

Mrs Deborah Urquhart, Cabinet Member for Environment	Ref No: ENVTBC (19/20)
November 2019	Key Decision: Yes
Revisions to Recycling Credit Payments	Part I
Report by Executive Director Place Services and Director of Environment and Public Protection	Electoral Division(s): All

Summary

Following a Cabinet Member Decision in November 2018, a revised method for calculating Recycling Credits to Districts and Boroughs was implemented for the financial year 2019/20.

Notice was also given that the mechanism and funding arrangements from 2020/21 will be reviewed and determined at a future date and will be informed by four criteria.

The report reviews the position with respect to those criteria and recommends that, in view of the County Council's financial position, all payments for Recycling Credits except those which are statutorily eligible under the Environmental Protection (Waste Recycling) Payments (England) Regulations 2006 are terminated from 1 April 2020.

It also recommends that £2m is reserved from the revenue budget to support District and Borough Councils who commit to implementing a New Service Model for refuse and recycling collection, to a specification and timetable agreed with WSCC, which includes as a minimum separate food waste collections.

West Sussex Plan: Policy Impact and Context

This decision would support the objective of reducing waste to landfill by encouraging the District and Borough Councils to focus on and support the County Council to improve waste diversion from disposal and improve recycling levels.

Financial Impact

The financial impact for the County Council would be a saving of c. £4.1m, based on the total amount paid to the District and Borough Councils in 2018/19 and forecast to be paid in 2019/20 (based on data available so far – which is broadly in line with budget). This would mean a corresponding decrease in income for the District and Borough Councils.

Recommendations

It is recommended that:

- (1) The County Council formally notifies all the District and Borough Councils (D&Bs) in the county of the termination of all payments for Recycling Credits except

those which are statutorily eligible under the Environmental Protection (Waste Recycling) Payments (England) Regulations 2006 from 1 April 2020.

(2) £2m is reserved from the revenue budget to support D&Bs who commit to implementing a New Service Model for refuse and recycling collections, to a specification and timetable agreed with WSCC, including separate food waste collections. The amount to be paid to D&Bs who commit will be calculated in accordance to the criteria set out in paragraph 2.10 unless otherwise agreed in consultation with the Cabinet Member for Environment.

(3) Authority is delegated to the Director for Environment & Public Protection to develop, in consultation with D&Bs, the specification for the New Service Model, criteria for awarding the funding and the calculation method.

PROPOSAL

1. Background and Context

- 1.1 On 14 January 2019, the Cabinet Member for Environment took decision ENV11 18.19 (<https://westsussex.moderngov.co.uk/ieDecisionDetails.aspx?ID=463>) making revisions to Recycling Credit payments to the District and Borough Councils in the county for the year 2019/20.
- 1.2 The background for the decision, including the setting out of the legal position and financial impacts is set out in the report (https://westsussex.moderngov.co.uk/documents/s7132/Recycling_Credits_report.pdf)
- 1.3 The Director of Energy Waste and Environment (now Director of Environment and Public Protection) was authorised to work with District and Borough partners on an alternative approach to any payments related to improved recycling performance from 2020/21.
- 1.4 It was stipulated that the mechanism and funding arrangements from 2020/21 will be reviewed and determined at a future date and will be informed by:
 - i. Changes in producer responsibility funding for household recycling collection and processing signalled in the Government's Policy Paper "Our Waste, Our Resources, a Strategy for England" (published on 18 December 2018);
 - ii. Any proposals that emerge and can be agreed from discussing performance improvements with the D&B partners;
 - iii. Statutory obligations; and
 - iv. Overall affordability, given the County Council's projected financial position.

