

CABINET

Charging for Green Waste 4 October 2016 Report of Chief Officer (Environment)

PURPOSE OF REPORT			
To set out the current position with regards to the opt-in subscription proposal for green waste collections.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
Date of notice of forthcoming key decision		19 th Aug 2016	
This report is public			

RECOMMENDATIONS OF CHIEF OFFICER (ENVIRONMENT)

- (1) That Cabinet notes the report, the charges for opt in green waste collection scheme, the communications plan, key facts and estimated financial projections for future years.
- (2) That Cabinet notes that the proposed pricing structure has been developed to maximise early uptake but retaining a balance between affordability for residents and meeting budgeted income targets.
- (3) That Cabinet notes that the charges will be:
 - Discount rate of £30 for sign up before 31 March 2017.
 - Rate of £37.50 for 16/17 if signed up after 1st April 2017.
- (4) That Cabinet agrees a charge of £40 in 2018/19 (subject to performance reports put before cabinet).
- (5) That progress on the actual performance and take-up of the service is reported in future reports to Cabinet to inform future charging policy.

1.0 Introduction

- 1.1 The Controlled Waste Regulations 1992 allow a Waste Collection Authority to make a charge for the separate collection of garden waste from domestic properties.

- 1.2 In January 2016 Lancashire County Council took the decision to cease the process of Anaerobic Digestion (AD) at its Waste Technology Plants and instructed Districts to remove food waste from the green waste by 01 April 2016. As a consequence the City Council were able to consider the option to levy a subsidised charge for the green waste collection service.
- 1.3 Currently the City Council benefits from an arrangement (known as cost sharing) in which the County Council contributes an amount to the costs of Districts providing a three – stream waste collection service (non- recyclable waste, recyclable waste and garden waste). This contribution has been beneficial in terms of sustaining the current waste/ recycling services offered and increasing recycling rates. Legislation is now in place requiring District Councils to undertake separate collections. This combined with wider budgetary pressures meant that Lancashire County Council reviewed their policy in this regard. In 2014 Districts were informed that this arrangement will no longer be in place from 2018/19. The current annual value of the contribution is £1.22 million. This means that without any further action the net cost of household waste collection would increase from £2.85 million in 2017/18 to £4.14 million in 2018/19.
- 1.4 This loss combined with the overall reduction in the Council's budget meant that in March 2016, budget Council approved the proposal to introduce an opt-in subscription service to replace the currently free collection of green waste. A number of other Councils in Lancashire took a similar decision.

The following was agreed in this regard:-

'The new charging policies for: Green Waste collection would be incorporated into the Council's Fees and Charges Policy, with the detailed arrangements for implementation being delegated to the relevant Chief Officer in consultation with the relevant Portfolio Holder/s, and with the agreement of the Chief Officer (Resources).'

Council agreed that for 2016/17 the contribution was to be in the region of £30 per container per year.

- 1.5 It was originally estimated that the proposal could be implemented by August 2016. The income projections considered at Budget Council did assume this. (The view at the time was that the timescales were ambitious. however, as it would deliver income on an ongoing basis this was seen as preferable to the alternative of further cutting services). However, it was recognised that there were risks in terms of delivery. The report to Cabinet on 6th September 2016 'Corporate Financial Monitoring Quarter 1 2016/17' highlighted that the income projected for charging for green waste would be down by £460K for the year. Because of the issues in regards to implementation this represents a significant variation from what was intended, therefore, this report provides the most up to date information on progress with this project, along with information about income.

