Public Document Pack

NORTH LONDON WASTE AUTHORITY

FRIDAY, 25 SEPTEMBER 2015 AT 10.00 AM
COMMITTEE ROOM 1, TOWN HALL, JUDD STREET, LONDON WC1H 9JE

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MEMBERS

Councillor Daniel Anderson	London Borough of Enfield	L
Councillor Meric Apak	London Borough of Camden	L
Councillor Jason Arthur	London Borough of Haringey	L
Councillor Theo Blackwell	London Borough of Camden	L
Councillor Nesil Cazimoglu	London Borough of Enfield	L
Councillor Richard Cornelius	London Borough of Barnet	C
Councillor Feryal Demirci	London Borough of Hackney	L
Councillor Richard Greening	London Borough of Islington	L
Councillor Clyde Loakes	London Borough of Waltham Forest	L
Councillor Gerry Lyons	London Borough of Waltham Forest	L
Councillor Stuart McNamara	London Borough of Haringey	L
Councillor Geoff Taylor	London Borough of Hackney	L
Councillor Daniel Thomas	London Borough of Barnet	C
Councillor Claudia Webbe	London Borough of Islington	L

L = Labour, C = Conservative, LD = Liberal Democrat, G = Green

Issued on: Thursday, 17 September 2015

Mike Cooke – Clerk
North London Waste Authority
Camden Town Hall
Judd Street
London, WC1H 9JE

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NORTH LONDON WASTE AUTHORITY - 25 SEPTEMBER 2015

COMMITTEE ROOM 1, TOWN HALL, JUDD STREET, LONDON WC1H 9JE AT 10.00 AM

AGENDA

Agenda Part I

1. APOLOGIES

2. DECLARATIONS BY MEMBERS OF PECUNIARY, NON-PECUNIARY AND ANY OTHER INTERESTS IN RESPECT OF ITEMS ON THIS AGENDA

3. DEPUTATIONS (IF ANY)

4. MINUTES (Pages 7 - 16)

To approve and sign the public minutes of the meeting held on 25th June 2015.

Items for Decision

5. MEMBERSHIP UPDATE (Pages 17 - 22)

Report of the Managing Director

This report updates Members on changes to the membership of the Authority, and requests that appointments to working groups be amended to reflect these changes.

6. 2014/15 STATEMENT OF ACCOUNTS AND REPORT TO THOSE CHARGED WITH GOVERNANCE (Pages 23 - 108)

Report of the Financial Advisor

The 2014/15 draft Statement of Accounts was signed by the Financial Adviser on 30 June 2015 in accordance with the Accounts and Audit Regulation requirements and submitted to KPMG, the Authority's external auditor. The auditor is required to report to Members in advance of issuing a formal audit opinion on the Authority's accounts. The Report to those Charged with Governance (ISA 260) advises that the external auditor has completed this work for 2014/15 and asks Members to consider his findings and to approve the Authority's letter of management representation so that he may issue his opinion on the Authority's 2014/15 accounts.

7. 2015/16 REGULAR BUDGET REVIEW (Pages 109 - 114)

Report of the Financial Advisor

This report is the second in the current year on the Authority's finances. It concludes that the Authority is forecast to have a revenue surplus of £7.764m at 31 March 2016, i.e. an increase of £0.836m compared with the first budget review.

A further review of the 2015/16 budget together with an up-to-date detailed assessment of the budget and resource requirements for 2016/17 reflecting the expected new contractual arrangements will be reported to the Authority in December.

8. OPERATIONS REPORT (Pages 115 - 122)

Report of the Head of Operations

This report provides information relating to the development of the Authority's operational services.

9. CONSULTATIONS AND POLICY UPDATE (Pages 123 - 142)

Report of the Head of Operations

The report provides Members with the regular update on consultations and policy issues which have the potential to impact on Authority operations or activities.

10. DEVELOPMENT CONSENT ORDER CONSULTATION (Pages 143 - 148)

Report of the Managing Director

This report summarises the Authority's activities with regard to consultation for the Authority's Development Consent Order application, and provides the latest draft Consultation Report which will be submitted as part of that application. The consultation outcomes and proposed Authority responses are highlighted in this report, and the full table of issues raised in consultation and the proposed responses is contained in Appendix A (listed in separate document pack).

11. DEVELOPMENT CONSENT ORDER APPLICATION (Pages 149 - 156)

Report of the Managing Director

This report provides a description of the scheme for which the Authority is preparing an application for a Development Consent Order, including details of the aspects that require Member decisions. It sets out the application documents, and the proposed approach to the DCO and the process and timescale for the examination process.

12. CIRCULAR ECONOMY UPDATE

(Pages 157 - 192)

Report of the Managing Director

This report updates Members on the 'circular economy' and seeks approval for two associated activities..

13. RISK REPORT

(Pages 193 - 196)

Report of the Managing Director

This report provides the annual review of high level risks for noting by Members

14. FORWARD PLAN OF DECISIONS SEPTEMBER 2015

(Pages 197 - 202)

Report of the Managing Director

This report provides a forward plan of reports for the Authority

Agenda Part II

15. LOCAL GOVERNMENT ACT 1972 - ACCESS TO INFORMATION

16. PRIVATE MINUTES

(Pages 203 - 206)

To approve and sign the private minutes of the meeting held on 25th June 2015.

17. LWL GOVERNANCE REPORT

(Pages 207 - 260)

Report of the Managing Director

This report is a routine report on the Governance of LondonWaste Ltd.

18. AUDIT REPORTS - VALUE FOR MONEY

(Pages 261 - 318)

Report of the Managing Director

This report provides the Authority’s auditors’ reports relating to long term procurement

19. HENDON FACILITY UPDATE

(Pages 319 - 328)

Report of the Managing Director

This report sets out proposals in relation to a waste transfer facility at Hendon

20. PROPERTY INTERESTS UPDATE

(Pages 329 - 334)

Report of the Managing Director

This report provides an update on property negotiations.

21. ANY OTHER ITEMS THE CHAIR DECIDES TO TAKE AS URGENT

AGENDA ENDS

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NORTH LONDON WASTE AUTHORITY

At a meeting of the **NORTH LONDON WASTE AUTHORITY** held on **THURSDAY, 25TH JUNE, 2015** at 10.00 am in the Committee Room 1, Town Hall, Judd Street, London WC1H 9JE

MEMBERS OF THE AUTHORITY PRESENT

Councillors Demirci, Cazimoglu, Webbe, Lyons, Cohen, Demirci, Loakes, Taylor, Anderson and Zinkin

MEMBERS OF THE AUTHORITY ABSENT

Councillors Arthur, Blackwell and Apak

The minutes should be read in conjunction with the agenda for the meeting. They are subject to approval and signature at the next meeting of the North London Waste Authority.

MINUTES

1. APPOINTMENT OF THE CHAIR OF THE AUTHORITY FOR THE 2015/16 MUNICIPAL YEAR

RESOLVED

THAT Councillor Loakes be appointed Chair of the Authority for 2015/16

2. APPOINTMENT OF THE VICE-CHAIRS OF THE AUTHORITY FOR THE 2015/16 MUNICIPAL YEAR

RESOLVED

THAT Councillors Cohen and F.Demirci be elected Vice-Chairs of the Authority for 2015/16.

3. MEMBERSHIP OF THE AUTHORITY 2015/16

Consideration was given to a report of the Managing Director.

The report detailed the membership of the Authority for the remainder of the municipal year as notified by the seven constituent Boroughs who were entitled to nominate two representatives each.

RESOLVED

THAT the report be noted.

4. APPOINTMENT OF MEMBERS TO COMMITTEES AND WORKING GROUPS

Consideration was given to a report of the Managing Director.

RESOLVED

(1) THAT the political balance requirements as they affect the Authority for the ensuring municipal year be noted.

(2) THAT Councillors Zinkin, Blackwell, Cazimoglu, Taylor, Ali Demirci, Greening and Loakes (Chair) be appointed be appointed to serve on the Urgency Committee.

(3) THAT Councillors Loakes, Cohen and F. Demirci be appointed to serve on the LondonWaste Ltd Shareholder Group.

(4) THAT Councillors Loakes (Chair), Cohen (Vice Chair), Apak, Anderson, Feryal Demirci (Vice Chair), Arthur, and Greening be appointed to the Member/Officer Steering Group.

(5) THAT Councillors Zinkin, Blackwell, Anderson, Taylor (Chair), Arthur, Greening and Loakes be appointed to serve on the Finance Working Group.

(6) THAT Councillors Apak, Feryal Demirci, Webbe and Loakes be appointed to serve on the Planning Sounding Board.

(7) THAT Councillors Apak, Cohen, Cazimoglu, Feryal Demirci, Ali Demirci, Webbe (Chair) and Loakes be appointed to serve on the Recycling Working Group

(8) THAT it be confirmed that the Chair of the Authority would guide officers in connection with the Authority's communication strategy and would be consulted on individual media communications of a sensitive nature.

(9) THAT the position regarding attendance at meetings be noted.

5. NLWA 2014/15 ANNUAL REPORT

Consideration was given to a report of the Managing Director.

The Managing Director introduced the report and noted that it provided a record of the Authority's principal activities and achievements. The Managing Director stated that an anomaly with information from the national body WasteDataFlow had been identified, and that a change to the Annual Report may be necessary; the issue was whether there had been an increase or a decrease in residual waste per household. Members were requested to delegate authority to the Managing Director to make the relevant change to the Report once all information was available.

RESOLVED

(1) THAT authority be delegated to the Managing Director to amend the Annual Report to clarify whether an increase or a decrease in the amount of residual waste per household had been recorded in 2014/15

(2) THAT the Authority approves the Annual Report as attached as Appendix 1, and pending the above amendment.

6. DATES OF MEETINGS FOR THE AUTHORITY IN 2015/16

Consideration was given to a report of the Managing Director.

The Managing Director introduced the report. Members commented that the September meeting date presented difficulties for some members due to its proximity to religious festivals. The Chair stated that he was aware that there may be an issue for some Members, but that the Authority was to a significant extent limited by financial reporting deadlines in late September. The Chair stated that he would work with officers to see if an alternative date could be found, but if that was not possible the 25th September would be set as the meeting date.

RESOLVED

(1) THAT the Chair in consultation with officers investigates the possibility of rearranging the meeting scheduled for 25th September 2015 to avoid any difficulty arising from proximity to religious holidays

(2) THAT the Authority agrees the remaining proposed dates and times for ordinary meetings during the Municipal Year and the annual general meeting in 2015/16

7. ANNUAL REPORT OF DIRECTORS OF LONDONWASTE LTD

Consideration was given to a report of the Managing Director.

The Managing Director introduced the report and invited Members to comment. The Chair noted that this was the final annual report from London Waste Limited's Managing Director, Mr David Sargent. The Chair wished his thanks to Mr Sargent to be placed on record, and stated that Mr Sargent had done much excellent work for the Company for more than 20 years. Members added their thanks to Mr Sargent for his leadership of LondonWaste Ltd, for consistently exceeding targets and for his public service.

RESOLVED

THAT the report be noted.

8. APOLOGIES

Apologies for absence were submitted by Councillor Arthur.

The Chair stated that George Meehan, a former Vice-Chair of the Authority was ill and would not be returning to the Authority. Members wished to express their best wishes to Mr Meehan and thanked him for his work with the NLWA.

9. DECLARATIONS BY MEMBERS OF PECUNIARY, NON-PECUNIARY AND ANY OTHER INTERESTS IN RESPECT OF ITEMS ON THIS AGENDA

Councillors Cohen and Zinkin declared non-pecuniary interests in all relevant business regarding Pinkham Way, Summers Lane and the Hendon rail transfer station as Members of the London Borough of Barnet.

Councillors Anderson and Ali Demirci declared non-pecuniary interests in all relevant business regarding the Pinkham Way site as members of the London Boroughs of Enfield and Haringey respectively.

Councillror Zinkin declared in the interests of transparency that the Chairman of Biffa was known to him as they had worked together in the past at Balfour Beatty.

Councillor Greening declared for transparency that he was Mayor of Islington and that he had a non-pecuniary interest in any business involving the Mayor's Charity, Music First.

Councillor Loakes declared a non-pecuniary interest in any relevant business as a member of the London Waste Recycling Board.

10. DEPUTATIONS (IF ANY)

There were no deputations.

11. MINUTES

RESOLVED

THAT the public minutes of the meetings held on the 12th February 2015 and 27th March 2015 be agreed and signed as a correct record.

12. 2014/15 REGULAR BUDGET REVIEW

Consideration was given to a report of the Financial Adviser.

The Head of Finance introduced the report, stating that the Authority was in good financial health. It was noted that the available revenue balance was higher than expected due to a lower than forecast increase in the residual waste stream and operating savings. The Head of Finance reported that there was £6.9m available in reserves to support next year's levy.

In response to questions from Members regarding falls in the market price for dry recyclable material, the Head of Finance stated that there was difficulty in predicting the future value of such materials. The Managing Director added that the industry was concerned about declining value in materials, but that many companies were locked into agreements that assume high rates for materials. If lower rates were the long term trend, new contracts would likely seek to reduce some of the risk that was currently carried by the private sector. Members stated that it would be useful to have a more detailed briefing on this and the likely direction of travel. The Managing Director stated that a briefing note could be circulated to Members.

RESOLVED

THAT the Authority:

(1) notes the 2014/15 outturn (subject to audit);

(2) notes the over and under payments by boroughs in respect of non-household waste in 2014/15 and the arrangements for repayment to and collection from the boroughs;

(3) notes that the 2014/15 draft Statement of Accounts will be reviewed by the Members' Finance Working Group before consideration by the Authority at its September meeting;

(4) notes the first review of the 2015/16 budget and that a second review will be submitted to the Authority in September; and

(5) notes that an update on the budget and resource requirements for 2016/17 and future years will be reported to the Authority in future budget reviews

13. EXTERNAL AUDIT PLAN FOR THE 2014/15 ACCOUNTS

Consideration was given to a report of the Financial Advisor

RESOLVED

THAT the report be noted

14. OPERATIONS UPDATE

Consideration was given to a report of the Head of Operations.

RESOLVED

(1) THAT authority be delegated to the Managing Director, in consultation with the Legal Adviser, to enter into a lease with LB Barnet for the Summers Lane re-use and recycling centre and an underlease or licence with LondonWaste Ltd, which will operate it, and to note the associated contractual work; and

(2) THAT the information concerning bulky waste recycling, the Kings Road reuse centre, work with the London Waste and Recycling Board and other general operational matters be noted.

15. DCO APPLICATION PHASE TWO CONSULTATION UPDATE

Consideration was given to a report of the Managing Director.

The Head of Legal and Governance introduced the report. It was stated that as of 19th June, 35 responses to the consultation had been received. It was reported that while the Environment Agency had now responded to the consultation, the majority of statutory consultees had yet to respond. The Head of Legal and Governance added that the responses would be analysed in July, and broken down into themes, similar to phase one. Of the responses received so far, respondents were broadly in favour of the scheme, and there had been no concerted objections. It was reported that 58 people had attended consultation exhibitions, and around 200 people had been engaged with through community group consultation.

The Chair stated that while the subject matter was difficult for some local residents to engage with, the number of responses received seemed low, and Members added that for future consultations, it would possibly be of benefit for borough councillors to be more involved to assist with targeting more difficult to reach people. In response, the Head of Legal and Governance stated that when the mobile roadshows and information stores, around 675 people had been spoken to for the consultation. Members stated that it was hoped that informal responses to the engagements would also be considered, such as through discussions or twitter comments. The response was given that officers had used social media to respond to queries on the proposals when raised in this way, and to provide information on exhibitions and roadshows. There had been engagement with local groups in consultation where such groups were identified. The Managing Director added that the Development Consent Order process was quite legalistic, and advice had been followed in designing and carrying out the consultation. It was important to note that a facility already existed on the site, and as such this may play a role in public perception and the likelihood that local residents would submit a response to the consultation. The Legal Adviser also added that while consultations were often understandably judged on numbers of responses received, listening to what was said and considering the issues was crucial from a legal point of view.

In response to a Member’s concern that the consultation process should be extended in light of the responses received, the Managing Director stated that the Authority had set a timetable for a decision on submission, and further delays would mean greater risk for the project. The Authority had carried out two rounds of consultation on the proposals, and was at the tail end of the process. Information on the final numbers of respondents to the consultation and of those engaged with would be collated once the consultation period had ended and final responses were in, and provided to Members before a decision on submission was made in September 2015.

RESOLVED

THAT the Phase Two Consultation on the Proposals for a Development Consent Order has started, and the activity during consultation to date be noted.

16. CONSULTATIONS AND POLICY UPDATE

Consideration was given to a report of the Head of Operations.

Councillor Ali Demirci stated that as the Cabinet Member for the London Borough of Haringey with responsibility for making a decision on the Pinkham Way site, he would not participate in this item and left the room so as not to prejudice any future decision making within his home borough.

The Head of Operations introduced the report. In response to a query from Members regarding preparedness for flooding at the EcoPark site, the response was given that flood design was part of the Development Consent Order for the site, and there had been no issues in this matter in recent memory. The land was high relative to neighbouring sites and considered low risk.

RESOLVED

THAT the Authority:

(1) Delegates authority to the Managing Director in consultation with the Chair and Vice Chairs to respond to the European Commission consultations on the ‘circular economy’ and on waste market distortions;

(2) Approves the draft Authority response to London Borough of Haringey commenting on the Pinkham Way Alliance’s response to London Borough of Haringey‘s preferred Options Site Allocations Development Plan Document for the Pinkham Way site as attached as Appendix 1.

(3) Approves the officer response attached as Appendix 2 to this report to London Borough of Enfield’s Local Flood Risk Management Strategy and delegates authority to the Head of Operations in consultation with the Chair and Vice Chairs to respond to any other draft Local flood Risk Management Strategies which are issued for consultation by the other six constituent north London boroughs.

(4) Notes the developments on LB Enfield’s planning policy for decentralised energy, regional clinical waste management, regional recycling

communications and using swept-up leaves to make compost as set out in the report.

17. REVIEW OF AUTHORITY STANDING ORDERS

Consideration was given to a report of the Managing Director.

The Head of Legal and Governance introduced the report. Members were requested to indicate whether they wished to receive agendas by electronic means rather than in hard copy. Members stated that it was important that electronic papers were formatted appropriately to make navigation as easy as possible and that access to WiFi during meetings was similarly important.

