

CABINET

WASTE COLLECTION- Cost Sharing Oct 9th 2012

Report of Head of Environmental Services

PURPOSE OF REPORT					
To seek Cabinet's agreement for entry into a revised cost sharing agreement with the County Council from April 1 st 2013.					
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Officer referral	<input checked="" type="checkbox"/>
Date Included in Forward Plan	26 th Sept 2012				
This report is public					

RECOMMENDATIONS OF HEAD OF ENVIRONMENTAL SERVICES

- (1) That Lancaster City Council agrees to entry into the revised cost sharing agreement with the County Council from April 1st 2013.
- (2) That Lancaster City Council indicates that it's preference is to have the contribution from the cost sharing agreement spread evenly over the 5 year period (Sub-option 1a).
- (3) That the Head of Environmental Services informs County of the above and is delegated to agree the precise operational details of the agreement.
- (4) That budget projections are updated accordingly

1.0 Introduction

- 1.1 The Lancashire Waste Partnership (LWP) consists of the Lancashire County Council (waste disposal authority), twelve District Council (waste collection authorities) and the two unitary authorities. Through a jointly agreed waste strategy the LWP has set ambitious targets for managing household waste produced within the County of Lancashire.
- 1.2 The Council's corporate plan includes as an aim delivery of the objectives of the Lancashire Waste Strategy 2008-2020. This strategy contains challenging targets for reduction, reuse, recycling and composting of household waste
- 1.3 In terms of contribution towards implementation of this strategy Lancaster City Council has over a period of years rolled out waste collection arrangements that

contribute significantly to the aims of the LWP waste strategy.

- 1.4 In 2002/3 9.7% of all household waste was recycled / reused / composted. In 2011/12 this figure had risen 41.6%. There is still scope for this figure to rise much further within existing arrangements.
- 1.5 In order to achieve this the City Council has invested significantly. Compared with other similar Authorities the City Council performance is in the top quartile for its low cost of waste collection / recycling per household (based on APSE Performance Networks comparative data).
- 1.6 The required investment has come through a variety of sources. Particularly relevant to this report is the contribution Lancashire County Council provides through its cost sharing agreement.
- 1.7 The current cost sharing agreement is due to end in 2013/14. Under the agreement the County Council provides an amount for every household that is provided with the waste collection / recycling arrangements that the City Council currently has in place. The value of this contribution to Lancaster City Council in 2012/13 is £1,283,600.
- 1.8 In the years since the introduction of the cost sharing agreement the economic situation has changed considerably. Local Authorities are under huge pressure to reduce budgets. In 2012/13 the County Council expects to spend across the County over £94million on waste recovery / disposal. Lancaster City Council expects to spend £3.1million on waste collection.
- 1.9 Through the LWP the County Council have discussed ways of providing revised options for cost sharing that meet the County Council's budget arrangements but also attempt to mitigate the financial impact on District Councils.
- 1.10 An offer has now been formally received from the County Council.

2.0 Proposal Details

- 2.1 The County Council is essentially proposing the following-
- 2.2 **PROPOSAL-** To accept a revised cost sharing agreement from 2012/13 (one year ahead of the termination of the current arrangement). This agreement would provide the City Council with a contribution of £6,099,594 over a 5 year period from April 2013. The amount also includes payments for loss of recycling income as are currently provided. The amount offered is less than the amount offered under the current agreement. Two sub-options are presented to provide choice as to the contribution is received. Sub- option 1a sees the contribution spread equally over the over the 5 year period. In 2012 /13 this option would mean that approximately £104,000 extra savings would have to be made by the Council. Sub- option 1b sees the contribution front loaded in profile. Based on the financial appraisal (see financial implications) it appears that Sub-option 1a would be the easier option to manage.
- 2.3 Acceptance of the cost sharing agreement requires a commitment to provide at least 90% of households with three- stream waste collection arrangements (which Lancaster City Council has already achieved). Increasing of collection frequencies of residual waste (grey bins) to less than fortnightly would not be acceptable. If the City Council wishes to accept the County Council have

requested for budgeting purposes that we inform them by October 31st.

