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REPORT OF STRATEGIC DIRECTOR FOR PLACE

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TO

Cabinet 10<sup>th</sup> December 2019 – for endorsement  
Council 15<sup>th</sup> January 2020 – for approval

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**TITLE: LEVY ALLOCATION METHODOLOGY AGREEMENT**

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**RECOMMENDATIONS:**

That the contents of this report are noted and that the Levy Allocation Methodology Agreement (LAMA) is endorsed by the City Council.

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**EXECUTIVE SUMMARY:**

This report is to provide an update on the Waste Levy Allocation Methodology Agreement and to accept the proposed changes, following change of waste disposal contractor.

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**BACKGROUND DOCUMENTS:** Original LAMA document

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**KEY DECISION:** YES

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**DETAILS:**

**1. INTRODUCTION**

- 1.1 The LAMA is the method by which the costs attached to the Operating contract for the acceptance, processing and disposal of residual waste, recyclables, pulpables, and green waste amongst other things.
- 1.2 As a result of the new contract for Suez to act as the waste disposal contractor, the opportunity has been taken to review and amend the terms of the LAMA.
- 1.3 The LAMA, which appears in full in **Appendix A**, requires unanimous approval from all of the relevant GM waste collection authorities.

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

2.1 The LAMA allocates the fixed and variable costs of the budget by waste stream, trade waste, Household Waste Recycling Centres (HWRCs) and GMCA – Waste and Resources’ own costs. Following the award of the contracts to Suez, this now needs to be revised to reflect the new payment mechanism arrangements.

2.2 The key changes and reasoning are:

<b>Change</b>	<b>Reason</b>
Introduction of new waste stream for street sweepings	<p>Brining street sweepings into the GM waste streams will improve recycling.</p> <p>The costs for this element will be separately identified within the payment mechanism.</p> <p>Based on tonnage and cost projections, there will be no financial impact to Salford.</p>
<p>Allocation of costs on the basis of an Apportionment Model which comprises:</p> <p>Fixed element and Variable costs</p>	<p>Where possible fixed costs are being used, which allow levy allocations to be more accurate at year end.</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>The reference to the ‘first in last out’ principle refers to different bands of residual waste going to Bolton or Runcorn disposal sites. The first 325,000 tonnes that all districts take in to both sites combined are charged at a set rate. Any tonnes over or under the 325,000 tonnes are charged at a higher rate. This encourages Waste Collection Authorities to aim for accurate tonnage projections</p>
Household Waste	The calculation remains the same. The change is that the Council Tax base will be from the previous

Recycling Centres: Maintain at 50% Council Tax Base and 50% Car Ownership (2011 National Statistics census)	year so as to end last minute changes to district amounts, when tax base announcements are made at the end of January.
Non-Key Services	This element will be removed as there is no specific charge within the current payment mechanisms.  Non key services are material such as tyres, sharps and Salford has its own arrangements and there will be no financial impact.

- 2.3 This agreement has to be approved by all of the relevant GM Waste Collection Authorities and will in turn will allow the 2020/21 levy to be set using the new LAMA basis. The approval process is:

September/October 2019	District Waste Chief Officers/Treasurer Consultation
December 2019	Districts consider LAMA through appropriate decision making procedures.
January 2020	GMCA agree revised LAMA
February 2020	GMCA approve budget and levy for 2020/21 and Medium Term Financial Plan to 2023/24.

- 2.4 The changes have been considered and are supported by the Greater Manchester Treasurers were talked through the changes at all District Waste Chief Officers GM Treasurers.
- 2.5 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 Following the award of the new waste disposal contract to SUEZ, the opportunity has been taken to review the charging mechanism, indicated in the LAMA. This change has been endorsed by the Waste Chief Officers and GM Treasurers and is recommended for approval by the City Council.

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**KEY COUNCIL POLICIES:** Environment sustainability

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**EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:** Not applicable

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**ASSESSMENT OF RISK:** The Levy Allocation Methodology Agreement (LAMA) is intended to reflect an expected increase in levels of recycling performance and diversion from landfill, failure to do this has a negative financial and environmental impact, so it is essential we continue to drive up recycling and drive down contamination levels and waste to landfill.

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**LEGAL IMPLICATIONS** Supplied by: Tony Hatton, Principal Solicitor, tel. 219 6323

The City Council, as a Waste Collection Authority (together with the other named local authorities on the Waste Management Levy Allocation Methodology Agreement (LAMA)), has a statutory duty to collect waste and deliver it to GMCA, which in turn has a statutory duty to dispose of waste.

The LAMA supports delivery of the GMCA waste management strategy to maximise environmental and financial benefits. The current legislation, contained in the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006, establishes the power to issue levies against the Waste Collection Authorities which are part of the arrangement where the GMCA fails to meet its statutory responsibilities.

The report sets out the revised terms to reflect the new payment methodology, and appears to be agreed across the treasurers of the constituent councils, with the reasons for the revision being set out at section 2 of the report. The LAMA also sets out the GMCA acknowledges the Council’s best value duty and will assist in discharging that duty in looking to continuously improve delivery in their waste collection services.

The commencement date for the new agreement is 1<sup>st</sup> April 2020, and it is due to expire (subject to any prior termination by agreement of all the constituent councils and the GMCA) on 31<sup>st</sup> March 2029. Legal Services will assist in the execution of the inter-authority agreement upon receipt of instructions.

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**FINANCIAL IMPLICATIONS** Supplied by: Joanne Hardman

As outlined within the report GM Treasurers have received an update on the impact of the proposed changes to the LAMA. This indicates that the council’s % share of levy costs should not be impacted by the proposed changes.

The proposed changes should provide greater clarity in terms of the charges to be made to districts by way of an earlier confirmation of levy charges on an annual basis and a fixed charge for variations in tonnages which will allow better in-year forecasting.

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**PROCUREMENT IMPLICATIONS:** None

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**HR IMPLICATIONS** Supplied by: None

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**OTHER DIRECTORATES CONSULTED:** Service Reform Finance services

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**WARDS TO WHICH REPORT RELATES:** ALL