Members queried what the cost saving would be if hard copies of agendas were no longer printed for Members, and the Head of Legal and Governance stated that this information could be provided.

RESOLVED

(1) THAT the review of Standing Orders in context of changes to relevant legislation be noted

(2) THAT the proposed amendments to the Standing Orders set out in Appendix A be agreed and that the updated Standing Orders be published on the Authority's website.

(3) THAT Councillors Loakes, Feryal Demirci, Taylor, Lyons, Ali Demirci and Cohen receive electronic Authority agendas only.

18. FORWARD PLAN OF DECISIONS

Consideration was given to a report of the Managing Director.

RESOLVED

THAT the report be noted.

19. LOCAL GOVERNMENT ACT 1972 - ACCESS TO INFORMATION

RESOLVED

THAT the press and public be excluded from the proceedings of the North London Waste Authority on 25th June 2015 during consideration of the following items on Part II of the agenda, on the basis that, were Members of the public to be present, there would be disclosure of exempt information as defined in Schedule 12A to the Local Government Act 1972, as amended.

Specifically:

Exempt Information Category 1 - Information which relates to an individual: the reason why the public interest favours withholding the information is that the release of such information could constitute or facilitate an unwarranted interference with the individual's privacy.

Exempt Information Category 3 – Information relating to the financial or business affairs of any particular person, including the authority holding that information, and not required to be registered under various statutes: the reasons why the public interest favours withholding the information are that the release of such information would prejudice the Authority's conduct of a commercial operation OR because the disclosure of the information is likely to prejudice the commercial interests of the Authority and organisations engaged in commercial activities as the information related to commercial activities that are conducted in a competitive environment.

Exempt Information Category 5 - Information in respect of which there is a claim to legal professional privilege: the reasons why the public interest favours withholding the information are that the release of such information could prejudice the safeguarding of openness in all communications between client and lawyer and the Authority's ability to ensure access to full and frank legal advice.

20. PRIVATE MINUTES

RESOLVED

THAT the private minutes of the meetings held on 12th February 2015 and 27 March 2015 be agreed and signed as a correct record.

21. GOVERNANCE OF LONDONWASTE LTD.

Consideration was given to a report of the Managing Director

RESOLVED

THAT the recommendations be agreed as set out in the report.

22. FUTURE RESIDUAL WASTE MANAGEMENT

Consideration was given to a report of the Managing Director.

RESOLVED

THAT the recommendations be agreed as set out in the report.

23. ANY OTHER ITEMS THE CHAIR DECIDES TO TAKE AS URGENT

None

The meeting ended at 12:29

CHAIR

Contact Officer: **Richard Stratford**
Telephone No: **020 7974 6884**
E-Mail: **richard.stratford@camden.gov.uk**

MINUTES END

NORTH LONDON WASTE AUTHORITY	
REPORT TITLE: **MEMBERSHIP UPDATE**	
REPORT OF: **MANAGING DIRECTOR**	
FOR SUBMISSION TO **NORTH LONDON WASTE AUTHORITY**	**DATE:** **25 September 2015**
SUMMARY OF REPORT This report updates Members on changes to the membership of the Authority, and requests that appointments to working groups be amended to reflect these changes. **Local Government Act 1972 – Access to Information** **Documents used in the preparation of this report:** **None excepting minutes of previous meetings** **Contact Officer:** **Richard Stratford** **Committee services, NLWA** **Camden Town Hall** **Judd Street** **London WC1H 9JE** **Telephone: 020 7974 6884** **Richard.stratford@camden.gov.uk**	
RECOMMENDATIONS: **THAT the Authority :** **(1) Notes the changes to membership as outlined in the report;** **(2) Notes the position regarding Vice-Chairs of the Authority as outlined in the report;** **(3) Appoints one Member from the London Borough of Barnet to the vacancy on the Urgency Committee;** **(4) Notes the position regarding the membership of the LondonWaste Ltd Shareholder Group as outlined in the report;** **(5) Appoints one Member from the London Borough of Barnet to the vacancy on the Member/Officer Steering Group;**	

(6) Appoints one Member from the London Borough of Barnet to the vacancy on the Finance Working Group;

(7) Appoints one Member each from the London Boroughs of Barnet and Haringey to the Recycling Working Group

Signed by the Managing Director: ……

Date: ………16th September 2015

1. Changes to Membership

1.1. The Authority comprises two representatives appointed by each constiuent council and notified to the Authority in writing. No substitute members are permitted.

1.2. The term of office of appointed members is normally until the next annual meeting of the constituent Council making the appointment, or until notification in writing by a constituent Council of a change in its appointment (s) before their next annual Council meeting.

1.3. Since the last meeting of the Authority, the London Borough of Barnet and the London Borough of Haringey have given written notice of the following changes to their appointed representatives to the Authority:

London Borough of Barnet

Councillor Richard Cornelius (C) replaces Councillor Dean Cohen (C)
Councillor Daniel Thomas (C) replaces Councillor Peter Zinkin (C)

London Borough of Haringey

Councillor Stuart McNamara (L) replaces Councillor Ali Demirci (L)

1.4 There are no changes to the political balance of the Authority as a consequence of these changes, and the percentages for each party remain as 85.7% Labour and 14.3% Conservative.

2.0 Vice Chair of the Authority

2.1 Authority Standing Orders state that the Authority shall in each year appoint a Chair and one or two Vice-Chairs.

2.2 Councillor Dean Cohen was appointed as one of two Vice-Chairs at the Authority’s Annual General Meeting (AGM), but is no longer a Member of the Authority. There is therefore now only one Vice-Chair of the Authority.

3.0 Urgency Committee

3.1 In accordance with the Authority’s Standing Orders, the Urgency Committee shall have a membership of seven to include the Chair and Vice Chair(s) and so that one member is from each of the Constituent Boroughs.

3.2. As a result in changes to membership, there is a vacancy for one member from the London Borough of Barnet.

4.0 LondonWaste Ltd Shareholder Group

4.1 At the Authority meeting on 10 February 2010, the Members' Shareholder Group (consisting of the Chair and Vice-Chair(s)) was formed to scrutinise the Company's business plan, attend LWL general meetings and vote on matters reserved to the Authority. At its June 2015 AGM, the Authority agreed to continue this arrangement.

4.2 Members are asked to note that the Shareholder Group now consists of the Chair and remaining Vice-Chair.

5.0 Member/Officer Steering Group

5.1 The Member/Officer Steering Group has a membership of seven to include the Chair and Vice Chair(s) and so that one member is from each of the Constituent Boroughs.

5.2. As a result of changes to membership, there is a vacancy for one member from the London Borough of Barnet on the Member/Officer Steering Group.

6.0 Finance Working Group

6.1 The Finance Working Group has a membership of seven to include one member is from each of the Constituent Boroughs.

6.2 As a result of changes to membership of the Authority, there is a vacancy for one member from the London Borough of Barnet on the Finance Working Group.

7.0 Planning Sounding Board

7.1 There are no vacancies arising on the Planning Sounding Board as a consequence of changes to the Membership of the Authority.

8.0 Recycling Working Group

8.1 It was agreed at the September 2014 meeting of the Authority that the Recycling Working Group comprise one Member from each constituent authority.

8.2 As a result of changes to the membership of the Authority, there are vacancies for one member from the London Borough of Barnet and one member from the London Borough of Haringey.

9.0 FINANCIAL ADVISER'S COMMENTS

9.1 The Financial adviser has been consulted in the preparation of this report and has no comments to add.

10.0 LEGAL ADVISER'S COMMENTS

10.1 The North London Waste Authority was established by the Waste Regulation and Disposal (Authorities) Order 1985. Under section 31 Local Government Act 1985 a constituent council may at any time terminate the appointment of a person appointed by it to a joint authority (which includes North London Waste Authority) and appoint another member of the council in his place. The constituent council must give notice of the new appointment and termination of the previous appointment.

Report Ends

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NORTH LONDON WASTE AUTHORITY

REPORT TITLE 2014/15 STATEMENT OF ACCOUNTS	
REPORT OF FINANCIAL ADVISER	
FOR SUBMISSION TO AUTHORITY MEETING	**DATE** 25 SEPTEMBER 2015

1. **SUMMARY OF REPORT**

The 2014/15 draft Statement of Accounts was signed by the Financial Adviser on 30 June 2015 in accordance with the Accounts and Audit Regulation requirements and submitted to KPMG, the Authority's external auditor. The auditor is required to report to Members in advance of issuing a formal audit opinion on the Authority's accounts. The Report to those Charged with Governance (ISA 260) advises that the external auditor has completed this work for 2014/15 and asks Members to consider his findings and to approve the Authority's letter of management representation so that he may issue his opinion on the Authority's 2014/15 accounts. The ISA 260 report is attached at Appendix A.

The accounts must be published by 30 September 2015. Philip Johnstone and Antony Smith of auditors KPMG LLP will be in attendance at the meeting

This report summarises the auditor's findings and invites Members to agree the Authority's letter of management representation which can be found at Appendix B. The audited 2014/15 Statement of Accounts including the Authority's Annual Governance Statement, is also submitted for approval and is shown at Appendix C.

2.**RECOMMENDATIONS**

The Authority is requested to:-

(i) Note the Report to those Charged with Governance (ISA 260) and the Authority's response not to amend the Authority's group financial statements for the unadjusted audit differences in the accounts of LondonWaste Ltd.

(ii) Authorise the Financial Adviser to sign the 2014/15 management representation letter.

(iii) Approve the Authority's 2014/15 Statement of Accounts and Annual Governance Statement and authorise the Chair to sign these documents and to agree any changes that may subsequently arise.

Signed by the Financial Adviser:

Agreed by Mike O'Donnell Date: 16 September 2015

3. **Introduction and Background**

3.1 The 2014/15 outturn was reported to the June Authority meeting. The report concluded that the Authority ended the year in good financial health with revenue balances of £15.422m at 31 March 2015 – an improvement of £3.479m compared with the February forecast.

3.2 The Authority's final outturn and revenue balance position is unchanged from the position reported in June.

3.3 These statements are prepared in accordance with International Financial Reporting Standards and provide an important means by which the Authority accounts for its stewardship of public funds. The Accounts and Audit Regulations 2011 require the Financial Adviser, as the Authority's responsible financial officer, to sign the accounts before audit. The draft statement was duly signed on 30 June 2015 and passed to the external auditor.

3.4 The draft audited Statement of Accounts was considered by the Members' Finance Working Group on 8 September 2015 which provided Members with an opportunity to examine in some detail the draft statement, the annual governance statement and to consider the external auditor's findings.

3.5 As the responsible financial officer, the Financial Adviser is required to report to the Authority on any material amendments made as a result of the audit. Similarly, auditing standards placed on the auditor requires that he presents a Report to those Charged with Governance to the Authority at this time setting out the key issues that Members should consider before the audit is completed and before the auditor issues a formal opinion on the Authority's accounts. The Report to those Charged with Governance (ISA 260) is attached at Appendix A.

4. **Key Messages**

4.1 **Key Issues and recommendations**

4.1.1 The ISA 260 report identifies three key issues and recommendations. All are given a priority the lowest rating of three meaning that if corrected they would improve the internal control in general but are not vital to the overall system.

4.1.2 <u>Quality of working papers</u>

KPMG was able to complete testing within the planned timescales but recommends that the Authority reviews the production of working papers in order to simplify the this process. Finance officers will review the working paper requirements in advance of the 2015/16 accounts closure process.

4.1.3 <u>Formal review of the Authority's risk register</u>

Officers should review the risk register quarterly to ensure that it remains relevant to the activities of the Authority. This will be undertaken in scheduled meetings

4.1.4 Impairment review

In accordance with its accounting policies which require that assets are valued every five years, the Authority did not commission a specialist valuer to revalue its land holding at 31 March 2015. It should however have documented a formal internal impairment review to demonstrate that the balance reported in the accounts is not materially overstated. A review will be minuted as part of the preparation of the 2015/16 accounts.

4.2 **Audit differences**

4.2.1 Four audit differences were identified. Subsequent to the preparation of the draft statement in June, the Authority changed the classification of the Hornsey Street transfer station from an investment property to property, plant and equipment (reflecting two of the differences identified). Although the change has no impact on the previously reported outturn for the year or retained balances at 31 March 2015, the draft statement has been amended to reflect the re-classification. The ISA 260 report sets out the adjustments that were required. In addition, the classification of loan interest was changed on the balance sheet and a correction was required to an adjustment that finance officers made when consolidating the statements of the Authority and LondonWaste Ltd to produce the group accounts. All the necessary adjustments are reflected in the statement of accounts attached at Appendix C

4.2.2 The Authority's own accounts presented to this meeting therefore contain no uncorrected audit differences but the Authority has not corrected in its group accounts (which incorporate the financial results of LondonWaste Ltd) two uncorrected audit differences of £83,000 and £22,000 identified by the Company's auditors BDO. The former was a provision for a bad debt, however the income was received in the new financial year. The latter was a provision for income made at year end that was subsequently settled at a higher amount than anticipated. The Company advised BDO that it would not be adjusting its 2014 accounts. Given the relatively low sums involved and the benefits of maintaining consistency, officers are recommending that no adjustments are made in respect of these items in the Authority's group accounts. This view is reflected in the draft management letter of representation attached at Appendix B.

4.3 **Value for Money conclusion**

4.3.1 Members will recall that owing to the need to undertake a detailed review of the Authority's decision not to proceed with the procurement process, KPMG was not able to issue a VFM conclusion in 2013/14. The ISA 260 sets out the four key questions and KPMG's conclusion for each of them. KPMG's overall conclusion is that the Authority has met both VFM criteria i.e. it has proper arrangements in place for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness.

4.3.2 For 2014/15 KPMG has concluded that there are no matters of any significance arising from the audit work in relation to the procedures it is required to complete in relation to VFM.

4.4 **Certificate**

4.4.1 KPMG is unable to issue a certificate and close the audit because of ongoing correspondence with local government electors relating to 2012/13 and the procurement process. Following the recent conclusion of the procurement review, KMPG expects to be in a position to conclude on the matters raised by the local government electors.

4.4.2 KPMG cannot formally conclude the 2014/15 audit until completion of the above matters. It is satisfied that this work does not have a material effect on the financial statements or the value for money conclusion. Nevertheless, KPMG anticipates issuing an unqualified audit opinion by 30 September 2015 once the Authority provides the letter of management representation and approves the Statement of Accounts. The Authority is recommended to authorise the Financial Adviser to sign the 2014/15 letter of management representation. The draft letter is included at Appendix B of this report.

4.5 The draft 2014/15 statement of accounts is attached at Appendix C.

5 Comments of the Legal Adviser

5.1 The Legal Adviser has been consulted in the preparation of this report, and comments have been incorporated into the report.

Local Government Act 1972 - Section 100 as amended
Documents used in the preparation of this report:-
Accounts and Audit Regulations 2011 (SI 2011/817)
2014/15 Report to those Charged with Governance Report (ISA 260) to the North London Waste Authority

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Report to those charged with governance (ISA 260) 2014/15

North London Waste Authority

September 2015

FINAL

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Philip Johnstone, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Section one

Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

- our audit work at North London Waste Authority ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in June 2015, set out the four stages of our financial statements audit process.

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for this took place during August 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work and we included early findings in our Interim Audit Report/letter 2014/15. We have now completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing the prior year's recommendation and confirm this has been fully implemented.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	Our audit identified a total of four audit adjustments with a total value of £22.86 million. These adjustments had no impact on the Authority's general fund balance, an increase of £640k on the surplus on provision of services, and no impact on the Authority's net worth, as at 31 March 2015. The Authority also made a small number of non-trivial adjustments, most of which were of a presentational nature. There was no impact on the General Fund from these presentational adjustments. We have included a list of the significant audit adjustments, which have all been amended by the Authority in the financial statements, in Appendix 2. Additionally, the group financial statements incorporate two unadjusted errors originally reported to LondonWaste Limited (LWL) by its auditors, BDO. The effect of these unadjusted errors would be to decrease the group's surplus by £105k and decrease the net assets by £105k. We provide further information on this unadjusted misstatement in Appendix 2. We also seek specific management representations that the effect of this unadjusted misstatement is immaterial. We have provided a template to the Head of Finance for presentation to the Authority. We require a signed copy of your management representations before we issue our audit opinion. We have raised three recommendations arising from our audit of the Authority's financial statements, which are summarised in Appendix 1.
Key financial statements audit risks	We identified the following key financial statements audit risks in our 2014/15 External audit plan issued in June 2015: ▪ Fraud risk from management override of controls; and ▪ Fraud risk over revenue recognition. We have worked with officers throughout the year to discuss these key risks and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in these key risk areas.
Accounts production and audit process	The Authority has implemented the recommendation in our *ISA 260 Report 2013/14* relating to the financial statements. The Authority has processes in place for the production of the accounts which are appropriate. However, during this year's audit we identified some issues which meant that it was not always straightforward to trace the numbers in the accounts back to relevant supporting documentation due to the working papers provided. While we were still able to complete our testing during the original planned timescales, the process could be simplified to enable more clarity in terms of the figures included in the draft financial statements. We have made a recommendation in Appendix 1 that the Authority reviews the production of working papers as part of the accounts close down process to identify where improvements can be made.

Headlines

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

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This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Completion	At the date of this report our audit of the financial statements is complete except for our finalisation procedures. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We have performed our work over the VFM conclusion as outlined in our External audit plan 2014/15 issued in June 2015. We have worked with officers throughout the year to discuss these VFM areas and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work in relation to the procedures we are required to complete in relation to VFM. In relation to our 2013/14 VFM audit (following the Authority's decision not to proceed with the procurement process being followed for a Waste Service Contract and a Fuel Use Contract), we have undertaken a detailed review of the procurement process. This review was necessary to meet our VFM conclusion responsibilities in forming a view on whether, in all significant respects, the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014. In undertaking our review we have considered what we consider to be four key questions and have concluded for each question that the Authority's actions and decisions were not unreasonable. Further details are included in Section 4 of this report.
Certificate	We cannot issue a certificate and close the audit because of ongoing correspondence with local government electors relating to 2012/13 and the procurement process that was being followed for a Waste Service Contract and a Fuel Use Contract (as referred to in the VFM Conclusion headline above). Following the very recent conclusion of our detailed review of the procurement process, we expect to be in a position to conclude on the matters raised by the local government electors. We cannot formally conclude the audit and issue an audit certificate until we have completed consideration of the above matters. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Financial Statements
Proposed opinion and audit differences

Our audit identified a total of four audit adjustments.

