

Agenda Item 11

NORTH LONDON WASTE AUTHORITY	
REPORT TITLE: NORTH LONDON WASTE AUTHORITY – ANNUAL REPORT 2006/2007	
REPORT OF: DEPUTY CLERK	
FOR SUBMISSION TO: AUTHORITY MEETING	DATE: 27 th June 2007
SUMMARY OF REPORT: This is the Annual Report for the Authority covering the year 2006/7 which gives an overview of some of the main issues dealt with by the Authority, and which links into the Best Value Performance Plan. Local Government Act 1972 – Access to Information: No documents required to be listed. Contact Officer: Thomas Ribbits, Deputy Clerk, NLWA Camden Town Hall Judd Street, London WC1H 9JE (020 7974 1915) Email: Thomas.ribbits@Camden.gov.uk	
RECOMMENDATION: That the Authority approves this report.	

Signed by:

Date:

NORTH LONDON WASTE AUTHORITY – ANNUAL REPORT 2006/7

1. Introduction to the Authority

- 1.1 The North London Waste Authority (NLWA) was established in 1986 as a joint statutory waste disposal authority after the abolition of the Greater London Council (GLC). The Authority's prime function is for arranging the disposal of waste collected by its seven constituent boroughs. These authorities are:-
- The London Borough of Barnet
 - The London Borough of Camden
 - The London Borough of Enfield
 - The London Borough of Hackney
 - The London Borough of Haringey
 - The London Borough of Islington
 - The London Borough of Waltham Forest
- 1.2 The Authority has a membership of 14 councillors, with each constituent borough appointing two councillors. The Authority meets 5 times a year, with provision for special meetings as required. An Urgency Committee has also been established to meet and consider appropriate business where necessary, although this has not met in the past year.
- 1.3 In 2006/07, the Chairman of the Authority was Councillor Brian Coleman (London Borough of Barnet) and the Vice Chairmen were Councillors Vincent Stops (London Borough of Hackney) and Robert Belam (London Borough of Waltham Forest).
- 1.4 Arising from the requirements of the Environmental Protection Act 1990, the Authority in 1992 entered into a process leading to the formation of a Local Authority Waste Disposal Company (LAWDC) and subsequently a Joint Venture. SITA (GB) Ltd (now called SITA (UK) Ltd) was selected as the Joint Venture's preferred partner, and a Joint Venture Company, called LondonWaste Ltd was established. The Authority subjected its waste disposal needs to competitive tender with LondonWaste Ltd bidding on behalf of the Joint Venture Partners.
- 1.5 After 18 months of negotiations the arrangements for the Joint Venture were finalised and received the Secretary of State for the Environment's approval in December 1994. The divestment of the Authority's operational arm to LondonWaste Limited took place on 15th December 1994. At the same time, a twenty-year contract for the transfer and disposal of the Authority's waste was awarded to LondonWaste Ltd.
- 1.6 The Board of LondonWaste Ltd has 3 directors nominated by the Authority and 3 nominated by SITA (UK) Ltd. This is representative of the 50%-50% share holdings of both partners within the Joint Venture. The A Directors appointed on the Board by the Authority for 2006/2007 were Councillors John Boast, Melvin Cohen and Brian Haley with Councillor Eric Sizer as a substitute A-Director.

1.7 The Authority does not employ any staff directly, but makes the following cross-borough arrangements for support services:-

- **London Borough of Camden**

- Clerk - Ms Moira Gibb
- Legal Adviser – Ms Melanie Field
- Financial Adviser – Mr Mike O'Donnell
- Finance Officer – Mr Bob Bench
- Deputy Clerk – Mr Thomas Ribbits

