

Agenda Item No:

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:

NON-HOUSEHOLD WASTE ASSESSMENT SYSTEM

REPORT OF:

HEAD OF WASTE STRATEGY & CONTRACTS

FOR SUBMISSION TO:

AUTHORITY MEETING.

DATE:

19th September 2007

SUMMARY OF REPORT:

The report develops the new method discussed in detail by the Authority since September 2006 for assessing the amount of non-household waste delivered for disposal by each borough and recommends formal approval of the system for use in 2008/09.

RECOMMENDATIONS

The Authority is recommended to approve the method for assessing and charging the constituent borough councils for non-household waste disposal as set out in paragraphs 2.2, 2.5 and 2.6 of the report.

Signed by:

**Head of Waste Strategy &
Contracts**

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Date:.....

1 BACKGROUND

- 1.1 Non-household waste received by the Authority is primarily composed of “commercial” wastes delivered by the boroughs, either from their trade waste customers or from their own activities in other capacities (e.g. as Highway Authorities). Currently, the non-household element is calculated by the Authority using a methodology developed in 1995 and is payable by the boroughs directly as a charge. The remainder of waste is accepted as household waste and is payable by the boroughs as a levy using the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006.
- 1.2 The current methodology relies on a survey undertaken by Authority officers in partnership with borough officers whereby a detailed assessment of the proportions of household and non-household waste in each Borough’s refuse collection service were assessed both on paper and through on-street surveys to include any variances between contracted trade waste tonnages and actual trade waste tonnages. The survey arrived at an agreed percentage of each borough’s refuse collection waste that was non-household, and these same percentages have been applied since that date. Other borough waste streams (e.g. “clinical”, “sweepings” or “construction”) are received either as wholly household waste or wholly non-household waste in accordance with regulations.
- 1.3 Work has been undertaken in recent years to develop an alternative to the above methodology but this was overtaken firstly by Members’ request to develop full proposals for a voluntary move to a tonnage-based levy and then by the Government’s consultation and subsequent legislation for a change to the default levy apportionment system such that a three year transition to a tonnage-based levy started in the current financial year.
- 1.4 In September 2006, the Authority considered the principles of two alternative methods of assessing the amount of non-household waste delivered by each borough, and the Authority agreed that a full proposal should be developed for the next meeting, based on an agreed volume:weight ratio that would be used to determine the amount of waste for each container used for the collection of non-household waste, and to multiply this amount in weight by the number of each container-type in use and the frequency of collection in each borough.

- 1.5 At the same time it was reported that given the default levy regulations provide for a levy apportioned mostly on tonnage, the proposed method by which the Authority will assess the amount of each Borough's non-household waste no longer has the potential to affect the costs payable by other Boroughs, as it would have done under the former council tax based levy because any individual Borough will either pay for their tonnages by way of a direct non-household waste charge or as a share of the levy. It was also reported that any change to the means of attributing the non-household charges does not require the unanimous agreement of the constituent borough councils, unlike changes to the levy, but the Authority has sought this in the past because a successful challenge could undermine the sufficiency of the levy if it was held that less waste was non-household than provided for in the budget and levy setting process. All-borough agreement was secured for the current methodology.
- 1.6 In December 2006 progress was reported on securing agreement amongst the seven constituent borough councils, but it was concluded that due to concerns about the impact of the change on the structure of their budgets (which were already well advanced for 2007/08 trade waste services) and that the scheme was not yet sufficiently robust to withstand scrutiny or challenge as the Authority did not have its own independent evidence base for the volume:weight ratio.
- 1.7 The proposed scheme was therefore not approved for 2007/08, but it was resolved that a survey be commissioned to establish a representative volume:weight ratio for non-household waste in the Authority area that could be used to set non-household waste charges from 2008/09.
- 1.8 It was also noted last December, and remains true, that the Authority requires certainty in setting its budget and the Financial Adviser has indicated that it would be necessary that any significant change to the charging allocation proposed be decided early enough to give good warning to boroughs of changes in the levy for the following financial year, as expenditure of over £1m could be transferred from the levy and converted to household waste charges. This is why the matter is coming to this meeting of the Authority for implementation in 2008/09.
- 1.9 Finally, it should be noted that for a given tonnage of residual municipal waste, if a higher percentage is demonstrated to be non-household, the amount that is from households will therefore be lower and the base figure for calculating the Authority's Best Value Performance Indicators for recycling and composting will also be lower. This will have the one-off effect in the first year of improving the Authority's reported recycling and composting rate. All subsequent years however, will then be calculated on a consistent basis.

