

Committee	Cabinet
Date	9 March 2010
Report By	Director of Transport and Environment
Title of Report	Joint Waste Management
Purpose of Report	To update Cabinet on development of an agreed approach with East Sussex Waste Collection Authorities to joint waste management and incentives for recycling.

RECOMMENDATION: The Cabinet is recommended to:

- (1) note the progress made on development of an agreed approach with East Sussex Waste Collection Authorities for joint waste management and incentives for recycling and endorse the agreement with Waste Collection Authorities; and**
- (2) approve the County Council entering into the agreement and implementing the new payment structure as each district signs formal acceptance of the agreement and to delegate to the Director of Transport and Environment and the Deputy Chief Executive and Director of Corporate Resources approval of the final agreement**
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1. Financial Appraisal

1.1 An agreed approach to incentives for recycling will enable the local authorities in East Sussex to collect and dispose of the county's waste in an integrated and sustainable manner. Currently we pay recycling credits up to threshold levels which vary between districts. In total this costs us around £2.2m each year.

1.2 The proposals outlined below are affordable and funded by a combination of current recycling credit budgets, landfill tax savings and contract savings (either from diverting additional recyclate out of the contract or achieving a different type of treatment for additional recyclate delivered into the contract). Extensive financial modelling has been undertaken using different assumptions about the rate of change in recycling activity and the mix of diversion and delivery for additional recyclate that can be achieved as a result of this proposal. The underlying principles of the proposals can be demonstrated to be affordable with the injection of an additional of some £240,000 p.a. of investment over the 25 year life of the agreement (equivalent to some £6m over the period). The additional investment can be funded from the Corporate Waste Reserve based on recent reviews which have demonstrated that our current balances are in excess of predicted requirements. Under the new arrangements annual payments would vary according to recycling levels achieved and their treatment, but in order to give some scale, the additional cost in 2010/11 is estimated to be £85,000. This rises in some years based on our most likely predictions to around £200,000.

1.3 The agreement contains review periods which protect the county councils position and limit the additional investment to the maximum of £6m identified above. The settlement of this recycling credits issue will now allow for a more fundamental review of costs, and risks and thus reserve requirements.

2. Current Position

2.1 One of the barriers to a fully joined-up waste management strategy for East Sussex has been the historical disagreement between the County Council as Waste Disposal Authority (WDA) and the five District and Borough Councils in their roles as Waste Collection Authorities (WCA) on the level of credits paid by the WDA to the WCAs for the disposal of recyclate outwith the PFI contract with Veolia.

2.2 Historically, the relationship between the WDA and WCAs has been strained for two reasons. Firstly, some, if not all, of the WCAs have felt excluded from the PFI contract into which the County Council has entered with Brighton and Hove City Council (BHCC) and Veolia. Secondly, and not unconnected to the PFI contract issue, the WCAs have contested the “capping” of recycling credits, which are paid to them by the County Council for recycling not delivered into the contract. These thresholds were introduced after discussions and meetings with the WCAs prior to the signing of the PFI contract in 2003, because the County Council needed as much certainty as possible about the volume of waste that would be processed under the contract. The thresholds contained headroom for the WCAs to increase their levels of recycling. The diversion of recycling away from the PFI contract by some WCAs is now approaching and in some cases has exceeded the thresholds. There has been a difference in views of the WCAs and the County Council as to the legal enforceability of the thresholds. Disposal of high value recyclate outwith the PFI contract is an attractive proposition for some WCAs, because of the potential recycling credit payments and the income from the recyclate, neither of which they get for recyclate delivered into the contract.

2.3 County, District and Borough Council officers have been seeking solutions to this problem since late 2008, following an initiative proposed by County and District Finance Directors. Discussions have taken place at meetings of the East Sussex Waste Resource Strategy Group (ESWRSG) and at meetings of all six “Waste Directors”. There has been a marked improvement in relations and a clear building of trust. The conclusion from initial County Council work was that, in principle, additional payments could be made based on savings from (1) not paying Landfill Tax as recycling levels increase and (2) contract costs not incurred for waste diverted out of the PFI contract. In response, the WCAs put forward a specific proposal based on these principles, also including a common threshold (currently this varies between districts) on existing recycling credit payments.

2.4 The proposal involves three levels of payments. Payments will be made at the same rate as existing recycling credits (£46.99/tonne at 2009/10 prices) to all WCAs for diversion out of the contract, up to a common threshold of 20%. Above that, payments for diversion will be made at a lower rate (£37/tonne at 2009/10 prices). This will be funded by not having to pay landfill tax or Veolia for processing the recyclate, net of any compensation due to Veolia and BHCC. Payments on recyclate delivered into the PFI contract will be made at £22/tonne, funded by not having to pay landfill tax. Taken together, the proposed payments will provide an incentive to increase levels of recycling in East Sussex while still adhering to the important principle that the council taxpayer should not pay twice for the same thing. The new arrangements will come into effect on 1 April 2010 between the County Council and those districts who have formal agreement from their Cabinet Committee’s (or equivalent) and who have signed the agreement.

2.5 This proposal has been the subject of extensive checking by County Council officers to ensure that it is affordable within existing budgets. These checks are now complete and officers have concluded that the payment levels proposed by the WCAs are affordable.

2.6 An agreement between the WDA and WCAs, setting out the governance of this payment regime, has been drafted and shared with WCA colleagues. This includes arrangements for the joint management of waste in East Sussex, through the auspices of the ESWRSG. This is an important development, as it involves collection and disposal authorities in joint planning and decision-making about the disposal of the county’s waste, and should evolve into a fully joined-up waste management strategy. Under the Environmental Protection Act 1990, as WDA, the County Council has the power to direct WCAs where to dispose of waste, but using the ESWRSG in this way would be a significant step towards joint waste management. The WCAs have helpfully indicated that they recognise it would not make sense for them to make decisions about waste disposal that would result in the County Council having to pay compensation to Veolia.

2.7 We have liaised closely with BHCC, our partners in the PFI contract, and Veolia. Both are happy in principle.

2.8 Four of the five WCAs, Lewes DC being the exception, have had Cabinet approval to enter into the agreement, once final details have been agreed by officers. Lewes DC has approached it

differently are intending to take the final draft of the agreement to their Cabinet, probably in March. Cabinet is now being asked to approve entering into the agreement with those districts who have gained their approval, with authority being delegated to the Director of Transport and Environment and the Deputy Chief Executive and Director of Corporate Resources to approve the final form of agreement.

3. Conclusion and recommendation

3.1 A final draft of the agreement is now being considered by the WCAs, two of whom have already confirmed that they are content. The agreed approach to incentivise recycling should lead to a much more coherent approach to waste management across the county without additional cost to the County Council or Council Tax payers. The Cabinet is invited to note this progress and recommended to endorse the agreement. Implementation of the new payment structure will occur on a district by district basis as the agreement is signed.

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