

Places Advisory Panel

16th December 2008

Subject: Aligning green waste collection services in Cheshire East.

Author: Paul Morgan / Steve Jones

Summary:

Kerbside collection of green waste is current 'free' to residents of Congleton and Macclesfield Boroughs whereas there is a charge levied to those residents that opt to use the service in Crewe. This paper discussed the options available to Cheshire East Council ref this lack of standardisation. There are implications for public satisfaction with the waste services provided by Cheshire East and substantial differences in the financial costs (£1.28M) of the available options.

Recommendation to the Places Advisory Panel from the Waste Collection and Disposal Task Group.

This issue was considered by the Waste Collection and Disposal Group on the 25th November. Based upon a review of the options described below and in the absence of full knowledge and context of the Cheshire East budgeting exercise, the Task group recommends that:

1. That a free of charge green waste kerbside collection service is rolled out to the residents of the former Crewe and Nantwich Borough Council area as soon as practicable following the 1st April 09.
2. That no initial bin purchase charge should be levied to recipients of new bins.
3. That (subject to approval by the existing waste collection authorities) that preparations should be made prior to April 09 to procure the required equipment to roll-out a free of charge green waste in Crewe utilising the existing 08/09 Waste Implementation Capital Grant.
4. That should the Waste Implementation Capital Grant funding for 08/09 be unavailable or insufficient to support this initiative, the new Cheshire East Authority should approve additional funding (following an additional report) to procure bins.

INTRODUCTION

Cheshire East will be formed by amalgamating the 3 existing waste collection authorities of Crewe and Nantwich, Macclesfield and Congleton. Each of these has its own policies with respect to the range of waste and recycling services provided and the methodology by which these service are delivered. The issue of standardisation of all of these methodologies will need to be considered by Cheshire East Councillors. However, the most pressing of these standardisation issues relates to the collection of green waste at the kerbside. The reason for this is that a charge for this service is levied in Crewe and the service is free in Macclesfield and Congleton. Members need to consider what approach should be taken to this lack of standardisation.

AVAILABLE OPTIONS

1. Allow non-alignment of service provision to persist.
2. To remove the charge for green waste collection in Crewe to align with the non-chargeable services in Macclesfield on Congleton.
3. To implement a green waste charging system in Congleton and Macclesfield to align with chargeable policy in Crewe.

Option 1. Non-alignment of services

Implementation issues

This would be the simplest option to implement as it would in principle require 'no change' to existing services. However, the lack of standardisation would complicate the delivery of future service efficiencies. Recycling performance would largely remain unaffected.

Financial implications

There would be a neutral financial impact in year one. However, as quoted above, a lack of standardisation may lead to a reduction in the ability to drive out operational efficiencies in the medium term. The exact financial impact of this risk cannot be accurately quantified but is estimated to be between £100k and £200k.

Public impact

Initially, residents of all areas would see no difference in their level of service and hence there would not be an initial adverse reaction. However, as residents become aware of the differing levels of service in different parts of the Cheshire East area it is likely that there would be pressure from ex-CNBC residents for the service charge to be removed. Adverse publicity would inevitably accompany this growing service level awareness.

Option 2 – remove service charges in Crewe

Implementation issues

Removing the service charge in Crewe would inevitably increase the demand of the service. Approximately 17,000 of the 50,000 residential properties currently receive the chargeable service meaning that a potential 33,000 new properties could require the service. The provision of this additional service would require additional refuse vehicles, crews and wheelie bins. The impact of this could be spread over a period of time by retaining an initial charge to 'buy' the wheelie bin. This would in effect mean an 'opt-in' system rather than 'blanket coverage'. However, initial purchase of the bins was not a feature of either the Macclesfield or Congleton green waste schemes.

The purchase of bins may lead to delays in implementing the expanded scheme in Crewe. Currently the demand for wheeled bins is high as manufacturers attempt to meet the needs of expanding waste collection services in new members of the European Union. From informal discussions with a manufacturer lead in times for delivery on bins is around 5-6 months from placing an order. This will have a bearing on the commencement of the new service. If this option was favoured then consideration of placing bin orders in advance of April 09 may limit any post-April implementation delays.

This option would present the opportunity to increase the recycling performance in Cheshire East by up to 4%.

Financial implications

Financing bins

With the increase in global oil prices in recent months the cost of wheeled bins has increased. Estimates have been made that 240 litre bins could cost around £21 each with a further £1.80 for the insertion of monitoring chips. If all 33,000 properties required a bin there would be an approximate capital cost of £700k. However, given that some properties may not be able to accommodate wheeled bins, a figure of 22,000 additional bins with a cost of £501k is more likely.

