

NORTH LONDON WASTE AUTHORITY

REPORT TITLE

ANNUAL REPORT OF DIRECTORS OF LONDONWASTE LTD

REPORT OF

MANAGING DIRECTOR/DIRECTORS OF LONDONWASTE LIMITED

FOR SUBMISSION TO

THE NORTH LONDON WASTE AUTHORITY

DATE:

27 JUNE 2013

SUMMARY OF REPORT

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 2012/13.

Local Government Act 1972 – Access to Information: No documents required to be listed.

RECOMMENDATIONS

That the Authority notes the report including the resolution of the Directors of LondonWaste to pay an interim dividend to NLWA of £3.0m on 14 June 2013.

SIGNED:

Managing Director

DATE:: 18 June 2013

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 2012/13.

2 BACKGROUND TO 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- 2.2 The requirement for local authorities to contract out waste disposal functions was effectively repealed by section 47 of the Clean Neighbourhoods and Environment Act 2005.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 the Authority.
- 2.3 The current contract between NLWA and LondonWaste Limited expires on 15 December 2014. NLWA is currently tendering the subsequent Waste Services Contract and it is intended that the winning bidder will acquire the shares of LondonWaste Limited from NLWA at Financial Close.

3 DIRECTORS AND BOARD MEETINGS

- 3.1 The following non-executive directors, appointed by NLWA, served throughout the Authority year and will hold office until June 2014:

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

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

Mr. David Sargent (Managing Director)
Mr. Matt McGeehan (Finance Director)

Mrs Nazneem Grogan (Technical Director) was appointed as an executive director on 27 September, 2012.

- 3.3 Directors attend LondonWaste board meetings which are usually monthly (although they may be called more frequently if required). Signed copies of board minutes are submitted to each meeting of the Authority for information. These appear on the exempt part of the agenda (the Part II section) as they may contain commercially sensitive confidential information relating to the business affairs of LondonWaste and Members are required to respect this.
- 3.4 The Company's Annual General Meeting was held on 23 May, 2013 and the shareholder was advised of the Company's progress.

4. FINANCE AND OPERATIONS

- 4.1 In the year ended 31 December 2012 LondonWaste made a profit before tax of £11.8 million which was almost £6 million better than the target set by the Business Plan. Excellent waste throughput and boiler availability, together with the effect of a new residual waste shredder and a new picking station in minimising landfill disposal costs contributed to the Company's above-budget performance. The Business Plan has subsequently been revised to set more challenging targets in view of these structural improvements in the efficiency of the business. The audited statutory accounts have been approved and signed and they were adopted at the Company's AGM on 23 May 2013.
- 4.2 Dividends totalling £7.0 million were paid to the Authority in the year ended 31 December 2012. This represented an increase of £1.5m over the dividends paid in 2011 (£5.5 million).
- 4.3 An interim dividend of £3.0 million was proposed at the Company's AGM on 23 May 2013 and was paid to the Authority on 14 June 2013. The directors are confident that the results for the year ended 31 December 2013 will achieve or exceed the targets set in the latest Business Plan and that total dividends paid in 2013 will meet or exceed the dividend target of £6.5 million. (NOTE: The outcome for 2013 and the total dividends paid are subject to any impacts or effects that may arise from the Authority's procurement)
- 4.4 The Company remained debt-free throughout the year.
- 4.5 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 Revised Business Plan.

5. BUSINESS REVIEW

- 5.1 Having received the approval and support of the NLWA, the Company installed additional recycling facilities in the form of a picking station at the Bulky Recycling Facility and this was formally opened in May 2012. These facilities have increased the amount of recyclable material the Company can extract from waste. This equipment can be relocated at a later date if necessary and so does not impact the future redevelopment of the EcoPark.

In May 2012, the Company began operating a residual waste shredder which had been purchased to increase the amount of waste which can be processed through the Energy Centre, thereby reducing the amount of waste which has to go 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 procurement strategy.

- 5.2 There was one RIDDOR reportable accident in 2012 compared to five in 2011. At the time of writing there has been one RIDDOR accident in 2013. The Company investigates all accidents and gives appropriate training to employees including toolbox talks. During the year the Company was prosecuted by HSE in respect of an accident at Hornsey Street in 2007 in which an ICSL driver was injured. An appeal against this conviction is currently being considered.
- 5.3 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 allotment societies. The local community is given the opportunity to learn about composting through the Company's communication programme. A new electrical shredder, which will be more reliable than the previously hired diesel unit, was purchased for the Compost Centre during the year.
- 5.4 Following a successful 2011/12 when the Company won the British Computer Society award for "Small Business Project of the Year", a Gold Award under the TfL Fleet Operators Recognition Scheme and the Association of Organics Recycling's Compost Marketing Award, the Company has had further success. The Company was shortlisted for two further awards this year. Resource Revolution Awards 2013 shortlisted LondonWaste for its landfill diversion strategy and National Recycling Awards 2013 shortlisted the Company for generating RDF for the Energy Centre. The Company did not receive the top award in its class at the Resource Revolution Awards but the final result of the National Recycling Awards will be announced in July 2013.

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 Although there is currently pay restraint in operation in the public sector, LondonWaste is a private company operating competitively against private sector companies which are settling pay claims. In order to retain skilled staff and avoid industrial action the Company negotiates pay settlements which are affordable whilst still allowing it to meet its business objectives. In 2012 the Company awarded a 3.5% pay increase to its employees which compared to the prevailing rate of RPI inflation of 3.7%
- 6.3 The latest 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 as at 1 January 2009. As a consequence a new deficit reduction plan was put in place. However the latest summary funding update as at 31 December 2012 showed that the deficit had subsequently fallen to £4.2m aided by a recovery in the equity markets.

7. COMMUNITY AWARENESS

- 7.1 The Company continued 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 held a Compost Awareness Weekend in May 2012 in partnership with London Community Recycling Network and NLWA featuring container growing workshops, tours and discussions. Visitors were able to take home EcoPark compost as well as compost bins.
- 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. The Company ran a competition to redesign the Recycled Garden at Capel Manor and the redesigned garden was officially opened on 19 June, 2012 by Lady Salisbury.
- 7.4 Over 400 visitors viewed the facilities at the EcoPark during 2012. Visitor interest falls into three broad categories:
- Academic study: mostly under-graduates from Capel Manor, Imperial College, London School of Economics, Middlesex and Westminster Universities;

- Business / customers: generally for technical interest, including customers keen to better understand the processes used;
- General Interest: to find out how waste is dealt with in the local area.

8. COMMENTS OF THE LEGAL ADVISER

8.1 The Legal Adviser has been consulted in the preparation of this report and has no further comments to make.

9. COMMENTS OF THE FINANCIAL ADVISER

9.1 The decision by the Board to pay an interim dividend of £3.0m is £0.5m better than allowed for in the Authority's 2013/14 budget. The Company has begun the year well and expects to remain profitable for the remainder of the year. As a consequence, and as indicated above, there is a good prospect of the Authority receiving a further dividend later in the year.

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