



Cabinet report

Date **16 DECEMBER 2021**

Title **FEES AND CHARGES REVIEW – GREEN GARDEN WASTE SUBSCRIPTIONS**

Report of **CABINET MEMBER FOR ENVIRONMENT, HERITAGE AND WASTE MANAGEMENT**

EXECUTIVE SUMMARY

1. The council is required to find savings and additional income in 2022/23.
2. The recommended price increase supports the council's ability to expand the service to more people in the future.
3. Due to the need to prepare for the subscription renewals from January this decision will need to be taken by Cabinet in December to enable Garden waste subscriptions and renewals to open in the new year.

RECOMMENDATION

4. Cabinet is recommended to:

Option 2 – Increase annual subscription cost in 2022 by £2 per month.

BACKGROUND

5. In 2017 the council entered into a Deed of Variation with the Service Provider to deliver a change to the collection of green garden waste whereby the council receives and accepts 100 per cent of the upside and downside on the subscription service, net of operational and capital costs. The service provider retains the lost profit from selling garden waste bags in the libraries and received a 20 per cent management fee on operation cost (not gross profit).
6. Performance of the service is built into the Performance Management Framework of the Waste Contract; key performance standards enable the deduction of sums and accrual of service termination default points in line with the Household Waste Collection service.
7. To enable the growth of the service the service provider must notify the council when the current operation meets 70 per cent of its capacity. This enable the council to make a decision as to where there is sufficient market demand to purchase a further

vehicle, staff and bins for the capacity/demand. There is a risk of loss of net profit if a vehicle and staff are purchased without sufficient demand in the market to fill the capacity (estimated 5000 properties per vehicle).

8. Green Garden waste is classified as a household waste but does not have to be collected by the Waste Collection Authority. The Controlled Waste regulations allow Collection Authorities to charge for the collection but not the treatment of green garden waste. The council pays per tonne of waste treated at the Biffa open windrow composting pad on top of the cost of operating a collection service and the cost of operating the green waste collection at Household Waste Recycling centres.
9. The service is extremely popular and currently has 10,450 subscriptions at £72 per subscription. The 2021/22 subscription year was made up of:
 - 8,899 renewals
 - 1,384 New Sales
 - 167 multi-year subscriptions taken out in earlier years
10. Nominal rises in fees and charges are normally delegated to the Director of the service. However, in this case because of the level of the proposed change the Garden Waste fees uplift are being presented to Cabinet.
11. The subscription service operates from April 1st to March 31st each year. Pricing needs to be agreed before January to be able to Market the service and ensure that the timelines for notices of direct debit changes are met and customers are renewed, or new ones subscribed by mid-March. Routing software is then run and bins delivered prior to the 1 April start date.
12. The team will need to contact 8,899 customers to remind them to renew their services in mid-January, 6,026 of which will require noticed of change of price in their direct debit. From mid-February the subscriptions are then opened to new customers.
13. The number of current subscribers to the service is included in the 2021-25 Isle of Wight Council Corporate Plan and as such will be reported quarterly to Council's Cabinet as part of the Quarterly Performance Management Report.

STRATEGIC CONTEXT

14. The green garden waste subscription service contributes toward the key Environment, Heritage, and Waste Management aspiration of "Continuing to develop successful waste management and increasing recycling rates further"
15. The green garden waste subscription service is a non-statutory commercial service offered by the IWC on a payment basis. The service supports the councils vision to sustain our economy, environment and people, where everyone can enjoy the benefit of a green and thriving economy.
16. Operating this service in a competitive commercial market allows the revenue and capital costs of operating collections, employment maintained and fuel as well as capital costs of vehicles and bins/reusable sacks to be funded by the cost of subscriptions rather than by the councils core budget.

17. Further by since developing the subscription service two market competitors on the island have started similar services demonstrating that the council has helped grow new economic markets with fair competition for customers to choose from.
18. The opportunity created by the delivery of green garden waste kerbside collection subscriptions reduces the need for residents to drive to Recycling Centres or have garden bonfires which supports a reduction on greenhouse gas emissions on the island.

CONSULTATION

19. The fees and charges increase for services are normally a decision made internally by the Director of the Service in consultation with Service Managers and Councillors, however the Cabinet Manager for Waste has consulted with the Cabinet and Cabinet Members requested that the decision was brought to them for discussion and decision.
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FINANCIAL / BUDGET IMPLICATIONS

21. Due to National Government austerity measures this the council is required to find savings and additional income in 2022/23.
22. The separate collection of green garden waste is a discretionary commercial service that is not required to be delivered by the council.
23. The proposed price uplift (option 2 below) for Green Garden Waste Subscriptions would make a significant contribution to savings through reducing the cost of delivering council services by £240,000.
24. The higher price also increases our ability to expand the service to more people in the future.
25. Any price increases proposed by market competitors are currently not known and other waste service contractors have capacity limited by vehicles, staff and HGV driver availability.

IMPACT ON YOUNG PEOPLE AND FUTURE GENERATIONS

26. Growing a strong GGW subscription service that has commercial services provide increased employment opportunities for future generations in the waste sector. As a market sector there is an ongoing need for training to be made available to increase employment opportunities in for example, HGV driving, heavy plant use, logistics and management of services both in waste and finance.

CLIMATE, ENVIRONMENT & UNESCO BIOSPHERE IMPACT

27. Amending the fees and charges for this service does not have a direct impact on greenhouse gas emissions however the potential to expand the service will benefit the biosphere for the reasons set out below. The service delivery does reduce the

number of trips that the 10,000 subscribers make to recycling centres, as well as the number of bonfires, both activities contribute to lower air quality.

