

Agenda Item 11

NORTH LONDON WASTE AUTHORITY	
REPORT TITLE: NORTH LONDON WASTE AUTHORITY – ANNUAL REPORT 2005/2006	
REPORT OF: DEPUTY CLERK	
FOR SUBMISSION TO: AUTHORITY MEETING	DATE: 28 th June 2006
SUMMARY OF REPORT: This is the 2005/6 Annual Report for the Authority, in a similar format as previous years, linking in to 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 2005/2006

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. In the last year, there has been one special meeting. 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 2005/6, the Chair of the Authority was Councillor Ray Dodds (Haringey) and the Vice Chairs were Councillors Bill Hodgson (London Borough of Hackney) and Eric Sizer (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) were 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 2005/6 were Councillors Brian Haley, Roger Robinson and Eric Sizer with Councillor Ray Dodds as a substitute 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
- Deputy Clerk
- Financial Adviser
- Finance Officer
- Legal Adviser

- **London Borough of Haringey**
- Technical Adviser
- Valuation Adviser
- Strategy & Contracts Team:
 - Head of Waste Strategy & Contracts
 - PA to HoWSC
 - Policy & Development Management
 - Principal Policy Officer
 - Waste Prevention Officer (Vacant)
 - Procurement Manager
 - Procurement Officer (Vacant)
 - Technical Officer (Vacant)
 - Contracts Manager (Vacant)
 - Contract Management Officer
 - Finance & Administration Officer
 - Service Information Officer
 - Monitoring & Administration Assistant

1.8 The vacant positions, whilst approved in July 2004, are being filled gradually over time as the service requires.

1.9 At the beginning of 2005, Mr John Mabey, the Financial Adviser to the Authority, retired. His place was taken by Mr Peter Ingham on a temporary basis until the arrival of Mr Mike O'Donnell in October 2005.

1.10 In May 2006 Anne Fisher, the Technical Adviser to the Authority, left and Andrew Travers was appointed Acting Technical Adviser.

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 2006/07 is £50.486m. It has been financed as follows: -

Use of revenue balances	£ 8,609,000
Charges to boroughs for non-household waste	£ 8,646,798
Levy	£33,231,000

2.3 The levy for the 2006/07 financial year of £33,231,000 has been apportioned between constituent councils as follows:-

Barnet	£6,850,696
Camden	£4,645,670
Enfield	£5,385,547
Hackney	£3,775,584
Haringey	£4,462,986
Islington	£4,124,231
Waltham Forest	£3,986,286
Total	£33,231,000

2.4 Although the Authority's budget and resource requirements have reduced in 2006/07 by £3.276m compared with 2005/06, this is primarily due to the Government's decision to remove the statutory duty for the Joint Waste Disposal Authority's to pay recycling credits to its constituent boroughs (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 partly 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, for instance, the budget allows for the cost of safely disposing/treating TV and computer screens and other electrical appliances arising from the Waste Electrical and Electronic Directive.

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 two-thirds of the estimated statutory credit value in 2006/07 (and one-third in 2007/08). The Authority has also taken the opportunity to introduce a reward scheme for the diversion of biodegradable municipal waste.

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 and by a further £3 to £21 per tonne in April 2006. 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. Although the 2006/07 budget also allows for this increase and the additional landfill tax arising from the budgeted increase in the waste stream, the combined increase is partially offset by the return of the Edmonton EFW facility to full operation following completion of the refurbishment programme of works to meet the requirements of the Waste Incineration Directive. The latter should increase the amount of the Authority's waste that is incinerated and reduce the amount that is sent to landfill.

