
Meeting	Business Management Overview and Scrutiny Committee
Date	11 March 2014
Subject	North London Waste Authority
Report of	Cabinet Member for Environment
Summary of Report	Members requested an update on the council's work with the North London Waste Authority. This report provides Members with an update, including finance, procurement and planning issues.

Officer Contributors	Lynn Bishop, Street Scene Director Michael Lai, Acting Waste Strategy Manager
Status (public or exempt)	Public
Wards Affected	All
Key Decision	No
Reason for urgency / exemption from call-in	N/A
Function of	Committee
Enclosures	None
Contact for Further Information:	Michael Lai, Acting Waste Strategy Manager michael.lai@barnet.gov.uk , 020 8359 7435

1. RECOMMENDATION

- 1.1 The Committee consider the update on the North London Waste Authority as set out in the report and make appropriate comments and/or recommendations to the Cabinet Member for Environment.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 North London Waste Authority - levy arrangements, Cabinet Resources Committee, 24 September 2013, Cabinet agreed that changes could be made to the alternative levy apportionment arrangements previously agreed by all North London Waste Authority constituent boroughs in January 2012. These changes allow for adjustments to the apportionment of levy costs such that Barnet's share of the additional levy costs arising from consignment of its commingled recycling to the NLWA from October 2013 will be brought in line with the payments made by the other constituent boroughs, subject to similar decisions being agreed unanimously by the other boroughs.
- 2.2 North London Waste Authority – Inter Authority Agreement, Cabinet 3 November 2011, Cabinet agreed to the signing of the Inter Authority Agreement (IAA) and to authorise the Interim Director of Environment, Planning and Regeneration, in consultation with the Chief Finance Officer and the Cabinet Member for Environment to agree the final form of the IAA on the basis set out in the report.
- 2.3 North London Waste Authority – Inter Authority Agreement, Cabinet 14 September 2011, Cabinet agreed in principle to the signing of the Inter Authority Agreement, with the exception of Principle four [relating to Household Waste Recycling Centres], and that the Leader should write to the North London Waste Authority indicating such agreement in principle, subject to approval at a future meeting of the Cabinet.
- 2.4 North London Waste Authority procurement – PFI Outline Business Case Submission, Cabinet 23 October 2008, (decision item 5).
- 2.5 The Cabinet Member for Environment and Transport authorised sign-up to the North London Joint Waste Strategy on 29 August 2008, (Delegated Powers decision no. 626).
- 2.6 The Leader and Cabinet Member for Resources, and the Cabinet Member for Environment and Transport authorised sign-up to the Memorandum of Understanding – North London Waste Authority procurement on 31 August 2008, (Delegated Powers decision no. 630).

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The council's Corporate Plan 2013-2016 includes the priority 'To maintain a well-designed, attractive and accessible place, with sustainable infrastructure across the borough'. This incorporates the aim to make it easier for residents to recycle, reducing the amount of waste sent to landfill and cutting costs to the council. This includes the following success measures:
- a) Increase the percentage of household waste sent for reuse, recycling and composting to 40 per cent
 - b) Maintain overall satisfaction levels for the recycling and refuse service (80 per cent).
- 3.2 The North London Waste Authority seeks to achieve both of these strategic objectives as it arranges for the treatment and disposal of waste collected by its constituent boroughs and seeks to realise any economies of scale that this joint working will deliver.

4. RISK MANAGEMENT ISSUES

- 4.1 The seven constituent boroughs (Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest) of the North London Waste Authority (NLWA) will require the provision by the NLWA of waste services and facilities to manage their waste including residual, organic and recyclable waste in a cost effective way that delivers high performance and value for money. In September 2013 NLWA ("the Authority") took the decision not to progress the long term procurement that had been developed up to that point. The Authority and the constituent boroughs will now need to work to agree and implement an alternative strategy, while ensuring that the appropriate arrangements continue to be in place to manage waste in the short to medium terms.
- 4.2 The NLWA is working on an Inter Authority Agreement (IAA) between each of the eight parties. This agreement would govern the future working relationship between all parties. By agreeing to the IAA, the council will be committed to a defined way of working in the longer term and would bear the cost of any variance from this defined way of working. Consequently there would be some reduction in the autonomy that boroughs would have to change their working arrangements. The version of the IAA that was the subject of the November 2011 Cabinet paper is now being substantially redrafted to reflect the change in circumstances since the decision to end the NLWA's previous procurement process. The core of the redrafted IAA will however continue to be an agreement to change the NLWA's levying and charging arrangements to a 'Menu Pricing' system with effect from 2016/17.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Corporate Plan (2013-2016) sets out a commitment that policies, functions and activities should be assessed for their equalities impacts and risks.