2.0 Proposal details

- 2.1 Due to the complexity of the project, a team of officers from relevant services across the Council (Waste Collection, Customer Services, Finance, ICT etc) have been working on how best to manage the implementation, in a way that balances the need to achieve the maximum amount of income, provides a satisfactory level of service and safeguards the council's reputation.
- 2.2 Officers have been actively visiting and obtaining information from other Councils that have already introduced similar schemes. From this we have gained valuable information on what works and what doesn't, and what might be expected in terms of take-up of the service.
- 2.3 Working off the assumption that 25,000+ households will eventually opt-into the scheme creates an obvious challenge in terms of how customers initially 'place their order' to join the scheme and then pay for it. The most efficient way of achieving this is by an online electronic transaction and the most inefficient way is over the telephone or face to face. Once the order is placed there is also a need to ensure that the information is then passed to the collection teams to ensure the service paid for by the resident is delivered. Work is currently taking place to ensure the relevant processes are all in place.
- 2.4 Based on current plans we now expect that the charge for service will commence in January 2017. However, householders wishing to sign up to the service will be able to do so from November 2016.
- 2.5 In order to in future have the cycle of the service coinciding with the financial year the first cycle will be for a period of 15 months (Jan 2017 - March 2018) future cycles will be for 12 months in line with the financial year (April - March).
- 2.6 Due to the time of year the charge is being introduced (e.g. at the end of the typical gardening 'season' and just after Christmas) it is very likely that initial take-up will be low. With the keenest gardeners using the service to clear their gardens. This will, however, give the council time to test that the processes in place are working.
- 2.7 Council had agreed that initially the contribution for the service would be in the region of £30 per container per year. The first cycle of the service will be 15 months (Jan 2017- March 2018). Therefore the full subscription price for the service will be £37.50 (£2.50 x 15 months). As an incentive, householders who sign up to the new service before 31st March 2017 will receive their first subscription for the service at the discounted rate of £30. This incentive has been designed to encourage customers to subscribe early and deliver some of the income that has been budgeted for in 2016/17. Anyone subscribing after 31st March 2017 will pay the full amount of £37.50.
- 2.8 As stated in the introduction the decision of the County Council to cease the cost sharing arrangement leaves a significant funding gap for the Council, from 2018/19, of £1.22 million per annum which is currently used to support the City Council's waste and recycling services. This loss is in addition to other

central budget cuts affecting the Council.

For the purposes of this report the financial projections (APPENDIX C) assume that based on the Council's financial position there will be a price increase in 2018/19. The majority of Councils in this area have only recently introduced charged for green waste collections and charge around £30. We understand that some Councils who started earlier than us will increase their charge in 2017/18 and then in subsequent years. Based on this and information from Councils (outside of Lancashire) that have been charging for green waste for some time the financial projections in the report assume that in 2018/19 the charge for the service will be £40 per container per year. As shown in APPENDIX C this level of charge will, depending on take-up, help offset the loss of cost sharing.

For 2018/19 onwards the process of householders signing up to the next cycle of service needs to begin about January time. In order to be able to effectively promote the service householders need to be informed exactly what the next year's charge will be. To achieve this based on the Council's budget setting cycle the level of fee needs to be set at least one year ahead.

- 2.9 The financial projections for this service are based on a number of assumptions, and the risks in this regard are significant. This is also important in terms of potential impact on the Council's budget. At this stage we can provide estimates based on assumptions and research from other Councils. Only when the service is up and running will we have an idea of what the reality is and what impact that will have on the wider budget. This means that the performance of the service will be closely monitored as any variations will have an impact on budget plans.
- 2.10 A communication campaign informing residents of the change has been planned and besides information on the website and in the media every household will be leafletted to inform householders of the changes. (Details of the draft communication plan are presented at Appendix A).
- 2.11 A detailed operation of the scheme is being mapped along with the associated collection policies to cover issues such as the charges for additional bins, sharing bins between neighbours, geographic coverage of the service, what can be put in the bin etc. (Key details are provided in Appendix B)
- 2.12 Cabinet need to consider that there are risks associated with this scheme. (Along with the detailed project plans there is a comprehensive risk log that seeks to detail all potential risks) These risks include the following-

Risk	Comments
Low take up levels impact on the wider budget	This is a significant risk. The attached sensitivity analysis shows that a 53.5% take up would

Risk	Comments
	<p>achieve the required income to meet the 2017/18 budget.</p> <p>Information from Wyre shows a 53% take up is achievable.</p> <p>It is estimated that 58,000 households currently have access to the green waste scheme (this is the audited figure that we use to claim cost sharing from the County Council).</p> <p>Until the scheme is up and running the actual budgetary impact will not be known. Once up and running it will be closely monitored and fed into wider budgetary considerations.</p> <p>At this stage information on the potential take up scenarios is best shown in the form of a range of take up scenarios from 40-60%. (Note income on 18/19 assumes a £40 per container per year charge).</p> <p>Assumptions have also been made as to the amount of households that will sign up to the service in this financial year and the first 3 months of the next in order to take advantage of the 15 months for the price of 12 offer.</p> <p>If take up is lower than currently budgeted for it simply means that officers will need to provide further options to balance the budget.</p> <p>In terms of maximising take-up the following is in place-</p> <ul style="list-style-type: none"> • Incentivised pricing (initially 15 mths for price of 12) • Comprehensive communications plan (including leaflet to every household providing information on the scheme) • Online as preferred method of ordering / paying
Customer Services are swamped with initial demand	All information will highlight the best way to order / pay for the service is online.