2. OUTLINE PROGRESS SINCE DECEMBER 2007

- 2.1 Authority officers are now ready to recommend a new scheme for the assessment of the amount of non-household waste in each constituent borough council's 'refuse' waste stream.
- 2.2 The scheme is to be based on each constituent borough council's own trade refuse contracts and internal recharges. As these are specified by the volume of waste (i.e. a trade waste customer might have two 1100ltr wheeled bins emptied once a week), it is necessary to apply a volume:weight ratio in order to arrive at a tonnage figure that can be used for data reporting requirements and for non-household waste charges payable to the Authority by the constituent borough councils. The scheme therefore relies on declarations from the constituent borough councils relating to the volumes of waste they collect, and on the precise level of the volume:weight ratio used. These are to be approved at Director level in the constituent borough councils and will be validated by Authority officers before being used for budgeting and charging.
- 2.3 Authority officers have commissioned a survey of typical non-household waste weights across the Authority area. This was achieved by measuring the weights of some 350 wheeled bins and 350 sacks, which were drawn evenly from across the seven boroughs. This has provided a typical volume:weight ratio such that each cubic metre of non-household container capacity amounts to 0.09 tonnes of waste.
- 2.4 As some boroughs indicated they might wish to conduct their own survey to establish a more localised volume:weight ratio, Authority officers agreed that provided the same sample size was repeated in full, and provided the survey methodology was acceptable, that the Authority would respect any such borough-specific ratio. Enfield has taken up this option, and Haringey is in the process of doing so, and has agreed to submit its survey report and local ratio by Friday 21st September for validation.
- 2.5 So as to ensure budget setting certainty in the future, if any other constituent borough council wishes apply its own local volume:weight ratio, it should use the above sample size, seek the Authority's approval of the methodology, conduct the survey and submit the results to the Authority for validation by the 31st August in any one financial year for application in the following financial year.
- 2.6 The Authority's own volume:weight ratio and any local ratios should be updated using the same minimum sample of 350 wheeled bins and 350 sacks every two years unless agreed otherwise (i.e. the next survey to be undertaken in 2009/10 for use in 2010/11).

- 2.7 Authority officers have also obtained updated declarations from each constituent borough council of all the types of collection they provide for residual non-household waste, their volume and their frequency and converted this volume of residual non-household waste to a tonnage by applying the ratio of 0.09 tonnes per cubic metre from the Authority-wide survey above.
- 2.8 The effect of the change to this system is shown in the table at Appendix 1, but it is calculated on the basis of current declarations that in 2008/09 an additional 20,268 tonnes would be classified as non-household, with changes in individual borough ranging from minus 5,509 tonnes and £363k in Haringey to plus 8,960 tonnes and £590k in Hackney. There may therefore be some changes to the extent that the first formal declarations vary from the initial ones supplied.
- 2.9 Authority officers met with officers from all constituent borough councils on 4th September 2007 and a detailed methodology for applying the volume:weight ratio as set out at Appendix 2 was agreed, subject to caveats raised by Camden and Haringey. Camden remains concerned at the scale of increases to their non-household waste charges to their customers that this new system may cause, and Haringey is concerned that it may have a detrimental effect on their BVPIs. Both have suggested that some form of phased two-year introduction of the new scheme would help. It appears however that Camden is seeking a mitigating form of phasing that will calculate lower non-household tonnes and charges in 2008/09 (i.e. delay the increase in non-household waste charged for), whereas Haringey is seeking higher non-household tonnes and charges (i.e. delay the fall in non-household waste charged for).
- 2.10 A phasing system could be constructed that achieves both these objectives by calculating Borough non-household arisings for 2008/09 using both the current and the proposed systems, and charging for the mid-point between the two tonnage levels. This would mean however that the benefits to be gained by other boroughs would also be delayed.
- 2.11 There may also be difficulties in justifying to auditors (financial and best value) the rationale for charging and reporting on this basis, rather than using the most accurate available data. If the Authority so wishes, further work can be done on this, in which case Authority officers will liaise fully with finance officers as well as technical officers in the constituent borough councils to ensure that their budget preparation processes for 2008/09 are fully informed in relation to likely changes so that the risk of repeating last year's events (1.6 above) is minimised.

