

**COMT**

**17<sup>th</sup> August 2012**

**OVERVIEW & SCRUTINY  
(ENVIRONMENTAL WELL BEING)**

**9<sup>th</sup> October 2012**

**CABINET**

**18<sup>th</sup> October 2012**

**Charging for 2<sup>nd</sup> Green Bin  
(Report by the Head of Operations)**

**1. PURPOSE**

- 1.1 To set out the case for reducing the cost of the refuse and recycling service by introducing a charge for second green bins.
- 1.2 The report identifies the potential net incomes from a range of charges and seeks Cabinet approval to introduce a charge for new customers from April 2013 and for existing customers from June 2013.

**2. BACKGROUND**

- 2.1 The Council introduced an alternate weekly wheeled bin collection system in July 2004 in response to the EU Landfill Directive which required that a high proportion, by weight, of waste collected should be recycled or composted. As a result the service introduced sought to address that by having an alternate weekly collection system, whereby one week the residual bin was collected and the next week a garden waste bin was collected.
- 2.2 The policy in regard of bin provision allows for residents on request to be provided with a second green bin and currently 7,865 properties are benefitting from that policy. The green waste collection now accounts for 31% of the total waste collected by the Council which is a significant cost to this Council in collecting that waste and to the County Council who pay the treatment costs.
- 2.3 The charging for green waste collection is allowed under the Controlled Waste Regulations 1992 (as amended) and a growing number of councils have taken opportunity to charge for green waste collection. However, as far as I have been able to ascertain only one other council is seeking to charge for the second green bin only.
- 2.4 Following the introduction of the in vessel composters in 2010 food waste was allowed to be put in with the garden waste. As a consequence the Council was able to provide a weekly collection of food waste in that it can be placed in the residual bin one week and the

green waste bin the next. The residual waste is treated by the Microbiological Treatment plant (MBT) at Waterbeach and therefore food waste is treated whichever way it is disposed of.

2.5 The charges levied by other councils vary considerably but the mean is around £40 per annum.

2.6 There are currently 7865 households with 2 bins, 40 with 3 bins.

### **3. PROPOSAL**

3.1 The proposal is that the first green bin collection will continue to be collected free of charge but for the 2<sup>nd</sup> green bin an annual charge of £40 is applied.

3.2 The introduction of this charge will present difficulties in a number of different areas such as identification of the charge for bins, shared bins at multiple properties, the payment and debt collection systems, and users such as churchyards and village halls.

3.3 In respect of bin identification it is proposed that either the lids are replaced with brown lids (Option 1) or brown bins are used (Option 2). There are advantages and disadvantages of both of these as the first would take more time but would reduce the capital cost by nearly 75% as a lid costs £5.20 as opposed to a new bin at £19.15. The replacement with a different coloured bin would be quicker to do and therefore save on revenue but would require more capital (£100,000 as opposed to £41,080 for the new lids). If the bins were replaced then we would return the old bins to the depot and clean them to enable them to be reissued either for new properties or as replacement bins.

3.4 Due to the time it would take to either replace the lids or change the bins it is proposed that the charge would be applied from the 1st April 2013 for extra bins issued to all new customers. In relation to existing customers it would be impossible to introduce the identification measures by the 1<sup>st</sup> April 2013, so it is intended the charging of these customers be delayed until the 1<sup>st</sup> June 2013. However existing customers will be notified to enable bin recoveries to be start from April. Additional resources will be needed to enable the work to be completed within 2 months. In respect of the replacement bins a vehicle, driver and 2 operatives would be required and 3 extra men to replace the lids. The cost of these resources is set out in the financial considerations in this report.

3.5 The payment system needs to tie in with the current system, Capita, and as a consequence there will be a one off charge of approximately £10k (this has yet to be agreed with Capita) to set up the new payment mechanism. In addition there will need to be a link to the new CRM system and the Operations division and currently this is being

investigated by ICT. In addition there would be a continuing revenue charge of £7k per annum.

