

ITEM 8

PAPER NO. WRWA 22-24

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	21 st September 2022
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 020 8871 2788) 12 th September 2022
SUBJECT	Charging arrangements between the Authority & the Constituent Councils.
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STATUS	Open - circulation of this paper is not restricted.
BACKGROUND PAPERS	The Joint Waste Disposal Authorities (Levies) (England) Regulations 2006 (legislation.gov.uk)

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EXECUTIVE SUMMARY AND BACKGROUND

1. At a number of recent Authority meetings Members have questioned the basis of the Authority's recharging of costs, in particular those relating to the Household Waste and Recycling Centre ("HWRC"). The Chair of the Authority has requested that Members be advised of both the current arrangements and the statutory default mechanism and, in addition, he has requested that an option be presented which shows how the HWRC could be recharged on a usage basis at the expiry of the current arrangement. It is not possible to look at the HWRC in isolation of the other costs of the Authority and the paper looks at not only HWRC cost recharges, but all costs and recharges.
2. The Statutory basis for recharging the Authority's costs is set out in the [Joint Waste Disposal Authorities \(Levies\) \(England\) Regulations 2006](#). In the regulations, a joint waste disposal authority may issue levies on its constituent councils to meet all liabilities falling to be discharged by it for which no provision is otherwise made. Provision is made under s52(9) of the Environmental Protection Act 1990 for a waste disposal authority to charge its constituent councils for the costs of treating commercial and industrial waste. How an authority's remaining costs are recovered can either be by agreement between all its Constituent Councils, or by a default methodology. The default methodology is to charge for household waste delivered by the constituent councils in proportion to the last full set of previous year's household tonnage and all other costs based on Council Tax bases.
3. The Authority entered an agreement, for the apportionment of waste disposal costs (the "AWDC"), with its four constituent councils in 2009, renewed in 2016. It is agreed under the AWDC that the councils would pay an agreed rate per tonne for the tonnage of each waste type delivered (household or commercial). These rates would be based on the rates charged by the Authority's contractor. This would enable differential charges for recycle and general waste, encouraging boroughs to both reduce waste arisings and increase the level of recycling by paying less. All other costs, including the HWRC, are recharged based on the Council Tax base. The HWRC was recharged on that basis as there was no other accurate assessment of usage.
4. The Authority introduced a booking system for residents to use the HWRC in 2021. Up until that time the Authority had no certainty as to which Council's residents were using the HWRC. However, the booking system enables the Authority to determine the historic number of bookings per borough which could be used as a basis of charging for the tonnage deposited at the HWRC. This matter has been raised at a number of Authority meetings recently and, although the current agreement does not expire until the end of 2024/25, it is

timely to consider three potential options for future charging which are: the current basis of charge, a modified current basis, including charging the HWRC on visitor numbers, and the statutory default mechanism. These are explained and exemplified in the report.

CURRENT BASIS OF CHARGE

5. The current basis of charge involves the Authority agreeing annual charge rates for general waste and recycle; these charges are based on the anticipated costs charged by the contractor for the forthcoming year and the rates are agreed by the Authority at its Levy setting meeting in January/February each year. These rates may not fully reflect the Costs incurred from the Contractor, as these are reviewed annually under the WMSA based on January cost information which is not published until after the statutory deadline for the Authority to publish its levy arrangements on the constituent councils. These rates apply to all collected waste from the Councils which is delivered to the Authority.
6. All other costs incurred by the Authority, including the waste deposited at the HWRC, is recovered based on Council Tax base. Table 1 below shows the actual costs for each Council in 2021/22 on the current AWDC basis of charge, the Levy element of the costs is split between costs of the HWRC and other costs.

