



Councils working together

Dorset Waste Partnership Joint Committee

Date of Meeting	12 September 2016
Officer	Director, Dorset Waste Partnership Treasurer to the Dorset Waste Partnership
Subject of Report	Inter-Authority Agreement (Cost Sharing – options)
Executive Summary	<p>This report considers options for sharing the costs of the Dorset Waste Partnership between partners for the financial year 2017/18 and onwards.</p> <p>This is following the conclusion of the roll out of the Recycle for Dorset service and previous commitments made to reviewing the methodology to ensure that it is as fair and equitable as possible to all seven partners of the Dorset Waste Partnership.</p> <p>Initial ideas and background information were discussed at the first meeting of the Member Cost Sharing Working Group, held on 29th February 2016 and the options presented below, with some subsequent refinement of Option 3, were discussed at a later meeting of the Working Group, on 13th June 2016.</p> <p>There has subsequently been informal consultation on options between relevant officers and Members of partner authorities.</p> <p>The view of the Cost Sharing Working Group was that a short list of cost sharing options should now be presented for consideration by the Joint Committee, in preparation for the 2017/18 budget setting cycle.</p>
Impact Assessment:	Equalities Impact Assessment: This report contains no new proposals that have equalities implications.

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	<p>Use of Evidence:</p> <p>The report is based on data from the County Council's financial system and the management information systems used by the DWP. This is supplemented by information from service managers where necessary.</p> <hr/> <p>Budget:</p> <p>The Dorset Waste Partnership has a net revenue budget for 2016/17 of £34.2M.</p> <p>This report discusses options for how costs could be shared between partners from 2017/18 onwards and puts forward a recommended option.</p> <hr/> <p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:</p> <p>Current Risk: MEDIUM Residual Risk LOW</p> <hr/> <p>Other Implications:</p> <p>None</p>
<p>Recommendation</p>	<p>It is recommended that Option 2 (Current (2016/17) cost share percentages are adopted, adjusted in future for changing household numbers, as indicated on the annual 'CTB1' returns).</p>
<p>Reason for Recommendation</p>	<p>To ensure that future cost sharing of Dorset Waste Partnership costs is as fair and equitable as possible.</p>
<p>Appendices</p>	<p>Appendix 1 – Cost Sharing Summary and detail of options</p>
<p>Background Papers</p>	<p>None</p>
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1. Background

- 1.1 The annual net revenue costs of the Dorset Waste Partnership have been shared between all seven partners in accordance with a complex cost sharing formula which has been used for a number of years during the roll out of the Recycle for Dorset Service. Capital costs of the partnership have been financed in a variety of ways, taking account of previous partner capital budget allocations and the particular financing needs of individual partners
- 1.2 The present formula is, arguably, overly complex and lacks transparency and easy interpretation.
- 1.3 Now that the Recycle for Dorset Service is fully rolled out and previous 'ad hoc' capital financing arrangements have come to a natural end, with all future capital requirements ultimately financed through the DWP revenue budget, it is timely to review the cost sharing methodology and to apply an updated system from 2017/18 onwards.
- 1.4 Both Members of the Joint Committee and relevant officers of partner authorities have previously supported the need for a review.
- 1.5 Set out in Section 3 below are five options, together with the advantages and disadvantages of each option.

2. Potential for Local Government Reorganisation

- 2.1 The cost sharing methodology provides a mechanism to identify costs to be financed by each partner through their own council tax income, revenue support grant and retained business rates.
- 2.2 Although both County and District / Borough council tax levels appear on the same council tax bill for a given resident, there is an obvious sensitivity for each partner in the amounts that each partner is required to pay, given the existing two tier organisation of local government in Dorset.
- 2.3 As Members will be aware there are a number of discussions currently taking place around the future structure of local government in Dorset. A number of unitary council options are being discussed which may lead to some form of unitary government system for both rural Dorset and the Bournemouth and Poole conurbation. Timetables have yet to be determined, but a possible date for a new local government structure in Dorset could be April 2019.
- 2.4 Against this background some Members expressed a view at the first working group meeting that there may be a case for adopting a 'status quo' option, rather than setting up a new complex cost sharing mechanism that may only be needed for, perhaps, two years.
- 2.5 A unitary government system for Dorset would negate the need for a cost sharing system as the presumption would be that waste services would fall under the appropriate unitary council.

3. Options

3.1 Option 1 – No Change to Current (2016/17) Cost Share Percentages.

Against the background described above a simple option is to keep to the existing 2016/17 cost share percentages – but these would be fixed for each partner as shown in Appendix 1.

The advantages of this method would be that it would be easily understood, would not introduce turbulence in partner budgets, with existing percentages allowed for in future partner medium term financial plans, and may be more appropriate than other options, given the potential for local government reorganisation described above.

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The disadvantages of this method include no consideration of different urban and rural factors (e.g. collection costs) that have been highlighted by some Members of the Joint Committee and no consideration of changing factors, such as variations in household numbers, between District and Borough partners over future years.