2. Developments since Decision ENV11 18.19 was taken in January 2019

- 2.1 **In relation to sub-paragraph 1.4 (i)**, the Government carried out an extensive consultation on the proposals set out in *Our Waste, Our Resources, a Strategy for England* between March and May 2019. A joint response broadly welcoming most of the proposals and answering detailed questions was submitted by the County Council's Waste Team on behalf of the West Sussex Waste Partnership. In July 2019, the Government published a response to the consultation responses which largely confirmed support for the direction of travel set out in the Strategy. The Government confirmed it will, among other measures:
- Provide statutory guidance on minimum service standards for rubbish and recycling (following a cost assessment for this)
 - Mandate separate food waste collections by 2023
 - Introduce an Extended Producer Responsibility scheme for packaging recovery from 2023
 - Review the recycling credit scheme and (comments made on) partnership working in more detail and take this forward with local authorities and other bodies, such as the Waste and Resources Action Programme (WRAP) and the Local Government Association (LGA)
 - Consult on the final proposals in 2020
- 2.2 If Extended Producer Responsibility (EPR) and the Government's stated intent to fund new burdens are followed through there will, from 2023, be quite radical positive impacts in terms of financial support to Local Authorities for recycling:
- The Strategy stated in three places: "*Government recognises the financial pressures on local authorities. They will therefore receive additional resource to meet new net costs arising from the policies set out in this Strategy once implemented. This includes both net up-front transition costs and net ongoing operational costs*". It can be assumed that this commitment, if followed through, would apply to the introduction of new burdens including the mandated separate collection of food waste.
 - The underlying basis of the Extended Producer Responsibility proposals is that producers pay "*the entire cost*" of collecting, processing and recycling of packaging in proportion to the amount they place on the market. This would substantially lift the burden of collection costs from Waste Collection Authorities and the processing costs from Waste Disposal Authorities after the scheme is introduced in 2023.
- 2.3 **In relation to sub-paragraph 1.4 (ii)**, the Director of Environment and Public Protection has continued dialogue with District and Borough Counterparts, most recently through an Environment Directors' Waste Strategy Group convened by the West Sussex Chief Executives' Group and Chaired by Nigel Lynn, Chief Executive of Arun DC. It has been made clear to District and Borough Partners that the County Council is considering withdrawal of all but the statutory minimum payment of recycling credits.

- 2.4 It is understood that discussions regarding the future development of waste services, which are at an early informal stage, are taking place within some D&Bs. None are in a position to commit to a new service model at present, partly due to a wish for more certainty and clarity around measures in the Government Strategy. District and Borough Directors have expressed concern that if all funding is withdrawn, there could be a lost opportunity to incentivise early adoption of a future model including food waste collection.
- 2.5 The Environment Directors' Waste Strategy Group is preparing a proposal for consideration by the Joint Leaders' Board (JLB). The JLB has not had the opportunity to consider proposals to date but the proposal is expected to suggest that the County Council considers the central recommendation in this decision report regarding reserving some of the saving in preference to complete withdrawal.
- 2.6 The County Council continues to offer to cover the cost of trialling the separate collection of Food Waste along with Absorbent Hygiene Products along with a reduced frequency of refuse collection based on a proposal first offered in 2017. It is hoped that at least one partner will shortly be able to formally commit to trialling this service model from Spring 2020.
- 2.7 **In relation to sub-paragraph 1.4 (iii)** There have been no changes to statutory obligations for waste authorities since January 2019. Beyond those flagged in the Strategy review, none are expected imminently.
- 2.8 **In relation to sub-paragraph 1.4 (iv)** The County Council's budget situation remains very difficult. There is little justification to continue to make discretionary Recycling Credit payments to D&Bs in the continuing absence of firm proposals for performance improvement that would help mitigate the County Council's position.
- 2.9 However, the recommendation that a portion of the saving is placed in reserve for 2020/21 keeps the option open for D&Bs to come forward with proposals. Any proposals would be considered and a recommendation made to the Cabinet Member for Environment which would include:
- Criteria for eligibility
 - Calculation methodology
 - Duration of agreement
- 2.10 An option would be to provisionally divide the pot on a per household basis across the county (possibly with adjustments for houses in multiple occupancy – the exact mechanism is still subject to discussion). Any D&B partner who met the eligibility criteria would be able to access (up to a maximum of) their pro-rata proportion of the pot.
- 2.11 If they do not do so, the pro-rota share of the fund for that authority would stay in the reserve or be withdrawn from the reserve as a saving.

FACTORS TAKEN INTO ACCOUNT

3. Policy landscape

- 3.1. District and Borough Councils have a duty to collect, as a minimum, a core set of materials for recycling and to adhere to the waste hierarchy, prioritising avoidance, re-use and recycling over disposal. Carbon / Climate Change impact also generally follows the same hierarchy.
- 3.2. Since January, there has been renewed global and local focus on the impact of climate change with debates at the County Council and D&Bs. Efficient waste management plays a large part in minimising climate impacts in the local authority arena.
- 3.3. If we do not move to a new service model there is no real prospect of improving performance across West Sussex to meet the expected challenging recycling targets. Improved recycling has both carbon and landfill reduction benefits and would contribute to driving down the total system cost to West Sussex council tax payers.

4. Consultation

- 4.1 In August, West Sussex D&Bs were invited to advise the County Council on the impact of withdrawing discretionary Recycling Credit payments, so these can be taken into consideration. They were also invited to suggest any other ways WSCC could work with them to find savings in the waste management area. No new ideas emerged.
- 4.2 The comments received, and the County Council's responses to those comments, are attached at Appendix 1.