Table 1

Borough	AWDC Charges £,000	HWRC Charge on Council Tax Base (£),000	Other Council Tax Base Levy Costs £,000	Total £,000
HF	9,535	326	513	10,374
KC	9,165	390	616	10,171
LA	15,114	446	704	16,264
WA	14,036	548	863	15,447
Total	47,850	1,710	2,696	52,256

MODIFIED METHOD OF CHARGE TO REFLECT HWRC USAGE

7. As explained in paragraph 4, the use of the booking system enables the Authority to know the borough of residence of users of the HWRC. This will include residents of Westminster who, through a long-standing arrangement reviewed annually, are allowed access to the HWRC. The operating costs of the HWRC are not separately priced in the WMSA, but are part of the overall

price per tonne paid by the Authority to the contractor. However, the tonnage deposited at the HWRC is known, and thus it is possible to recharge that sum based on visits if the agreement is revised at a future date. The total cost of tonnage managed at the HWRC in 2021/22 was £1,710,000, after deducting income of £266,000 from Westminster. The usage of the site, based on bookings, was: Wandsworth 69%, Lambeth 13%, K&C 4%, H&F 13%. If these percentages had been used as the basis of recharge for the site the charges, compared to the current basis of charge, would have been as shown in Table 2 below.

Table 2

Borough	Council Tax Base Levy (%)	HWRC Charge on Council Tax Base (£)	Bookings (%)	HWRC Charge on Bookings (£)	Difference (%)	Difference (£)
HF	19%	325,622	13%	230,578	-6%	95,044
KC	23%	390,436	4%	68,141	-19%	- 322,295
LA	26%	446,323	13%	228,083	-13%	- 218,240
WA	32%	547,619	69%	1,183,198	37%	635,579
Total	100%	1,710,000	100%	1,710,000	0%	-

8. The recycling tonnage received at the HWRC is currently allocated to the boroughs as per the Council Tax Base, in line with the current charging methodology. If the HWRC charge were to be proportioned on the basis of HWRC bookings, then it would seem equitable to also split the recycling tonnage on that basis. The impact that would have had on borough recycling rates in 2021/22 is shown in Table 3 below.

Table 3

Borough	Current Household Recycling Rate (%)	Revised Household Recycling Rate (%)	Recycling Percentage Point Change
HF	26.3%	25.6%	-0.71%
KC	23.1%	20.7%	-2.42%
LA	34.5%	33.6%	-0.90%
WA	22.9%	25.0%	2.15%
Total	26.7%	26.7%	0.00%

9. Any amendment to the current mechanism to recharge the HWRC on a revised basis requires the agreement of all of the Constituent Councils, as well as the Authority. In the absence of any agreement, the current arrangements would apply until the agreement expires in March 2025.

STATUTORY DEFAULT MECHANISM

10. Although not immediately relevant to the discussion of recharging the HWRC costs, the Authority needs to be mindful of what would happen if the Boroughs are unable to reach agreement on a new agreement at the end of the current arrangement. In that scenario the statutory default mechanism would apply. The statutory default mechanism is based on historic tonnages for household waste as the basis of charge. In respect of 2021/22, the basis of charge would have been the 2019/20 tonnage proportions. As, under the statutory default mechanism, the risk on tonnage effectively rests with the Authority rather than the Constituent Councils, there will be a need for the Authority to effectively “inflate” costs to guard against losses being incurred by the Authority in the event of tonnages increasing; conversely, the Authority will gain if tonnages decrease in year. There is also, under the statutory default mechanism, no differentiation between waste types, so a Council that reduces or recycles more of their waste only gains a proportion of the financial benefit from this. The other key difference is that commercial waste is treated as a charge recovered under powers within Section 52(9) of the Environmental Protection Act 1990; this calculation has historically been done on the basis of actual tonnage.
11. Details of the Household Waste delivered by each borough to the Authority in 2019/20 (as reported by constituent councils for submission to WasteDataFlow) are set out in Table 4 below, which is then used to apportion the overall Household Waste costs on the statutory default levy basis.

