

WASTE COLLECTION AUTHORITY INCENTIVE PAYMENTS

Cabinet Date	20 December 2019
Environment and Planning	Cllr Nigel Moor
Key Decision	Yes
Background Documents	<p>Gloucestershire County Council Cabinet (19th June 2019) Agenda item 13 “Food Waste Collection and Delivery Agreements”.</p> <p>Gloucestershire Joint Waste Committee (8th Oct 2019) Agenda item 9 “Future Waste Partnership Proposal”.</p>
Location/Contact for inspection of Background Documents	<p>http://glostext.gloucestershire.gov.uk/ieListDocuments.aspx?CId=714&MId=9027&Ver=4</p> <p>http://glostext.gloucestershire.gov.uk/documents/s53492/Item%2013%20-%20Food%20Waste%20Collection%20and%20Delivery%20Arrangements.pdf</p>
Main Consultees	Gloucestershire district councils
Planned Dates	<p>Dissolution of Gloucestershire Joint Committee – 13th December 2019</p> <p>Formation of new Gloucestershire Resources and Waste Partnership – December to February 2020</p> <p>Signing of new bi-lateral Residual Waste Reduction Incentive Agreements with District Councils – February to July 2020</p> <p>Termination of current Residual Waste Reduction Incentive Agreements – July 2020.</p>
Divisional Councillor	All
Officer	Wayne Lewis, Head of Joint Waste Team Wayne.lewis@gloucestershire.gov.uk

<p>Purpose of Report</p>	<p>To seek agreement from Cabinet to proposed new Residual Waste Reduction Incentive Arrangements to be discussed with district councils, which if agreed will replace existing Food Waste Collection and Delivery Arrangements that are in place between the county council as Waste Disposal Authority (WDA) and each of the following district councils as Waste Collection Authorities (WCAs):</p> <ul style="list-style-type: none"> • Cheltenham Borough Council • Cotswold District Council • Forest of Dean District Council • Gloucester City Council • Stroud District Council • Tewkesbury Borough Council.
<p>Recommendations</p>	<p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Support the agreement of new Residual Waste Reduction Incentive Arrangements with each of the WCAs on the basis described in section 2 of this report, with a view to ensuring that the reduction of residual waste in Gloucestershire continues to be prioritised and supported; and 2. Delegate authority to the Head of Joint Waste Management, in consultation with the Chief Executive, to enter into new residual waste reduction incentive agreements with WCAs from July 2020 under which WCAs will be incentivised to reduce waste through the provision of waste reduction, reuse and recycling initiatives.
<p>Reasons for recommendations</p>	<p>The recommended course of action will assist in reducing the volume of residual waste collected by the WCAs of Gloucestershire through waste prevention, reuse and recycling activities. Such actions will assist in reducing overall waste management costs and also help protect the environment.</p> <p>The recommended course of action will also result in a single standard form of residual waste reduction incentive agreement that will be entered into with each of the WCAs. This approach will be more equitable than the current Food Waste Collection and Delivery Arrangements and provide greater transparency in the calculation of residual waste reduction incentive payments for all WCAs.</p>
<p>Resource Implications</p>	<p>GCC is seeking to implement fair levels of support across all districts for Food Waste Collection and Delivery Arrangements. Payments made under the proposed new Residual Waste Reduction Incentive Arrangements will (at current levels of waste generation) be more sustainable in the longer term, delivering savings of approximately £255k pa.</p> <p>The proposed new Residual Waste Reduction Incentive arrangements will continue to provide for a discretionary payment by GCC to the WCAs, which is over and above payments made under the statutory recycling credits scheme.</p>

	<p>Incentive payments by GCC to WCAs will increase if residual waste levels per household were to reduce and will decrease if residual waste levels per household were to increase. Any additional incentive payments made by GCC to WCAs as a result of a reduction in household residual waste will be fully offset by a decrease in the residual waste treatment costs borne by GCC.</p>
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Background

