Budget Development Process 2012/13 - 2014/15 – Savings/Income Generation Options

Savings Option	**Review of the Waste Management / Recycling PFI Financial model**

Directorate	**Planning and Environment Services**

Service Area & ABB Link	**Waste Management**

Narrative Description of Savings Option
The proposal is to reduce the PFI contract funding through changes to the PFI financial modelling principles and as a result of significant reductions in waste arisings Average savings are £446,000 / year on the model from 2012-13. This reflects the best data currently available, but small variations in the model parameters, particularly service payment indexation, can significantly affect the outcomes, and therefore the affordability gap of the PFI project financial model. As a consequence the sinking fund will be kept under annual review. Reduced Waste Arisings = (345,000 / year) Removal of Landfill tax indexation = (£101,000 / year) **Total Saving £446,000 / year** A detailed report on the Waste PFI financial model will be presented to Members before the end of the calendar year.

Savings/Income Generation Option Amounts	
2012/13:	**£446,000**
2013/14:	**£446,000**
2014/15:	**£446,000**

Details on the Calculation of Savings Option Amounts
1. Reduced Waste arisings £345,000 Item Saving – (Total impact - £345,000 / year) In 2010-11 waste arisings continued to fall with a year end tonnage of 92,329 with estimated arisings for 2011-12 of 93,061 tonnes. Continuing with this trend through reducing the modelled tonnage assumption to the minimum tonnage contract levels from 2012 -13 i.e. (93,991 tonnes against the original modelling assumption of 105,607 tonnes) followed by 1% increases each year thereafter until 2020-2021 and then 0% thereafter reduces modelled contract costs by an average of £345,000 / year. **2. Removal of Landfill tax uprating £101,000 - (Total impact - £446,000 / year)** Successive governments have announced that landfill tax will increase at £8 / tonne until 2014-15 to a maximum of £80.00 / tonne. The current model assumes further 2.5% increases / year from 2015-16 to 2029-30. Removing this modelled indexation factor reduces contract modelled landfill tax costs from 2015-16 providing a saving of £101,000 / year over the lifetime of the model.

Details on Staffing Implications and how this will be managed
Ongoing development work associated with waste prevention to limit waste growth

Issues/Concerns Regarding Deliverability of Indicated Savings
The Waste PFI financial model can be adversely affected through small increases in the model parameters however the model will be reviewed on an annual basis.

Risk Effect Assessment	
	Potential Effect
Effect on Service User	1
None	
Effect on Staff	1
None	
Effect on Other Council Services	1
None	
Effect on Council's Agreed Priorities	1
None	
Effect on ability to attract External Funding	1
None	
Total Potential Effect	**5**
The Impact Assessment Screening is neutral in all aspects.	
Measures to Reduce/Address Risks and Minimise Any Negative Impacts	
No negative impacts. The Waste PFI financial model will be reviewed annually.	