2.4 If the City Council does not wish to accept the revised offer it would remain within the current cost sharing agreement until its end in 2013/14. At this point there is no indication that any further financial support would be provided by the County Council. In theory this would allow Lancaster City Council greater freedom as to collection arrangements eg reintroduction of weekly grey bin collections. In practice the combined cost of the loss of cost sharing (£1.2million / year) and the increased cost of reintroduction of weekly bin collections (£1- 1.5 million / year) would make this option unrealistic from a financial perspective. It would also be contrary to the aims of the Council's corporate plan.

3.0 Details of Consultation

3.1 Following discussions through the LWP. The County Council have formally written to all Districts and requested a view on each Districts preferred option by 31st October 2012. This will allow for certainty in terms of financial planning.

4.0 Options and Options Analysis (including risk assessment)

4.1 Essentially there are two choices-

- Accept the revised cost sharing agreement
- Not accept the revised cost sharing agreement

4.2 For the reasons outlined above the only realistic option is to accept the County Council's proposal of entry into a revised cost sharing agreement from April 1st 2013. The most preferable sub-option from both an operational and financial perspective is to accept the contribution spread equally over the 5 year period of the agreement (Sub – option 1a).

5.0 Officer Preferred Option (and comments)

5.1 As set out above.

6.0 Conclusion

6.1 The report seeks Cabinet's approval to enter into a revised cost sharing agreement from April 1st 2013.

RELATIONSHIP TO POLICY FRAMEWORK
As set out in the report
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)
Waste collection / recycling is provided to all households in the District and is a statutory service

LEGAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

The 2012/13 General Fund Budget as approved by Council on 29th February 2012 includes the following amounts in relation to cost sharing income :-

2012/13	£1,284K
2013/14	£1,323K
2014/15	£1,366K

Under the existing arrangements, the annual amount is currently subject to inflationary increases in line with the Retail Price Index forecast (RPI) at the time the budget is set. County Council's proposed contribution of £6,099,594 over the five years commencing 1st April 2013 is a flat amount and as such will not be subject to any inflationary increase. Therefore, the will place additional pressure on the general fund budget. The following table illustrates the financial impact (where known) of each of the options and for the purpose of the exercise inflation has been assumed to continue in future years of the approved budget.

	Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18
	£K	£K	£K	£K	£K
Latest Approved Budget	1,323	1,366	1,409	1,452	1,495
ACCEPT REVISED COST SHARING AGREEMENT					
<u>Sub- Option 1a (spread equal)</u>					
Proposed Contribution	1,220	1,220	1,220	1,220	1,220
Budgetary Shortfall	103	146	189	232	275
<u>Sub -Option 1b (front loaded)</u>					
Proposed Contribution	1,267	1,244	1,220	1,196	1,173
Budgetary Shortfall	56	122	189	256	322
DON'T ACCEPT REVISED COST SHARING AGREEMENT					
Proposed Contribution	1,323	??	??	??	??
Budgetary Shortfall	0	??	??	??	??

Whilst the table illustrates option 1b is more attractive than option 1a in the short term, the later years see a decrease to the contribution. Over the duration of the five years the shortfall is identical and due to its consistent nature, option 1a would be easier to manage and assist officers in more effective budgetary planning.

Non acceptance of the revised cost sharing agreement sees no budgetary shortfall in 2013/14 however the future implications of not accepting are unquantifiable at this point in time but it is generally accepted that this would have a detrimental impact both operationally and financially.

Whichever option Cabinet decides to pursue, the associated budgets will be updated as part of the forthcoming budget process.

OTHER RESOURCE IMPLICATIONS

Human Resources:

None

Information Services:

None

Property:

None

Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

The report sets out the position regarding financial risk associated with accepting or not accepting the revised cost sharing proposals. Not accepting the proposal would provide continuity of the current agreement and existing funding levels for a further year, but it provides no certainty for the funding position beyond 2013/14. Accepting the proposals will require the Council to consider potential savings and efficiencies as part of the forthcoming MTFs and budget review, but this option provides a clearer and less risky picture for the future.

Within the overall 5 year proposals, instalment sub-option 1a provides for greater stability in year-on-year operational and financial planning.

MONITORING OFFICER'S COMMENTS

The deputy monitoring officer has been consulted and has no observations to make on this report.

BACKGROUND PAPERS

Letter to Chief Executive from County Council 19th Sept 2012

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