The impact of these adjustments is:

- **No impact on the general fund account as at 31 March 2015;**
- **To increase the surplus on the provision of services for the year by £640k; and**
- **No impact on the net worth of the Authority as at 31 March 2015.**

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Authority on 25th September 2015.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £1 million. Audit differences below £37k are not considered significant.

Our audit identified four significant audit differences, which we have set out in Appendix 2. It is our understanding that these will be adjusted in the final version of the financial statements.

The audit of LondonWaste Limited's (LWL's) accounts identified two unadjusted audit differences. LWL's auditors, BDO, reported this difference to LWL's Board in April 2015.

The Authority has not adjusted its financial statements for these audit differences on consolidation and so the differences are also present within the Authority's group financial statements. We bring this to your attention to help you in fulfilling your governance responsibilities. These audit differences are:

- An overcharge of £83k bad debt expense; and
- An under accrual of £22k income.

The effect of these unadjusted audit differences would decrease the group's surplus by £105k and decrease the net assets by £105k. We discussed this with management, who have declined to amend the group accounts so as to maintain consistency with LWL.

The tables on the right illustrate the total impact of the adjusted audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2015.

Movements on the General Fund 2014/15

£'000	Pre-audit	Post-audit	Ref (App.2)
Surplus on the provision of services	6,169	6,809	2 a-e
Other Comprehensive Expenditure and Income	(26)	(666)	2 a-e
Adjustments between accounting basis & funding basis under Regulations	(2,463)	(2,463)	-
Transfers from earmarked reserves	(1,000)	(1,000)	-
Increase in General Fund	**2,680**	**2,680**	

Balance Sheet as at 31 March 2015

£'000	Pre-audit	Post-audit	Ref (App.2)
Property, plant and equipment	11,144	26,344	1
Other long term assets	134,592	119,392	1
Current assets	17,398	17,398	-
Current liabilities	(35,673)	(36,464)	3
Long term liabilities	(46,176)	(45,385)	3
Net worth	**81,285**	**81,285**	
General Fund	15,422	15,422	-
Other usable reserves	1,439	1,439	-
Unusable reserves	64,424	64,424	-
Total reserves	**81,285**	**81,285**	

Financial Statements (continued)
Proposed opinion and audit differences

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

Of the agreed audit adjustments we have identified, the most significant in monetary value are as follows:

- The re-assessment of the investment property (waste transfer station and yard at Hornsey Street, Islington) as Property, Plant and Equipment (PPE) on the basis that the assets are being used to deliver the Authority's services (carrying value is £15.2 million);
- As a result of the reclassification of Hornsey Street from Investment Property to PPE, a depreciation charge was processed through the accounts and reflected in the Capital Adjustment Account. The net result is an increase of £640k to the surplus on provision of services and increase of £640k other comprehensive expenditure; and
- The Group gross income and gross expenditure was understated by £209k due to incorrect treatment of the rental income due from LWL to the Authority.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
Management override of controls Audit areas affected ■ All areas	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There are no matters arising from this work that we need to bring to your attention.
Fraud risk of revenue recognition Audit areas affected ■ None	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Financial Statements (continued)
Accounts production and audit process

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2013/14.*

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting arrangements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2015.
Quality of supporting working papers	The Authority has processes in place for the production of the accounts which are appropriate. However, during this year's audit we identified some issues which meant that it was not always straightforward to trace the numbers in the accounts back to relevant supporting documentation due to the working papers provided. While we were still able to complete our testing during the original planned timescales, the process could be simplified to enable more clarity in terms of the figures included in the draft financial statements. We have made a recommendation in Appendix 1 that the Authority reviews the production of working papers as part of the accounts close down process to identify where improvements can be made.
Response to audit queries	Officers resolved all audit queries in a reasonable time. This ensured that the audit was completed efficiently and within agreed timescales.
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by BDO on the financial statements of LWL. The group financial statements contain two unadjusted errors originally reported to LWL by BDO, detailed in Appendix 2. We seek management representations that the effect of these unadjusted misstatements in the group accounts is immaterial.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2013/14*.

Financial Statements (continued) Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

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Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of North London Waste Authority for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP, North London Waste Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Head of Finance for presentation to the Authority. We require a signed copy of your management representations before we issue our audit opinion.

As noted above, the letter asks for specific representations on the uncorrected audit adjustments included in the group accounts.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2014/15 financial statements.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

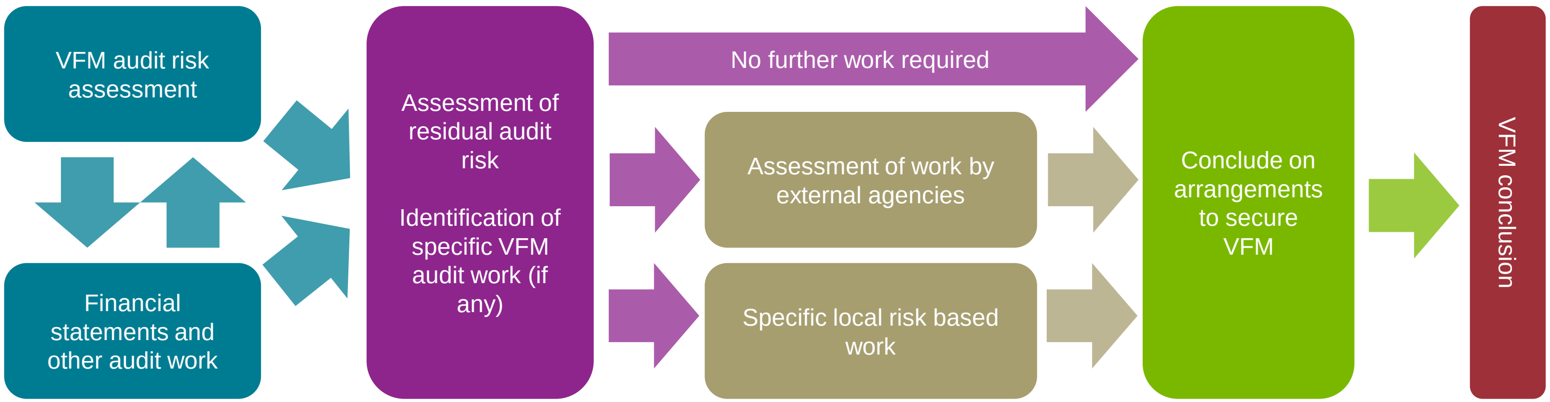
We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.



VFM conclusion (continued)

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

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In relation to our 2013/14 VFM audit (following the Authority's decision not to proceed with the procurement process being followed for a Waste Service Contract and a Fuel Use Contract), we have undertaken a detailed review of the procurement process. This review was necessary to meet our VFM conclusion responsibilities in forming a view on whether, in all significant respects, the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

In undertaking our review we have considered what we consider to be four key questions. The table below summarises our conclusions on each these questions.

Question	Conclusion
Q1 Was the Authority's decision to embark on the procurement as framed correct/ appropriate?	**We consider that the case for the procurement to be undertaken was both rational and not unreasonable.** We consider that the Authority employed appropriate advisers, undertook a detailed options appraisal and officers presented members of the Authority with appropriate information to be able to make informed decisions.
Q2 Were there appropriate review processes in place to review/re-consider the procurement at the right time?	**We consider that the Authority's review processes in place to reconsider the procurement during the process were not unreasonable**. We consider that the appointment of the Managing Director, establishment of the Member Officer steering group and the establishment of the peer review group were key developments that helped to strengthen and provided effective challenge to the procurement process.
Question 3 - When the decision to stop the procurement was taken, was it unreasonable?	**We consider that the decision to stop the procurement was not unreasonable.** We consider that members received appropriate information from officers and professional advisers that enabled them to make an informed decision. Also we attended the 26 September 2013 meeting and witnessed the decision by members of the Authority to stop the procurement.
Question 4 - Were the amounts paid to the two remaining bidders appropriate and reasonable following the decision to stop the procurement?	**We consider that the decision and the amounts paid by the Authority to the two unsuccessful bidders was not an unreasonable decision.** We consider that the Authority has the appropriate legal powers to make payments of this nature and there was an appropriate negotiation process undertaken by the Authority to reduce the cost involved.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❸	**Quality of working papers** During the audit we identified some issues in the ease of tracing the numbers in the accounts back to relevant supporting documentation due to the working papers provided. While we were still able to complete our testing during the original planned timescales, the process could be simplified to enable more clarity in terms of the figures included in the draft financial statements. We recommend the Authority review the production of working papers as part of the accounts close down process and ensure these are of a good quality and can be independently understood and followed.	**Agreed - Head of Finance – February 2016** Although the working papers produced were similar to those presented in prior years it is acknowledged that the presentation of some papers can be improved so that the information is clearer. Working papers will be reviewed in advance of the next set of accounts.

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Appendix 1: Key issues and recommendations (cont.)

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	3	**Formal review of Authority Risk Register** The Authority has a risk register which is formally reviewed and updated on an annual basis at the September Authority meeting. However there is currently no periodic review of the risk register during the financial year to ensure the risks are still relevant and also to ensure that the actions in place to mitigate the risks remain appropriate. We recommend the Authority introduces a quarterly review of the risk register, to be completed by Senior Management to ensure this governance document remains relevant to the activities at the Authority.	**Agreed – Managing Director - Immediately** The Authority has a number of risk registers. There is a high level register that is reviewed by the Authority at its September meeting and a number of other risk registers which are reviewed by Members at the Members' Finance working Group which meets in advance of the Authority meeting. Individual managers have been updating these registers during the year, when appropriate. The review of risk registers has now been added as a standing item to the Senior Managers Meeting, which meets every 6 weeks to ensure that they are reviewed regularly.
3	3	**Impairment Review** Prior to 2014/15 the Authority had undertaken an annual valuation of the land held in the accounts as PPE following its acquisition in 2011 with the expectation that there would be a significant change in how it was used by the Authority relating to a major procurement exercise for the long term management of waste. However, this expectation has now changed as the procurement has been stopped and the land was no longer expected to have a significant change in use by the Authority in the next 5 years. The Authority has therefore reverted to having a valuation every 5 years in accordance with the Code of Practice on Local Authority Accounting. As a consequence of this change to periodic valuations, we would expect management to undertake a formal impairment review annually to demonstrate that the balance held in the accounts is not materially overstated. This is a requirement of the Code (para. 4.7.2.9). However this did not occur in 2014/15. We recommend the Authority undertake a formal annual impairment review of the PPE balance to assess whether there are any indications of an impairment (or other material movement in valuation) on an annual basis and ensure that the financial statements reflect any material changes.	**Agreed – Head of Finance – March 2016** As part of the discussion to change the valuation frequency, the possibility of an impairment was discussed and it was agreed that no factors had changed that would have affected the valuation of the land (last undertaken in 2014). This should have been documented but it was not on this occasion. This was an omission and officers will ensure that best practice is followed in future.

Appendix 2: Audit differences

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit differences over £37,000.

It is our understanding that all of these will be adjusted.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Authority). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of North London Waste Authority Council's financial statements for the year ended 31 March 2015. It is our understanding that these will be adjusted.

No.	Impact (£'000)				Basis of audit difference
	Income and Expenditure Statement		Balance Sheet		
	Dr	Cr	Dr	Cr	
1			PPE £15,200	Investment Property £15,200	The Hornsey Street property was classified as an investment property in the 13/14 and 14/15 accounts, however review of the activities undertaken at this property confirmed this is not an investment property as the property facilitates the provision of services for NLWA and therefore this property should be treated as PPE.
2a		OCI – Investment Property Change in FV £2,400	PPE £2,400		This entry reverses the impairment charge against Hornsey Street property which was charged when it was classified as an investment property.
2b	Gross Expenditure £1,760			PPE £1,760	As a result of the reclassification of Hornsey Street from Investment Property to PPE, a depreciation charge was processed through the accounts and reflected against the PPE balance.
2c			Revaluation Reserve £1,760	CAA £1,760	The depreciation charged was reversed out of the General Fund through the CAA.

Appendix 2: Audit differences

This appendix sets out the significant audit differences identified during the audit for the year ended 31 March 2015.

We are reporting all audit differences over £37,000.

It is our understanding that all of these will be adjusted.

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No.	Impact (£'000)				Basis of audit difference
	Income and Expenditure Statement		Balance Sheet		
	Dr	Cr	Dr	Cr	
2d	OCI – deficit on revaluation £640			PPE £640	The net impairment applicable to the Hornsey Street property as a result of the revaluation undertaken on 31/03/2015 was £640k. This ensures the PPE balance accurately reflects the value of the property as at 31/03/2015.
2e	Finance income £104	Gross Income £104			Reclassifying the Hornsey Street property required the rents receivable in the year to be moved from finance income to gross income.
3			Long Term Borrowing £791	Short Term Borrowing £791	The interest payments for the long term borrowings had been incorrectly classified as long term liabilities, however the repayment was due in April 2015.
4	Group gross income £209	Group gross expenditure £209			Rental income due from LWL to NLWA was incorrectly netted off against expenditure rather than eliminated at gross value as an inter-company balance.
	£2,713	**£2,713**	**£20,151**	**£20,151**	**Total impact of adjustments**

Appendix 2: Audit differences (continued)

The cumulative impact of uncorrected audit differences is £105k.

This is below our materiality level of £1 million.

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Uncorrected audit differences

The following table sets out the uncorrected audit differences identified by our audit of North London Waste Authority's financial statements for the year ended 31 March 2015.

No.	Impact (£'000)				Basis of audit difference
	Income and Expenditure Statement		Balance Sheet		
	Dr	Cr	Dr	Cr	
1	-	Bad Debt Expense £83	Trade receivables £83	-	This adjustment was identified by BDO during the LWL year end audit and remains unadjusted in the group accounts.
2	-	Revenue £22k	Accruals £22	-	This adjustment was identified by BDO during the LWL year end audit and remains unadjusted in the group accounts.
	-	**£105**	**£105**	**-**	**Total impact of adjustments**

Appendix 3: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

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Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Authority.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 3: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of North London Waste Authority for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and North London Waste Authority its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 4: Materiality and reporting of audit differences

For 2014/15 our materiality is £1 million for the Authority's accounts.

We have reported all audit differences over £37,000 million for the Authority's accounts to the Authority.

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Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We reassessed materiality for the Authority at the start of the final accounts audit, as a result of the fraud reported at LWL.

Materiality for the Authority's accounts was set at £1 million which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Authority

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Authority any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £37,000 for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Authority to assist it in fulfilling its governance responsibilities.

Appendix 5: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Philip Johnstone as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 5: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

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Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report (issued June 2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.

cutting through complexity™

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north london waste authority

North London Waste Authority

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Mr P Johnstone
Director
KPMG LLP
8th Floor (East)
15 Canada Square
London
E14 5GL

25th September 2015

Dear Phil

This representation letter is provided in connection with your audit of the financial statements of North London Waste Authority ("the Authority"), for the year ended 31 March 2015 for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;

   ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:

   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

   ii) The Authority has disclosed to you all information in relation to:

   a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and

   b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

   In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that it has considered the valuation of its land and buildings and is satisfied that the carrying value is not materially different from fair value. The Authority confirms that it is satisfied that land and buildings are included at an appropriate valuation in the balance sheet and that the Authority has not unduly influenced the valuers in determining the valuation of land and buildings.

12. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits.*

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

    b) all planned amendments, curtailments and settlements have been identified and properly accounted for.

Specific representations

BDO identified two non trivial misstatements during their audit of LondonWaste Ltd (LWL). The misstatements are not material to the financial statements either individually or in aggregate. As a result the Authority has not adjusted the financial statements on consolidation.

Unadjusted misstatement	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves
Bad debt charge was higher than required	Cr Bad Debt Expense £83k	-	Dr. Trade receivables £83k	-	-
Income accrual was lower than required	Cr Revenue £22k	-	Dr. Income accrual £22k	-	-
Total	**Cr £105k**	**-**	**Dr £105k**	**-**	**-**

This letter was tabled and agreed at the meeting of the Authority on 25 September 2015.

Yours faithfully,

Mike O'Donnell
Financial Adviser
North London Waste Authority

<u>Appendix to the Authority Representation Letter of North London Waste Authority: Definitions</u>

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period
- A Balance Sheet as at the end of the period
- A Movement in Reserves Statement for the period
- A Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> "Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    iii. Both entities are joint ventures of the same third party.
    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
    vi. The entity is controlled, or jointly controlled by a person identified in (a).
    vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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North London Waste Authority

Statement of Accounts for the year ended

31 March 2015

North London Waste Authority

Statement of Accounts for the year ended 31 March 2015

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs as the Chief Finance Officer. For the North London Waste Authority that officer is the Financial Adviser.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

THE FINANCIAL ADVISER'S RESPONSIBILITIES

The Financial Adviser is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice). In preparing this Statement of Accounts, the Financial Adviser has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in business; and
- complied with the Code of Practice.

The Financial Adviser has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION BY THE FINANCIAL ADVISER

The accounts which follow have been prepared in accordance with the requirements of Regulation 8 of the Accounts and Audit Regulations 2011 issued under the Audit Commission Act 1998 and, except where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities.

I certify that the statement of accounts gives a true and fair view of the financial position of the Authority and of the Group as at 31 March 2015 and the income and expenditure of the Authority and of the Group for the year then ended.

Mike O'Donnell, CPFA

Financial Adviser 25 September 2015

CHAIR'S APPROVAL OF STATEMENT OF ACCOUNTS

This Statement of Accounts was presented to the North London Waste Authority at its meeting on 25 September 2015, and was approved by resolution of the Authority.

Councillor Clyde Loakes

Chair of the North London Waste Authority 25 September 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH LONDON WASTE AUTHORITY

To be inserted following completion of the audit.

To be inserted following completion of the audit.

To be inserted following completion of the audit.

EXPLANATORY FOREWORD BY THE FINANCIAL ADVISER

INTRODUCTION

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the Authority's accounts which have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* (The Code) and the *Guidance Notes for Practitioners* (both published by the Chartered Institute of Public Finance and Accountancy). The Code requires that four key statements are provided; they comprise:

Movement in Reserves Statement: This shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement: This summarises the Authority's income and expenditure for the year in accordance with generally accepted accounting practices. Adjustments required to show the extent to which revenue balances have increased or decreased are shown in the Movement in Reserves Statement.