- **London Borough of Haringey**

- Technical Adviser – Mr Niall Bolger
- Valuation Adviser – Mr Dinesh Kotecha
- Strategy & Contracts Team:
 - Head of Waste Strategy & Contracts – Mr. Andrew Lappage
 - PA to Head of Waste Strategy & Contracts – Ms Suzi Hougham
 - Policy & Development Manager – Ms. Barbara Herridge
 - Principal Policy Officer – Mr. Jon Clark
 - Waste Prevention Officer – Mr Matthew Minchin
 - Procurement Manager – Ms. Rachel Espinosa
 - Procurement Officer – Mr Frank Mensah
 - Technical Officer - Vacant
 - Contracts Manager – Ms.Christina Preece
 - Contracts Management Office – Vacant
 - Finance & Administration Officer – Ms Caroline Willis
 - Service Information Officer – Ms. Liza Liu
 - Monitoring & Administration Assistant – Ms. Annie-Laure Menyonga

2. Finance

Budget

2.1 The annual net revenue budget of the authority is funded by a levy on constituent boroughs and covers the cost of disposal of household waste and the core costs of running the Authority. There is a separate charging arrangement for non-household waste.

2.2 The total estimated net expenditure for the Authority in 2007/08 is £48.593m. It has been financed as follows: -

Use of revenue balances	£ 4,808,000
Charges to boroughs for non-household waste	£ 8,884,000
Levy	£34,901,000

2.3 The levy for the 2007/08 financial year of £34,901,000 has been apportioned between constituent councils as follows:-

Barnet	£6,900,756
Camden	£4,775,052
Enfield	£5,439,507
Hackney	£4,409,679
Haringey	£4,785,359
Islington	£4,349,561
Waltham Forest	£4,241,086
Total	£34,901,000

- 2.4 Although the Authority's budget and resource requirements have reduced in 2007/08 by £1.893m compared with 2006/07, this is primarily due to the Government's decision to remove the statutory duty for the Joint Waste Disposal Authorities to pay recycling credits to their constituent borough councils (as a consequence of changes in the levy apportionment arrangements – see below), the costs that are met from the levy continue to rise at above inflation levels. This is due to a continuing increase in the underlying waste stream, i.e. before recycling and composting activity by the boroughs, the provision of new treatment facilities to handle constituent borough recycling and composting activities, and the increasing statutory/licensing requirements to dispose of waste by environmentally sound methods. In the case of the latter, however, the change to producer responsibility on 1 July 2007 for the cost of safely disposing/treating of television and computer screens and other electrical appliances arising from the Waste Electrical and Electronic Directive has also contributed to the year-on-year saving.
- 2.5 Although the Authority no longer has a statutory duty to pay recycling credits it has decided to pay a local recycling credit payment to match the phased move to a tonnage-based levy. This has the effect of paying a recycling credit at one-third of the estimated statutory credit value in 2007/08 (two-thirds in 2006/07). In 2006/07 the Authority introduced a reward scheme for the diversion of biodegradable municipal waste. The 2007/08 budget allows for this scheme to continue.
- 2.5 Landfill tax is another significant cost to the Authority. Although the Authority benefits from the disposal of a large proportion of its waste through the Edmonton energy-from-waste (EfW) facility there are still large volumes of untreated residual waste sent to landfill. Standard landfill tax rates rose steadily by £1 per tonne per annum to £15 per tonne in April 2004, but have increased by £3 per tonne to £18 in April 2005, £21 per tonne in April 2006 and £24 per tonne in April 2007. The latter arises from the Government's stated intention to increase landfill tax rates by further stepped changes of £3 per tonne per annum until a landfill tax rate of £35 per tonne is reached. However, the Chancellor of the Exchequer in his 2007 Budget announced a year-on-year increase of £8 per tonne per annum during the period 2008/09 to 2010/11 which will add significantly to waste management costs in this period.
- 2.6 The 2006/07 budget continues to allow for the cost of operating the new and significantly improved waste transfer station at Hornsey Street (Islington) albeit at a higher cost. This replaced the Ashburton Grove waste transfer station that was acquired for development by the Arsenal Football Club and which has now I

become the site of their new football stadium.

