



**EXECUTIVE**  
**15 November 2010**

**Report from the Director of  
Environment and Neighbourhood  
Services**

Wards affected  
**1.0**

**Changes to the waste disposal levy mechanism**

**1.0 Summary**

- 1.1 This report describes a proposed change to the current mechanism for payment to the West London Waste Authority (WLWA) for the disposal and treatment of waste.
- 1.2 WLWA approved the change at their meeting on the 21<sup>st</sup> July 2010.
- 1.3 WLWA's 6 constituent Boroughs, including Brent, need to formally confirm their acceptance of the new arrangements.
- 1.4 It is intended the new mechanism (Pay as You Throw) should take effect from 1 April 2011

**2.0 Recommendations**

- 2.1 That the Executive note the rationale behind the switch to a new levy mechanism.
- 2.2 That the Executive agree the new "Pay as You Throw" levy mechanism be adopted for implementation in 2011-12

**3.0 Detail**

- 3.1 The council, along with other 5 other constituent boroughs, pays the West London Waste Authority annually for the disposal and treatment of collected waste. This payment is known as the waste disposal levy.
- 3.2 The current levy mechanism is based on a set levy (in three parts covering household waste (apportioned on estimated tonnages), Civic Amenity site waste (apportioned on the previous year's tonnage) and other costs (apportioned on council tax base), supplemented by Section 52(9) charges and the payment of COWSLOPS rebates:
- 3.3 **Section 52(9) charges** come from Section 52(9) of the Environmental Protection Act 1990. It allows a Waste Disposal Authority to be reimbursed by Waste Collection

Authorities (i.e. the Boroughs) for disposal of Commercial & Industrial waste collected within the WDA area. In practice, Section 52(9) charges are made for all waste above the tonnages agreed by each borough for household waste and Civic Amenity site trade waste as part of the Levy.

**3.4 COWSLOPS** stands for Collected Organic Waste Statutory Levy Offset Payment Scheme and this recognises the lower costs of disposal that WLWA has for segregated waste such as organic waste. Boroughs fund this through the Levy and get it back by raising invoices to the WLWA.

3.5 This 3-part system is not considered ideal. It is based variously on estimated tonnages, historic tonnages and the council tax base, none of which reflect actual waste disposed of. Estimates are submitted prior to each financial year. The main disadvantages of this approach are:

- It does not provide an immediate reward for diversion from landfill
- It makes forecasting and accounting extremely complicated
- It does not offer a flexible response to changes in waste arisings
- It does not provide responsive management information
- It creates an administrative burden around invoicing and rebates.

3.6 Any approach that could focus more on waste tonnages actually deposited for disposal or treatment, rather than predicted tonnages, would give the council better opportunity to influence its waste disposal costs.

### **Review**

3.7 In order to initiate change WLWA and the boroughs established a review to:

- Identify and evaluate alternative mechanisms to the current Levy regime
- Consider whether the current COWSLOPS regime could be improved or be replaced with something more equitable and effective

3.8 To facilitate the review and ensure full engagement and involvement of all seven partners, several workshop sessions were held to:

- Ensure that all partners had a full understanding of waste finance issues and terminology
- Identify options for change
- Evaluate and assess those options, in terms of advantages and disadvantages and financial impact
- Draw conclusions and recommend a way forward.

3.9 Four main options for a viable levy mechanism were determined as:

- The default levy mechanism as per current legislation, where the levy is set and allocated on the basis of previous actual waste tonnages and council tax base. Any service changes or innovations brought in by Boroughs would not yield benefits for a further two years

- The status quo, which is an enhanced version of the default mechanism where credit is given to Boroughs for their actions on organic waste diversion through the COWSLOPS rebate regime
- A levy mechanism that operates as now, but with a more refined organics rebate regime that is more equitable in terms of costs and covers more methods of treatment that divert organic waste from landfill
- A “pay as you throw” levy mechanism, similar to the one recently implemented by Western Riverside Waste Authority (WRWA) whereby Boroughs have a charge for Authority overheads and fixed costs, but all costs relating to the disposal of waste are charged monthly in arrears, based on the actual tonnages delivered to the Waste Authority in that period. **Under this mechanism, there would be no need for Section 52(9) charges or a COWSLOPS rebate.**

3.10 The default mechanism option was disregarded almost immediately as this was seen as a retrograde step for all partners. The remaining three options were assessed using non-financial criteria agreed by all the partners. These criteria were also weighted in terms of importance.

3.11 The criteria were chosen for their relevance to the mechanism and how important aspects of waste disposal (and its cost) may be affected by any change. The criteria are laid down in the table below. More details on the rationale behind the choice of criteria can be found at **Appendix I**.

<b>Criteria</b>
Quick response to changes
Aids budget monitoring
Ease of estimation / Responsive Management Information
Allows uptake of new waste streams
Administrative burden of invoicing/rebates
Encourages recycling
Encourages waste minimisation
Encourages composting
Encourages recovery / re-use
Tried and tested mechanism
Transparency / ease of understanding
Recovery of the Authority fixed costs
Equity across Boroughs
Consistency of rates

The scores from the evaluation exercise are shown in the table below (full details can be seen at **Appendix I**).