Balance Sheet: This shows the value at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement: This summarises the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by the levy on the NLWA constituent boroughs, charges for non-household waste and other miscellaneous income receipts. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

GROUP ACCOUNTS

The summarised group accounts show in aggregate the income and expenditure and assets, liabilities and reserves of the group comprising the Authority and the Authority's interest in LondonWaste Ltd.

REVIEW OF THE YEAR AND CURRENT DEVELOPMENTS

The Authority agreed its 2014/15 budget at a level that needed to be sufficiently robust to meet the costs of its day-to-day statutory waste obligations but also sufficient to fund the costs of the North London Heat and Power project and the acquisition of sites for the development of its future waste treatment facilities. In doing so the Authority was aware, as in past years, that if favourable circumstances arose during the year some revenue balances may become available to help fund future budgets. I am pleased to advise that LondonWaste Ltd continued to perform well in 2014 and was able to pay an enhanced dividend of £5m, there was a further but smaller reduction in the residual waste stream, and there was no call on the Authority's contingency.

In February 2015 the Authority was advised that revenue balances at 31 March 2015 were forecast to be £11.943m. Since then, lower than forecast residual waste tonnage, savings in corporate support service costs, slippage in North London Heat and Power project costs and no call on the contingency have resulted in revenue balances at 31 March 2015 of £15.422m.

The amount of residual waste entering the waste stream in 2014/15 has reduced by 3,611 tonnes (0.62%) compared with 2013/14 i.e. from 583,132 tonnes to 579,521 tonnes. The outturn tonnage figures indicate that the upward pressure reported in February continued but at a slower rate of increase, despite there being a year on year reduction.

The Authority continued to provide recyclable waste treatment services to its constituent boroughs. 53,547 tonnes of compostable waste was sent to the Authority for treatment in 2014/15 (51,195 tonnes in 2013/14). This was broadly in line with the February forecast. 116,872 tonnes of dry recyclable waste were delivered to the Authority's compared with 97,050 in 2013/14. The increase is primarily due to the full year effect of the London Borough of Barnet's decision to send it's dry recyclable waste to the Authority with effect from October 2013. The Commingled Income Payment Scheme (CIPS) continued to be a success. The scheme makes contributions towards the costs incurred by constituent boroughs in collection and delivering dry recyclable materials to the Authority. In practice payments are limited to the income that the Authority receives from the sale of recyclable materials and there is therefore no net cost or benefit to the Authority. Sale prices of dry recyclable materials however fell in 2014/15 averaging £21.81 per tonne compared with £27.88 in 2013/14. The scheme is beneficial to those boroughs in receipt of the CIPS payments; the Authority expects to pay a total of £2.549m to participating boroughs in 2014/15 (£2.704m in 2013/14).

Landfill tax continued to rise in line with the Government's stated intention to raise the standard rate of tax by £8 per tonne until a figure of £80 was reached, which happened in 2014/15. It will rise by £2.60 to £82.60 per tonne in 2015/16 and in line with the retail price index to £84.40 in 2016/17. The Government has said that it remains committed to ensuring rates are not eroded in real terms. The tax has a significant impact on the Authority's budget and therefore the cost to constituent boroughs and is a major driver for diverting waste from landfill.

In 2014/15 the Authority was able to implement two initiatives to reduce its Landfill Tax expenditure. Firstly, the cessation of processing commercial residual waste by LondonWaste Ltd enabled the Authority to transfer some 50,000 tonnes of residual waste that would have been sent to landfill via its rail transfer station at Hendon, to LondonWaste's Edmonton facility thus saving some £4m in Landfill Tax. Taking into account additional transport and processing costs, the net saving in 2014/15 was some £3m.

Secondly, in June 2014 LondonWaste Ltd commenced shredding and incinerating residual waste collected from re-use and recycling centres that had hitherto been sent to landfill. Only 11% of this waste is now landfilled resulting in a net saving to the Authority in 2014/15 of some £1.4m.

A new 10 year main waste contract starting in December 2014 was awarded to LondonWaste Ltd. The Authority will benefit from more advantageous pricing in some areas.

Phase one of the public consultation process to support an application to the Secretary of State for a Development Consent Order (DCO) for the construction of a replacement Energy Recovery Facility at the Eco-Park in Edmonton took place in November 2014 – January 2015. The feedback received informed the developed design which is the subject of a Phase Two consultation which began in May 2015.

The Authority continued to invest in waste prevention and reduction. 2014/15 saw the implementation of the first year of the 2014 – 2016 Waste Prevention Plan. Work in 2014/15 focussed on food waste and furniture and textile re-use initiatives. Food waste reduction work was delivered through face to face engagement with residents through information stands and workshops in shopping centres, libraries, universities and community centres. All told, Authority staff were involved in some 130 food waste reduction events, directly engaging with over 10,000 residents. Also in 2014 the Authority developed an interactive food waste game and in January 2015 food waste advertisements were displayed on London buses. During the year, the Authority diverted 324 tonnes of furniture from waste to reuse by working with the London Community Resource Network and members of the London Reuse Network to develop housing voids furniture clearance contracts. Additionally, collections from university halls of residence were implemented. Textile re-use was promoted by encouraging residents and community groups to hold 'swishing' (clothing exchange) events. In February 2015, swishing advertisements and advertorials were placed in publications circulated to 345,000 households.

2014/15 OUTTURN

Outturn compared with original and revised estimate:

	Original budget 2014/15 £'000	Revised budget 2014/15 £'000	Outturn 2014/15 £'000
Gross expenditure	64,437	58,567	55,137
Non-household waste	(10,691)	(9,978)	(9,966)
Household waste	(2,005)	(1,970)	(1,969)
Rents			
Sale of recyclates	(2,974)	(2,528)	(2,549)
Levy on constituent boroughs	(46,452)	(46,452)	(46,452)
Gross income and levy	(62,122)	(60,928)	(60,936)
Surplus before financing & investment	2,315	(2,361)	(5,799)
Rent and Interest Receivable	(180)	(184)	(224)
Dividends receivable	(2,500)	(5,000)	(5,000)
Interest payable	3,383	2,455	2,454
Surplus on provision of services	3,018	(5,090)	(8,569)
Pension fund transactions	17	17	17
Minimum Revenue Provision	4,872	4,872	4,872
Transfer from earmarked reserve	(1,000)	(1,000)	(1,000)
Deficit/(surplus) for the year	6,907	(1,201)	(4,680)
General fund balance			
Balance at 1 April 2014	(6,907)	(10,742)	(10,742)
Deficit/(surplus) for the year	6,907	(1,201)	(4,680)
Balance at 31 March 2015	-	(11,943)	(15,422)

Depreciation

The Authority is not required to include depreciation when setting its levy for the year (and therefore does not include a depreciation provision in its budgets shown in the table above) but is instead required by statute to make an annual provision from revenue to contribute towards the reduction in its borrowing requirement known as the Minimum Revenue Provision (MRP). Accordingly, the authority includes MRP but not depreciation when calculating and setting its levy.

The authority is required however to include a depreciation charge in its Comprehensive Income and Expenditure Statement but this sum is reversed out in the Movement in Reserves Statement and replaced with MRP.

To enable a more meaningful comparison of the outturn with the budget the depreciation provision £1.760m has been excluded from the outturn in the table above.

An explanation of the more significant variances can be found in the notes to the accounts.

ANNUAL GOVERNANCE STATEMENT FOR THE NORTH LONDON WASTE AUTHORITY

1. Scope of Responsibility

The North London Waste Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The North London Waste Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the North London Waste Authority is also responsible for putting in place proper arrangements for governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the North London Waste Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place within the North London Waste Authority for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

The key elements of the governance framework in which the Authority functions can be summarised as follows:

- The Authority has a clearly defined set of objectives in terms of service delivery and these are reflected in its contract with LondonWaste Ltd.
- Policy and decision-making are managed and controlled within a strong well-established framework. The Authority's standing orders set out in detail how the Authority operates, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability. Political and management control is exercised through the Authority and the Advisers who work to defined and established processes.
- Compliance with policies, laws and regulations is dealt with through a range of written rules and procedures which are regularly reviewed and updated. These include Standing Orders relating to the Authority, Standing Orders relating to Committees, Financial Standing Orders, and Contract Standing Orders.
- Central to the Authority's achievement of its objectives is an effective risk management regime. In addition to regular reviews of detailed risk registers by the Authority's management team, the registers are considered annually by the Members' Finance Working Group. Informed by the annual review, a report is presented to the Authority outlining

developments in the Authority's key corporate risks. The report also includes an up to date high level risk register.

- The Authority is also able to benefit from the rules and procedures set in place by its Lead Boroughs. Officer responsibilities and actions are controlled through Schemes of Officer Delegation.
- The effective and efficient use of resources and the securing of continuous improvement is achieved through a range of review processes and is integral to both the short-term implementation of the Joint Waste Strategy and the development of the next generation of waste infrastructure and services for North London.
- The financial management of the Authority is organised through a wide range of well-established processes and procedures which deliver strong financial control arrangements. The Authority has in place a detailed strategic budget planning process which is supported by comprehensive Financial Standing Orders. Members receive and consider detailed financial information on a regular basis and this facilitates the political decision making process. The process is further supported by the work of the Members' Finance Working Group.
- Other features of the financial control environment include the production and review of a medium term financial forecast. The Authority also benefits from the activities of the London Borough of Camden's Internal Audit Division which provides assurances to management that the Council's – and therefore the NLWA's – control systems are adequate, effective and operating as intended and investigates all identified or suspected cases of fraud/irregularity throughout the Council. The Authority has agreed a plan of action to review the past audit review recommendations and further audit work which will be completed in the year ahead. The work of internal audit is to co-ordinate with that of the Council's – and the Authority's – external auditor.
- Performance management within the Authority is considered through a range of review arrangements including external/internal audit reviews and annual reports.

4. Review of Effectiveness

The North London Waste Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the system of internal control is a significant part of the framework and is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development, maintenance and ongoing assurance in respect of the internal control environment covering their individual areas of responsibility. This is also supported by reviews conducted by the external auditors and other review agencies. In addition, Authority meetings receive reports on key aspects of the day-to-day work of the Authority and the Authority's financial health.

The Members' Finance Working Group provides an effective means of enabling detailed review and examination by Members of the Authority's financial and risk management issues.

The Authority is further supported the work of the Recycling Working Group and a Member/Officer Steering Group. The Authority continues to have in place strong and effective working arrangements with its constituent boroughs.

As services are provided through the Lead Boroughs of Camden and Haringey the Authority has also benefited from reviews undertaken by those authorities in providing corporate and service-based assurance on the overall system of internal control in operation.

The Authority is a signatory to the Nottingham declaration on climate change and has committed itself to review and manage its services in such a way as to minimise its climate change impacts.

The review process has been successful in maintaining awareness of governance and control issues.

5. Significant Governance Issues

No significant governance issue have been identified during the year. Work has been undertaken however to ensure that the Authority's governance arrangements continue to follow best practice:

- A review of Standing Orders was undertaken. Changes were made to reflect new Public Contracts Regulations and the rights of the public to record meetings. The proposed changes will be considered by the Authority at its meeting in June 2015.
- Training on the 2015 Public Contracts Regulations has been provided.
- The Authority's risk register was reviewed by the Members' Finance Working Group and the conclusions were reported to the Authority in September 2014. Risks reflecting the requirements of the Bribery act and replacement residual waste management facilities were added.
- The Authority's compliance with the 2015 Transparency Code was reviewed to ensure full compliance.

6. Matters for Future Action

There is a continuing need to keep the Authority's governance and control arrangements under review and to take action where appropriate. This will include:

- Training, where appropriate, to members and officers, and an ongoing review of the over-arching and supporting Risk Registers so that the Authority will be able to track and accurately manage the identified risks associated with all aspects of its work.
- Implementation of any recommendations proposed by the internal audit reviews and the development and completion of a further internal work programme in 2015/16.
- Keeping under review the governance arrangements for LondonWaste Ltd.

7. Signed Agreement

We have been advised of the arrangements that are in place to ensure that an effective system of governance exists in the Authority and of the plan to further review and enhance our governance arrangements in the coming year. We are satisfied with these steps and will monitor their implementation and operation as part of our next review.

Councillor Clyde Loakes	Mike Cooke
Chair of the NLWA	Clerk to the NLWA

MOVEMENT IN RESERVES STATEMENT

2013/14 Restated	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2013	**18,032**	**1,000**	**1,439**	**20,471**	**56,322**	**76,793**
Movement in reserves during 2013/14						
Surplus or (deficit) on provision of services	(3,906)	-	-	**(3,906)**	-	**(3,906)**
Other Comprehensive Expenditure and Income	2,255	-	-	**2,255**	-	**2,255**
Total Comprehensive Income and Expenditure	**(1,651)**	**-**	**-**	**(1,651)**	**-**	**(1,651)**
Adjustments between accounting basis & funding basis under regulations	(5,639)	-	-	**(5,639)**	5,639	**-**
Net Increase/(Decrease) in 2013/14	**(7,290)**	**-**	**-**	**(7,290)**	**5,639**	**(1,651)**
Balance at 31 March 2014 carried forward	**10,742**	**1,000**	**1,439**	**13,181**	**61,961**	**75,142**

RESTATEMENT NOTE

Property at Hornsey Street has been classified as an investment property in previous financial statements. As the facility is leased to LondonWaste Ltd which is wholly owned by the Authority, the classification has been changed and is shown in these statements as property, plant and equipment. Although this change has no impact on the Authority's Total Comprehensive Income and Expenditure or retained balances and other usable reserves, elements of the 2013/14 Movement in Reserves Statement are restated as a result of the reclassification.

	As reported	**As restated**
	£'000	£'000
Deficit on provision of services	(1,397)	(3,906)
Other expenditure & income	(254)	2,255

MOVEMENT IN RESERVES STATEMENT

2014/15	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2014 brought forward	**10,742**	**1,000**	**1,439**	**13,181**	**61,961**	**75,142**
Movement in reserves during 2014/15						
Surplus or (deficit) on provision of services	6,809	-	-	**6,809**	-	**6,809**
Other Comprehensive Expenditure and Income	(666)	-	-	**(666)**	-	**(666)**
Total Comprehensive Income and Expenditure	**6,143**	**-**	**-**	**6,143**	**-**	**6,143**
Adjustments between accounting basis & funding basis under regulations	(2,463)	-	-	**(2,463)**	2,463	**-**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**3,680**	**-**	**-**	**3,680**	**2,463**	**6,143**
Transfers to/from Earmarked Reserves	1,000	(1,000)	-	-	-	-
Balance at 31 March 2015 carried forward	**15,422**	**-**	**1,439**	**16,861**	**64,424**	**81,285**

North London Waste Authority

Statement of Accounts for the year ended 31 March 2015

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14 (Restated)				2014/15		
Gross Expenditure	**Gross Income**	**Net Expenditure**	**Further details of the Authority's Income and Expenditure can be found at Note 2.**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
64,216	(14,272)	49,944	Environmental and regulatory services	56,897	(14,588)	42,309
64,216	**(14,272)**	**49,944**	**Cost Of Services**	**56,897**	**(14,588)**	**42,309**
		(41,829)	Other Operating (Income) and Expenditure			(46,452)
		(4,209)	Financing and Investment (Income) and Expenditure			(2,666)
		3,906	**(Surplus)/Deficit on Provision of Services**			**(6,809)**
		(2,209)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets			640
		(46)	Actuarial Loss/(Gain) on Pension Assets			26
		(2,255)	**Other Comprehensive Income and Expenditure**			**666**
		1,651	**Total Comprehensive Income and Expenditure**			**(6,143)**

North London Waste Authority

Statement of Accounts for the year ended 31 March 2015

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATEMENT NOTE

As per the note in the Movement in Reserves Statement, the re-classification of the Hornsey Street facility requires the restatement of some lines of the 2013/14 Comprehensive Income and Expenditure Statement. Although this change has no impact on the Authority's Total Comprehensive Income and Expenditure or retained balances, the presentational requirements are different.

In order to maintain meaningful year on year comparisons the 2013/14 accounting statements have been restated to reflect the change in classification.

The changes made to the 2013/14 Comprehensive Income and Expenditure Statement are as follows:

	As reported	**As restated**
	£'000	£'000
Gross Expenditure	62,707	64,216
Gross Income	(14,170)	(14,272)
Financing and Investment Income	(5,311)	(4,209)
Deficit/(Surplus) on revaluation of Property,		
Plant and Equipment Assets	300	(2,209)

BALANCE SHEET

	Note	2015 £'000	2014 (Restated) £'000	2013 (Restated) £'000
Property, Plant and Equipment	10	26,344	28,735	28,000
Long Term Investments	11	119,392	119,392	119,392
LONG TERM ASSETS		**145,736**	**148,127**	**147,392**
Short Term Debtors				
Balance held with LB Camden	22	12,988	30,753	29,714
LondonWaste Ltd		1,822	1,143	790
HM Revenue and Customs		1,025	1,211	1,153
Other debtors –revenue		1,563	2,135	1,364
CURRENT ASSETS		**17,398**	**35,242**	**33,021**
Short Term Creditors				
Short Term Borrowings	12	(26,138)	(26,433)	(1,433)
LondonWaste Ltd		(5,844)	(2,798)	(2,857)
Other Short Term Creditors	18	(4,482)	(8,620)	(3,887)
CURRENT LIABILITIES		**(36,464)**	**(37,851)**	**(8,177)**
Long Term Borrowings	12	(45,000)	(70,000)	(95,000)
Other Long Term Liabilities	23	(385)	(376)	(443)
LONG TERM LIABILITIES		**(45,385)**	**(70,376)**	**(95,443)**
NET ASSETS		**81,285**	**75,142**	**76,793**
Usable Reserves				
General Fund Balance		15,422	10,742	18,032
Earmarked Reserve	17	-	1,000	1,000
Usable Capital Receipts Reserve	16	1,439	1,439	1,439
Unusable Reserves				
Capital Adjustment Account	13	37,165	34,053	30,689
Revaluation Account	14	5,938	6,578	4,370
Capital Revaluation Account	15	21,706	21,706	21,706
Pension Reserve	23	(385)	(376)	(443)
TOTAL RESERVES		**81,285**	**75,142**	**76,793**

Mike O'Donnell CPFA

Financial Adviser 25 September 2015

These financial statements replace the unaudited statements certified by Mike O'Donnell on 30 June 2015.