- 2.12 Haringey has also raised concerns about the accuracy of the data that the Authority will be reliant upon. Authority officers believe however that whilst there may still be some minor undiscovered inaccuracies in the volumes of non-household waste (contracted and recharged) received from the constituent borough councils for the current modelling, the formal scheme declarations to be submitted by them (approved at Director-level) and the following validation by Authority officers will provide as robust a data set as is possible in any similar environment. There is also the comfort set out at 1.5 above that under the new tonnage-based levy, any inaccuracies will be largely contained within the relevant constituent borough council insofar as all collected tonnage (household or non-household) is effectively paid for either through non-household waste charges or through a tonnage-based proportion of the levy.
- 2.13 On balance therefore, Authority officers believe it is reasonable to proceed with the new method for assessing and charging constituent borough councils for the disposal of non-household waste as set out above.

3. RECOMMENDATION

- 3.1 The Authority is recommended to approve the method for assessing and charging the constituent borough councils for non-household waste disposal as set out in paragraphs 2.2, 2.5 and 2.6 of the report.

4. COMMENTS OF THE FINANCIAL ADVISER

- 4.1 Whilst the calculation of non-household charges is a matter that could be decided by majority decision, it remains my view that there should be all-borough consensus, if at all possible, on the proposed way forward in order to provide budget certainty. As reported above, consensus has been secured to the detailed methodology for calculating non-household tonnages from 2008/09 onwards, save that both Camden and Haringey for different reasons have indicated a preference for a phased change. For reasons also set out in this report I believe that phasing would not be a sustainable way forward.
- 4.2 The financial effect of the proposed change is to increase the amount that the Authority raises through its non-household charges and to reduce the amount that is recovered through the levy. Using 2008/09 projected costs as reported to the June Authority meeting (as part of the update on the budget outlook for future years), Appendix 1 compares the estimated borough share of 2008/09 costs using both the current and proposed methodologies for determining non-household volumes and charges. The illustration indicates that non-household charges could increase by c. £1.334m and the levy would reduce by the same amount. The net impact of the change may be summarised as follows:

	Non-Hse Tonnes	Non-Hse £'000	Levy £'000	Total £'000
Barnet	+ 3,376	+ 222	- 258	- 36
Camden	+ 8,124	+ 535	- 169	+ 366
Enfield	+ 1,960	+ 129	- 182	- 53
Hackney	+ 8,960	+ 590	- 194	+ 396
Haringey	- 5,509	- 363	- 196	- 559
Islington	+ 8,547	+ 562	- 169	+ 303
Waltham Forest	- 5,190	- 341	- 166	- 507
Total	+ 20,268	+1,334	-1,334	0

4.3 The table shows that non-household tonnages for five boroughs would increase resulting in an additional charge, and that charges will reduce for two boroughs. All boroughs would benefit from a reduction in the levy in proportion to the relevant basis for apportioning the levy. The above figures assume that the levy will be apportioned in accordance with the default levy apportionment arrangements. The effect of the change will have a one-off effect in the year of change, thereafter non-household charges will only be influenced by year-on-year movement in tonnages and prices.

4.4 Members should also note that as there is a two-year time lag in non-household tonnage changes being reflected in the default levy apportionment arrangement for household waste costs, the change in the levels of non-household waste tonnages per borough in 2008/09 will not reflect in the levy apportionment calculation until 2010/11.

5. COMMENTS OF THE LEGAL ADVISER

5.1 Section 52(9) Environmental Protection Act 1990 says that a waste disposal authority is entitled to receive from a waste collection authority such sums as are needed to reimburse the waste disposal authority the reasonable cost of making arrangements under section 51(1) (general duty to arrange for the disposal of controlled waste in its area) for the disposal of commercial and industrial waste collected in the area of the waste disposal authority.

5.2 In considering the proposed changes, Members should consider the impact on the Authority's budget for 2008/09 and subsequent years, and the fact that the revised methodology will, if agreed, be used in the calculation of the levy and budget setting presented to the Authority at the meeting in February 2008. The Legal Adviser supports the comments of the Financial Adviser concerning the decision making process for financial matters of the Authority.

