

# **NORTH LONDON WASTE AUTHORITY ANNUAL REPORT 2011/12**

## **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:-

- 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 normally meets 5 times a year, with provision for extraordinary meetings as required. There was one extraordinary meeting during 2011/12.

1.3 In 2011/12, the Chair of the Authority was Councillor Clyde Loakes (LB Waltham Forest) and the Vice Chairs were Councillor Melvyn Cohen (LB Barnet) and Councillor George Meehan (LB Haringey).

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. The Authority selected SITA (GB) Ltd (now called SITA (UK) Ltd) as its preferred partner, and a joint venture company, called LondonWaste Ltd was set up. The Authority subjected its waste disposal needs for twenty years to competitive tender with LondonWaste Ltd being one of the bidders.

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 incineration and disposal of the Authority's waste was awarded to LondonWaste Ltd.

1.6 The requirement for local authorities to contract out waste disposal functions was effectively repealed by section 47 of the Clean Neighbourhoods and Environment Act 2005.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 Authority could again own waste disposal facilities, and in December 2009 the Authority acquired Sita's shares in LondonWaste and became the sole owner as part of its wider approach to procuring the next generation of waste services for North London (as set out further in section 5).

- 1.7 The Authority does not employ any staff directly, but makes cross-borough arrangements for support services, involving the boroughs of Camden, Enfield, Haringey and Waltham Forest. The principal officer support and managers in post as at 31<sup>st</sup> March 2012 are set out below. Structure charts for each of the officer teams are given in Appendix 1.

Clerk – Mike Cooke (part-time NLWA)  
Financial Adviser – Mike O'Donnell (part-time NLWA)  
Legal Adviser – Andrew Maughan (part-time NLWA)  
Environment Adviser – Ian Davis (part-time NLWA)  
Valuation Adviser – Dinesh Kotecha (part-time NLWA)  
Planning Adviser – Shifa Mustafa (part-time NLWA)  
Managing Director – David Beadle  
Head of Waste Strategy & Contracts – Andrew Lappage  
Head of Finance – Bob Bench  
Director of Procurement – Tim Judson  
Deputy Director of Procurement – Ursula Taylor

## 2. JOINT MUNICIPAL WASTES MANAGEMENT STRATEGY

### Highlights

- Third Annual Monitoring Report produced December 2011.
- Extensive outreach programme to promote the waste prevention message through:
  - direct engagement with 3,000 north London residents at community events;
  - waste education activities that targeted 6,300 north London families;
  - delivery of 14 community exchange events (Give and Take Days);
  - distribution of 394 compost units at specially organised events; and
  - distribution of 1,200 'No Junk Mail' packs.
- Participation in the European Week for Waste Reduction in November 2011 with promotion of food waste and packaging reduction messages and support of furniture and textile re-use activities.

- 2.1 The North London Joint Waste Strategy (NLJWS) sets the strategic framework for the Partner Authorities (the NLWA and the seven constituent borough councils). The strategy includes a number of implementation actions and targets including:
- To achieve a 45% recycling and composting target for household waste by 2015, and 50% by 2020.
  - Reduce municipal waste sent to landfill to 15% of arisings.
  - To provide door-to-door recycling services to 95% of relevant households
  - To provide all residents in multiple occupancy housing with either door-to-door collection services or a minimum of one 'near-entry' recycling site per 500 households as soon as possible
  - To achieve 60% recycling and composting diversion rates at all North London Reuse and Recycling Centres by 2015.
- 2.2 During 2011/12 the Authority produced the third Annual Monitoring Report of progress made with implementing the Strategy and accompanying Strategic Environmental Assessment; the report presented data up to 2010/11. A copy of the Annual Monitoring Report is available at:  
<http://www.nlwa.gov.uk/governance/annual-monitoring-reports>
- 2.3 In 2010/11:
- 627kg residual waste per household was collected.
  - 29% of household waste was re-used, recycled or composted.
  - 29% of municipal waste was sent to landfill. This was higher than normal due to temporary reductions in capacity at LondonWaste Ltd's energy-from-waste facility.
  - 100% of residents received a door-to-door or communal recycling service.
- 2.4 The Authority continues to have a duty to publish three 'National Indicators' (NIs) by 30<sup>th</sup> June each year in relation to the previous year's performance, even though these will be subsequently adjusted as they are finalised with the constituent borough councils for reporting to WasteDataFlow by the end of July, and are then validated by WasteDataFlow approximately one month later.
- 2.5 Current data and reports from constituent borough councils indicate that performance in 2011/12 was as follows:
- 625 kg residual waste per household was collected (NI 191).
  - 29% of household waste was re-used, recycled or composted (NI 192).
  - 23% of municipal waste was sent to landfill (NI 193).
  - 100% of residents continued to receive a door-to-door or communal recycling service.
- 2.6 The Partners' current performance remains below the 2010 recycling and composting target contained within the NLJWS, however work continues to address this shortfall. On a positive note, 2011/12 saw a reduction in landfill rates for the Authority to those normally achieved. Section 3 outlines some of the other service improvements that were made during the year by the Authority, which will result in improved recycling performance going forward.

- 2.7 In relation to biodegradable wastes the Authority continued to arrange the composting of six boroughs' mixed food and green waste (after one of the boroughs decided to make its own arrangements from October 2011) and four boroughs' pure green waste. LondonWaste processed most of this at their in-vessel composting facility at Edmonton or they took it to other suitable facilities outside of London.
- 2.8 In relation to commingled dry recyclables the Authority arranged the sorting of five boroughs' materials at Materials Recycling Facilities, benefiting from low reject rates and income sharing arrangements.
- 2.9 The longer-term implementation of the NLJWS is set out later in this document at Section 5.

### **Waste Prevention**

- 2.10 During 2011/12 the Authority continued the process of implementing the initiatives outlined in the North London Waste Prevention Plan 2010/12, which set out a range of initiatives aimed at the top of the waste hierarchy. The second year of the plan included a range of cross-regional programmes and activities and it was developed in partnership with the constituent borough councils.
- 2.11 The second year of the plan included participation in the European Week for Waste Reduction from 19<sup>th</sup> to 27<sup>th</sup> November 2011 and the Authority's participation demonstrated some notable successes. Approximately 500 residents were engaged with directly at specially organised events. A further 6,300 families were impacted indirectly via a number of performances held at 21 different schools across north London. Pupils then kept diaries of their waste, which one month later showed that food waste reaching the residual waste stream from households targeted by this project was reduced by 31%.
- 2.12 The 'Love Food, Hate Waste' message was also promoted at local summer outdoor events and festivals. All of the events were well attended with footfall figures ranging from 4,000 to in excess of 15,000. Throughout the seven events delivered by one member of staff, a total of 800 residents were directly engaged in conversations about food waste reduction via the interactive 'Love Food, Hate Waste' display. Following recognition of the Authority's campaign as one of the 20 best practice examples in Europe, a detailed factsheet was developed for the Authority.

