

TRAFFORD COUNCIL

DELEGATED EXECUTIVE MEMBER DECISION REPORT

Report to: Executive Member for Environment, Air Quality and Climate Change
Date: 17th December 2019
Report for: Decision
Report of: Corporate Director, Richard Roe

Report Title

LEVY ALLOCATION METHODOLOGY AGREEMENT

Summary

This report is to provide an update on the Levy Allocation Methodology Agreement.

Recommendation(s)

The Executive Member is recommended to:

- (a) Note the changes to the LAMA from the current agreement;
- (b) Approve the revised LAMA which will be in place from 2020/21, subject to it being agreed by the GMCA and the other signatories;
- (c) Delegate authority to the Corporate Director of Governance and Community Strategy, in consultation with the Corporate Director for Place and Corporate Director for Finance and systems to make minor changes to the agreement;
- (d) Delegate authority to the Corporate Director for Governance and Community Strategy to finalise and enter into any agreements required to implement this decision.

Contact person for access to background papers and further information:

Name: Helen Ashcroft
Extension: 07870 902246

Background Papers: None

Relationship to Corporate Priorities	Priority 5 Creating pride in our local area <ul style="list-style-type: none"> • people to respect and take responsibility for their local environment • to encourage and enable people to be more environmentally friendly in their daily lives
Relationship to GM Policy or Strategy Framework	Yes
Financial	The Council's proportion of disposal costs included in the levy is expected to remain unchanged under the recommended proposals (approximately 9.9%).
Legal Implications:	The IAA was entered into in 2009 regulating the levy pursuant to the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006 (SI 2006/248). If all of the 9 Greater Manchester districts not agree to the revised proposal for the allocation of the Levy by the 31st December 2017 then the statutory default allocation method would apply.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	The high level risk assessment has been carried out at a GM level. The risk to Trafford's levy budget remains unchanged.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

1.0 Background

- 1.1 The greater Manchester Combined Authority (GMCA) is a Waste Disposal Authority (WDA) and has a statutory duty to dispose of waste.
- 1.2 The District Authorities within Greater Manchester are Waste Collection Authorities (WCA) and have a statutory duty to collect waste and deliver it to the WDA.
- 1.3 The Joint Waste Disposal Authorities (Levies) England Regulations 2006 established a WDA powers to issue levies on WCAs to meet all liabilities falling to be discharged by the WDAs.
- 1.4 The Greater Manchester WCAs agreed to support the GMCA as WDA in the discharge of its liabilities and on the 6th February 2017 the WCA's and WDA entered into a Levy Allocation Methodology Agreement ("LAMA").
- 1.5 The LAMA, which appears in full in Appendix A is the unanimously agreed method for allocating the Waste and Resources budget between the constituent Districts and replaced the Inter Authority Agreement (IAA).
- 1.6 On 1st June 2019 a new contract commenced between the Greater Manchester Combined Authority (GMCA) and Suez to handle and dispose of all of the waste

produced by the 9 Authorities in Greater Manchester (excluding Wigan) and the operation of the associated Household Waste Recycling Centre's (HWRC's).

1.7 The LAMA required revision following the award of the new operating contract and is a 9 year agreement until 31st March 2029.

2. LEVY ALLOCATION METHODOLOGY AGREEMENT (LAMA) FROM 2020/2021

2.1 The LAMA allocates the fixed and variable costs of waste processing and disposal by waste stream, based on the tonnage that each District delivers. Costs of operating the Household Waste Recycling Centres (HWRCs) are split based on 50% Council Tax base and 50% car ownership.

2.2 Following the award of the contracts to Suez, this now needs to be revised to reflect the new payment mechanism arrangements.