- 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 replaces the Ashburton Grove waste transfer station that has been acquired for development by the Arsenal Football Club and which has now become the home of their new football ground.
- 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. Although the Authority expects to be in a favourable trading position in the period up to 2010/11, - 2005/06, as expected – did prove to be a challenging year. This is because the first year of LATS coincided with the refurbishment works to the Edmonton energy-from-waste facility. The final accounts for 2005/06, however, show that the Authority used only 306,971 LATS Allowances during the year (subject to audit) and therefore ended the year with a small surplus of £5,962 Allowances. These have a notional book value of £0.120m and can be carry-forward to 2006/07 or sold. With the return of the Edmonton EFW facility to full operation this should ensure that the Authority's 2006/07 biodegradable landfill requirements are contained within its LATS allocation for the year. In the coming year it will be necessary to re-affirm the Authority's likely LATS requirements and secure approval to a trading strategy.
- 2.8 The Government's current waste strategy has set demanding targets for the reduction of waste it is likely that the waste stream will continue to rise for some time to come. Although in both 2004/05 and 2005/06 there has been little or no growth in the Authority's underlying waste stream, i.e. before recycling and composting by boroughs, the growth in house-building planned for the north London region will, at minimum, 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 case for waste minimisation remains strong 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.
- 2.9 The charge for non-household waste in 2006/07 is estimated to be £53.32 per tonne and includes a premium charge of £5.59 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 2006/07 is as follows:

Barnet	£ 1,074,611
Camden	£ 1,889,181
Enfield	£ 703,291
Hackney	£ 1,250,301
Haringey	£ 1,176,932
Islington	£ 1,484,162
Waltham Forest	£ 1,068,320
Total:	£ 8,646,798

(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 2006 Members were advised that assuming full use of balances by 31 March 2007, and a year-on-year increase in the waste stream of 2% per annum (as adjusted for further stepped increases in recycling), the percentage increase in the cost to the Boroughs in 2007/08 was estimated to rise by 20.2%, a reduction of 0.2% in 2008/09 and an increase of 6.6% in 2009/10. The increase for 2007/08 reflects the fact that balances of £8.609m have been used to part fund the 2006/07 budget. This forecast was based upon known and quantifiable changes only, including landfill tax rates where the standard rate of tax is expected to rise by stepped increases of £3 per year until a rate of £35 per tonne is reached. Apart from funding for the first of the Authority's In-Vessel Composting facilities (which became operational in 2005/06) and the provision of a bulking arrangement for dry recyclable wastes, these forecasts make no allowance for the cost of implementing the North London Joint Waste Strategy. The budget, however, does allow for the cost of developing a procurement strategy and outcome will be reported to the Authority later in the year. Elsewhere on this agenda, the forecast figures have been revised to 16.4% in 2007/08, a further 3% in 2008/09 and 6.6% in 2009/10.

Tonnage Levels

2.13 The 2006/07 budget has been based on an estimated residual waste stream of 800,697 tonnes.

Apportionment of the Levy

2.14 Although it is open for the Authority's constituent boroughs to decide how the levy will be apportioned between constituent councils, the boroughs have not been able to agree unanimously on the basis for apportionment. 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. All constituent boroughs have indicated that they favoured a move to a tonnage-based levy but as any change could in some cases result in a significant change in the levy borne by each Council it has not been possible, hitherto, for the boroughs to make a

voluntary move to a tonnage based method of apportionment. This has been the case for many years and both the Authority and constituent boroughs have made representations to the Government for a change to the default arrangements. These representations have expressed the view that this should include appropriate transitional arrangements to reduce the financial impact of change on constituent boroughs.

- 2.15 Nonetheless, 2005/06 begun with officers of the eight partner authorities to the Draft North London Joint Waste Strategy examining the scope for developing a voluntary move to a tonnage-based levy in time for 2006/07. Eventually, in September 2005, the Government's long awaited proposals to amend the default arrangements for apportioning the levy to a tonnage-based levy were consulted upon. This culminated in legislation that phased the move to a tonnage based levy over a period of three years. For the NLWA there are now effectively two elements to the levy, a household waste element (c. 78% of the Authority's budget) and an 'other' costs element (22%). In 2006/07 the household waste element has been apportioned one-third tonnage and two-thirds council tax base. Assuming that the constituent boroughs do not agree an alternative apportionment basis the 2007/08 household waste levy will be apportioned two-thirds tonnage and one-third council tax base. In 2008/09 the household waste element will be apportioned fully on a tonnage basis. 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. The valuation adviser will also deal with ad hoc property matters as they arise during the year ahead

Property Holdings

- 3.3 In February of this year, the Authority Members asked for confirmation of its property Holdings and was reported to them in February.

