

Method for Sharing WRWA Costs Briefing

APPENDIX A

Under the current arrangements with Western Riverside Waste Authority (WRWA) each borough delivers its waste to WRWA and is charged per tonne for the disposal of that waste.

This method of charging is one that the four boroughs entered into voluntarily and that agreement comes to an end in March 2017.

If that agreement is not renewed then there is a statutory method that will apply by default (see Annexe B). This is that the cost of waste disposal in a particular year will be charged to boroughs in proportion to the tonnages delivered to the Waste Authority in the previous complete year.

There are some advantages to the current methodology:

- Each Council 'pays as it goes'.
- If a council succeeds in reducing its waste then it sees the financial benefits immediately
- If a council succeeds in increasing its proportion of recyclables then it sees the financial benefits immediately.

There would be some consequences if we reverted to the statutory default methodology:

- The risk of tonnages being higher than in the previous complete year, and the consequential costs of disposing of that extra waste (through the contract with Cory) would rest with WRWA. As a result, and to ensure that risk was covered, WRWA would charge an estimated extra 2.2% to constituent boroughs.
- The benefits from a council reducing its waste would not be felt immediately as a financial benefit.
- A council increasing its waste in year would be subsidised by the other councils until the next year, or potentially the year after that¹.

The views of the WRWA Treasurer are set out in Annexe A.

An estimate of the financial implications of the statutory basis is set out in Annexe C. This examines the financial impact if the statutory basis had been used in 2015/16. For LBHF an additional cost of £182,000 is identified, due to the additional 2.2% charge made by WRWA for the risk it would be taking that tonnages might increase.

¹ Depending on how it was implemented the statutory basis could introduce a two year delay. The 2017/18 budget would be set by WRWA in February 2017. It would need to use the last complete year's tonnage data to calculate the charges to boroughs, which would be 2015/16.

If tonnages did not increase across all four constituent boroughs then potentially WRWA would be in a position to make a refund of the 2.2% to the boroughs.

Recommendation:

That the Council continues with the current methodology for charging waste disposal costs to Councils, using actual tonnages in the current year. This is to enable the Council to benefit immediately from reductions in waste, to avoid cross subsidy, and to avoid WRWA having to increase charges because it would bear the risk of tonnages increasing.

Mark Jones
Director for Finance
29/12/15

Email from WRWA Treasurer
2 December 2015

Charging arrangements for Western Riverside Waste Authority

The existing charging arrangements for the Authority are subject to an agreement between the Authority and the constituent Councils which commenced in April 2009 and is due to expire at the end of March 2017. At the Authority meeting on 1st December 2015, when considering next years budget, Members resolved that it would be it's preference for the current arrangements to be continued. However, this is not a decision that the Authority can make on it's own as it requires the agreement of all four constituent councils.

In the event that no agreement is reached, the Authority will have no option but to charge on the statutory default basis, set out in section 4 of The Joint Waste Disposal Authorities (Levies) (England) Regulations 2006, from April 2017. I append a link to the detailed regulations.

<http://www.legislation.gov.uk/uksi/2006/248/contents/made>. You will note that the default arrangements charge on historic tonnage with a differentiation between business and household waste but no differentiation between recycle and general waste.

When the current arrangements were first proposed I wrote to Constituent Councils in December 2007. The basic case for the system is in my mind the same now as then and I quote from my original correspondence to outline the basic advantages and fairness of the current arrangements:

"...shortcomings of the apportionment include its historic reference point for tonnages, on average two years prior to the expenditure for the levy year concerned, and that effectively costs are apportioned on the basis of an average cost per tonne across all constituent councils of a waste disposal authority. Thus there is a delay in individual Councils receiving the benefit of waste minimisation or opting for a cheaper waste management stream and any benefit earned by one is in part shared with other constituent councils."

The current waste charging arrangements are in my view simple to understand and reflect actual costs incurred with no cross subsidy between waste streams or Councils. They leave the risk of tonnage changes with the Constituent Councils who are the best suited to deal with them and who of course will gain directly from any reduction in tonnage or diversion to recycle or by setting up any other local initiative. Under the default arrangements these benefits flow through two years later and are shared by all, not just the Council who has initiated the change. In the view of the Authority this does not reward good practice or incentivise innovation.

In addition, under the default basis, the level of household tonnage per year must be estimated and consequently tonnage level risk is transferred to the Authority. Therefore the Authority will need to make financial provision for this risk in the charge made which is likely to result in an increase in the cost per tonne for all four Councils. This would be avoided if the current mechanism is maintained.

As I mentioned earlier, the decision now rests with the Constituent Councils to decide whether they wish to continue with the current arrangement or to propose collectively a revised arrangement. If no agreement is reached then we will use the default arrangements. In the briefing on the draft budget in November I have already mentioned this to Sue Harris. However I am happy to meet to discuss further either with yourself or with all the fellow Section 151 officers to whom I have written similar letters if you would find this helpful.

