

Report of	Meeting	Date
Director of People & Places (Introduced by the Executive Member for Places)	Executive Cabinet	17 January 2013

CHANGES TO THE LANCASHIRE WASTE MANAGEMENT COST SHARE AGREEMENT

PURPOSE OF REPORT

1. To inform Members that Lancashire County Council (LCC) are seeking to reduce the waste management cost share payment the Council receives and what other alternatives the Council has considered to reduce the financial impact.

RECOMMENDATION(S)

2. The Council accept Lancashire County Council's cost share proposal of a front loaded payment profile for five years until March 2018 totalling £4.8m.
3. This acceptance is subject to the outcome of the recycling credit review LCC have indicated will take place after May 2013.
4. The Council will continue to press for an increase in payment related to annual property growth and will arrange a meeting with Councillors from both Authorities to discuss this issue.

EXECUTIVE SUMMARY OF REPORT

5. The current waste management cost share agreement ends in March 2014. The Council receives £1.02m a year from LCC through the waste management cost share agreement. This is to support the Council in delivering kerbside recycling collections.
6. LCC wish to reduce the amount of support they provide through cost share and are offering £968k a year to the Council. They wish to implement the new scheme from April 2013. The new agreement would be for five years and the total funding offered would be £4.8m. For the Council this means a cumulative reduction of £927k over the five years assuming a 3% annual inflation rate and property growth of 600 each year.
7. Discussions with LCC have taken place to see if recycling credits would be a better funding mechanism for the Council but LCC have indicated the current recycling credit rate is likely to be reduced significantly though no definitive figure has been provided. LCC have indicated that if their current offer is not accepted they will continue to honour the existing agreement until March 2014 but any future payments will be based on the recycling credits.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

8. LCC have indicated that if the revised cost share payment is not accepted the current arrangement would run to March 2014 and then terminate. It is unclear what level of alternative payment would be offered. LCC are keen to establish if the Council wish to accept the offer so they can accommodate it into their budget planning process.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

9. Recycling credits were considered as an alternative funding stream but as explained below this is not considered viable based on the uncertainty of the payment level.

CORPORATE PRIORITIES

10. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities	√	An ambitious council that does more to meet the needs of residents and the local area	√

BACKGROUND

11. Chorley Council is a waste collection authority and Lancashire County Council is a waste disposal authority who is required to make arrangements for disposal of waste generated in Lancashire. To encourage waste collection authorities (District Councils) to adopt the Lancashire Waste Strategy and provide kerbside recycling collection services LCC offered a funding stream known as cost share. Chorley Council signed up to this agreement in 2004 along with all District Councils in Lancashire with the exception of Ribble Valley. The agreement was for ten years and ends in March 2014.
12. The current cost share payment is based on property numbers provided the property had access to a fortnightly kerbside collection service for recyclable material (plastic bottles, cans, glass, textiles, paper & card), garden waste if the property had a garden and residual waste to be limited to 280l bin capacity per fortnight. The payment is uplifted each year by RPIX and grows in accordance with the number of new properties, typically 500 to 600 per year in Chorley. As part of the cost share agreement the Council also receives a loss of income payment each year as material is now delivered direct to Farington Waste Technology Park for processing. This payment is also subject to an annual uplift. The Council will receive a total of £1.02m in 2012/13 through cost share.
13. Prior to the signing of the cost share agreement the Council received recycling credits for each tonne of waste collected for recycling. The recycling credit rate is based on the saving LCC makes by diverting this waste from landfill and is also subject to uplift each year through RPIX. The cost share option offered greater financial certainty to the Council

compared to recycling credits which are subject to fluctuation as they are calculated using the weight of recyclable waste collected.

COST SHARE OFFER

14. LCC indicated in early 2012 that they wished to review the current cost share arrangement and implement a new scheme from April 2013. Details on the changes they wished to see were unclear though they did confirm they wished to see a reduction in the overall cost of the scheme in order to meet their budget requirements. In September 2012 details of the changes were received along with a request for the Council to confirm acceptance by 31 October 2012. LCC were made aware that this deadline was not acceptable as all options needed to be considered and Members consulted. It is understood that all other District Councils apart from South Ribble and Ribble Valley have accepted the offer.
15. LCC are offering a fixed level of support for a five year period, 1 April 2013 to 31 March 2018. The total offer over the five years is £4.8m; this includes the loss of income payment. There will be no increase for additional properties or annual inflation uplift. For the Council this represents a reduction of 16% or £927k over the five years assuming a 3% annual inflation rate and property growth of 600 each year. Officers have tried to negotiate with LCC to see if the offer could be improved but this has been unsuccessful to date.
16. There is no reference in LCC's offer to recycling credits. For a Council with a high recycling rate i.e. greater than 45%, recycling credits may provide a better level of income compared to the offer. The Council's recycling rate in 2011/12 was 48.37%. The 2012/13 recycling credit payment is £51.18 per tonne, this figure increases by 3% each year. Based on current recycling tonnages and assuming credits would be paid for all recyclable material including garden waste (as prior to 2005) the Council would receive £5.3m over five years.
17. Discussions have taken place with LCC officers to clarify what the recycling credit rate would be and what materials would qualify for payment. LCC have indicated they expect the recycling credit payment to reduce, figures as low as £19 per tonne have been suggested. However no definitive figure has been provided. They have also said the Council would be required to pay for garden waste processing, £90k a year based on current tonnages and would receive no income from the recycle. Based on these figures costs the Council would receive an income of £281k per year or £1.4m over five years.
18. LCC officers have stated verbally that recycling credits will be reviewed after May 2013 and any revised rate is likely to come in from April 2014. Until a definitive figure is provided it is not possible to state if recycling credits would offer the Council an increased level of income compared to cost share over the next five years. If recycling credits drop below £45 per tonne it is not a viable alternative.
19. LCC have indicated that if their current offer is not accepted they will continue to honour the existing agreement until March 2014 but any future payments will be based on the recycling credits. Based on the information available to date the Council should accept the cost share offer but review its position when the new recycling credit rate is known. The Council will also continue to press for an annual increase based on growth in property numbers and a meeting for Councillors from both Authorities will be arranged to discuss this issue further.

IMPLICATIONS OF REPORT

20. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	√	Customer Services	
Human Resources		Equality and Diversity	
Legal	√	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

21. The report sets out the level of income that has been offered by Lancashire County Council (LCC) and the potential loss that this represents to the council when compared to previous years.
22. The offer contains two options for the payment profile of the funding to Chorley Council. The first option is for equal payments over the five year period. The second option is for a 'front loaded' payment which sees a higher level of support in the first two years. It should be noted that the total funding available is the same for both options however it was felt that the second option, as set out in the report, would be more beneficial to the council.
23. This is the only offer currently being made by LCC. Should there be any further developments that impact on the above or if the recycling credits option becomes more financially viable this will be reported to members at a later date.

COMMENTS OF THE MONITORING OFFICER

24. Under the legislation (the Environmental Protection Act 1990 and associated Regulations) LCC as Waste Disposal Authority are required to make a payment to CBC as Waste Collection Authority. As stated in the report, this payment can be calculated in 2 ways. Whilst the figures used by LCC can be challenged there is a reasonably broad discretion they can exercise. The proposal in the recommendations is appropriate at this time and allows for further negotiation to take place given the greater impact of the proposal happens at the end of the period.

JAMIE CARSON
DIRECTOR OF PEOPLE AND PLACES

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
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