Rethinking Cost Sharing Mechanisms

Joel Hull, Head of Waste,
Norfolk County Council

LARAC Conference
03 October 2019

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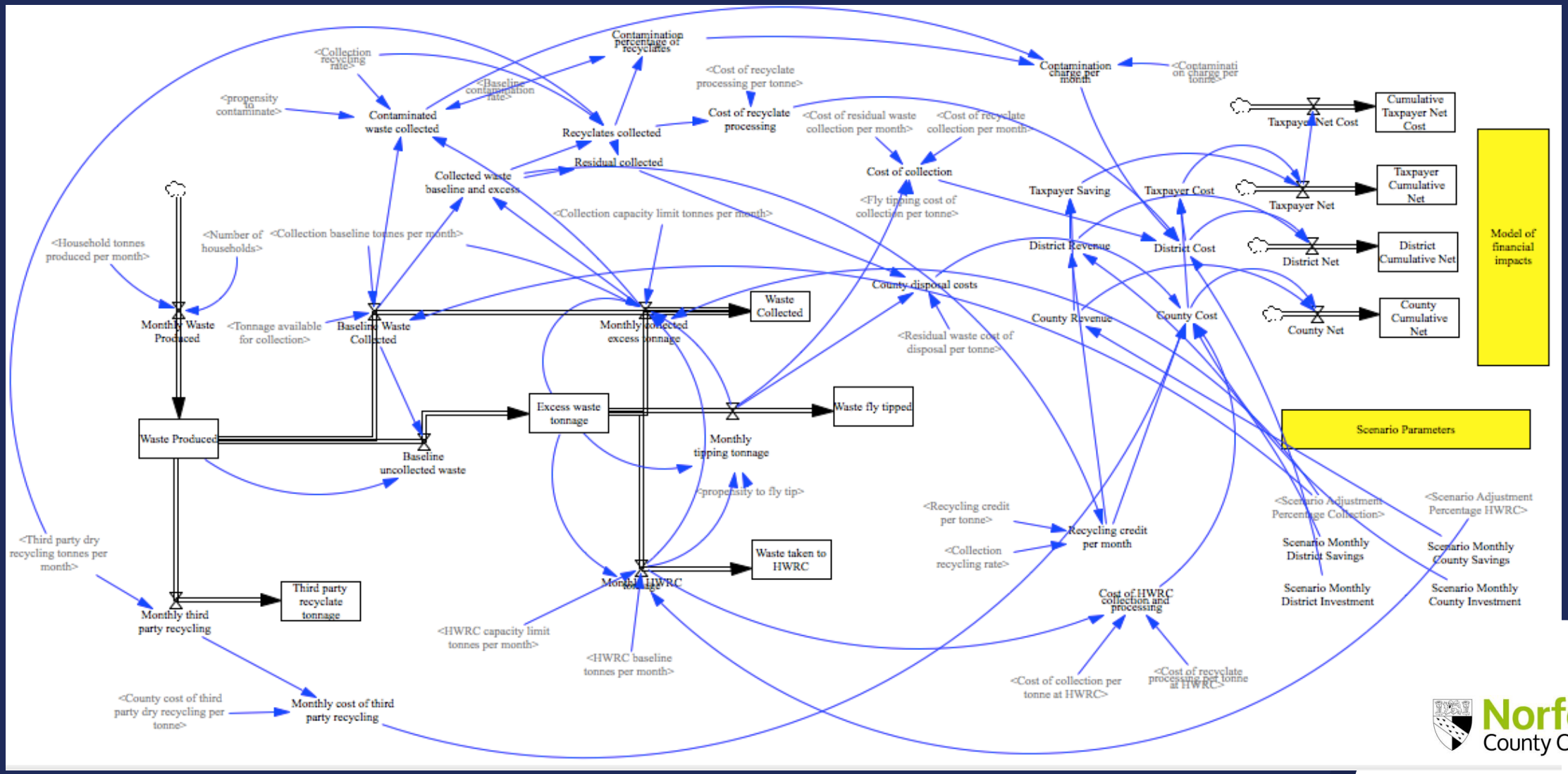
The Total System!