Ideally, the Authority would wish to have a revised agreement in place by September next year which will require the four Councils to have agreed any decision through their own governance mechanisms before then - hence the early warning.

I have copied this letter to the responsible Executive Director and the Authority members.

Yours Sincerely

Chris Buss
Treasurer

Extract from The Joint Waste Disposal Authorities (Levies) (England) Regulations 2006

Apportionment of levies

4.—(1) Subject to regulation 5, the amount to be levied by a joint waste disposal authority in respect of any financial year from each of its constituent councils shall be determined by apportioning the total amount to be levied by that authority in that year between those councils as follows—

- (a) in such proportions as all the constituent councils may agree; or
- (b) in the absence of such agreement, by a combination of the following proportions—

- (i) the costs incurred by the joint waste disposal authority in the disposal or treatment of household waste delivered to it by its constituent councils shall be apportioned between the constituent councils in proportion to the tonnage of household waste delivered by each of these councils to the joint waste disposal authority within the last complete financial year for which data are available;

- (ii) the costs incurred by the joint waste disposal authority in the disposal or treatment of business refuse that is deposited at places provided by the constituent councils under section 1 of the Refuse Disposal (Amenity) Act 1978(a) shall be apportioned between the constituent councils in proportion to the tonnage of business refuse deposited at such places within the area of each of these councils within the last complete financial year for which data are available; and

- (iii) all other costs not falling within paragraphs (i) or (ii), shall be apportioned between the constituent councils by reference to the relevant proportion.

(2) For the purposes of paragraph 1(b)(iii), “the relevant proportion” is the relevant proportion determined in accordance with paragraphs (5) to (7) of regulation 6 of the 1992 Regulations but as if, in those paragraphs, the references to —

- (a) “levying body” were references to a joint waste disposal authority; and
- (b) “relevant authority” and “billing authority” were references to a constituent council.

[i.e. it requires the use of the council tax base method of apportionment].

(3) Where paragraph (1)(b) applies to the determination of a levy to be issued in respect of any financial year beginning on or after 1st April 2007, a constituent council shall, within the period beginning on 1st December and ending on 31st January in the financial year preceding the financial year in respect of which the levy is to be issued, inform the joint waste disposal authority of—

- (a) the tonnage of household waste delivered to the joint waste disposal authority for disposal or treatment within the last complete financial year for which data are available;
- (b) the tonnage of business refuse that was deposited at places provided by the constituent council under section 1 of the Refuse Disposal (Amenity) Act 1978 within the last complete financial year for which data are available; and
- (c) the council tax base, determined in accordance with paragraphs (6) and (7) of regulation 6 of the 1992 Regulations, for its area, in respect of which a levy will be issued or it anticipates that a levy will be issued in the immediately following financial year.

(4) In this regulation— “household waste”, has the same meaning as in section 75 of the Environmental Protection Act 1990(a); “business refuse” means refuse falling to be disposed of in the course of a business, and “refuse” has the same meaning as in section 1(7) of the Refuse Disposal (Amenity) Act 1978.

[Note: The ‘1992 Regulations’ are the Levying Bodies (General) Regulations 1992, see <http://www.legislation.gov.uk/uksi/1992/2903/contents/made>]

Annexe C

WRWA Default Charging Methodology

Analysis of Waste by Commercial/Household

Source of data is WRWA

	Proportions of household tonnage delivered for the last complete financial year 2014/15	Cost of Household Waste 2015/16 WRWA Budget £000s	Proportions of commercial waste tonnage last complete year 2014/15	Cost of Commercial Waste WRWA 2015/16 Budget £000s	Total WRWA Budget 2015/16 £000	Weighted proportion
H&F	0.19	5860	0.25	3150	9010	0.21
K&C	0.19	6111	0.26	3197	9308	0.21
L	0.28	8818	0.42	5140	13958	0.32
W	0.34	10735	0.07	887	11622	0.26
	1.00	31524	1.00	12374	43898	1.00

Impact of Reversion to Default Charging Method

Data from WRWA Budget Paper 793 November 2015

	Tonnes		2015/16 Forecast Charges to Boroughs £000s				2015/16 forecast if Weighted Proportion 2014/15 tonnages used £000s	Add 2.2% extra charge from WRWA for risk	Increase/Decrease (-) to 2015/16 Forecast £000s	Notes
	2014/15 Actuals	2015/16 Forecast	General Waste	Co-mingled recycle	Other	Total				
Civic Amenity	22001	22548						0.022		1
H&F	73882	73645	8690	284	99	9073	9056	9255	182	
K&C	79036	79167	8732	412	92	9236	9355	9560	324	
L	113752	112396	13226	454	72	13752	14029	14337	585	
W	100526	101952	11313	480	266	12059	11681	11938	-121	
Total	389197	389708				44120	44120	45091	971	

Total

389207

389677

0

10

-31

Notes:

1. Civic amenity disposal costs are charged to boroughs separately as part of the levy, using the Council Tax base as the apportionment basis, so are not relevant to this calculation.