

## Appendix A - Business Case

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Garden Waste

**January 2019**

## Document Control

Author(s)	Deborah Johnson (Project Lead) and Natalie Cook (Project Support)
Version	V1
Hyperlink	<a href="\\File-p-fs01\data\nsdcs\shared\CPDT\Projects (Tranche 1)\Garden Waste\10. Business Case - LE Jan\Business Case - Garden Waste.docx">\\File-p-fs01\data\nsdcs\shared\CPDT\Projects (Tranche 1)\Garden Waste\10. Business Case - LE Jan\Business Case - Garden Waste.docx</a>
Approval	Leisure and Environment Committee Policy and Finance Committee

Contributors	Matthew Finch – Director of Communities and Environment (Project Sponsor) Andy Kirk – Business Manager, Waste and Transport Services Matt Adey – Assistant Business Manager, Waste and Transport Services Dean Rothwell – Accountant, Financial Services Diane Kirk – Business Manager, Administrative Services Jill Baker – Business Manager, External Communications and Customer Services
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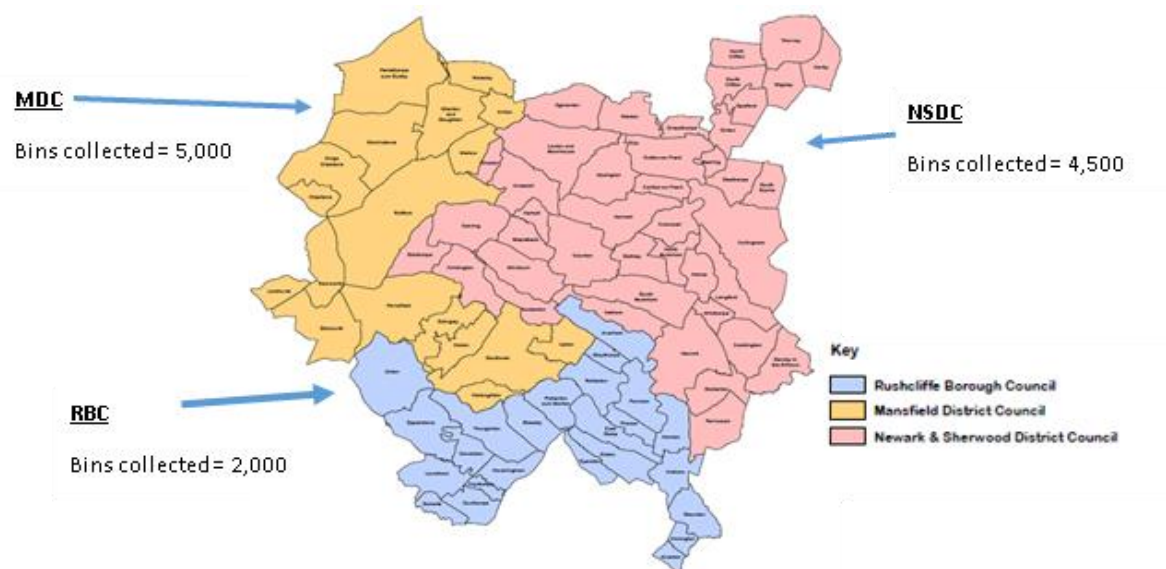
## 1. Background

The current garden waste arrangement is delivered in partnership with Rushcliffe Borough Council (RBC) and Mansfield District Council (MDC) and has been operating since 2014. A Memorandum of Understanding (MoU) has been signed by the three local authorities to deliver the service across the district. The garden waste service currently has approx 11,500 garden waste customers and operates a mixed delivery approach within the district.

