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## Dorset Waste Partnership Joint Committee

Date of Meeting	12 September 2017
Officer	Paul Ackrill – Finance and Commercial Manager DWP
<b>Subject of Report</b>	<b>Garden Waste Service and Price Setting</b>
Executive Summary	<p>This paper provides the Joint Committee with a reminder of the history of the service, an update on the current position in respect of customer numbers and customer cancellations, and seeks approval to delegate the annual price setting to the Director of the DWP and the Chairman of the Joint Committee within defined parameters.</p> <p>In addition, this report presents some research into potential incentives that could be offered to boost scheme take up, but finds that there is no business case for doing so at this point in time.</p> <p>Lastly, the report provides details regarding usage of the scheme in the winter months and explores potential savings and potential risks that would arise if the scheme were ceased in the winter months, which is a practice undertaken by some other authorities. The report concludes that the potential for alienating the existing customer base and associated lost income is far higher than potential savings.</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>Not applicable.</p>
	<p>Use of Evidence:</p> <p>Benchmarking of other local authority garden waste services and charges.</p>

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	<p>Customer satisfaction surveys.  Customer numbers.  DES garden waste trading account expenditure and income.  DWP MTFP.  Vehicle procurement requirements.</p> <p>Budget:</p> <p>The decisions made in respect of the annual fee will have a direct impact upon future year budgets.</p> <p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:</p> <p>Current Risk: LOW  Residual Risk LOW</p> <p>Other Implications:</p> <p>None.</p>
<p>Recommendation</p>	<ol style="list-style-type: none"> <li>1) That the Joint Committee delegates authority to the Director of the DWP and to the Chairman of Joint Committee to set the Garden Waste Service price annually, subject to the performance of the service being reported to the Joint Committee via the finance reports. The increase should be no more than the CPI inflation forecast + 1% for that year (with appropriate evidence provided), rounded up to the nearest 50p.</li> <li>2) That the Joint Committee note the position with regard to incentivising sign up.</li> <li>3) That the Joint Committee agrees no changes to the Garden Waste service in respect of winter months, and that DWP continue to provide a 12-month service.</li> </ol>
<p>Reason for Recommendation</p>	<p>To offer a garden waste service at a price that will remain attractive and affordable to customers whilst maintaining a contribution to overheads.</p>
<p>Appendices</p>	<p>None.</p>
<p>Background Papers</p>	<p>None.</p>

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### 1. Background and Service Overview

- 1.1 The garden waste service consists of a 240-litre wheeled bin collected once a fortnight throughout the whole year, with the exception of a break for Christmas and New Year. Customers receive 25 garden waste collections for their annual subscription. A compostable sack option is available for customers who are unable to store wheeled bins.
- 1.2 The garden waste service currently has 43,376 customers paying for a total of 44,838 bins. The garden waste customer base is spread out across Dorset as below.

Borough/District	Total number of properties	Number of paid garden bins	Number of properties with a GW bin	% of properties with a GW bin
Christchurch	24,279	7,020	6,788	28.0%
East Dorset	40,475	16,675	16,005	39.5%
North Dorset	32,169	6,613	6,385	19.8%
Purbeck	23,188	3,819	3,729	16.1%
West Dorset	52,614	8,022	7,823	14.9%
Weymouth & Portland	32,372	2,689	2,646	8.2%
	<b>205,097</b>	<b>44,838</b>	<b>43,376</b>	<b>21.1%</b>

- 1.3 In the 2016/17 financial year there were an additional 6,365 new customers added to the garden waste service. In the first four months of the 2017-18 financial year (April to July) there have been 3,478 new customers join the garden waste service.
- 1.4 The standard garden waste service was introduced in October 2012 at a price of £35 with annual prices agreed by Joint Committee each subsequent year as follows:
- |         |        |
|---------|--------|
| 2014/15 | £40    |
| 2015/16 | £41    |
| 2016/17 | £45    |
| 2017/18 | £47.50 |
- 1.5 The Joint Committee are reminded of the legal position regarding the garden waste service:
- That the local authority is required to provide to residents a means to dispose of garden waste (i.e. through the HRCs) but is not statutorily required to collect garden waste.

