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## **1 Introduction**

- 1.1 Section 45 of the Environmental Protection Act 1990 places a statutory duty on Councils to 'arrange for the collection of commercial waste, if requested by the occupier of premises in its area'. The Council is entitled, under Section 45(4) to make a 'reasonable charge' for collection of commercial waste and any disposal costs.
- 1.2 The Council provides an In House collection service.

## **2 Background**

- 2.1 This is a very competitive market with large national commercial waste companies operating across London. Some Councils have opted out of this service area. Merton has successfully delivered a service that covers its costs.
- 2.2 Other benefits of operating the service include the ability to influence the cleanliness of the public realm in particular through the link with our regulatory function and such initiatives as Time Banding in town centres.
- 2.3 As a result of the work undertaken with Hammersmith and Fulham in 2010, increased income targets were set for the following years as follows; in financial year 2011-12 commercial waste services income expectancy was increased by £97,000, in 2012-13 no additional income increase. In 2013-14 further increased by £167,000 and again in 2014-15 by £250,000.
- 2.4 However, the budgeted income target was reduced by £650,000 for 2015/16.
- 2.5 Under the existing management arrangements even with increased back office and sales support it was difficult to see how we could achieve these increased income targets, which represent a 50% increase in turnover over a period of four years, 2011/12 to 2014/15.
- 2.6 There are 4146 High Street Businesses in Merton, and Merton provides a service to 1100 of these.
- 2.6 Our current market share is 26%.
- 2.7 Of the remaining 74% (3046) of businesses not using our service, it is estimated that c.89% (2730) are contracted to other waste collection service providers. leaving 310 businesses that are available to the market in the short term. This does not take into account the small number of vacant businesses in the borough.

Compliance Rate (those that have a commercial contract) – 92%  
Maximum Annual Income Opportunity – c.£240K average value of  
£800 per contract

### 3 Financial Information

- 3.1 The commercial waste service has historically generated an income stream for the Department.
- 3.2 However as mentioned earlier following work undertaken with Hammersmith and Fulham in 2010, using their model increased income targets for the following years were set as follows; in financial year 2011-12 commercial waste services income expectancy was increased by £97,000, in 2012-13 no additional income increase. In 2013-14 further increased by £167,000 and again in 2014-15 by £250,000.
- 3.3 However, the budgeted income target was reduced by £650,000 for 2015/16.

**3.4 The below table shows the actual levels of income generated by the service during this period:-**

2011/12	2012/13	2013/14	2014/15
£1,308,040	£1,307,990	£1,307,460	£1,177,040

- 3.5 We have not achieved these increased targets for a number of reasons during the last four years. As mentioned earlier this is a very competitive market and although the service had brought in new income, existing businesses were also closing down or moving which cancelled out any growth in income.
- 3.6 There was a marked reduction in income during 2014/15 and a decision was made to recruit a Head of Commercial Sales and a Sales and Marketing Manager.
- 3.7 An added pressure on our income achieved is the free service we provide to some internal customers as we do not include this income in any financial reports.

The loss of income by providing this service free of charge is £208,141.

- 3.8 We now prepare profit and loss accounts following a review of the Service in 2012.

3.9 An extract summary of the projected profit and loss account for this financial year is shown below;

Financial Year	Income target	Projected income  (as per Sept forecast)	Variance	Projected Expenditure 2015/16  (including overheads)	Projected(Income)/ Expenditure
Projected 2015/16	1,175,140	1,265,550	(90,410)	937,490	(328,060)

- 3.10 Although the increased income targets set in the financial years mentioned above have not been achieved we have continued to actively increase revenue.
- 3.12 As a result of targeted sales activity we have seen a steady increase in new contracts since April 2015 and a corresponding increase in income compared the first two quarters last year by c£79k.
- 3.13 The profit and loss account not including unrecoverable customer income is projecting a profit of £328,060 against expenditure, and £217,110 against budget

#### 4 Actions being taken to increase revenue

- 4.1 Targeting medium to large businesses
- 4.2 Targeting bad debtors before debt becomes a long standing issue
- 4.3 Introducing monthly payment by direct debit instead of quarterly payments
- 4.4 Reputation - Leases ran out in the Wimbledon Broadway area (Broadway Court) and the Commercial Officer secured a large contract for one business that led to several other new contracts in that area
- 4.5 Admin staff who take an initial enquiry inform the business of what we offer and sell the service. They provided an initial verbal quote based on the information given to her. This is then passed to the Commercial Officer to visit to give a more accurate quote and close the sale. Customers want a quote immediately; they do not want to wait for a visit even if it is only a day.

- 4.6 Built good relationship with businesses
- 4.7 Targeting businesses on the periphery of Merton Borough obtaining several contracts on the Wandsworth Borough border.
- 4.8 Staffing structure has been reviewed and revised with an increased emphasis on sales skills which are being developed. We have recruited to a dedicated Waste Sales Manager.

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