5. Financial (revenue and capital) and Resource Implications

- 5.1 *The revenue consequences of the proposal for the County Council are detailed in the table below*

	Previous year 2018/19 £m	Current Year 2019/20 £m	Year 2 2020/21 £m	Year 3 2021/22 £m
Revenue budget	£5.5m	£4.5m	£4.5m	£0.4m
Change due to proposal	0		(£4.1m)	0
Remaining budget	0	£4.5m	£0.4m	£0.4m

- 5.2 It is proposed that £2m from the £4.1m 2020/21 savings is transferred into a New Service Model for Refuse and Recycling Collection Reserve to fund specific waste collection projects agreed in line with paragraph 2.9 above.
- 5.3 The remaining £0.4m budget allocation will be retained to continue the following waste initiatives, which have been funded through this allocation in previous years:

- **D&B rebate for textile tonnage** - A basic minimum payment per tonne will continue to be made for the collection of an estimated 1,100

tonnes of textile waste by D&B's in order for WSCC to meet its statutory duty under the Environmental Protection (Waste Recycling) Payments (England) Regulations 2006.

- **Promotion of Reduction, Reuse and Recycling initiatives - Including Doorstepper and education contracts.**

- 5.4 *Revenue consequences to District and Borough Councils based on 2019/20 estimated payments and tonnages*

Table 3: Impact of changes on each District and Borough Council

	2019/20	2020/21	2019/20
	Estimated Payments	Proposed Payments	Impact of Proposal
	£m	£m	£m
Adur & Worthing	£0.8	£0	(£0.8)
Arun	£0.7	£0	(£0.7)
Chichester	£0.7	£0	(£0.7)
Crawley	£0.4	£0	(£0.4)
Horsham	£0.7	£0	(£0.7)
Mid Sussex	£0.8	£0	(£0.8)
Total Payments	£4.1	£0	(£4.1)

- 5.5 There are no capital implications.

6. Human Resources, IT and Assets Impact

There are no known human resources, IT and / or asset implications for WSCC (any raised by D&Bs in consultation to be added.)

7. Legal Implications

- 7.1 Legal implications of withdrawal of recycling Credits were set out in the report preceding decision report ENV11 18.19. No legal challenge was made following the change in methodology introduced from April 2019. The County Council remains confident of its obligations under the relevant Regulations which it will continue to meet.
- 7.2 The new funding arrangement would not *require* the District and Borough Councils to do anything different in terms of existing operational or administrative practices that could impact on the County Council's obligations under the MRMC or RWHC.

8. Risk Assessment Implications and Mitigations

There are no new corporate risks. The following service risks are identified:

Service Risk	Mitigating Action (in place or planned)
Legal challenge by the District and Borough Councils.	No legal challenge was made following the change in methodology introduced from April 2019. The County Council remains confident that it will continue to meet its obligations under the relevant Regulations and would robustly resist any legal challenge.
Alternative off-takers - WSWP partners could propose to take their recyclate to another Materials Recycling Facility (MRF).	<p>The D&Bs would continue to have free access to Ford MRF under this revised proposal.</p> <p>Nationally, gate fees for acceptance of Mixed Dry Recyclate (MDR) including glass are in the order of £50-£80 per tonne excluding haulage. As the equivalent local cost of processing at Ford Material Recycling facility (MRF) is covered by the County Council under the contract this would be a new cost to D&Bs and the cost would increase according to haulage distance.</p> <p>District and Borough Council partners would also need to go through a procurement process for an off-taker which would take time and be costly. In any event, the County Council could exercise a Power of Direction to require D&Bs to continue to deliver MDR to Ford MRF directly or via the existing Transfer Station Network.</p>
Diminished quality of material delivered to the MRF	<p>Some D&B colleagues have suggested this could be an issue if funding is withdrawn.</p> <p>This should not be linked to recycling credit payments as that would not be in line with the regulatory provisions.</p> <p>It is understood that those with external contractors will have placed the onus on the contractor to maintain quality and the same should apply to in-house service providers so there should be no reason to reduce input quality.</p>
Reduced education programmes	£300k of the fund will be retained for education and community engagement: most of this work was co-ordinated through the WSCC waste team and schemes such as the schools waste education contract will continue to be funded.
Income Risk	The County Council, in making the changes to the scheme in 2018, has already accepted the risk around any drop in the total income achieved.