5.2 The proposed IAA between the NLWA and the constituent authorities has been considered in terms of any impacts it would have on residents, traders and other service users. The IAA, both in the form considered by Barnet's Cabinet in November 2011 and the form of the proposed redraft, will deal with the legal and financial relationship between the eight constituent authorities but does not specifically define the nature of services that would be provided to residents, traders and other service users. The IAA therefore does not have any direct implications for residents, traders and other service users. However service delivery will continue to be monitored to ensure there are no adverse outcomes on residents, traders and other service users.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 Finance

Barnet pays the NLWA for the disposal of its residual waste and the treatment of its organic and recyclable waste through a statutory default levy. For 2014/15 Barnet will pay a base levy of £9.648m, £1.412m for non-household waste, £0.262m for chargeable household waste and a Household Waste Recycling Centre (HWRC) element of £725. This represents an increase of £2.146m over last year. £1.079m of this increase is a result of Barnet's decision to consign its commingled dry recyclable waste to the Authority from October 2013 instead of making its own arrangements for treatment. This necessitated a change to the NLWA levy apportionment mechanism so that Barnet will bear an equitable share of the increased costs that fall to the Authority in 2014/15 for the processing of additional tonnages of recyclable waste. The increase in the levy reflects increased overall costs for the treatment of recyclable waste in the market, which are not within the control of NLWA or the constituent boroughs. The levy increase of £1.079m, however, is expected to be largely offset by an estimated income of £0.322m in 2013/14 and £0.706m in 2014/15 as a consequence of Barnet qualifying for payments that will be made by the NLWA under its Commingled Income Payment Scheme (payment levels have regard to the income that the NLWA receives from its contractors' sale of recyclates obtained from the commingled waste stream).

6.1.1 In September 2013, the NLWA decided not to proceed with the long-term procurement project, but instead to develop an alternative strategy for its longer-term service delivery. For the purpose of setting the 2014/15 budget and levy it was agreed that the NLWA would retain balances of £5m to fund the costs of a new strategic direction. This will include the need for the Authority to renew a number of its current waste services contracts. Any balances not utilised in this way would become available to help finance the 2015/16 levy. Borough Directors of Finance were consulted and supportive of this approach.

6.1.2 In the future, costs for treating and disposing of waste are expected to continue to rise although not at the scale and timeline that would have been associated with the former procurement project. It is envisaged that the Authority will continue to benefit from the existing Energy from Waste (EfW) facility at Edmonton until it is replaced by a new facility, which is expected to

be available by 2025. The NLWA will seek to mitigate future increases by providing cost effective solutions. It is envisaged NLWA and all constituent boroughs will agree the terms of an IAA. This agreement which will need to be unanimous, is expected to contain, as previously intended, a move from the alternative levy apportionment mechanism agreed by constituent boroughs in January 2012 (and amended in January 2014) to a 'Menu Pricing' levy apportionment mechanism effective for and from 2016/17. Menu Pricing would mean that borough payments would be more closely linked with the actual cost of treating different types of waste, and therefore will reward boroughs for their recycling and waste minimisation efforts. Officers will review indicative menu prices when these become available, and will assess the financial impact on the council.

6.2 Procurement

The strategy for the future provision of waste treatment and disposal services to the NLWA constituent boroughs is under development at present. A report on a future residual waste strategy is expected to be presented to an Authority meeting in June or July 2014.

6.3 Performance and Value for Money

Any future provision of services will involve detailed work and scrutiny between the seven constituent boroughs and the NLWA, to ensure that it offers the best practicable and financial outcome.