- 2.13 To increase diversion of bulky items such as furniture from the waste stream the Authority worked in partnership with the London Community Resource Network to expand its relationships within the Housing Sector via the London Reuse Network. Project outputs included development of a proposal for a menu of services which was disseminated to all principal providers of housing services in the Authority area; follow-up negotiations with five housing providers; and one signed contract<sup>1</sup> with cumulative committed diversion of 500 tonnes by 2014. A workshop briefing was delivered in February to support the delivery of the outputs and strengthen the foundations of future partnership work.
- 2.14 In August 2011 the Authority published the fourth edition of the Waste Prevention Guide for Businesses which was directly distributed to 300 businesses and six Business Improvement Districts. The Authority also re-produced a series of posters for retailers, restaurants and offices encouraging waste prevention.
- 2.15 Fourteen Give and Take Days were delivered between September and November which were attended by 1,700 north London residents and supported by 22 volunteers and resulted in direct diversion of more than 6.5 tonnes from disposal.
- 2.16 To reduce the amount of unwanted mail received in north London, a 'No Junk Mail' pack was produced which promoted opt-out services such as the Mailing Preference Service and the Royal Mail Opt-out scheme. The pack was requested directly by 1,200 residents with more packs downloaded through the Waste and Resources section of the Authority website.
- 2.17 Textile re-use and the use of textile banks in north London was promoted through seven adverts in Council publications between November and December 2011. To encourage participation, north London residents were asked to make a pledge to donate unwanted textiles to their local Reuse and Recycling Centre in return for a reusable cotton shopping bag.
- 2.18 To encourage uptake and sustainable use of home composting units, the Authority ran a programme in March 2012 to directly target households in areas observed to experience low uptake and use. Five events were delivered and 394 compost bins were distributed which diverted an estimated total of 59 tonnes from disposal.
- 2.19 The Authority worked with the Waste Electrical and Electronic Equipment (WEEE) contractor to implement activities to increase WEEE recycling rates. A total of 59 banks were installed across north London and 14 events were delivered to promote the new facilities. A WEEE education pack was produced which was promoted through assemblies to north London schools. The new scheme was further supported by direct advertising and press releases. The WEEE service is free of charge to the Authority as it is a requirement under European 'producer responsibility' legislation.

---

<sup>1</sup> LCRN had however been tasked with signing agreements with three social housing providers.

- 2.20 Media and marketing support for the waste prevention programme was provided by the Authority's communications team. This included artwork and print support, press releases, advertising and website development. Where possible, national branding guidelines were used and the creative work was developed in conjunction with the constituent borough councils. The waste prevention programme received only positive press coverage.
- 2.21 A new Waste Prevention Plan was developed for 2012/14 and was approved at the February 2012 Authority meeting. The new plan was guided by experience and research, and was developed in consultation with the Authority Chair and with consideration of the results of a workshop facilitated by the Waste and Resources Action Programme (WRAP) with constituent borough council officers, which examined the most effective interventions from a tonnage perspective.
- 2.22 The Waste Prevention Plan 2012/14 includes implementation of an extensive pan-North London 'Love Food, Hate Waste' campaign. The programme includes participation in the European Week for Waste Reduction in 2012 and intensive outreach activity to promote the 'Love Food, Hate Waste', such as attendance at summer events, delivery of roadshows, information stalls, workshops as well as media engagement and widespread advertising.
- 2.23 Furniture re-use was identified as the second focal area, and use of policy instruments such as lobbying and responses to consultations was agreed to help tackle packaging waste. The Plan will continue to be complemented by routinely undertaken smaller scale activities, which among others include delivery of Give and Take Days, textile re-use activities, promotion of unwanted mail and work with businesses and educational establishments.

### **Working in Partnership**

- 2.24 The Authority continues its support for recycling and sustainable waste management practices by working with both the constituent borough councils and by supporting and engaging in active dialogue with a number of other national and regional organisations, including the Greater London Authority, the Chartered Institution of Wastes Management and the Waste and Resources Action Programme.
- 2.25 The Authority is also a member of a number of organisations as follows:
- Association of Cities and Regions for Recycling and Resource Management (ACR+)
  - Local Authority Recycling Advisory Committee (LARAC)
  - Waste Watch
  - London Environmental Education Forum (LEEF)
- 2.26 Additionally, individual officers are members or attend the meetings of a number of other officer based groups.
- 2.27 The Authority also actively engages with the work of London Councils, although for technical reasons cannot be a formal member with voting rights.

## **Influencing European, National, Regional and Borough policy frameworks**

2.28 The Authority has also worked towards securing as favourable a long-term policy framework as possible, and in this regard reviewed 30 consultation documents in the year formally responding to 13 public consultations in 2011/12.