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- That the collection of garden waste is an additional, “opt in”, non-statutory service and as such a charge can be made for this service.
- The charge made for the service should cover the costs incurred in providing the service, but should not generate a profit.
- Any intention to generate profits would require a separate trading organisation to be formed.

1.6 Direct costs of the Garden Waste service are captured in an internal trading account, which Joint Committee have already seen as part of previous finance reports. The direct costs that are captured are:

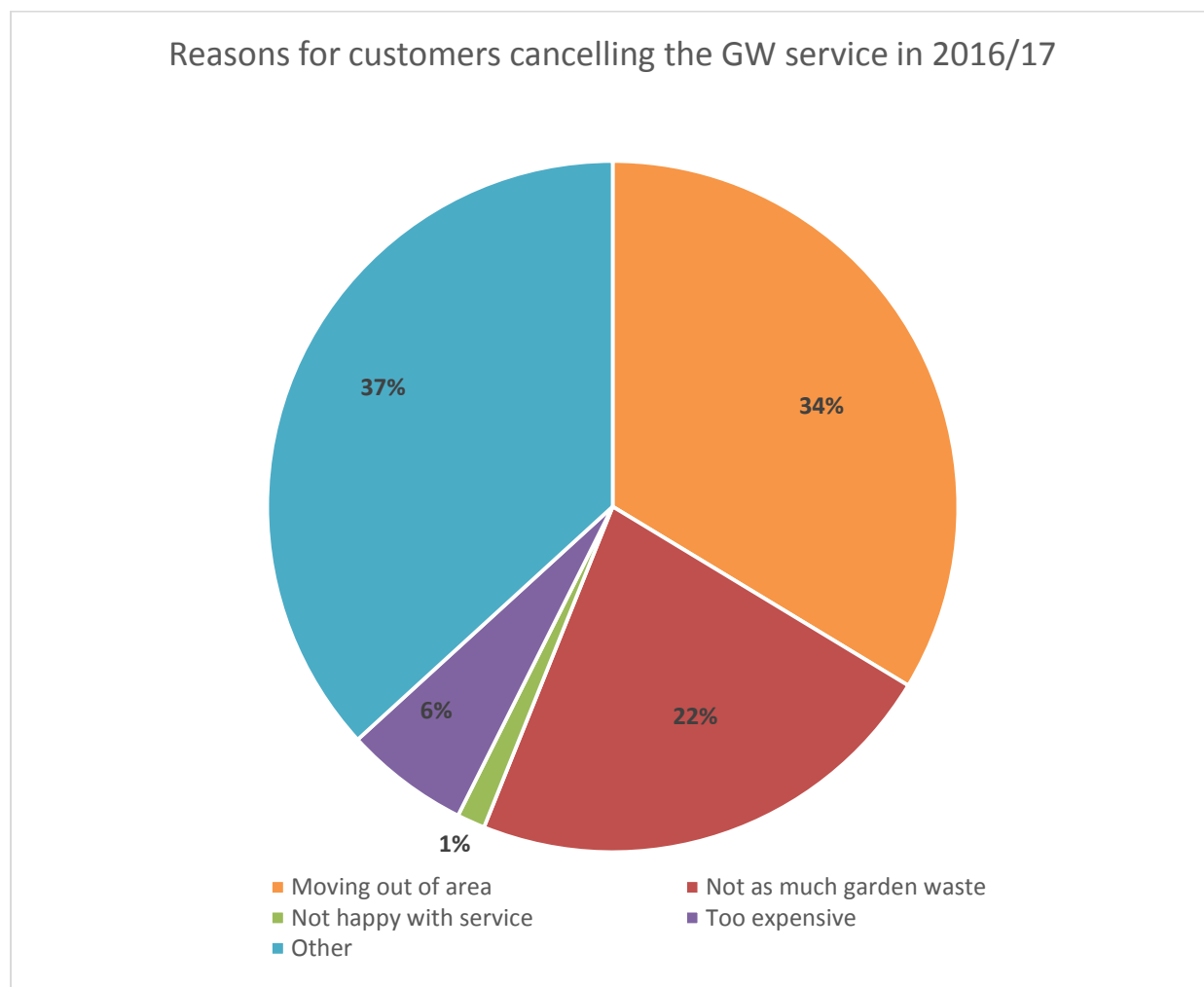
- Cost of collection – the cost of drivers and loaders, and the revenue costs of the collection vehicles (primarily fuel and maintenance).
- Cost of administration – staff cost of a small team of administrators based at DWP HQ in Dorchester, plus associated costs of IT systems, customer contact costs, marketing costs (leaflets, radio advertising etc)