6.4 Staffing

There are no staffing issues.

6.5 IT

There are no IT issues.

6.6 Property

There are no property issues.

6.7 Sustainability

The national target is for 50% of household waste to be recycled, reused or composted by 2020. This is also the target agreed by the seven constituent boroughs and the NLWA as part of the North London Joint Waste Strategy. It was envisaged that the previous procurement project would enable this target to be reached or exceeded, but this was also dependent on boroughs' performance. The achievement of this target will need to be considered alongside any alternative strategy for future procurement of waste services and facilities.

7. **LEGAL ISSUES**

7.1 The NLWA has the powers and duties of a Waste Disposal Authority (WDA) under the Environmental Protection Act 1990. The NLWA was created by Statutory Instrument, and it is an independent body with a separate existence from that of its constituent boroughs. Such independence is underlined by the provisions of the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006 which made revised provision for the issuance of levies to constituent boroughs, demands for payment and recovery of interest upon late payment. The constituent boroughs are Barnet, Camden, Enfield, Hackney,

Haringey, Islington and Waltham Forest. Constituent boroughs do not have the duties or powers of a WDA.

- 7.2 Constituent boroughs each appoint two Councillors to serve as Members of the NLWA. The Members currently appointed by the London Borough of Barnet are Councillor Dean Cohen and Councillor Daniel Thomas. There are ordinarily five Authority meetings per year, at which Members will make decisions.
- 7.3 The seven constituent boroughs, through unanimous agreement can agree, and indeed have agreed, alternative levy apportionment arrangements under the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006.
- 7.4 The draft Inter Authority Agreement (IAA) considered by Barnet's Cabinet in November 2011 was principally developed by lawyers appointed by NLWA and was negotiated with the Directors of Environment (or equivalent) with some input from lawyers from each of the constituent boroughs. In Barnet additional legal advice was sought from Counsel regarding the IAA, and the contents of the IAA. Counsel advised that: "in general, there is nothing that suggests that the IAA as a whole is unreasonable, it is though a matter of choice for the Council whether it wishes to sign up to it." In order for the North London authorities to change to menu pricing there would need to be a unanimous agreement of the constituent boroughs to do so.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1 The scope of the Overview and Scrutiny Committees are contained within Part 2, Article 6 of the Council's Constitution.
- 8.2 The terms of reference of the Overview and Scrutiny Committees are included in the Overview and Scrutiny Procedure Rules within Part 4 of the Council's Constitution.
- 8.3 The Business Management Overview and Scrutiny Committee has within its terms of reference responsibility for "the review of the policy framework and development of policy and strategy not within the remit of other overview and scrutiny committees".

9. BACKGROUND INFORMATION

- 9.1 Barnet Council is a Waste Collection Authority and provides waste collection services to all residents including collections of residual waste, food waste, garden waste and "commingled" (mixed) dry recycling. The North London Waste Authority (NLWA) is the statutory Waste Disposal Authority (WDA) for its seven constituent Waste Collection Authorities (WCAs); Barnet, Camden, Enfield, Hackney, Haringey, Islington, and Waltham Forest. The NLWA is responsible for arranging for the treatment and disposal of waste collected by its constituent boroughs, but different powers apply to recyclable and compostable wastes than to residual wastes. Barnet sends residual waste (refuse) for disposal, garden waste for composting, food waste for anaerobic

digestion, and commingled recyclable materials for processing to NLWA. The various waste streams are treated by the NLWA's contractors.

9.1.1 The principal statutory duty for the provision for Household Waste Recycling Centres now rests with NLWA, but Barnet has chosen to continue to provide this service itself, although it still relies on the NLWA for the provision of services for residual waste and some recyclable wastes from Summers Lane.

9.2 Finance

9.2.1 Barnet pays the NLWA for the disposal and treatment of its waste through the alternative levy apportionment arrangements agreed by constituent boroughs (as permitted under the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006).