MDC	RBC	NSDC
<ul style="list-style-type: none"><li>• 5,000 bins collected</li><li>• Administration for the 5,000 is provided by MDC</li><li>• Customer expected to contact MDC customer services to register for service or report missed bin</li></ul>	<ul style="list-style-type: none"><li>• 2,000 bins collected</li><li>• Administration provided by RBC for 2,000 bins</li><li>• Customer expected to contact RBC customer services to register for service or report missed bin</li></ul>	<ul style="list-style-type: none"><li>• 4,500 bins collected</li><li>• Administration for the 4,500 is provided by NSDC from Jan 2019 (it was previously delivered by RBC)</li><li>• Customer expected to contact NSDC customer services to register for service or report missed bin</li></ul>

Members at Leisure and Environment Committee in June 2018 agreed to transfer the administration from RBC back to an in house provision (approx 4,500 properties). The transfer of the administration of 4,500 properties is now operating in house, with renewal letters and stickers being sent out in February/March for the commencement of the garden waste scheme in April 2019. The transfer of the administration will generate an income of £30k per annum and will offer an improved customer experience.

The current collection arrangement detailed in the map below, illustrates that MDC collect from approx. 5,000 properties towards the Sherwood area of the district. The District Council collect from approx. 4,500 properties in Newark and the surrounding areas and RBC collect from approx. 2,000 properties towards the South of the District.



## 2. Objectives

The objective of this business case is to consider the option of bringing the entire garden waste service back in house. This would include collection of the service throughout the District and the administration for approx. 5,000 properties currently undertaken by MDC and administration for approx 2,000 properties undertaken by RBC.

The rollout of a garden waste collection service across the district aligns with the Council's Commercialisation Vision identified in the Commercial strategy.

*"Our vision is to be an innovative and entrepreneurial Council that continually achieves positive annual financial contributions; by generating new revenue and delivering cost reductions, through trading and business improvements"* (Commercialisation Vision, Commercial Strategy, approved by Council, October 2017)

A number of neighbouring authorities successfully operate an entire garden waste service in house and generate a surplus. Therefore it is sensible that NSDC explore the options of the bringing the service back in house in order to satisfy the ambitions set out in the Council's commercial strategy.

## 3. Options Appraisal

The options considered in developing this business case have been amended to reflect the recent national waste strategy. A summary of which is detailed below.

### **National Waste Strategy**

Although not part of the original remit of this business case, the recent publication of the National Waste Strategy "Our Waste, Our Resources: A Strategy for England", published in December 2018 has an influence on the preferred option in the business case. The strategy establishes a commitment to consult on universal food waste collections and the provision of free garden waste services for all households with a garden. It is unclear at this stage if this will become a reality and to what extent any free garden waste service would be linked with universal food waste collections (they can be processed separately or together through differing systems). This consultation is expected in early 2019 with implementation milestones set for 2023.

Should a free garden waste collection service be mandated it will require a considerable investment to ensure that the council can meet the infrastructure and associated requirements. It is highly likely that RBC and MDC will wish to withdraw their vehicles from the NSDC area in order to support the increased provision required in their areas. In this scenario it is estimated that NSDC would have to invest in additional resource (at least 3 garden waste collection vehicles and crew) on top of the provision identified in this business case.

**Option one:** Do nothing – Continue ‘as is’ arrangement

This is no longer a viable option in light of the national waste strategy. It is unlikely that either or both MDC and RBC would wish to continue to provide the service for NSDC. In light of the national waste strategy, it is likely that either or both MDC and RBC would wish to issue notice and withdraw from the current provision. The notice required is 8 months.

**Option Two:** Bring all of the garden waste service back in house. This would include:

- Transferring the collection and administration of approx. 7,000 properties (approx. 5,000 operated by MDC and approx. 2,000 operated by RBC) back to the District Council and seeking to expand the service further.

Option two is the preferred option. It aligns with the Council’s Commercial ambitions identified in the Commercial strategy and would also contribute to the Council’s Cleaner, Safer, and Greener (CSG) initiative. It would offer greater autonomy to incorporating the service into future CSG campaigns, promoting the service and providing NSDC with greater control over the full operation of the service. The customer would benefit from an improved customer experience as they will be provided with a single point of contact (NSDC customer services) for all types of refuse collection.

It is considered practical to bring the garden waste service back in house now in order to establish some of the infrastructure in the possible event of a nationally mandated free garden waste service for all households with a garden. This would also mean that some additional income can be recouped until such time when/if the free garden waste service is implemented nationally.