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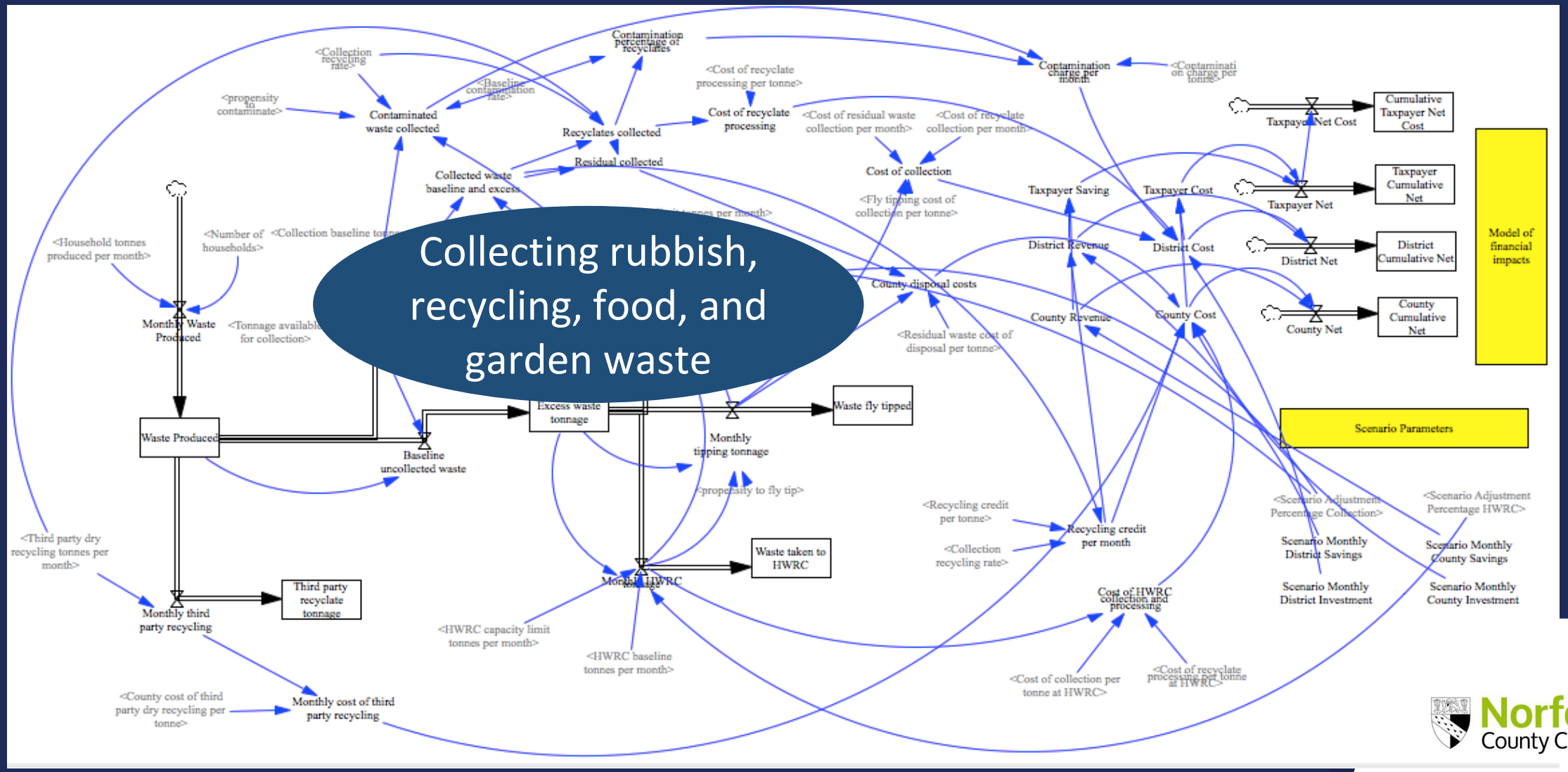
Collection Authority



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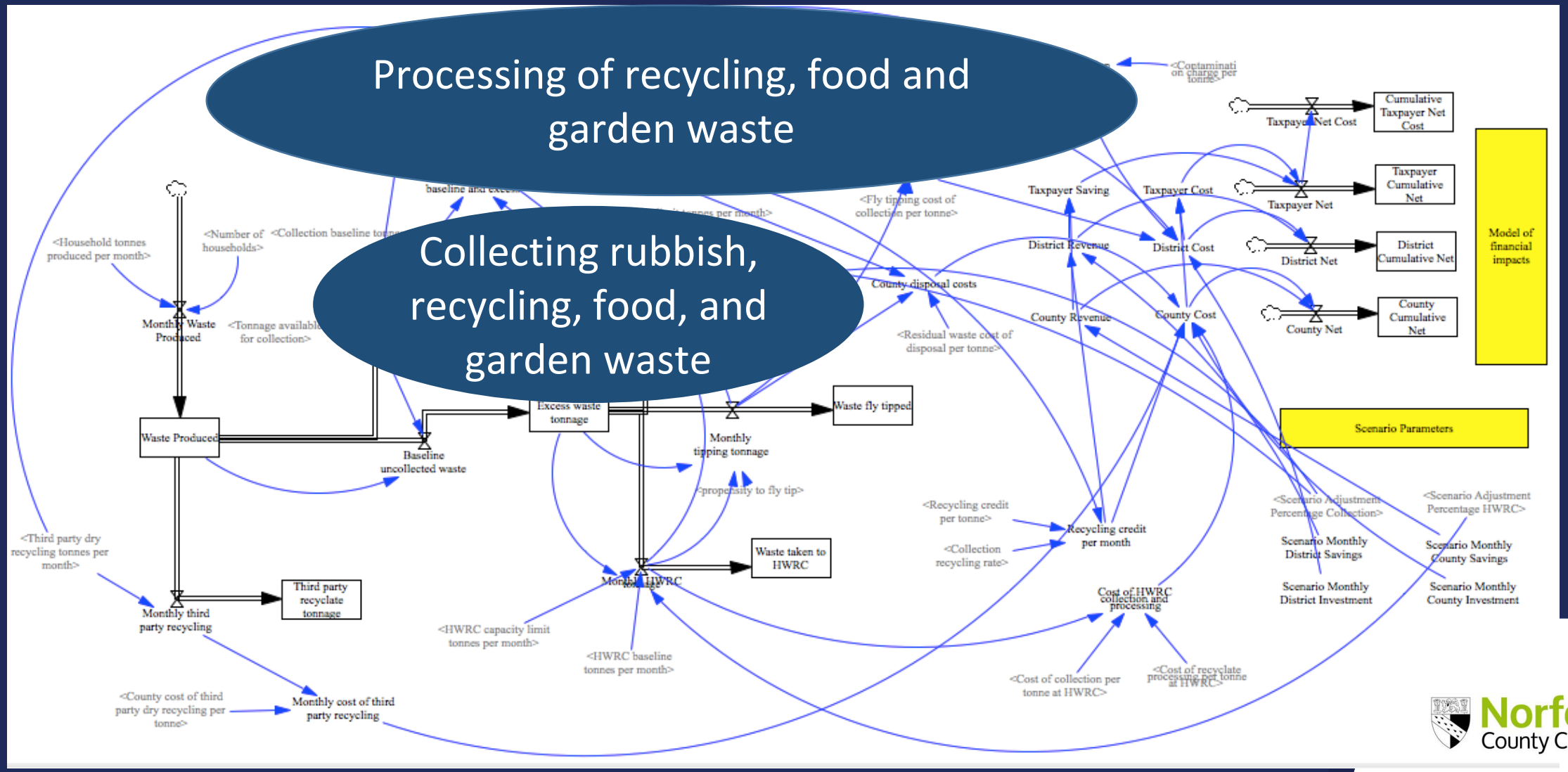