- 2.7 The Landfill Allowance Trading Scheme (LATS) came into effect in April 2005. This allows the Authority to landfill biodegradable waste without penalty only if the Government has issued it with sufficient allowances. The Authority, however, is able to buy or sell surplus allowances from or to other waste disposal authorities. The Authority expects to be in a favourable trading position in the period up to 2010/11. At 31 March 2007 the Authority is estimated to hold 100,051 surplus allowances (subject to audit by DEFRA) with a notional book value of £1.799m. The actual value will not crystallise until the allowances are sold. In the coming year it will be necessary to re-affirm the Authority's likely LATS requirements over the next few years and to develop a trading strategy.
- 2.8 The Government's current waste strategy has set demanding targets for the reduction of waste. Although the rate of growth in the underlying waste stream (before recycling and composting) has eased in the past two to three years (1.28% in 2006/07) the growth in house-building planned for the north London region will almost certainly result in the ongoing growth in the waste stream. It, therefore, follows, that the cost to constituent boroughs is also likely to continue to rise at above inflation levels for the foreseeable future. The landfill tax escalator referred to above will have a major impact on the Authority's budget. The case for waste minimisation and a continuation of further recycling and composting activity remains strong, particularly where this is directed at the biodegradable fraction of the waste stream. These issues are being addressed as part of the North London Joint Waste Strategy. Although the effect of the fiscal measures introduced by the Government will raise the base costs of waste management, the implementation of the Strategy will further add to the cost of waste management in the future.
- 2.9 The charge for non-household waste in 2007/08 is estimated to be £56.97 per tonne and includes a LATS premium charge of £5.00 per tonne. The latter represents the opportunity cost of using LATS Allowances in excess of those deemed attributable to the non-household waste stream.
- 2.10 The estimated cost for each constituent council in 2007/08 is as follows:

Barnet	£ 1,113,137
Camden	£ 1,940,740
Enfield	£ 729,785
Hackney	£1,330,420
Haringey	£ 1,202,466
Islington	£ 1,468,288
Waltham Forest	£ 1,099,977
Total:	£ 8,884,813

(A summary of the levies raised since the formation of the authorities is attached as **Appendix 1.**)

- 2.11 At the Authority's budget meeting in February 2007 Members were advised that assuming full use of balances by 31 March 2008, and a year-on-year increase in the waste stream of 1% per annum (as adjusted for further stepped increases in

recycling), the percentage increase in the cost to the Boroughs in 2008/09 was estimated to rise by 10.9%, and further increases of 6.7% and 6.5% in 2009/10 and 2010/11 respectively. The increase for 2008/09 reflects the fact that balances of £4.808m have been used to part fund the 2007/08 budget. This forecast was based upon known and quantifiable changes only, including landfill tax rates where the standard rate of tax was expected to rise by stepped increases of £3 per year until a rate of £35 per tonne is reached. However, in April, following the announcement by the Chancellor of the Exchequer of the landfill tax escalator over the next three years, the medium term forecast of the percentage increase in the cost to the Boroughs was raised to 14.3% in 2008/09, 9.5% in 2009/10 and 8.8% in 2010/11. Whilst the medium term budgets allow for a small year-on-year growth in the use of recycling and composting treatment facilities (20,000 tonnes per annum) these forecasts make no other allowance for the substantive costs of implementing the North London Joint Waste Strategy. Preliminary work undertaken in developing a procurement strategy suggests that waste management costs will begin to rise steeply from 2013/14 onwards. The budget, however, does allow for the costs of the procurement process. Elsewhere on this agenda, the budget forecast figures for future years have been revised to 14.3% in 2008/09, a further 11.5% in 2009/10 and 7.8% in 2010/11.

Tonnage Levels

- 2.13 Allowing for a continuation of borough recycling and composting activity (c. 173,000 tonnes in 2006/07) the 2007/08 budget allows for the disposal of 771,700 tonnes of residual waste, the treatment of a further 30,000 tonnes of green/ kitchen wastes and a bulking arrangement for 25,500 tonnes of dry-recyclable wastes.

