

# North Tyneside Council Report to Cabinet Date: 11 February 2013

**ITEM 6(g)**  
Title: Decision on refund  
method for Garden Waste  
Subscription

**Portfolio(s):** Transport and the  
Environment

**Cabinet Member(s):** Councillor Ed  
Hodson

**Report from Directorate:** Community Services

**Report Author:** Phil Scott, Head of Environmental  
Services (Tel: 0191 643 7295 )

**Wards affected:** All Wards

## **PART 1**

### **1.1 Purpose:**

Cabinet agreed on 14 January 2013 to remove the 2012/13 subscription for the collection of garden waste. The purpose of this report is to request Cabinet to note and endorse the methods by which the refund is proposed to be made to residents.

### **1.2 Recommendation(s):**

It is recommended that Cabinet note and endorse the methods by which the refund of garden waste subscriptions is proposed to be made to residents, being the reversal of all transactions where payment was made by a debit or credit card, and provision of PayPoint vouchers for subscribers who have paid by other methods, or where reversal of the card transaction is unsuccessful.

### **1.3 Forward plan:**

The report was not identified in the Forward Plan but has been included for consideration by Cabinet in follow up to Cabinet's decision of 14 January 2013.

### **1.4 Council plan and policy framework**

This report relates to the 2012 – 2015 Council Strategic Plan, Priority 1: Sustaining our front line Council services within the Council, but only spending what we can afford.

## **1.5 Information:**

**1.5.1** As part of the 2012/13 budget setting process a £20 subscription was introduced for the collection of garden waste. Prior to the introduction of the garden waste subscription there are 68,000 households in the current scheme, with around 50,000 active participants. The service provides fortnightly collection from early March to the end of November, being approximately 20 collections each year.

### **Collection of Subscriptions**

- 1.5.2** The letter sent to residents gave additional information about the scheme, the legal Terms and Conditions applicable to the scheme, and allocated a unique reference number. Residents were given until the end of November 2012 to register and subscribe for the 2013/14 collections (which would start in March 2013).
- 1.5.3** Additional software was purchased to facilitate the scheme to ensure that those who wish to subscribe could do so as easily as possible. Residents were encouraged to register through various self-service routes. They were able to do this either through the Council website or at the self-service kiosks in Customer Service Centres. Residents could pay for the service over the phone, in person at Customer Service Centres or by post using debit or credit cards (Chip & PIN), cash or cheques. Nearly half the subscriptions received were through self-service registration.

### **1.5.4. Cabinet decision**

On 14 January 2013 Cabinet resolved to remove the subscription charge for garden waste collections. This decision was made in response to concerns expressed by residents about the charge, and took into account a review of environmental services budgets and priorities. The decision would also ensure that current composting rates were maintained, would reduce landfill costs and would promote sustained user satisfaction.

At the Cabinet meeting on 14 January, the Mayor requested officers to report back to her with details of how the Authority would refund the money already paid. Officers examined in detail the various options available to the Authority for making the refunds, and the risks /liability associated with each option, and determined two preferred methods for making the repayments (as outlined later in this report), dependent upon the means by which the subscription was paid. Having reported on this work to the Mayor, it was considered appropriate that Cabinet be requested to note and endorse the proposed repayment methods.

This report therefore explains the various options for repayment which were considered, as well as the preferred options chosen and the reasons for this

### **1.5.5 Current position**

In total 19,799 properties subscribed to the scheme, with 20,189 bins (several properties have multiple bins) bringing in an income of £402,047.

76.3% of subscribers have made payments using a credit or debit card, 22.2% have paid by cash and only 1.5% by cheque.

## 1.5.6 Refund Options

An officer team considered the options available for refunding the money to residents and identified the following alternative repayment methods for consideration:-

- Make cash available for collection from Customer Service Centres;
- Refund by cheque;
- Refund by reversal of credit or debit card transactions;
- Refund by way of a credit allocated to Council Tax accounts of all residents affected;
- Refund by BACS transfer through the banking system;
- Doorstep delivery of cash;
- Refund by voucher, posted to households that could subsequently be redeemed at Paypoint locations.
- A combination of some or all of the options

The detail associated with each option is set out below.