- 1.1 In July 2019, GCC served 12 months notice on each of the Gloucestershire district councils as WCAs of its intention to terminate the Food Waste Collection and Delivery Agreements. These are discretionary agreements in place between GCC and each WCA in order to incentivise waste reduction and promote the separate collection of food waste for recycling.
- 1.2 Significant differences exist between the current Food Waste Collection and Delivery Agreements entered into with the WCAs in terms of the performance targets set and the level of payments made by GCC to WCAs under them. This has led to a wide variation in the payments made to each WCA per tonne of separately collected food waste and concerns that the current arrangements are not fair, and may be open to challenge. The current payments vary between £25.75 and £73.86 per tonne of food waste recycled; payment caps are in place for some WCAs, but not for others.
- 1.3 In 2018/19, GCC paid over £900,000 to WCAs through these agreements. Whilst wishing to maintain a discretionary financial incentive for WCAs to reduce waste, GCC also needs to put in place a fair system that it can afford.
- 1.4 Since July 2019, GCC has met regularly with WCAs to discuss a new payment system. A number of different payment models have been considered and a preferred option developed on which officers have reached a broad consensus.
- 1.5 The proposed payment system was considered by the Gloucestershire Joint Waste Committee in June 19, which was content that the proposal met its requirements that the payment should:
 - Be equitable;
 - Reward good performance;
 - Incentivise continuous improvement; and
 - Acknowledge that different levels of performance may result from social demographic factors.

Proposed Payment System

- 2.1 The proposed system is based on a three-part payment:
 - i. A fixed payment, in recognition that all WCAs have invested in recycling and composting services and as a result have certain fixed or standing costs.
 - ii. An incentive or performance payment, determined by a WCAs performance against a household residual waste target.
 - iii. A partnership and communications match fund payment, where each WCA makes an agreed annual contribution that is matched by GCC.

Fixed Payment

2.1 All WCAs have invested in comprehensive recycling and composting collection services. These include the collection of a wide range of dry recyclable materials, separate collections of food and garden waste, and controls on the amount of residual waste collected (such as “no side waste policies”). It is considered equitable that each WCA should receive a fixed sum as a proportion of the proposed payment model. The amount will be the same for each WCA.

Performance Payment

2.2 It is also important to recognise and reward good performance. WCAs that collect less residual waste per household help reduce the disposal costs paid by GCC, whilst those collecting more residual waste per household increase disposal costs. The second part of the proposed payment will reward low residual waste producers. It will make a payment to those that generate lower than average amounts of residual waste per household. WCAs generating higher than average amounts of residual waste per household will receive a lower payment (or no payment). A unit payment would be made for each kilogramme per household per year (kg/HH/yr) by which a WCA exceeds its performance target, so that good performance is recognised and rewarded.

2.3 Despite similar levels of investment by WCAs and broadly similar service configurations, performance levels vary. It is acknowledged that socio-demographic factors can influence waste and recycling performance. Areas with higher levels of deprivation generally tend to be lower recyclers and higher residual waste producers. Housing stock can also have an effect, with urban areas typically being lower recyclers and higher waste producers than suburban and rural areas. Consequently it is proposed that rather than each WCA being set the same residual waste performance target, that they are instead set a target adjusted for socio-demographic factors.

Partnership and Communications Match Fund

2.5 Regular, consistent and clear communications messages help residents to recycle the right materials more often; boosting recycling rates and reducing residual waste. WCAs and GCC (as the WDA) have a shared interest in this work area, with joint working on communications to form an important part of the proposed Resources and Waste Partnership for Gloucestershire. The third part of the proposed payment system would see each WCA contribute a fixed sum to a new “partnership and communications fund”, with GCC match-funding each WCA contribution. This will create an annual working budget for the new partnership that will help to further reduce waste and increase recycling. The allocation and expenditure of this fund would be managed by the proposed new partnership. The fund will help ensure that clear, consistent messages are communicated, whilst allowing for appropriate localisation of campaigns.

Targets and Indicative Payments

2.6 Appendix 1a sets out how targets for the proposed performance based element of the payment system would be calculated. The adjusted target takes account of socio-demographics, so that WCAs with higher levels of deprivation (based on the NRS social grade classification) are set a slightly higher residual waste target and vice versa. There is broad

consensus amongst WCAs that an adjustment to the performance target for socio-demographic factors is desirable.

2.7 Appendix 1b uses 2018/19 residual household waste tonnages to set out the indicative payments that would be made to each WCA under the proposed arrangements. The unit payment for each part of the payment system is an area where there has been some disagreement amongst WCAs. Officer advice is that an appropriate split would be a:

- i. Fixed payment of £50,000 per WCA per year;
- ii. Performance payment of £50,000 per WCA per year for meeting an agreed household residual waste target, with £500 per kg/hh/yr added or deducted for each kg/hh/yr variance from the agreed performance target (with a floor payment of £0 and no ceiling payment); and
- iii. Partnership and communications matching contribution of £10,000 per WCA, by GCC.