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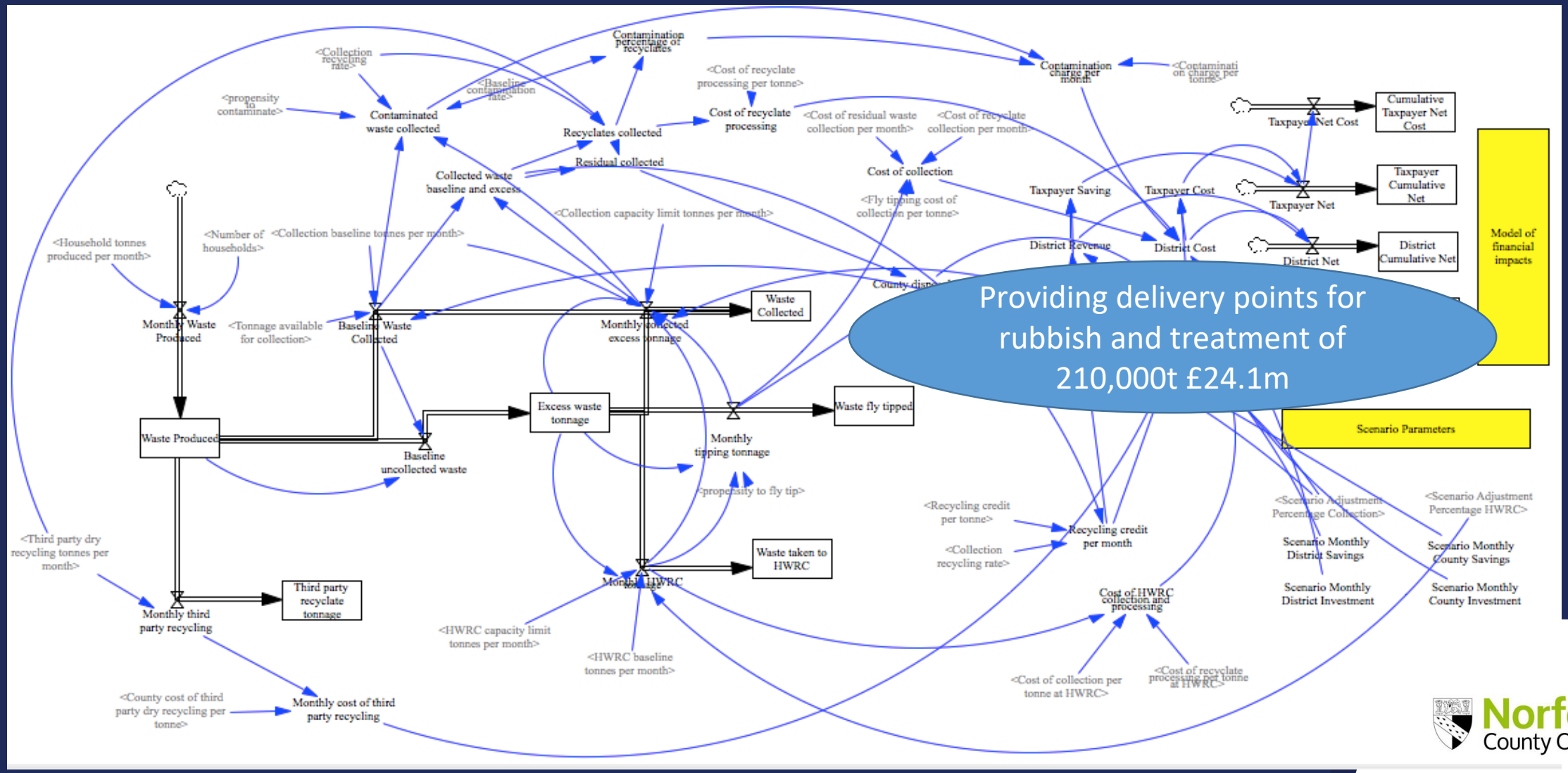

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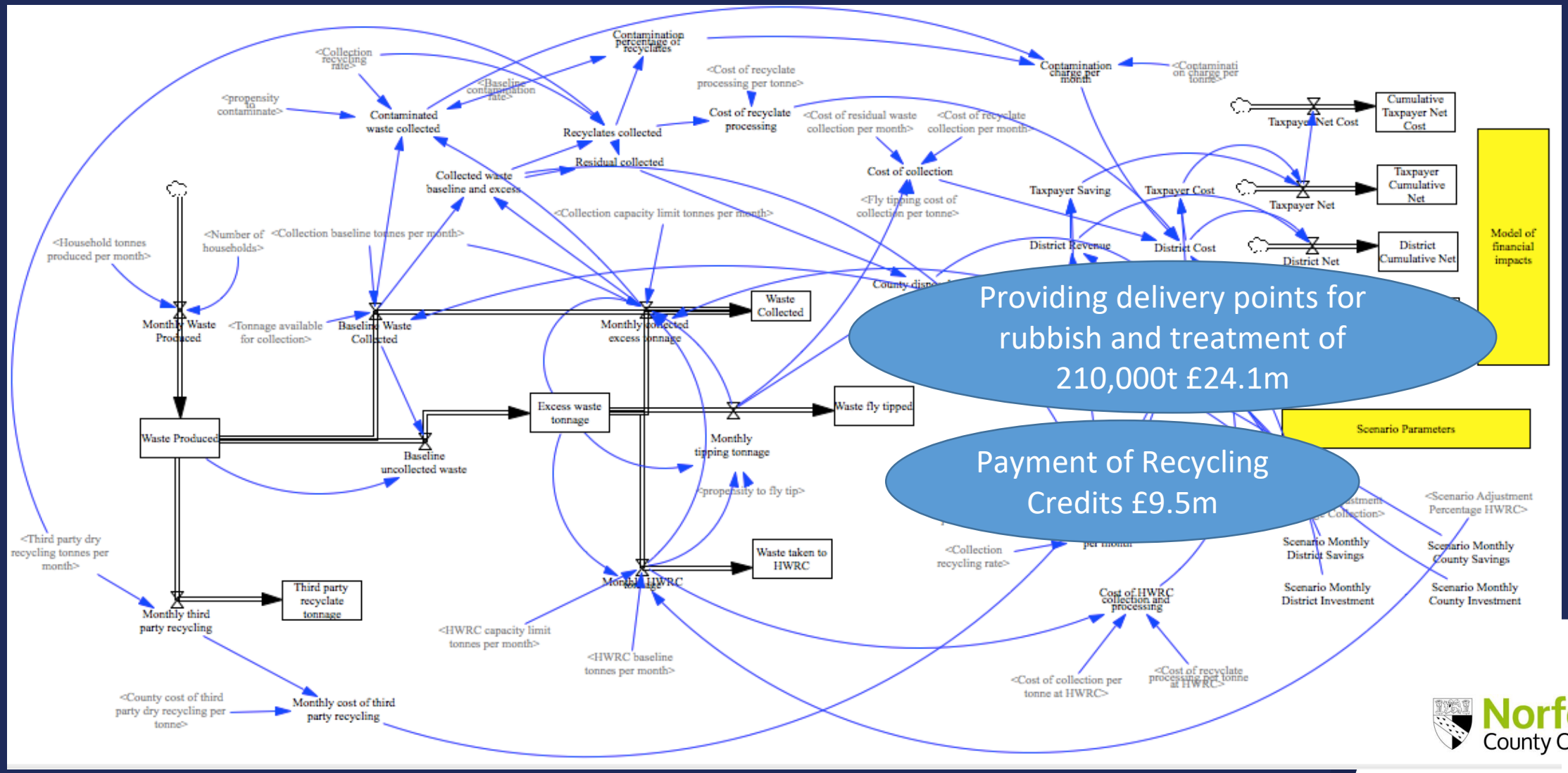