Monitored separately outside of the trading account is the tonnage and associated gate fee costs for disposal of the garden waste. It should be noted that the volume of garden waste arising – and costs associated with this - varies each year depending upon the weather and ‘growing conditions’.

- 1.7 The main cost drivers for the Garden Waste service are the nationally agreed pay awards for local government staff costs, and the effect of inflation upon running costs such as vehicle fuel, vehicle maintenance and the gate fees for disposal.
- 1.8 As of 1st May 2017, there were 1,721 customers who had not renewed their garden waste service and had not notified the DWP of their intent to cancel the service. This represents 4.1% of customers who have not paid i.e. not renewed. In May 2016 6.6% of customers had not paid, and in May 2015 12.5% of customers had not paid. As a comparison, Wiltshire Council currently experience a 10% non-payment rate for their garden waste service.
- 1.9 To manage the non-payment of garden waste bins a ‘tagging’ exercise is undertaken. This exercise involves the garden waste crews applying a yellow tag to unpaid bins on every garden waste round. The yellow tag placed on each bins states ‘Your garden waste service has now stopped’ and advises the customer on how to pay for the service and that the bin will be removed if the bin is not paid for.
- 1.10 The tagging exercise is carried out over a four-week period in May, and during the first two weeks the garden waste bins are tagged but also emptied, but in the second two weeks the bins are tagged but not emptied.
- 1.11 The tagging process carried out in May 2017 resulted in an additional 555 bins being paid for, which generated £26,363 of income. This represents a return of £14.81 for every £1 spent on tagging unpaid garden waste bins.
- 1.12 At the time of writing this report a total of 780 non-paid bins have now been paid for (45% of the original 1,721) which has generated £37,050 of income. The remaining unpaid garden waste bins (941 bins) are now being collected in.

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1.13 Reasons given for cancellation of the service in 2016/17 is shown below:



The category “other” is primarily made up of residents having passed away, ordering an additional bin by mistake, or moving within the area to a property without a garden.

- 1.14 To date, the Garden Waste service has seen continuous growth in the customer base. At the inception of the Garden Waste service, an assumption was made that the likely maximum size of the customer base was around 40,000 customers, however, as noted above, this figure has already been exceeded. Growth in customer numbers must inevitably stabilise at some point, as ‘saturation point’ is reached. At the time of writing, it is speculative as to when that point will be reached, and caution is advised against assuming that the current levels of growth will continue.
- 1.15 As mentioned earlier, growing conditions can affect waste arisings (tonnages) in any given year. The budget calculations will assume a ‘typical year’, however it is worth noting that there is a risk of around £50k in either direction for a particularly good or particularly bad year in respect of growing conditions.

### **2. Garden Waste pricing policy**

- 2.1 In March 2017, the Joint Committee approved a pricing strategy and delegated authority to the Director to set prices and vary prices for the Commercial Waste Service. On a similar basis, Joint Committee are now asked to approve delegation of setting the Garden Waste Service price annually to the Director and Joint Committee Chairman. This is in line with the terms of reference of the Joint Committee, with regard to strategic oversight of the DWP rather than making decisions on income budgets, outside of the main budget setting process.
- 2.2 Like Commercial Waste, it is proposed that Garden Waste pricing be based on a set of guiding principles, as follows:
- That the Garden Waste service should aim to provide the most efficient (and therefore cost effective) service provision possible to the paying customers of this service.
  - That the service should recover its own costs, and not be subsidised by the domestic service (the council tax payers) of Dorset.
  - That the price cannot be set at a level such that it intentionally plans to generate a profit. If there is an intention to do this then a separate trading organisation would be required.
  - That any price setting will take into account best estimates of information regarding likely customer numbers, volumes of waste arising, disposal costs of waste arising and other directly associated collection and administration costs. Noting that, due to the factors involved, there is a degree of speculation and a degree of risk in setting the budget and the price charged, for the Garden Waste service.
  - That any price increase delegated to the Director and Chairman of the Joint Committee does not exceed the CPI inflation forecasts for that year plus 1%, rounded up to the nearest 50p, and that the Director and Chairman of the Joint Committee are provided with appropriate evidence of inflation forecasts to satisfy themselves.