BALANCE SHEET

RESTATEMENT NOTE

The Balance Sheet at 31 March 2015 reflects the re-classification of the Hornsey Street facility. In order to maintain meaningful year on year comparisons, a prior period adjustment for the 2013/14 balances has been processed and the accounting statements for this year have been restated to reflect the change in classification. The Authority's usable reserves are unaffected as a result of this change.

In previous years, the creditor provision for interest due on the Authority's borrowings was split into a long term and a short term element in line with the maturity of the relevant loans. With effect from 2014/15 the Authority is treating the entirety of the creditor provision as a short term creditor. The Balance Sheets for 31 March 2014 and 31 March 2013 have been restated.

	As reported	**As restated**
	£'000	£'000
31 March 2014		
Short Term Creditors		
Short term borrowings	(25,295)	(26,433)
Long Term Liabilities		
Long term borrowings	(71,138)	(70,000)
Long Term Assets		
Property, plant and equipment	11,135	28,735
Investment property	17,600	-
Unusable Reserves		
Capital adjustment account	36,943	34,053
Revaluation account	3,688	6,578
31 March 2013		
Short Term Creditors		
Short term borrowings	-	(1,433)
Long Term Liabilities		
Long term borrowings	(96,433)	(95,000)
Long Term Assets		
Property, plant and equipment	11,400	28,000
Investment property	16,600	-
Unusable Reserves		
Capital adjustment account	32,070	30,689
Revaluation account	2,989	4,370

CASH FLOW STATEMENT

	Note	2014/15 £'000	2013/14 (Restated) £'000
Net surplus on the provision of services		(6,809)	3,906
Adjustments to net surplus on the provision of services for non-cash movements		(435)	(4,980)
Adjustments for items included in the net surplus on the provision of services that are investing activities		-	-
Net cash inflow from operating activities	21	(7,244)	(1,074)
Investing activities	21	9	35
Financing Activities	21	25,000	-
Net increase in cash and cash equivalents		17,765	(1,039)
Cash and cash equivalents at the beginning of the reporting period		(30,753)	(29,714)
Cash and cash equivalents at the end of the reporting period		(12,988)	(30,753)

The Authority's cash balances are held and managed on its behalf by the London Borough of Camden and are reflected in Camden's accounting statements. The Authority therefore holds no cash or cash equivalents on its own account – instead, an inter company account is maintained, the balance of which is a proxy for the Authority's cash position. In order to provide a more meaningful picture of the Authority's liquidity, for the purposes of this Cash Flow Statement the inter-company account balance is treated as cash and cash equivalents.

RESTATEMENT NOTE

The reclassification of the Hornsey Street facility to property, plant and equipment has no effect on the authority's cash balances at either 31 March 2015 or 31 March 2014 but a restatement of some elements of the 2013/14 cash flow statement is required.

The changes made to the 2013/14 Cashflow Statement are as follows:

	As reported £'000	As restated £'000
Net surplus – provision of services	1,397	3,906
Adjustments for non-cash movements	(2,471)	(4,980)

ACCOUNTING POLICIES

The accounts have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, which has been developed under the oversight of the Financial Reporting Advisory Board.

Accruals

In general the accounts have been prepared on a basis that accrues and accounts for income and expenditure in the period to which they relate. At year-end, allowance is made in the accounts for expenditure and income not paid or received by 31 March, either, on the basis of invoices received, or, a best estimate of the income or expenditure which should be accrued in that year's accounts.

Cash and cash equivalents

The Authority's cash and treasury management requirements are undertaken on its behalf by the London Borough of Camden; it therefore has no cash or cash equivalents on its own account. Instead, the Authority maintains an inter-authority account with Camden on which Camden pays interest equivalent to the average return achieved on its own investment activity for the year.

Capital receipts

Capital receipts are credited to the Usable Capital Receipts Reserve when received. They are only available to fund future capital expenditure or to repay debt.

Leases

Expenditure on operating leases is charged to the income and expenditure account in the period to which it relates.

Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. IFRS requires the Authority to consider accruing for the cost of the leave entitlement earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The Authority has assessed the value of carried forward leave and has concluded that it is not sufficient to be material and therefore no accrual has been made. However, bonuses payable to senior employees in 2015/16 in respect of their work in 2014/15 have been accrued for.

Post employment benefits

In December 1994 all of the staff of the Authority transferred to LondonWaste Ltd. However, the Authority continues to be responsible for the payment of employer borne pension costs (annual compensation) of former retired employees. The Authority has previously decided that this should continue to be paid on a pay-as-you-go basis. However, in accordance with International Accounting Standard 19 – Employee Benefits (IAS 19), the liability has been reflected in the Authority's Balance Sheet.

Employer-borne pension costs attributable to staff employed by the London Borough of Camden for work performed on behalf of the Authority are included in the support service recharges to the Authority.

Non Current Assets

Land and buildings shown in the balance sheet represent the residual non-operational assets held by the Authority. Depreciation is not charged on non-operational assets. Fixed assets are valued at five-yearly intervals in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors, although material changes to asset valuations are adjusted in the interim period, as and when they occur.

Investments and Property

The Authority's investment in LondonWaste Ltd is held at cost. The land at Pinkham Way was revalued at 31 March 2014.

ACCOUNTING POLICIES

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Charges to Revenue in respect of Capital Assets

The comprehensive Income and Expenditure Statement is charged with a capital charge for capital assets used in the provision of services. The charge consists of the annual provision for:

- Depreciation attributable to the assets used
- Impairment

The Authority is not required to include depreciation or impairment when setting its levy for the year but is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined in accordance with statutory guidance known as the Minimum Revenue Provision. The Minimum Revenue Provision is a proper charge to the Authority but does not appear in the Comprehensive Income and Expenditure Statement. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement. The amounts of Minimum Revenue Provision to be charged for the year are set out in regulations and guidance.

Depreciation and impairment are therefore replaced by revenue provision in the Movement in Reserves Statement by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Capital charges have a neutral impact on the amount to be raised by the levy as they are reversed out in the Movement in Reserves Statement and replaced by the Statutory Provision for Debt repayment.

Prior Year Adjustments

These financial statements include a prior period adjustment in relation to the classification of the Hornsey Street transfer station. In the 2013/14 statements the facility was classed as an investment property but it has since been determined that it should be property, plant and equipment. The 2014/15 statements reflect the change but to enable meaningful year on year comparisons the 2013/14 financial statements are restated. More details about the effects of this change are set out in restatement notes which follow each of the financial statements.

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net cost to the Authority for that year.

ACCOUNTING POLICIES

Certain reserves are kept to manage the accounting processes for non-current assets, and do not represent usable resources for the Authority.

Group accounts

The Authority has prepared group accounts to provide greater transparency and understanding of the Authority's shareholding in LondonWaste Ltd. These are presented as supplementary information to the primary financial statements in accordance with the Code. More details are given in the introduction to the group accounts.

Members' allowances

Members of the Authority receive allowances from the borough that they represent. No allowances are payable by the Authority.

Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Financial Instrument Risk

The Authority has reviewed the nature and extent of the risks associated with its financial instruments and has concluded that:

In respect of its long term borrowings from the Public Works Loans Board it is not exposed to market risk since the interest rates are fixed for the duration of the loans. Liquidity risk in that the Authority may not have the funds to meet its commitments to make future payments is considered to be very low since the Authority has access to borrow from the PWLB. Additionally, the Authority is required to achieve a balanced budget which ensures that sufficient monies are raised to cover annual expenditure. There is no significant risk that the Authority will be unable to raise finance to meet its commitments.

The Authority's cash balances are managed through the treasury management arrangements operated by the London Borough of Camden. Camden's Treasury Management policy requires it to place deposits only with a limited number of high quality institutions whose credit rating is independently assessed.

Its main sources of income are its constituent boroughs which are required to pay a levy and charges for the management of non-household and some types of household waste. Accordingly, the risk of non-payment is considered to be extremely low and no provision for bad or doubtful debts is required.

Small amounts of income come from other, commercial sources. The risk to the Authority of non payment of this income is considered to be low. Accordingly, the Authority does not make a provision for bad or doubtful debts in respect of this income stream.

Contingent Liabilities

Contingent liabilities are possible obligations that may require a payment or a transfer of economic benefit but for which there is no certainty regarding amount or date of settlement. They are disclosed in the notes to the accounts and accruals are not made for contingent liabilities and no adjustments are included within the accounting statements.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out above, the Authority has to make certain judgements about complex transactions or those involving uncertainty about future events.

ACCOUNTING POLICIES

Although none of the Authority's expenditure is funded directly by central government, almost all of its income is derived from its constituent boroughs for whom central government funding is a significant element of their income. Although mindful of the uncertainty about future levels of funding to the boroughs from central government, the Authority has determined that this uncertainty is not sufficient to indicate that the Authority's assets might be impaired or facilities closed to reduce levels of service provision. The nature of the Authority's statutory responsibilities for waste disposal and its demand led nature of its services provides very limited scope to reduce service levels.

ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. The Authority has assessed the risk that items in its Balance Sheet being materially different from the assumptions and estimates as being low but recognises that uncertainty cannot be entirely eliminated. Areas of risk are as follows:

The Authority's makes monthly on account payments to LondonWaste Limited for Landfill Tax and Electricity Income Claim liabilities based on best available estimates. The Authority makes an assessment at 31 March of the extent to which it has under or overpaid during the year and the balance owed to or by the Authority is reflected in the Balance Sheet. Settlement of these sums is subject to formal agreement with LondonWaste Ltd. The agreed sum may differ from that included in the Balance Sheet but this difference is likely not to be significant.

All staff currently undertaking work for the Authority are employed by the London Borough of Camden and all related pension assets and liabilities are reflected LB Camden's Balance Sheet. The Authority does however have a liability in respect of pensions for 5 formerly directly employed but now retired staff. Payment of pensions to these individuals is made on the Authority's behalf by the London Pension Fund Authority. An assessment of the assets and liabilities is undertaken annually by Barnett Waddingham who in their calculations must make assumptions about inflation mortality, and returns on pension fund assets.

NOTES TO THE ACCOUNTS

1. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised by the Financial Adviser on 30 June 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

2. ADDITIONAL INFORMATION SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The analysis below presents the Authority's Income and Expenditure in a format that is intended to aid the understanding of its activities and financial performance.

EXPENDITURE	Note	2014/15 £'000	2013/14 Restated £'000
Main Waste Disposal Contract	5 (a)	24,575	24,516
Civic Amenity Waste	5 (a)	1,388	1,360
Landfill Tax		8,358	12,424
Composting Services	5 (b)	2,691	2,724
Materials Recovery Facility Services	5 (c)	5,986	4,957
Transfer Stations and other Sites		3,167	2,816
Re-use and Recycling Centres	6	2,350	2,112
Corporate and Other Support Service Costs	4, 19	1,974	1,454
Operations Team		481	538
Waste Reduction Programme – New Initiatives		294	277
Technical and Planning Team		269	84
Joint Communications Initiative		5	288
Recycling Initiatives		220	202
Commingled Income Payment Scheme	25	2,549	2,704
Procurement Process Costs		0	7,581
Sites and Planning Process Costs		2,590	179
Gross expenditure		**56,897**	**64,216**
Non-household waste	7	(9,966)	(9,539)
Household Waste		(1,969)	(1,872)
Sale of recyclates	25,26	(2,549)	(2,759)
Rent Receivable		(104)	(102)
Gross income		**(14,588)**	**(14,272)**
Cost of Services		**42,309**	**49,944**
Levy	9	(46,452)	(41,829)
Other Operating Expenditure		**(46,452)**	**(41,829)**
Interest receivable		(120)	(268)
Pension Interest Cost		13	9
LondonWaste Ltd Dividend	19	(5,000)	(7,000)
Revenue Funding of capital - interest	12	2,441	3,050
Total Financing and Investment		**(2,666)**	**(4,209)**

(Surplus)/Deficit on Provision of Services	**(6,809)**	**3,906**
Deficit/(Surplus) on Revaluation of Non Current Assets	640	(2,209)
Pension Asset – Actuarial (Gain)/Loss	26	(46)
Other Comprehensive Income and Expenditure	**666**	**(2,255)**
Total Comprehensive Income and Expenditure	**(6,143)**	**1,651**
Adjustments between accounting basis and funding basis under regulations		
Statutory provision for the financing of capital investment – Minimum Revenue Provision	4,872	4,872
Revaluation gains/(losses) on Property, Plant and Equipment	(640)	2,209
Property, plant and equipment - Depreciation	(1,760)	(1,509)
Reversal of items relating to retirement benefits	(39)	37
Employer's pension contributions paid in year	30	30
Total Funding Basis Adjustments	**2,463**	**5,639**
Transfer from Earmarked Reserve	**(1,000)**	**0**
(Addition)/Reduction to General Balances	**(4,680)**	**7,290**

3. MATERIAL ITEMS OF INCOME AND EXPENSE

There were no material items of income and expense in 2014/15. Gross Expenditure in 2013/14 included £5m in respect of financial settlements in connection with the Authority's decision not to proceed with the procurement of long term contracts for waste services and fuel use.

4. CORPORATE AND OTHER SUPPORT SERVICES

The Authority operates through a lead borough arrangement with its constituent boroughs. Charges are made by the constituent boroughs in providing the following services.

Camden

Managing Director
Clerk and committee services
External relations
Financial Adviser and financial services
Internal Audit
Legal Adviser and legal and governance services
Operations (waste strategy, contracts management)
Personnel services
Planning and technical solutions

Haringey

Operational support services

Enfield

Technical Adviser

Waltham Forest

Planning Adviser (part year – see note 26)

This cost centre also includes the cost of external audit provided for 2014/15 by KPMG LLP. The agreed statutory fee for the audit of the Authority's 2014/15 financial statements and paid to KPMG

LLP was £18,270 (2013/14: £18,270). KPMG LLP did not provide any additional services to the Authority in 2014/15 or 2013/14. KPMG LLP have advised the Authority that additional fees will result from work undertaken in connection to their 2013/14 Value for Money conclusion. No fees were charged in 2014/15 for this work but KPMG has advised the Authority of an additional fee of £50,000 for this work. The Authority has accrued this sum in its 2014/15 financial statements.

5. WASTE STREAM TONNAGE STATISTICS

Details of the actual residual and separated recyclable wastes entering the waste stream from constituent councils:

(a) Residual Waste

Borough	2014/15 Tonnes	2013/14 Tonnes	Variance Tonnes	%
Barnet	101,558	105,520	(3,962)	(3.75)
Camden	87,084	87,691	(607)	(0.69)
Enfield	87,438	86,662	776	0.90
Hackney	89,948	88,214	1,734	1.97
Haringey	71,665	71,475	190	0.27
Islington	72,096	71,167	929	1.31
Waltham Forest	69,733	72,403	(2,670)	(3.69)
	579,522	583,132	(3,610)	(0.62)

(b) Composting Services

Borough	2014/15 Tonnes	2013/14 Tonnes	Variance Tonnes	%
Barnet	21,133	21,118	15	0.07
Camden	4,119	4,222	(103)	(2.44)
Enfield*	-	-	-	-
Hackney	5,928	4,502	1,426	31.67
Haringey	7,811	7,365	446	6.06
Islington	4,051	4,010	41	1.02
Waltham Forest	10,505	9,978	527	5.28
	53,547	51,195	2,352	4.59

(c) Dry Recyclable Bulking Service

Borough	2014/15 Tonnes	2013/14 Tonnes	Variance Tonnes	%
Barnet	26,884	12,790	14,094	110.20
Camden	18,191	15,794	2,397	15.18
Enfield *	-	-	-	-
Hackney	14,666	13,723	943	6.87
Haringey	21,815	21,347	468	2.19
Islington	14,594	14,580	14	0.10
Waltham Forest	20,723	18,816	1,907	10.13
	116,873	97,050	19,823	20.42

* Enfield makes separate arrangements for the treatment of its compostable and dry-recyclable wastes.

NOTES TO THE ACCOUNTS

6. RE-USE AND RECYCLING CENTRES

The Authority manages seven RRCs on behalf of its constituent boroughs. The operating costs are ring-fenced to the relevant borough, such that any under or overspend is carried forward to the levy calculation in the next available levy year i.e. balances at 31 March 2015 will be available for inclusion in the calculation of the 2016/17 levy. The change in the revenue balance position in 2014/15 for each borough with sites managed by the Authority was as follows:

Centre Location	Additional balances b/fwd from 2013/14	In year change in balances	Total Balances At 31/3/15
	£	£	£
Barnet	-	(725)	(725)
Camden	(40,496)	(30,874)	(71,370)
Enfield	-	(453)	(453)
Hackney	-	(226)	(226)
Haringey	(63,276)	(114,398)	(177,674)
Islington	(3,153)	(60,444)	(63,597)
Waltham Forest	(17,131)	(82,528)	(99,659)
	(124,056)	(289,648)	(413,704)

7. NON-HOUSEHOLD AND CHARGEABLE HOUSEHOLD WASTE

The Authority operates separate charging arrangements for non-household waste and certain categories of household waste in accordance with s52 (9) of the Environmental Protection Act 1990.

As a consequence, only non chargeable household waste and the fixed costs of meeting the Authority's waste disposal obligations are funded from the levy.

In addition to residual non-household and chargeable household waste, four boroughs (Camden, Hackney, Haringey and Islington) delivered recyclable commingled and food waste to the Authority. The charges per tonne for these waste types are lower than for the residual waste stream tonnages. The tonnages and charges are included in the table below.

Constituent councils make monthly payments on account to the Authority based on estimated levels of non-household and chargeable household waste. At the end of the year an additional amount is charged or overpayment repaid based on actual tonnage levels and the actual marginal cost of treatment.