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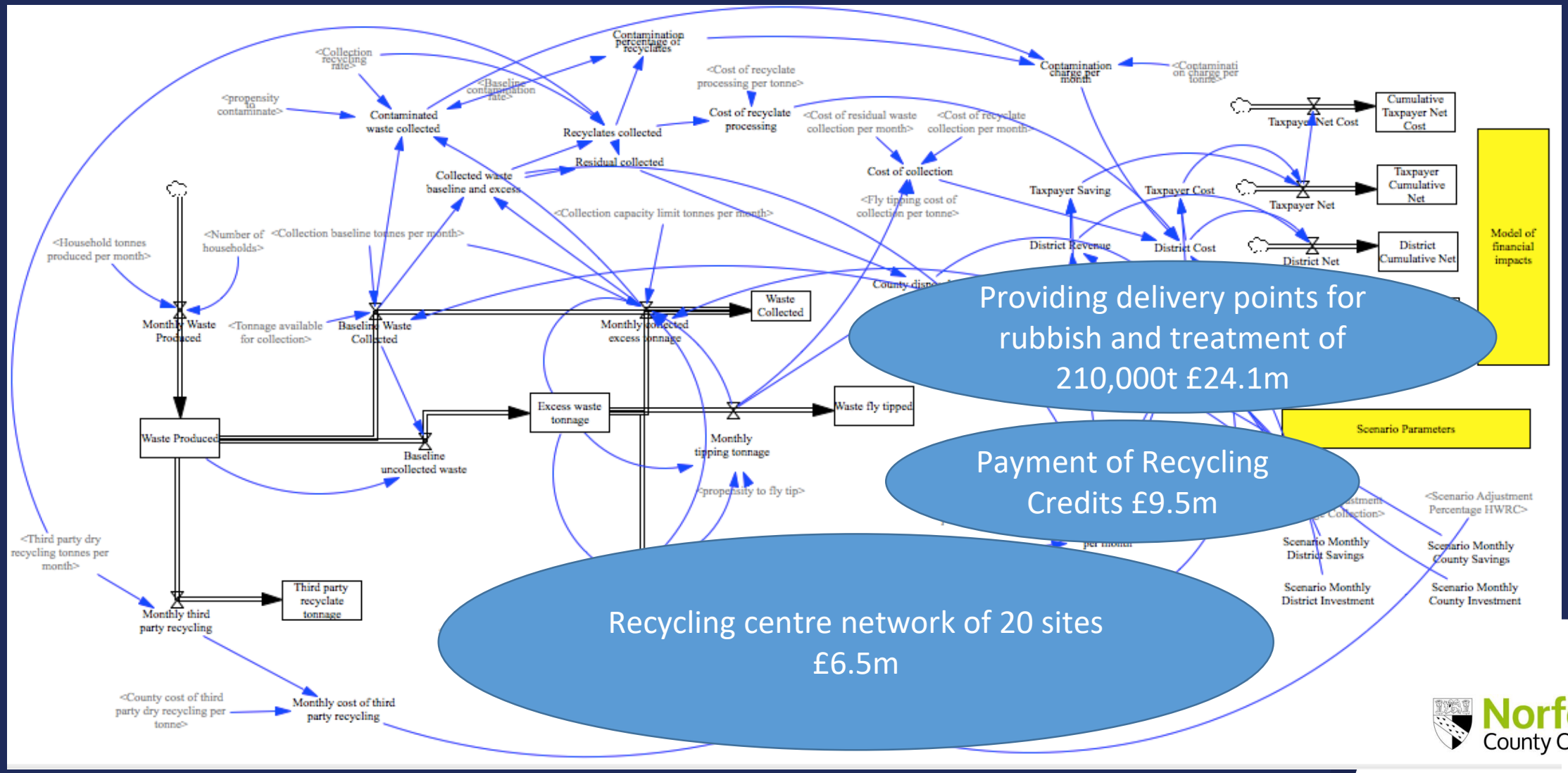

