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**CARDIFF'S COMMERCIAL WASTE SERVICE**

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**Reason for the Report**

1. To provide Members with the opportunity to review the Council's Commercial Waste Service. In particular it will provide Members with the opportunity to consider important areas of the service including:
  - A description of the Commercial Waste Service;
  - The range of services that the Commercial Waste Service provides;
  - The sales and marketing approach taken by the Commercial Waste Service;
  - The pricing of the services and how these compare against the market;
  - The income generated and costs of running the Commercial Waste Service;
  - The volume of commercial waste collected by the Commercial Waste Service;
  - The staff, accommodation and equipment resource required for running the Commercial Waste Service;
  - The range of customers who use the Commercial Waste Service;
  - Short and long term goals of the Commercial Waste Service;
  - Benefits of the Council providing the Commercial Waste Service;
  - Biggest challenges faced by the Commercial Waste Service;
  - How it is anticipated that this Commercial Waste Service will feed into the Full Business Case for the Modified In House and Wholly Owned Arms Length Company.

**Background**

2. The Council has a statutory obligation to provide a commercial collection service upon request; this duty can be carried out by the Council itself or a third party provider. The Council addresses this duty by offering its own Commercial Waste

Service for businesses in Cardiff. The Commercial Waste Service page on the Council's website explains that:

*“Cardiff Council is committed to working with the businesses in Cardiff to provide a cost effective collection method that suits your business needs. At Cardiff Council we take your waste and turn it into a resource”.*

3. The collection service is sold by the Council's in-house Commercial Waste Team and collected by the in-house Waste Collection Team. The Council's Commercial Waste Team competes directly with other commercial waste service providers in the open market.
4. The Commercial Waste Service offers a range of core commercial waste collection options, these include:
  - **General Waste** – The service provides many options for businesses to dispose of general waste. It provides a range of bin and bag schemes for business customers and operates a seven day a week collection service. The service disposes of waste by sending it to an energy from waste facility and turning it into energy and heat.
  - **Mixed Recycling** – The service provides a mixed recycling scheme which collects a range of materials in a range of bins or clear bags which are placed out for kerbside collection. Recycling collections are cheaper than general waste collections as the end products are recycled and turned into a resource.
  - **Single Stream Recycling** - The service offers a range of single stream recycling, single stream options include cardboard and glass.
  - **Food Waste** – The service offers a food waste collection option and offers a range of internal and external storage options. The service promotes this option by explaining that separating food waste can save a business money, reduce issues with vermin, reduce spillages caused by seagulls and help businesses in developing green credentials.
  - **Bulky Waste & Site Clearance** – The service can collect bulky items on request from businesses.

- **Commercial Recycling Centre** – The Council provides a commercial recycling centre facility at Bessemer Close. It provides commercial recycling options for small and medium sized enterprises to dispose of recycling and trade waste. In particular the facility is looking to target the construction industry, landlords and local businesses. The commercial recycling facility currently receives mixed recycling, garden waste, hardcore, wood, cardboard, plasterboard and metal.
5. The Commercial Waste Service also offers a range of additional services for businesses, these include:
- Street cleansing;
  - Events cleansing (litter picking, sweeping & clean up for events such as the Royal Flower Show, Winter Wonderland, Armed Forces Day and the Mardi Gras);
  - Land clearance (for example, frontage and accumulation clearances for domestic properties);
  - Street washing & jet washing;
  - Skip hire;
  - Other bespoke collections.
6. The majority of the service is delivered seven days a week on a split shift basis. The standard hours of operation for the main services are:
- General Waste – Seven days a week; 4am to 10pm.
  - Recycling (including glass and cardboards) – Seven days a week; 6am to 10pm.
  - Food Waste – Monday to Friday; 6am to 2pm.
  - Bulky Items – Monday to Friday; 7am to 3pm.
7. A service brochure titled 'City of Cardiff Council Commercial Waste Service – Don't throw your money away. Reduce waste' provides a summary of the services provided by the Commercial Waste Service and has been attached to this report as **Appendix 1**.