- 3.6 The other side of charging is what we will do if someone signs up for the service but does not pay when invoiced. In normal circumstances we would seek to recover the debt but as this is an upfront payment it is proposed that a more simpler system is used where we remove the bin instead. This would require Operational Services to send out a first reminder letter and then failure to pay will result in a second letter informing the resident that the bin will be removed if the charge isn't paid.
- 3.7 The payment could be made in a number of different ways but it is considered that an annual payment running from June to June, with new customers paying a pro rata charge for 14 months would be the best way of collecting the charge. The reason for suggesting June is to stagger the work. Currently it would not be possible to provide Direct Debit facilities as the payments could not be reconciled with who made the payment. However, the charge could be paid by credit card with the charge for using the credit being passed onto the customer, which is currently 1.6% dependant on the card used. To reduce handling costs it is proposed to incentivise on-line payments.
- 3.8 The other aspect of charging for the second green bin is how it will apply to certain premises such as churchyards, village halls and schools. If exemptions are to be applied it is worth noting that there has been a recent change to the Control of Waste Regulations 1992 which means the classification of some of these premises has changed, from household to commercial and consequently they are now charged for the collection and disposal of their waste. The exception to this are schools who are collected by local councils where they will be exempt still from the disposal charge. Those schools who switched to a private company will not be exempt. There is an argument that as part of our drive to educate the children we should continue to provide a free green waste service to schools where we have already provided bins for their garden waste but this adds complexity to the new system. It is proposed therefore that there is no exemption for these premises for the second green bin.
- 3.9 Residents who have a second green bin currently will be informed of the charge to be imposed in June 2013 and invited to opt in, those who decline will have their second green bin recovered as soon as possible after the 1<sup>st</sup> April but so that if 40% of residents decide not to take up the service the bins would be removed prior to the start of charging for existing customers in June.
- 3.10 There would be an increased administrative burden associated with this proposal as in addition to the management of the system there will be the extra cost of invoicing, collecting the payments, dealing with the enquiries via the Call Centre, issuing new bins and chasing of

payments or organising the removal of the bin. It is estimated that this will require the equivalent of 1 full time post in the Operational Administrative team. This has been assessed by comparing with the trade waste service and the time required administering that. The administrative work associated with this should not be underestimated because the experience of other authorities is that when you start to charge residents expect a good standard of service to be provided and for their enquiries to be dealt with quickly and efficiently.

#### **4. RISKS**

- 4.1 Introducing a charge for the second bin does present a risk that the composting performance could be affected due to residents with 2<sup>nd</sup> bins not wanting to participate. However, this drop in performance would be approximately 3.4%, even if no residents with 2<sup>nd</sup> bins took up the scheme.
- 4.2 A more realistic assumption would be that a proportion would not pay the charge but this is mitigated by introducing the charge in June when there is demand for the service. The alternatives available to residents are either to start home composting or to transport the green waste themselves. The growth in fuel costs will make the latter an expensive option and therefore it is considered that a significant proportion of the residents with a need for 2 or more bins will eventually subscribe to the scheme. The evidence from other areas is that there is a significant drift back in the following year when residents have had time to trial alternatives. However, there is no doubt there will initially be resistance and so a conservative estimate based on others experience is that on average there may be a 40% drop out rate.
- 4.3 There is a political risk in introducing this charge but this is mitigated to some extent by the fact that the majority of households do only have one or no green bins. These residents may actually support the introduction of the charge as they perceive it to be a fairer way of paying for green waste collection. The spread of location of second green bins is quite concentrated in that 8 wards have 71% of the bins. It can be expected therefore that the main opposition will come from those wards where there is a high percentage of 2<sup>nd</sup> green bins such as the Hemingfords.
- 4.4 The environmental risk is that more residents could start using their cars to take their green waste to the household waste recycling centres which would result in a lot more carbon being released to the atmosphere. It has been calculated that if none of the residents with the extra bins chose to take up the new service 120 tonnes of CO<sub>2</sub> would be produced in people travelling to the household waste recycling centres to dispose of their green waste. If the number of second green bins reduced there would be very little saving because the vehicle would still have to go the same route and the number of tips would in the main be the same. The round reorganisation will balance

the rounds to ensure the rounds were being collected efficiently but if residents subsequently decide they want the service it will require further round reorganisation in respect of the green if there are a large number returning.

- 4.5 The costs in relation to the implications for IMD are only estimated and it maybe that these could be higher once all the investigation and modelling has been completed.
- 4.6 This scheme does not cause any risk to the food waste collection as it can be placed either in the residual waste bin or the primary green waste bin, which will remain free of charge.
- 4.7 The introduction of the charge will lead to an increase in calls to the Call Centre, many of which it is envisaged will be quite difficult calls and therefore the welfare of the advisors at the call centre need to be taken into consideration.
- 4.8 The impact of introducing this change in April 2013 for new customers may impact on other Projects currently being managed by the IMD team but by delaying the application of the charge to existing residents this will be mitigated.
- 4.9 There is a risk that residents may put extra green waste in their residual waste bins which could affect the recycling performance and diversion targets but any extra will be limited by the bin size and an enforcement of the non removal of side waste.
- 4.10 The investigation of missed bins will inevitably be a problem initially and this will lead to an increased workload for supervisors and team leaders. Once the system has settled down there is it envisaged that this pressure will not be as great.

