

# **Governance and Resources Scrutiny Commission**

## **9 February 2014**

### **North London Waste Authority**

#### **Background**

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

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. NLWA's primary function is to arrange for the transport and disposal of waste collected by these seven boroughs and to promote waste minimisation and recycling.

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.

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

The requirement for local authorities to contract out waste disposal functions was repealed by section 47 of the Clean Neighbourhoods and Environment Act 2005. This meant that the Authority could again own and operate 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.

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 North London Joint Waste Strategy**

The North London Joint Waste Strategy (NLJWS) provides the strategic framework for municipal waste management in North London for the period 2004 - 2020. The NLJWS sets out the targets for reducing, reusing and recovering a greater proportion of the municipal waste which is generated in the North London Waste Authority area and for reducing the amount which is sent for disposal to landfill.

The targets include:-

- To achieve a 35% recycling and composting target for household waste by 2010, 45% 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.

The first draft of the NLJWS was published in 2004 (Mayor's Draft, September 2004) but was subsequently updated and subjected to a new Strategic Environmental Assessment or SEA in 2008 before final adoption.

The NLJWS completed the process of adoption by all eight partners (Barnet, Camden, Enfield, Hackney, Haringey, Islington, Waltham Forest and the NLWA) in February 2009. (July 2008 Hackney Cabinet Formal adoption of the North London Joint Waste Strategy (NLJWS) and January 2009 Hackney Delegated report – NLJWS Adoption of results of Equality Impact Assessment).

The NLWA's annual report in June 2014 reported data from constituent borough councils indicating provisional performance in 2013/14 across North London (with 2012/13 for comparison) as follows:-

- 579 kg (586 kg) residual waste per household was collected (NI 191).
- 33% (32%) of household waste was re-used, recycled or composted (NI 192).
- 25% (25%) of municipal waste was sent to landfill (NI 193).
- 100% (100%) of residents continued to receive a door-to-door or communal recycling service.

## **The North London Waste Prevention Plan**

In partnership with the seven boroughs we also produce the Waste Prevention Plan 2014-16. This sets out in more detail how the waste prevention objectives within the North London Joint Waste Strategy will be met. This regularly updated plan details a series of short to medium term actions to minimise the amount of waste produced by north London. The implementation of the prevention plan is carried out by ourselves and the constituent borough councils (together or separately).

## **Procurement of Waste Treatment**

The NLWA had started a major procurement 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.

Following notification to the Authority in December 2012 that Veolia Environmental Services was withdrawing from both procurements, the remaining bidders were

- i) FCC Skanska - Waste Services – processing of all waste streams including transport and household waste recycling centres; and
- ii) E.ON/Wheelabrator Technologies - Fuel Use – energy-from waste with combined heat and power.

The NLWA continued its process pursuant to published government guidance on managing a premature ending of a competitive process. This guidance made clear that the NLWA needed to consider the strength and quality of the remaining bid for each contract, consider the extent to which the competition up to that stage has been effective, and consider whether value for money can be demonstrated with only one bidder for each contract.

The evaluation of draft final tenders, received in March 2013, continued, and was reported to the Authority in June 2013.

The Authority had to decide whether or not it remained in the NLWA's best interest to proceed with the final stages of the procurement process, which might have led to the award of significant long-term contracts, notwithstanding that there remained only one bidder for each of the contracts.

However, at its meeting in September 2013, the Authority decided to end its procurement for long-term waste management services, in favour of a less expensive solution to north London taxpayers' waste management needs, which became deliverable as a result of developments in the planning policy situation in north London earlier in 2013.

At that time, the NLWA considered that the alternative strategy would be based on continued use of the existing Edmonton facility, to be followed by a new energy

recovery solution to take over from the existing facility that will continue to provide electricity for the national grid and could provide the potential to supply heat for local homes and businesses.

In September, the Authority noted also that the existing Edmonton facility was now projected to be available, with an appropriate maintenance programme, until 2025. The timing of the procurement of a new facility would be a matter for consideration during 2016, taking account of this anticipated life of the existing facility.

