

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 13 November 2008
AUTHOR/S: Executive Director / Corporate Manager Health & Environmental Services

TANKER SERVICE REVIEW

Purpose

1. To advise on the current trading position of the tanker service and ascertain direction for the future of the service.
2. This is a key decision because
 - it is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates.
 - it raises new issues of policy, or is made in the course of developing proposals to amend the policy framework, or is a decision taken under powers delegated by the Council to amend an aspect of the policy framework.
 - it is of such significance to a locality, the Council or the services which it provides that the decision-taker is of the opinion that it should be treated as a key decision.

and it was published in the Forward Plan.

Executive Summary

3. The existing tanker has been condemned. Every effort has been made to find an alternative vehicle to maintain the existing tanker service without success. In addition our customer base is in decline. The budgeted surplus will not now be made and action is needed to minimise the level of cost to the authority for providing this service.

Background

4. The Council has a statutory duty (S45 Environment Protection Act 1990), when asked by a resident, to provide free or for a fee, a service for the emptying of septic tanks, privies and cesspools. Privies serving domestic dwellings have to be collected free of charge. The Council currently has no such customers requesting the emptying of their privies. This duty can be discharged by the Council making arrangements for the collection of waste by a private sector contractor.
5. This Council currently operates via directly employed staff such a service as part of the Environment Operations based at Waterbeach. This service comprises a specialist vacuum tanker and a heavy goods vehicle (HGV) driver. The administration and supervision is provided from the Environment Operations resources.
6. Tankering and jetting services are provided to trade and domestic premises, domestic properties owned by the Council and the Council's Waterbeach depot. Charges are made in line with the fees and charges approved annually by the Environmental Services Portfolio Holder.

7. There are a number of private sector companies providing the service in the area in direct competition with the Council.

Considerations

8. In 2005/6 the tanker service incurred an operating loss of £1,244 (this included £7K capital recharges for the cost of the vehicle). This was not a sustainable situation and as a result of management intervention in 2006/7 the service provided an operating surplus of £14,393 (no capital charge as the vehicle had now been paid for). See Table 2. A target was set to increase the profitability of the service for 2007/8 by a further £10k. This was achieved with an operating surplus of £27,097.
9. This increase in surplus was due to more efficient use of the resources, the tanker being paid for and therefore not incurring any capital charges and the provision of jetting services, which was used in the main by the Council's housing repairs service.
10. As the tanker is a 'pressure vessel' it is required to pass regular pressure tests on the tank. The vehicle was becoming old (10 years) and despite having the tank repaired twice, it failed to pass this pressure test earlier this year. The tank was no longer fit for use or repairable and was condemned by its manufacturer resulting in the Council being prohibited from using it.
11. Having been informed that the tank should last a further two years when it was first repaired there was no provision made in the budget for its replacement in the current financial year.
12. In order to continue to provide the service in the short-term and allow time to explore alternative solutions, a tanker has been spot hired. Officer best efforts have reduced the weekly rental from £1,000 per week to £575 per week. However, this cost is not sustainable and the budgeted surplus will not be achieved. To date, there is currently an operating loss of £4,828, which does not include two month's effluent disposal costs still awaited or management recharges. Hire costs to date are £18k.
13. Officers have explored the costs of purchasing and leasing a new vehicle but the costs are £20 –26k per year. Extensive enquiries have been made with RECAP partners, and the wider market place to trace a viable second-hand vehicle without success. The specialist nature of these vehicles means that they are usually used until they are condemned, as was the case with the Council's vehicle.
14. The Council's customer base comprises of regular and ad-hoc customers. The Council have 13 regular customers (ranging from weekly to 3 and 6 monthly service frequencies). The cesspool at Waterbeach depot is emptied constantly, due to the nature of the land and its drainage, with an average of 8 tanker loads per month but this is dependant on rainfall. The ad-hoc emptyings average around 30 per month.
15. An analysis of the number of ad-hoc emptyings over the last 3 years has revealed that this element of our customer base has been declining since May this year (See Table 1).

Table 1. Number of Emptyings

	<u>2006</u>	<u>2007</u>	<u>2008</u>
May	38	28	27
June	30	40	35
July	32	47	24
August	33	33	17
Monthly average	33	37	26

16. The downward trend has continued with only 20 emptyings in September 2008. This is particularly worrying as this summer has been wetter than normal.
17. The above figures do not include any jetting work, as this service has been unable to be provided due to the hired tanker not being equipped with a jetter.
18. In a bid to reverse this situation and increase the customer base, an advertising feature was included in the spring edition of the South Cambs Magazine. This resulted in 2 new customers. It was intended to re-run this feature in the summer edition of the magazine but it did not pass the editorial board.
19. In conclusion these pressures mean that if the Council retains the service, by leasing or purchasing a replacement vehicle, the service is anticipated to move from the surpluses of 2006/07 and 2007/08 to the predicted losses as in Table 2 below. In effect this would provide a predicted budget shortfall of circa. £44K in this and next financial year. The losses predicted in 2009/10 do not take into account the risk of potential loss of business due to the outcome surrounding the future ballot concerning possible transfer of the Council Housing stock.

