

**Agenda Item No:**

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:**

**STRATEGY AND CONTRACTS TEAM ACTIVITY**

**REPORT OF:**

**HEAD OF WASTE STRATEGY AND CONTRACTS**

**FOR SUBMISSION TO:**

**AUTHORITY MEETING**

**DATE:**

**19<sup>th</sup> October 2005**

**SUMMARY OF REPORT:**

This report gives an overview of the activities of the Strategy and Contracts Team, allowing matters not of sufficient importance or scope to justify a separate report to nevertheless be brought to the attention of the Authority

**RECOMMENDATION**

It is recommended that this report is noted.

**Signed**    **Head of Waste Strategy**  
**by**        **And Contracts**

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Date:.....

## **1.0 BACKGROUND**

- 1.1 In July 2004 the Authority approved an “in principle” structure for an enlarged Strategy and Contracts Team that would be able to take forward the Authority’s principal duties and its obligations to its partners within the North London Joint Waste Strategy (NLJWS).
- 1.2 This wider scope of activities means that there are sometimes matters that should be brought to the attention of the Authority, but which on their own are not of sufficient importance or scope to justify a separate report.
- 1.3 Such matters are set out below.

## **2.0 HORNSEY STREET WASTE & RECYCLING CENTRE**

The Hornsey Street WRC project continues. The period of practical completion plus one year has now expired and there remains a substantial number of outstanding and unresolved issues around the design and construction of the facility.

The Independent Engineer is now involved in arbitrating between the end-users (LB Islington, their contractor Islington Contract Services Ltd and NLWA) and the designers and construction engineers (AYH Plc and Sir Robert McAlpine (SRM)). The Authority has made representations to the Independent Engineer who will decide whether to support the Authority in its contractual dispute with AYH/SRM. Progress towards completing the facility is protracted and has taken considerably longer than anticipated.

There are more than 200 outstanding design and construction issues; most are minor points considered to be poor workmanship but there are some that are significant. Officers have identified four major design issues that are disputed by SRM and are seeking remedial action to rectify the problems. LB Islington has a separate but similar list with a few shared items on both lists.

The four most significant issues affecting the Authority at the Hornsey Street facility are:

1. Fire detection system – dust levels and vibration cause false alarms making the system unusable. This has meant that a permanent Fire Marshall has to be employed to watch the facility and ensure that any fire can be detected promptly.
2. Air handling system – the air handling system cannot work with the ambient dust levels at the facility, causing the filters to become fully clogged up in a matter of hours.

3. Lighting levels in the tipping hall – the level of lighting within parts of the tipping hall is half the specified levels, despite remedial action taken by the Authority and LWL.
4. Design of the compactors – bulky items of waste block in the chutes connecting the tipping floor to the compactors. This means that bulky waste must be tipped on the floor, worsening the dust levels in the tipping hall and requiring the waste to be double-handled at increased cost.

The Independent Engineer has required and received further justification of why officers consider these and the other points to be incorrectly designed or constructed and is considering his opinion. It is expected that he will make final decisions later in October 2005.

Officers are continuing to pursue these matters though the relevant agreements, but it should be noted that these have added to the operating costs of the facility.

### 3.0 PREPARATION FOR FUTURE PROCUREMENT

- 3.1 The North London Joint Waste Strategy (NLJWS) identified the facility needs in order to achieve the statutory recycling targets required of the constituent borough councils and to achieve the Landfill Directive targets required of the Authority. These facilities and their ideal indicative timetables from the draft NLJWS are set out below:

Table 1: Facilities Identified in the Draft NLJWS

Facility Type	Date of Implementation	Approx Tonnage Capacity
Materials Recovery Facility #1	2004	100,000
In-vessel Composting Facility #1 (built)	2005	75,000
In-vessel Composting Facility #2	2007	50,000
Materials Recovery Facility #2	2009	100,000
Recycling Bulking Facility #1	2009	30,000
In-vessel Composting Facility #3	2010	75,000
Materials Recovery Facility #3	2013	100,000
Energy from Waste Facility (replacement)	2015	450,000
Mechanical Biological Treatment #1	2015	250,000
In-vessel Composting Facility #4	2017	75,000

