurants and bars.
- 3.7 Service charges are comparable with other local authorities, (appendix 1). Based on 2021/22 charges, Inverclyde is 17<sup>th</sup> most expensive out of 24 authorities for a 240l standard household type container and 14<sup>th</sup> dearest out of 24 for a larger 1100l container.

#### 4.0 COST OF SERVICE DELIVERY

4.1 The cost of providing the services is detailed below:

<b>Commercial Waste</b>	<b>Budget 22/23</b>	<b>Current Projection</b>
Income	-648,510	-588,210
Waste cost	377,210	377,210
<u>Overhead Costs</u>		
Management Allocation - 10%	16,860	16,860
Depot Allocation - 10%	7,460	8,060
Employee Costs - core hours	299,830	299,830
Vehicles inc Loan charges	163,450	163,450
Admin Costs, CSC charges	28,370	28,370
Total Expenditure	893,180	893,780
Under-recovery	244,670	305,270

4.2 The income shown above is based on discounted rates for both internal and charity customers.

4.3 The 2022/23 residual waste tonnage costs above are based on the current landfill charge paid to the Council's contractor however following the implementation of the Amendment Order this rate has increased. The impact of the change in rate increases the costs by £153k. Factoring this in, would increase the budgeted Council subsidy to the service to £398k per annum.

<b>Commercial Waste</b>	<b>Budget 22/23</b>	<b>Current Projection</b>
Income	-648,510	-588,210
Waste cost	530,910	530,910
<u>Overhead Costs</u>		
Management Allocation - 10%	16,860	16,860
Depot Allocation - 10%	7,460	8,060
Employee Costs - core hours	299,830	299,830
Vehicles inc Loan charges	163,450	163,450
Admin Costs, CSC charges	28,370	28,370
Total Expenditure	1,046,880	1,047,480

Under-recovery 398,370 459,270

- 4.4 The financial breakdown also illustrates that the Commercial Waste Service is running at a loss which is not a sustainable position in terms of the Council’s statutory duty to secure Best Value.
- 4.5 In securing Best Value, there is a need for the Council to maintain an appropriate balance of:
- i) The quality of the service;
  - ii) The cost to the Council of providing the service; and
  - iii) The cost to the customers of the service provided for them on a wholly or partly rechargeable basis.
- 4.6 By law the Council has a duty to collect its reasonable charge unless it considers it inappropriate to do so. As such, if the Council was to offer a discount, it would need to establish what “a reasonable charge” would be for the collection of commercial waste, and the basis for any discount being appropriate.
- 4.7 Therefore, in light of the Council’s Best Value obligations it may appear prudent for the Council to consider whether increasing charges to customers (both internal and external) would lead to a more sustainable position.

## 5.0 PROPOSALS

5.1 The requirement for 2023/24 is to eliminate the projected £60,300 budget shortfall shown in paragraph 4.1 above. To do this requires a 10% increase in the rates charged to businesses and charities plus a review of costs. The table below illustrates the impact based on the size of containers. It is not proposed to change the 50% charity discount policy operated by the Council at this time.

Size	240L	330L	660L	750L	1100L	1280L
22/23 Commercial Charges	£6.25	£8.52	£15.35	£17.15	£25.01	£26.17
23/24 charge (10%)	£6.88	£9.37	£16.89	£18.87	£27.51	£28.79

- 5.2 The rates charged to Council services should match those charged to businesses. If agreed this will reduce the gross subsidy by £150-180,000. However, there will be no net saving to the Council as those services charged will have their budgets increased commensurately.
- 5.3 The final proposal is that, during 2023, officers develop proposals to fully eliminate the Commercial Waste Service subsidy and bring proposals before Members as part of the development of the 2024/25 Budget.

## 6.0 IMPLICATIONS

6.1 The table below shows whether risks and implications apply if the recommendations are agreed:

SUBJECT	YES	NO	N/A
Financial	x		
Legal/Risk	x		
Human Resources		x	
Strategic (LOIP/Corporate Plan)	x		
Equalities & Fairer Scotland Duty			x
Children & Young People's Rights & Wellbeing			x
Environmental & Sustainability	x		
Data Protection			x

## 6.2 Finance

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report (£000s)	Virement From	Other Comments

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000's	Virement From (If Applicable)	Other Comments
Refuse Collection	Income	2023/24	£(60)		10% increased charge to business and charity customers & an £18k saving arising from a review of costs
		2023/24	£(150- 180)		Extra Income arising from the removal of council discount
Council Services			£150-£180		Compensating increase in Council Budgets

## 6.3 Legal/Risk

External legal advice has confirmed that if the Council refused to arrange for the collection of commercial waste where requested to do so then the Council would be susceptible to the risk of successful judicial review on grounds that the Council had acted unlawfully in failing to provide a statutory service which as a matter of law it was required to provide.

#### 6.4 Human Resources

There are no HR implications arising from the recommendation within the report.

#### 6.5 Strategic

The strategic implications arising from this report is that there may be an increase in fly tipping if businesses are unable to afford the increase in charges. A phased increase will mitigate this risk.

#### 6.6 Environmental/Sustainability

Has a Strategic Environmental Assessment been carried out?

X	YES – assessed as relevant and a Strategic Environmental Assessment is required.
	NO

### 7.0 CONSULTATION

7.1 There has been consultation undertaken in relation to this proposal with Legal and Finance Services.

### 8.0 BACKGROUND PAPERS

8.1 There are no background papers relevant to this proposal.

## Appendix 1 Commercial Waste Charges – Scottish Council Comparator

<b>Councils 2022 - 2023</b>	<b><u>240 Litres</u></b>	<b><u>1100 Litres</u></b>
Shetland Islands Council	£3.80	£17.30
Comhairle nan Eilean Siar	£4.25	£16.85
Dumfries and Galloway Council	£5.14	£21.65
Scottish Borders Council	£5.22	£21.33
Angus Council	£5.30	£24.00
Aberdeenshire Council	£5.30	£24.30
Renfrewshire Council	£5.65	£26.90
Falkirk Council	£5.75	£20.50
North Lanarkshire Council	£5.75	£22.80
West Dunbartonshire	£5.75	£24.50
Glasgow City Council	£5.80	£21.60
Aberdeen City Council	£5.80	£17.20
South Ayrshire Council	£5.85	£28.50
East Renfrewshire Council	£5.91	£20.69
East Lothian Council	£6.10	£27.05
North Ayrshire Council	£6.15	£27.45
<b>Inverclyde Council</b>	<b>£6.25</b>	<b>£25.00</b>
Clackmannanshire Council	£6.35	£29.15
Stirling Council	£6.40	£24.90
Midlothian Council	£6.44	£24.73
Highland Council	£7.05	£31.65
Orkney Islands Council	£8.40	£27.10
Moray Council	£8.45	£36.90
East Ayrshire Council	£9.10	£41.20
Argyll and Bute Council	NA	£37.86
Scottish Average	£5.84	£25.64