

# Agenda Item 11

<b>NORTH LONDON WASTE AUTHORITY</b>	
<b>REPORT TITLE:</b> NORTH LONDON WASTE AUTHORITY – ANNUAL REPORT 2004/2005	
<b>REPORT OF:</b> DEPUTY CLERK	
<b>FOR SUBMISSION TO:</b> AUTHORITY MEETING	<b>DATE:</b> 6 <sup>th</sup> July 2005
<b>SUMMARY OF REPORT:</b>  This is the 2004/5 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	
<b>RECOMMENDATION:</b>  That the Authority notes this report.	

**Signed by:** .....

**Date:** .....

## **NORTH LONDON WASTE AUTHORITY – ANNUAL REPORT 2004/2005**

### **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 2004/5, the Chair of the Authority was Councillor Ray Dodds (Haringey) and the Vice Chairs were Councillors Brian 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 15<sup>th</sup> 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 2004/5 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
- Principal Strategy & Projects Officer
- Principal Contracts & Projects Officer
- Contract Monitoring Officer
- Administration & Finance Officer

1.8 At the beginning of 2005, Mr John Mabey, the Financial Adviser to the Authority, retired and in his place, Mr Peter Ingham has been acting as Financial Adviser.

## 2. Finance

### Budget

2.1 The annual net revenue budget of the authority is funded by a levy on constituent boroughs and is currently apportioned in proportion to each Council's council tax base. The levy 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 2005/06 is £54.054m. It has been financed as follows: -

Use of revenue balances	£ 4,767,000
Charges to boroughs for non-household waste	£ 7,450,313
Levy	£41,837,000

2.3 The levy for the 2005/06 financial year of £41,837,000 has been apportioned between constituent councils as follows:-

Barnet	£8,951,547
Camden	£5,985,492
Enfield	£7,078,278
Hackney	£4,276,212
Haringey	£5,509,957

Islington	£5,212,433
Waltham Forest	£4,823,081
Total	£41,837,000

- 2.4 The costs that are met from the levy continue to rise at above inflation levels. This is primarily due to two reasons. Firstly, although borough-recycling activity has increased by an estimated 79,000 tonnes between 2000/01 and 2004/05 the underlying increase the waste stream over this period has risen at about 1.25% per annum such that the 2004/05 actual residual waste stream has reduced by only 33,082 tonnes when compared with 2000/01. Secondly, the costs of disposing of waste have risen significantly as a result of the increasing statutory/licensing requirements to dispose of waste by environmentally sound methods. In 2005/06 the budget allows for the potential additional cost of disposing of hazardous waste. Although as waste disposal costs rise the Boroughs will benefit from the increased value of recycling credit payments (linked to the highest cost of disposal) the cost to the Authority of making these payments is mainly greater than the avoided waste disposal cost. 2005/06 is the second of the Government's statutory target years for recycling and composting and therefore the 2005/06 budget assumes that there will be a further stepped change in recycling credit payments to the Boroughs.
- 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 have risen steadily by £1 per tonne per annum in recent years to £15 per tonne in April 2004 but have increased by £3 per tonne to £18 in April 2005 as part of 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. The 2005/06 budget also allows for an increase in landfill tax costs as a result of a reduction in incineration levels whilst the Edmonton EFW facility is refurbished to meet the requirements of the Waste Incineration Directive.
- 2.6 The 2005/06 budget also allows for the full year cost of operating a new and significantly improved waste transfer station at Hornsey Street (Islington). This replaces the Ashburton Grove waste transfer station that has been acquired for development by the Arsenal Football Club and will 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 waste without penalty only if the Government has issued it with sufficient allowances. Although the Authority expects to be in a favourable trading position up to 2010/11, 2005/06 will be a challenging year as the first year of LATS coincides with the refurbishment works to the Edmonton energy-from-waste facility. Currently it is not expected that it will be necessary to purchase allowances for 2005/06.
- 2.8 Although 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. 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. It is also important for constituent boroughs to examine closely the reasons for the continuing increase in the waste stream and where possible introduce measures promoting further minimisation and recycling in their respective areas. These issues are being addressed as part of the Authority and constituent councils' initiative to develop a joint waste strategy for the Authority's area.

2.9 The charge for non-household waste in 2005/06 is estimated to be £44.21 per tonne.

2.10 The estimated cost for each constituent council in 2005/06 is as follows:

Barnet	£ 850,114
Camden	£ 1,600,225
Enfield	£ 609,081
Hackney	£ 1,105,383
Haringey	£ 1,023,50
Islington	£ 1,276,475
Waltham Forest	£ 985,485
<b>Total:</b>	<b>£ 6,776,313</b>

(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 2005 Members were advised that assuming full use of balances by 31 March 2006, and a year on year increase in the waste stream of 3% per annum (as adjusted for further stepped increases in recycling), the percentage increase in the cost to the Boroughs in 2006/07 was estimated to rise by 18.41%, a further 8.98% in 2007/08 and by a further 9.11% in 2008/09. 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. Although these forecasts allowed for the cost of developing the North London Joint Waste Strategy no specific allowance had been made for the costs of delivering the Strategy. Nevertheless, work undertaken by the AEA Technology to help inform choices in delivering the Strategy has indicated that waste management costs (including the impact on constituent councils) could rise in real terms by 22% between 2005/06 and 2010/11 and a further 38% by 2020/21. The Partner Authorities have previously agreed to determine their medium term facility requirements by September 2005 in order that the necessary resources and planning consents can be programmed/obtained to ensure achievement of the Governments targets for reducing waste. This will be subject of a detailed report to the Authority.