There are a number of ways to source the bins but the most likely options would be to either fund them via the authority's capital reserves or lease them.

There may be finance available to some extent through the Waste Implementation Capital Grant paid to local authorities. In the case of the latter there may be some funds remaining for the current year which could be allocated to the purchase of bins prior to 1st April 09. The Government is yet to announce the allocations for 2009/10 – if this were to transpire then this could be used but without knowledge of how much may be available it is not known if there will be enough to cover all the bins required.

Without access to the above funding and subject to a procurement exercise to confirm costs, Cheshire East would need to approve £501k of capital to purchase the bins outright or accept increased revenue charges of maybe £150k per annum.

On-going operational costs

In addition to potential bin leasing costs, there would be other 'collection' costs to fund ie additional vehicles and crews to collect from the additional properties. The high-level estimate of this cost is

+£300k (vehicles and crew)

+£110k (additional processing gate fees for 5500 tonnes of green waste at £22 per tonne and assuming the blanket roll-out option discussed above)

+£10k (general expenses)

-£128k (reduction in landfill/ disposal costs, 2000 tonnes @ £64/tonne)

TOTAL = £292k net cost plus a year 1 implementation cost of £50k = £342k

Loss of income

A decision to remove current charges levied in Crewe would result in a loss of £390k of income.

Net position

Roll-out outright capital purchase of bins:

Annual revenue impact:	£390k + £ 342k =	£732k
7 yearly capital impact:		£501k

Note that the capital purchase cost could be removed if the 'one-off bin purchase charge' was used.

Roll-out with bin leasing

Annual revenue impact:	£390k + £342k + £200k =	£932k
------------------------	-------------------------	--------------

Public impact

An introduction of free garden waste collections without an initial bin purchase charge in Crewe would generally be welcomed by the residents of that area. The image of the Cheshire East would be enhanced with those residents affected and would remain neutral in both the Congleton and Macclesfield areas. Introduction with an initial bin purchase charge would obviously attract some concern although as long as it remained optional whether to participate this negative aspect would be limited. On balance the one-off charge scheme would still gain positive feedback.

Option 3 – introduction of charging in Congleton and Macclesfield

Implementation issues

The challenges with this option would be associated with scaling back the current 'comprehensive' service in both Macclesfield and Congleton. There would be a substantial administration impact for a period following the introduction of the charge – invoicing, dealing with residents who wished to return their bins and chasing residents who fail to engage with the process in the hope of avoiding the charge yet retaining the bins and service. Unwanted bins would need to be retrieved and stored again incurring cost. There would of course be no impact in the former Crewe area.

This option would result in a reduction in the %waste recycling performance measure of between 4% and 8%

Financial implications

Based upon experience in Crewe and in Congleton (where historically a charge was levied) it is estimated that about 30% of households would be prepared to pay a charge for the kerbside collection of green waste. Based upon approximately 110,000 households in Macclesfield and Congleton, 30% uptake and a charge of £20 per bin, an annual income of £660k per annum could be expected.

In addition to this, there may be some efficiency reductions from the refuse collection service associated with servicing fewer properties. However, without detailed scheduling investigation this is not easy to quantify.

There may be year 1 implementation costs of £100k associated with communicating the new service configuration, retrieving bins and managing customer contact.

Net income in year 1 = £660k - £100k = **£550k** (£660k in subsequent years)

Public impact

The residents in Crewe would see no change in policy so although there may be some disappointment from not having seen a service enhancement there would be little other impact. However, there would be a substantial negative public impact in both Macclesfield and Congleton. The residents in this area would perceive that Cheshire East had taken a backwards step. This would result in negative publicity and a dramatic (if short term) increase in complaints and public satisfaction.

CONCLUSION

Although there is a substantial financial disadvantage of implementing a free of charge green waste collection scheme in Crewe as opposed to implementing a charging system in Macclesfield and Congleton (cost of £732k 'v' net income increase of £550k ie this is a £1.28m pa. revenue decision) given the expectations of the public and the commitment of Cheshire

East to becoming a 'flagship authority' it is felt that removal of the charges in Crewe is the correct option to progress.

Note that this discussion above is only a part of the overall process of harmonising the waste and recycling services. There are opportunities available to drive out operational efficiencies by redefining service standards and finding alternate service delivery methodologies. Once all these opportunities have been explored and delivered, it is likely that there would be an overall saving to Cheshire East associated with redefining the way Waste and Recycling services are delivered.