A resume confirmation of this information is as follows:-

NLWA holdings are as follows:-

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

Appointment of New Property Advisor

- 3.4 Following the departure of Richard Barrett, his replacement Dinesh Kotecha, who was appointed to Haringey Council in February 2006 has take over the role as property advisor to the NLWA.

4. Best Value

- 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

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.

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 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 disagreement concerned firstly the policy statement on the levy system, on the grounds that it did not provide sufficient certainty of change, and secondly the policy statement on deciding between co-mingled and kerbside-sorted collection services, on the grounds that it caused unnecessary delay.
- 6.5 The government subsequently introduced new legislation to change the default levy apportionment system to one based mostly on relative tonnages from each constituent borough council in all six Statutory Joint Waste Disposal Authorities, and meanwhile the time allocated for making decisions about collection services passed. Consequently, in May 2006 the last Partner withdrew its objection to the NLJWS and the London Mayor commenced his formal review.

- 6.6 The Authority also continued to lead a successful partnership project with support from the London Recycling Fund (LCRN) for organic waste treatment in North London. The first part was to minimise organic wastes arising in the municipal waste stream through home and community composting work with the London Community Recycling Network. The second part was for Boroughs to invest in new organic waste collection services. The third part was to contribute towards the capital cost of a new 30,000 tonnes per year in-vessel composting facility with LondonWaste Ltd. We were awarded £4,000,000 in total, and in September 2005 the new facility received its first loads of locally collected organic wastes. A formal opening ceremony was held in March 2006 with Environment Minister Ben Bradshaw MP celebrating the first finished compost being handed over to boroughs for local use.
- 6.7 This project enabled community groups to attract external funding of £2,369,813; LCRN to support six partnership projects with boroughs including furniture and appliance re-use schemes and social enterprises, and fund three training events to educate Officers, Members and the community sector on joint working and procurement.
- 6.8 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.

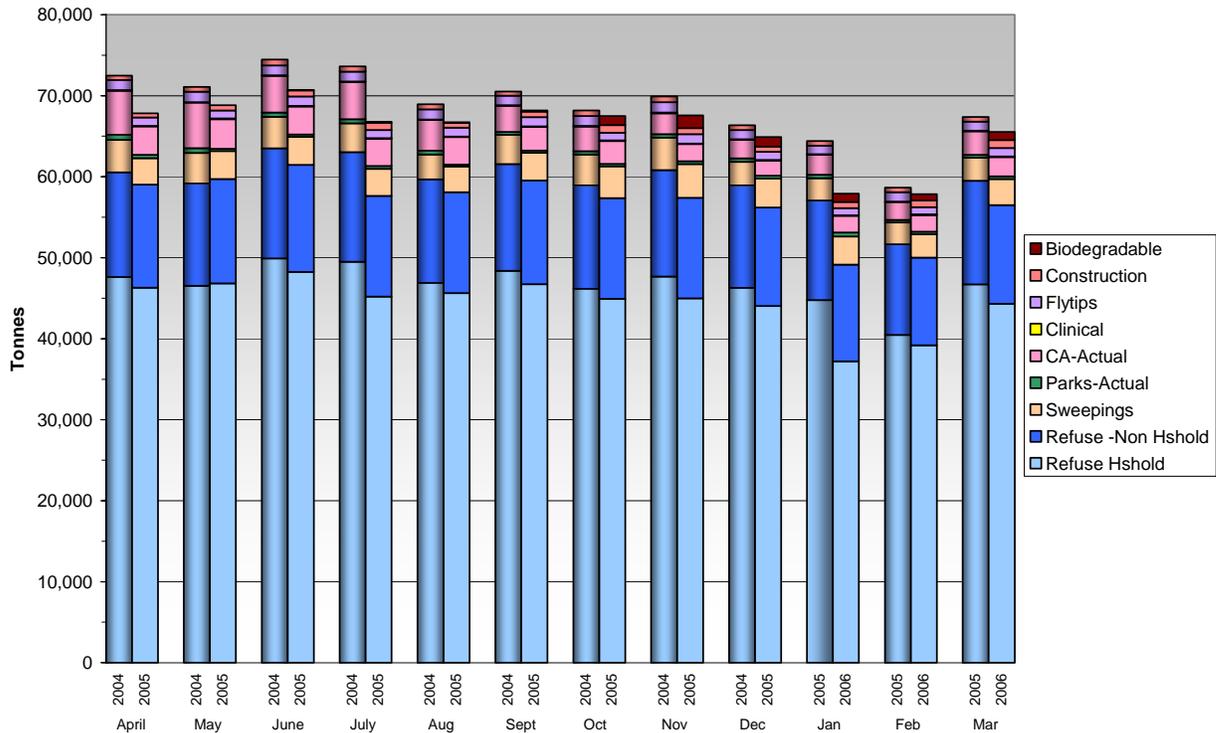
7. Relations with the Authority's Main Contractor - LondonWaste Ltd