### **3. Incentives**

- 3.1 There are currently no incentives applied to the garden waste service provided by the Dorset Waste Partnership.
- 3.2 Some local authorities offer incentives to garden waste customers to either increase the number of bins sold, promote a payment method or encourage early payment for the service. For reference purposes, the table below sets the incentives used by other local authorities for the garden waste service.

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Local Authority	Incentive
BOURNEMOUTH BOROUGH COUNCIL	Discount for multiple bins. 1 bin = £40; 2 bins = £60; 3 bins = £80
BRISTOL CITY COUNCIL	£3 discount for Direct Debit payment
BURNLEY BOROUGH COUNCIL	£5 early renewal discount
CHICHESTER DISTRICT	£7.50 discount for Direct Debit payment
EASTLEIGH BOROUGH COUNCIL	£2 discount for Direct Debit payment
	£2 credit card surcharge
GLOUCESTER CITY COUNCIL	50% discount for families receiving housing benefit or council tax support
HASTINGS BOROUGH COUNCIL	Direct Debit payment option only (from 2018)
LEICESTER CITY COUNCIL	£2 discount for Direct Debit payment
	Second bin half price
OXFORD CITY COUNCIL	£3 discount for Direct Debit payment
	1.5% credit card surcharge
POOLE BOROUGH COUNCIL	50% discount for residents on low incomes and those in full-time education
PRESTON CITY COUNCIL	£5 early renewal discount
SOUTH OXFORDSHIRE DISTRICT COUNCIL	Direct Debit payment option only
SOUTHAMPTON CITY COUNCIL	£5 early renewal discount
	Online discounted price before 1 April
TEST VALLEY BOROUGH COUNCIL	Second bin half price
WILTSHIRE COUNCIL	2% credit card surcharge

### 3.3 In considering the above information, the following should be noted:

3.3.1 The government have recently announced that credit card surcharges will no longer be lawful from January 2018.

3.3.2 Implementing payment by Direct Debit only would increase the risk of unacceptability in an Equality Impact Assessment, as there is no clear reason to adopt such a position nor adequate mitigation for those affected. In addition, approximately 40% of existing Garden Waste Service customers who are not currently paying by Direct Debit may not be willing or able to pay by Direct Debit, which would see large scale disruption / reduction to the service if that were the case.

3.3.3 There is legal uncertainty about the lawfulness of offering 'early bird discounts' to recipients of local government services, and in any case there is no clear advantage in doing so.

3.3.4 Offering discounts for switching to Direct Debit comes at a cost (lost income). Approximately 60% of existing DWP customers (approximately 27,000 customers) are on Direct Debit. To offer a discount of, say £1 – arguably the minimum discount

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that could be offered - would see the DWP lose income of £27,000. Against this, there would be a reduction in the administrative process to 'chase up' non-payers, which can lead to tagging and ultimately bin removal. At the end of 2016/17, the cost of the administrative process to chase and recover unpaid bins cost approximately £4,500 in staff time and operational resources. For this reason, there is no financial incentive for the DWP to offer discounts for moving to Direct Debit.

- 3.4 For the reasons give above, officers would not recommend that the DWP offers incentives at this point in time. This may be reviewed again at an appropriate time in the future, particularly if customer numbers stabilise or decline, or if sign up using Direct Debits ceases to be the main payment mechanism.