9.2.2 Any change to the basis for payments from the agreed levy apportionment arrangements requires the unanimous agreement by constituent boroughs. From 2012/13 the constituent boroughs agreed that the household waste element of the levy would continue to be apportioned on a tonnage basis and the other costs element on a council tax basis. Constituent boroughs, however, agreed a new levy element to facilitate the transfer of Household Waste Recycling Centres (HWRCs) from the boroughs to NLWA (other than Barnet and Enfield). The costs and income of the Authority are allocated to one of three levy elements according to the nature of the cost or income. Balances are ring-fenced to the relevant levy element.

9.2.3 For 2014/15 constituent boroughs have agreed two further changes which deal with Barnet's decision to consign its commingled recyclable waste to the NLWA (thus ensuring that Barnet pays an equitable share of the increased treatment costs for these wastes), and the substitution of one HWRC in Haringey with another. The three levy elements are:

- (i) A tonnage element – for the Authority's costs of treating wastes delivered to it by the boroughs, and where the levy is apportioned in proportion to actual borough household waste tonnages delivered or deemed to have been delivered for the year, two years prior to the relevant levy year, i.e. in February 2014 the Authority set the levy for 2014/15, and the NLWA apportioned the tonnage element using the most recent full-year audited data, namely 2012/13.
- (ii) A 'council tax base' element – for the Authority's other costs (including the transport and disposal of residual wastes from HWRCs), the levy is apportioned in proportion to each borough's council tax base for the relevant levy year.
- (iii) An HWRC element – for the Authority's costs of operating seven of the nine HWRCs in its area, where the borough in which each HWRC is located is levied for that HWRC's budgeted cost of service in the relevant levy year, after it has been adjusted for any ring-fenced balances (positive or negative) brought forward from the previous year. This does not include costs for Barnet as the HWRC is managed in-house, but includes a small charge (in respect of the acquisition and provision of the new HWRC at Western Road, Haringey) for Barnet

residents who from 2014/15 are forecast to use the new facility (in place of Hornsey High Street, Haringey).

- 9.2.4 Boroughs also pay charges for Non-Household (trade) waste and household waste for which a charge can be made, in-year, on an on-account basis according to tonnage statistics that they provide to the Authority for budget purposes. The charges are adjusted at the year end to reflect the actual tonnages that were delivered to the Authority.
- 9.2.5 The NLWA budget is reviewed by an all-party Members Finance Working Group, and by the Directors of Finance from the constituent boroughs.
- 9.2.6 The overall levy for 2014/15 which was agreed at the NLWA meeting of 13 February 2014 stands at £46,452m and represents an increase of £4.623m (11.05%) from 2013/14. The 2014/15 budget was prepared on a business as usual basis, i.e. using current contract terms and prices as uplifted for inflation, although part of the increase was a result of the NLWA taking on the responsibility of treating Barnet's commingled dry recyclables. The NLWA owns LondonWaste Ltd, an inward-facing company that operates the Energy from Waste plant and composting facility at the Edmonton EcoPark. LondonWaste Ltd paid a dividend of £7.0m to the Authority in 2013/14. The Authority is estimated to have a surplus of £11.907m at 31 March 2014; £6.907m of this was used to help fund the 2014/15 budget thereby limiting the average levy increase to 11.05% (the actual increase for each borough varies).
- 9.2.7 The NLWA's strategy for the provision of future waste services is being developed at present, and therefore it was necessary for the Authority to ensure that it had sufficient resources to fund the cost of any future decisions and outcomes in the coming year. Therefore in determining the 2014/15 levy it was agreed to not fully utilise revenue balances and instead retain balances of £5m. The retained balances sit outside of the Authority's operational budget and can be called upon by Members, if required, as decisions are made and contracts awarded. Any balances not utilised in this way would become available to help finance the 2015/16 levy. Borough Directors of Finance were consulted and were content with this proposed approach. It is acknowledged that the proposed budget is also some £3m to £4m lower than it would have been had the Authority continued with the previous procurement of waste services in 2014/15.
- 9.2.8 Barnet's share of the 2014/15 levy comprises a base element of £9.648m, charges of £1.412m for non-household waste, and £0.262m for chargeable household waste and a HWRC element of £725. This represents an increase of £2.146m over last year. The table below sets out the NLWA base levy since 2009/10, and Barnet's share of these costs, plus the non-household and chargeable household waste elements.

