

	<p>Full Council</p> <p>26 January 2016</p>
<p style="text-align: center;">Title</p>	<p>Inter Authority Agreement between North London Waste Authority and its seven Constituent Authorities</p>
<p style="text-align: center;">Report of</p>	<p>Jamie Blake, Commissioning Director - Environment</p>
<p style="text-align: center;">Wards</p>	<p>All</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Urgent</p>	<p>No</p>
<p style="text-align: center;">Key</p>	<p>Yes</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix 1 – Draft Inter Authority Agreement between North London Waste Authority and its seven Constituent Authorities</p>
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<h3>Summary</h3>
<p>This report seeks agreement to the Inter Authority Agreement between North London Waste Authority and its seven Constituent Authorities. The Inter Authority Agreement includes the Menu Pricing mechanism, which will change the way the North London Waste Authority is paid by the Authorities, so that the allocation of costs is fairer and uses the most up to date information, thereby encouraging better resource use.</p>

<h3>Recommendations</h3>
<p>1. That Council agree to be a party to the Inter Authority Agreement (IAA) and to authorise the Commissioning Director - Environment, following consultation with the Chief Operating Officer and the Leader to agree the final form of the IAA on the basis set out in this report</p>
<p>2. That Council agree to the introduction of Menu Pricing and to authorise the Commissioning Director - Environment, following consultation with the Chief Operating Officer and the Leader to agree the final form of Menu Pricing, on the basis set out in this report</p>

3. That Council note that the Chief Operating Officer shall be nominated in the IAA as the Council's Representative for the purposes of the IAA and shall discharge that responsibility either personally or by a nominated deputy as appropriate.

1. WHY THIS REPORT IS NEEDED

- 1.1 The seven constituent authorities (of London Borough of Barnet, London Borough of Camden, London Borough of Enfield, London Borough of Hackney, London Borough of Haringey, London Borough of Islington and London Borough of Waltham Forest) and the North London Waste Authority (NLWA) need to formally, unanimously agree to any change to the way in which the NLWA costs are allocated to the constituent authorities. The proposed new payment mechanism is 'Menu Pricing' whereby constituent authorities would pay more closely in line with the true costs of treating and disposing of their waste.
- 1.2 Menu Pricing is one element of the Inter Authority Agreement (IAA) which is intended to set the framework for the governance of the relationship between NLWA and the seven constituent authorities. All of the eight parties are in the process of formally agreeing the IAA. It may be the case that Menu Pricing is agreed between all parties, before the IAA has been finalised. In order to allow the potential implementation of Menu Pricing from 1 April 2016 this matter therefore has a separate recommendation.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The current payment mechanism (the statutory default levy) involves the allocation of NLWA's costs of treatment and disposal of various waste streams to the constituent authorities based on the average cost (and not the actual specific costs) of treating each waste stream. In effect, the costs of treating or disposing of tonnages of waste for recycling, composting and disposal are "pooled". The change to Menu Pricing from the current mechanism, means that boroughs would pay in line with the actual cost of treating/disposing of their tonnages of each waste stream they consign to NLWA. This would be fairer, and provide improved incentives to boroughs to increase recycling and reduce disposal of waste. Therefore it is recommended that the Council signs the IAA, which in turn would facilitate the introduction of Menu Pricing.
- 2.2 The IAA, including Menu Pricing is in the process of being finalised, therefore it is recommended that the Commissioning Director – Environment agrees the final form of the IAA, in consultation with the Chief Operating Officer and the Leader.
- 2.3 A separate recommendation has been made for Menu Pricing, which allows for the possibility that Menu Pricing is agreed between all parties, before the IAA has been finalised. Agreement to this will allow the implementation of Menu Pricing, with the first possible start date 1 April 2016.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The previous version of the IAA was presented to the meeting of the Cabinet on 3 November 2011, and at that meeting it was agreed to sign the IAA, as set out at 6.2.4. That IAA was more extensive as it dealt with the relationship with NLWA's potential future contractor to be identified through the procurement process ongoing at that time. However in September 2013 the decision was made to stop the NLWA procurement, and therefore the old IAA became irrelevant, and was not finalised by the eight parties. The IAA has since been reworked to reflect the emerging new arrangements, and is presented in this report.

4. POST DECISION IMPLEMENTATION

- 4.1 Once the IAA has been agreed by all parties, it will be formally signed by all parties.
- 4.2 The constituent authorities and the NLWA will agree a date to change to Menu Pricing, including any transitional arrangements for the change to full Menu Pricing.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The council's Corporate Plan 2015-2020 includes the following aims:

- We will be a Leader in London for recycling
- Over 50% of waste collected will be reused, recycled or composted in 2020.

It also sets out that the Council's strategic objectives include that the Council working with local, regional and national partners, will strive to ensure that Barnet is a place where services are delivered efficiently to get value for money for the tax payer.

