

**WASTE DISPOSAL BUDGETS**

*To:* Cabinet

*Date:* 15<sup>th</sup> January 2013

*From:* Executive Director of Economy, Transport and Environment

*Electoral division(s):* All

*Forward Plan ref:* 2013/015 *Key decision:* Yes

*Purpose:* Cabinet are being asked to consider the consolidation of the PFI and other waste disposal costs into a single budget

*Recommendation:* That a single budget “Waste disposal including PFI” is created from consolidating the following budgets:

- PFI
- Trade Waste Income
- Controlled Waste Income
- Recycling payments to Districts

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## 1. BACKGROUND

- 1.1 In March 2008 the County Council signed a PFI contract for the provision of waste disposal services for 28 years. Following the take over of the original contractor our contract is now with AmeyCespa (East) Ltd. The value of the Waste PFI contract is £731M over 28 years. It attracted £35 M of government funded credits. The MBT, a Waste Transfer Station, an In-Vessel Composting facility plus other capital plant and equipment for the 28 year period cost a total of £68 million. The budget for the PFI contract is managed by services within Economy, Transport and Environment (ETE) but viewed as a corporate budget in relation to under or over spends.
- 1.2 In February 2012, a high level restructure reduced the number of teams in ETE (Economy, Transport and Environment) and as a result the Waste Team was split with the Strategy, Communications, partnership and Infrastructure functions being transferred to the new Supporting Businesses and Communities Team and the PFI, Contract Management and Service Delivery functions being transferred to the new Assets and Commissioning Team. This created dual responsibility for budgets and taking forward “waste management” in Cambridgeshire
- 1.3 Creating the split as described in 1.2 above has created some positive opportunities. For example having a clear focus on strategy and partnership development, separate from contract management, has helped develop closer links with our collection authority partners and enabled a level of challenge on behalf of the partnership through the PFI board. Also the current restructure of Assets and Commissioning is bringing about a consolidation of contract and commissioning skills and making us a more intelligent client. Nothing in this report is seeking to change this split it is simply making recommendations about how we organise our budgets in the “back office”.

## 2. MAIN ISSUES

- 2.1 Whilst the separation of functions is bedding in well the way the budgets are configured needs to be reviewed. Currently, the main waste disposal costs are being managed by the Assets and Commissioning Service. In addition to the main PFI budget there are three other lines on the Waste Disposal Overheads Budget are affected by the PFI and vice versa. The three areas are:

- Trade Waste
- Recycling Credits
- CWR (Controlled Waste Regulations/Schedule 2 Waste)

Trade Waste is charged through the PFI, but currently all the landfill costs sit within the PFI budget and the income in the Waste Disposal Overheads Budget.

Recycling Credits are a fixed cost, meaning requested corporate savings need to be made to the rest of the Waste Disposal Overheads Budget, which is small in comparison to the whole. In addition, the savings made through the Districts retaining the recycling for processing are realised in reduced disposal costs in the PFI budget, but all the costs of paying the Recycling Credits to the Districts sit within the Waste Disposal Overheads Budget.

Controlled waste charging has been introduced to new waste streams in the recent revision to the Controlled Waste Regulations 1992. The regulations now enable the

Waste Disposal Authority (CCC) to charge for new waste streams. A paper detailing this new charging regime was taken to Cabinet on the 23<sup>rd</sup> October. Income sits in the Waste Disposal Overheads Budget and the disposal costs in the PFI budget.

It can be clearly seen from the above that having income and costs sitting in two separate budgets causes challenges and can lead to poor decision making in order to artificially manage budgets. Therefore, it is proposed that in the future the budgets be split as follows, to enable more effective management and control, whilst enabling flexibility:

- Waste Disposal Overheads Budget for Assets and Commissioning (managing the contract and other fixed assets/contracts)
- Waste Disposal Overheads Budget for Supporting Businesses and Communities (partnership, policy and strategy development)
- Waste disposal including PFI – to include PFI, Trade Waste and Controlled Waste Charges and Recycling Credit Payments.

The two overhead budgets should be viewed as “service” revenue budgets with any under spend or pressure being dealt with in the service. The Waste Disposal Including PFI budget should be treated as a corporate budget (as is currently the case for the PFI budget). The rationale for this is:

- There is very little discretion in paying for waste disposal – if someone presents waste to us we have a legal duty to dispose of it.
- There can often be great variance in surplus/pressures in any individual year. Picking these up corporately enables these to be balanced across the life of the contract
- There is no incentive for services to make decisions that might benefit their service budget but have an overall negative impact on the County Council’s overall budget

2.2 The proposals to consolidate budgets together has been discussed at the PFI Board and has their support

### **3. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING**

#### **3.1 Developing the local economy for the benefit of all**

There are no significant implications for this priority.

#### **3.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

#### **3.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

#### **3.4 Ways of Working**

This report primarily concerns how we manage and organise our waste disposal costs into one budget. As such the implications for how it impacts. As such the implications for our ways of working are limited and not significant.

#### **4. SIGNIFICANT IMPLICATIONS**

##### **4.1 Resource and Performance Implications**

The report above in Section 2 outlines how the proposals will enable the County Council to better manage the waste disposal budgets.

##### **4.2 Statutory, Risk and Legal Implications**

There are no significant implications for any of the prompt questions within this category

##### **4.3 Equality and Diversity Implications**

There are no significant implications for any of the prompt questions within this category

##### **4.4 Engagement and Consultation Implications**

There are no significant implications for any of the prompt questions within this category

##### **4.5 Public Health Implications**

There are no significant implications for any of the prompt questions within this category

<b>Source Documents</b>	<b>Location</b>
PFI contract PFI board papers relating to waste budgets (Note some information is commercially sensitive and will not be disclosed to the public)	Assets and Commissioning, 2 <sup>nd</sup> Floor A wing, Castle Court or via report author