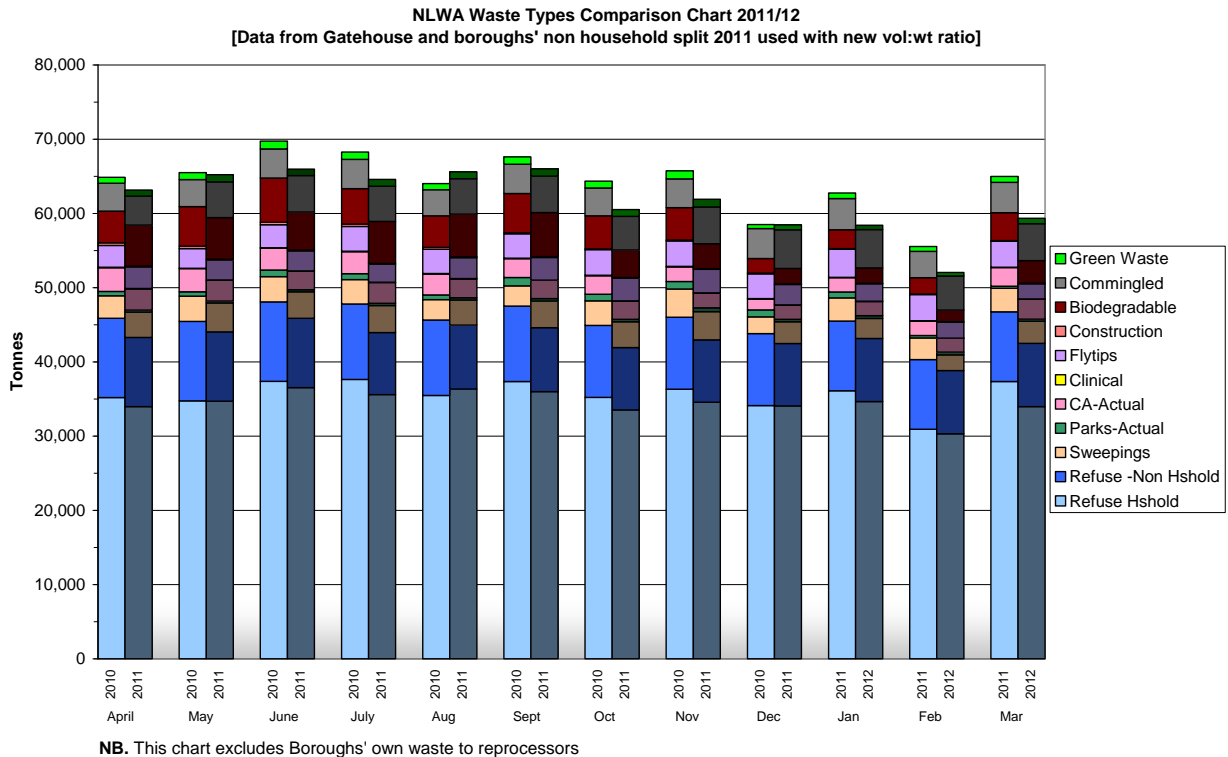
### **3. CONTRACTED SERVICES**

#### **Highlights**

- Materials Recycling Facility (MRF) service arrangements providing an income return to Boroughs that participate in excess of £2.3 million.
- Authority approval obtained for the implementation of a Waste Management Data System.
- Development of WEEE services including the roll out of sWEEE recycling banks across all NLWA boroughs. and income to the Authority from the value of WEEE collected in excess of £120k.

3.1 The Authority implements many of the objectives of the NLJWS in the short-term (as well as discharging its statutory duties) through contracted services. This is mainly the main waste disposal contract for all residual household, commercial, clinical and civic amenity waste produced by the constituent boroughs, but the Authority has for some years been managing most recycling and composting services too. There are also some relatively minor ancillary contracts.

## Tonnage Information



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

## Main Waste Disposal Contract

- 3.2 The main waste disposal contract with LondonWaste Ltd. encompasses the disposal of most of the waste collected by the seven constituent boroughs through front-line services and reuse and recycling centres. Services are delivered mostly by LondonWaste directly, but the Hendon rail transfer station is operated by WRG Ltd as LondonWaste's sub-contractor (although WRG is the tenant of the Authority).
- 3.3 During 2011/12, 741,719 tonnes of municipal waste were treated or disposed. This is 30,223 tonnes less than 2010/11. Approximately 41,600 tonnes was due to a reduction in residual tonnages whilst recycling increased by approximately 11,400 tonnes. This 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 2011/12 a total of 147 visits were made across the three sites at Edmonton, Hendon and Hornsey Street with a further 22 visits to the Authority's MRF contractors.



- 3.4 These inspections are designed to highlight issues of health and safety, check vehicle turnaround times and ensure the sites are running efficiently. One remediation notice was issued for a minor matter, and three defaults with financial deductions totalling £3,800 were issued against a MRF contractor for turnaround issues. One default was issued against the bulking and transport deed of variation to the MWDC. This is against some 236,500 transactions during the year.
- 3.5 During these visits, the movement of constituent borough vehicles is monitored by sampling approximately 1100 transactions a month which is approximately 6% of the monthly total and is statistically representative. Performance against this target was exceeded during 2011/12. The vehicle monitoring data is then reconciled against claims for payment by LondonWaste Ltd and other contractors, and cost adjustments totalling £1,945 were made against these monitored transactions. 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 Authority's Contracts team to investigate.
- 3.6 This monitoring includes vehicles delivering organic wastes for composting and commingled dry recyclables for sorting and recycling. This amounted to 117,115 tonnes in 2011/12 (included in the overall tonnage figure at 3.3 above). This is an increase of 11,412 tonnes on tonnage in 2010/11. While this tonnage is treated via a variation to the main waste disposal contract and the MRF contracts, the waste is reported by the constituent boroughs to the centralised national database, WasteDataFlow and forms part of their own National Indicators.
- 3.7 The in-vessel composting of mixed food, the windrow composting of green waste and the bulking and also the direct delivery of commingled recyclable wastes to third party facilities continued in 2011/12. 49,453 tonnes of biodegradable kitchen/garden waste (an increase of 270 tonnes from 2010/11), 9,859 tonnes of green waste (a reduction of 418 tonnes from 2010/11) and 57,803 tonnes of commingled waste (an increase of 11,559 tonnes from 2010/11) were received. These figures are included in the overall organic wastes and commingled recycling tonnage figure at 3.6 above. It should be noted that one constituent borough sought alternative arrangements mid-year for biodegradable kitchen/garden waste which may negate any anticipated savings during the 2012 early growing season from the procurement undertaken by LondonWaste Ltd in 2010/11 for the oversupply of these wastes.

- 3.8 The two merchant capacity contracts for commingled material continue to perform well, however defaults were issued in 2011/12 against one of these contracts, all for vehicles exceeding the contracted turnaround time limits with a remediation notice also issued for delays in receiving data; officers continue to work with the contractor to improve these times. Since being in receipt of an income-share from the MRF contractors, the Authority has made commingled income payments (CIPs) to contribute to the additional costs of collection of those constituent borough councils delivering commingled dry recyclables to the Authority. Each quarter Authority officers audit the income the MRF contractors receive and pay CIPs to the constituent boroughs; the last quarter of 2011/12 has recently been finalised and the total income for 2011/12 will be in excess of £2.3 million, this has resulted in a net cost to the public purse of under £3 per tonne for MRF services.
- 3.9 Extended negotiations with LondonWaste Ltd that pre-date the company being wholly owned were finalised in relation to the Hornsey Street transfer station and it was concluded that there were no additional costs recoverable by the company from the Authority for operating this facility as opposed to the former Ashburton Grove. Arrangements in relation to the Hendon transfer station were finalised too within budget.

#### **Civic Amenity Transport Contract (Household Waste Recycling Centres)**

- 3.10 There are currently nine household waste recycling centres, or 'HWRCs' (originally called civic amenity sites) in the Authority's area generating 28,820 tonnes of residual waste in 2011/12 (a net reduction of 1,049 tonnes from 2010/11), which was transported from the HWRCs and then disposed of under the twenty-year main waste disposal contract above.
- 3.11 The target is to visit each site twice per month 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 during the year. A total of 234 visits were made to HWRCs in 2011/12.
- 3.12 The contract for the transportation of residual waste, which commenced with LondonWaste Ltd in June 2010, continues to perform well and the service is of a good standard; no defaults were issued during the period covered by this report.

## Ancillary Services

- 3.13 **Waste Electrical and Electronic Equipment (WEEE)** – Under legislation, derived from the WEEE Directive, producers of electrical and electronic equipment bear the costs of recycling and/or disposal for this waste stream. Electrical and electronic equipment is collected from seventeen Designated Collection Facilities (DCF's), registered by the Authority on behalf of the constituent boroughs. Approximately 2,742 tonnes of WEEE was disposed via this method during 2011/12. Other than contract management costs, this service is free of charge to the Authority as it is a requirement under European 'producer responsibility' legislation. As set out in the Authority report to Members in February 2011 benefits were secured under this contract, one of which, the free provision of sWEEE bring banks has been rolled out to various locations at all of the constituent boroughs. Also income for the value of WEEE items collected in 2011 (the WEEE contract year) from the DCF's has returned in excess of £120k to the Authority
- 3.14 **Tyres** – The service provided by the Authority's contractor continues to perform well with two sites, one in Hackney and one in Barking, available for constituent boroughs to deliver; in 2011/12 approximately eighty-six tonnes of tyres were disposed (a net reduction of thirty tonnes from 2010/11; however some constituent boroughs continued to make their own arrangements.