- 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

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

NLWA Waste Types Comparison Chart 2005/06



NB. This chart excludes Boroughs' own waste to reprocessors

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 2005/6 a total of 189 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. Three defaults were 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 just below 5.86% due to staff shortages at times. 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 From September 2005 new procedures were put into place in relation to the new in-vessel compost facility at Edmonton.
- 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 33,700 tonnes of residual waste last year.
- 7.5.6 Enfield closed its site at Carterhatch Lane in October 2005. Camden's site at Regis Road is currently being refurbished and is only accepting recyclables. Haringey opened a new site in Hornsey at the end of the year and Waltham Forest's new site in Leyton is now fully operational.
- 7.5.7 The contract for the transportation of this waste is currently held by LondonWaste and the service is of a good standard and no defaults were 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 over the year.

Ancillary Services

- 7.5.8 **Cathode Ray Tubes** - In August last year 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 has been put back several times and this uncertainty has prolonged the trial period while we await notification of other categories of waste to be reclassified. Between August 2005 and March 2006 12,284 items were collected in the Authority area. New arrangements will be implemented once the details of the UK implementation of the WEEE directive which are now expected during 2007.
- 7.5.9 **Tyres** - Tyres are disposed of at Environmental Tyre Disposal in Edmonton. Until recently only Haringey and Enfield were using this outlet but Islington and Camden are expected to do so in 2006/07.

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 have 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.

NORTH LONDON WASTE AUTHORITY LEVIES 1986 TO 2006

1986/87	13,872,000
1987/88	11,301,000
1988/89	12,962,000
1989/90	13,602,000
1990/91	14,180,000
1991/92	13,250,000
1992/93	11,646,000
1993/94	9,370,000
1994/95	10,221,000
1995/96	13,006,000
1996/97	11,675,000*
1997/98	15,342,000*
1998/99	18,229,000*
1999/2000	22,187,000*
2000/01	24,677,000*
2001/02	26,229,000*
2002/03	29,744,000*
2003/04	35,094,000*
2004/05	38,374,000*
2005/06	41,837,000*
2006/07	33,231,000*

• In addition, the Authority made a separate charge for non-household waste of £3.335m in 1996/97; £3.573m in 1997/98; £3.644m in 1998/99; £3.913m in 1999/2000; £4.007m in 2000/01; £4.711m in 2001/02 ; £5.370m in 2002/03 ; £6.393m in 2003/04; £6.776m in 2004/05, £7.450m in 2005/06 and £8.647m in 2006/07. **Report Ends**