

GARDEN WASTE COLLECTION CHARGE 2016-17

Relevant Portfolio Holder	Cllr P Whittaker
Portfolio Holder Consulted	Yes
Relevant Head of Service	Guy Revans
Ward(s) Affected	All
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non Key

1. SUMMARY OF PROPOSALS

- 1.1 This report identifies the changes that Officers deem necessary in order to maintain an effective and efficient garden waste collection service in 2016 and beyond
- 1.2 These proposals have been identified in order to allow improvements for our customer experience as well as improvements in the administration and operational elements of the service.

2. RECOMMENDATIONS

- 2.1 That members note the steps being suggested by officers to run the garden waste collection service more efficiently as set out in this report and agree the following steps:-
- a) That officers work towards the Garden Waste Service being a Direct Debit only subscription service from 2017.
 - b) That payments be taken by Direct Debit subscriptions only for all new customers for the 2016 service.
 - c) That existing garden waste customers are encouraged to sign up to payments by Direct Debit subscriptions for the 2016 service.
 - d) That the garden waste service is promoted at minimal cost through a variety of online, social media and press advertisements.
- 2.2 That Cabinet recommend to Council that the charges for the garden waste collection service be increased to £40 with effect from 01st February 2016.

3. KEY ISSUES

Financial Implications

3.1 In 2014/15 the service generated an income of £652k and operating costs were £350k giving a net profit of £302k. This was with a total customer base of approximately 18,000.

3.2 Officers propose increasing the garden waste service charge per bin to £40 for 2016/17. The increase proposed is in excess of a 5% increase and therefore above the current rate of inflation. This increase will support the estimated level of income as included in the current Medium Term Financial Plan.

The price for 2017/18 and 2018/19 will be included in the fees and charges report for Cabinet in December 2015.

3.3 The proposed annual charges and equivalent cost per empty per bin is highlighted below. The equivalent cost per week the service is in operation is also given.

	2015/16	2016/17
Annual Charge	£38	£40
Equivalent charge per empty per bin	£1.80	£2.00
Equivalent charge per bin per week of service is operating	£0.90	£1.00

3.4 Subscriptions to the 2015/16 service currently stand at around 18,500 customers. Using current customer levels as a guide, the table below identifies the potential estimated profit with the suggested increases in customer charges. This model uses a 2% increase in operating costs and a 1.53% increase on customer base year on year*. The 1.53% annual increase in our customer base is organic growth and has not been the result of any promotion of the service therefore it is possible to extend our customer base further and thus increase income accordingly.

In order to fully maximise the number of paying customers Officers suggest the service is promoted through a mix of online, social and press advertisements.

Year	2014-15	2015-16	2016-17
Customer Base	18,200	18,500	18,783*
Increase in customers%	1.11	1.65	1.53
Customer Charge (£)	38	38	40
Actual / expected income based on proposed charge (Estimates in red)	652,716	703,000	751,320
Operating cost (£) (Estimates in red using 2% inflation)	350,423	357,431	393,175

BROMSGROVE DISTRICT COUNCIL

CABINET

23rd September 2015

- 3.5 The proposed annual costs for Bromsgrove District Council can be seen in comparison with neighbouring Worcestershire collection authorities and Herefordshire below.
- 3.6 It should also be noted that Worcester City Council and Wyre Forest District Council also apply a charge for administration of the service for new and returning customers at £10 and £21 respectively. This charge is set against the procurement of the bin, cost of bin delivery, retrieval and cleansing. Wychavon District Council hold contract charges with their service provider of around £20 which covers the cost of the above although this is not as yet passed onto the customer. This may be an avenue to explore to assist with financing the garden waste service in the future.