8. The service is delivered by 36 Full Time Equivalent (FTE) staff; 29 are involved with collections and seven deal with administration, sales and marketing. Employee numbers have been consistent for the last five years and the service has a very high staff retention rate. The service has access to a shared domestic manning pool should they require additional staff cover or support. The service is supported by the Council's main central support services, for example, financial, legal and human resources.
9. The Commercial Waste Service is based in Lamby Way to create operational efficiencies and utilise existing Materials Recycling Facility (MRF) technology. They use five collection vehicles which are leased through Central Transport Services and own one bulky delivery vehicle. The service also owns a range of waste collection containers.
10. The Commercial Waste Service promotes the service through a team of seven staff. When looking to secure business they focus on a key number of areas including:
  - Promoting the Council brand. This is seen by many customers as a trustworthy brand which supports the local economy;
  - By promoting the wide range of locally provided commercial waste services delivered by the Commercial Waste Service;
  - By using a competitive pricing structure (this includes using the VAT exempt status enjoyed by commercial waste services delivered by local authorities in England & Wales);
  - By sub contracting commercial waste contracts from national brokers for the collection of local business waste (mainly for large nationwide companies);
  - By applying price discounts where appropriate to secure business;
  - By targeting smaller businesses which the larger firms and brokers are not interested in dealing with.
11. The Commercial Waste Service has a broad range of customers which include small local businesses; large national companies; internal Council customers and public sector organisations. Internal Council customers account for approximately 18% of the Commercial Waste Service business. The customer retention rate is high with the service having held contracts with many businesses for as long as 40 years.

12. The Commercial Waste Service believes that it has a very competitive pricing structure which is agreed annually by the Council and published as a part of the budget setting process. The pricing structure is described as transparent, open and fair. It is sometimes possible to apply discounts against the published pricing structure to help secure business.
13. The Commercial Waste Service has business with approximately 30% of the National Non Domestic Rates (NNDR) organisations registered in Cardiff. The larger retailers who are based in the city tend to enter into national agreements; therefore, with the exception of some sub contracted contracts this is an area of the commercial waste industry which the Council finds difficult to access.
14. The Commercial Waste Service has in recent years generated an income surplus. In 2013/14 it generated £3,362,113 of income which increased to £3,908,625 in 2014/15 (this was £185,385 above the income target of £3,723,240). The income target for 2015/16 is £3,923,240.
15. The most competitive private sector commercial waste companies tend to be established firms with a long trading history. The dominance that these companies have in the market has resulted in some of these becoming household names, for example, Biffa. These companies have facilities which cover the whole commercial waste process, i.e. collection, recycling and disposal. This means that they are able to create regional economies of scale for commercial waste, therefore, creating a competitive advantage. Also being in control of the end to end process means that they are less exposed to the risks of varying disposal costs.
16. There are numerous brokers in the market place who just tender for contracts and then subcontract this work into the marketplace; generally the broker companies have no facilities or fleets of their own. The broker companies normally have low operating costs and mainly have an online presence. They predominantly operate national contracts and secure business by employing aggressive contract pricing.
17. The Commercial Waste Service currently faces a number of challenges, these include:

- Tough competition within the commercial waste collection industry; there are over twenty licensed commercial waste collection services operating in Cardiff.
- Increasing the quality and quantity of the recycling collected will be subject to greater legislative scrutiny. Operational changes may have to be considered in order to adapt the service to meet these new challenges.
- Proposed Environment Bill comes into effect in 2017 and requires businesses to separate their waste for recycling and bans certain materials from landfill in a drive to increase recycling.

18. The Commercial Waste Service has been included as a part of Waste Collections within the Infrastructure Services project. During this item Members will have the opportunity to consider the impact of including the Commercial Waste Service within a Wholly Owned Arms Length Company or Modified In House model. The July 2015 Outline Business Case for the Infrastructure Services project included a section on Waste Collections which made several references to the Commercial Waste Service, these were:

- Statutory Services - that the Council must provide a commercial collection service if requested, this can be carried out in house or by a partner.
- Strengths - that 'commercial collections has a market share of c.27% (2014)' in Cardiff.
- Strengths - that the Council's domestic and commercial customers are broadly satisfied with the services provided.
- Opportunities – that 'growing the commercial collections business' was seen as an opportunity.
- Opportunities – to 'increase marketing of commercial collections and stretch communication boundaries' was viewed as an opportunity.

19. It should be noted that joint scrutiny between the Policy Review & Performance and Environmental Scrutiny Committees' is due to take place in February 2016 on a Cabinet report titled 'Infrastructure Services – Full Business Case'. During this item Members may wish to evaluate the respective merits of the Commercial Waste Service within a Wholly Owned Arms Length Company or Modified In House model.

## **Way Forward**

20. Councillor Bob Derbyshire, Cabinet Member for the Environment has been invited to attend for this item. He will be supported by officers from the City Operations Directorate.

## **Legal Implications**

21. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

22. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

## **RECOMMENDATIONS**

The Committee is recommended to:

- i. Consider whether they wish to pass on any comments to the Cabinet following scrutiny of Cardiff's Waste Commercial Service.

**MARIE ROSENTHAL**  
**Director of Governance & Legal Services**  
**2 December 2015**