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## **Waste Formula Modelling Considerations**

### **Summary**

1. This paper provides an update on the work of the Waste Working Group in modelling a different distribution formula for the waste collection and disposal elements of the SSA formula and looks at some proposed next steps.

### **Views Sought**

2. DSG members are asked to discuss the next steps section of the paper.

### **Background**

3. The current formula for the waste collection and disposal elements is based on a regression analysis of historic expenditure and was last reviewed in 2001.
4. Since then, the Waste service area has seen considerable change in the drivers of need to spend as a consequence of greater focus on recycling, reduced collections and funding pressures. It is therefore appropriate to review the distribution.
5. The Finance Sub Group of the Partnership Council (3 February 2016) tasked DSG with looking into the use of historic expenditure in the formula. Waste would be a suitable area to explore different approaches to developing a needs-based model for distributing the Local Government Settlement.
6. The Waste Sub Group of DSG was previously established to consider the approach and has been asked to report back to DSG.
7. The Sub Group proposes to pilot an approach to modelling a standard service across Wales drawing upon standardised unit costs to provide an alternative distribution formula to consider against the current formula. In particular, the approach reduces the links to historic spending.
8. The suggested approach will continue to consider waste collection separately from waste disposal. Whilst moving away from historic expenditure as a determinant of future funding allocations, it still provides an important reference for analysing the different elements of the service.
9. It is also important to bear in mind the objective is to develop a model that provides a proxy for the relative funding need for the service rather than the absolute need.
10. It is inevitable that implementing an alternative formula will result in “winners” and “losers” and there is no simple objective test to assess whether a particular approach is ‘right’ or better than all the alternatives. It is therefore necessary to establish early in the process the criteria for and approach to determining whether any of the alternative approaches is preferable to updating the weightings within the existing formula.

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11. It is intended to prepare a comparison between the existing and proposed models based on the guiding formula principles of equity, stability, clarity and relevance underpinned by the key principle that the formula should distribute the available resources on the basis of relative need. There are potentially also considerations of fairness and predictability and an obvious condition that the formula should be as simple and transparent as possible.
12. It is also important to make a distinction between the development of an appropriate needs-based formula and the transition arrangements for introducing any formula change which results in material redistribution.

### **Waste Collection**

#### The Collections Blueprint

13. As a starting point for the model, it is proposed to draw upon Welsh Government's "Municipal Sector Plan" (Collections Blueprint).
14. The Collections Blueprint describes the Welsh Government's recommended service profile for the collection of waste from households. The Blueprint includes the following central policies:
  - weekly separate collection of dry recyclables via 'kerbside sort', with material being collected separately in boxes and/or in reusable sacks, with two or more boxes provided per household, and recyclables being sorted into separate compartments on the collection vehicle by the collection staff;
  - weekly separate collection of food waste via lockable kerbside collection containers, with the provision of free compostable liners;
  - the use of modern lightweight, multi-compartment vehicles for a single pass collection of dry recyclables and food waste;
  - fortnightly collection of residual waste, from collections with reduced residual waste capacity, where 'no side waste' policies are enforced
  - the provision of at least one local centre (eg. civic amenity site)
  - the collection of green waste fortnightly at a cost to the household;
  - greater transparency and publicising of waste strategies.
15. The availability of the "Collections Blueprint" provides an opportunity to develop a funding formula which reflects relative need based on the Welsh Government's recommended approach to waste collection.

#### Contract Specification

16. Members were asked to consider letting a contract on all-Wales route-modelling as a basis for creating a model of the future service. The specification was circulated by email on 22 March. Members were asked to consider if it was appropriate, addressed the right issues and would move the work forward in the right direction.
17. The responses suggested that although a helpful outline of the issues, it was not necessary to collect information to this level of detail. It was more important to focus on developing a model that reflects the relative funding needs of the service rather than the absolute need

#### Further Modelling considerations

18. As the "Blueprint" makes a distinction between collection arrangements for dry recyclables / food waste and residual waste, it is suggested DSG considers separate models for the

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different elements. This is consistent with the change to the reporting of expenditure which now identifies recycling activities separately from other waste collection and disposal.

19. For each element of waste collection, the objective is to put together an appropriate proxy to take account of the relativities in providing the waste collection service in line with the “Blueprint”.
20. It is suggested therefore the modelling needs to look at suitable measures or proxies for:
  - i. distances between homes;
  - ii. the distances from settlements to modelled waste transfer sites via permitted HGV routes;
  - iii. travel times and the cost of standard vehicles and operatives;
  - iv. the amount of recyclables/food waste and residual waste per household;
  - v. the capacity of vehicles.

### Suggested data sources

- Information about the amount of local authority municipal waste collected from household and non-household sources and the levels of recycling. Source: Wasteflow.
- More detailed data available to breakdown the cost of collection between employee costs and non-employee costs. Source: RO Data/Whole of Government Accounts.
- Landfill cost per tonne.
- Distribution of homes and highways network including permitted HGV routes, travel times and settlement sizes. Source: Welsh Government Cartographics.

## **Waste Disposal**

21. Waste disposal modelling will need to develop proxies for the appropriate number of waste disposal sites, transfer stations and civic amenity sites to which could be applied assumptions of running such sites.
22. Consideration of the appropriate number could be given to drawing upon available information on Access to Services Domain within the Welsh Index of Multiple Deprivation.

### Suggested data sources

- Access to services indicators within the Welsh Index of Multiple Deprivation.

## **Next Steps**

23. Are Members content with the proposed approach? In particular views are invited on:
  - i. Whether using the “Collections Blueprint” provides an opportunity to develop a funding formula which reflects relative need based on the Welsh Government’s recommended approach to waste collection?
  - ii. Modelling waste collection based on the distinction between collection arrangements for dry recyclables/food waste and residual waste?

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24. Investigating the different sources of data suggested, including the data on access to services indicators within the Welsh Index of Multiple Deprivation.
25. Developing a timeline.
26. Developing the criteria for and approach to determining whether an alternative approach is preferable to updating the weightings within the existing formula.

### **Local Government Finance Policy Welsh Government**

#### **Related papers:**

DSG2011 Paper35b: Waste funding model project  
DSG2011 Paper29: Updating the Waste formulae for 2012-13  
DSG2011 Paper13: Waste IBAs