NOTES TO THE ACCOUNTS

Non household waste	2014/15 Budget		2014/15 Actual	
Borough	**Tonnes**	**£**	**Tonnes**	**£**
Barnet	12,286	1,412,890	10,252	1,177,237
Camden	32,575	3,746,125	28,986	3,053,763
Enfield	8,860	1,018,900	8,649	993,165
Hackney	16,040	1,844,600	16,150	1,854,504
Haringey	2,368	248,185	3,184	337,195
Islington	20,260	2,256,810	21,823	2,387,224
Waltham Forest	1,418	163,070	1,422	163,288
	93,807	10,690,580	90,466	9,966,376

Chargeable household waste	2014/15 Budget		2014/15 Actual	
Borough	**Tonnes**	**£**	**Tonnes**	**£**
Barnet	2,280	262,200	2,280	261,812
Camden	4,328	497,720	4,460	465,405
Enfield	1,431	164,565	1,431	164,322
Hackney	5,635	596,007	5,640	590,858
Haringey	2,776	274,717	2,766	273,744
Islington	2,130	210,184	2,154	212,278
Waltham Forest	-	-	-	-
	18,580	2,005,393	18,731	1,968,419

8. RENTS

During the year the Authority received rental income from LondonWaste Ltd in respect of the Hornsey Street Waste Transfer Station. Hornsey Street became the replacement facility for Ashburton Grove in July 2004. The rent is set at the market rate, however, the increase in rent at Hornsey Street (determined by reference to the rent of the Ashburton facility as adjusted for revisions under the terms of the Ashburton lease) is recoverable from the Authority by LondonWaste Ltd as an additional cost post-vesting, i.e. the net effect is to restrict the rental income from LondonWaste Ltd to the rental income due under the original Ashburton lease. The lease runs until December 2025; all costs of operating the facility are met by LondonWaste Ltd.

9. LEVY

The levy on constituent boroughs of £46.452m was agreed at the Budget Meeting on 13 February 2014 and represents, after allowance for the use of revenue balances, the net cost of meeting the Authority's statutory responsibility for the disposal of household waste, the Re-use and Recycling Centres that have been transferred to the Authority and the core costs of operating the Authority. The levy has been apportioned in accordance with the alternative levy arrangements agreed by constituent councils in January 2012.

Borough	2014/15 %	2013/14 %	2014/15 £'000	2013/14 £'000
Barnet	20.77	17.94	9,649	7,503
Camden	11.03	11.90	5,122	4,977
Enfield	11.15	12.34	5,180	5,161
Hackney	12.97	12.21	6,027	5,109
Haringey	15.88	15.42	7,375	6,452
Islington	12.45	12.05	5,781	5,040
Waltham Forest	15.75	18.14	7,318	7,587
	100.00	100.00	46,452	41,829

10. NON CURRENT ASSETS

Property Plant and Equipment

	Land and Buildings £'000	Assets Under Construction £'000	Total £'000
Balance at 1 April 2014	28,700	35	28,735
Acquisitions	-	9	9
Depreciation	(1,760)	-	(1,760)
Impairment	(640)	-	(640)
Balance at 31 March 2015	26,300	44	26,344

Asset	Location
Land – Part of the site of the former Friern Barnet Sewage Treatment Works	Pinkham Way, Haringey
Waste transfer station and yard	Hornsey Street, Islington
Assets under construction – Costs incurred in developing a Re-use and Recycling Centre.	Western Road, Haringey

It is the Authority's policy to revalue assets every five years on the basis of open market value in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The land at Pinkham Way was acquired in the closing months of 2010/11 and hitherto was revalued annually. Given that the Authority's plans for its future use did not change in 2014/15 it is considered appropriate to resume the 5 year cycle.

The waste transfer station and yard at Hornsey Street is leased to LondonWaste Ltd for the duration of the Authority's contract with the Company which is due to terminate on 15 December 2025. It has previously been classified as an investment property but has been reclassified as property plant and equipment in these accounting statements. Explanatory notes setting out the background and effect of this change can be found in the main accounting statements. Although it is the Authority's policy to revalue property, plant and equipment assets every five years, the Code of Practice on Local Government Accounting requires that investment properties are revalued annually and the Authority engaged Savills to value the facility at 31 March 2015. The valuation indicated that the Authority to should make an impairment adjustment to the value of the facility in 2014/15. It is anticipated that future valuations will be undertaken on a five year cycle in accordance with the Authority's policy unless circumstances suggest more frequent valuations would be appropriate.

NOTES TO THE ACCOUNTS

11. INVESTMENTS – LONDONWASTE LTD

	2015 £'000	2014 £'000
Balances at 31 March	119,392	119,392

Until 22 December 2009 the company operated as a joint venture company with Sita UK Ltd and the Authority each holding 50% of the share capital. On 22 December 2009 the Authority purchased the shares held by Sita UK Ltd at a gross cost of £97.686m (including stamp duty) under a deferred payment arrangement. Payment took place on 12 April 2010.

Details of the net assets and results of the company are given in Note 2 to the group accounts.

12. BORROWING

To fund the acquisition of the remaining 50% interest in LondonWaste Ltd, in April 2010 the Authority borrowed £95m in four tranches from the Public Works Loans Board. No further borrowing has been undertaken. The first tranche of £25m was repaid on the due date of 12 April 2014. Details of borrowings are set out below:

Sum Borrowed	Repayment Date
Current – Short Term Creditor	
£25,000,000	12 April 2015
Long Term – Long Term Creditor	
£25,000,000	12 April 2016
£20,000,000	12 April 2020

Half yearly interest payments are due on 12 April and 12 October. As at 31 March 2015 accrued interest in respect of the loans was £1.138m (31 March 2014: £1.433m).

13. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account shows the resources used to finance capital expenditure and the historic cost of acquiring and enhancing non- current assets.

	£'000
Balance at 1 April 2014 (Restated)	34,053
Minimum Revenue Provision (MRP)	4,872
Depreciation	(1,760)
Balance at 31 March 2015	37,165

14. REVALUATION ACCOUNT

The Revaluation Account records gains and losses arising from the revaluation of non-current assets.

	£'000
Balance at 1 April 2014 (Restated)	6,578
Impairment in 2014/15	(639)
Balance at 31 March 2015	5,939

15. CAPITAL REVALUATION ACCOUNT

This balance represents the original cost on vesting date (15 December 1994) of the Authority's investment in LondonWaste Ltd.

	£'000
Balances at 1 April 2014 and 31 March 2015	21,706

16. USABLE CAPITAL RECEIPTS RESERVE

This reserve represents unspent receipts from disposals of capital assets and can be used only to fund capital expenditure or repay debt.

	£'000
Balance at 1 April 2014 and 31 March 2015	1,439

17. EARMARKED RESERVES

An earmarked reserve of £1,000,000 to fund future recycling initiatives was established in 1999/2000 following the receipt of a special dividend from LondonWaste Ltd. In setting its 2014/15 budget in February 2014 the Authority resolved to transfer this reserve to general balances.

	£'000
Balance at 1 April 2014	1,000
Transfer to general balances	(1,000)
Balance at 31 March 2015	0

18. SHORT TERM CREDITORS

Other creditors and provisions can be analysed as follows

	31 March 2015	31 March 2014
	£'000	£'000
Other local authorities	(2,641)	(2,327)
Other entities and individuals	(1,841)	*(6,293)
	(4,482)	(8,620)

* Includes £5m for settlement of claims brought by bidding consortia following the Authority's decision not to proceed with the procurement of long term contracts.

19. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely.

Central Government

Central government has effective control over the general operations of the Authority in that it is responsible for providing the statutory framework within which the Authority operates.

Members

Each of the seven constituent boroughs of the Authority appoints two of their Members to the Authority. Transactions between the Authority and its constituent boroughs, principally the Levy and charges for the treatment of non-household waste, are detailed elsewhere in the accounts. Apart from this dual role, no Member of the Authority has reported that he/she or members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2014/15.

Officers

No officer or member of their family or household, whether working wholly for the Authority or in an advisory role has indicated that they or members of their families and households exercised any control or influence on any of the companies or other bodies with which the Authority transacted in 2014/15.

Other Public Bodies

A number of transactions with related parties are disclosed elsewhere in the accounts. Details of each constituent borough's levy and charges for the treatment of non household and chargeable household waste are shown in notes 4, 5 and 7 above.

The London Borough of Camden acts as lead borough to the Authority and provides a range of support services (see note 4). In 2014/15 the Authority paid Camden £1.871m (2013/14: £1.981m) for the provision of lead borough services. On 31 March 2015 Camden held cash and cash equivalents of £12.988m (31 March 2014: £30.753m) on behalf of the Authority.

The London Borough of Haringey provides IT and financial services to the Authority. In 2014/15 The Authority paid Haringey £0.096m for these services (2013/14: £0.240m. This included payments in respect of office accommodation which the Authority vacated in early 2014/15.).

In 2014/15 the Authority paid Enfield £0.009m (2013/14: £0.009m) for the honoraria paid to the Authority's Technical Adviser.

In 2014/15 the Authority paid Waltham Forest £0.003m (2013/14: £0.008m) for the honoraria paid to the Authority's Planning Adviser. This arrangement ceased in August 2014.

To the extent that monies paid to boroughs for services are paid on by those boroughs to their senior officers, these sums are reflected in Note 26.

Entities Controlled by the Authority

At 31 March 2015 the Authority owned 100% of the shares in LondonWaste Ltd. In 2014/15 the Authority paid LondonWaste Ltd £37.489m (2013/14: £43.419m (Re-stated) for waste disposal and transport services. The Company paid a dividend to the Authority of £5.000m (2013/14: £7.000m). The Authority's accounts include a creditor of £5.844m (2013/14 £2.798m) in respect of the services provided to the Authority by the Company and a debtor of £1.822m (2012/13 £1.143m) in respect of income due to the Authority from the Company.

Amounts Written Off

No related party debts were written off in 2014/15 (2013/14: £nil) and no provisions for doubtful debts were raised (2013/14: £nil).

20. LEASING AND HIRE PURCHASE

Included within operating expenditure for both 2013/14 and 2014/15 are rents payable in respect of the Hendon Solid Waste Transfer Station, Brent Terrace.

21. CASH FLOW STATEMENT

	2014/15 £'000	2013/14 £'000
Cash flows from operating activities include:		
Interest Paid	2,422	3,050
Interest Received	(65)	(202)
Dividends Received	(5,000)	(7,000)
Other operating activities	(4,601)	3,078
	(7,244)	**(1,074)**
Cash flows from investing activities include:		
Purchase of property, plant and equipment	9	35
	9	**35**
Cash flows from financing activities include		
Repayment of loan from Public Works Loans Board	25,000	-
	25,000	**-**
Total (increase)/decrease in cash and cash equivalents	**17,765**	**(1,039)**

22. ANALYSIS OF CHANGE IN CASH AND CASH EQUIVALENTS

	At 31 March 2014 £'000	Cash flows £'000	At 31 March 2015 £'000

Funds lodged with Camden London Borough Council	30,753	(17,765)	12,988

23. DEFINED BENEFIT PENSION SCHEME

The Authority does not have any directly employed staff. The payroll and pension arrangements for staff wholly employed on authority business are administered by the London Borough of Camden and all transactions, assets and liabilities relating to these staff are included in the accounts of Camden's pension scheme. Similarly, the pension arrangements of the advisers to the Authority are managed by the respective adviser's own authority.

The Authority does however have obligations and liabilities in respect of the added years' element of pensions paid to retired former employees who were directly employed by the Authority prior to the transfer of staff to LondonWaste Ltd in December 1994. In 2014/15 the Authority paid £33,300 to the London Pension Fund Authority (£33,100 in 2013/14) in respect of these employees. The Authority's future liability as at 31 March 2015 has been calculated by Bennett Waddingham, the actuaries for the LPFA as being £0.385m (£0.376m at 31 March 2014).

The figure is based on the following assumptions:

	2015	**2014**
Return on assets discount rate	2.4%	3.6%
Pension increases	1.9%	2.4%
Inflation (RPI)	2.7%	3.2%
Inflation (CPI)	1.9%	2.4%

For 2014/15 the actuary adopted a set of demographic assumptions consistent with those used for the formal funding valuation of the LPFA as at 31 March 2013 (2013/14: valuation as at 31 March 2013). The Authority has recognised this liability in the balance sheet and established a pension reserve of an equal amount which is defrayed by the value of the payments made to the LPFA during the year, i.e. by means of a transfer to the pension reserve.

24. NON-MONETARY CAPITAL RECEIPTS

In October 2003, the Authority signed a relocation agreement with Ashburton Properties Ltd (the company set up by the Arsenal Football Club for the purpose of this relocation) and also the corresponding relocation agreement with LondonWaste Ltd for relocation of the Authority's waste transfer station from Ashburton Grove to Hornsey Street. Subsequently, in July 2004, following the issue of an independent Engineer's Certificate of Practical Completion, the Authority entered into two 999-year leases for the new facility at Hornsey Street.

Ashburton Properties Ltd therefore provided the new waste facility at Hornsey Street in exchange for the Authority's land at Ashburton Grove. There has been no capital outlay for the Authority in this respect, however, for the purpose of recognising the new asset in the Authority's accounts, the asset, which was originally valued at £12.440m at completion, is deemed to have been funded by a non-monetary capital receipt. As at 31 March 2015 the property was valued at £15.200m and £17.600m at 31 March 2014 (see also note 10).

25. COMMINGLED INCOME PAYMENT SCHEME (CIPS)

The Authority makes contributions towards the additional costs incurred by the constituent boroughs in collecting and delivering dry recyclable materials to the Authority. In practice payments to the boroughs are limited to the value of the income that Authority receives from the sale of the recyclable materials which in turn is determined by the tonnage supplied and sale prices achieved. The impact on the Authority's finances is therefore neutral. Income due to participating boroughs in respect of 2014/15 was £2.549m (2013/14: £2.704m).

26. OFFICERS' REMUNERATION

The Authority does not have any directly employed staff. Instead, staff are employed by the London Borough of Camden. The Statement of Arrangements between the Authority and the London Borough's of Camden and Haringey sets out the services that each borough will provide to the Authority including the provision of the Clerk and other key Adviser roles. The cost of these services is recovered from the Authority by Camden and Haringey. Details of staff employed wholly on NLWA business receiving annual remuneration in excess of £50,000 is shown below.

Senior Officers with remuneration between £50,000 and £150,000 per year.

		Salary	**Variable Pay** (note 1)	**Compensation for Loss of Office**	**Total excluding employers pension contributions**
Managing Director	2014/15	£138,000	£7,760	-	£145,760
	2013/14	£135,000	£2,000	-	£137,000
Procurement Director	2014/15	-	-	-	-
(Note 2)	2013/14	£91,667	£10,000	£16,110	£117,777
Head of Operations	2014/15	£83,330	£704	-	£84,034
	2013/14	£82,144	-	-	£82,144
Head of Finance (1)	2014/15	£86,595	-	-	£86,595
(note 3)	2013/14	£79,121	£1,377	-	£80,498
Head of Finance (2)	2014/15	£7,589	-	-	£7,589
(note3)	2013/14	-	-	-	-
Head of Legal &	2014/15	£70,575	£1,408	-	£71,983
Governance #	2013/14	£28,371	£287	-	£28,658

In November 2013 the Authority adopted a new senior management structure. Although no additional posts were created, the numbers of Heads of Service reporting to the Managing Director increased and thus fell within the scope of Regulation 7 of the Accounts and Audit (England) Regulations 2011. The remuneration detail shown above for post marked (#) is for the five months from November 2013 to March 2014. Details for 2014/15 are for the full year.

Note 1 – Variable pay is a non consolidated payment based on performance.

Note 2 – The Director of Procurement was in post from 1 April 2013 to 31 October 2013. The salary for 2013/14 is inclusive of pay in lieu of notice.

NOTES TO THE ACCOUNTS

Note 3 – The Head of Finance (1) retired on 31 March 2015. His replacement (2) commenced his duties in February 2015.

Employers pension contributions

		Employers Pension Contributions
Managing Director	2014/15	£38,234
	2013/14	£39,450
Procurement Director	2014/15	-
	2013/14	£28,473
Head of Operations	2014/15	£22,749
	2013/14	£21,245
Head of Finance (1)	2014/15	£24,024
	2013/14	£21,168
Head of Finance (2)	2014/15	£2,072
	2013/14	-
Head of Legal & Governance #	2014/15	£19,345
	2013/14	£7,521

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employers pension contribution) were paid the following amounts:

Salary range	2014/15	2013/14
£50,000 to £54,999	1	2
£55,000 to £59,999	2	1
£65,000 to £69,999	1	1
Total	4	4

Advisers

The Statement of Arrangements also provides for various Adviser roles. These roles are undertaken by specific posts within each Lead Borough. Advisers receive an honorarium the cost of which is recharged to the Authority as follows:

NOTES TO THE ACCOUNTS

		Honorarium	Employers pension contributions	Total
Clerk – Chief Executive (Camden)	2014/15	£8,747	£2,388	£11,135
	2013/14	£8,747	£2,461	£11,208
Financial Adviser - Director of Finance	2014/15	£8,165	£2,229	£10,394
(Camden)	2013/14	£8,165	£2,296	£10,461
Legal Adviser – Borough Solicitor	2014/15	£7,012	£1,914	£8,926
(Camden)	2013/14	£7,012	£1,946	£8,958
Technical Adviser – Director of	2014/15	£6,996	£1,462	£8,458
Environment (Enfield)#	2013/14	£6,996	£1,435	£8,431
Valuation Adviser – Head of Corporate	2014/15	-	-	-
Property Services – Haringey (Note 1)	2013/14	£3,586	-	£3,586
Planning Adviser – Executive Director	2014/15	£2,885	-	£2,885
of Environment & Regeneration -	2013/14	£6,923	-	£6,923
Waltham Forest# (Note 2)				
# These appointments are outside the Lead Borough arrangement.				

Note 1 - The Valuation Adviser role fell vacant during 2013/14. The role is currently under review.

Note 2 – The Planning Adviser's employment at Waltham Forest ceased during 2014/15. Pending a review of this role, the Authority has put in place interim temporary arrangements.

INTRODUCTION TO THE GROUP ACCOUNTS

Until 22 December 2009 the Authority held a 50% interest in the shares of LondonWaste Ltd. The interest arose as a result of the Acquisition and Collaboration Agreement between the Authority and Sita UK Ltd. The company was established as a consequence of the requirements of the Environmental Protection Act 1990. However, on 22 December 2009 the Authority purchased the shares held by its joint venture partner and LondonWaste Ltd became wholly owned by the NLWA but continues to operate at arm-length with its own board of directors and management team.

ABOUT LONDONWASTE LTD

LondonWaste Ltd is a company limited by shares incorporated in England and Wales. The company's origins date back to the late 1960's when the Greater London Council (GLC) built the Edmonton Energy from Waste plant. The plant was operated by the GLC until 1986, when the body was abolished. Between 1986 and 1994 the Edmonton plant was owned and operated by the Authority. In 1994 the plant was transferred to a unique public/private partnership between the Authority and SITA, resulting in the formation of the Company. Today LondonWaste Ltd has returned to NLWA ownership and handled approximately 800,000 tonnes of waste in 2014. The company employs over 250 staff offering a wide range of services. The company is committed to providing economic, efficient, and environmentally responsible solutions for disposal and treatment of waste, and ultimately, to help preserve and protect the environment.