- 5.1.2 The IAA and Menu Pricing are linked to the aims stated at 5.1.1 as Menu Pricing will provide a further financial incentive to increase recycling and decrease the amount of household waste that is sent for disposal.
- 5.1.3 There are no implications relating to the Health and Wellbeing Strategy and its stated priorities.
- 5.1.4 There are no implications relating to the future health and wellbeing needs of the local population as identified in Barnet's Joint Strategic Needs Assessment.
- 5.2 **Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 Finance – Menu Pricing would mean that borough payments would be more closely linked with the actual cost of treating different types of waste and therefore will reward boroughs directly for their recycling and waste minimisation efforts. The current payment mechanism for household waste (the statutory default levy, with a number of amendments) involves the allocation of NLWA’s costs of treatment and disposal of various waste streams to the constituent boroughs based on the average cost (and not the actual specific costs) of treating the various waste streams. In effect currently the cost of treating or disposing of tonnages of waste for recycling, composting and disposal are “pooled” and boroughs are charged based on their total tonnage irrespective of the type of waste. If a borough recycles or composts more of their waste this will reduce the NLWA’s total costs but the benefits will be shared by all boroughs (in proportion to the total tonnage they deliver to the NLWA). Therefore for those boroughs that consign their materials for recycling to the NLWA, this does not fully incentivise boroughs to increase their recycling rates.
- 5.2.2 Menu Pricing would also involve a change to in-year payment for the tonnages of that waste produced and treated/disposed. This would involve payment based on individual borough “accounts”, with any overpayments being rolled forward to the following financial year. This represents a significant improvement on the current levy arrangements, whereby the basis of the levy apportionment is two years in arrears in relation to the year for which the levy applies, being based on the latest fully audited tonnage figures available when the levy is set (with the exception of income payments for comingled dry recycling, and charges made for non-household waste and household waste). The current arrangements effectively mean that constituent boroughs experience a two year delay in realising any financial benefits from any changes and improvements they may make to their services, or any increases in recycling resulting from communications and engagement activities.
- 5.2.3 The draft IAA reflects the ‘phasing-in’ or transition of Menu Pricing which will begin on 1 April 2016 and for the 2016/17 financial year NLWA will calculate its levy and charges in accordance with both the status quo system and the Menu Pricing system. The levy and charges for that year for each constituent authority will represent the mid-point between the sums calculated under each of the two systems. This draft IAA reflects a 50% phasing of the introduction of Menu Pricing for 2016/17, with the Menu Pricing system to be introduced to full effect from 1 April 2017.
- 5.2.4 Under the current levy arrangements financial balances have been retained by NLWA for the purpose of controlling pricing changes each year, and reduce volatility in the levy amount charged each year. These balances will need to be reviewed in the future and potentially distributed to the seven boroughs under an agreed mechanism. The distribution of the balances would be based on annual assessments agreed with Barnet and will be designed to deliver the best financial solution for all seven boroughs. Initially these are likely to be managed in a similar way as currently, however the mechanism could agree to return some of the balances to Barnet as a financial windfall.

5.2.5 Table 1 shows the indicative apportioned levy and charge costs (excluding the use of balances) under the full effect of Menu Pricing, compared to levy and charge apportionment through the current levy system from 2015/16 for four years, for Barnet. These indicative numbers were produced in August 2015 and are currently being reworked by North London Waste Authority.

Table 1:

	2016/17	2017/18	2018/19
Total Levy/Charges Under the Status Quo Levy/ Charging System (£k) - Barnet	12,186	12,548	13,545
Total Levy/ Charges Under Menu Pricing (£k) – Barnet	11,874	12,241	13,138
Impact of Menu Pricing (£k) - Barnet	(312)	(307)	(407)

5.2.6 Value for Money – It is considered that Menu Pricing will improve the value for money that the Council obtains from NLWA. The current costs to Barnet for 2015/16 through NLWA arrangements are a base levy of £9.460m, £1.034m for non-household waste, £0.240m for chargeable household waste and a Household Waste Recycling Centre (HWRC) element of £0.002m. The total of the levy and these charges is £10.736m. As set out in Table 1, a move to Menu Pricing will see a like for like reduction in the annual levy for the Council as a result of borough payments being more closely linked with the actual cost of treating different types of waste. The Medium Term Financial Strategy (MTFS as agreed by the Policy and Resources Committee in December 2015 includes a budget saving of £1.9m related to disposal costs, and an additional pressure of £1.4m.

5.2.7 Procurement, Staffing, IT, Property and Sustainability – there are no implications.

5.3 Legal and Constitutional References

5.3.1 Legal Officers have reviewed earlier drafts of the IAA but have not carried out a review of the final IAA, as it is still being drafted. Legal Officers will review the final IAA, and any final comments will be passed to the other parties. The current draft IAA is attached at Appendix 1.

5.3.2 NLWA is established as a London Waste Disposal Authority under Schedule 1 of the Waste Regulation and Disposal (Authorities) Order 1985. Schedule 1 lists Barnet as one of seven Constituent Councils of the NLWA.

5.3.3 Section 4 of The Joint Waste Disposal Authorities (Levies) (England) Regulations 2006 set out the method for apportionment of the levies, which includes the ability for the Constituent Councils to reach a unanimous decision as to how the levies are apportioned.