## Other Responsibilities

- 3.15 **Data** – The Authority continued to manage data on wastes and over thirty categories of recycling in relation to the national WasteDataFlow system (for landfill allowances and National Indicator targets) and to the Authority's scheme for the payment of re-use and recycling credits to third parties. Along with the need to verify data so that the Authority can validate each constituent boroughs' submissions to WasteDataFlow and ensure compliance under 'duty of care' legislation of all UK destinations of waste, this has required a significant number of site visits and audit work. The Contracts team has also made significant progress in streamlining the data functions. Previously weekly, monthly and quarterly reports were compiled manually from raw data. Officers have designed, produced and implemented automated systems that aggregate and validate the necessary data ready for onward reporting. This has permitted the improved auditing of other declarations and claims made to the Authority.
- 3.16 During 2011/12 Authority officers continued to conduct surveys of DIY wastes from HWRCs, user surveys and weight-to-volume surveys on non-household wastes for each of the constituent boroughs.
- 3.17 The Contracts team provides discretionary reporting under the DECC-DEFRA Greenhouse Gas reporting Guidelines for constituent boroughs to use if they wish. The team liaised with DECC when producing the CO<sub>2</sub> reporting model with 2010/11 being the base year used for onward comparison. As a greater base of data develops, trends will be reported.

3.18 The Contracts team developed a proposal for a Waste Management Data System with input from a range of disciplines within the Authority and from Technical Officers. This was approved at the February 2012 Authority meeting and will be implemented during 2012/13.

### **Household Waste and Recycling Centres**

3.19 In anticipation of a change in law on the 1<sup>st</sup> April 2012, the Authority developed proposals for it to arrange and manage HWRCs and for an alternative to the default levy for the apportionment of the Authority's associated costs. Implementation of this started in 2012/13, including the alternative levy mechanism (which was the first time since the Authority's creation in 1986 that the default mechanism was not used).

### **Pinkham Way**

3.20 In May 2012 the Authority submitted a planning application to Haringey Council for the development of the Pinkham Way site to include an Authority waste facility and a Barnet Council vehicle depot (the Authority and Barnet Council each owning their own parts of the site). There were delays during the validation of the application, and it was then decided to put the application on hold until early 2012/13 to allow the North London Waste Plan hearing to inform the application.

## **4. RELATIONSHIP WITH LONDONWASTE LTD**

### **Highlights**

- A high-quality, reliable service was provided throughout the year.
- £5.5m dividends paid by LondonWaste Ltd.

4.1 Whereas the Authority had held a 50% shareholder interest in LondonWaste Ltd since the company's creation in 1994, in December 2009 the relationship fundamentally changed, as set out in section 1 above.

4.2 The Shareholder Group comprising Cllrs Loakes, Cohen and Meehan, supported by Authority officers, continued to oversee the Authority's interest in LondonWaste Ltd.

4.3 Once again, LondonWaste Ltd has provided a high quality, reliable service to the Authority and the constituent borough councils throughout the year.

- 4.4 In the year ended 31 December 2011 LondonWaste Ltd made a profit before tax of £13.5m which was over £3m better than the target set by the Business Plan. This improvement was largely due to improved boiler availability at the Energy-from-Waste facility, with a resulting increase in waste tonnages processed, and also the benefit of contracted high electricity prices. This enabled LondonWaste Ltd to pay £5.5m in dividends to the Authority.
- 4.5 The Company also developed new recycling opportunities for civic amenity wastes and worked with the Authority to set up operational arrangements for the transfer of borough Household Waste Recycling Centres.

## 5. PROCUREMENT ACTIVITY

### Highlights

- Progress in line with timetabled ambitions for delivering the procurement, including completion of detailed solutions stage and selection decisions for two bidders on both waste services and fuel use.
- Continued robust competition from shortlisted bidders for contract awards.
- Emerging solutions that over-achieve against the Authority's environmental ambitions at a cost which is significantly less than expected.
- Good prospects of deliverable solutions involving significant investment in the local economy and increased training and employment.

### Procurement

- 5.1 The procurement started in April 2010 with the publication of an OJEU notice for two contracts, one for waste services including the production of a solid recovered fuel, and the second for the use of that fuel.
- 5.2 The procurement is designed to deliver a sustainable waste management solution which substantially increases recycling, recovers value from waste that cannot be recycled, minimises the amount of waste that goes to landfill and reduces North London's carbon footprint. North London's ambitions are set out in detail in the North London Joint Municipal Waste Strategy.
- 5.3 The procurement seeks to secure the investment in new treatment facilities that are required by greater levels of recycling and recovery and, where necessary, to replace the current ageing infrastructure. This includes the existing Energy from Waste plant at Edmonton which has been a mainstay of the Authority's waste disposal solution since the 1970s. Other sites supporting the Authority's waste services procurement are set out in the reference project in the Outline Business Case.

- 5.4 In planning for new facilities and the best waste disposal services, the procurement aims to mitigate the cost increases that North London would otherwise face as a result of increasing landfill costs, substantially increasing landfill taxes and the higher quality services that are necessary to deliver a more sustainable waste management solution.
- 5.5 In April 2010, Government awarded £258.4m PFI credits, and this award was confirmed in July 2010 following the General Election. However, at the Spending Review in October 2010, the Government announced that those credits were withdrawn.
- 5.6 At that point, the Authority was in the process of evaluating outline solutions from bidders. A decision was taken to extend the outline solution stage, with a view to considering further with bidders how the best value for money for the Authority could be achieved.
- 5.7 In April 2011, the Authority agreed to pursue the procurement as the most likely prospect of securing appropriate future service delivery and value for money for local council taxpayers. At the same time the Authority selected three bids on both the waste services and fuel use procurements to be taken forward to the detailed solutions stage.
- 5.8 Progress throughout the year was consistent with the Authority's ambitious procurement timetable following the delay in the previous year arising from the Government's decision on PFI credit support and the resulting extension to the ISOS dialogue.