## **4. The Proposal**

The proposed option is to bring all of the garden waste service back in house. Following an initial capital outlay of approx £450k, there will be an estimated revenue surplus to the service of approx. £55k in the first year. The proposal in detail is set out below:-

### **Operations**

NSDC would need to purchase two 32 tonne trucks and fill each wagon with 15 tonnes of waste (currently we operate 26 tonnes across our fleet). This would allow for more waste to be collected in one round therefore maximising our potential for growth and to offer extra capacity in other waste areas such as the potential expansion of the trade waste service.

### **Staffing**

The staffing ratio would remain at 1 driver and 2 loaders per vehicle, however, consideration has been given to operating a varied staffing ratio such as 1 driver and 1

loader in more rural areas and in concentrated urban areas, operating 1 driver and 2 loaders. It is felt at this stage that the staffing ratio should remain the same (1 driver and 2 loaders) until the service has returned to an in house provision. The costs of additional staff required is explored in the financial implications section (section 5) of the business case.

### **Customer Retention and Customer Experience**

It is assumed that NSDC would retain the existing customers who are currently served by MDC and RBC (currently approx 7,000 customers in total) following the transfer.

From a customer experience perspective, there would be no material change to the service. The garden waste bin would still be collected on a fortnightly basis as per current arrangements. The customer would benefit from an improved customers experience as they will be provided with a single point of contact (NSDC customer services) for all types of refuse collection and would benefit from integration with existing digital by default platforms. It is already assumed by some customers that NSDC can resolve their garden waste queries serviced by RBC or MDC. Currently, in this instance, the customer would be told to call the relevant authority. By having NSDC collect and administer the entire service, this would reduce this confusion and offer a seamless service for the customer.

### **Purchase of existing bins from MDC and RBC**

It has been assumed that MDC and RBC would not want to keep the bins for the existing NSDC customers due to the inconvenience of having to collect, store and potentially clean the bins (for re-use purposes). It is likely to be more expensive for MDC and RBC to go through the process of the collection and storage of the current bins rather than buying new ones.

Therefore it has been assumed that NSDC would purchase the bins owned by MDC and RBC at a negotiated price. We would negotiate the bin purchase price to ensure that NSDC were getting value for money. Due to the age and presumed condition of the bins, and for the purpose of the financial forecast of this business case, we have estimated a cost of £10 per bin in section 5 of this business case. However, we anticipate that we could purchase the bins at a better deal.

### **Future Growth**

The business case includes a targeted approach to future growth areas to grow our customer base. Marketing campaigns would include targeting an area already on an existing round or targeting an area where our waste vehicles already travel through in order to reach their next destination. This would maximise income for the least cost/fuel time. Once the service is operating back in house, Waste and Transport Services would

explore incentive schemes to grow the service, such as promotions and initial discount offers.

To support future growth, it is proposed that housing developers should purchase the garden waste bin, as per the current arrangement for existing domestic refuse and recycling bins. This would ensure all new properties have a garden waste bin available whether or not the resident chooses to use the service. Currently the cost of a new garden waste bin is absorbed by the Council at a cost of £16 per bin. By arranging for housing developers to absorb this cost, this would reduce the overhead costs of the service.

To stimulate growth in new housing developments, a free service for a limited period would be offered. Evidence shows that where a service has been offered free, 50% of those customers accessing a free service will continue with that service at a cost to them. It is worth noting that the projections for housing growth used in this business case have been incorporated into the financial forecast, based on a free service for new estate areas and 50% retention rate in those areas. This has been retained within the forecast even though the national waste strategy references a free service for garden waste collection because the strategy is currently out to consultation and this stage there is no certainty that free garden waste service will be delivered.

#### **Administration and Customer Services**

The administration for the additional 7,000 households can be absorbed by current existing staffing arrangements within the Administrative Service Business Unit. The costs associated with printing and posting renewal letters and stickers are included in the financial implications section (section 5) of this business case.

It has been identified that Customer Services would require additional resource to process the increased volume of customer enquiries such as processing payments via phone at the start of the garden waste service year. The costs associated with additional staffing have been included in the financial implications section (section 5) of this business case.

