

REPORT TO	DATE OF MEETING
Cabinet	6 February 2013

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
Waste Management Cost Sharing Agreement	Neighbourhoods and Streetscene	Mark Gaffney	8

SUMMARY AND LINK TO CORPORATE PRIORITIES

Through the Lancashire Waste Partnership districts receive cost sharing payments from Lancashire County Council (LCC) as an alternative to the previous system of enhanced recycling credits. All districts took the opportunity to switch to cost sharing except one which remained on the recycling credit option.

LCC has offered a revised cost sharing option to the districts. This report provides details of the offer and proposes a way forward.

The report links directly to all of the Council's corporate priorities but especially Clean, Green and Safe.

RECOMMENDATIONS

That Cabinet agrees:

1. That option 2 as detailed in the financial implications is accepted.
2. That authority is delegated to the Director of Neighbourhoods, in consultation with the Deputy Leader, Neighbourhoods and Streetscene, to agree the conditions and any caveats to be included in the revised cost sharing agreement.

DETAILS AND REASONING

Through the Lancashire Waste Partnership districts receive cost sharing payments from LCC. The payment is based on a rate per property for which the districts are required to provide collection of an agreed range of recycled materials. The cost sharing agreement replaced the previous system of LCC paying districts enhanced recycling credits and districts directly raising income from the sale of recycled materials. Under the cost sharing system, LCC pay the districts a rate per property based on the service provided and receives the recycled materials collected by the districts for which LCC pays the districts a compensatory payment for loss of income. The Council receives maximum payments from the scheme due to its high performance in service provision and the range of materials collected from the borough's properties.

LCC introduced the cost sharing scheme to help incentivise districts to deliver against the Lancashire Waste Strategy by diverting waste from landfill and improving recycling performance. The Council entered into the scheme, along with all but one district, as at the time it was financially advantageous compared to the previous system of recycling credits. LCC enhanced the payments and the cost sharing payment enabled more robust financial planning compared to the recycling credits, which fluctuated depending on the amount of recycling collected.

The budgeted cost sharing payment from LCC for current year 2012/13 is £1,022,978.

LCC is currently reviewing the Cost Sharing Agreement which is a 10 year agreement which expires at the end of March 2014. A revised offer has been received from LCC which is broadly in line with the existing agreement except for the following key differences:

1. The revised agreement will be for a period of 5 years and will be from April 2013.
2. Year 1 of the revised agreement will be 2013/14, thus replacing the final year of the existing agreement which ends on 31 March 2014.
3. The payments are fixed for 5 years with no annual increase.
4. There will be no extra payments for property growth.
5. The impact from 2013/14 onwards against budget is a shortfall in income of £54,383 per annum, totalling £271,915 over the 5 years 2013/14 to 2017/18. The offer does include a second front loaded option with increased payments in the first 2 years. However, this is balanced by reduced payments for the remainder of the period so that the total payment over the 5 years is the same for both options.
6. Whilst it will still be a requirement to provide a minimum of 90% of the borough's properties with a three stream collection, there will no longer be a requirement to provide separate collection of food waste for those properties which require this service (generally terraced and flats without gardens). This will be optional for each authority. A three stream service is separate collections for residual waste, recycled materials and garden waste. The Council's service level allows for the mixing of food waste with garden waste which can still continue under the revised arrangements.

To assist the Council to take an informed decision, it was considered appropriate to compare the revised cost sharing offer against returning to the previous system of recycling credits. Under current legislation and DEFRA guidance LCC as the disposal authority has to pay recycling credits to the districts. Whilst the Council has benefited financially from the alternative system of cost sharing during the previous 9 years, it is considered that for the next 5 years the recycling credit system could now be more advantageous due to the high level of recycling performance which the Council now achieves.

However, to date LCC has refused to make this information available even though great efforts have been made by officers and the cabinet member to obtain it. Based on the existing recycling credits for the one district that still receives payments based on this system, the council could be financially advantaged should this be made available. However, it is realistic to expect that the existing level of payments will reduce as has the cost sharing option. Whilst LCC has not disclosed the detail of what the payments would be through a revised recycling credit scheme, it has now indicated that they may be in line with the statutory minimum obligation which will be significantly less than current. LCC has also indicated that the detail of a revised recycling credit scheme will not be available until sometime before April 2014.