Table 2 Tanker Service Operating Surplus/Loss by Year

	2004/05 £	2005/06 £	2006/07 £	2007/08 £	2008/09 (Predicted) £	2009/10 (Predicted) £
Expenditure	53,792	67,643	59,361	58,267	86,800	80,300
Capital charges	7,031	6,804	0	0	0	0
Income	(61,537)	(73,203)	(73,754)	(85,364)	(61,000)	(51,500)
Trading (Surplus) / Loss	(714)	1,244	(14,393)	(27,097)	25,800	28,800
Portfolio budgeted Surplus	0	0	(10,000)	(15,000)	(15,380)	(15,750)
General Fund (Surplus) / Loss	(714)	1,244	(4,393)	(12,097)	44,530	43,900

Options

Option1 – Continue as present

20. The Council could either lease or make a bid for capital in 2009/10 for a new tanker. There is a 6-month build time from the point of order. This will incur significant further

spot-hire charges. There would be no guarantee of an increase in customers. Advertising in the press and directories would add to our costs. The Council would have to meet the anticipated shortfall on the budget of £44k.

21. With the uncertainty surrounding the future of the Councils housing stock there is further risk that the jetting work recently undertaking for the Housing Repairs DLO would cease.
22. On this basis this option is not recommended.

Option 2 – Cease to Provide the Service – Signpost Requests to Preferred Suppliers

23. The Council is under a statutory duty to meet requests for the collection of waste from cesspools, septic tanks and privies. However the Council is not contractually bound to provide this service. The Council could simply stop it and off-hire the vehicle with the resultant staffing implications as detailed in the confidential appendix. The amount of shortfall the Council would have to find reduces to the budgeted surplus amount i.e. £15K.
24. Other local authorities have already ceased to provide this service and they refer those enquiring to the private sector suppliers. However in the opinion of the Department of Environment, Food and Rural Affairs (DEFRA) in order to meet the duty, Local Authorities, if not collecting it themselves, must at least have arrangements in place to meet the request. Telling enquirers to look in the Yellow Pages would not be sufficient to discharge the Council's duty.
25. Therefore if this option were chosen Officers would hold a list of preferred suppliers, chosen by a selection process to ensure their competency, and customers signposted to the private companies held on that preferred supplier list.
26. This option would appear to reduce the risks to the Council whilst ensuring the Council meets its statutory duties. It could also be argued, since the service is in competition with local small businesses, that it is in line with the Members Aim D and Approaches (Dii) concerning promoting economic development. This option is recommended.

Option 3 – Sub-Contract the Collection & Disposal Part of the Service

27. Continue to take bookings for this service but enter into an agreement with a private sector company to provide the collection and disposal service. The vehicle would be off-hired.
28. The staffing implications of this option are detailed in the confidential appendix attached, which in themselves carry risks for the Council.
29. The Council would incur minimal administrative costs (estimated to be less than 0.1 of an administrative officer), which are already included in the budgets for other services provided by Environment Operations. Accordingly, the Council would make a small administrative charge to the Contractor's collection and disposal charges.
30. The Council would have to make sure that the total charge to the customer remained competitive. In addition, there is a risk that, over time, the sub-contractor would entice our customers to leave the Council and go directly to them; there would be very little that the Council could do to prevent this.

- 31. An advert was placed on the Government Website seeking an open dialogue with parties interested in providing a sub-contracted service. Only one response was received. Several other known competitor companies were therefore contacted.
- 32. On the face of it all of the companies charge more than our current prices.

<u>Company</u>	<u>Price</u>	<u>Volume</u>
Mitchell & Mayle	£85	Up to 1,000 gallons.
Red Stripe	£120	Up to 1,000 gallons
Cammack & Wilcox	£185	Up to 2,000 gallons
Travers Environmental	£75	Up to 1,000 gallons.
SCDC	£117	Up to 3,000 gallons.

- 33. However, the Council has an exceptionally large volume allowance compared to others. The size of the average domestic septic tank or cesspool is 1,000 gallons. So in practice the Council's charge of £117 is per 1,000 gallons. Some of our regular customers have larger communal tanks and benefit from our existing pricing structure. If the Council revised its prices to, for example, £117 up to 1,000 gallons then there would be a potential increase in income of £42 for every request from those larger communal tank customers. That said there is a risk that some of the regular customers with large volumes of waste would seek to find an alternative service provider.
- 34. This option could provide a very small income for the Council but comes with a number of risks as outlined above. As a result this small income may not actually be obtained. The risks would appear to outweigh any potential benefits and therefore this option is not recommended.

Implications

Staffing Implications

- 35. As contained in the confidential **Appendix** attached to this report.

36.	Financial	Included in body of report
	Legal	
	Staffing	
	Risk Management	
	Equal Opportunities	

Consultations

- 37. Various private sector tanker service providers, Human Resources, Procurement and Accountancy and legal colleagues have been consulted.

Effect on Corporate Objectives and Service Priorities

38.	Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future
	N/a
	Deliver high quality services that represent best value and are accessible to all our community
	Unless a change is made to the current service it would no longer represent best value for money.
	Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work
	This service affects a decreasing number of residents as more properties are connected to mains sewage systems.

Conclusions/Summary

39. Every effort has been made to find an alternative vehicle to maintain the existing tanker service without success. The originally budgeted surplus will not now be achieved and action is needed to minimise the level of cost to the authority for providing this service.
40. Since May 2008 with the declining workload for the tanker service, the tanker driver has been redeployed (within the conditions of his job description) to the refuse and recycling service. This has resulted in one less agency driver being employed during a period of annual leave and high long-term sickness and efficiency savings made as a result.

Recommendations

41. Cabinet is asked to approve:
- (a) Option 2: To cease to provide the service with effect from the 1st January 2009 (allowing a notice period to be given to the Council's existing customers) and that in future the Council makes arrangements to meet any requests received by signposting requests to preferred suppliers.
 - (b) That the tanker driver post is either redeployed to the Trade Cardboard Service or retained in lieu of using an agency driver until an established post becomes vacant.

Background Papers: the following background papers were used in the preparation of this report: None

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