## **5. Financial and Resource implications**

### **Financial Forecast**

Currently, NSDC collect from approximately 4500 customers based in the northern and eastern parts of the district. After separating out the garden waste expenditure and income from that of the domestic and trade waste collection services, the garden waste collection service breaks even. This service is provided by 1.3 collection vehicles per week.

The table in fig.1.1 illustrates the additional expenditure and income from NSDC taking over collection and administration of the service for the whole district from April 2020 (Option Two). As can be seen from the table, and as previously stated in the business case, increasing surpluses can be generated from bringing the whole service back in house. However, there will be significant capital investment required in order to achieve this.

### **Capital Outlay**

The council would require capital investment in order to expend the service from 4,500 customers to potentially, in excess of 12,000 customers in 2020. This would require investing in two new 32 tonne vehicles at a cost of £185k each. It would also require the council to purchase the required bins to collect in the areas that MDC and RDC currently collect. For the purposes of the business case we have assumed that the council would buy these bins from the other two collecting authorities due to the inconvenience of having to collect, store and potentially clean the bins at a cost of £10 per bin. Therefore, the capital outlay required would be approximately £450k. It is likely at this stage, that this would be financed by borrowing, which would cost the Council's revenue budget circa £73k per annum over the life of the assets (worst case scenario) in interest and Minimum Revenue Provision (MRP). This additional revenue cost could be funded from surpluses generated by the garden waste collection service in future years.

### **Revenue Forecast**

The revenue forecast contain a number of assumptions, which now need clarification. The staffing requirements will consist of two additional drivers and four additional loaders. The costs used are the current costs for the operatives, with inflation factored in annually and also include sickness and holiday cover expenditure. There may be TUPE implications in relation to the current operatives within MDC and RDC, but this should not create any additional financial pressure on the Council.

The same inflation criteria has also been applied to the running costs (including insurance costs) for the two new vehicles i.e. current average costs increased by the rate of inflation. The supplies and services figure is a harder to determine, as these are not easily identified as being solely for the garden waste service eg. staff uniforms. The forecast has therefore have been determined by using a percentage based on staffing costs for the garden waste service as a percentage of the overall refuse collection service staffing costs. Items that can be identified, such as purchase of brown bins and Meritec charges for the billing system, have been incorporated in the financial forecast for the garden waste collection service.

When the garden waste service is reduced to a monthly collection during December to February, staff are aligned to other services such as street cleansing. In these months,



the staffing and vehicle costs are then apportioned to street cleansing which is highlighted in Figure 1.1 as 'additional costs for services'. The forecast also includes the additional postage and staffing for sending out customer invoices and dealing with customer queries.

<b>Summary of Forecast Income &amp; Expenditure - Option Two</b>								
<b>Revenue</b>								
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Salaries		151,640	154,670	157,770	160,920	164,140	167,420	170,770
Transport		50,110	51,350	52,630	53,940	55,290	56,670	58,100
Supplies & Services		12,580	12,770	12,960	13,160	13,360	13,570	13,780
Additional Costs incurred by Other Services		42,450	43,270	44,380	45,510	46,670	47,870	49,090
<b>Total Expenditure</b>		<b>256,780</b>	<b>262,060</b>	<b>267,740</b>	<b>273,530</b>	<b>279,460</b>	<b>285,530</b>	<b>291,740</b>
Garden Waste Collection Income		(311,410)	(332,280)	(358,210)	(383,210)	(383,900)	(384,590)	(385,280)
<b>Forecast Surplus to Garden Waste Service</b>		<b>(54,630)</b>	<b>(70,220)</b>	<b>(90,470)</b>	<b>(109,680)</b>	<b>(104,440)</b>	<b>(99,060)</b>	<b>(93,540)</b>
Financing of Capital Expenditure		73,000	73,000	73,000	73,000	73,000	73,000	73,000
<b>Net effect to the Council</b>		<b>18,370</b>	<b>2,780</b>	<b>(17,470)</b>	<b>(36,680)</b>	<b>(31,440)</b>	<b>(26,060)</b>	<b>(20,540)</b>
<b>Capital</b>								
Purchase of 2 new vehicles	370,000							
Cost of bins from MDC & RDC	77,600							
<b>Total</b>	<b>447,600</b>							

Figure.1.1

The proposed option forecasts a surplus of £55k in the first year in addition to the £30k already achieved through bringing the admin back in house as per of this review. This increases to £100k additional income by 2023/24. The lifetime of the vehicle is estimated at 7 years which is why the above table shows a 7 year forecast. The total capital repayments is £511k. The forecast surplus to the service is £622k over the same period. The forecast income and expenditure would change significantly if the Council decided to increase charges by more than those stated in the business case. Alternatively, central government could impose a free garden waste service on all local authorities and this would have considerable detrimental financial impact on the council unless additional funding becomes available as a result of the waste strategy.