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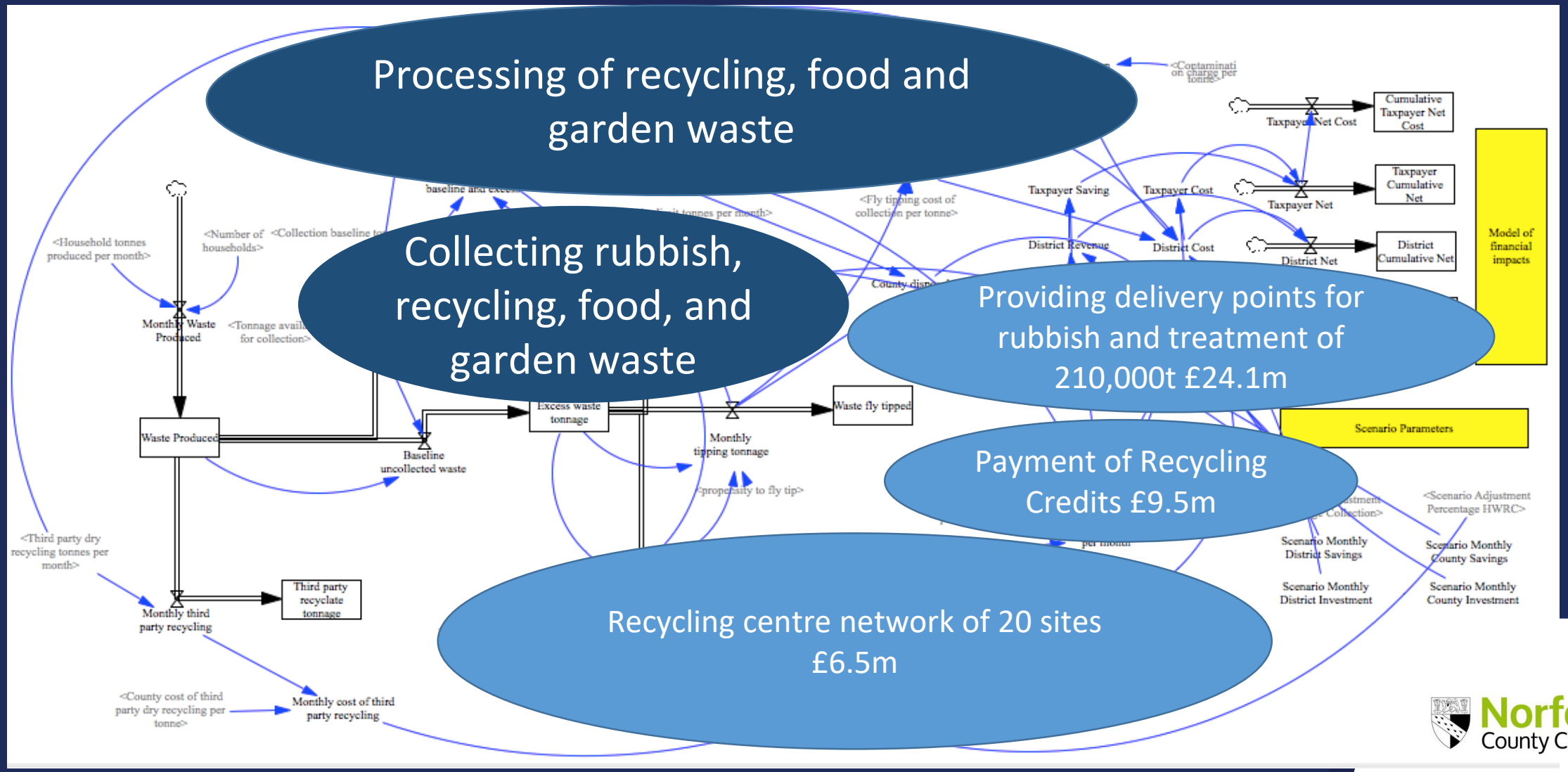

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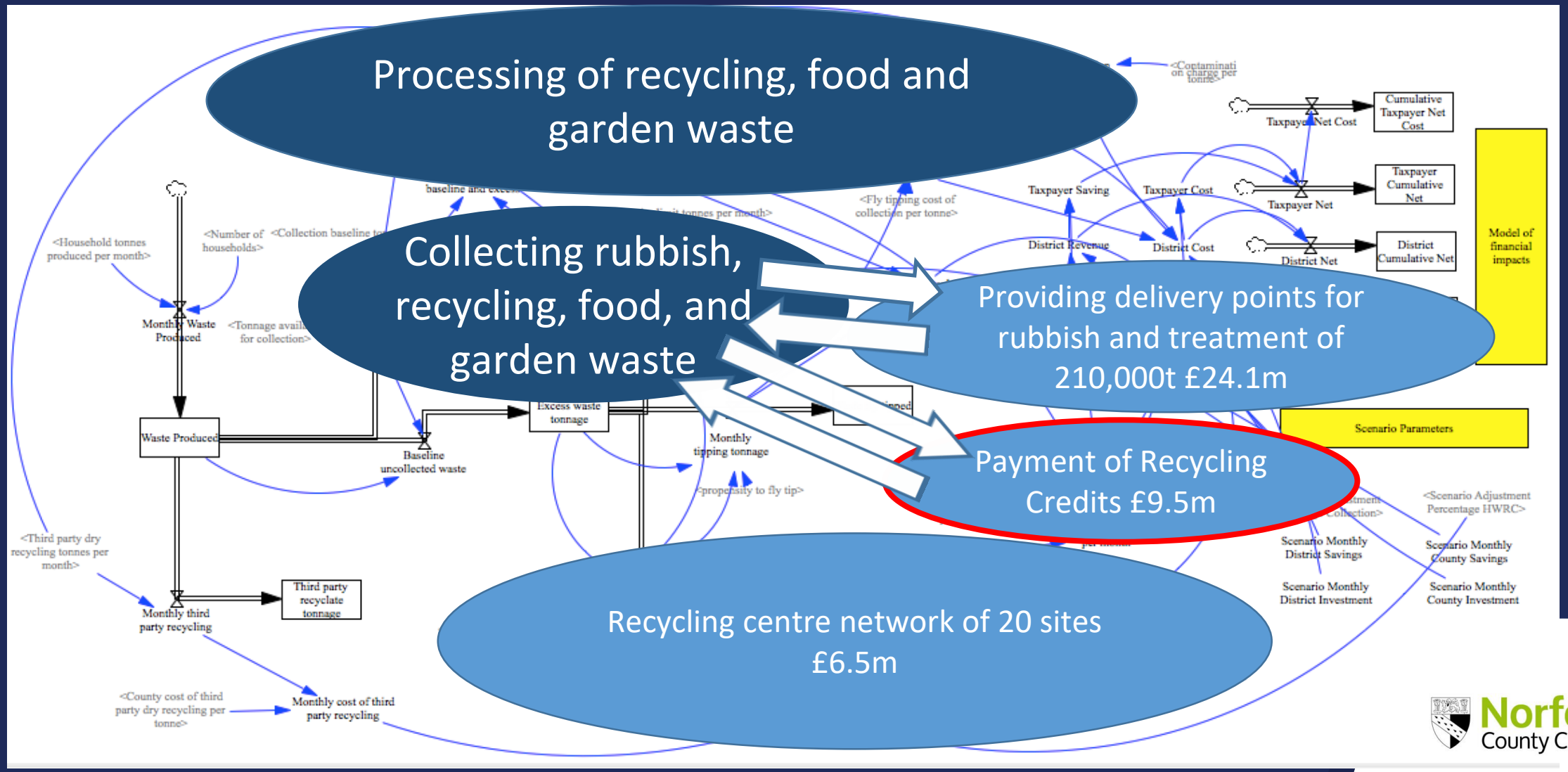
Working Together