28. The fleet vehicles used for this service have Euro 6 engines and are tracked by vehicle tracing software that allows driver habits to be identified that may waste fuel or increase emissions, such as idling. Further route optimisation software is used to minimise the miles travelled and reduce unnecessary emissions.

29. The service reuses bins when subscriptions turn over to new customers rather than dispose of 240 litre bins to reduce plastic waste.

LEGAL IMPLICATIONS

30. Changes to the Contract and the service delivery therein are subject to agreement between the contracting parties. Deeds of Variation have been entered into for savings items over the contract period, including reducing hours at the HWRCs, ceasing the mobile HWRC delivery, reducing reporting requirements for environmental monitoring and the green garden waste service.

31. The Contract protects the risk position commercially for both parties when making a Contractual change. The party making the change is liable for the cost of the change (including legal fees). Should the council make changes the Service providers assumed profit in the base financial model is protected and must continue to be paid by the council. This is termed 'keeping the service provider whole' and prevents the service provider from being bankrupted by client changes.

32. Should the government make a change in law that effect the contract, there are provisions for the costs of those changes. Schedule 14 'Waste Law List' sets out the agreed list of documents that are considered when there is a Qualifying Change in Law if altered by Government and the service is directly affected. In these instances, the council is responsible for the costs of the change.

33. National Resource and Waste Management Strategy Consultation:

The consultation of the National Resource and Waste Management Strategy held earlier this year (closed March 2021) is yet to announce results. A key part of this consultation was the question of whether local Authorities should be required to provide free garden waste collection services to all households. This consultation has made clear that should the change be made, the Government would pay local Authorities the capital and project costs to implement a free green garden waste service but would not cover ongoing revenue costs or loss of earnings.

34. The date of when the consultation results will be made public is not yet known but is unlikely to affect 2022/23 but this may be the last year in which charges can be made.

EQUALITY AND DIVERSITY

35. This report does not introduce new or revised Policy or Procedure and is not a significant decision for which an equality impact assessment must be undertaken.

OPTIONS

36. Option 1 – Maintain current pricing

Additional savings achieved – £0

Risks:

Low chance of losing numbers with maintenance of current levels of income/saving
Budget targets would need to be met from elsewhere to continue subsidising other council services.

Expansion to future customers would require a confirmed 7000 subscriber uplift to enable the service to purchase a new vehicle and ensure the service breaks even

37. Option 2 – Increase annual subscription cost in 2022 by £2 per month

Savings: for 2022 would provide an additional £240,000 saving pa based on 10,000 subscribers.

Risk of Customer Attrition – An increase of £2 per month will take the service from £6 per month to £8 per month and may increase the attrition of current customers to other providers. Each year the subscription service loses 8-10 percent of customers which have been replaced by new subscribers and each year the oversubscription has slightly increased.

Mitigation: There are 1,200 potential customers on the waiting list. This will also require a strong marketing campaign that promotes the benefits of the service, focuses on the monthly cost, the popularity and waiting list and the hold on prices for a minimum of 2 years going forward

Service Benefit: increasing the cost and securing a customer base at this rate in **one year** will make it more commercially viable to be able to expand the service with a third vehicle when demand suggest an increase of 3000 customers is achievable, which will achieve a commercially secure ten per cent net retained income.

38. Option 3 - Increase annual subscription cost in 2022 by £1 per month, 2023 by £1 per month

Would provide an additional £120,000 saving in 2022/23 and an additional £120,000 in 2023/24 based on 10,000 subscribers.

Risk of Customer Attrition – each year the subscription service loses 8-10 percent of customers which have been replaced by new subscribers and each year the oversubscription has slightly increased. The year-on-year increase may be viewed as a trend and lead to an increase in customer loss. There are 1,200 potential customers on the waiting list. A staggered increase of £1 per month over two years will take the service from £6 per month to £8 per month and may increase the attrition of current customers to other providers and it will also add uncertainty for customers in relation to further price rises. Customer trust in service pricing reducing with year on year increases and it is more difficult to be assured of customer growth in future years.

Mitigation of the customer loss will require a strong marketing campaign that promotes the benefits of the service, focuses on the monthly cost, the popularity and waiting list and the hold on prices for 2 years going forward

Service Benefit: increasing the cost and securing a customer base at this rate after two years make it commercially viable to be able to expand the service with a third vehicle when demand suggest an increase of 3000 customers is achievable, and provide a 10 percent retained profit to support future and service contingency costs (e.g. replacement bins, breakdown repair, increased fuel costs etc).

RISK MANAGEMENT

39. RISK: Customers choose to leave the service.

The Green Garden Waste subscription service annually has an 8 percent customer loss and gain turnover. This is for a range of reasons including, moving to a new house, moving into care and choosing to pay a gardener to take the waste away. Increasing the price is likely to cause some customers to leave the service.

MITIGATION:

- The service offers the ability to pay on a monthly basis by direct debit, the spreads the annual cost over the 12 months of the subscription.
- The recommendation is to increase the price in one year with a two-year price hold to follow offer customers stability.
- Marketing, a strong marketing campaign promoting the benefits of the popular regular service will target renewals, the waiting list and new customers
- Reputation, the service is popular and has a strong reputation with its customer base who appreciate the regular and consistent service delivered.

This risk will be added to the relevant Risk Register and monitored regularly in line with the Isle of Council Risk Management Framework

EVALUATION

40. In the context of the savings required to support a reduction in the council's budget, this price increase places the cost to deliver discretionary services outside of the core budget by acting as a commercial entity in the market.

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