NLWA Base Levy and charges to London Borough of Barnet

	Total NLWA Base Levy (Excluding HWRCs)	Barnet Element	Non Household Charges to Barnet	Household Chargeable to Barnet (introduced in 2013/14)
	£'000	£'000	£'000	£'000
2009/10	43,647	8,738	1,474	-
2010/11	43,512	8,329	1,384	-
2011/12	43,512	8,286	1,415	-
2012/13	38,600	7,337	1,435	-
2013/14	39,440	7,503	1,233	242
2014/15	44,375	9,648	1,412	262

9.2.9 The table below shows the comparative figures for the 2013/14 and 2014/15 levies for each of the constituent boroughs. It can be seen that Barnet pays the largest share of the costs, as the borough consigning the highest tonnages of waste to the NLWA. Barnet's household waste tonnage figure has increased from 114,837.74 tonnes in 2011/12 to 130,840.68 tonnes in 2012/13. Allowing for the changes of other constituent boroughs, Barnet's share of the total household tonnages delivered to the NLWA in 2012/13 has increased from 18.84% to 21.64%. In 2014/15 Barnet picks up a 22.86% share of the council tax element of the levy.

NLWA levy 2013/14 and 2014/15

	2013/14 Levy			2014/15 Levy			Total Estimated Levy Change (Column 6 minus Column 3)	
	Base Levy Element	HWRC Levy Element	Total Levy	Base Levy Element	HWRC Levy Element	Total Levy		
	(1)	(2)	(3)	(4)	(5)	(6)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Barnet	7,503	0	7,503	9,648	1	9,649	2,146	28.60
Camden	4,625	352	4,977	4,994	128	5,122	145	2.91
Enfield	5,161	0	5,161	5,180	0	5,180	19	0.37
Hackney	5,109	0	5,109	6,027	0	6,027	918	17.97
Haringey	6,014	438	6,452	6,567	808	7,375	923	14.31
Islington	4,461	579	5,040	5,167	614	5,781	741	14.70
Waltham Forest	6,567	1,020	7,587	6,792	526	7,318	(269)	(3.55)
Total	39,440	2,389	41,829	44,375	2,077	46,452	4,623	11.05

9.2.10 A larger proportion of the increase in levy costs to Barnet between 2013/14 and 2014/15 reflects Barnet's decision to consign its commingled dry recyclable waste to the Authority from October 2013 and a further change to the levy apportionment mechanism which was made so that Barnet bears an equitable share of the increased costs that fall to the Authority in 2014/15. The

NLWA Boroughs (other than Enfield) have indicated that collectively they will need Materials Recovery Facility (MRF) treatment capacity for 118,979 tonnes of material in 2014/15. The overall cost of the dry recyclable MRF services in 2014/15 is estimated to be £6.126m. The cost for processing recyclables is projected to be approximately £51.4 per tonne. Under the new service arrangements, Barnet pays its share of the NLWA's cost of this service provided by Biffa (and Bywaters for other parts of the NLWA area) under contract to NLWA, and Barnet will receive from NLWA a commingled income payment expected to be equivalent to 50% of the value of the separated recyclables that will partially offset these costs. Barnet's Medium Term Financial Strategy involves 'further increases in recycling rates' and this is linked to the increase in tonnages of recyclable materials consigned to NLWA. Prior to the launch of the new in-house waste and recycling service on 14 October 2013, recycling was collected by the contractor May Gurney, who arranged for the sale of the materials to the reprocessing market and provided a 50% income share to the council. The level of this income declined in the latter years of the contract.

9.2.11 The table below shows the commingled recycling income payment expected for 2013/14 and 2014/15 for each participating borough. The income to Barnet is expected to be £322,000 for 2013/14 and £706,000 in 2014/15. This is based on an assumed payment of £25 per tonne of recycling, and if a higher income is received this will be passed on to the constituent boroughs.

