

**NORTH LONDON WASTE AUTHORITY**

<b>REPORT TITLE</b> ANNUAL REPORT OF DIRECTORS OF LONDONWASTE LTD	
<b>REPORT OF</b> MANAGING DIRECTOR/DIRECTORS OF LONDONWASTE LIMITED	
<b>FOR SUBMISSION TO</b> THE NORTH LONDON WASTE AUTHORITY	<b>DATE:</b> 26 JUNE 2014
<b>SUMMARY OF REPORT</b> This report is the annual report of the Directors of LondonWaste Limited and sets out the performance and activities of the Company in the Authority's financial year 2013/14.	
<b>RECOMMENDATIONS</b> That the Authority notes the report including the proposed resolution of the Directors of LondonWaste to pay an interim dividend to NLWA of £2.5m on 15 July 2014.	
Signed by: Managing Director: Date: 17 June 2014	

## **1. INTRODUCTION**

- 1.1 This report is an annual report from the directors of LondonWaste Limited summarising the performance and activities of LondonWaste Limited over the Authority's financial year 2013/14.

## **2 BACKGROUND TO THE NLWA'S INTEREST IN LONDONWASTE LIMITED**

- 2.1 Section 32 of the Environmental Protection Act 1990 required waste disposal authorities to divest themselves of their waste disposal operations and submit their waste disposal needs to competitive tender. In 1992 a tendering process took place leading to the formation of a Local Authority Waste Disposal Company. Subsequently LondonWaste Limited, was formed as a joint venture company, and NLWA and SITA (UK) Ltd each took a 50% interest in the Company. LondonWaste successfully tendered for a 20-year waste disposal contract which was awarded to the Company in December 1994.
- 2.2 The requirement for local authorities to contract out waste disposal functions was effectively repealed by section 47 of the Clean Neighbourhoods and Environment Act 2005. This meant that the NLWA could again own waste disposal facilities and on 22 December 2009 NLWA bought the 50% of the share capital which was owned by SITA. Since that date LondonWaste Limited has been owned 100% by NLWA.
- 2.3 The current contract between NLWA and LondonWaste Limited expires on 14 December 2014. NLWA is currently in discussions with LondonWaste regarding a new contract.

## **3 DIRECTORS AND BOARD MEETINGS**

- 3.1 The following non-executive directors, appointed by NLWA, served throughout the Authority year:

Mr. John Boast (Chairman)  
Mr. Chris Elliot  
Mr. Ray Georgeson  
Mr. Mike Dunn

The current service contracts for the non-executive directors were due to expire in June 2014. The Authority agreed at its April 2014 meeting to renew the service contracts of the Non-Executive Directors until 30 June 2017 with the exception of Dr Elliot who will leave in December 2014 to pursue other commitments.

- 3.2 The following executive directors, who are responsible for the day-to-day activities of the Company, served throughout the Authority year:

Mr. David Sargent (Managing Director)  
Mr. Matt McGeehan (Finance Director)  
Mrs Nazneem Grogan (Technical Director)

- 3.3 Directors attend LondonWaste board meetings which are usually monthly. Signed copies of board minutes are submitted to each NLWA meeting for information. These appear on the exempt part of the agenda (the Part II section) as they contain commercially sensitive

confidential information relating to LondonWaste and Members are required to respect this. The shareholder is also advised of the Company's progress through updates to the Member Shareholder Group.

- 3.4 The audited statutory accounts have been approved and signed and they will be adopted at the Company's Annual General Meeting on 27 June, 2014.

#### **4. FINANCE AND OPERATIONS**

- 4.1 In the year ended 31 December 2013 LondonWaste made a profit before tax of £12.8 million which was almost £5 million better than the target set by the Business Plan. Excellent waste throughput and boiler availability contributed to the Company's above-budget performance. Depreciation was also lower than envisaged following the decision to extend the life of the Energy Centre.

- 4.2 Dividends totalling £7.0 million were paid to the Authority in the year ended 31 December 2013 equalling the dividends paid in the previous year.

An interim dividend of £2.5 million will be proposed at the Company's AGM on 27 June 2014 and will be paid to the Authority on 15 July 2014.

- 4.3 The Company remained debt-free throughout the year.
- 4.4 Electricity prices have been contracted forward to September 2014. This provides a degree of budget certainty by fixing revenue at prices which meet or exceed the targets set in the Business Plan.

#### **5. BUSINESS REVIEW**

- 5.1 The Picking Station at the Bulky Recycling Facility continued to maximise the amount of recyclable material the Company can extract from waste. In addition the residual waste shredder continued to maximise the amount of waste which can be processed through the Energy Centre and reduce the amount of waste going to landfill. The Company remains committed to exploring technologies to improve its waste management infrastructure in a manner consistent with the requirements of the NLWA waste strategy.

- 5.2 Operating performance was characterised by high boiler availability and high waste throughput which increased electricity revenues and reduced landfill disposal costs.

- 5.3 There were two RIDDOR reportable accidents in 2013 compared to one in 2012. At the time of the preparation of this report there have been no RIDDOR accidents in 2014. The Company investigates all incidents and gives appropriate training to employees including toolbox talks.

- 5.4 The compost produced at the Company's Compost Centre is accredited to the British Standards Institute's Standard No. 100 (PAS100). The majority of the product is used in agriculture but significant amounts are returned to North London boroughs and local allotments. The local community is given the opportunity to learn about composting through the Company's communication programme.

## **6. HUMAN RESOURCES**

- 6.1 The Company remains committed to the development of its employees and invested heavily in training and development during the year. Sickness absence rates remained at historically low levels through the application of formal absence management systems as well as incentives to reward good attendance.
- 6.2 The last triennial valuation of the pension scheme as at 1 January 2012 showed that the pension scheme deficit had increased to £6.6m from £5.6m in the previous triennial valuation. However the latest summary funding update as at 31 December 2013 showed that the scheme was fully funded on a technical provisions basis due to the effect of stock market recovery on equity values. The Company and the Trustees have locked in some of this outperformance by converting a proportion of the scheme's equity assets to bonds.

## **7. COMMUNITY AWARENESS**

- 7.1 The Company continues to use local newspapers and borough communications in the North London area to raise community awareness of waste management and recycling activities.
- 7.2 The Company holds an annual Compost Awareness Week in May featuring workshops, tours and discussions. Visitors are encouraged to take home EcoPark compost.
- 7.3 LondonWaste continued links with related bodies in the local community including secondary schools, local colleges, community groups, the Edmonton Sea Cadets as well as many local residents and allotment groups. The Company sponsors gardens at Capel Manor College which uses compost from the EcoPark for horticultural purposes.

## **8. COMMENTS OF THE LEGAL ADVISER**

- 8.1 Comments of the Legal Adviser have been incorporated into the report.

## **9. COMMENTS OF THE FINANCIAL ADVISER**

- 9.1 The Company's proposal to pay a dividend to the Authority of £2.5m is in line with the Authority's 2014/15 budget assumption. The Company has begun the new year well and is cautiously optimistic that it will achieve its 2014 budget targets.

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**REPORT ENDS**