Planning policies which had been published and were referred to in the taking of the decision to end the procurement were:

- The publication in May 2013 of the London Borough of Enfield Supplementary Planning Document (SPD) which had been prepared during 2012. The Authority's position, when the draft was published early in 2013 for public consultation, was to express overall support for the SPD but to highlight a small number of specific concerns with its drafting. These concerns related inter alia to the requirements to host and connect to an energy centre for the planned Lee Valley Heat Network and to requirements that part of the site be reserved for a future low carbon heat source.
- The Mayor's Upper Lee Valley Opportunity Area Planning Framework, published in July 2013, which contained as one of its eight objectives the proposed Lee Valley heat network supported by energy from the Edmonton EcoPark.

This decision will not impact on joint targets which remain in place to achieve a 50% household recycling rate and to reduce the amount of waste sent to landfill to 35% (of 1995 amounts) by 2020.

This decision will save north London money in the short to medium term, and could save us a total of up to £900 million (note 2) over almost 30 years.

### **Inter Authority Agreement**

An Inter Authority Agreement (IAA) was previously agreed between the NLWA and all constituent Boroughs in 2011 but not entered into (Hackney Cabinet June 2011). The IAA was intended to govern relations between the parties under the NLWA's previously proposed procurement and was structured in that context. A simpler document has subsequently been developed to reflect the current context. A key component of the IAA is a change to a menu pricing system to apportion the NLWA's costs more fairly than at present.

It is currently proposed that some outstanding issues are negotiated and the IAA is formally agreed by all parties so that it can be entered into to allow menu pricing from 16/17.

## **Menu Pricing**

The revised IAA sets out a proposed menu pricing system to replace the current levy and charging arrangements in the form of a process and set of principles that are largely unchanged from that agreed in the previously agreed IAA. Under menu pricing Boroughs incur costs based upon the differential costs and amounts of the different types of waste they deliver which is not the case under the current system.

Furthermore, the levying of the costs relating to HWRC's operated by the Authority will under menu pricing be apportioned based upon the proportion of the visitors to each HWRC from each Borough. Currently these costs are levied directly upon the Borough in which the HWRC is located or, in the case of HWRC residual waste, the relative proportion of Council Tax Band D properties. The HWRC residual waste costs for non-transferred sites (LB Enfield and Barnet) are expected to be borne directly by the Boroughs operating the sites under menu pricing. Other costs will be levied or charged to reflect the fairest and most appropriate allocation.

The menu pricing system will be more complex than the current system and this will be reflected in the management of balances which will be retained on a Borough specific basis for each waste stream.

## **North London Waste Plan**

The seven boroughs are also working together as planning authorities to identify sufficient land for waste management and to establish common planning policies which will guide decision-making about waste facility planning applications within the area. The boroughs are developing a joint waste development plan or 'DPD' titled "The North London Waste Plan" which will run to 2027. The production of the DPD will ensure the boroughs' statutory responsibilities in relation to land-use planning policy are met. The North London Waste Plan includes lists of existing and new sites which need to be provided for waste management purposes.

## **Finance Comments**

The table below shows what we have paid in charges to NLWA since 2010/11 and what we are currently expecting to pay for 2015/16 (which will be confirmed at the February NLWA meeting). The 2015/16 figures are based on a standstill levy position from 2014/15, which was agreed at the last Directors of Finance meeting for NLWA and the NLWA's Member Finance Working Group. The overall position uses £8m of forecast balances retaining £2m to help fund the 2016/17 budget.

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m (estimate)
Domestic	5.284	5.412	4.722	5.109	6.027	5.876
Chargeable domestic waste				0.553	0.595 (Dec forecast)	0.559
Non domestic	1.688	1.628	1.627	1.701	1.839 (Dec forecast)	1.734
CIPS (recycling income)	(0.132)	(0.211)	(0.256)	(0.386)	(0.316) (Dec forecast)	(0.344)

Menu pricing has the impact of redistributing NLWA's costs from what happens currently (i.e. it has zero effect on NLWA's bottom line), and will provide further incentive to boroughs to recycle and reduce residual waste rather than pay for more expensive waste treatment and disposal. The current expectation is that Hackney as a borough will pay more than we do at the moment, as a result of our recycling rate. Furthermore, it will mean boroughs paying one rate across household and non-household residual waste, whereas at the moment we pay a far higher gate fee for non-household residual waste disposal. This will have the impact of pushing a greater proportion of cost onto boroughs' household waste disposal charges.