Apportionment of the Levy

- 2.14 Although it is open for the Authority's constituent borough councils to decide how the levy will be apportioned between them, provided they are unanimous, this has not happened. As a consequence, prior to 2006/07, the Levying Bodies (General) Regulations 1992 prescribed the default arrangements that would apply in such circumstances i.e. the levy will be apportioned in proportion to each council's tax base. In March 2006, the Government changed the default arrangements for apportioning the levy to one primarily based upon tonnage. 2006/07 was the first of a three-year transition to a tonnage based levy.
- 2.15 For the NLWA there are now effectively two elements to the levy, a household waste element (c. 84% of the Authority's budget) and an 'other' costs element (16%). In 2006/07, the first year of transition, the household waste element was apportioned one-third tonnage and two-thirds council tax base, and in 2007/08 it is two-thirds tonnage and one-third council tax base. Assuming that the constituent boroughs do not agree an alternative apportionment basis for 2008/09, the household waste element of the levy will be apportioned on a tonnage basis only. The 'other costs' element will continue to be apportioned on a council tax basis.

3. Property Issues

A404 Edmonton CPO

- 3.1 The amount due to be paid to this Authority has been agreed for some time and is set at £1,155,000. A sum of £346,500 was paid on account in 1998, however, a sum of £808,500 plus interest has yet to be paid. The reason for the delay is due to a concern expressed by LondonWaste Ltd, primarily in regard to loss of control over the access way to the site. This has required officers to seek to provide assurances to LondonWaste Ltd whilst at the same time seeking to safeguard the Authority's position as being properly entitled to receive the financial sum negotiated. The position has now been reached whereby London Waste has secured agreement with Transport for London for them to purchase part of the frontage land so that it can be used either as an access to the Edmonton site or for vehicle parking. It is understood that the legal process is now proceeding but will require the consent of the Mayor's office. As a consequence this should now enable the process that will result in the payment to the Authority to be completed.

Other Property Issues

- 3.2 In 2005/6 agents were instructed to undertake the following work (i) the quinquennial assets re-valuation – this information has been used in the Statement of Accounts, (ii) an assessment of the need to appeal the 2005 rating assessments which has resulted in an appeal against the rating assessment of the Hornsey Street Waste Transfer Station and the Hendon Rail Transfer Station. Work on the 2005 rating assessments continued in 2006/07 and the Authority has recently secured a rateable value reduction of £155,000. The valuation adviser will also deal with ad hoc property matters as they arise during the year ahead

Property Holdings

- 3.3 The property holdings of the Authority are:

NLWA holdings are as follows:-

- Hornsey Street, Islington
- Picketts Lock Lane, Edmonton
- A406, Edmonton (CPO)
- Tilling Road, Hendon
- Hendon Waste Transfer Station

4. Best Value (Andrew, would you mind updating)

- 4.1 Under the Local Government Act 1999, the Authority is subject to the best value regime. The Authority's seventh best value performance plan was published in June 2006.
- 4.2 The plan built on the previous year's plan and reported a significant further increase in the household waste recycling and composting rate for the North London Waste Authority area, as we built on the success of exceeding our 2003/4 and 2005/6 statutory performance standards of 12% and 18% respectively.

- 4.3 The plan reports current services and infrastructure, and the new the Edmonton In-Vessel Composting Facility (part-funded by the London Recycling Fund).
- 4.4 Other progress and plans with regards to the North London Joint Waste Strategy are also included, with Best Value principles being employed, and the plan also gives information on the Authority's waste streams and its past and planned finances
- 4.5 The Authority's eighth best value performance plan will be published on 30th June 2007 and will report further improvements in recycling and composting rates, along with other progress in implementing the North London Joint Waste Strategy and other Authority activities.

