

ABERDEEN CITY COUNCIL

COMMITTEE Enterprise, Planning and Infrastructure

DATE 31 January 2012

DIRECTOR Gordon McIntosh

TITLE OF REPORT

Aberdeen Forward: Service Level Agreement

REPORT NUMBER: EPI/12/045

1. PURPOSE OF REPORT

At the meeting on the 29th of March 2011 the Audit and Risk Committee, after considering a report by Price Waterhouse Coopers on a Summary of Audit Findings, resolved that officers report to their relative Service Committee explaining why no Service Level Agreement was in place for a number of arms length organisations and to instruct the Service to establish a Service Level agreement within a strict timeframe. One of the organisations identified was Aberdeen Forward. This report explains the relationship between this organisation and the City Council.

2. RECOMMENDATION

That the Committee notes the content of this report and accepts that there is no need for a Service Level Agreement with Aberdeen Forward.

3. FINANCIAL IMPLICATIONS

There are no new financial implications resulting from this report.

4. OTHER IMPLICATIONS

There are no other implications.

5. BACKGROUND/MAIN ISSUES

- 5.1 Aberdeen Forward is one of two environmental bodies (the other is Aberdeen Greenspace) that were set up in Aberdeen to take advantage of the Landfill Community Fund which derived from the tax on landfill waste. This tax was introduced by the UK Government in 1996 as a means of reducing the amount of landfill waste and of promoting more environmentally sustainable methods of waste management. The Landfill Communities Fund, administered by HM Treasury, enables operators of landfill sites to contribute tax credits to

enrolled environmental bodies to carry out projects that meet environmental objectives contained in the Landfill Tax Regulations.

- 5.2 Landfill operators can contribute up to 6% of their landfill tax liability to environmental bodies and reclaim 90% of this contribution as a tax credit. They can bear the remaining 10% themselves, or an independent third party can make up this 10% difference to the landfill operators. Under the Waste Management Service contract between the Council and SITA UK Ltd, which commenced in September 2000, there was a provision for the Council to require SITA, as its landfill operator, to direct landfill tax credits arising from the landfill disposal of waste collected by the Council or a sum equivalent to that value to environmental bodies of the Council's choice. In return for this direction, the Council would commit to pay the 10% third party contribution. Since the introduction of the Waste Management Services contract, the Council has provided 10% funding to SITA, who in turn have made equal tax credit payments to Aberdeen Forward Ltd and Aberdeen Greenspace Ltd.
- 5.3 The Summary of Audit Findings report that raised the issue of the need for a Service Level Agreement states: "When agreeing to transfer funds to any external body the Council must be clear about its reason for doing so and to ensure that there are appropriate governance and accountability arrangements to monitor the use of such funds and the service and benefits delivered". The report goes on to recommend that Service Level Agreements should be agreed and signed for all Arms Length Organisations in receipt of funding in excess of £75,000.
- 5.4 The Landfill Communities Fund is regulated on behalf of the UK Government by ENTRUST who undertake compliance auditing on an annual basis. Both Aberdeen Forward and Aberdeen Greenspace are Environmental Bodies registered and approved by ENTRUST with a long track record of satisfactory compliance. It is considered that the presence of the ENTRUST process mitigates compliance risk satisfactorily. Furthermore funds awarded are required to be spent within a reasonable timescale on projects for the benefit of Aberdeen communities. ENTRUST guidance states that Landfill Community Funds monies should be committed to a specific project within two years of receipt, and the Council expects this guidance to be followed. This requires expenditure plans to be submitted which are assessed accordingly. Agreement to support an application requires the recipients to provide annual expenditure reports with subsequent funding being contingent on the Council being satisfied that previous funds were allocated timeously and appropriately.
- 5.5 The amount provided by the Council as a third party contribution to release the Landfill Communities Funding to Aberdeen Forward and Aberdeen Greenspace of the is between £,9000 and £11,000 annually to each organisation (the amount depending on the amount of waste

sent to landfill). This is well short of the £75,000 the audit report recommends should require a Service Level Agreement.

- 5.6 In conclusion, there are appropriate governance and accountability arrangements in place to make an additional Service Level Agreement unnecessary.

6. IMPACT

Aberdeen Forward is an important partner in delivering key Council environmental strategies and policies. They are a key funding body for communities but also have the ability to deliver city-wide strategic and partner projects. The organization can assist the Council in delivering the Single Outcome Agreement requirement “We value and enjoy our built and natural environment and protect it and enhance it for future generations”.

7. BACKGROUND PAPERS

EP/10/073 - Landfill Tax Credit Funding 2010-2013, Finance and Resources Committee 11 March 2010

8. REPORT AUTHOR DETAILS

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