## **Innovation**

- 5.9 In approving an Outline Business Case (OBC) for the procurement the Authority has agreed a technical solution and an innovative procurement strategy that is designed to secure the best possible renewable energy solution and good prospects for delivery.
- 5.10 This strategy involves the production of a Solid Recovered Fuel (SRF) from the treatment of waste that cannot be recycled and the potential use of Anaerobic Digestion as part of that treatment – a process which itself generates green electricity.
- 5.11 The SRF created by the treatment process – reduced significantly in volume and weight from the untreated waste - is a refined and stable material which can be transported to where energy demand exists for both heat and electricity. As heat is a natural product of energy derived from waste, a solution of this type is much more efficient than simply producing electricity.
- 5.12 The shortlisted fuel-use bidders' proposals for an energy solution were announced publicly in October 2011:

- i) **E.ON/ Wheelabrator Technologies** have proposed a Combined Heat and Power plant at DS Smith Paper's site at Kemsley Mill, Sittingbourne, Kent. The power plant will help meet the energy needs associated with the production of Corrugated Cardboard Material from recycled paper, card and fibre at the mill in a sustainable and cost effective way, helping to ensure competitive operations at a site where 800 people are employed.

The mill is the UK's largest waste paper recycler; producing more than 850,000 tonnes of 100 per cent recycled paper and pulp a year. The power plant will also create around 50 new jobs as well as associated off-site employment.

The SRF from North London would be transported sustainably by rail, continuing the NLWA's use of rail transport. Planning permission for the power plant was granted by Kent County Council in April.

- ii) **Veolia Environmental Services (UK) Plc** have proposed a Combined Heat and Power enabled power plant at an existing industrial site with planning permission to operate an asphalt coating plant, an aggregates railhead and a ready mixed concrete plant. The site is in Hoddesdon, Hertfordshire, 6 miles from the boundary of North London and adjacent to an existing Scottish Power plant. The plant will generate renewable electricity and discussions are ongoing with local businesses about the use of heat that can be supplied by the plant. The power plant will create 45 permanent new jobs and approximately 300 jobs during construction.

The company's solution involves the transport by rail of SRF from north London and this will continue the NLWA's current use of rail transport. The company commenced consultation with the local community and relevant authorities ahead of a planning application in the summer of 2012.

The successful solution will be identified using an evaluation framework that focuses on the quality and cost of the solution. The carbon impact of proposals, including that of the transport solution proposed, is a key element.

- 5.13 The agreed procurement approach involves separating the procurement of the waste and energy solutions and a defined fuel specification. This means that the energy procurement has been opened up to those with a substantial energy demand or expertise in power generation. In turn this creates a more competitive procurement process and a better prospect of replacing fossil fuel use.

## **Costs**

- 5.14 The cost of waste disposal is increasing year-on-year largely as a result of reducing landfill capacity, sharply increasing landfill taxes and demands for better quality services.

- 5.15 The OBC approved by the Authority identified that the procurement should deliver a minimum cost saving of £201m compared to not pursuing the solution. Since that time Government has announced further increases in Landfill Tax taking it to £80/ tonne in 2014.
- 5.16 The Authority's OBC included financial assumptions that were prudent and took account of the current challenging conditions in the finance markets. The Authority also considered sensitivity tests relating to any project delay and higher than anticipated inflation. This provides a robust platform for the procurement.

### **Moving forward**

- 5.17 The timetable for the procurement envisages that following the invitation to submit final tenders stage the call for final tenders will be in September 2012 following close of dialogue. Final tenders will be returned in October 2012 with a preferred bidder appointed in December 2012. Financial close is timetabled to take place in June 2013, leading to the start of the new facilities between April and October 2016.
- 5.18 Further information, including press notices with details of the bidders selected to the outline and detailed solutions stages, the Authority's Outline Business Case and video material from the Procurement Information Day is available on the Authority's website at: <http://www.nlwa.gov.uk/procurement>.

## **6. COMMUNICATIONS**

### **Highlights**

- Managed communications activities during a period of significant change following the withdrawal of PFI funding.
- Communications strategy developed in support of the Pinkham Way planning application.
- Media and marketing support to increase awareness of key waste prevention activities.



## **Communications Strategy**

- 6.1 The previous communications strategy was noted by Members in February 2008 and, following an update in 2009/10, was intended to run up to 2014, coinciding with the expiry of the Authority's existing disposal contract in December 2014. Owing to a period of significant change following the withdrawal of PFI funding and changes to the timetable for the planning application for the Pinkham Way site in Haringey, it was agreed that producing a new communications strategy (to be finalised in summer 2012) would be a better way forward. The strategy includes plans to build and manage the NLWA's reputation by communicating the Authority's wider messages with stakeholders, and to facilitate more proactive engagement and consultation with all stakeholders.
- 6.2 The overall communications work covers three key areas - Authority wider messages, current services and future services. The implementation strategy focuses on key communications channels, falling broadly into four categories – media, corporate communications, borough communications and infrastructure communications.

## **Press work**

- 6.3 Over the last year, the NLWA has distributed fourteen press releases. During the year, the Authority saw both its own profile rise and increased industry interest, as the short list of bidders for the procurement of waste services and fuel use services was announced (in July 2011), followed by the proposed fuel use sites and solutions announcement in October 2011.
- 6.4 At a local level the Authority received a good amount of positive press coverage about waste prevention, and in particular campaigns promoting the reduction of junk mail and waste electrical and electronic equipment recycling.
- 6.5 Press coverage continued to be dominated by the debate around and opposition to the Authority's planning application for a waste facility at Pinkham Way, and managing media enquiries around this formed a significant part of the work.
- 6.6 The Communications team continued to provide a 'business as usual' media service, including media and social media monitoring, delivery proactive media work and handling reactive media enquiries.

## **Overview of communications work**

- 6.7 Other communications work undertaken in the last 12 months includes:
- development of a new Authority website, with an improved content management system (CMS). This improved our ability to manage web content and update information, particularly in the areas of waste prevention, procurement and the Pinkham Way planning application. It also made it easier for residents to engage with the Authority on procurement and waste prevention activities.

- communications work to support the transfer of some boroughs' Household Waste Recycling Centres to Authority control. Internal communications included providing briefing materials for staff and keeping political stakeholders informed. Proactive external communications included updating residents on the service change and the reasons behind it, primarily via the Authority website.
- providing media and marketing support for the waste prevention programme. This included;
  - print advertising in order to promote a series of activities during November's European Week for Waste Reduction
  - press advertising and website updates for a textiles reuse campaign
  - advertising and website updates in support of a no 'junk mail' campaign.

All the creative work was developed in conjunction with the constituent boroughs.

- communications work to support food waste prevention using the national 'Love Food, Hate Waste' campaign branding. A series of 'Love Food, Hate Waste' roadshows were held across the area, supported by communications work and promotional activities in conjunction with the seven constituent boroughs.
- continuation of an e-newsletter for Members, borough officers and Authority staff. The newsletter brings together key information surrounding Authority news and activities, as well as issues impacting upon the Authority, local authorities and the waste, recycling and energy industries
- work on the production of the first of a series of short animations providing a succinct explanation of the waste challenge – the need to deal with north London's waste better - and the strategy the Authority has put in place to address the problem. Future animations are expected to describe the sites selected for waste management facilities and the technologies that will be used at the sites.

## 7. FINANCE AND RESOURCES

### Highlights

- 2011/12 levy held at £43.512m, i.e. no increase.
- 2012/13 levy reduced to £40.614m, i.e. a reduction of £2.898m.

