

Inter Authority Agreement – Cabinet Report

Appendix B

This appendix supplements the Cabinet report, providing further details on the IAA divided into:

1. Changes to the 2011 IAA draft approved by Cabinet Member Signing
2. Responsibilities on Parties to the IAA
3. Rationale for Menu Pricing

1. Changes to the 2011 IAA draft approved by Cabinet Member Signing

The revised IAA is much simpler than the 2011 draft. This reflects the simpler interface between NLWA and its contractor, LondonWaste Ltd (whom NLWA wholly own and in December 2014 awarded a contract to until 2025, compared to the longer term PFI-type contractual arrangements previously envisaged in 2011), as well as the need for flexibility going forward.

The expiry date of the revised IAA has been changed to December 31st 2055 to reflect a potential 30 year financing period for a successor residual waste treatment facility to the current one after 2025. However, the revised IAA reflects that the menu pricing levy apportionment and charging system with the Cost Recovery Mechanism will continue to apply in perpetuity until and unless a successor system is agreed by all parties.

Large tracts of the IAA previously setting out in detail specific requirements have instead been encapsulated in broad principles such as a requirement on all parties to minimise any negative impacts of their actions on all other parties. There are specific provisions for consultation (such as in the case of changes to the R&R Centre network), disputes resolution (with a binding process with a non-binding outcome) and the removal of the Change Procedure.

There is no longer a need for binding tonnage projections from each borough, which were purposed to apportion liabilities in relation to any breach of the minimum or maximum tonnage within the NLWA's previously proposed contracts.

The revised Clause 5 provides for the need for prior unanimous agreement to be required among relevant Boroughs on the need for any minimum or maximum tonnage guarantees under any future NLWA contracts.

The parties will be able to re-examine the IAA whenever there are significant changes to services of one party that are likely to materially affect one or more other authorities, and at least every three years.

2. Responsibilities on Parties to the IAA

Obligations on all Parties to the Agreement:

- Manage its services diligently and in accordance with best value.
- Use reasonable endeavours to minimise negative impacts on other parties to the IAA.
- Work towards the agreed 50% recycling target for 2020.
- Work together in managing waste more sustainably through activities that include joint communications campaigns and joint research.
- Work in partnership within defined governance structures.
- Review the IAA at least every three years.
- Nominate a named representative to exercise the powers and functions of that party in relation to the IAA.
- Manage any disputes in accordance with a disputes resolution procedure as set out in the IAA.
- Treat all information considered confidential as such and not disclose it unless legally required to do so or under the express permission of the relevant parties to the agreement. Furthermore parties are only permitted to use confidential material for the purpose of appropriate use within the scope of the agreement.

Obligations on all Boroughs:

- Pay the NLWA levy and charges in accordance with the Menu Pricing Mechanism in Schedule 1B from the menu pricing commencement date, 1st April 2016.
- Indemnify the Authority, its staff and agents from demands for liability in a range of circumstances except where caused by negligence or wilful misconduct.

Obligations on NLWA:

- If NLWA receives compensation from one of its contractors in relation to the actions of that contractor the compensation will be paid to the affected Boroughs through the menu pricing arrangements.

3. Rationale for Menu Pricing

The revised IAA sets out a proposed menu pricing system to replace the current levy and charging arrangements in the form of a process and set of principles that are largely unchanged from that agreed in the previously agreed IAA. The menu pricing system reflects a fairer method of cost apportionment than at present. Under menu pricing boroughs will incur costs based directly upon the volumes of the different types of waste they deliver (at the relevant differential costs), which is not the case under the current system.

Furthermore, the levying of the costs relating to Reuse & Recycling Centres operated by NLWA will, under menu pricing, be apportioned based upon the proportion of the visitors to each R&R Centre from each borough. Currently these costs are levied partly upon the borough in which the R&R is located and partly, in the case of the residual waste from the sites, on the relative proportion of Council Tax Band D properties in each borough. As a result the

current levy does not take account of respective boroughs' usage of the R&R service nor distribute the costs equitably.

In summary, the menu pricing system will confer key benefits to the constituent boroughs over the current statutory-based levy system:

- Boroughs will pay the direct cost for the amount and type of waste they deliver and thus be afforded protection from decisions and performance/non-performance of other boroughs.
- Boroughs can thus directly link service plans with disposal savings to test the business case for investment.
- With regard to Reuse & Recycling Centres, boroughs will be responsible for paying the costs of the NLWA-operated network of sites in proportion to the amount each site is used by each boroughs' residents.
- Where boroughs have opted to retain their R&R sites (i.e. not transferred to NLWA), all costs - including residual waste disposal - will under menu pricing be borne directly by the borough operating the site.
- Where NLWA propose any new/re-development of an R&R site that would incur capital expenditure, there is a formalised process by which the views of borough(s) that would bear the largest proportion of the costs will be given due consideration in NLWA decision making.
- Other NLWA costs will be levied or charged to reflect the fairest and most appropriate allocation.