9. Other Options Considered

- 9.1 Unconditionally maintain a reduced-size pot for Recycling Credits or taper the reduction in payments over two or more years. This option would provide a “softer landing” for D&Bs but would delay savings when the County Council can no longer justify discretionary payments which bring no new benefit when facing a significant budget challenge.
- 9.2 Withdraw all credits without provision to support D&Bs who wish to progress with a revised service model. This allows the County Council to make a full saving without placing any portion into a reserve. However this could make it harder for D&Bs to commit to a new service model ahead of 2023, which could delay future savings for WSCC.
- 9.3 Most costs of the waste service are demand led and the County Council has little control over the amount of waste generated. The Director of Environment and Public Protection and the Waste Team continue to look at other ways of reducing the cost of the service – as far as possible without impacting on the public as service users or the D&Bs.

10. Equality and Human Rights Assessment

There are no known equality and Human Rights Act implications.

11. Social Value and Sustainability Assessment

There are no known social value implications. In terms of sustainability there should be no impact on waste diversion or recycling rates in the short term and, in the long term, the aim is to improve performance.

12. Crime and Disorder Reduction Assessment

There are no known Crime and Disorder Act implications.

Contact Officer: Steve Read, Director of Environment and Public Protection
Tel: 0330 222 4037

Appendices

Appendix 1 - Summary of District and Borough Council comments received regarding impact of the proposal and the County Council’s responses to the main points raised.

Background papers

None

Appendix 1

Summary of District and Borough Council comments received regarding impact of the proposal and the County Council's responses to the main points raised

Comment from Adur and Worthing Councils

Adur and Worthing Councils have taken significant decisions over the last year to change our approach to how we collect waste and recycling in order to improve recycling rates and reduce waste. We are keen to progress this work as part of the West Sussex wide system.

The Government's response to the recent consultation on the 'Waste and Resources Strategy' provides a helpful framework that we hope will be developed to support County wide approaches going forward, and yet West Sussex County Council appears unable to operate with the same sense of benefit for all.

Adur and Worthing Councils have also recently made public commitments to becoming carbon neutral Councils by 2030, and have declared a Climate Emergency. Whilst we understand that WSCC is similarly tasked with addressing the issues of climate change, we would suggest again, that the actions being proposed here, do not concord with supporting behaviour change that will have real impact on these issues. Our challenge to WSCC is therefore to step up, and provide real leadership in this space across our County.

Specific impacts of the total withdrawal of recycling credits to Adur and Worthing Councils:

- The loss of an expected payment of £1,048,000 in 2019/20 from our revenue budgets amounts to a 3.7% revenue cut for Adur & Worthing Councils in 2020/2021.
- This is in addition to substantial other savings that the Councils are already seeking to find from across all services and raises the total amount to £4.1m. Therefore this change alone, if approved, will account for 25% of the total budget shortfall across Adur and Worthing in 2020/21. When we factor in other budget pressures that may arise from other changes already made by WSCC to supported housing commissioning, the decisions of the County Council are effectively responsible for around 50% of the cost pressures for Adur and Worthing Councils in 2020/21
- Recycling credits have been used to fund the recycling service itself and as WSCC is aware, Adur & Worthing Councils have invested significant additional sums this year in supporting the implementation of alternate weekly collections, with the key aim of driving up recycling rates and reducing residual waste. The latter will create significant and direct financial benefit for WSCC.

- As part of this work, we have implemented a full media campaign promoting and championing recycling and waste minimisation and delivered almost 3000 new recycling bins to households across Adur & Worthing, since announcing the plans to implement the changes from the 16th September.
- The loss of revenue anticipated from recycling credits will now have to be absorbed by savings elsewhere in the system
- WSCC has also cut supported housing funding by nearly £4m across West Sussex which will lead to increased costs for Districts and Boroughs, particularly A&W which have higher than average levels of need, demand and deprivation when compared to some other parts of West Sussex
- Most Districts and Boroughs across the country are seeing significant rises in demand for Housing and Homelessness with limited, if any, additional support from central government (except for the visible face of homelessness - rough sleeping – in the form of fixed term grant funding)
- Instead of withdrawing the fund, the County Council could, if it wished to do so, create a ring fenced fund aimed specifically at increasing recycling rates further, which could include supporting the introduction of food waste collection. However the County is only committed to this approach if linked to a 321 model of collection of waste, recycling and food waste, which appears to be largely driven by financial incentives for the County (only) and not by a real desire to change behaviours.
- Given that we are experiencing a Climate Emergency, we would urge the County to take a leadership role and use these funds wisely across the system to effect long term change, rather than taking a short term, budget driven view.

Comment from Arun DC

While Arun District Council appreciate the pressure on WSCC budgets we do not feel it is acceptable to pass these on to the District and Borough's as we have limited options to fill the funding gap. It would be better to work in partnership to address these pressures rather than impose draconian reductions.