## 1.5.7 Make cash available for collection from Customer Service Centres

The officer team considered how Customer Service Centres would have to be prepared for up to 20,000 additional visits if cash were to be refunded at the four existing Centres. Two of the Centres were not capable of carrying out this function due to design and capacity. Only Whitley Bay and North Shields were potential sites with cash workstations to allow the refunds to be dealt with in a secure environment outside of the normal day-to-day business. However, concerns were raised that North Shields may not be able to cope with the additional demand and the new Whitley Bay JSC will no longer be a staffed cash facility, making it unsuitable for this option.

The cost of providing staffing for this exercise and the transaction costs associated with 20,000 refunds was explored with the Council's partner Balfour Beatty as they are responsible for the running of the Customer Service Centres. They were unable to give a price per transaction but indicated that they would look to charge £125 per day for a cash desk staffed from 9am to 4pm. Further consideration was given to the inconvenience to residents, the additional insurance risk of holding significant additional levels of cash at the Centres, the logistics of recording all refunds made and the likelihood of refund demand impacting on other services run from these Customer Service Centres.

## 1.5.8 Refund by cheque

Cheque preparation is a labour intensive process. The Council's financial processing team (Balfour Beatty) deal with around 6,500 transactions a month. To plan on generating 20,000 additional transactions would be a significant piece of work that could only be achieved by either additional staffing or overtime. In addition, not all residents have easy access to a bank account meaning cashing cheques at Customer Service Centres would likely need to be part of any solution.

Balfour Beatty, estimated the cost to prepare cheque refunds, including the cost of envelopes, posting and printing, to be £1.32 or £1.48 per refund for volumes of 20,000 and 5,000 respectively. There would also have been some additional bank reconciliation work required, which would also be chargeable at no more than £5,000 for 5,000 transactions and £10,000 for 20,000.

Refund by cheque could not provide a complete solution due to the number of residents who do not have a bank account. It would also be possible that multiple processing would be needed where bank account names do not match the name records that we hold e.g.

maiden names.

### **1.5.9 Card Transaction Refund (CHIP & PIN)**

Over three quarters of the subscription payments received were made using either a debit or credit card. Initially officers looked at the possibility of reversing these transactions manually, which would have required over 3 minutes per individual transaction; approximately 750 hours or more than 100 days worth of work. It would have also required significant audit involvement to ensure that the payments were appropriate, and would have been prone to manual error. Further investigation with the card payment software supplier, Capita, resulted in the proposal of a method of refunding these transactions electronically, in effect reversing the original transaction. Although negotiations on cost with the supplier could not be completed without certainty of requirement, an estimate has been given of £9,000 for the work required by Capita in identifying the original transaction and extracting this confidential information in readiness for reversal. In addition there would be a bank transaction charge of 17p per debit card and 1.8% (36p on £20) per credit card. This equates to an average cost per refund of £0.82 for circa 15,000 payments (Total £12,350). Capita indicated that the entire process would take six weeks from confirmation of requirement.

It is likely that some of the card account details would no longer be valid, for example if the card has expired. Details of “failed” refunds would be generated and these could be added to the list of refunds that would be processed by other means.

This method was therefore considered to be the most cost effective method for making refunds to the 15,000+ residents who paid their subscriptions by debit or credit card. However it provided a part solution only as it did not address repayments to those residents who did not pay by card, for whom an alternative solution needed to be found. .

### **1.5.10 Allocation of money as a prepayment to the Council Tax account**

The suggestion that each household who had made a payment could receive a £20 credit on their 2013/14 Council Tax bill appeared simple and a cost-effective solution to the refund issue, as the address of the property that is to receive the garden waste service was known. Unfortunately, on further investigation it became clear that there were a number of problems associated with using this method including Regulations governing Council Tax demands and possibly Data Protection. The transaction complexities in altering 20,000 demands also needed to be appreciated.