3.2 Option 2 – No change, apart from allowing for future variations in household numbers between partners in future years.

Again, against the background described above, a further option would be for no change to existing (2016/17) cost share percentages except for adjustments for the latest household numbers for each district and borough. Relevant percentages are shown in Appendix 1.

The advantages of this method would be that it is easy to understand, would not introduce significance turbulence to partner budgets, may be appropriate, given the potential for local government reorganisation, and continues the part of the previous methodology that also made changes for updated household numbers. This option is also the closest to the existing cost sharing methodology.

The disadvantages of this method include no consideration of different urban and rural factors associated with waste collection (e.g. collection costs) or street cleansing budgets, that have been highlighted by some Members of the Joint Committee

3.3 Option 3 – Fix the Dorset County Council percentage at the 2016/17 figure but make adjustment to District / Borough share in accordance with urban and rural factors.

A further option would be to fix the Dorset County Council percentage at its current (2016/17) figure but adjust other partner percentages for the urban / rural nature of each district and borough. Urban and rural factors are only applied to domestic waste collection costs i.e. excluding other waste collection costs, such as street and resort cleansing. Relevant percentages are shown in Appendix 1.

The advantages of this method would be that it gives certainty for Dorset County Council but makes allowance for the different urban and rural factors in other partner areas.

The disadvantage of this method is the considerable turbulence in cost share percentages for districts and boroughs compared to the current (2016/17) percentages i.e. there would be significant winners and losers from adopting this method.

3.4 Option 4 – Cost share percentage related to statutory responsibility for elements of service, with urban / rural factors used to help determine District and Borough cost shares.

There has been previous discussion about basing future cost sharing on the statutory responsibility of each partner. In broad terms this would attribute waste disposal costs to Dorset County Council and waste collection, street and resort cleansing to other partners. The thinking being that funding for each partner is broadly related to statutory responsibility through the local government finance system.

An analysis of costs (shown at Appendix 1) by statutory responsibility would suggest that the Dorset County Council share would only be 54.73% (rather than the current 64.32%) illustrating the shift in resources towards waste collection to achieve greater efficiencies across the whole waste service.

The advantage of this method is that it attempts to relate the elements of the waste service to statutory responsibility and, broadly, to the results of the local government finance system.

The disadvantage is that there is no acknowledgement that services provided by the DWP need to be viewed more holistically, there having been a deliberate policy to apply greater resources to waste collection in order to achieve greater savings in waste disposal. This

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undermines the idea of relating costs by activity to statutory responsibility. Considerable turbulence in cost share percentages is also displayed by this option.

3.5 Option 5 – Option 4, but with a subjective adjustment (£1m) to cost between partners to take account of investment in collection systems.

This option makes a subjective adjustment of costs of £1M in favour of Districts and Borough to acknowledge the greater proportion of resources now invested in waste collection activities to achieve greater efficiencies in waste disposal.

The advantage of this method is that it attempts to relate the elements of the waste service to statutory responsibility and, broadly, to the results of the local government finance system and also makes some allowance for the shift in resources from waste disposal to waste collection to achieve a more efficient total service.

The disadvantages are that the adjustment in costs of £1M is subjective and lacks empirical evidence and considerable turbulence in cost share percentages is also displayed by this option.

4. Sensitivity Analysis

- 4.1 A number of the options illustrated above result in considerable turbulence in the cost share percentages resulting for each partner.
- 4.2 The DWP revenue budget for 2016/17 is £34.2M so a 1% shift in cost share percentages between partners amounts to £342,000. A 0.1% shift amounts to £34,200, which for a small district or borough council is still a significant amount equivalent to around a 1% change in the level of council tax that they charge.
- 4.3 As a rule of thumb, each additional household incurs an additional marginal collection costs of around £50 per year.
- 4.4 It also should be noted that this discussion relates only to the relative share of total costs for partners, and that the effect, in budgetary terms, cannot be known with certainty until the draft budget is produced for each year. Figures for a five year period are shown at Appendix 1, however these should be considered as illustrative only, as neither the MTFP figures nor the demographic projections of housing growth are certain.

5. Conclusions

- 5.1 The high degree of sensitivity of any change in cost share percentages led to a conclusion at the member workshops that future cost share percentages have to remain very similar to the existing percentages, because such a degree of change while being welcome to 'winning' partners will be unacceptable to 'losing' partners. If a more turbulent option was selected there would have to be some form of damping mechanism to transition from the existing cost sharing methodology to the new method, which is a further complexity.
- 5.2 On balance, therefore, the question of turbulence rules out Options 3, 4 and 5 and Option 2 is recommended in favour of Option 1 in that it continues to recognise the effect of changing household numbers for what may be a relatively short time before a new model for local government for Dorset may be adopted, negating the need for cost sharing.

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