## Budget

- 7.1 The annual net revenue budget of the Authority is funded mostly by a levy on constituent boroughs that 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.
- 7.2 The Authority agreed an original budget of £63.087m for 2011/12, to be financed by estimated revenue balances of £9.514m, charges to boroughs for non-household waste of £10.061m and a levy of £43.512m. In setting the 2011/12 budget and levy it was recognised that subject to satisfactory conclusion of a number of work streams and the crystallisation of favourable circumstances outside of its control that the Authority could enjoy a significant level of surplus revenue balances by the time the Authority would need to take decisions on the 2012/13 budget and levy.
- 7.3 The 2011/12 final outturn reported as part of the ordinary business of the June 2012 Authority meeting, indicates that the Authority's total expenditure for the year was £48.060m and that non-household charges were £9.346m. As the levy is fixed at the start of the year, this resulted in the Authority having a revenue surplus of £20.160m at 31 March 2012. Of this figure, a sum of £16.823m was projected to be available to assist with the funding of the 2012/13 budget and this was used to reduce the amount of money that needed to be raised through the 2012/13 levy.
- 7.4 In February 2012 the Authority set the budget for 2012/13 at £67.418m. It has been financed as follows:-

Use of revenue balances	£16,822,830
Charges to boroughs for non-household waste	£9,981,335
Levy	£40,614,431

- 7.5 The levy for the 2012/13 financial year of £40,614,000 has been apportioned between constituent councils as follows:-

Barnet	£7,337,050
Camden	£5,043,444
Enfield	£5,518,380
Hackney	£4,721,989
Haringey	£6,212,985
Islington	£5,045,178
Waltham Forest	£6,735,405
Total	£40,614,431

- 7.6 The Authority's budget and resource requirements increased by £4.331m in 2012/13 compared with 2011/12 mainly due to the transfer of seven borough Household Recycling Centres (HWRCs) to the Authority in 2012/13, an expansion of the Authority's waste prevention programme, and the establishment of a communications budget to promote joint working across the Authority area. The budget comprises: £49.2m in respect of waste disposal and recycling services (including Landfill Tax of £13m - now at £64/tonne and rising £8/tonne per year to £80/tonne by 2014/15); HWRCs operational costs of £2m; corporate and other support service costs of £2.5m; payments on various waste prevention initiatives and incentive payments to community groups and NLWA boroughs of £3.2m; £3.6m for the costs of the procurement and planning application processes and £9.6m in respect of the revenue cost of funding the NLWA capital programme to support the procurement project. The Authority also expects to receive a dividend payment of £2.5m from LondonWaste Ltd, income from the sale of recyclates of £2.2m and other income of £0.3m. The Authority also holds a contingency of £2.3m to fund possible unforeseen costs.
- 7.7 The Landfill Allowance Trading Scheme (LATS) came into effect in April 2005. This allows the Authority to landfill biodegradable waste without penalty up to the limit of the allowances issued each year by the Government to the Authority. The Authority, however, is able to buy or sell surplus allowances from or to other waste disposal authorities. At 31 March 2012 the Authority held in the region of 286,000 surplus allowances (including 142,000 brought forward from 2010/11). As most waste disposal authorities have surpluses the value that can be obtained for selling allowances to the few waste disposal authorities that need to purchase additional allowances in the 2011/12 was very low. Each scheme year is followed by a period of reconciliation; however there have been no sales by the Authority to date for 2011/12. Allowances are issued free of charge by the Government and therefore allowances not sold will be written-off at no cost to the Authority if they remain unused and not sold (2012/13 has been designated a target year and therefore no surpluses can be carried forward to 2012/13). As the Authority expects to write-off surplus allowances at 31 March 2012 these are assumed to have a nil value. The Government has announced that as LATS is no longer the major driver for diverting waste from landfill the scheme will end after 2012/13.
- 7.8 The charge for residual non-household waste in 2012/13 is estimated to be £97.05 per tonne. The cost for recyclable non-household wastes is estimated to be £52.92 for commingled dry wastes and £64.50 for food wastes.
- 7.9 The estimated cost for each constituent council in 2012/13 is as follows:

Barnet	£ 1,477,683
Camden	£ 3,286,598
Enfield	£ 772,033
Hackney	£ 1,882,285
Haringey	£ 287,210
Islington	£ 1,916,926
Waltham Forest	£ 358,600
<b>Total:</b>	<b>£ 9,981,335</b>

(A summary of the levies raised since the formation of the Authority is attached as **Appendix 2.**)

7.10 At the Authority's budget meeting in February 2012 Members were advised that assuming full use of balances by 31 March 2013, and projected changes in the waste stream and costs that the percentage increase in the cost to the Boroughs in 2013/14 was estimated to rise by 45.4%, a further increases of 1.7% in 2014/15 and an increase of 4% in 2015/16. The forecast increase for 2013/14 reflects the fact that surplus balances of £16.823m have been used to part fund the 2012/13 budget and the need to make good this usage in 2013/14 (this accounts for 41.4% of the increase). These forecasts were based upon known and quantifiable changes assuming a continuation of current contract arrangements, including landfill tax rates where the standard rate of tax is expected to rise by stepped increases of £8/tonne per year. The medium term budgets also allow for the continued transfer of recyclates to the Authority for treatment and the continuation of the procurement processes. During this period the Authority expects to enter into new contractual arrangements for the construction and operation of new waste facilities; however, as it is not currently envisaged that any new major facilities will become available during this period the current forecasts assume that the costs of waste treatment should be no greater than those that would arise under the Authority's current contractual arrangements. The outlook for future years will be updated over the coming year in the light of progress made with the procurement project. However, in view of the higher level of surplus balances brought forward from 2011/12 of £3.337m (see 7.3 above) the Authority should have scope and flexibility to reduce the cost to the Boroughs in 2013/14.

### **Tonnage Levels**

7.11 Allowing for a continuation of borough recycling and composting activity (c.224,000 tonnes in 2012/13) the 2012/13 budget allows for the disposal of some 626,000 tonnes of residual waste, composting arrangements for 56,000 tonnes of green/kitchen wastes and a bulking and sorting arrangement for some 67,000 tonnes of dry-recyclable wastes.

### **Apportionment of the Levy**

7.12 The decision on the apportionment of the levy is a matter for the NLWA constituent councils. Unless all seven councils can agree unanimously on the way the levy is to be apportioned, the levy is calculated in accordance with the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006. These regulations provide for the household delivered element of the levy to be apportioned on a tonnage basis and the other costs element of the levy on a council tax basis. The 2011/12 levy was apportioned on this basis.

7.13 In parallel with the decision by the majority of the NLWA constituent councils to transfer the operation of their HWRCs to the Authority in 2012/13 all councils have agreed new arrangements for apportioning the levy from 2012/13. As a consequence the 'household waste delivered' element of the levy will continue to be apportioned wholly on a tonnage basis whilst the 'other costs' element of the levy will continue to be apportioned on a council tax basis. The new HWRC element of the levy will ensure that councils will effectively only incur costs associated with the running of the HWRCs that reside within their borough boundary. In February 2012 the 2012/13 levy was apportioned on this basis.