2.3 The LAMA was approved by the Council on 18th December 2018 and our obligations under this agreement are:

2.3.1 To deliver the waste we collect to the facilities procured by the GMCA;

2.3.2 To pay for the waste disposal services provided by the GMCA;

2.3.3 To provide a forecast annually of the waste it will deliver to the GMCA to cover a 5 year period

2.4 The key changes and reasoning are:

Change	Reason
Introduction of new waste stream for street sweepings	The costs for this can be separately identified within the payment mechanism.
Allocation of costs on the basis of an Apportionment Model which comprises: Fixed element (related to costs which do not vary). These will be allocated to Districts based on adjusted 2017/18 actual tonnages (as before) and will be reviewed and reset for 2022/23 or other such year as unanimously agreed between the parties. Variable costs – which reflects marginal processing cost (except for residual waste)	<p>The allocation of costs split between fixed and variable costs is the same as the original LAMA. However, under the new contracts the actual total variable costs are much lower.</p> <p>The proposal for residual waste is to adopt a 'last in, first out' principle whereby the variable cost is broadly equated not to the average cost of residual processing but to the cost of the processing that would be used last. This is going to be the same as the price for Trade Waste.</p> <p>This price is felt to support the overriding savings and environmental aspirations of the GMCA and Districts.</p> <p>This may expose the GMCA to the risk of paying a levy adjustment to Districts for reduced tonnages that will not be matched by reduced costs. If such a risk materialises then future changes to the LAMA may be needed.</p>

	<p>The LAMA Variable Cost may include sums for recovery of any shortfall between levied variable costs and actual variable cost for the prior year.</p> <p>The reset year allows for any changes to deliveries of waste from 2017/18 to be allocated and allowing a different year gives flexibility for any implications from the Defra Waste Strategy.</p>
Split variable rate for paper/card and commingled	The new contracts identify the variable cost of these waste streams separately.
<p>Levy Adjustment:</p> <p>Fix the rate for variations in tonnages at the start of the year and not amend the variable rate to actual cost at the end of the year.</p>	<p>This will allow Districts to monitor their budgets effectively and give greater certainty to cost.</p> <p>GMCA should be able to better manage the risk of changes to costs, e.g. from recycle income, at a central level.</p> <p>As above, this may expose the GMCA to the risk of reimbursing a District for reduced tonnages that will not be matched by reduced costs.</p>
<p>Household Waste Recycling Centres:</p> <p>Maintain at 50% Council Tax Base and 50% Car Ownership (2011 National Statistics census)</p>	A survey of users was conducted as part of the Waste Composition Analysis but was not considered to be any more representative than the current methodology.
<p>Council Tax Base (CTB):</p> <p>Use the prior year CTB</p>	<p>Only small sum allocated by CTB. 50% of HWRC costs = c.£15m</p> <p>This will enable the Waste levy to be set before end of January and stop last minute minor changes.</p>
Non-Key Services	This element will be removed as there is no specific charge within the current payment mechanisms.

2.5 Subject to the proposals being agreed it would be necessary to seek agreement by each District of the revised LAMA by the 31 December 2019. That in turn will allow the 2020/21 levy to be set using the new LAMA basis. Details of the consultation process with districts and the approval process for Trafford are shown below:

September/October 2019	District Waste Chief Officers/Treasurer Consultation
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November/December 2019	Delegated decision to Executive Member for Environment, Air Quality and Climate Change
January 2020	GMCA agree revised LAMA
February 2020	GMCA approve budget and levy for 2020/21 and Medium Term Financial Plan to 2023/24.

- 2.6 The proposed changes to the LAMA have been worked through for each authority based on the tonnages submitted in the LAMA forecast and do not have an impact on the amount that Trafford will pay as a percentage of the total LAMA budget based on the tonnages delivered remaining the same (approximately 9.9%).
- 2.7 Failure to agree a local replacement for allocation of the levy to Districts will result in the original LAMA mechanism being applied.

3. CONCLUSION

- 3.1 The LAMA is the unanimously agreed method for allocating the Waste and Resources budget between the constituent Districts and replaced, for 2018/19 the Inter Authority Agreement.
- 3.2 The key changes and the reasoning for those changes are in section 2.4 of this report.
- 3.3 GM Treasurers and District Waste Chief Officers have been consulted on the changes. Subject to the proposals being agreed the LAMA needs to be in place by the 31 December 2019.

Other Options

Other options include; not approving the proposed revised IAA and request some alternative arrangement be developed and which would have to be approved by all constituent districts or do nothing, in which case the statutory default scheme will take effect.

The preferred option is to approve the proposed revised LAMA and the recommendations set out in the report.

Consultation

There are no requirements for public consultation.

There has been extensive consultation with all of the Districts affected.

Reasons for Recommendation

Since the GMCA has entered into a new operating contract it is necessary for the LAMA to be update to reflect the new contract and for all constituent Districts to agree the revised LAMA so that the changes can be implemented for the 2020/21 financial year.

Key Decision: No

Finance Officer Clearance **NB**
Legal Officer Clearance **DS**

[CORPORATE] DIRECTOR'S SIGNATURE *(electronic)* 

To confirm that the Financial and Legal Implications have been considered and the Corporate Director has cleared the report prior to issuing to the Executive Member for decision.