Advice has been sought from DEFRA. However, this has been of limited help as in the main it just referred directly to the existing guidance and legislation that is already available on the DEFRA website.

LCC gave an initial deadline to districts of 31 October 2012 to respond to their offer which was then extended to 30 November 2012. However, following discussions with LCC it was understood that districts had to operate within their scheduled timetable of meetings to obtain approvals in relation to the offer. Whilst the Council is not necessarily in the position it would want to be due to the lack of detail around recycling credits, it is considered that a way forward needs to be found as there is a risk that LCC may withdraw its offer. This would leave the Council exposed to financial risk due to the uncertainty around recycling credit payments. Should the Council not accept the revised cost sharing offer, on expiry of the existing agreement the Council would revert back to the recycling credit system payments which may be significantly less.

In light of the above it is proposed that the way forward should be as follows.

The Way Forward

Whilst it has not been possible to date to evaluate the revised cost sharing offer against recycling credits, it should be recognised that the revised cost sharing offer from LCC overall is a good offer and better than expected. Early discussions prior to the offer being made had indicated that it may have been significantly less.

It is therefore proposed that option 2 as detailed in the financial implications is accepted. Both options 1 and 2 pay £4,842,975 over the 5 year period of the agreement but option 2 pays a higher proportion of the income in years one and two.

It is further proposed that a number of caveats are included within the Council's acceptance of the offer with the key ones being:

- The option to switch to recycling credits should this be a better option for the Council which will not be known until LCC releases the information to the districts.
- The LCC offer does not include for an increased payment for property growth – this needs to be considered further by LCC and the districts. Consideration should be given to increasing the payment in accordance with growth.
- Some flexibility to be built into the revised agreement around the type of collections, frequency and types of recycled materials collected such as mixed plastics.

It is anticipated that LCC would resist including any caveats into the revised agreement. Also the above caveats would be subject to negotiation between LCC and the districts as it is understood that a number of other districts are accepting the offer but including caveats. It is therefore proposed that authority is delegated to the Director of Neighbourhoods, in consultation with the Deputy Leader, Neighbourhoods and Streetscene, to agree the conditions and any caveats to be included in the revised cost sharing agreement.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these.

FINANCIAL	<p>The budgeted cost sharing payment from LCC for current year 2012/13 is £1,022,978.</p> <p>LCC has provided detail of two options in the revised offer which are detailed in Table 1 in the appendix to this report.</p> <p>Option 1</p> <p>The impact from 2013/14 onwards against budget is a shortfall in income of (£54,383) per annum, totalling (£271,915) over the 5 years 2013/14 to 2017/18.</p> <p>Option 2</p> <p>This offers a front loaded option with increased payments in the first 2 years. However, this is balanced by reduced payments for the remainder of the period so that the total payment over the 5 years is the same for both options.</p> <p>LCC has also indicated that it may consider a third option which would be to maintain the 2012/13 payment in 2013/14 and pay the residual amount equally over the remaining four years.</p> <p>However, it is recommended that if the revised cost sharing offer is accepted that option 2 would be most advantageous to the Council due to the front loaded payments.</p>
LEGAL	<p>LCC has indicated that any change to the cost sharing terms and conditions will be contained in a deed of extension and variation to the existing cost sharing agreement.</p> <p>Should the Council agree to accept the revised offer then Legal Services will be involved in any negotiations with LCC with regard to the conditions contained in the deed of extension and variation.</p>

RISK	<p>Should the Council not accept the revised cost sharing offer there is a risk that LCC may withdraw its offer. This would leave the Council exposed to financial risk due to the uncertainty around recycling credit payments. On expiry of the existing agreement the Council would revert back to the recycling credit system payments which may be significantly less.</p> <p>There is also some uncertainty as to the long term future of recycling credits and whether it will still remain a requirement for LCC as a disposal authority to make payments under this system.</p> <p>The cost sharing arrangements ensure a regular fixed income for the recycled materials which is built into the overall payment. The recycling credits system does present some risk to income due to potentially fluctuating sale values for recycled materials.</p>
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THE IMPACT ON EQUALITY	An Equality Impact Assessment is in place for the waste service. There are no adverse equality impacts as a result of the proposals in this report.
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OTHER (see below)	
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<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

BACKGROUND DOCUMENTS

Lancashire Waste Strategy