Losing all of the funding with such short notice would potentially have the most significant impact, whereas if the reduction was spread over 2 or 3 years the District and Borough's would have more time to mitigate the impact.

The areas we discussed that would be impacted were (many being inter-related)

- DMR Quality
- Communication, resident engagement and recycling officers
- Dedicated dog waste collections
- Waste Busters
- HMO Door stepping activities

Given that WSCC contend that the payments are intended to promote recycling, not to prop up council budgets, the reduction seems short sighted at a time when we all accept that increasing recycling rates across West Sussex is a priority.

Comment from Chichester District Council

(We) have given serious consideration to the WSCC intention of withdrawing the recycling credit payment as well as to the probable impacts this will have.

As you appreciate the withdrawal of over £750k of funding from a District Council budget is significant which will lead to further austerity measures being put in place across CDC. Options for these measures are currently being considered but will cut across all services of the District not just those associated with waste collections

Since the primary intention of the recycling credit payments were intended to encourage CDC to recycle more across all waste streams, reduce waste arising and to ensure best leverage of the WSCC disposal infrastructure, the impacts of the withdrawal of this payment will obviously impact CDC's waste activities viz

CDC will significantly reduce its current recycling engagement activities for domestic households. This will mean our ability to introduce new waste streams eg WEEE, textiles will cease. The current work we undertake to reduce contamination of DMR will be reduced. CDC will not be able to support WSCC officers and / or volunteers in external events. Our current proactive input into the partnership communications planning and delivery will cease. Our work to support HMO engagement will have to be reduced. The net impact of these measures will probably mean an increase in contamination of the DMR waste stream and/or an overall reduction in DMR volume. We anticipate CDC's recycling rate will see a decrease, the first time for many years. To maintain our current level of activity will require £72,000 of funding considering labour and material costs.

CDC will cease the separate collection of dog waste and promote the use of normal litter bins for dog waste. To maintain this activity will require £42,500 of funding.

CDC remain very concerned that other SWOG funded initiatives, paid by the previous agreed funding formula will also cease, in particular the effective schools' engagement programme (Wastebusters), composition analysis work and HMO support, since to withdraw these activities just as the public awareness on the need to recycle has been heightened would be a very short-term decision.

The County Council's commentary on main points raised:

Leadership by WSCC

WSCC has been the prime mover in the West Sussex Waste Partnership for over a decade, providing support to the partnership and most development ideas and impetus.

In early 2018, WSCC made an offer, through its Transformation Fund, to fund trials of a "3-2-1" system (a scheme to separately collect food waste, Absorbent Hygiene Products weekly with a reduction in residual waste frequency to three weekly) covering up to 3000 households in early 2018. As alluded to in paragraph 2.6, progress with finding partners has been frustratingly slow although we are hopeful we can proceed with at least one partner in 2020. In offering to fund the trial, WSCC was ahead of changes in government policy.

Support for Education Initiatives

As indicated in the report, it is proposed to retain £300k to continue to fund Wastebusters and other initiatives to the same level as previously.

We are unaware that the D&Bs have conducted major education or engagement initiatives outside of the work which we propose will continue. A number have previously taken savings in this area, partly as result of the countywide programme led by WSCC.

Impact on Recycling Rates

Withdrawal of recycling credits does not remove the duty of Waste Collection Authorities to collect as a minimum a defined core set of materials. They also have a duty to adhere to the waste hierarchy and to promote this to residents.

Service Development

Under Government Resource and Waste Strategy Proposals it is likely that by 2023 the funding of recyclable packaging collection will shift to producers, which should permit councils to further diversify the range of material collected. Any constraint on service development imposed through reduced funding should be eased in the future if the councils concerned have ambition to continue to improve recycling capture.

Changes to the collection of Dog Waste

WSCC will challenge proposals to mix dog waste with litter as this is retrograde step with health and safety implications. Dog Waste is classified as offensive waste with particular requirements for handling and disposal. WSCC has the legal power to direct D&Bs to continue to collect this waste separately but we hope that we can through dialogue resolve this without recourse to formal powers.

Service Development in Adur and Worthing

WSCC welcomes the service development shortly to be introduced in Adur and Worthing which will align the service offering to that recently introduced by Horsham DC and operated for more than a decade by Chichester and Mid Sussex District Councils.

Quality of Dry Mixed Recycling

As set out in the risk assessment, we do not see any valid reason why D&Bs should reduce the measures they take to minimise contamination as these are principally exercised at the point of collection and by general communications messages (led by WSCC). If contamination does increase this will impact on the District or Borough's Recycling Rate as well as cause operational issues due to collection vehicles being redirected to different disposal points if rejected.