The allocation rules within the computer system used to issue demands, only allows credits to be created if the bill is paid in full and there are no arrears on the account. Legally, the £20 credit could not be used against existing debt unrelated to provision of a garden waste service.

The work required to carry out this option would have been at a considerable cost in relation to manual processing, amendment of instalments and transactional processing on bills. Furthermore, there is a substantial risk this forthcoming financial year with unprecedented legislative changes through the introduction of the new Council Tax Support Scheme and the Council Tax Technical Reforms to Exemptions & Discounts. Adding the further complication of posting these payments at this already challenging time may have placed annual billing in jeopardy.

Finally, from a legal perspective the use of the Council Tax system to administer refunds would be considered to be highly problematic and open to challenge by dissatisfied payers.

#### **1.5.11 BACS transfer**

This option would only be available where bank details were known. The vast majority of refunds do not hold this information and it was therefore decided by officers not to pursue any further investigation into the costs associated with this 'part' solution. The cost of a BACS transfer itself is £0.14 per transaction; however there would have been significant work involved in Balfour Beatty pulling together the data to allow the transfer to be processed, which would have been rechargeable to the Authority. This refund option was however not available for most of the transactions.

#### **1.5.12 Doorstep delivery of cash**

This option involved the refunding of the payments directly to the householder who was to receive the service. This would have been done in person using cash refunds given out at the properties. Payments could only be handed over to an adult householder and would have required receipting. It could have involved multiple visits to a property at various times of the day. The task would have been carried out by either waste disposal operatives or other assigned staff, with either option involving considerable staff time.

There would be obvious Health and Safety risk to those employees tasked with delivering the monies and it may have been difficult to ensure that the Authority could gain sufficient proof that all monies had been safely returned to those for whom it was intended. Further logistical problems of obtaining and storing large amounts of cash would have required further investigation. The cost for this option would have been the additional staff time in delivering the cash door to door, the insurance and cash-handling costs and the not insignificant cost of the verification and reconciliation work required to ensure that the monies had been refunded appropriately.

#### **1.5.13 Refund by Paypoint voucher redeemable at all PayPoint locations**

This method has been recently used for refunds by energy companies to ensure that individuals get their money quickly and easily in a cost effective manner. These vouchers can be redeemed for cash.

A voucher is generated with a barcode for a set amount which can be redeemed on the production of the voucher, alongside ID showing proof of address, at many outlets across the country including many garages, local shops and all post offices. The vouchers would have an agreed expiry date.

Initial discussions have taken place with the two main providers of these vouchers, PayPoint and Allpay, who have given initial indications of cost. The costs quoted are in the region of £1.60 if the work is all done externally and £1.20 per transaction if the Authority does the printing and posting. (The barcode printing risks would be at the Authority's own risk, if it chose to do the printing). Assuming that the voucher process was done externally this would cost around £8,000 per 5,000 refunds.

This option appears to provide a simple method to make refunds to residents who paid their subscriptions by methods other than by debit or credit card, or where the reversal of a card transaction (as described at 1.5.9 above) is unsuccessful. This method could also

be considered as a possible future solution for repayments within our Business Continuity Planning proposals etc.

#### **1.5.14 Preferred methods of refund**

Taking into account the considerations described above in respect of the different refund methods available, it has been determined that the refunds of garden waste subscriptions will be made by:

- (1) Reversal of electronic transactions (the Chip & PIN payments) to refund those residents who have paid by credit or debit card; and
- (2) The provision of PayPoint vouchers for those residents who have paid by other methods or where the electronic transaction reversal process is unsuccessful.

#### **1.6 Decision options:**

This report concerns an operational matter which falls within the delegated authority of the Head of Environmental Services. Cabinet is requested to note and endorse the proposed repayment methods.