<b>Criteria</b>	<b>Status quo</b>	<b>Enhanced Rebate Scheme</b>	<b>"Pay as you throw"</b>
<b>% Score</b>	<b>52%</b>	<b>59%</b>	<b>72%</b>
<b>Ranking</b>	<b>3</b>	<b>2</b>	<b>1</b>

As can be seen, the “Pay as You Throw” option is clearly the most favourable option in non-financial terms.

- 3.12 The financial implications of a move to such a mechanism are vitally important and needed to be taken into consideration. With a change in emphasis on the basis and allocation of costs across the six Boroughs, it is likely that there will be “winners” and “losers”, in terms of increased or decreased levy payments. Depending on the size of the change in allocation, this may be acceptable as the longer term benefits of a mechanism which instantly rewards diversion from landfill and waste minimisation should outweigh short-term increases in cost for a particular Borough.
- 3.13 A financial model was developed to show how the new levy mechanism will work in practice and to give comparisons with the current levy system. Finance officers and officers from each of the Boroughs have reached consensus on the principles and design of the new levy. The financial impact on individual Boroughs that will result from this move to a new type of mechanism are minor and have been assessed as acceptable by all constituent Boroughs’ officers, in return for a more adaptive and responsive levy mechanism – one that immediately rewards Boroughs for increased diversion from landfill.
- 3.14 The table below shows the impact of the change in levy mechanism by re-casting the 2010 Budget using the new mechanism and comparing it to the current Levy.

Changes for the constituent Boroughs range from an increase of 2.1% to a decrease of 1.4%. Brent would benefit from a 0.3% reduction in total cost (incidentally, recent data shows waste tonnages to be less than had been forecast this year). The levy will continue to include a fixed cost (estimated £1.7million for Brent) to cover WLWA’s operational overheads – staff, premises, vehicles, etc. This will be apportioned on the council tax base.

	PROPOSED Total under "Pay as You Throw" £0	CURRENT Current Levy £0	CURRENT s52(9) £0	CURRENT COWSLOPS £0	CURRENT Comparative Cost £0	CURRENT Difference £0	% change
Brent	9,462	9,410	715	-638	9,487	-25	-0.30%
Ealing	10,003	9,827	609	-542	9,894	109	1.10%
Harrow	6,339	6,983	257	-845	6,395	-56	-0.90%
Hillingdon	7,607	7,930	145	-425	7,650	-43	-0.60%
Hounslow	8,640	7,952	907	-100	8,759	-119	-1.40%
Richmond	6,632	6,539	275	-316	6,498	134	2.10%
	<b>48,683</b>	<b>48,641</b>	<b>2,908</b>	<b>-2,866</b>	<b>48,683</b>	<b>0</b>	

- 3.15 The positive point to note is that since this new mechanism focuses on waste tonnages actually deposited for disposal or treatment, rather than predicted tonnages, Brent has the opportunity to influence its costs better than before. As a result, any comparative increase in costs indicated in the table will be directly affected by any changes that Brent makes to its services.

### **Next Steps**

- 3.16 From both the non-financial options appraisal and assessment of the financial implications by WLWA and the constituent Boroughs, officers recommend a move to a “Pay as You Throw” levy mechanism.

- 3.17 This is a fundamental shift in the way the Levy mechanism operates, and the next step towards adoption and implementation of “Pay as You Throw” is therefore for the constituent Boroughs to adopt the new mechanism in readiness for the start of the 2011-12 Budget Review.
- 3.18 It is intended the new “Pay as You Throw” mechanism will take effect from 1 April 2011.

#### **4.0 Financial Implications**

- 4.1 The financial implications are set out in sections 3.13-3.16 of this report. By way of illustration, re-casting the 2010 Budget using the new mechanism and comparing it to the current levy shows the council would have benefited from a 0.3% reduction in the total annual cost. As described, this new mechanism focuses on waste tonnages actually deposited for disposal or treatment, rather than predicted tonnages. The council will therefore be better able to influence costs particularly through implementing any change to the service that might divert waste from landfill.
- 4.2 Currently, the waste levy budget sits centrally with Finance and Corporate Resources whilst the budget for Section 52(9) and COWSLOPS is held by StreetCare. As these various charges are rationalised through the proposed introduction of ‘Pay as You Throw,’ this gives an opportunity to review budgetary arrangements for waste disposal.

#### **5.0 Legal Implications**

Under the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006, the amount levied by a Waste Disposal Authority may be made “in such proportions as all the constituent councils may agree”. Therefore a new levy mechanism can be adopted only with the unanimous support of all the constituent Boroughs. Failure to achieve universal approval will mean that the current or default mechanism would continue to apply.

#### **6.0 Staffing/Accommodation Implications**

None

#### **Appendices**

Appendix I Levy Options Appraisal

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