

**LATS Members' Working Group 16th January 2006
(Previously considered by Technical Officer Group - 17th November 2005)**

Allowance Trading Scheme - Overview

Allowances issued to WDAs on the basis of 2001/02 municipal waste data.

Allowances relate to both household and non-household waste.

NLWA allowances for 2005/6 are 312,933 increasing to 358,996 in 2009/10 but tapering to 239,117 by 2012/13 and tapering further to 167,318 by 2019/20.

NLWA has benefited from its investment in waste treatment facilities not requiring landfill and have diverted a significant proportion of its tonnage from landfill by recycling or composting. NLWA has also benefited from the DEFRA method of calculating allowances.

A LATS allowance is an asset that is consumed when it is used.

Unused allowances can be banked for use or sale in the future.

Whereas boroughs are actively increasing their recycling and composting activity (statutory targets) at considerable cost there is no such incentive for trade waste customers.

Non-household deemed share of 2006/07 LATS is 64,983 tonnes (20.27% of 320,610) reducing to 33,915 tonnes (20.27% of 167,318) by 2019/2020, i.e. a reduction of 31,068 tonnes. This is equivalent to 45,688 tonnes assuming a 68% biodegradable content.

Consideration needs to be given to the ways of taking into account the opportunity cost of using allowances for non-household waste, i.e. to reflect the use of the asset.

In December 2004/February 2005 the Authority considered the merit of making a supplementary charge for non-household waste but decided in view of the uncertainties regarding value of allowances, the trading and accounting arrangements and the potential impact on borough trade waste and street scene services to defer implementation. It was felt that to add a charge would potentially drive the borough's trade waste customers into the 'uncontrolled' private sector or lead to waste being collected as fly-tipped household waste and paid for from the levy.

Draft CIPFA accounting guidance has issued for consultation – this is being reviewed.

There is minimal LATS trading at the moment. Prices are currently c. £20 per tonne.

This income could be used to:

- 1) Reduce levy borne costs,
- 2) Introduce a scheme for encouraging boroughs to reduce the BMW content of their waste stream (both household and non-household),
- 3) Establish a reserve for purchasing landfill allowances in the future,
- 4) Establish a reserve to fund new treatment facilities,
- 5) A combination of the above.

In the period 2006/07 to 2009/10 the NLWA should have surplus allowances that could be traded. Subject to clarification of the LATS accounting regime and trading strategy any income from this source would also be available to assist with any of the above uses.

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