

**Agenda Item No:**

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:**

**NON-HOUSEHOLD WASTE CHARGING REVIEW**

**REPORT OF:**

**HEAD OF WASTE STRATEGY & CONTRACTS**

**FOR SUBMISSION TO:**

**AUTHORITY MEETING.**

**DATE:**

**20<sup>th</sup> December 2006**

**SUMMARY OF REPORT:**

The report develops the new method agreed in principle at the last Authority meeting for assessing the amount of non-household waste delivered for disposal by each borough, illustrates its broad impact but recommends that the Authority continues with the current scheme in 2007/08 and refines its evidence base before implementing the new scheme in 2008/09.

**RECOMMENDATIONS**

The Authority is recommended to:

- i) continue to use its current method of assessing the amount of non-household waste delivered by each constituent borough council for the 2007/08 financial year; and
- ii) commission a survey of non-household waste in its area in order to determine a volume:weight ratio that it can use for setting non-household waste charges from 2008/09.

**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 After consideration of the principles of two alternative methods of assessing the amount of non-household waste delivered by each borough, the Authority agreed at its last meeting that a full proposal should be developed for this meeting, based on agreed average amounts 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 It was reported at the last Authority meeting that now that 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.

- 1.6 It was also reported at the last Authority meeting 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.
- 1.7 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 £3m could be transferred from the levy and converted to household waste charges.
- 1.8 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 consistent bases.

## **2. PROGRESS SINCE SEPTEMBER 2006**

- 2.1 Authority officers have obtained initial declarations from each constituent borough council of all the types of collection they provide for residual non-household waste, their volume and their frequency. Authority officers have also sought any information our boroughs have regarding the volume: weight ratio of their residual non-household waste, as well asking AEA Technology, our retained technical consultant, to consider similar available data from other parts of the country. The proposed method for assessing the amount of residual non-household waste in each borough's 'refuse' stream was then modeled, and the results sent to each borough for officers to consider the reasonableness of the outcome.
- 2.2 Each borough had declared the volume of residual non-household it collected under contract and therefore delivered to the Authority in November 2006 (or an agreed substitute month) by setting out the volume and frequency of collection of every type of residual non-household waste service it provided to its contracted customers and Authority officers had converted this volume of residual non-household waste to a tonnage by applying the ratio of 0.11 tonnes per cubic metre (this ratio having come from a survey of some 200 trade waste containers in Haringey, and the ratio being within the range of similar surveys known to AEA Technology).

- 2.3 The Authority had then taken this tonnage amount of residual non-household waste from each borough and illustrated borough-by-borough the effect that it would have on the assessment of the quantity of non-household waste in the 'refuse' stream using 2005/06 'refuse' tonnage data as a guide. At that time the change indicated an additional 46,500 tonnes should be classified as non-household, with individual borough changes ranging approximately from minus 4,000 to plus 18,000 tonnes.
- 2.4 Authority officers proposed that the individual borough declarations of non-household waste could then be converted to a percentage of the amount of waste delivered as 'refuse' in the following year, and that the percentage could be updated for each borough every year thereafter by way of a fresh declaration of each borough's trade waste contracts. Authority officers also proposed that they might do some spot-checks or auditing of these declarations in future years at the same time as verifying recycling credit or biodegradable municipal waste incentive claims.
- 2.5 At a meeting the Technical Officers from all boroughs jointly considered the model and its reasonableness across the whole authority area, and gave the model their preliminary acceptance or approval in relation to its principles and structure. However, since the meeting other concerns have arisen regarding the precise volume:weight ratio to be used and the impact of the change on the structure of borough budgets, which are already well advanced for 2007/08, particularly in relation to boroughs' trade waste service costs and income.
- 2.6 Given these concerns that boroughs have most recently raised, and given that the Authority does not have its own independent information base on which to build the new system (most notably in relation to the volume:weight ratio), it is recommended that the Authority should continue with its current scheme for 2007/08, but should also commission a survey of non-household waste in its area in order to determine a volume:weight ratio it can use for setting non-household waste charges from 2008/09. This survey will be paid for from within existing budgets.
- 2.7 This has the benefit of leaving the current scheme unchanged for 2007/08, which is a target year for some boroughs and the Authority under the best value statutory performance standard regime, and of the Authority having its own evidence base for setting non-household waste charged in future years.

### **3. RECOMMENDATIONS**

3.1 The Authority is recommended to:

- i) continue to use its current method of assessing the amount of non-household waste delivered by each constituent borough council for the 2007/08 financial year; and
- ii) commission a survey of non-household waste in its area in order to determine a volume:weight ratio that it can use for setting non-household waste charges from 2008/09.

### **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 strong view that there should be all-borough consensus on the proposed way forward. In September I advised that as the balance between the levy and non-household charges in the year of change could be significant, it was important that decisions about the arrangements for 2007/08 were reached at the December 2006 meeting in order that borough finance directors were able to factor any changes into their respective budget planning processes. Given the concerns raised by boroughs, officers are not in a position to recommend a change to next year's non-household charging arrangement and therefore it is recommended that the current methodology is used for 2007/08.

### **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.

#### **Local Government Act 1972 – Access to information**

Authority reports of April and October 2005 and September 2006

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**Report Ends**