## **5. EQUALITY**

- 5.1 A full Equalities Impact Analysis will be required to assess the effect on various groups, but it is clear from the analysis to date that 8.8% of those residents who have a second green bin are on benefits. In urban wards the percentage of second green bins is much lower than the rural wards. Only Huntingdon East (11%) having a high number of second bins but an issue here is the high number of customers (14%) who are on benefits. This could be an extra burden on those people who are already facing benefit payment reductions next year and it is suggested that there could be an exemption for those on Council Tax and Housing Benefits. In addition consideration there are other groups, such as the old and disabled, and should they be exempted, in that it is more difficult for them to lift and transport the green waste themselves. If we were to allow exemptions the complexities of the administering the system would be significant and lead to an increase in the

administrative costs, whilst at the same time losing the income. Therefore it is proposed that there are no exemptions for these groups.

- 5.2 In respect of the rural wards the distance away from a household waste recycling centre can mean a greater distance to travel if they decide to dispose of their own green waste from the 2<sup>nd</sup> bin, but conversely a number of the properties have quite large gardens which could accommodate a compost bin(s).
- 5.3 A further argument is that a lot of rural properties have a high council tax banding and that the second green bin is some compensation for that.

## 6. FINANCIAL IMPLICATIONS

- 6.1 The refuse collection service, which includes residual and green waste collection, has a cost of £3,074k per annum and the collection of green waste accounts for 42.5% of that budget, i.e. £1,306k per annum.
- 6.2 If a charge of £40 per annum was introduced for the 2<sup>nd</sup> green bin and there was a 40% drop off in residents subscribing to the new service the Council would still receive an income of £192,000 but this would be offset by the setup costs and the extra revenue costs including 1 full time equivalent post.

### Provision of Different Coloured Bin Lids/Bins

	2012/13 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
	Option 1	Option 2				
	Replace lids	New bins				
<b>Income from charges</b>						
Based on 40% returns	-192	-192	-198	-203	-210	-216
<b>Set up costs</b>						
Admin costs – postage etc	6	6	4	4	4	4
Collection of returns	16	16				
Delivery of new bins		9				
Change bin lids	14					
Admin staff 1FTE	23	23	23	23	23	23
IMD costs – payments, CRM	20	20	35	7	7	7

development, support Capital Cost						
New bins		100				
Replace bin lids	41					
Net saving/cost						
Based on 40% returns	-72	-18	-158	-173	-185	-191
Sensitivity						
20% returns	-132	-78	-255	-232	-240	-248
60% returns	-6	48	-70	-100	-102	-107

The Council does not receive any recycling credit from the County Council for green or for food waste collected in the green or residual waste streams. Therefore there would be no detrimental effect on recycling credits if a reduced tonnage of green waste were collected.

- 6.3 The set up costs are significant but the sensitivity analysis shows that even if 60% of the current customers declined the service the scheme, dependant on which option was chosen could either realise a small income in year 1 or payback in year 2 with a small income. Therefore as an income generating scheme for the council this is a low risk scheme.
- 6.4 The costs provided by IMD are only estimates and when it is clearer exactly what is required they may increase. In addition until the cost of the mobile working solution is known the cost could change.


## 7. CONCLUSION

- 7.1 It is opportune to consider this charge now before the round optimisation is completed so this variable can be included in the analysis.
- 7.2 The imposition of a charge for a 2<sup>nd</sup> green bin on a small proportion of residents is a fairer system in that the majority of residents do not benefit from this extra bin.
- 7.3 The concentration of the majority of second green bins in a small number of wards is a concern and from a political point of view could be a significant risk.
- 7.4 The presence of a large number of these bins 9% being in households where benefits are paid could have an impact as with impending changes to benefits they will have less income.

## **8. RECOMMENDATION**

- 8.1 It is recommended that members agree to the introduction of a charge for the collection of the second green bin based on option 1.

**Contact Officer:** Eric Kendall, Head of Operations

 01480 388635