Local Authority	Current & Proposed Cost of Garden Waste Service (£)	
	2015/16	2016/17
Bromsgrove District Council	£38	£40
Herefordshire Council	£3.50 per 5 sacks (equates to £42)*	Not yet agreed
Malvern Hills District Council	£65 online payment £70 other payment methods	Not yet agreed
Worcester City Council	£52	Not yet agreed but likely to be £55 maximum increase
Wychavon District Council	£44 Direct Debit only	£45 Direct Debit only
Wyre Forest District Council	£43 Direct Debit only	£45.15 Direct Debit only

- 3.6 For 2015/16 alone, Officers believe there to be around 1000 residents taking advantage of a free garden waste service for at least part of the collection period until their brown bin is retrieved; this equates to a £38,000 loss of potential income in this financial year. This is a preventable financial burden where a collection is being given but for which no income is being generated. This situation does not arise with Direct Debit paying customers as Officers are in control of the payment date and therefore no late or non- payments are prevented.
- 3.7 In addition to the loss of income for those customers that do not re-subscribe to the collection service annually, there is an additional cost to the service in the retrieval of the brown bin. This cost is entirely dependent upon the address but is a potential 24 mile round trip at the extremities of our boundary. This cost is also exacerbated through aborted trips where bins have not been made available and retrieval is not necessary.

- 3.8 The Direct Debit payment method is significantly cheaper for Officers to process than any of the other five methods currently offered. Reducing the current six payment methods enable streamlining of the service and allow a more focused approach moving forward.

Legal Implications

- 4.1 Bromsgrove District Council and as Waste Collection Authority requires residents to subscribe and pay for garden waste collections as laid out in the Environmental Protection Act (1990).
- 4.2 Bromsgrove District Council operates with the UK Direct Debit Law which governs the transfer of payments and provides safeguarding and protection to customers using the system.

Service / Operational Implications

- 5.1 Due to the success of the garden waste service and an expanding customer base, there is a growing need to streamline payments and payment methods used by customers signing up to the service. In 2010, Officers previously identified a need to use Direct Debits as a method of reducing the burden on processing upwards of 18,000 customer payments in a relatively short period.
- 5.2 There is limited 10 week period in which to send invoices to the existing customer base, take payments, chase unpaid invoices, deliver bins and retrieve bins where no payment has been made. Currently retrieval of bins does not take place as soon as is needed as it is impossible to determine if a previous customer that had not yet paid is intending to pay or no longer requires the service. (See 3.6 & 6.2) In moving to a Direct Debit payment service, Officers will be able to control the timing of payments and therefore better manage both back office support functions and operational elements of the collections.
- 5.3 Moving to a Direct Debit only subscription service, will:
- a) give peace of mind and convenience for customers thus improving customer satisfaction
 - b) reduce the administrative workload associated with chasing payment
 - c) allow to for the retrieval of bins not paid for in a timely manner
 - e) reduce payment processing costs
 - f) ensure as far as possible a stable customer base
- 5.4 During 2015/16 over 16% of customers chose to pay for the service by Direct Debit. This move has been realised with no real drive towards Direct Debit payments and therefore identifies that it as a method residents are comfortable adopting. It is also important to note that cash and cheque payments are falling accounting for only 33% in 2012/13 as opposed to 44% of all payments taken the

previous year. (Please note It is not possible at this current point in time to use figures more recent than the 12/13 period).

- 5.5 The timescales available to take and process payments is dictated by the operating season of the garden waste collection service. With collections starting in March, Officers are required to deliver bins to new customers by mid-February to allow customers time to utilise bins and benefit from the full number of collections.

It is not always possible to ensure paying customers receive a brown bin prior to the start of the service and therefore disallowing them from participating in the first collection. This has given rise to a number of customer complaints despite Officers best efforts. In moving to Direct Debit Payments and controlling the payment date, Officers will be able to create a situation whereby all customers can be identified and supplied with bins well in advance of the start of the collection season and thus enabling continuity of service and enjoy the full complement of collections offered.