Local Government Act 1972 – Access to information

AEA survey of the weight of non-household waste in North London
Notes arising from Technical Officer Group meeting September 2007

Contact Officer: Andrew Lappage, Head of Waste Strategy & Contracts
Lee Valley Technopark, Unit 169
Ashley Road
Tottenham N17 9LN

Tel: 020 8489 5730
Fax: 020 8365 0254
Email: post@nlwa.gov.uk

Appendix 1

NLWA - REVIEW OF THE NON-HOUSEHOLD WASTE CHARGING SCHEME - ILLUSTRATION OF THE EFFECT ON BOROUGHES

2007/08 ACTUAL	2008/09 PROJECTED COSTS USING CURRENT NON-HSE METHODOLOGY		2008/09 PROJECTED COSTS USING PROPOSED NEW NON-HSE METHODOLOGY		VARIANCE
	APPROVED 2007/08 £'000	BUDGET FORECAST 2008/09 £'000	BUDGET FORECAST 2008/09 £'000	BUDGET FORECAST 2008/09 £'000	
NLWA APPROVED NET BUDGET 8 2 07	48,593				
		PROJECTED COSTS AS AT 27 6 07 (1ST BUDGET REVIEW)	50,783	PROJECTED COSTS AS AT 27 6 07 (1ST BUDGET REVIEW)	50,783
FUNDED BY:		FUNDED BY:		FUNDED BY:	
BALANCES	4,808	BALANCES	753	BALANCES	753
NON-HOUSEHOLD CHARGES	8,884	NON-HOUSEHOLD CHARGES	10,260	NON-HOUSEHOLD CHARGES	11,594
LEVY	34,901	LEVY	39,770	LEVY	38,436
TOTAL	48,593	TOTAL	50,783	TOTAL	50,783
					-
					1,334
					- 1,334
					-

ILLUSTRATION OF POTENTIAL CHANGE 2008/09 ON INDIVIDUAL BOROUGHES

COLUMN NO:	2008/09 PROJECTED COSTS USING CURRENT NON-HSE METHODOLOGY					2008/09 PROJECTED COSTS USING PROPOSED NEW NON-HSE METHODOLOGY					VARIANCE								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
	NON-HSE TONNES	2007/08 £'000	LEVY TONNES	2007/08 LEVY £'000	2007/08 TOTAL £'000	2008/09 NON-HSE TONNES	2008/09 NON-HSE £'000	2008/09 LEVY TONNES	2008/09 LEVY £'000	2008/09 TOTAL £'000	2008/09 NON-HSE TONNES	2008/09 NON-HSE £'000	2008/09 LEVY TONNES	2008/09 LEVY £'000	2008/09 TOTAL £'000	<u>CURRENT V PROPOSED</u>			
																NON-HSE TONNES	NON-HSE £'000	LEVY £'000	TOTAL £'000
NOTE:	A		C			A		D			B		D						
BARNET	19,539	1,113	113,975	6,901	8,014	19,539	1,285	122,480	7,802	9,087	22,915	1,507	122,480	7,544	9,051	3,376	222	-258	-36
CAMDEN	34,066	1,941	80,027	4,775	6,716	34,066	2,241	80,171	5,139	7,380	42,190	2,776	80,171	4,970	7,746	8,124	535	-169	366
ENFIELD	12,810	730	88,697	5,439	6,169	12,810	843	86,174	5,603	6,446	14,770	972	86,174	5,421	6,393	1,960	129	-182	-53
HACKNEY	23,353	1,330	87,657	4,410	5,740	23,353	1,536	91,435	5,537	7,073	32,313	2,126	91,435	5,343	7,469	8,960	590	-194	396
HARINGEY	21,107	1,202	86,801	4,785	5,987	21,107	1,389	92,804	5,751	7,140	15,598	1,026	92,804	5,555	6,581	-5,509	-363	-196	-559
ISLINGTON	25,773	1,468	74,081	4,350	5,818	25,773	1,696	79,892	5,039	6,735	34,320	2,258	79,892	4,870	7,128	8,547	562	-169	393
WALTHAM FOREST	19,308	1,100	77,222	4,241	5,341	19,308	1,270	78,630	4,899	6,169	14,118	929	78,630	4,733	5,662	-5,190	-341	-166	-507
TOTAL	155,956	8,884	608,460	34,901	43,785	155,956	10,260	631,586	39,770	50,030	176,224	11,594	631,586	38,436	50,030	20,268	1,334	-1,334	0

NOTE A: 2007/08 NON-HOUSEHOLD TONNAGES AS CALCULATED UNDER THE CURRENT METHODOLOGY - USED FOR BOTH 2007/08 AND 2008/09 (BASE)