These provide sufficient incentive to reduce residual waste, without overly penalizing those with lower performance or more challenging local circumstances. It is these unit payment values that are included in appendix 1b.

2.8 Appendix 1c compares the indicative payments under the proposed arrangements to those of the existing payment arrangements.

2.9 The partnership and communications match fund would create a working budget for the proposed new Resources and Waste Partnership of up to £120k annually, with contributions of up to £10k per WCA (top-sliced from these proposed Residual Waste Reduction Incentive Arrangements) and up to £60k from GCC (drawn from existing revenue budget for marketing and communications).

Options

Do Nothing

3.1 To do nothing would be to allow the existing Food Waste Collection and Delivery Arrangements to expire in July 2020 and not replace them. Although this would save approximately £918,000 per annum (based on existing tonnages), this option is not recommended in view of a decision by GCC cabinet in June 2019 to conduct discussions with the Gloucestershire WCAs, with a view to entering into new Food Waste Collection and Delivery Agreements with each such WCA. A decision not to enter in to new agreements would risk damaging future working relationships with WCAs. Moreover, there is a risk that some WCA recycling services (such as food waste collections) may become unviable in some areas as a result of the loss of incentive payments. This option would further risk an increase in residual waste and associated treatment costs for GCC.

Agree the proposed Residual Waste Reduction Incentives payment system

3.2 By agreeing the proposed incentives payment system, GCC will continue to incentivise residual waste reduction by WCAs and support recycling collection services. Based on current tonnages and the unit payment rates set out in paragraph 2.7 and appendix 1b, this approach offers an annual revenue budget saving of around £255k/yr. It addresses concerns over the fairness of the existing system by replacing it with a standardised payment system applied to all WCAs. It also helps facilitate and support new partnership working arrangements by

creating a working budget (through the proposed “Partnership and Communications match-fund”) for the proposed Resources and Waste Partnership that would replace the outgoing Gloucestershire Joint Waste Committee.

3.3 The proposed unit payments recommended by officers are as set out in paragraph 2.7 - a fixed payment of £50k per WCA, a performance payment of £500/kg/hh/yr and a partnership and communications fund contribution of £10k/WCA/yr. Further performance payment options are set out in table 1 below as there have been opposing views expressed by WCAs on the unit value of this element of the proposed payment system. Providing a higher performance unit payment (and a lower fixed unit payment) has the effect of providing higher payments to lower generators of household residual waste and vice versa. The bottom line cost difference to GCC resulting from the different unit payment values is marginal.

Table 1: Indicative Total Payments at Different Performance Payment Unit Rates

	Total payment @ £250/kg/HH/yr	Total payment @ £500/kg/HH/yr	Total payment @ £750/kg/HH/yr	Total payment @ £1000/kg/HH/yr
Cheltenham	£ 94,408	£ 78,815	£ 63,223	£ 47,630
Cotswold	£ 107,757	£ 105,514	£ 103,271	£ 101,028
Forest of Dean	£ 112,440	£ 114,881	£ 117,321	£ 119,761
Gloucester City	£ 98,191	£ 86,383	£ 74,574	£ 62,765
Stroud	£ 139,484	£ 168,967	£ 198,451	£ 227,934
Tewkesbury	£ 108,847	£ 107,695	£ 106,542	£ 105,389
Total	£ 661,127	£ 662,254	£ 663,381	£ 664,508

Risk Assessment

3. Under the proposed incentive payment arrangements (using the unit payment rates set out in paragraph 2.7) if WCAs collect less household residual waste, then this results in them receiving increased payments from GCC. However, these additional payments would be more than off-set by savings to GCC from avoided residual waste treatment costs. In this context the proposed arrangements do not present a financial risk.

Officer Advice

4.1 That Cabinet approve the recommendation set out on page 2 of this report.

Equalities considerations

5.1 A due regard statement has not been prepared, but consideration of the likely equalities impact of the recommended option indicates that there is no disproportionate effect upon those with protected characteristics

Consultation feedback

6.1 Options for future funding arrangements have been considered at meetings and workshops of the GJWC through 2019. Non-voting members (Gloucester City and Stroud D.C) have also contributed to these meetings. The proposed incentive arrangements have been developed by officers to reflect the views and preferences voiced during these meetings.