## **Property Issues**

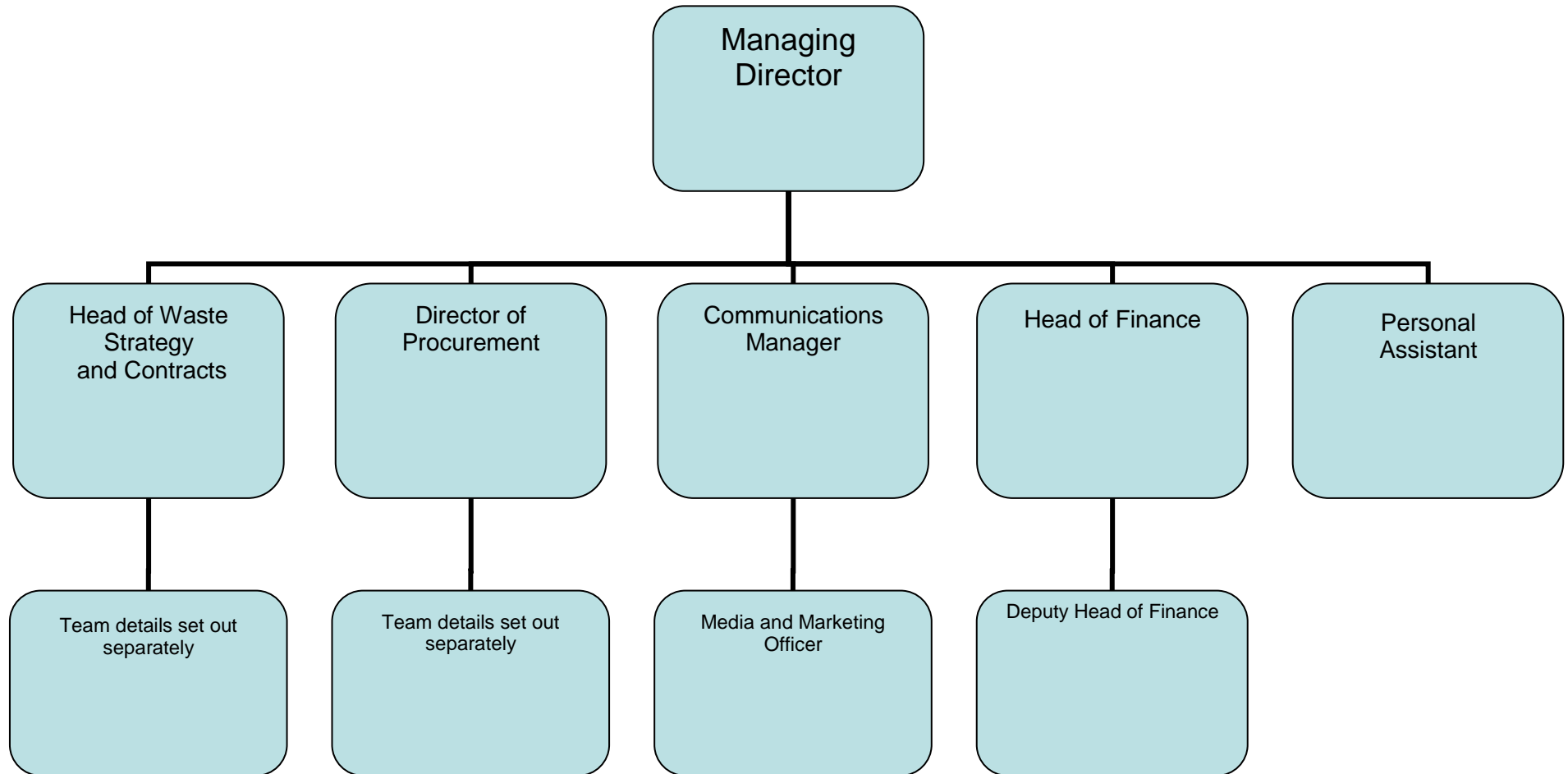
7.14 **A406 Edmonton Compulsory Purchase Order (CPO)** - The amount due to be paid to the Authority has been agreed for some time and is set at £1,155,000. A sum of £346,500 was paid on account in 1998, however, a sum of £808,500 plus interest has yet to be paid. Whilst there have been a number of administrative delays it is envisaged that the legal process for completing the formalities should soon recommence and enable the CPO process and payment to the Authority to be completed in the near future.

7.15 **Other Property Issues** - The Authority has a tenancy with Freightliner Heavy Haul in relation to the Hendon rail transfer station and with LB Haringey in relation to office accommodation at the Lee Valley Technopark. Also, as part of the main procurement of future long-term services the Authority has an interest in a part of a 6.97 hectare site at Pinkham Way and, in purchasing the shares of Sita in LondonWaste, became the sole owner of this company which in turn owns the c.15 hectare site at Edmonton.