NOTE B: 2008/09 NON-HOUSEHOLD TONNAGES AS CURRENTLY NOTIFIED BY BOROUGHES - FINAL FIGURES WILL NEED TO BE APPROVED BY DIRECTORS

(NB. NON- HOUSEHOLD TONNAGES ALSO INCLUDE BOROUGH CONSTRUCTION WASTE)

NOTE C: 2007/08 LEVY IS APPORTIONED ON A 2/3RDS HOUSEHOLD TONNES AND 1/3RD 2007/08 CTAX BASIS (HOUSEHOLD ELEMENT OF THE LEVY) AND 100% 2007/08 CTAX BASIS (OTHER COSTS ELEMENT OF THE LEVY)

COLUMN 3 SHOWS 2005/06 ACTUAL HOUSEHOLD WASTE TONNAGES

NOTE D: 2008/09 LEVY WILL BE APPORTIONED 100% HOUSEHOLD TONNES (HOUSEHOLD ELEMENT OF THE LEVY) AND 100% 2008/09 CTAX (OTHER COSTS ELEMENT OF THE LEVY) - FOR THE PURPOSE OF THIS EXEMPLIFICATION

2007/08 CTAX DATA HAS BEEN USED - THIS DATA IS NOT AVAILABLE UNTIL FEBRUARY 2008 BUT IS UNLIKELY TO HAVE MUCH IMPACT ON THE COMPARISON

COLUMNS 8 AND 13 SHOW 2006/07 ACTUAL HOUSEHOLD WASTE TONNAGES

Non-Household Waste System - 2008-09 onwards Authority Meeting 19-9-07

2008/09

1. NLWA to produce template forms for Boroughs (as with TAS sheets) by 30/9/07
2. Boroughs to declare non-household waste volumes as at 1/10/07 by 31/10/07 (declaration to include all trade waste contracts, trade sack sales, one-off trade collections and any relevant internally recharged non-household wastes). Volumes to be sub-divided into
 - a. residual non-household waste
 - b. recyclable non-household waste to NLWA
 - c. compostable non-household waste to NLWA
 - d. recyclable non-household waste to third parties
 - e. compostable non-household waste to third parties
3. Boroughs to forecast non-household waste volumes from 1/4/08 to 31/3/09 by 31/10/07 in the categories at 2. above and, if possible, an updated forecast by 20/1/08
4. NLWA to validate declarations and first forecast (2 and 3 above) by 15/11/07
5. NLWA to use declarations and forecasts to set 2008/09 budget & levy (Budget Forecast - Dec07 meeting; Proposed Budget & Levy - Feb08 meeting)
6. Boroughs to submit quarterly declarations to NLWA of prevailing contract (and recharge) levels for non-household waste volumes as at 2. above to evidence changes in activity that have occurred since preceding quarter's declaration
7. NLWA to charge boroughs 'on account' for non-household waste in 2008/09 using validated declarations (4. above)
8. NLWA to report in June 08 Year Base tonnages for each borough as at 1/4/08 using validated declarations from boroughs
9. Boroughs to supply NLWA with final 2008/09 quarterly update by 30/4/09
10. NLWA to finalise full 2008/09 non-household waste tonnages and charges by 15/5/09 and to include in final accounts to June NLWA meeting

2009/10

11. NLWA to issue proposed 2009/10 year base as at 1/10/08 in wk1 Nov 08
12. Boroughs to forecast non-household waste volumes from 1/4/09 to 31/3/10 by 31/10/08 in the categories at 2. above and, if possible, an updated forecast by 20/1/09
13. Boroughs to submit quarterly declarations to NLWA of prevailing contract (and recharge) levels for non-household waste volumes as at 6. above
14. NLWA to validate forecasts and declarations
15. NLWA to use forecasts and declarations to set 2009/10 budget and levy (Budget Forecast - Dec08 meeting; Proposed Budget & Levy - Feb09 meeting)
16. NLWA to charge boroughs 'on account' for non-household waste in 2009/10 as at 12. and 14. above
17. NLWA to report in June 09 2009/10 Year Base tonnages for each borough using previous validated declarations from boroughs
18. Boroughs to supply NLWA with final 2009/10 quarterly update by 30/4/10
19. NLWA to finalise full 2009/10 non-household waste tonnages and charges by 15/5/10 and to include in final accounts to June 2010 NLWA meeting

General

20. All borough submissions to be signed-off by a Borough Director
21. 2009/10 pattern to repeated every year unless the Authority resolves otherwise

Report Ends