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Recycling Credits

Environmental Protection Act 1990, Section 52, introduced the duty on WDAs to pay credits to incentivise WCAs to recycle.

The Environmental Protection (Waste Recycling Payments) England Regulations 2006 sets out the method of payment calculations. This uses disposal costs in 2006 to establish a rate and requires a 3% annual increase which applies since 01 April 2007.

Section 48 of EPA 1990 allows WCAs to retain materials for recycling with approval by the WDA which can refuse if it has made alternative arrangements.

1. Standard Credits Model:
WDA payments to WCAs increase at 3% a year for all materials collected.
WCAs decide on what collection service changes to make and when

2. WDA Led Model:
WDA makes arrangement to process material collected by WCAs which WCAs are obliged to use. The WDA pays gate fees but no credit is paid to WCAs

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Recycling Credits

Changes to the EPA duty arise from the **Clean Neighbourhoods and Environment Act 2005, Section 49**, which means WDAs do not have to make credit payments if the WDA and WCA have agreed alternative arrangements.

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3. Alternative Funding Models:
WCAs and WDA agree alternative arrangements to Options 1 &2

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Norfolk (ish)

Material	Processing	Collection	Subscription / Income	Credit
Mixed Dry	£30ish	£100ish	Tbc/£0	£60ish
Food	£40ish	£150ish	None	£60ish
Garden	£20ish	£50ish	£100/tish	£60ish
Residual	£115ish	£50ish	None	None!

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Some Alternative Partnership Models

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Increased payments from the WDA to WCAs

Currently 54% of WDA notionally avoided disposal costs are paid to WCAs, this could be increased, e.g. to 75%, for new services shown to save the WDA money.

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Variable rates for increases or decreases in performance.

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An annual disposal budget with allowance for growth is passed to WCAs that are obliged to use WDA services but meet additional costs for poor performance and retain a share of savings for improved performance.

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Alternatives Explored in Detail

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Resources & Waste Strategy 2018

Section 3.1.5 'Investigating amending the recycling credit system used by two-tier authorities'

'The recycling credits system is there to ensure cost-sharing between Waste Collection Authorities (WCAs), which collect waste, and Waste Disposal Authorities (WDAs), which dispose of it. **It should mean that savings from avoided waste disposal costs that accrue to WDAs as a result of recycling by WCAs are shared with WCAs to provide a financial incentive to improve recycling.'**

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'The current system no longer provides sufficient incentive for many WCAs to put in place services to collect materials such as food waste as the payments are too low to support these services. Some two-tier authority areas are using alternative payment methods to better balance cost and rewards of recycling.'

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Section 3.1.4 'We will review the effectiveness of current arrangements for local authority waste management and joint working **and make recommendations** for improvement.'

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RWS Consultation Response 2019

Consistency Section 3.1
'Consultation proposal 16 support for greater collaboration and partnership working between authorities'

'The Government has already committed to reviewing the recycling credit scheme and will take this forward alongside reforms to the UK packaging producer responsibility system and funding arrangements arising from that.'

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RWS Consultation Response 2019

Consistency
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'The Government has already committed to reviewing the recycling credit scheme and will take this forward alongside reforms to the UK packaging producer responsibility system and funding arrangements arising from that.'

'We will review comments made on partnership working in more detail and take this forward with local authorities and other bodies, such as WRAP and the Local Government Association (LGA).'

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Consultation 2020…..

What do you want to happen next?

And why?

What do you think will happen next?

And why?

Norfolk County Council

Thank you for listening.

Joel Hull, Head of Waste, Norfolk County Council
joel.hull@norfolk.gov.uk

Norfolk
County Council

Rethinking cost sharing mechanisms

LARAC Conference
3rd October 2019

Matthew King

Head of Waste Management and Environmental Resource Planning

HCC Responsibilities

Statutory functions as Waste Disposal Authority for LACW

- Disposal/Treatment of waste collected by Waste Collection Authorities (WCAs)
- Provision of Household Waste Recycling Centres (HWRCs)
- Recycling Credit Payments
- Transport Subsidy (“tipping away”) Payments

Key figures – 2018/19

- 10 WCA's
- Population of Hertfordshire is c1.2 million (and growing)
- c. 490,000 households (and growing)
- 515,000 tonnes of total LACW p/annum
- 248,000 tonnes of residual LACW waste p/annum
- 51% re-use, recycling and/or composting of household waste

Context – Budget

- 2018/19 Waste budget net £44.5m of this:-
  - £35.7m statutory disposal costs
  - £4.6m necessary e.g. HWRCs
  - £4.2m discretionary e.g. AFM
- Demand led services and significant pressures identified in the IP.
- Savings required!
- Demand led nature of WDA means influence and joint working with WCAs is critical

The Alternative Financial Model (AFM)

- First model agreed by HWP and took effect from April 2008
- Review was carried out in 2012
- Further reviews in 2014 and 2017
- To mitigate financial pressures experienced by HCC the AFM has also be subject to financial reductions in the model
- It is a financial model that is budget neutral to HCC

Why it was developed back in 2008?