Performance Management/Follow-up

7.1 Each Gloucestershire district council will be invited to enter in to agreement with GCC on the proposed Residual Waste Reduction Incentive Arrangements. The Arrangements will, if agreed by the district councils, continue for a period of not less than two years and remain in place unless either party provides not less than 12 month's notice to terminate. The proposed agreement under which such arrangements shall be adopted and the incentive payments payable thereunder will be reviewed at least annually.

7.2 Under the proposed incentive payment agreements, WCAs will commit to (but not be limited to) providing kerbside recycling services, separate collections of food waste and controls on the collection of residual waste. GCC (as WDA) shall commit to (but not be limited to) providing treatment facilities for food waste and for garden waste. There will be a shared commitment to work together through a proposed new Resources and Waste Partnership.

Appendix 1A - Residual Household Waste Targets

	Residual HH Waste Tonnes/yr (18/19)	Households	Kg/HH/yr	Difference from Mean kg/HH/yr	Mean HH Residual Waste 2018/19 (Kg/HH/yr)	% Adjustment from Mean	Adjusted Target (Kg/HH/yr)
Cheltenham	24,340	55,150	441	57	384	99%	379
Cotswold	15,948	42,500	375	-9	384	95%	366
Forest of Dean	14,905	37,980	392	8	384	105%	402
Gloucester City	26,104	56,590	461	77	384	108%	414
Stroud	13,497	52,480	257	-127	384	98%	375
Tewkesbury	15,110	40,090	377	-7	384	97%	372

109,906

Mean: 384

Appendix 1b - Indicative Payments

Performance payment per kg/HH/yr: £ 500

	Fixed payment	Performance payment (based on Adjusted Residual Waste target)	Communications match fund	Total
Unit Payments	£ 50,000	£ 50,000	£ 10,000	
Cheltenham	£ 50,000	£ 18,815	£ 10,000	£ 78,815
Cotswold	£ 50,000	£ 45,514	£ 10,000	£ 105,514
Forest of Dean	£ 50,000	£ 54,881	£ 10,000	£ 114,881
Gloucester City	£ 50,000	£ 26,383	£ 10,000	£ 86,383
Stroud	£ 50,000	£ 108,967	£ 10,000	£ 168,967
Tewkesbury	£ 50,000	£ 47,695	£ 10,000	£ 107,695
Total	£ 300,000	£ 302,254	£ 60,000	£ 662,254

Appendix 1c - Indicative Payments Compared to Existing Payments

	Proposed Payment (assuming 18/19 tonnages)	Total payment (18/19)	Difference
Cheltenham	£ 78,815	£ 93,000	-£ 14,185
Cotswold	£ 105,514	£ 159,000	-£ 53,486
Forest of Dean	£ 114,881	£ 100,000	£ 14,881
Gloucester City	£ 86,383	£ 88,000	-£ 1,617
Stroud	£ 168,967	£ 378,000	-£ 209,033
Tewkesbury	£ 107,695	£ 100,000	£ 7,695
Total	£ 662,254	£ 918,000	-£ 255,746

Report Title	Waste Collection Authority Incentive Payments
Statutory Authority	S.1 Waste Minimisation Act 1998, Power to take steps to minimise waste
Relevant County Council policy	Joint Municipal Waste Management Strategy 2007-2020
Sustainability checklist:	
Partnerships	District Councils
Decision Making and Involvement	Legal Services, GJWC
Economy and Employment	N/A
Caring for people	N/A
Social Value	N/A
Built Environment	N/A
Natural Environment' including Ecology (Biodiversity)	The purpose of the proposed Residual Waste Reduction incentive payments is to reduce waste and protect the environment.
Education and Information	The proposed payments include the development of a Partnership and Communications fund to educate and inform residents on the importance of reducing waste and recycling more.
Tackling Climate Change	Carbon Emissions Implications? Positive/ Neutral/ Negative Vulnerable to climate change? Yes/ No/ Maybe
Due Regard Statement	Has a Due Regard Statement been completed? Yes/No
Human rights Implications	None anticipated.
Consultation Arrangements	The proposed payment system has been discussed at meetings of the Gloucestershire Joint Waste Committee and the views expressed have formed the basis of this proposed

	new payment mechanism.
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