Comingled recycling income payment projections for 2013/14 and 2014/15

	2013/14 Commingled recyclable tonnes	2013/14 Commingled recyclable estimated income to borough (£'000)	2014/15 Commingled recyclable tonnes (estimated)	2014/15 Commingled recyclable estimated income to borough (£'000)
Barnet	12,864	322	28,225	706
Camden	17,000	456	19,000	475
Enfield *	0	0	0	0
Hackney	14,553	377	15,195	380
Haringey	20,000	526	20,500	512
Islington	14,273	373	14,559	364
Waltham Forest	19,000	507	21,500	537
TOTAL	97,960	2,561	118,979	2,974

* Enfield does not currently deliver dry recyclable waste to the Authority for treatment.

9.2.12 Barnet Officers are currently carrying out benchmarking of the costs for treatment/disposal of the various waste streams paid by other local authorities and Waste Disposal Authorities. When figures are available this will enable Barnet to effectively review and consider emerging Menu Pricing costs (please refer to section 9.4.3).

9.2.13 In the future, costs for treating and disposing of waste are expected to continue to rise. The rate of landfill tax is scheduled to rise from £72 to £80 per tonne on 1 April 2014. The government's intention for any further rises is not yet known.

9.3 Procurement of future waste services and facilities

- 9.3.1 At present the NLWA arranges residual waste disposal services through LondonWaste Ltd (LWL) and its contract for the delivery of waste to a landfill site in Buckinghamshire, and its Energy from Waste facility at the Edmonton EcoPark. Organic waste treatment is provided through a contract for LWL's composting facility at the EcoPark, and this is supplemented by arrangements for some organic waste to be treated at other locations where this offers the necessary capacity or improved pricing. Commingled recycling from Barnet is processed through NLWA's contract with two operators of Materials Recovery Facilities (which are Biffa Waste Services at Edmonton, where Barnet's recyclable materials are processed, and Bywaters in Bromley-by-Bow). The NLWA previously proposed to procure future waste management services and facilities, and one of the key drivers for this procurement was that at that time the Edmonton Energy from Waste plant was considered to be coming to the end of its working life. NLWA also arranges all waste electrical and electronic equipment (WEEE) recycling services in north London, including the current free WEEE collection service. Finally, as noted above, the NLWA provides certain services at Barnet's Summers Lane HWRC.
- 9.3.2 The NLWA procurement process was intended to replace the Edmonton Energy from Waste plant and provide modern and cost effective facilities to support higher levels of recycling and composting. This linked with the ambition to achieve a 50% combined reuse, recycling and composting rate for the North London area by 2020, which is the national recycling target and a target within the North London Joint Waste Strategy adopted by all boroughs and the NLWA.
- 9.3.3 An Outline Business Case was submitted to the Department for Environment, Food and Rural Affairs (DEFRA) in 2008 for Private Finance Initiative (PFI) credits, and credits of £258.4m were subsequently awarded by government.
- 9.3.4 The NLWA sought to procure two contracts; (1) a Waste Services Contract for the treatment of all the constituent boroughs' waste including the treatment of waste for disposal and the composting of organic waste, and an outlet for dry recyclables, and (2) a Fuel Use Contract for the use of the fuel produced through the treatment of waste, with potential facilities identified in Kent. It was anticipated that the length of the two contracts would be around 25+ years, with the two contracts to run concurrently.
- 9.3.5 The PFI credits of £258.4m for this project were withdrawn in October 2010, as a result of the Comprehensive Spending Review. Following the loss of this funding NLWA considered a number of alternative options for the way forward. The NLWA meeting of 5 April 2011 concluded that there were no substantive changes to the current procurement that would deliver a cheaper solution, and NLWA Members agreed to take forward the current procurement.
- 9.3.6 The number of bidders was reduced at various stages of the procurement, and in 2012 two bidders remained for each element of the procurement. One bidder (Veolia), who was bidding for both contracts then withdrew from the procurement in December 2012. The bidders remaining were FCC/Skanska

for waste services, and E.On/Wheelabrator for fuel use. The procurement progressed to the stage where draft final tenders had been received.