ABOUT THE GROUP ACCOUNTS

The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom requires the primary statements of the Authority to be prepared on a stand-alone basis to enable the reader to understand how the Authority has accounted for its stewardship of the funds supplied by local taxpayers through the charges made to and levies raised from the constituent boroughs.

Where an Authority has a significant interest in the operation of a company the Code of Practice recognises that a full understanding of the overall picture of the Authority’s operations and resources can only be gained from summarised group accounts. Accordingly, the accounts of the Authority contain summarised group accounts which present the consolidated financial position of the Authority and its interest in LondonWaste Ltd.

In accordance with IFRS 3 *Business Combinations* and the Code of Practice, LondonWaste has been included on a line by line basis. Accordingly, these group accounts consist of:

- this introduction, explaining the basis on which the group accounts have been prepared;
- a group movement in reserves statement;
- a group comprehensive income and expenditure statement;
- a group balance sheet;
- a group cash flow statement.

GROUP MOVEMENT IN RESERVES STATEMENT

2013/14 Restated	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2013	**24,697**	**1,000**	**1,439**	**27,136**	**84,204**	**111,340**
<u>Movement in reserves during 2013/14</u>						
Surplus or (deficit) on provision of services	(912)	-	-	**(912)**	-	**(912)**
Other Comprehensive Expenditure and Income	1,167	-	-	**1,167**	-	**1,167**
Total Comprehensive Income and Expenditure	**255**	**-**	**-**	**255**	**-**	**255**
Adjustments between accounting basis & funding basis under regulations	(2,640)	-	-	**(2,640)**	2,640	-
Net Increase/(Decrease) in 2012/13	**(2,385)**	**-**	**-**	**(2,385)**	**2,640**	**255**
Balance at 31 March 2014 carried forward	**22,312**	**1,000**	**1,439**	**24,751**	**86,844**	**111,595**

Property at Hornsey Street has been classified as an investment property in previous financial statements. As the facility is leased to LondonWaste Ltd which is wholly owned by the Authority, the classification has been changed and is shown in these statements as property, plant and equipment. Although this change has no impact on the Authority's Total Comprehensive Income and Expenditure or retained balances and other usable reserves, elements of the 2013/14 Movement in Reserves Statement are restated as a result of the reclassification. Further detail can be found in the Authority's accounting statements.

GROUP MOVEMENT IN RESERVES STATEMENT

2014/15	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2014 brought forward	**22,312**	**1,000**	**1,439**	**24,751**	**86,844**	**111,595**
Movement in reserves during 2014/15						
Surplus or (deficit) on provision of services	6,165	**-**	**-**	**6,165**	**-**	**6,165**
Other Comprehensive Expenditure and Income	(3,377)	**-**	**-**	**(3,377)**	**-**	**(3,377)**
Total Comprehensive Income and Expenditure	**2,788**	**-**	**-**	**2,788**	**-**	**2,788**
Adjustments between accounting basis & funding basis under regulations	(930)	-	-	**(930)**	930	-
Net increase/Decrease before transfers from Earmarked Reserves	**1,858**	**-**	**-**	**1,858**	**930**	**2,788**
Transfers from Earmarked Reserves	1,000	(1,000)	-	-	-	-
Balance at 31 March 2015 carried forward	**25,170**	**-**	**1,439**	**26,609**	**87,774**	**114,383**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14 Restated				2014/15		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
82,589	(45,045)	37,544	Environmental and regulatory services	77,957	(41,392)	36,565
82,589	**(45,045)**	**37,544**	**Cost Of Services**	**77,957**	**(41,392)**	**36,565**
		(41,829)	Other Operating (Income) and Expenditure			(46,452)
		2,542	Financing and Investment (Income) and Expenditure			1,902
		2,655	Taxation and Non-Specific Grant Income			1,820
		912	**Surplus on Provision of Services**			**(6,165)**
		677	(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets			2,060
		(1,844)	Actuarial (Gain)/Loss on Pension Assets			1,317
		(1,167)	**Other Comprehensive Income and Expenditure**			**3,377**
		(255)	**Total Comprehensive Income and Expenditure**			**(2,788)**

As per the note in the Movement in Reserves Statement, the re-classification of the Hornsey Street facility requires the restatement of some lines of the 2013/14 Comprehensive Income and Expenditure Statement. Although this change has no impact on the Authority's Total Comprehensive Income and Expenditure or retained balances, the presentational requirements are different. are different.

In order to maintain meaningful year on year comparisons the 2013/14 accounting statements have been restated to reflect the change in classification.

GROUP BALANCE SHEET

	Note	31 March 2015 £'000	31 March 2014 Restated £'000	31 March 2013 Restated £'000
Property, Plant and Equipment	4.6, 4.8	111,031	117,105	120,798
Intangible Assets – Goodwill	4.6, 4.8	50,213	50,213	50,213
LONG TERM ASSETS		**161,244**	**167,318**	**171,011**
CURRENT ASSETS	4.9	**42,638**	**62,325**	**57,203**
CURRENT LIABILITIES	4.7, 4.10	**(40,079)**	**(43,274)**	**(14,146)**
Long Term Borrowings		(45,000)	(70,000)	(95,000)
Long Term Liabilities - Pension		(1,156)	(749)	(3,203)
Deferred Taxation		(3,264)	(3,171)	(3,887)
Other Long Term Liabilities		-	(854)	(638)
LONG TERM LIABILITIES		**(49,420)**	**(74,774)**	**(102,728)**
NET ASSETS		**114,383**	**111,595**	**111,340**
Usable Reserves				
General Fund Balance		25,170	22,312	24,697
Earmarked Reserve		-	1,000	1,000
Usable Capital Receipts Reserve		1,439	1,439	1,439
Unusable Reserves				
Capital Adjustment Account	4.7	37,818	34,819	31,568
Revaluation Account		5,938	6,578	4,370
Capital Revaluation Account		21,706	21,706	21,706
Acquisition Revaluation Reserve		22,697	24,117	27,003
Pension Reserve		(385)	(376)	(443)
TOTAL RESERVES		**114,383**	**111,595**	**111,340**

Mike O'Donnell CPFA

Financial Adviser September 2015

These financial statements replace the unaudited statements certified by Mike O'Donnell on 30 June 2015.

RESTATEMENT NOTE

The Balance Sheet at 31 March 2015 reflects the re-classification of the Hornsey Street facility. In order to maintain meaningful year on year comparisons, a prior period adjustment for the 2013/14 balances has been processed and the accounting statements for this year have been restated to reflect the change in classification. The Group's usable reserves are unaffected as a result of this change.

In previous years, the creditor provision for interest due on the Authority's borrowings was split into a long term and a short term element in line with the maturity of the relevant loans. With effect from 2014/15 the Authority is treating the entirety of the creditor provision as a short term creditor. The Balance Sheets for 31 March 2014 and 31 March 2013 have been restated.

GROUP CASH FLOW STATEMENT

	2014/15 £'000	2013/14 Restated £'000
Net surplus on the provision of services	(6,165)	912
Adjustments to net surplus on the provision of services for non-cash movements	(1,188)	(7,421)
Adjustments to net surplus for items that are financing activities	-	-
Net cash inflow from operating activities	(7,353)	(6,509)
Investing activities	1,987	2,471
Financing activities	25,000	-
Net increase in cash and cash equivalents	19,634	(4,038)
Cash and cash equivalents at the beginning of the reporting period	(52,079)	(48,041)
Cash and cash equivalents at the end of the reporting period	32,445	52,079

RESTATEMENT NOTE

The reclassification of the Hornsey Street facility to property, plant and equipment has no effect on the Group's cash balances at either 31 March 2015 or 31 March 2014 but a restatement of some elements of the 2013/14 cash flow statement is required.

1. ACCOUNTS OF LONDONWASTE LTD

The 2014 accounts were approved by the Board of LondonWaste Ltd on 23 April 2015 and received an unqualified audit opinion by BDO LLP (the Company's statutory auditor) on 26 April 2015. LondonWaste Ltd is not required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 or to present statements in a format that meets International Financial Reporting Standards (IFRS). However, for the purpose of preparing the NLWA Group Accounts it has been necessary to review the LondonWaste Ltd approved accounts in the light of IFRS requirements before consolidation. In practice there are a limited number of changes to the LondonWaste Ltd accounts. The principal adjustment relates to the value of non-current assets, however, as the Group Accounts for 2014/15 had been prepared on a fair value basis there is minimal impact.

The accounts of LondonWaste Ltd can be obtained from the Company Secretary, LondonWaste Ltd, Energy from Waste Plant EcoPark, Advent Way, Edmonton, London N18 3AG.

2. INVESTMENT IN LONDONWASTE LTD

Summarised balance sheet of LondonWaste Ltd

	Note	31 December 2014 £'000	31December 2013 £'000
LONG TERM ASSETS			
Tangible assets	4.6	37,865	40,128
		37,865	40,128
CURRENT ASSETS			
Stocks		1,808	1,715
Debtors		11,641	7,983
Investments		-	5,051
Cash at bank and in hand		19,457	16,275
		32,906	31,024
CREDITORS: amounts falling due within one year		(11,934)	(10,130)
NET CURRENT ASSETS		20,972	20,894
TOTAL ASSETS LESS CURRENT LIABILITIES		58,837	61,022
PROVISIONS FOR LIABILITIES -			
Deferred tax		(3,264)	(3,171)
Other provisions		-	(854)
NET ASSETS EXCLUDING PENSION LIABILITY		55,573	56,997
Defined benefit pension scheme liability		(771)	(373)
NET ASSETS INCLUDING PENSION LIABILITY		54,802	56,624
CAPITAL AND RESERVES			
Called up share capital		31,196	31,196
Share premium		1,648	1,648
Profit and loss account		21,958	23,780
TOTAL EQUITY SHAREHOLDERS' FUNDS		54,802	56,624

3. SHARE PREMIUM RESERVE

The share premium reserve represented the Authority's 50% share of LondonWaste Limited's share premium account.

4. NOTES TO THE GROUP ACCOUNTS

In addition to the notes and accounting policies to the Authority only accounts the following disclosures are made in respect of LondonWaste Ltd.

Accounting Policies

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2015. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the comprehensive income and expenditure statement from the date of acquisition or up to the date of disposal.

4.2 **Goodwill**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions has been capitalised.

4.3 **Inventories**

Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

4.4 **Deferred Taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as likely that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

4.5 **Pensions**

LondonWaste Ltd operates a defined benefits pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The pension charge is based on the latest actuarial valuation.

For the defined benefit scheme, the company recognises the net assets or liabilities of the scheme in the balance sheet, net of any related deferred tax liability or asset. The changes in scheme assets and liabilities, based on actuarial advice are as follows:

a. The current service cost based on the most recent actuarial valuation is deducted in arriving at operating profit.
b. The interest cost, based on the present value of the scheme liabilities and the discount rate at the beginning of the year and amended for changes in scheme liabilities during the year, is included as interest.
c. The expected return on scheme assets, based on the fair value of scheme assets and expected rates of return at the beginning of the year and amended for changes in the scheme assets during the year, is included as interest.
d. Actuarial gains and losses, representing differences between the expected return and actual return on scheme assets, differences between the actuarial assumptions

underlying the scheme liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in the movement in reserves statement.

e. Past service costs are spread evenly over the period in which the increases in benefit vest and are deducted in arriving at operating profit. If an increase in benefits vests immediately, the cost is recognised immediately.

f. Gains and losses arising from settlements or curtailments not covered by actuarial assumptions, are included in operating profit.

4.6 **Non Current Assets and Depreciation**

The non-current assets of LondonWaste Ltd are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost of those assets, less their residual value, over the expected useful lives on the following basis:

Plant and equipment	6.66% - 10% per annum on cost
Motor Vehicles	12.5% - 25% on cost
Office equipment	12.5% - 25% on cost
Freehold buildings	5% - 7% on cost

The following table provides a summary of the book value of assets held by LondonWaste Ltd as at 31 December 2014 as adjusted for the revaluation undertaken by Savills as at the same date for the purpose of obtaining an up-to-date fair value of the non-current assets held by the Company:

	Freehold Land	**Property, buildings, Plant & machinery**	**Motor Vehicles**	**Office Equipment**	**Capital Works In progress**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost at 31 December 2014	11,750	99,506	1,695	7,031	615	120,597
Depreciation at 31 December 2014	0	75,178	1,253	6,301	0	82,732
Net book value at 31 December 2014	11,750	24,328	442	730	615	37,865
Additional value as a result of valuation at 31 December 2014	23,516	23,306	0	0	0	46,822
Total adjusted value of assets at 31 December 2014	35,266	47,634	442	730	615	84,687

4.7 **Accounting for Capital Grants**

In 2005 the Authority was successful in securing a capital grant from the London Recycling Fund to assist with the funding of a new In-vessel Composting Facility (IVC) at LondonWaste Ltd's Eco-Park. £1.7m was paid over to LondonWaste Ltd in March 2005 which was offset by the receipt of a grant from the London Recycling Fund. LondonWaste Ltd constructed the IVC facility at the Eco-Park and has been using it to process compostable waste delivered by the Authority since 2005.

Under The Code of Practice, where there were no conditions attached or where the recipient has complied with any conditions, the grant must be recognised immediately in the Comprehensive Income and Expenditure Statement. If the expenditure that the grant was intended to fund has been incurred the income must be reversed out of General Fund balances via the Movement in reserves Statement.

The policy of LondonWaste Ltd with regard to this grant has been to amortise the grant over the 15 year expected life of the IVC facility. Accordingly, each year, the Company credits its Profit and Loss Account with £0.113m; with the un-amortised balance being retained as a creditor. This accounting treatment is not compliant with the Code.

The Authority therefore, as part of the group accounts consolidation process, has changed the accounting treatment of the grant to reflect the provisions of the Code.

4.8 Acquisition Note

On 22 December 2009, the Authority acquired the remaining 50% of its joint venture, LondonWaste Limited. LondonWaste Limited is fully consolidated in these financial statements. The acquisition has been accounted for using acquisition accounting. The goodwill arising at acquisition of £50.213m was capitalised.

The 2009 accounts for LondonWaste Ltd showed that the Company's net assets were valued at £46.327m at 31 December 2009. The Code of Practice requires the Authority to take into account the estimated fair value of LondonWaste Ltd at the balance sheet date and therefore in preparing its 2009/10 accounts the Authority determined this to be £94.577m after a positive adjustment of £48.250m to the Company's non-current assets.

For the purposes of ensuring that the 2014/15 group accounts were prepared in accordance with International Financial Reporting Standards (IFRS), LondonWaste Ltd commissioned chartered surveyors Savills to value the company's land, buildings and plant and machinery at 31 December 2014. Savills concluded that the fair value of these assets at that date was £82.900m, i.e. an increase of £46.822m over the figure of £36.078m included in the company's balance sheet as at 31 December 2014. These adjustments have been reflected in the group balance sheet.

The increase in the net assets on acquisition of LondonWaste Ltd gave rise to an increase in value which is recorded in an Acquisition Revaluation Reserve in the sum of £24.125m and included in the 2009/10 group accounts. Annual valuations undertaken since then to December 2013 reduced this reserve by £0.008m to £24.117m. A further valuation at December 2014 has reduced this reserve by £1.420m bringing the balance to £22.697m.

4.9 Analysis of Current Assets

	31 March 2015 £'000	31 March 2014 £'000
Balance held with LB Camden*	12,988	30,753
HM Revenue and Customs	1,025	1,211
Other debtors	7,361	7,320
Stocks	1,808	1,715
Investments*	-	5,051
Cash at Bank*	19,457	16,275
	42,639	62,325
* Cash and cash equivalent	32,445	52,079

4.10 Analysis of Current Liabilities

	31 March 2015 £'000	31 March 2014 Restated £'000	31 March 2013 Restated
Short Term Borrowings	(26,138)	(26,433)	(1,433)
Other creditors	(13,428)	(13,988)	(9,142)
Central Government	(513)	(2,853)	(3,571)
	(40,079)	(43,274)	(14,146)

NORTH LONDON WASTE AUTHORITY

REPORT TITLE

2015/16 SECOND BUDGET REVIEW

REPORT OF

FINANCIAL ADVISER

FOR SUBMISSION TO **DATE**

AUTHORITY MEETING 25 SEPTEMBER 2015

1. **SUMMARY OF REPORT**

This report is the second in the current year on the Authority's finances. It concludes that the Authority is forecast to have a revenue surplus of £7.764m at 31 March 2016, i.e. an increase of £0.836m compared with the first budget review.

The forecast for residual waste tonnage has been lowered in the current year by 1.28% compared to budget. While not significant in overall terms, this reduces the forecast for waste disposal and landfill tax expenditure by £0.519m.

The cost of financing the Authority's capital expenditure has been reviewed and savings of £0.680m in the current year and recurring savings of £0.181m have been identified.

The Reuse & Recycling Centre (RRC) at Summers Lane in Barnet will transfer to the Authority on the 4th October this year. The cost of running the RRC has been included in this budget review, increasing this year's costs by £0.363m

A further review of the 2015/16 budget together with an up-to-date detailed assessment of the budget and resource requirements for 2016/17 reflecting the expected new contractual arrangements will be reported to the Authority in December.

2. **RECOMMENDATIONS**

The Authority is requested to note:-

(i) The second review of the 2015/16 revenue budget.

(ii) That a third review of the 2015/16 budget will be reported to the Authority meeting in December together with an up-to-date assessment of the budget and resource requirements for 2016/17.

Signed by the Financial Adviser

Agreed by Mike O'Donnell

Date: 16 September 2015

3. **Introduction**

3.1 At the February budget setting meeting the Authority agreed to retain balances of £3.632m to help fund the 2016/17 budget. At the Authority meeting in June, Members were advised that the 2014/15 outturn resulted in a revenue surplus of £3.479m at 31 March 2015. I also advised that the first review of the 2015/16 budget indicated that a small overall over-spend of £0.183m could be expected.

