

EAST HERTS COUNCIL

ENVIRONMENT SCRUTINY COMMITTEE – 16 NOVEMBER 2010

REPORT BY EXECUTIVE MEMBER FOR COMMUNITY SAFETY AND PROTECTION

8. HERTFORDSHIRE WASTE PARTNERSHIP – ALTERNATIVE FINANCIAL MODEL

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To provide the Committee with an understanding of the workings of the 'Alternative Financial Model' and how it makes a financial contribution to waste and recycling services.

RECOMMENDATION FOR ENVIRONMENT SCRUTINY COMMITTEE:

(A)	That the report be received.

1.0 Background

1.1 At Environment Scrutiny Committee on 8 June 2010, the Committee requested that a report be provided explaining the workings of the Hertfordshire Waste Partnership's Alternative Financial Model (AFM).

1.2 This report provides details of how the model works and how it makes a contribution toward the provision of waste and recycling services.

2.0 Report

2.1 The County and District councils of Hertfordshire act together as the Hertfordshire Waste Partnership, (HWP) to collect and dispose of household waste.

2.2 In 2007 the Partnership agreed a new Joint Municipal Waste Management Strategy that sets out policies, objectives and actions to deliver a step change in the performance of Hertfordshire's waste authorities. This Strategy set a target to achieve 50% of household waste recycled or composted by 2012

in combination with reductions in residual (black bin) waste. The County Council and all ten district councils in Hertfordshire signed up to this strategy.

- 2.3 A key issue for all local authorities in the UK is the need to reduce the amount of waste sent to landfill. This is necessary for environmental, legal and financial reasons.
- 2.4 Recycling more of our waste reduces pressure on finite mineral resources (in particular, oil); reduces green house gases produced in production and is a more sustainable solution both globally and locally.
- 2.5 In pursuit of these objectives the European Union passed laws to require member states to reduce the waste sent to landfill and also carbon emissions. Failure to comply would result in fines.
- 2.6 The UK Government's response was to rapidly increase landfill taxes, payable on each tonne of waste sent for disposal and also introduce a 'Landfill Allowance Trading Scheme' (LATS) which set reducing limits on land filling with financial penalties for local authorities.
- 2.7 The result of these measures was rapidly rising costs of waste disposal for both the public and private sectors.
- 2.8 As the Waste Disposal Authority (WDA), the County Council bears these costs and therefore can achieve savings if district council's, as Waste Collection Authorities (WCAs), are able to recycle more.
- 2.9 Under statute, the WDAs must pay WCAs a sum for each tonne of waste sent for recycling or composting in the form of 'Recycling Credits'. These were introduced by Government to transfer some of the cost savings to district councils to incentivise recycling. The current rate of for recycling credits is £37.16 per tonne.
- 2.10 As the cost of disposal rose it became apparent that the Recycling Credit was no longer sufficient to encourage WCAs to make the significant investment in additional recycling collection services.
- 2.11 To help fund the new services required to achieve its targets Hertfordshire County Council (HCC) through the auspices of the HWP implemented the 'Alternative Financial Model' (AFM), which rewards district councils for overall reductions in residual (black bin) waste.

- 2.12 Each district was set a target based upon the difference between the tonnage of black bin waste per head of population in their district in the base year (2007/08) and the Partnership's overall target for districts of 255kg per head. For each tonne of waste reduced the district receives a payment equivalent to the saving made by the county council in landfill costs. This cost is currently £59.16 per tonne. Importantly, the model is designed to incentivise improvement rather than reward a district's absolute position only.
- 2.13 East Herts Council has benefited significantly from the AFM due to the implementation of the Alternate Refuse Collection Scheme (ARC) and from the reduction in waste produced by residents. In 2008/09 the Council received £80,000. This rose to £384,000 in 2009/10 (part year impact of ARC) and is expected to be in the range of £650,000 to £750,000 in 2010/11 (full year of ARC). This would equate to a payment of around £12 per household. Waste levels can vary significantly from month to month and significant caution is required when forecasting future income from this scheme.
- 2.14 The AFM has proved to be effective in providing additional incentives that have helped to establish new recycling services. However, as a result of some authorities starting from different baselines a number of imbalances in the way the model rewards comparative performance started to appear. Accordingly the Model was reviewed by the Partnership earlier this year and revised to provide a fairer allocation from 2011. The revised model is aimed to give a greater incentive for those authorities that are still achieving relatively lower recycling rates and need to make a substantial change to their recycling services to hit higher performances.
- 2.15 Under the new scheme councils must achieve 40% recycling to qualify for a payment. A 'cap' has also been introduced such that the maximum payment a council can receive is £7.49 per household. Any performance above this level is re-distributed among partners through the model.
- 2.16 The changes to the scheme will reduce the payments made to East Herts Council to between £350,000 and £450,000 in 2011/12 and 2012/13. This assumes that levels of waste and recycling stay the same. Because of the many variables in the model, the final figure that each council will receive cannot be accurately calculated until after the end of each financial year.

2.17 The AFM is subject to review in 2012 and cannot be relied upon as a long term contributor to the Council's budgets.

Background Papers:

None.

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ESSENTIAL REFERENCE PAPER 'A'

<p>Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i></p>	<p>Pride in East Herts <i>Improve standards of the neighbourhood and environmental management in our towns and villages.</i></p> <p>Caring about what's built and where <i>Care for and improve our natural and built environment.</i></p> <p>Leading the way, working together <i>Deliver responsible community leadership that engages with our partners and the public.</i></p>
<p>Consultation:</p>	<p>None for this report.</p>
<p>Legal:</p>	<p>The AFM is a voluntary arrangement and there is no legal requirement for Hertfordshire County Council to continue to fund the scheme.</p>
<p>Financial:</p>	<p>Details of broad income contributions expected from the AFM are detailed in the report. It should be noted that such estimates are subject to a high degree of variation associated with the overall volumes of waste produced by residents and the amount they choose to recycle. This can be affected by a number of issues outside the Council's control including the economic climate and the approach taking by retailers and the packaging industry. Accordingly, it is prudent to include conservative estimates in the Council's Medium Term Financial Plan.</p>
<p>Human Resource:</p>	<p>None.</p>
<p>Risk Management:</p>	<p>The AFM makes a significant contribution to the cost of operating waste and recycling services. Should the scheme cease the Council would need to provide additional funds from its budget or reduce waste and recycling services provided to residents.</p>