5.3.4 The Council's Constitution (Responsibility for Functions) sets out the terms of reference of Council including policy matters and new proposals relating to significant partnerships with external agencies and local authority companies.

5.4 Risk Management

5.4.1 At the time that this report has been written the IAA has not been finalised between the eight parties. The outstanding matters are the agreement by all parties to the start date for Menu Pricing, and the number of years over which there will be transitional arrangements. In order for any form of Menu Pricing to start on 1 April 2016 all parties need to have formally agreed to the IAA, with appropriate delegations, by 31 January 2016, to meet the requirements of the statutory levy regulations. If any party does not meet this deadline the introduction of Menu Pricing would not take place until 1 April 2017, so therefore no savings associated with NLWA Menu Pricing would be realised in 2016/17.

5.5 Equalities and Diversity

5.5.1 The Corporate Plan (2015-2020) sets out a commitment that policies, functions and activities should be assessed for their equalities impacts and risks.

5.5.2 The proposed IAA between the NLWA and the constituent authorities has been considered in terms of any impacts it would have on residents, traders and other service users. The IAA, both in the form considered by Barnet's Cabinet in November 2011 and the form of the proposed redraft, will deal with the legal and financial relationship between the eight constituent authorities but does not specifically define the nature of services that would be provided to residents, traders and other service users. The IAA therefore does not have any direct implications for residents, traders and other service users. However service delivery will continue to be monitored to ensure there are no adverse outcomes on residents, traders and other service users.

5.6 Consultation and Engagement

5.6.1 The development of the IAA and Menu Pricing has taken place between the NLWA and the seven constituent authorities. This has included consultation in each of the eight authorities with legal and finance representatives.

5.7 Insight

5.7.1 Insight data has not been used to inform the decision required as it does not relate to the Inter Authority Agreement.

6. BACKGROUND PAPERS

6.1 Inter Authority Agreement detail

6.1.1 The IAA is intended to set the framework for the governance of the relationship between NLWA and the seven constituent authorities. It consists of :-

- Agreement and commitment to partnership working
- Waste tonnages
- How charges will be made for Reuse and Recycling Centres (RRCs)
- Possible new RRCs
- And Menu Pricing (explained at section 5.2 Finance).

6.1.2 Partnership working will require each party to work towards a target of recycling 50% of waste from households by 2020, or any jointly agreed

successor targets, and to work together in managing waste more sustainably through activities that include joint communications campaigns, improving the quality of materials consigned for recycling or composting and joint research. It is not proposed to change the current member arrangements, which are: two Members from each borough are nominated to be NLWA Members, and attend and make decisions at NLWA meetings, which occur at a minimum 5 times a year.

- 6.1.3 The IAA does not include set tonnage allowances for different waste streams for the individual boroughs. However the IAA does state that all relevant boroughs and NLWA may agree to Guaranteed Minimum Tonnage and/or Maximum Tonnage threshold in the future, as part of any future Waste Contract.
- 6.1.4 The IAA sets out that payments for NLWA operated Reuse and Recycling Centres (RRCs) will be based on visitor surveys from the start of Menu Pricing, whereby boroughs will pay a proportion of the operating costs of the RRC based on the number of visitors to the site that come from the borough as a percentage of the total.
- 6.1.5 The NLWA has previously indicated that it is keen to see more RRCs in North London, to create a more even network for residents. The IAA includes provisions relating to giving appropriate weighting to the views of such boroughs which are expected to bear more than 40% of the set up costs, such as land, and ongoing operational costs.

6.2 Relevant previous decisions

- 6.2.1 The Leader and Cabinet Member for Resources, and the Cabinet Member for Environment and Transport authorised sign-up to the Memorandum of Understanding – North London Waste Authority procurement on 31 August 2008, Delegated Powers decision no. 630.

<http://barnet.moderngov.co.uk/ieDecisionDetails.aspx?ID=3916>

- 6.2.2 The Cabinet Member for Environment and Transport authorised sign-up to the North London Joint Waste Strategy on 29 August 2008, Delegated Powers decision no. 626.

<http://barnet.moderngov.co.uk/ieDecisionDetails.aspx?ID=3073>

- 6.2.3 North London Waste Authority – Inter Authority Agreement, Cabinet 14 September 2011, (decision item 9), which was that Cabinet agreed in principle to the signing of the Inter Authority Agreement, with the exception of Principle four, and that the Leader should write to the North London Waste Authority indicating such agreement in principle, subject to approval at a future meeting of the Cabinet.

<http://barnet.moderngov.co.uk/Data/Cabinet/201109141900/Agenda/Document%20202.pdf>

6.2.4 North London Waste Authority – Inter Authority Agreement, Cabinet 3 November 2011, (decision item 8), which was that Cabinet agreed to sign the Inter Authority Agreement, and to authorise the Interim Director of Environment, Planning and Regeneration, in consultation with the Chief Finance Officer and the Cabinet Member for Environment to agree the final form of the Inter Authority Agreement.

<http://barnet.moderngov.co.uk/Data/Cabinet/201111031900/Agenda/Document%202.pdf>