Table 4

Borough	WasteDataFlow Household Waste (Tonnes)	Household Waste not via WRWA or HWRC (Tonnes) ¹	Household via WRWA (Tonnes)	Household via WRWA (%)
HF	45,596	1,721	43,876	17.40%

¹ All of the boroughs declare a small percentage of material either recycled by themselves or local charities, but the most significant tonnage is the mixed food and garden waste that Lambeth manages independently of the Authority.

KC	51,978	2,238	49,740	19.73%
LA	76,793	9,123	67,670	26.84%
WA	93,805	2,963	90,842	36.03%
Total	268,172	16,044	252,128	100.00%

11. Based on the 2021/22 overall municipal waste tonnages and 2019/20 tonnages of household waste, and the recharge of all other costs on Council Tax Base, the estimated recharges for 2021/22 on the statutory recharge basis is shown in Table 5 below.

Table 5

Borough	Household £,000	Commercial £,000	Tax Band D £,000	Total £,000
HF	5,676	3,875	839	10,390
KC	6,435	3,055	1,006	10,495
LA	8,754	6,491	1,150	16,395
WA	11,752	1,813	1,411	14,976
Total	32,616	15,234	4,406	52,256

12. As explained in paragraph 8, the household figures would need to be inflated and Table 6 below allows also for a 2% increase in household waste costs.

Table 6

Borough	Household £,000	Commercial £,000	Council Tax Base Levy £,000	Total £,000
HF	5,789	3,875	839	10,504
KC	6,563	3,055	1,006	10,624
LA	8,929	6,491	1,150	16,570
WA	11,987	1,813	1,411	15,211
Total	33,269	15,234	4,406	52,908

13. Tables 7 and 8 below then compare the overall cost of the examples given.

Table 7

Borough	AWDC System Total Cost £,000	Default Basis with 0% Household margin Total Cost £,000	Difference £,000
HF	10,374	10,390	16
KC	10,171	10,495	324
LA	16,264	16,395	131
WA	15,447	14,976	-471
Total	52,256	52,256	0

Table 8

Borough	AWDC System Total Cost £,000	Default Basis with 2% Household margin Total Cost £,000	Difference £,000
HF	10,374	10,504	130
KC	10,171	10,624	453
LA	16,264	16,570	306
WA	15,447	15,211	-236
Total	52,256	52,908	652

CONCLUSIONS AND NEXT STEPS

14. A comparison of the tables above illustrates that there are winners and losers under the three different arrangements. The existing arrangement was an attempt, when compared to the statutory default mechanism, to both introduce a degree of fairness by introducing charges on a 'pay as you throw' basis and to introduce a method of financially rewarding waste reduction and increased recycling. A further change to the current methodology to recharge HWRC tonnage based on visits would be along similar lines. However, it is likely that further changes to waste streams both collected by the constituent councils and delivered to the HWRC may occur following the implementation of the Environment Act 2021 and this may mean that any future agreement may need a fuller review.
15. Any termination of the current agreement, prior to the expiry date, would need the agreement of at least three constituent councils and could not, under the agreement, be implemented until March 2024 for the 2024/25 financial year at the earliest, which is the last year of the current agreement. Without the agreement of all four constituent councils on an alternative

arrangement, the Authority would have to revert to the statutory default basis.

16. It is suggested that discussions take place with the Councils during 2022/23 with a view to seeking a revised agreement, considering any changes required following the Environment Act 2021 and including proportionate charges for HWRC tonnages, the new agreement to be in place for 2025/26, or earlier, if agreement can be made with the Councils. As a preliminary to any discussion a draft of this paper was circulated to the Council's Section 151 officers for comment during August, and no comments were received.

RECOMMENDATIONS

17. The Authority is recommended to:
 - (a) authorise officers to enter discussions with the Constituent Councils about reviewing the existing charging agreement as set out in this report and to report back to the Authority by January 2023; and
 - (b) otherwise receive this report as information

Western Riverside Transfer Station
Smugglers Way
Wandsworth SW18 1JS

CHRIS BUSS
Treasurer

12th September 2022