5. Waste Incineration Directive (WID)

- 5.1 The Authority is required to contribute towards the additional costs of LondonWaste Ltd in meeting the requirements of new environmental legislation such as the Waste Incineration Directive, which requires a reduction of emissions. This contribution is limited in any year to the value of the dividend paid by the Company to the Authority.
- 5.2 The Authority has previously considered a number of reports presenting a range of options for compliance by LondonWaste Ltd with the EU Waste Incineration Directive. LondonWaste Ltd was no longer going to be able to use the current boilers at their Edmonton energy-from-waste facility to incinerate the Authority wastes (and others') after 28th December 2005 unless new measure were taken to reduce still further the emissions from the facility beyond those undertaken in 1996 to comply with the Emissions Control Regulations (HMIP IPR Circular 5/3). In July 2003, following consideration of a recommendation by LondonWaste Ltd the Authority agreed to give its consent to the refurbishment proposals for the existing boilers.
- 5.3 The refurbishment project was completed on time, with all five boilers modified and additional emissions control equipment installed. This was a highly significant and complex project, with a final cost of circa £26 million. The new emission controls and boiler modifications have come through the first full year of operation successfully, and although the incineration level of the facility has yet to return to pre-WID levels, an incineration level of c. 502,000 tonnes was achieved in 2006.

6. Joint Municipal Wastes Management Strategy

- 6.1 The Government published guidance in March 2001 indicating that it expected a Joint Municipal Wastes Management Strategy to be developed between Waste Disposal Authorities and their constituent Waste Collection Authorities, and in December 2001, the Boroughs and the Authority formally adopted Aims and Objectives and approved a series of further recommendations to progress development of the Strategy.
- 6.2 During 2004/05 previous joint work with the constituent boroughs was brought

together through a series of Cabinet Member Seminars at which elected Members and senior officers of the seven Constituent Boroughs and the Authority came together to discuss options and provisionally agree a common way forwards.

- 6.3 In September 2004 a "Mayor's Draft" North London Joint Waste Strategy (NLJWS) was submitted by the Authority to the London Mayor for consideration and approval. There were however certain issues that one Partner was subsequently unable to finally agree upon, so the London Mayor declined not to formally review the NLJWS until a common position had been agreed by all eight Partners (the seven Boroughs and the Authority).
- 6.4 The concerns of that Partner have since been overcome, and the London Mayor's comments have been received. However, it has since become necessary to submit the NLJWS to a Strategic Environmental Assessment, and this is now underway.
- 6.5 The benefits of the North London Integrated Compost Project continued with the new in-vessel composting facility at LondonWaste's site composting 30,000 tonnes of organic waste in its first year; this waste was mostly from new collection services but some also came from re-use and recycling centres in the Authority's area. Most of the Community Composting Fund monies have now been successfully distributed, with the remainder to be decided in 2007/08.
- 6.6 The Authority adopted a Waste Prevention Implementation Plan, which sets out a range of activities aimed at the top of the waste hierarchy. This had been developed in full partnership with our constituent borough councils.
- 6.7 The Authority continued to support (in partnership with LondonWaste Ltd) the North London Recycling Forum to further promote links between the community, government and private sectors.
- 6.8 Looking further to the future, the Authority adopted a Procurement Strategy, against which it will procure the next generation of waste recycling, composting, recovery and disposal services for North London. This is an exceptionally significant project in terms of services to residents, local environmental impacts and costs.