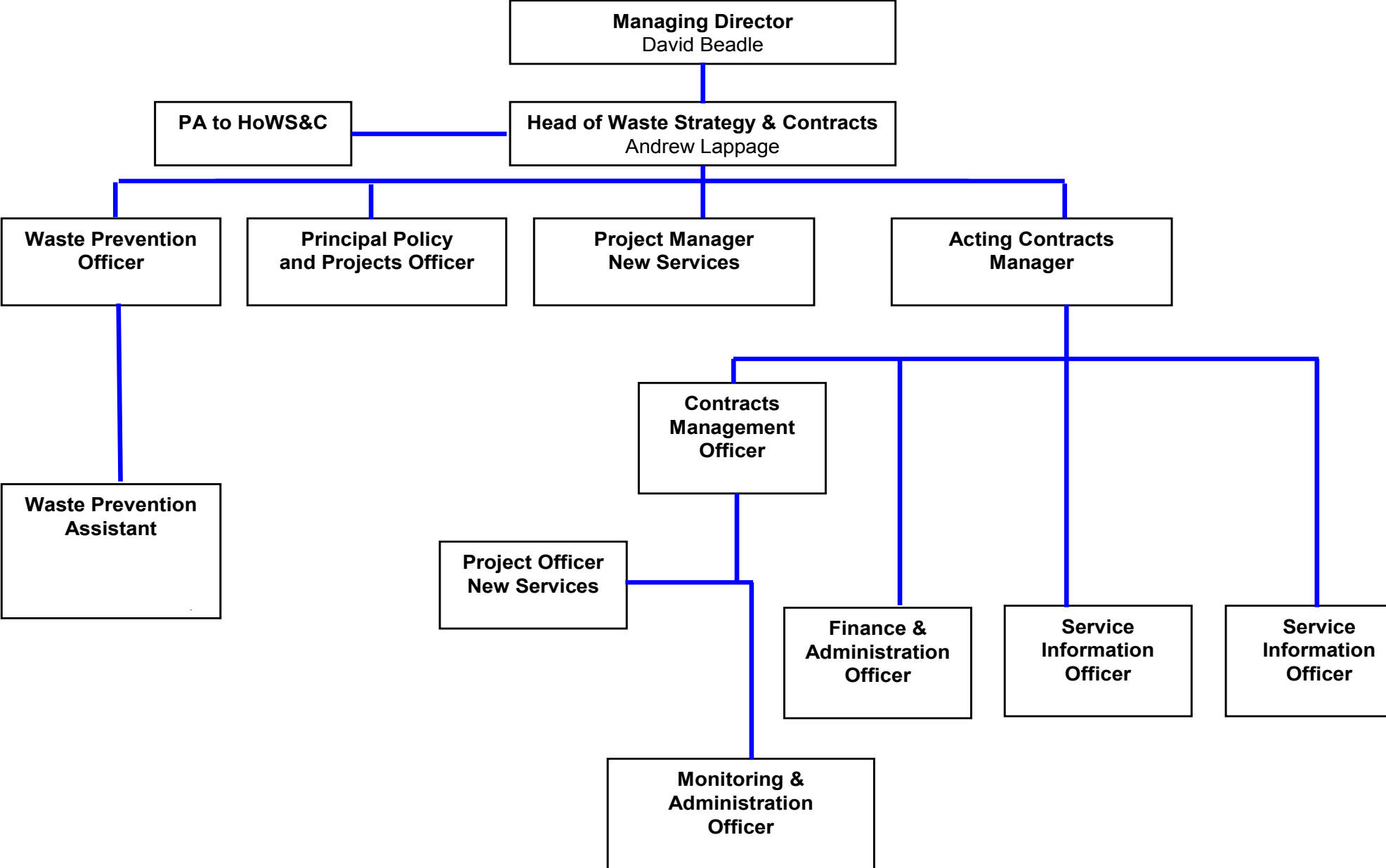
7.16 **Property Holdings** - The Authority has varying property interests at:

- Hornsey Street, Islington
- A406, Edmonton (CPO)
- Tilling Road, Hendon
- Hendon Waste Transfer Station
- Pinkham Way - Land at part of the former Friern Barnet Sewage Treatment Works

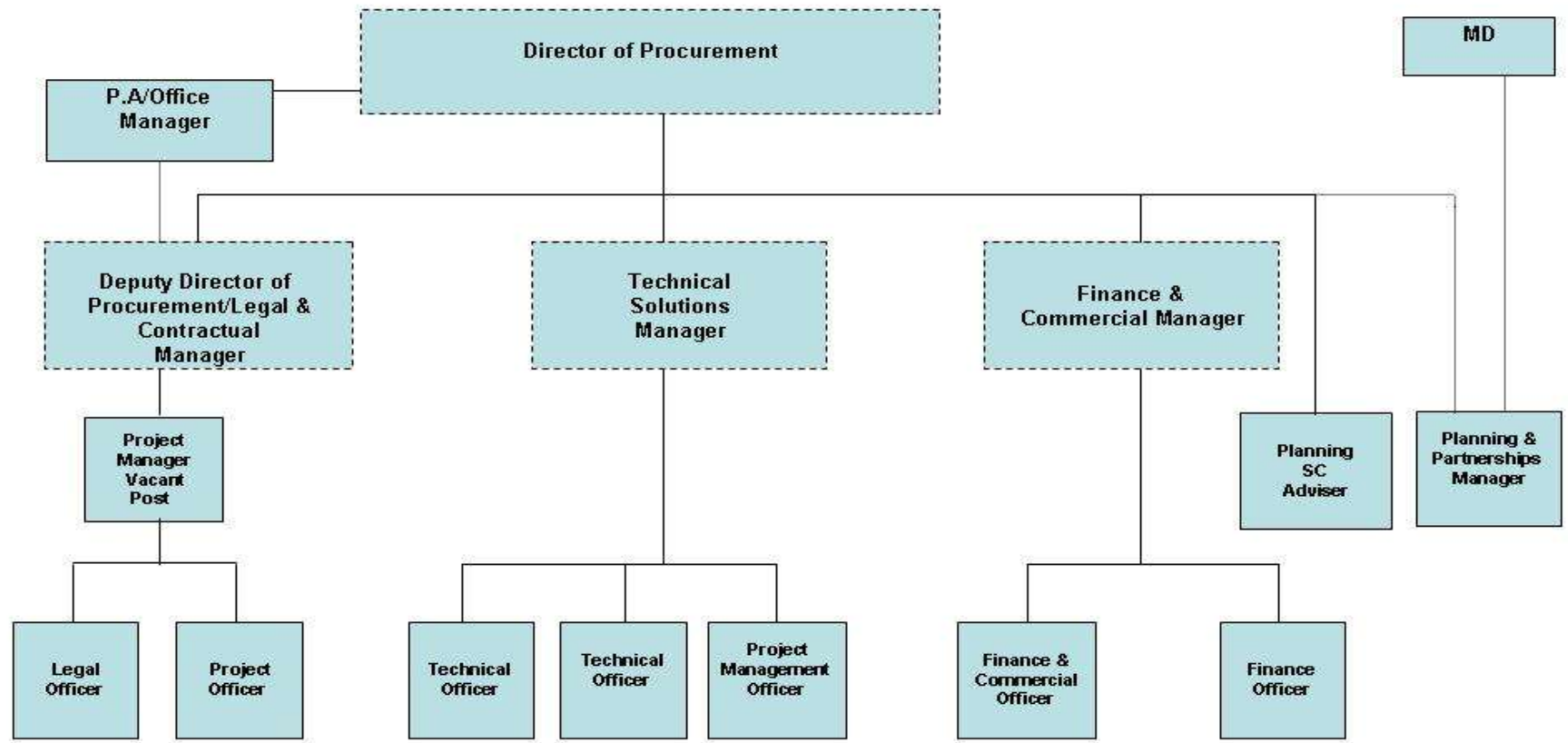
NORTH LONDON WASTE AUTHORITY – STAFFING ARRANGEMENTS AT 31<sup>ST</sup> MARCH 2011



NLWA Waste Strategy and Contracts Team at 31<sup>st</sup> March 2012







**NLWA Procurement Team Structure**

**March 2012**



## Appendix 2

### NORTH LONDON WASTE AUTHORITY LEVIES AND NON-HOUSEHOLD CHARGES 1986/87 TO 2012/13

	Levy £'000	Non-household Charges £'000	Total £'000
1986/87	13,872	-	13,872
1987/88	11,301	-	11,301
1988/89	12,962	-	12,962
1989/90	13,602	-	3,602
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
2008/09	37,829	10,880	48,709
2009/10	43,647	12,146	55,793
2010/11	43,512	12,388	55,900
2011/12	43,512	10,061	53,573
2012/13	40,614	9,981	50,595

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