- 5.5 For the 2016 service, Officers propose that all new customers will pay for their service by Direct Debit. This has been trialled with new customers during a 3 month period where around 80% of customers signed up without further question. During this trial, the remaining 20% who preferred not to pay via Direct Debit were offered an alternative method of payment.
- 5.6 It is proposed that all current customers that are not already signed up to the Direct Debit form of payment will be written to during October to advise of the new payment amount for the 2016/17 service; hence the timing of this report prior to the fees and charges report. This letter will also explain the reasons and benefits for moving to Direct Debit payments for this service and will replace the previous invoice.

Should a current customer not call to pay or return a completed Direct Debit mandate form, they will receive a reminder invoice asking for payment within 28 days as per standard invoicing procedures and will allow the standard alternative payment methods. The reminder invoice will however also advise the customer that Direct Debit payment will be required for the following years' service (2017/18) and will highlight the benefits to the customer.

Current Direct Debit customers will be sent an invoice which notifies any change in price and advises of the date the fee will be called for.

From 2017/18 it is proposed that the Garden Waste Service will only take Direct Debit payments although individual customer circumstances will be taken into account and Officer discretion will be used.

- 5.7 In the first year of setting up customers onto Direct Debit payments there will be an increased work load inputting details onto the relevant finance systems. It is envisaged that this work load will be absorbed by current staff either within

Financial Service or Environmental Services; however flexibility is required to allow for additional temporary staff as required and will be funded through existing budgets. If required, this one off investment will consequently see a significant reduction in the workload for future years.

Customer / Equalities and Diversity Implications

- 6.1 All customers will be expected to pay through the Direct Debit Scheme. Should a resident not have the necessary means to pay through the chosen mechanism, Officers will be able to use their discretion to arrange payment in an alternative method appropriate for both customer and Council.
- 6.2 Currently paying customers are unfairly discriminated against as there is a proportion of residents benefiting from a free garden waste service as Environmental Services have difficulty in retrieving unpaid for brown bins paying customers (see 5.2 & 3.6 above)
- 6.3 The Direct Debit payment option further allows Officers to collect payments on a rolling basis from the anniversary of the initial joining date. The benefits for the customer will be to allow them a full year of collections from their sign up date for example August to August as opposed to August to November.

The rolling anniversary direct debit date will also assist back office and operational functions in staggering any future customer payments, bin deliveries and bin retrievals as opposed to concentrating these activities in January prior to the start of the collection season. This above action is in direct response to customer feedback.

- 6.4 In collecting a Direct Debit payment, individual customer details will be recorded against each bin required for collection, this coupled with the ability to now be able to offer garden waste collections to all properties in the District, will improve customer satisfaction. Previous arrangements attributing the bin to an address caused confusion where customers moved house as Officers previously required bins to be retained at the originating address. Customers will now be able to take their bin when they move house and again is in direct response to customer feedback.

7. RISK MANAGEMENT

- 7.1 Without agreed subscription charges agreed by October 2015 Environmental Services jeopardies the ability to contact current customers in a timely manner in order to advise of the forthcoming service charge and methods of payment required
- 7.2 Should the Direct Debit only subscription service not be instated, the associated costs with operating and processing cash, automated telephone, internet visa

and debit card and cheque payment routes may escalate further beyond current levels.

7.3 Should the current situation continue the financial risk of delivering a collection to residents that have not paid may escalate as more residents identify and exploit this weakness in the service (See 3.6).

7.4 There is an annual flux of the customer base each year of around 1,000 customers. There is no guarantee to the number of subscriptions made to the service each year; however a Direct Debit service is the only method of ensuring as far as possible customers return to the service as it provides a seamless, no touch approach for all customers. Action is only required where a customer actively wishes to leave the service.

The method of subscribing to a Direct Debit payment for a service is inherent of many of the services our customers will already be benefiting from such as utility and phone, insurance. This payment method offers peace of mind for the customer and thus customer satisfaction may be risked should the service not move towards this approach.

5. APPENDICES

None

6. BACKGROUND PAPERS

None

7. KEY

None

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