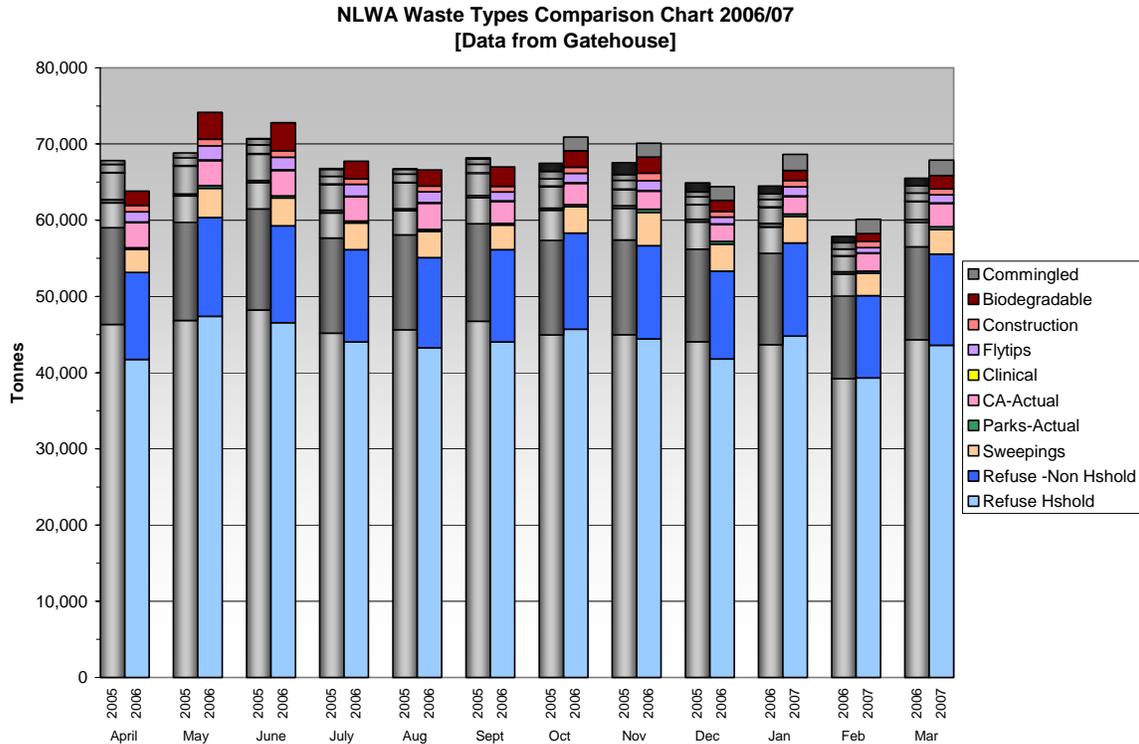
7. Relations with the Authority's Main Contractor - LondonWaste Ltd

- 7.1 In its capacity as a 50% shareholder of LondonWaste Ltd., the Authority receives reports at each meeting on LondonWaste Board meetings. A number of issues have been progressed during the past year as detailed in a report elsewhere on the agenda from NLWA Directors on LondonWaste Limited in 2005/6.
- 7.2 In its capacity as an employer of LondonWaste Ltd., the Authority receives reports concerning any significant developments with the main waste disposal contract and the civic amenity waste transport contract whenever necessary. These have concerned issues at the new Hornsey Street waste and recycling centre, the new in-vessel composting facility at LondonWaste's Edmonton site, and proposals for

change that would affect the Hendon rail transfer station.

7.3 The Strategy and Contracts Team is responsible for managing the main waste disposal contract for all household, commercial, clinical and civic amenity waste produced by constituent boroughs, and is increasingly managing recycling and composting services too. There also some relatively minor ancillary contracts. A full description of the key sites and services is in the Best Value Performance Plan.

7.4 Tonnage Information



NB. This chart excludes Boroughs' own waste to reprocessors

Please note that borough recycling data is not included in this comparison.

7.5 Contract Activities

Main Contract

7.5.1 The main waste disposal contract is monitored using random routine inspections of each LondonWaste site. The target is to visit each site on a weekly basis but where this is not possible, emphasis is given to the busier sites. During 2006/07 a total of 324 visits were made across the three sites. These inspections are designed to highlight issues of health and safety, check vehicle turnaround times and ensure the sites are running efficiently. One default was issued against the contract during the year.

7.5.2 During these visits, the movement of borough vehicles is monitored by sampling

approximately 1100 transactions a month which is in excess of 6% of the monthly total and is statistically representative. Performance against this target was achieved or exceeded in nine months, but at Easter, Christmas and August it fell short due to staff shortages. The vehicle monitoring data is then reconciled against claims for payment by LondonWaste Ltd. Tonnage data is sent to borough technical officers each week, month and quarter so that they may carry out their own checks on transactions and highlight problems for the team to investigate.

- 7.5.3 This monitoring includes vehicles delivering organic wastes for composting and commingled dry recyclables for sorting and recycling.
- 7.5.4 Fridges and freezers are recycled to comply with the requirements for the disposal of waste containing ozone/depleting substances and to comply with the Waste Electrical and Electronic Equipment Directive (WEEE).