- To incentivise the WCAs to contribute effectively towards the HWP's Joint Municipal Waste Management Strategy targets
  - recycle and compost 50% of household waste by 2012
  - reduce household waste per head to 285 kg by 2012
- To promote recycling and composting without disregard to waste minimisation
- To effectively enhance the recycling credit scheme but with the guarantee that the WCAs would be no worse off than they would otherwise have been.

Reviewed model

- Model was reviewed in 2012
- Initially the AFM was calculated on residual waste reductions to meet the JMWMS targets but the model was found to be unsustainable
- The model evolved to reflect actual in year costs including:
  - Residual disposal/treatment costs including landfill tax, waste transfer costs etc.
  - Costs incurred by HCC in the management of WCA waste including organic waste and recycling credit payments.
- New model was based on the following principles…

AFM principles

- Creation of a new model that is financially sustainable for the Partnership.
- A model that targets specific waste behaviours that recognise relative value, i.e. genuine waste minimisation being worth more than recycling.
- A model that motivates lower performers to improve whilst preventing windfall payments that may result as an accidental consequence of timing.
- Equal payment per household once all WCAs achieve an equal cost per household.

Further reviews and developments

- Since 2012 there have been some changes following reviews, but the principles remain the same.
- 2014 review – to take into account changes in organic waste collections.
- In 2016 - removal of £1million from the model over three years.
- 2017 review – changes to streamline the model to make it more user friendly and removal of a mechanism that now enables WCAs retain all their own savings.
- In 2019 - removal of a further £1.5m from the model over three years.

How the AFM works

- Two parts to the AFM
  1. The Base Position
  2. In Year Performance

- A WCAs Base Position is calculated determined on the size of the WCA and relative average cost to WDA

How the AFM works

- In year performance looks at the actual savings or costs generated by WCA in comparison to the previous year.
- Model compares tonnages of residual waste, street sweepings, recycling credits and organic waste.
- 10% gross savings are retained by HCC
- 90% gross savings pass to WCA
- 100% of costs pass through

How the AFM works

Simplified example of In Year Performance

	WCA - A	WCA - B	WCA - C	
Base Position	-£340,000	-£250,000	-£200,000	
Last years tonnage	20,000	17,000	25,000	
Current years tonnage	18,000	16,800	25,500	
Cost from previous year			£50,000	
Saving from previous year	-£200,000	-£20,000		
In Year Performance	**-£200,000**	**-£20,000**	**£50,000**	
AFM Payment for the year	**-£540,000**	**-£270,000**	**-£150,000**	**-£960,000**

HCC 10%
-£22,000

AFM payments made

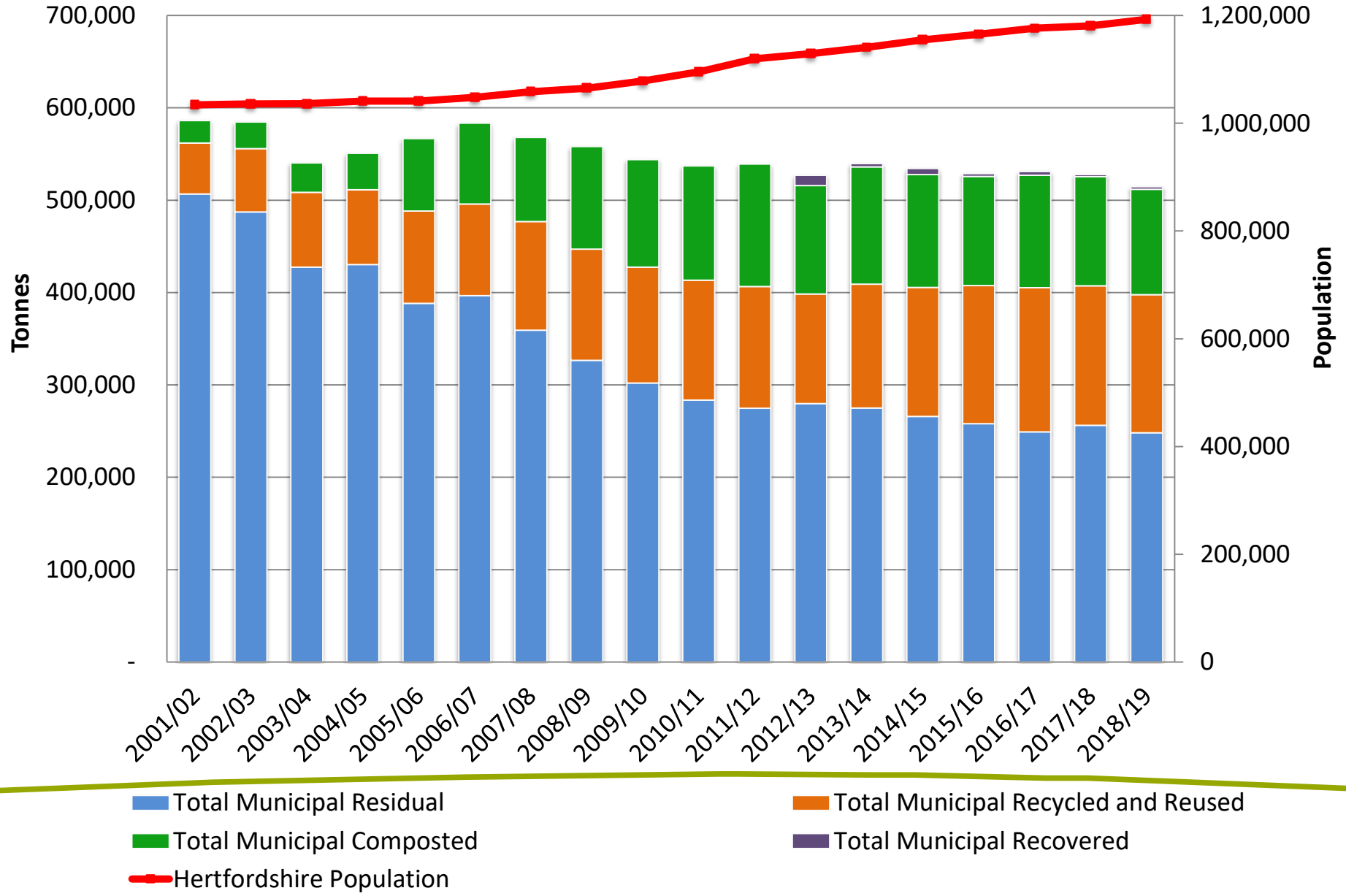
	Actual AFM Payments Made	Cumulative AFM Payments Made
2007/08	**£150,000**	**£150,000**
2008/09	**£1,108,524**	**£1,258,524**
2009/10	**£2,086,097**	**£3,344,621**
2010/11	**£2,717,245**	**£6,061,866**
2011/12	**£3,320,084**	**£9,381,950**
2012/13	**£2,968,072**	**£12,350,022**
2013/14	**£3,018,615**	**£15,368,637**
2014/15	**£2,801,766**	**£18,170,403**
2015/16	**£3,255,830**	**£21,426,233**
2016/17	**£3,905,604**	**£25,331,837**
2017/18	**£3,938,450***	**£29,270,287**
2018/19	**£4,147,472***	**£33,417,759**
* Net of deductions		