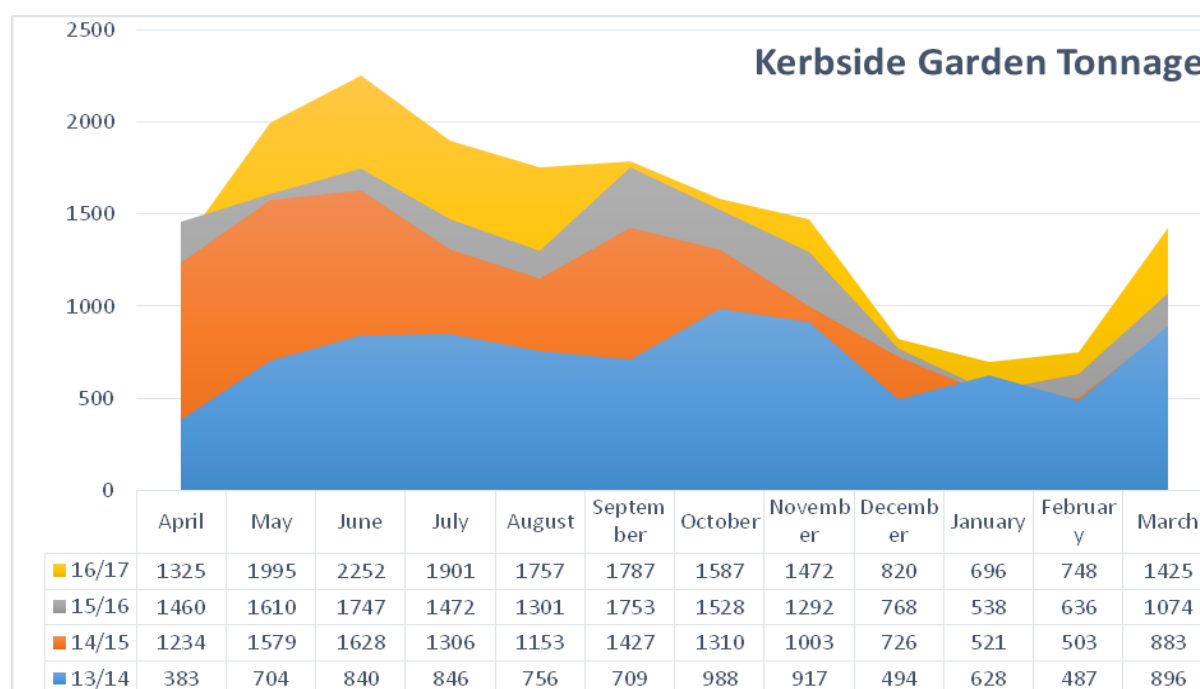
### 4. Winter Service

- 4.1 At the September 2016 Joint Committee meeting, members asked officers of the DWP to explore issues and potential savings regarding a reduced Garden Waste service in the winter months, a practice which a number of other local authorities undertake. Findings are as follows:

4.1.1 There are potential savings of around £73k available if there was no Garden Waste service for three months. The saving would arise predominantly from vehicle fuel (£29k) and staffing costs (£44k). However, there are also risks with taking such an approach, which are set out below:

4.1.2 As reported previously, tonnages collected on the Garden Waste service dramatically reduce in winter months, as illustrated in the graph below. However, even in these months, an average of 630 tonnes is collected per months, and crews report that the lowest numbers of bins collected from in winter was 32%, representing almost 14,000 customers who continue to use the service regularly throughout winter. These customers are unlikely to be happy with a reduction in service, and could represent a financial loss of £665,000 if they all chose not to renew the service.

4.1.3 We would need to consider reducing the 12-month annual fee for an 8 or 10 month service, and it is not clear if this would enable all continuing overheads to be covered.





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4.1.4 A change in working arrangements for the Garden Waste service crews, from a contractual arrangement for 12 months a year to 9 months a year (or similar) will present major employment difficulties which are likely to impact on the service. In short, crews who face 'unemployment' for 3 months a year are likely to seek employment elsewhere on a permanent basis. The working arrangement may be suitable for agency workers, however it is undesirable for a service to be resourced primarily by agency workers, where lack of crew consistency and local knowledge is likely to impact service efficiency and effectiveness.

4.1.5 In terms of one-off costs, there would be some minor changes required to ICT systems (e-forms) and, more significantly, new calendars and associated communications campaign would be needed, at an estimated cost of £10k and £48k respectively.

4.2 For the reasons outlined above, it is recommended that there is no change to the service during winter months.

**Karyn Punchard**  
**Director, Dorset Waste Partnership**  
September 2017