- 9.3.7 At the NLWA meeting of 26 September 2013, Members took the decision not to progress the procurement. Considerations included the pressure on public finances, changes in the planning environment and changes in the projected lifespan of the existing Edmonton Energy from Waste facility.
- 9.3.8 Energy from Waste is generally considered to be a cheaper form of treatment for residual waste than landfill, but due to previously unfavourable planning conditions the estimated cost of this option included significant planning risks. It is now considered that Energy from Waste is more deliverable than previously, linked to a growing commitment from the London Borough of Enfield and the Mayor of London to the potential for local energy production at Edmonton, based on Enfield's Edmonton Ecopark Planning Brief (SPD) and the Mayor's Planning Framework for the Upper Lea Valley. In addition, further detailed investigation by technical advisers suggested that with some investment, the existing plant could continue to operate until 2025.
- 9.3.9 The NLWA is now working with the constituent boroughs on developing an alternative strategy, based on continuing to use the existing Energy from Waste plant at Edmonton up to 2025, and then replacing it with a new Energy from Waste facility (which would be developed alongside the existing facility) capable of delivering heat to a Decentralised Energy Network (DEN). It is currently proposed that merchant facilities would be procured for other waste streams including recycling and organic waste. Options for funding are being considered.
- 9.3.10 It is considered that by pursuing an alternative strategy, significant savings of up to £900m could be made against the procurement option, even taking into account the costs of mitigating some of the risks that come with the alternative options. The alternative options based on merchant contracts for recycling, organic waste and HWRC operations would be based on shorter contracts than the Energy from Waste facility and could offer more flexibility. The Authority would be able to seek contracts to design, build and/or operate facilities for these waste streams if it felt sufficient capacity or competition was not available in the market, though this would impact on the savings. Pursuing an alternative approach will reduce the need to substantially increase costs to the constituent boroughs in the short to medium term.
- 9.3.11 At the NLWA meeting of 13 February 2014 Members agreed the appointment of planning and technical consultants to inform the emerging alternative strategy to the procurement. The NLWA's current Forward Plan of decisions by Members includes approval of a draft timetable for new residual waste treatment facilities in June or July 2014. A decision on future residual waste contract arrangements and consideration of future procurement options would take place in September 2014.

9.4 Inter Authority Agreement

- 9.4.1 The Leader and Cabinet Member for Resources, and the Cabinet Member for Environment and Transport authorised sign-up to a Memorandum of

Understanding, which was a precursor to an IAA in August 2008. This was required as part of the submission to DEFRA for PFI credits.

- 9.4.2 The NLWA has sought an IAA between the eight authorities. It was intended that the IAA would provide certainty to the bidders to the previous procurement of the close working relationship and commitment between the boroughs, thus reducing the amount of risk bidders' might price into their solutions and helping to achieve value for money. The IAA would be a legally binding agreement which will govern the working relationship between the NLWA and the constituent boroughs in the long term.
- 9.4.3 As part of the IAA, although it will now be different to that previously envisaged (as a result of the cessation of the previous main procurement project), it is proposed that there is a change from the statutory default levy to "Menu Pricing" from 1 April 2016. Under Menu Pricing, borough payments to the NLWA would be more closely aligned with the actual cost of treating different types of waste, and this will reward boroughs more directly for reducing waste and recycling more. A change from the statutory default levy apportionment mechanism to any alternative mechanism (including Menu Pricing) will require a unanimous agreement by the constituent boroughs.
- 9.4.4 On 3 November 2011 Cabinet agreed to the signing of the IAA and to authorise the Interim Director of Environment, Planning and Regeneration, in consultation with the Chief Finance Officer and the Cabinet Member for Environment to agree the final form of the IAA. All boroughs have delegated authority to sign the IAA, subject to minor amendments.
- 9.4.5 Now that the previous procurement is not being pursued, it is likely that there will be a substantial re-draft of the IAA. Officers are in the process of reviewing the form of the IAA with the other boroughs and NLWA. It is however expected that the redrafted IAA will still incorporate the principle that the NLWA's costs are more fairly apportioned than at present. For the IAA to work effectively all of the constituent boroughs need to have agreed it. It is currently understood that the constituent boroughs are generally supportive of work towards agreeing a revised form of IAA.
- 9.4.6 The NLWA agreed a policy in June 2010 related to the provision of Household Waste and Recycling Centres (HWRCs) in the North London area. This policy is based on the distance of residents from the nearest HWRC, and on this basis, there is a case for at least two additional HWRCs in Barnet. Additional HWRCs in Barnet would improve Barnet's recycling rate and therefore may reduce overall costs. The previous draft IAA includes a clause stating that the transfer of HWRCs will include provision to give 'appropriate weighting to the views of the WCA (Waste Collection Authority – such as each of the seven constituent boroughs) in whose area the proposed site or site subject to proposed development is situated'. A WCA cannot have an absolute veto against the development of new HWRCs, as the NLWA has a statutory duty to provide this service. However, any new HWRC will require planning permission from the relevant borough. The costs of any new HWRCs including land would be allocated on the basis of a survey of site visitors to understand which borough they were resident in, and it is likely that the cost of any new HWRC in Barnet would be largely borne by Barnet unless it is close to the border with another NLWA constituent borough.

