

**TO: EXECUTIVE
20 OCTOBER 2015**

**CHANGES IN CHARGES FOR GARDEN WASTE COLLECTIONS 2016/17
Director of Environment, Culture and Communities**

1 PURPOSE OF REPORT

- 1.1 To ensure that the cost of the garden waste service, which is an opt-in non-statutory service, covers the cost of the service.
- 1.2 The Council commenced its borough-wide garden waste service 2006 as part of the alternate bin collection arrangement. At that time there was no collection charge. Those opting into the scheme only had to buy their bin. In response to the significant financial pressures, an annual charge of £30 was agreed from 2012 for all new customers. Existing customers were given a year free of charge. The charge was imposed for all from April 2013. The charge has not been increased since.
- 1.3 This 'purpose of the charge' is to recover the cost of collection. The Council is under-receiving against cost. Charges need to be set at this time of the year as the annual charge commences on 1 April and subscription renewal invitations need to be sent in November.

2 RECOMMENDATION(S)

- 2.1 **That the charge for the collection of garden waste is increased by £10 with effect from April 2016.**
- 2.2 **To cease the early payment discount.**
- 2.3 **That all other existing discounts and options remain as is and that all associated charges for the garden waste service are increased pro-rata.**

3 REASONS FOR RECOMMENDATION(S)

- 3.1 The Council is facing substantial budget pressures and is under recovering the cost of a discretionary service.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Executive could determine not to increase charges. However, this would retain a very significant subsidy for what is a discretionary service which is difficult to justify given the Council's overall financial position.
- 4.2 The Council could stop the service. However, it is felt that it would be a retrograde step to deny residents the opportunity to have their garden waste collected in a convenient way at the kerbside. All residents have the option of taking their garden waste to Longshot Lane Household Waste Recycling Centre free of charge.

5 SUPPORTING INFORMATION

- 5.1 The garden waste collection service was introduced in 2006. This opt-in opportunity was introduced as part of the Alternate Weekly Collection arrangements. Unlike other waste bins the householder buys and retains the ownership of their brown bin. The Council only empties approved bins.
- 5.2 In 2012, charges were introduced with the payment suspended for the first year for existing customers. The Council had always charged for garden sacks but will only collect its own sacks which are sold through various local outlets throughout the Borough.
- 5.3 There are currently circa 13,500 households subscribing to the service. We are also selling circa 70,000 garden sacks in a typical year. Some households use both and we estimate that in combination we are providing a garden waste service to approximately 30% of residents who can use the service. The number of bin subscribers peaked last year at 14,198. This is a similar number to the number before we introduced the charge. Comparing where we were in the first week of September in each previous two years to our current position, we are some 400 or so down on numbers. On the current scale of charges it's believed that we have perhaps reached a plateau where drop off rates and new subscribers will remain roughly balanced.
- 5.4 When the current charging regime was introduced it included a range of charges reflective of the size of bin and financial circumstances of the householder. The charge is also varied according to the quarter when the householder joins for the first time. Over the last two years we have averaged an income of £417,000 from the brown bin subscriptions.
- 5.5 The Council is currently significantly under-recovering its costs calculated at £690,000. The ability to charge more does exist. To recover all costs based on current usage the annual fee would need to be increased to circa £50 (table 1). This calculation assumes no drop off in demand. Should there be a drop off then, (in addition to any budgetary implication) a number of other consequences may be noted.
- a) It is highly likely that some will be put in the green residual bins and will end up in landfill at a disposal cost (including landfill tax) of £73 a tonne more than composting costs. Alternatively, it will be composted at home or taken to the Longshot Lane. The latest analysis of the green residual bin suggests that despite there being a garden waste service some 900 tonnes of waste are still going into the residual (green) bins. If this could be diverted to composting this would give rise to a net saving of circa £66,000 against current costs. Where there is evidence that this is happening on any significant scale the Council can and will decline to collect bins with garden waste in them until it is removed.
 - b) Alternatively, residents will take it themselves to Longshot Lane (or Smallmead in Reading). This is less significant in respect of the impact to the waste stream as the material taken there is processed as compost at a significantly cheaper rate than if landfilled. However, there are already concerns about the access to and the impact arising from the queues of public seeking to use the site and any significant increase in visits would exacerbate that.
 - c) Some residents may move to the use of garden sacks on an 'as and when' basis. The sacks are 70l in capacity and therefore the brown bin equivalent is three

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sacks. The current contract with SITA allows for up to 100,000 sacks a year. Sacks are more problematic from a handling perspective and the cost of sacks needs to be kept relative to the cost of the brown bin.

d) As currently already happens more residents will perhaps share a bin and therefore the number of bins being lifted will fall.

5.6 Determining the level of sensitivity to a potential price change is difficult. As reported above the demand for the service has already fallen compared to the same period last year. There has been no price change over this period of time. In the year that charges were introduced there were around 325 complaints about the charge, 186 of these in March and April 2012 when payment was due. The fallout has been less than 1,000 bins and there was no evidence of any fly-tipping problems. Fly tipping has in fact reduced over the last 3 years. This could reverse. On past performance it does seem that the drop off is likely to exceed the rate of new subscribers based on current collection practices and the alternatives available.