2.12 As indicated earlier, the Landfill Allowance Trading Scheme came into effect on 1 April 2005. It is currently envisaged that the combined effect of recycling, composting and use of the Edmonton energy-from-waste facility should enable the Authority to benefit from a favourable trading position during this period and

therefore any proceeds from the sale of surplus allowances will be available to assist with the costs of meeting the Strategy or as directed by the Authority.

### **Tonnage Levels**

- 2.13 The 2005/06 budget has been based on an estimated residual waste stream of 805,190 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 Authority remains concerned by the lack of progress by the Government in reviewing the default arrangements for apportioning the levy. This is because, unless all constituent boroughs are able to agree unanimously on the basis of apportionment, the Levying Bodies (General) Regulations prescribe the default arrangements that will apply in such circumstances i.e. the levy shall be apportioned in proportion to each council's tax base. This is not an equitable basis for apportionment. Although the default arrangements have changed over the life of the Authority in response to changes in the local taxation system, the default arrangements have been triggered in every year. The Authority has been pressing the Government for approval to move to a tonnage-based system of charging constituent councils. This would clearly demonstrate the cost of disposing of waste arising from constituent councils and provide greater incentive to promote waste minimisation and recycling.
- 2.15 Whilst there will clearly be difficulties relating to the civic amenity waste stream and recycling credit that have not yet been resolved, all constituent councils have indicated that they favour a move to a tonnage based levy. As any change would in some cases result in a significant change in the levy borne by each Council it has not been possible, to date, to make a voluntary move to a tonnage based method of apportionment. Nonetheless, officers of the eight partner authorities to the Draft North London Joint Waste Strategy are currently examining the scope for developing a voluntary move to a tonnage-based levy in time for 2006/07.
- 2.16 In representations to the Government the Authority has expressed the view that this should include appropriate transitional arrangements to reduce the financial impact of change on constituent councils. The Greater London Authority has also expressed its support of the Authority's position on this matter.
- 2.17 In 2004 the Government re-started the process to take forward its review of Joint Waste Disposal Authority levy mechanism by gathering up-to-date information with a view to issuing a discussion paper in the autumn. Although the planned timetable for issuing the consultation paper has slipped recent information from DEFRA suggest that a consultation paper will be circulated in July 2005.

## **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 plus interest but has yet to be paid. The reason for the delay is due to a concern expressed by London Waste, primarily in regard to loss of control over the access way to the site. This has required officers to seek to provide assurances to London Waste whilst at the same time seeking to safeguard the Authority's position as being properly entitled to receive the financial sum negotiated. It is understood the matter has been discussed at Board level within London Waste and that a meeting has been requested between the parties. It is considered appropriate to meet to seek to assuage the concerns of our key partner and this meeting will be arranged shortly.

#### **Other Property Issues**

- 3.2 The Valuation Adviser has dealt with other property issues during 2005/06 including the successful move of the Authority from offices based at Ashley Depot to more appropriate accommodation at Haringey Council's Technopark. This move was initiated to accommodate the anticipated increase in staffing levels and also to provide a more appropriate office environment conducive to an improvement in staff recruitment and retention. For 2004/05 it is proposed to instruct agents to undertake the following work (i) the quinquennial assets re-valuation, (ii) an assessment of the need to appeal the 2005 rating assessments (iii) and where appropriate to undertake insurance valuations to ensure the Authority's assets are adequately insured. The valuation adviser will also deal with ad hoc property matters as they arise during the year.

#### **4. Best Value**

- 4.1 Under the Local Government Act 1999, the Authority is subject to the best value regime. The Authority's sixth best value performance plan was published in June 2005.
- 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 achieving our 2003/04 statutory performance standard of 12% and continue to work towards the 2005/06 target of 18%.
- 4.3 The plan reports current services and infrastructure, and new waste and recycling infrastructure, including the Hornsey Street Waste & Recycling Centre, the Edmonton Bulky Waste Recycling Facility and progress towards 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 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 will no longer be able to use the current boilers at their Edmonton energy-from-waste facility to incinerate the Authority wates (and others') after 28th December 2005 unless new measure are 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 is now well underway. Work to the first boiler was completed in August 2004 and work to a second boiler was completed in May 2005. A third boiler is due to be fully commissioned in July whilst the works to the remaining two boilers are due for completion in October and December respectively. The project is currently on target to complete by the end 2005.

## **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 Work subsequently commenced to secure a common position, but this was not successful within the remainder of 2004/05, but is continuing in 2005/06.
- 6.6 The Authority also led a successful partnership bid to the London Recycling Fund 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 invest in an new 30,000 tonnes per year in-vessel composting facility with LondonWaste Ltd. We were awarded £4,000,000 in total.
- 6.7 The Authority also bid successfully for additional support to the London Community Recycling Network to assist with building partnerships between the community sector and local government across all of London. We were awarded some £83,500 for this.
- 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 The Authority as an employer of LondonWaste Ltd receives reports concerning any significant developments with the main waste disposal contract of the civic amenity waste transport contract whenever necessary. These have concerned variations in connection with the new Hornsey Street Waste & Recycling Centre that replaced the old Ashburton Grove transfer station, the new bulky waste recycling facility at LondonWaste's Edmonton site, the new in-vessel composting facility also at at LondonWaste's Edmonton site, and proposals for change that would effect the Hendon rail transfer station.
- 7.2 The Authority also 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 2004/05.

## **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 including Network Rail wish 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 remain on-going.

**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 2005**

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*

- 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 and £7.450m in 2005/06.

**Report Ends**