#### **1.7 Reasons for recommended option:**

It is considered that the chosen repayment options offer the best solution for delivery of refunds for both the Authority and residents affected. No involvement of the payer is required where the refund is a reversal of an electronic transaction and, for those residents who paid in other ways, provides a repayment method (PayPoint vouchers) which is efficient, reasonably quick and enables a cash refund to be provided.

#### **1.8 Appendices:**

None.

#### **1.9 Contact officers:**

Phil Scott, Head of Environmental Services. Tel: (0191) 643 7295  
Catherine Lyons, Senior Manager, Waste and Environmental Sustainability. Tel: (0191) 643 7780  
Alison Campbell, Finance Business Manager. Tel: (0191) 643 7038

#### **1.10 Background information:**

- (1) Council minute ref. C64/09/12 item (vii)
- (2) Cabinet report 14<sup>th</sup> January 2013, Review of decision to introduce a subscription for garden waste collection.

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

There will be a combined cost to the Authority (spread across 2012/13 and 2013/14) of approximately £22,350 associated with making the necessary refunds by the preferred means. This includes external ICT and banking costs for CHIP & PIN and the cost of vouchers and mailing for the Paypoint / Allpay solution. No additional internal staff costs are included as it is anticipated that these will be managed within existing staff resources.

If the Cheque Refund option had been chosen for the 5,000 non CHIP & PIN refunds, the estimated cost would have been approximately £1.48 per refund based on 5,000 cheques which equates to a cost of £7,400 which includes the cost of processing, envelopes and posting and printing. There would also have been some additional bank reconciliation work required, which would have had a small charge attached to it estimated to be no more than £5,000. In addition, there would also have been CHIP & PIN costs for the remaining 15,000 refunds estimated to be £12,350. This would have meant a total estimated cost for this option of £24,750.

If the Cheque Refund option had been chosen for all the 20,000 refunds, the estimated cost would have been approximately £1.32 per refund based on 20,000 cheques which equates to a cost of £26,400 which includes the cost of processing, envelopes and posting and printing. There would also have been some additional bank reconciliation work required, which would have had a small charge attached to it estimated to be no more than £10,000. This would have given a total estimated cost for this option of £36,400.

The Council Tax, Doorstep delivery of cash, cash at Customer Service Centres and Bank Transfer options were ruled out for non financial reasons. However, for completeness, the financial information associated with these options is included in section 1.5 above.

There is currently no provision within the 2012/13 budget to cover these costs. Any costs incurred that cannot be managed within existing budgets by the Authority will be reported as part of the existing bi-monthly financial management reports to Cabinet.

## **2.2 Legal**

It is anticipated that the repayment methods chosen can be achieved within relevant statutory guidance on Data Protection, and without unreasonable processing of personal data. Further advice may be needed should a dispute arise with any refund claimant who is not satisfied with the repayment process. This may result in the need to make extra payments in order to reduce costs of resolving disputes In respect of small sums.

## **2.3 Consultation/community engagement**

### **2.3.1 Internal Consultation**

Internal consultation on the refund proposals took place with the Elected Mayor, Cabinet Member and relevant Council officers including from Finance and Legal Services.

### **2.3.2 External Consultation**

One of the reasons for the decision to remove the subscription charge was the level of public concerns which had been expressed about the charge.

## **2.4 Human rights**

There are no human rights implications directly arising from this report.

## **2.5 Equalities and diversity**

An Equality Impact Assessment, EIA 1440, was undertaken for the introduction of the subscription. There are no equality and diversity implications directly arising from this report.

## 2.6 Risk management

The risks associated with the respective options considered are set out at paragraph 1.6.

## 2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

## 2.8 Environment and sustainability

There are no environment and sustainability implications directly arising from this report. However, it is anticipated that the removal of the charge will ensure less biodegradable waste is sent to landfill, reduce the production of greenhouse gases and reduce the borough's carbon footprint.

## PART 3 - SIGN OFF

- Chief Executive
- Strategic Director(s)
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager for Policy and Partnerships