Financial benefit to HCC

- Since 2013, HCC's 10% share of savings is c.£420k
- Costs that have been reallocated are c.£1.1million
- £1million has been deducted from the model to meet HCC's financial pressures

- Total value of AFM to HCC since 2013 is **c.£2.5million**

Historic Patterns in Hertfordshire's LACW



Hertfordshire

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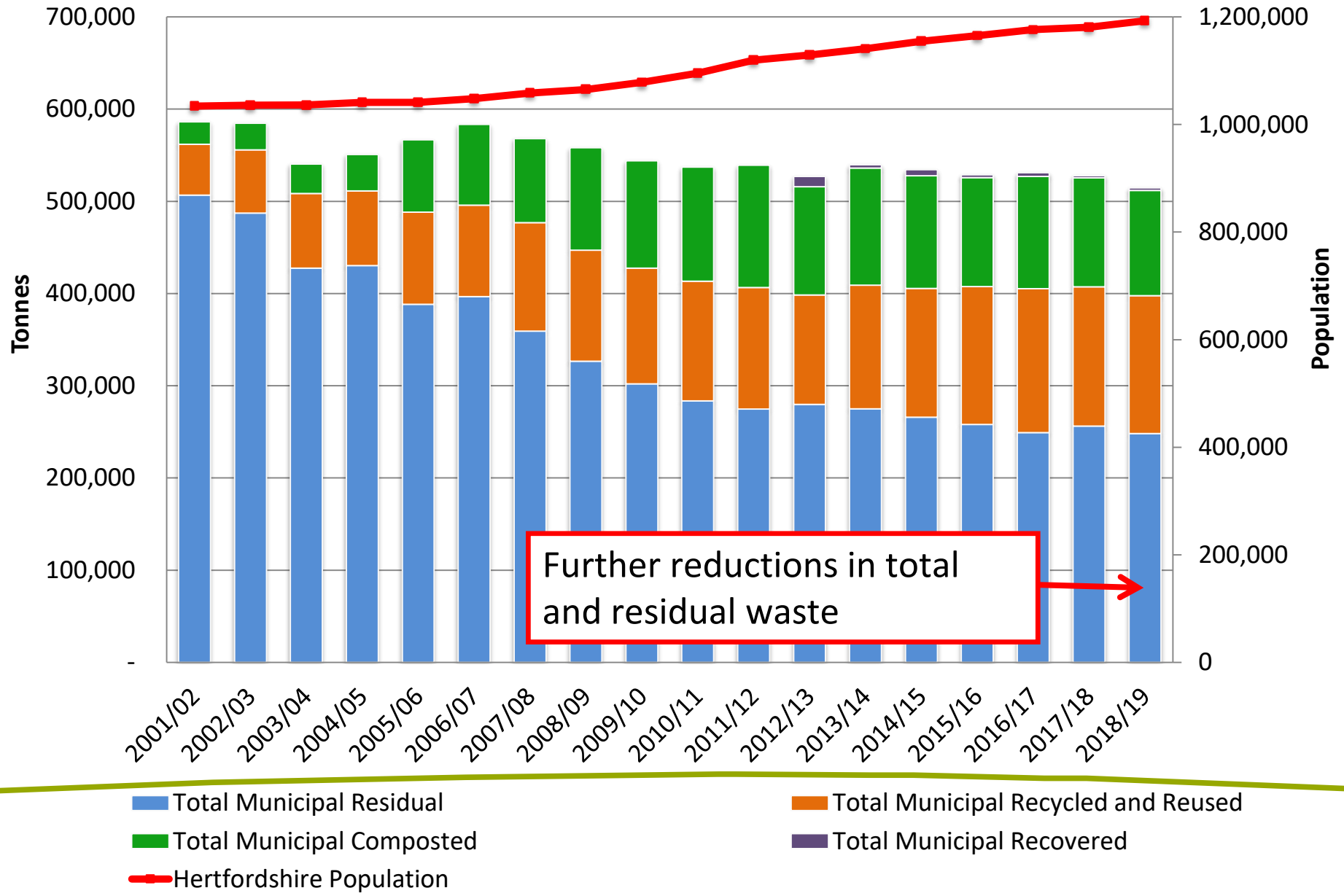

Hertfordshire

thank you

Any Questions?

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