Risk	Comments
	<p>If householders want to contact the Council by other means (telephone / face to face) there will be means of doing so and plans have been put in place to manage this. However, until the scheme is launched the amount of people who want to contact the Council directly will not be known.</p>
Issues arise that delay implementation	<p>The different aspects of the process needed to operate the scheme are currently at different stages of development. A problem with one key part of the process could still delay the scheme.</p> <p>An option would be to delay implementation of the scheme until April 2017. However, this would clearly have a further financial impact in this year.</p> <p>A further report would be brought back to Cabinet were this risk to materialise.</p>
Consequent risks	<p>These include-</p> <ul style="list-style-type: none"> • Reduced overall % of recycling in the District. • Increased fly tipping • County Council as waste disposal authority significantly shift policy (eg introduction of a gate fee for green waste) <p>The introduction of charging for green waste whilst new to Lancaster City Council has been in place in many Councils across the country for some time now. So whilst it is new to us it is not something that hasn't ever been done before. This doesn't mitigate the risks but it does provide assurance that any problems will already have been encountered by others and therefore best practice can be found to help solve any such consequences.</p>

3.0 Options and Options Analysis

- 3.1 Council have already agreed that this scheme should commence. Therefore, this report provides key details of the scheme, progress and highlights the key risks going forward.

3.2 In order to allow for forward planning and future budget projections Cabinet are however requested to agree that in principle the contribution to the service in 2018/19 will be £40 per container per year. There will be the opportunity to review this, in light of actual performance of the service, ahead of 2018/19.

3.3 In terms of options –

OPTION 1- to agree that in principle the contribution to the service for 2018/19 will be £40 per container per year.

OPTION 2- that Cabinet proposes a different level of contribution for 2018/19

3.4 The Officer preferred option is Option 1.

4.0 **Conclusion**

The report provides the most up to date details of the implementation of the charged for green waste collection service.

RELATIONSHIP TO POLICY FRAMEWORK

As outlined in the report

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

The service will be available on an opt-in basis to all households in the District.

Households who do not wish to participate can compost their garden waste or take it to the household waste recycling centres for disposal.

The assisted collection service for people who cannot physically move their bins will still apply to users of the service.

An equality impact assessment will be undertaken for the service.

LEGAL IMPLICATIONS

Appropriate advice from Legal Services will be sought in relation to any contractual matters arising from this service.

FINANCIAL IMPLICATIONS

As detailed in the report, there is great uncertainty attached to the number of households who will opt-into the scheme. The latest income projections are attached at Appendix C and include the modelled financial impact of take-up rates being in the region of 40% to 60%. As previously reported to Cabinet on 6th September 2016 (minute 14 refers), there will be a shortfall of income in 2016/17 as a result of the delayed start to the scheme. Moving forward, and based on the varying assumptions included, a take-up rate of 53.5% would achieve the required income to meet the 2017/18 budget of £870K.

With regard to setting the future price of the scheme, setting an indicative price now for

2018/19 will allow for more effective forecasting to take place once take-up rates are known.

As with all schemes of this magnitude, implementation costs (printing, delivery, staffing costs etc.) are required and these were initially included in the revenue budget at £75K in 2016/17. There will be some minor on-going costs relating to printing, distribution and telephony costs, but it is anticipated that this will be met from efficiencies as a result of collecting from fewer properties than currently.

The on-going position will be monitored and future updates reported to Cabinet as part of the monthly updates on savings and growth approvals.

OTHER RESOURCE IMPLICATIONS

Human Resources:

N/A

Information Services:

As outlined in the report

Property:

N/A

Open Spaces:

As outlined in the report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments to add.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

[Click here and type list of background papers. NOTE: ALL listed background papers MUST be sent to Democratic Services for publication on the Council's website.]

Contact Officer: Mark Davies

Telephone: 01524 582401

E-mail: mdavies @lancaster.gov.uk

Ref: [Click here and type Ref, if applicable]