The income forecast in figure 1.1 is based on a charge per bin of £37 in 2020/21, increasing by £1 per year until 2023/24 when the charge will remain at £40 for following years and then revisited based on the rate of inflation to the nearest pound. Any changes in fees and charges would be subject to Committee approval, However as a comparison against authorities geographically adjacent to NSDC, current and forecast garden waste charges are included in Figure 1.2. It is important to note, that the estimated charges in 2020/21 are based on an assumption that the garden waste providers in our geographical locations would also increase their charges based on the rate of inflation to the nearest pound. The charges indicate that NSDC would remain below average compared to our geographical neighbours as is the current position for 18/19.

Local Authority	Charges 18/19	Estimated Charges in 2020/21 (based on rate of inflation to the nearest £)
Bassetlaw District Council	£30.00	£32.00
North Kesteven District Council	£30.00	£32.00
Mansfield District Council	£30.00	£32.00
Ashfield District Council	£34.00	£36.00
Newark and Sherwood District Council	£35.00	£37.00
West Lindsey District Council	£35.00	£37.00
Rushcliffe Borough Council	£35.00	£37.00
South Kesteven District Council	£35.00	£37.00
Gedling Borough Council	£36.00	£38.00
Melton Borough (provided by BIFFA)	£57.00	£60.00
Average (to the nearest £)	£36.00	£38.00

Figure 1.2

## 6. Risk

With all projects there are elements of risk and it is good practice to capture these and the associated mitigation actions which have been undertaken.

Risk	Risk Description	Mitigating Action/s
<b>Reputation</b>	Bringing garden waste back in house may cause discontent with partners (RBC and MDC)	Initial conversations have taken place with RBC and MDC in relation to NSDC's proposals
<b>Staffing</b>	Insufficient resource (staff and vehicles) to deliver the proposed option	Financial modelling has been undertaken to ensure that costs associated are incorporated
<b>Customer Experience</b>	The proposed option still delivers a disjointed experience from a customer experience leading to dissatisfied customer and an increase in customer complaints	The proposed option ensures that the service offers parity across the district and is in line with the rest of the household waste services
<b>Space</b>	Lack of physical space to deliver increased in house service	Consideration has been given to the space at the depot and impacts on the 'O' Licence
<b>ICT</b>	The software to take payments for the increased volume of customers is not suitable	Consideration has been given to the ICT requirements
<b>Service Delivery</b>	MDC and RBC could serve notice to NSDC before we have implemented the proposed option	NSDC are exploring options for bringing garden waste back in house through the development of a business case
<b>Waste strategy</b>	The National Waste Strategy could mandate a free garden	Through implementation of the proposed option, NSDC would be able

waste service for all households with a garden and NSDC are not equipped to deliver the service to all households	to establish some of the infrastructure now in the event of a nationally mandated free garden waste service
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## 7. Implementation

Subject to Committee approval, indicative timescales for implementation are listed below:-

Milestone	Date
Business Case to Leisure and Environment Committee	22 Jan 2019
Business Case to Policy & Finance Committee for approval	24 Jan 2019
Serve Notice to MDC and RBC as per MoU that NSDC take over admin and collection service from April 2020	Feb 2019
Communicate to Residents, that NSDC will collect and administer the garden waste service	Feb 2020
Billing and renewal letters sent by NSDC to all garden waste service customers	Feb 2020
Collection and administration for garden waste service operated by NSDC	April 2020

## 8. Review

The Leisure and Environment Committee will receive regular updates on the progress of the project up until the service is established and is formally operating in the Waste and Transport Services Business Unit.