- 3.2 At present, the Authority has yet to propose how it will secure these facilities and how they will be financed, however the costs involved will ensure that the EU Procurement process will apply and the scale of this work could make it the second largest waste management contract in the UK, after Greater Manchester, and the largest in London. Initial work has begun on an assessment of the options available to the Authority with regard to the 'packaging' of the contracts, i.e. one integrated contract versus a series of smaller facility-based contracts.
- 3.3 Research has been carried out to determine the sources and level of external support available to assist with the procurement process. The Authority has obtained preliminary advice from the Government's procurement advisers '4P's' and has been advised to secure appropriate external advisers as a matter of some urgency, to assist the development of an "Outline Business Case" for the proposals set out in the NLJWS. This should include the preparation of fully-costed models of the finance options available and their relative merits. Officers are taking this forward.
- 3.4 A series of visits to other waste disposal authorities currently in the process of large-scale waste procurement is in place, to learn from their experiences and gain information on best practice. A Procurement Plan is being prepared, that will set out the strategic context to the process and provide a timetable of the steps involved to enable the new waste management contract and associated facilities to be in place before 2014.

#### **4.0 CONTRACT MONITORING**

- 4.1 LondonWaste Ltd's service has been generally satisfactory, so no defaults have been issued under either the main waste disposal contract or the CA Transport contract.
- 4.2 The CA Transport contract was amended to include Waltham Forest's new site at Gateway Road, Leyton. Preparations have been made too for Haringey's new site at High Street, Hornsey.
- 4.3 A legislative review claim from LWL is outlined in the budget report elsewhere on this agenda.

#### **5.0 BEST VALUE PERFORMANCE INDICATORS**

- 5.1 The Authority's external auditor Deloitte & Touche has visited to audit the 2004/05 Best Value Performance Indicators (BVPIs). It is not expected that these will be qualified.

- 5.2 In the four months, April to July inclusive, the seven constituent borough councils have reported a combined recycling and composting effort of nearly 56,500 tonnes. Coupled with the additional recycling and composting undertaken by LondonWaste Ltd of nearly 2,100 tonnes, the Authority has a provisional combined recycling and composting rate of 20.6% so far this year. This exceeds the Authority's statutory 2005/06 Best Value performance target of 18%.

## **6.0 LANDFILL ALLOWANCE TRADING SCHEME (LATS)**

- 6.1 Officers are monitoring the amount of the Authority's biodegradable waste that is going to landfill in relation to the number of allowances it has been issued for 2005/06.
- 6.2 It had previously been anticipated that 2005/06 would be a difficult year, because it is when the Authority has the fewest allowances until 2011/12, but when it has the lowest availability of diversion capacity through energy-from-waste incineration due to the boiler and process modification works underway at LondonWaste Ltd's (LWL) facility in Edmonton.
- 6.3 It has taken longer than scheduled to complete the modification works on all boilers so far. Accordingly, less of the Authority's waste has been diverted from landfill than expected. Detailed projections and proposals are being sought from LWL to see if and how this shortfall can be remedied by the end of the financial year.
- 6.4 If LWL cannot remedy the shortfall, the LATS scheme includes the flexibilities of "borrowing" up to 5% of next year's allowances or buying surplus allowances from another waste disposal authority. One or both of these may be necessary.
- 6.5 Draft guidance on the accounting treatment of landfill allowances has very recently been received. This will be assessed and reported to a meeting of the LATS Member Working Group in the near future along with proposed strategies for trading and for incentivising constituent borough councils to divert biodegradable municipal waste.
- 6.6 More detailed financial implications can then be assessed for the next meeting of the Authority.

## **7.0 RECOMMENDATION**

It is recommended that this report is noted.

## **8.0 COMMENTS OF THE FINANCIAL ADVISER**

- 8.1 The Financial Adviser has been consulted on this report and has no further comments to add.

## **9.0 COMMENTS OF THE LEGAL ADVISER**

9.1 The Legal Adviser has no comments on this report.

### **Local Government Act 1972 – Access to information**

Documents used: Draft North London Joint Waste Strategy

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