5.7 It's extremely difficult to quantify the fiscal risk associated with a drop in demand. The costings that attempt to look at the impact of demand change on cost (based on the existing fleet of refuse trucks) are set out in table 1. With current arrangements and user patterns an additional collection vehicle/round would not be required before retendering in 2019. If trends and nature of use change then the nature of the fleet may need to be reviewed.

Number of subscribers	Full recovery charge based on cost of £690k (not allowing for discounts/two bin sizes excluding any quarterly discount)
10000	£69
11000	£62.72
12000	£57.50
13000	£53.07
14000	£49.28

Table 1: illustration of recovery cost banding according to take up. 13000 being the current band

5.8 Whilst perhaps not directly relevant (as we have no details of their operating costs) comparing our current charge of £30 (£28 with discount) to neighbouring councils with a comparable offer, the following current year charges have been noted:

Reading - bin purchase only then a free collection service
 Slough - free service.
 RBWM - £31
 S Bucks - £45
 Woking - £45
 Runnymede - £52
 Surrey Heath - £53.95
 Wokingham - £60 (including bin 'hire')
 Hart - £63.95

5.9 The table below sets out three options as to how to reduce the level of subsidy to this service. The options propose changes based on levels of take up and with a full recovery option assuming current levels are maintained. Table 2 illustrates the potential income changes from the three approaches:

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		Projected deficit from income relative income required to cover at £690k		
Costing band	Current charge £30/ (£28)pa	Option A	Option B	Option C
		£35pa (£5 increase)	£40pa (£10 increase)	£53pa (£23 increase)
13000	-300,000	-235,000	-170,000	-1,000
12000	-330,000	-270,000	-210,000	-54,000
11000	-360,000	-305,000	-250,000	-107,000
10000	-390,000	-340,000	-290,000	-160,000
9000	-420,000	-375,000	-330,000	-213,000
Sack price	£0.50	£0.60	£0.70	£0.92

Table 2; Projected deficit against costs considering three options.

NB: these figures make no allowance to cover the cost of the discounts, having two sizes of bins and variable rates according to the quarter when joined these figures are indicative.

- 5.10 The stated purpose of the current charge is to recover costs. Costs can only be recovered from the fees. Given the level of participation (i.e. a demand for the service) and the relatively low current charge it would seem inappropriate at this time to consider scrapping the service and indeed it might not be economically wise to scrap the scheme unless significant new resources were made available to ensure strict compliance with our waste collection requirements. Therefore the question for members should they wish to recover more of the cost is how much to raise the fee by and how quickly. Given that the current estimate of cost incurred by the Council in providing the garden waste collection scheme on current usage is circa £53 per bin per annum, Members could in theory agree a fee of up to that level relative to its current costs.
- 5.11 In the current financial position that the Council faces it is of course advantageous to charge as much as possible, as soon as possible. However, the potential impact of the Option C approach and the real impact of customer resistance must be fully considered. The officer view is that an increase to £53 from the current level would result in a significant initial reduction in take up, a large number of complaints and associated adverse media coverage. Some recovery could be expected but it would take some years before the service demand recovered to current levels.
- 5.12 Another alternative is to steadily increase the price over a number of years reviewing the impact of change at each period of review. This approach with effective communications may be more acceptable to residents and therefore the potential 'loss' of income (and increased consequential costs as illustrated in table 2) is likely to be much less.
- 5.13 A hybrid approach is to have a more significant increase initially so that more of the costs are recovered initially and to review the response after one or two years. Officers propose that this increase should be £10 per annum. While a lower increase (say £5 per annum) would undoubtedly be a more acceptable option for residents

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and minimise withdrawals from the scheme, Officers believe that given the very difficult financial and service choices Members will have to make in future years, it is advisable to attempt to recover more of the costs as soon as practical.

- 5.13 Not included in the above calculations is the effect of the proposal to remove the discount for early payment. This was introduced to enable the team in the early days to be able to set up the arrangements to manage the potential demand. The arrangements are now embedded and the encouragement is no longer considered necessary. If the payment has not been processed before the 1 April the bin will not be emptied. To assist customers in addition to face to face payment at time Square we also offer on-line payment and Direct Debit (DD) options. DD payments now account for 20% of all payments, online is 66% and cheques/cash 13%. The value of the discount is £20,000 and this has been increasing annually as the number of users paying in advance has increased. The majority of residents are now opting for this discount. There is now little justification for the discount and the complications it creates. The proposal is to withdraw this discount from 2016 but to retain all other discounts.
- 5.14 The charges for brown bins needs to be set outside the normal budget process to allow time for billing and then the associated administration needed so as to ensure continuity of service from 1 April 2016.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 Garden waste collection is not a statutory service that the Council has to provide and it can charge residents for collections but not for disposal.

Borough Treasurer

- 6.2 As has been mentioned in the report there is a risk that by increasing the annual charge too high the number of households paying for the service may reduce and therefore the levels of additional income quoted would not be achieved. The cost of providing this service is not identified separately since the costs are for the recycling scheme in total, including the blue bin service. However, an exercise has been carried out to identify the cost of the garden waste collection, which is estimated to be £690,000 per annum including all overheads.

Equalities Impact Assessment

- 6.3 The Council makes provisions for those on benefits and those needing assisted collection. The changes proposed do not have any impact on current policy.

Strategic Risk Management Issues

- 6.4 None

7 CONSULTATION

Principal Groups Consulted

- 7.1 None

Method of Consultation

7.2 None

Representations Received

7.3 None.

Background Papers

None

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