Civic Amenity Transport Contract (Re-use & Recycling Centres)

- 7.5.5 There are currently eight re-use and recycling centres in the NLWA area generating approximately 34,546 tonnes of residual waste in 2006/07.
- 7.5.6 Apart from Camden's site at Regis Road being refurbished during the year, there was no significant change at any of the re-use and recycling centres.
- 7.5.7 The contract for the transportation of this waste is currently held by LondonWaste and the service is of a generally good standard; one default was issued during the period covered by this report. The target is to visit each site on a weekly basis on average to ensure service levels remain high and to check the condition of the containers ensuring all health and safety requirements are met. This target was exceeded most of the year, apart from staff shortages in the holiday periods of Easter, Christmas and August, when some sites were visited only two or three times in the month and telephone contact had to be relied upon for the remainder of the time.

Ancillary Services

- 7.5.8 **Cathode Ray Tubes** - In August 2005 it became unlawful, due to their reclassification as hazardous waste, to dispose of items containing cathode ray tubes, such as television screens and old computer monitors, in the general waste stream. Arrangements were made for a trial collection of these items by two specialist companies from all the boroughs' re-use and recycling centres except for Islington's where their contractual commitments required a different solution. The implementation of the WEEE Directive was put back several times and this uncertainty prolonged the trial period while we awaited notification of other categories of waste to be reclassified. During 2006/07 40,905 items were collected in the Authority area.
- 7.5.9 **Waste Electrical and Electronic Equipment (WEEE)** – as noted above, the implementation of this directive has been delayed by the Government in the past,

but in 2006/07 the Authority was able to make preparations for new arrangements to be introduced from July 2007. Under these new arrangements producers of electrical and electronic equipment will bear the costs of recycling and/or disposal for this waste stream in the future.

- 7.5.10 **Tyres** - Tyres were disposed of at Environmental Tyre Disposal in Edmonton during most of 2006/07, but also at McGrath's in Hackney by the Authority; however some boroughs continued to make their own arrangements.

8. Hendon Rail Transfer Station

- 8.1 The Authority leases the site of the Hendon rail transfer station from Network Rail, whilst LondonWaste Ltd sub-contracts the site's operations to Waste Recycling Group (formerly Shanks Waste Solutions), who own the railhead and landfill site in Bedfordshire to which this waste goes.
- 8.2 A property consortium wishes to re-develop the area of this transfer station, and have approached the Authority about specifying a replacement facility as close to the current site as possible. Their initial proposals were not considered satisfactory by officers, and further delays have arisen whilst the developers have prioritised work on other aspects of the overall re-development area. Negotiations recommenced in 2006, and substantive progress is now anticipated.

9. Comments of the Financial Adviser

- 9.1 The comments of the Financial Adviser have been incorporated within the report.

10. Comments of the Legal Adviser

- 10.1 The Legal Adviser's comments are incorporated in the report.

Appendix 1

NORTH LONDON WASTE AUTHORITY LEVIES AND NON-HOUSEHOLD CHARGES 1986 TO 2007

	Levy	Non-household Charges	Total
	£'000	£'000	£'000
1986/87	13,872	-	13,872
1987/88	11,301	-	11,301
1988/89	12,962	-	12,962
1989/90	13,602	-	13,602
1990/91	14,180	-	14,180
1991/92	13,250	-	13,250
1992/93	11,646	-	11,646
1993/94	9,370	-	9,370
1994/95	10,221	-	10,221
1995/96	13,006	-	13,006
1996/97	11,675	3,335	15,010
1997/98	15,342	3,573	18,915
1998/99	18,229	3,644	21,873
1999/00	22,187	3,913	26,100
2000/01	24,677	4,007	28,684
2001/02	26,229	4,711	30,940
2002/03	29,744	5,370	35,114
2003/04	35,094	6,393	41,487
2004/05	38,374	6,776	45,150
2005/06	41,837	7,450	49,287
2006/07	33,231	8,647	41,878
2007/08	34,901	8,884	43,785

- During the period 1986/87 to 1995/96 the cost of non-household waste disposal for recovered through the levy from constituent councils.

Report Ends