9.4.7 Any revised IAA document is expected to include the following:

- General principles and structures for partnership working;
- The respective responsibilities of the NLWA, and the constituent boroughs;
- The constituent boroughs' obligations to the NLWA and other constituent boroughs in relation to the provision of information on the waste streams they expect to deliver to the NLWA, in what form and quantities they expect these wastes to be delivered
- Requirements for the provision of information such as pricing information and any service changes, to allow all parties to make informed decisions;
- Commitment to work towards agreed reuse and recycling targets;
- The development of the Household Waste Recycling Centre service, including how any decision about the service will be made and how the cost of any existing and new sites will be allocated;
- The introduction of Menu Pricing from 2016/17;
- The requirement for boroughs to provide binding tonnage projections where necessary and for the apportionment of any liabilities in relation to these projections where reflected in any of the NLWA's future contracts.

9.5 Planning

9.5.1 The North London Waste Plan

The North London Waste Plan (the Plan) is being drawn up jointly by the London Boroughs of Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest. It is not produced by the NLWA. Its purpose is to set out the policies for determining planning applications for waste facilities and to identify sufficient sites for waste management use in the area to meet the London Plan requirements. The Plan was to be considered through an Examination in Public in June 2012. However, the Planning Inspector concluded that the Plan did not comply with the legal requirements of the "Duty to Co-operate" in that there had not been sufficient constructive, active and ongoing engagement during the preparation of the Plan between the North London Boroughs and the planning authorities to which significant quantities of waste are exported. The Plan itself was not considered during the Examination, and the process was halted on a point of procedure. Work on a revised North London Waste Plan has now begun. However, planning work in relation to future waste management sites will continue as part of the NLWA strategy for future waste services and facilities, and is not dependent on the approval of the North London Waste Plan.

9.5.2 Pinkham Way

The NLWA previously purchased part of the Pinkham Way site from London Borough of Barnet. The other part of the site remains in London Borough of Barnet's ownership. An outline planning application was submitted for both sites by NLWA to the London Borough of Haringey in May 2011 for a Barnet Council depot and NLWA waste management facilities to be operated by the successful bidder to the previous waste services procurement at the Pinkham

Way site. As a result of the procurement developments, it became clear that the Edmonton facility would proceed in advance of the Pinkham Way proposal. In April 2013 NLWA formally withdrew the planning application for a waste facility at Pinkham Way. Following the decision not to pursue the procurement, the Pinkham Way site will remain an asset for the NLWA due to its strategic location and planning designation as an employment site, but there are currently no active plans for its use by NLWA at present.

9.5.3 Future Barnet depot and transfer station

Barnet requires a replacement site for its current depot at Bittacy Hill, Mill Hill from December 2016, when the site must be vacated for future development. A number of options have been and continue to be considered, including the part of the Pinkham Way site owned by the council. Key considerations include the size of site required for operations, and its location within or close to the borough and its proximity to good transport links.

9.5.4 Currently the majority of Barnet's residual waste and a proportion of Camden's and Haringey's waste is delivered to the Hendon Waste Transfer Station which is provided by NLWA, for transportation by rail to a landfill site in Buckinghamshire. The Authority's current arrangements at Hendon are due for renewal in December 2014 and are therefore under review.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	JH
Cleared by Legal (Officer's initials)	PD