	£m
Higher level of balances brought forward from 2014/15	(3.479)
Slippage from 2014/15 of Reuse and Recycling Centre improvement works	0.043
Slippage from 2014/15 of sites and planning process costs	0.292
Savings in borrowing costs	(0.152)
Total	**(3.296)**

3.2 Taken as a whole therefore, it was estimated that balances at 31 March 2016 would be £6.928m. As a result of the second review, forecast revenue balances at the year-end are now estimated to increase by a further £0.836m to £7.764m. This report provides details of the main changes and other issues that have arisen since the June meeting.

4. **Second Budget Review**

4.1 **Transport, Disposal and Landfill Tax: (- £0.519m)**

4.1.1 The 2015/16 budget was prepared against a background of year on year reductions in residual waste tonnage but with evidence that the rate of slowdown was falling and that tonnages could begin rise. Accordingly an allowance for growth was factored into the calculations. Taking this into account, the 2015/16 budget for treating residual waste was based on 596,727 tonnes.

4.1.2 Based on April to June tonnage and trends seen in recent years, 2015/16 forecast residual tonnage comapared with 2014/15 levels for each borough may be summarised as follows:-

Table 1	**September Forecast (Second Review) %**
Barnet	- 0.25
Camden	- 2.25
Enfield	+ 2.57
Hackney	- 0.30
Haringey	- 1.09
Islington	+ 2.78
Waltham Forest	- 1.71
Overall Position	**- 0.04**

4.1.3 The figures in table 1 reveal a mixed picture at a borough level but the trend of declining overall volumes has slowed. In preparation for the forthcoming budget process the Authority will liaise with borough officers to determine whether the early year waste stream changes are likely to continue for the remainder of the year and beyond. The outcome of this review together with an up-to-date assessment by boroughs of their recycling ambitions will help inform an assessment of the impact that this could have on the Authority's 2016/17 waste treatment services and budget requirements. Conclusions from these discussions will be reported to the December meeting of the Authority as part of the detailed update on 2016/17 budget prospects. For this review however since the forecast above is based on statistics from years when tonnages were falling it would be prudent to factor in an allowance for growth. Based on the June data, borough forecasts of their own recycling activity and a prudent assumption of underlying waste growth, total residual tonnage for 2015/16 is forecast to be 589,116 i.e. 7,611 tonnes (1.28%) less than budget. The saving in treatment costs and Landfill Tax in 2015/16 is estimated to be £0.519m.

4.2 **Summers Lane Reuse and Recycling Centre: (+£0.363m)**

The Authority will take over the management of this centre from London Borough of Barnet in October 2015. No provision was included in the Authority's 2015/16 budget for the costs that it will incur in operating the centre for the remaining six months of the year. The Authority will retain the expenditure incurred in 2015/16 as a balance at 31 March 2016 and will factor these costs into Barnet's RRC levy for 2016/17.

4.3 **Revenue Funding – Capital Programme: (-£0.680m)**

4.3.1 This budget provides for the revenue cost of financing the Authority's capital programme. The borrowing requirements have been reviewed, saving £0.445m this year. The purchase of Western Road RRC from LB Haringey has not yet been completed, saving £0.235m in combined interest and Minimum Revenue Provision.

4.4 A summary of the current position is included at appendix 1.

5. <u>Review of the Outlook for 2016/17, 2017/18 and 2018/19</u>

5.1 The changes to the budget that have been presented in both the first and second reviews have all been one off in nature with the exception of the changes to the Authority's borrowing requirements and the transfer of the Summers Lane RRC to the Authority. The latter is anticipated to have a full year cost in the region of £0.751m per annum. This is partially offset by the refinancing of a loan which creates in a recurring saving of £0.181m per annum. The slight drop in residual waste may well create a similar saving in future years. The likelihood of this will be included in the next review when further data is available.

5.2 The second budget review currently envisages that the Authority could have revenue balances of £4.132m in addition to the budgeted balance of £3.296m to assist with the funding of future years. A more detailed view of future years will be presented to the December meeting.

6. <u>Conclusion</u>

6.1 Subject to member decisions, the improvement in the revenue balance at 31 March 2015 and the variations included in this review indicate that the Authority's reserves at the end of March 2016 will have increased by £0.836m from the first review to £7.764m.

7. Comments of the Legal Adviser

7.1 The Legal Adviser has been consulted in the preparation of this report, and comments have been incorporated into the report.

Local Government Act 1972 - Section 100 as amended

Documents used in the preparation of this report: -
Reports to the Authority 12 February 2015 and 25 June 2015
2015/16 budgetary control working papers

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pg/nlwa/201516 2nd budget review

Appendix 1	2015/16 Original Budget £'000	2015/16 First Review £'000	2015/16 Second Review £'000	Variance Between 1st & 2nd Review £'000
Expenditure				
Main Waste Disposal Contract (ex CA Waste)	25,305	25,305	25,082	(223)
Civic Amenity Waste	1,472	1,472	1,472	0
Landfill Tax	9,058	9,058	8,762	(296)
Composting Services	2,480	2,480	2,480	0
MRF Services	6,362	6,362	6,362	0
Transfer Stations and Other Sites	1,516	1,516	1,516	0
Household Waste Recycling Centres	2,523	2,566	2,929	363
Corporate and other Support Service Costs	2,611	2,611	2,611	0
Operations Team	544	544	544	0
Waste Reduction Programme – New Initiatives	373	373	373	0
Technical and Planning Team	479	479	479	0
Joint Communications Initiative	305	305	305	0
Recycling Initiatives	305	305	305	0
Commingled Income Payment Scheme	2,370	2,150	2,150	0
Sites and Planning Process Costs	3,566	3,858	3,858	0
Next Steps – Strategy and Options Review	250	250	250	0
Revenue Funding – Capital Programme	7,906	7,754	7,074	(680)
	67,425	67,388	66,552	(836)
Income				
Rents	(107)	(107)	(107)	0
Sale of Recyclates	(2,370)	(2,150)	(2,150)	0
Interest on Balances	(55)	(55)	(55)	0
Estimated Dividend Stream (LondonWaste Ltd)	(1,000)	(1,000)	(1,000)	0
	(3,532)	(3,312)	(3,312)	0
Net Expenditure	63,893	64,076	63,240	(836)
Contingency	2,280	2,280	2,280	0
Total Net Expenditure	**66,173**	**66,356**	**65,520**	**(836)**
Financed By:				
Balances b/fwd	(8,311)	(11,790)	(11,790)	0
Charges to Boroughs (Non-household waste)	(9,607)	(9,607)	(9,607)	0
Charges to Boroughs (Household waste)	(1,803)	(1,803)	(1,803)	0
Levy – Base Element	(43,629)	(43,629)	(43,629)	0
Levy – HWRC Element	(2,823)	(2,823)	(2,823)	0
Total Resources Available	**(66,173)**	**(69,652)**	**(69,652)**	**0**
Forecast Balances at 31 March 2016	**0**	**(3,296)**	**(4,132)**	**(836)**
Retained Balances	**(3,632)**	**(6,928)**	**(7,764)**	**(836)**

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Agenda Item

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:
OPERATIONS UPDATE

REPORT OF:
HEAD OF OPERATIONS

FOR SUBMISSION TO:	**DATE:**
AUTHORITY MEETING	25 September 2015

SUMMARY OF REPORT

This report provides information relating to the development of the Authority's operational services.

RECOMMENDATION:

The Authority is recommended to note the information concerning the Kings Road re-use centre, progress on the transfer of the Summers Lane re-use and recycling centre, mixed dry recycling markets and other general operational matters.

Signed by: Head of Operations ________________________

Date: 16 September 2015

1. Overview

1.1. The Authority has been working with LondonWaste Ltd (LWL) in finding opportunities to further promote re-use and recycling across the Authority area. At the time of writing this report the arrangements for the Kings Road re-use centre have been finalised and the centre started operating on the 10th September 2015, with a formal opening being planned in the next six to eight weeks.

1.2. Members will recall the Authority has agreed with LB Barnet that the Authority will take over the operation of the Summers Lane re-use and recycling centre (RRC). Ongoing progress has been made and the transfer is on course with the Authority taking over management of the RRC on 4th October 2015.

1.3. Other matters covered in this report are related to the increase in reported contamination levels of mixed dry recycling following the introduction of the MRF code of practice, market trends in relation to mixed dry recycling, and general operational service matters.

2. Kings Road Re-use Centre

2.1. Prior to the transfer of the Kings Road RRC to the Authority in June 2012 a small re-use centre operated from the site. This centre was closed as LB Waltham Forest's previous RRC operations contract came to an end, and its contractor removed all its equipment from the premises.

2.2. As most recently noted in the 2014/15 Annual Report, plans have been developed, design proposals drafted following best practice guidance from WRAP, and planning permission obtained for a re-use centre. Work commenced in February 2015 and at the time of writing this report the development work at the centre has finished with the centre having started operating on the 10th September 2015; a formal opening is being planned in the next six to eight weeks.

2.3. As noted at the last Authority meeting, the shop will be stocked from re-use items collected from the RRCs under the Authority's control and LWL will employ two suitably experienced and trained staff to run the centre; and the centre staff will be full time and the shop is expected to be open Thursday to Saturday between 9.00am -4.30pm. This is to allow a further two days for staff to record and prepare all suitable items for sale. It is also to provide scope for the centre to open a further one day a week should there be sufficient items to sell or the preparation of items is not as time consuming as anticipated.

2.4. LWL will manage the re-use centre for 18 months during which time a full review will be carried out and a decision made on whether the re-use centre stays under LWL management or a contract sought with the third sector or other party, in which case the services of a separate organisation will be procured to operate the centre. In the meantime, as previously noted, income received from the centre will be used to offset the re-use centre's operational costs, with any surplus amounts used to enhance the Authority's wider waste prevention work or other initiatives as agreed by Members from time to time.

3. SUMMERS LANE (BARNET) RRC

3.1 On 11th June 2015 LB Barnet's Environment Committee decided to transfer the operation of the Summers Lane Re-use and Recycling Centre (RRC) to the Authority.

3.2 The Authority agreed to this at its June meeting, and work is on course with the transfer date of the RRC expected to be 4th October 2015.

3.3 The cost to the Authority of operating the Summers Lane RRC is estimated to be £751,000 full-year equivalent, based on information from LB Barnet. Any unbudgeted expenditure in the current financial year will be recovered from LB Barnet.

4. MIXED DRY RECYCLING

4.1 In relation to the services for mixed dry recyclables, the two contractors having implemented the materials recovery facility (MRF) code of practice are now supplying more detailed data about the quality of materials delivered. This is enabling the Authority to report borough-specific contamination rates for their delivered mixed dry recyclables, which will then feed through into the boroughs' published recycling rates.

4.2 As a result of the increased level of inspection and analysis at the MRFs more incoming loads have been rejected and reported contamination rates have increased. Officers are working with MRF contractors, borough officers and LondonWaste Ltd to ensure the analyses are correct and to improve the quality of materials being delivered.

4.3 As requested at the last Authority meeting, information is provided below concerning the income share arrangement with the two MRF contractors. This income from the sale of separated recyclates is subject to various outside pressures because it occurs within global commodity markets.

4.4 The chart below shows how the tonnages of mixed dry recycling managed by the Authority have been steadily increasing (red line) each year, but that the income received under the above arrangements has been more variable (blue line), and did in fact fall in cash terms last year.

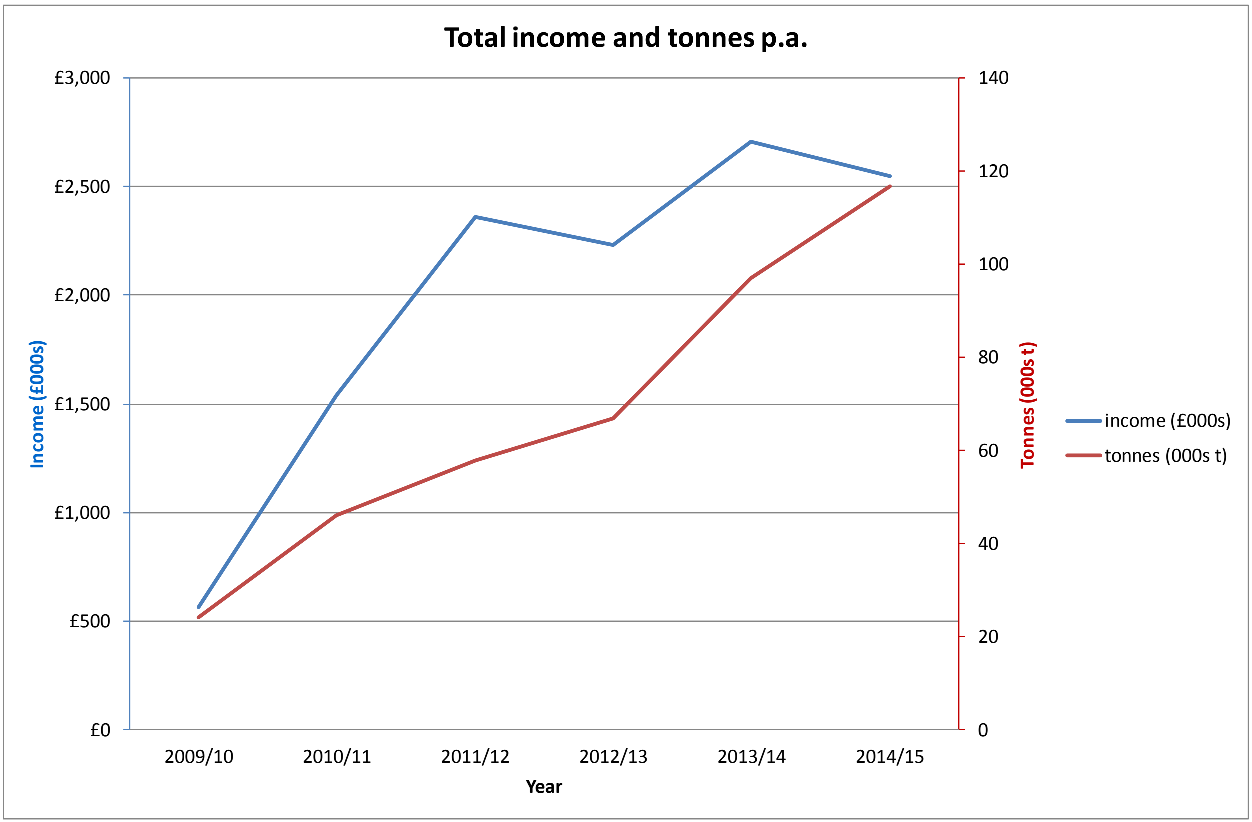

Figure 1: MRF services contract total tonnes and total income (2009/10 was a part year)

4.5 The next chart shows the changes per tonne, such that whilst the gate fee payable by the Authority has risen steadily with inflation (orange line), the income per tonne has been in decline since 2011/12 (green line).

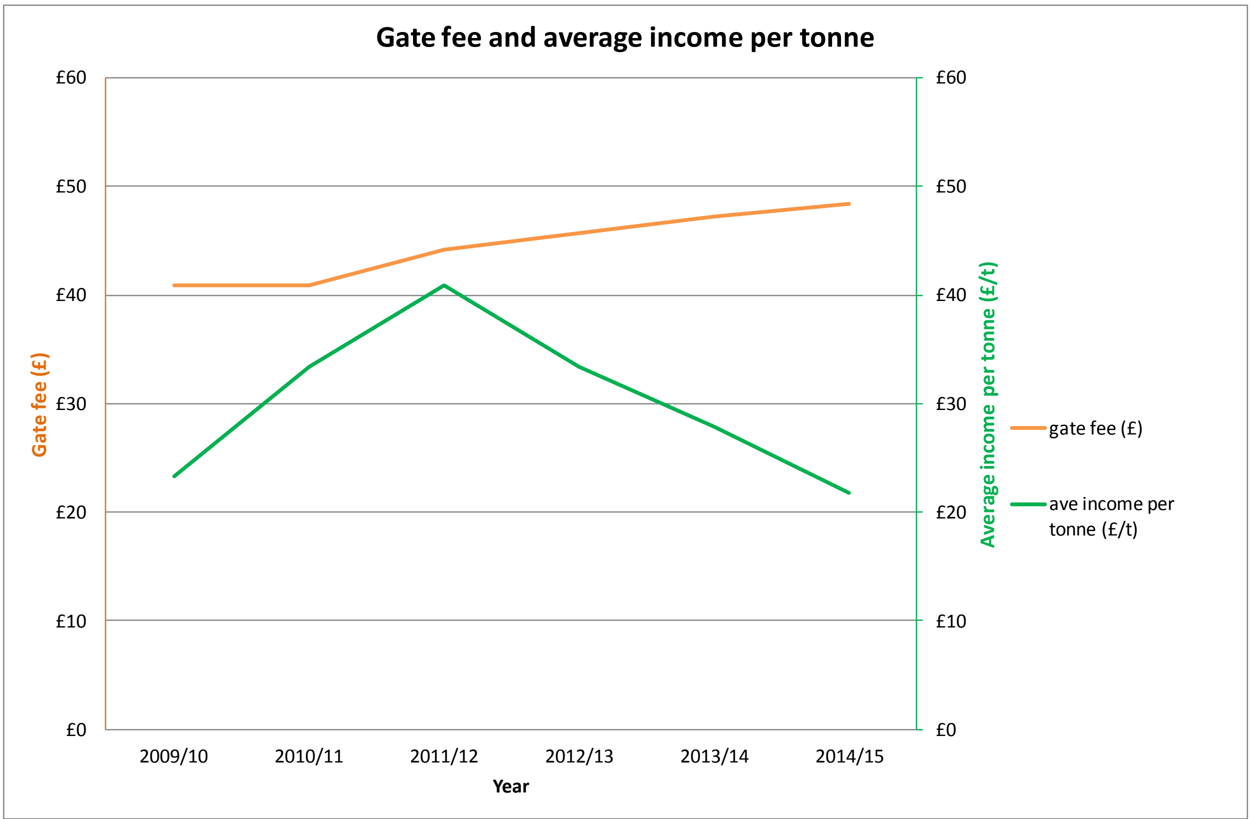

Figure 2: MRF services contract gate fee and income per tonne (indexation and markets respectively)

4.6 In order to provide wider context, the chart below shows the wide range of gate fees charged by MRFs (the grey blocks) and the median price each year (the black line) as published annually by WRAP (Waste Resource Action Programme), based on a survey of local authorities willing to provide information; this is overlaid with the Authority's average net cost of recycling (green line) which has been below the median for four years and above it for two.

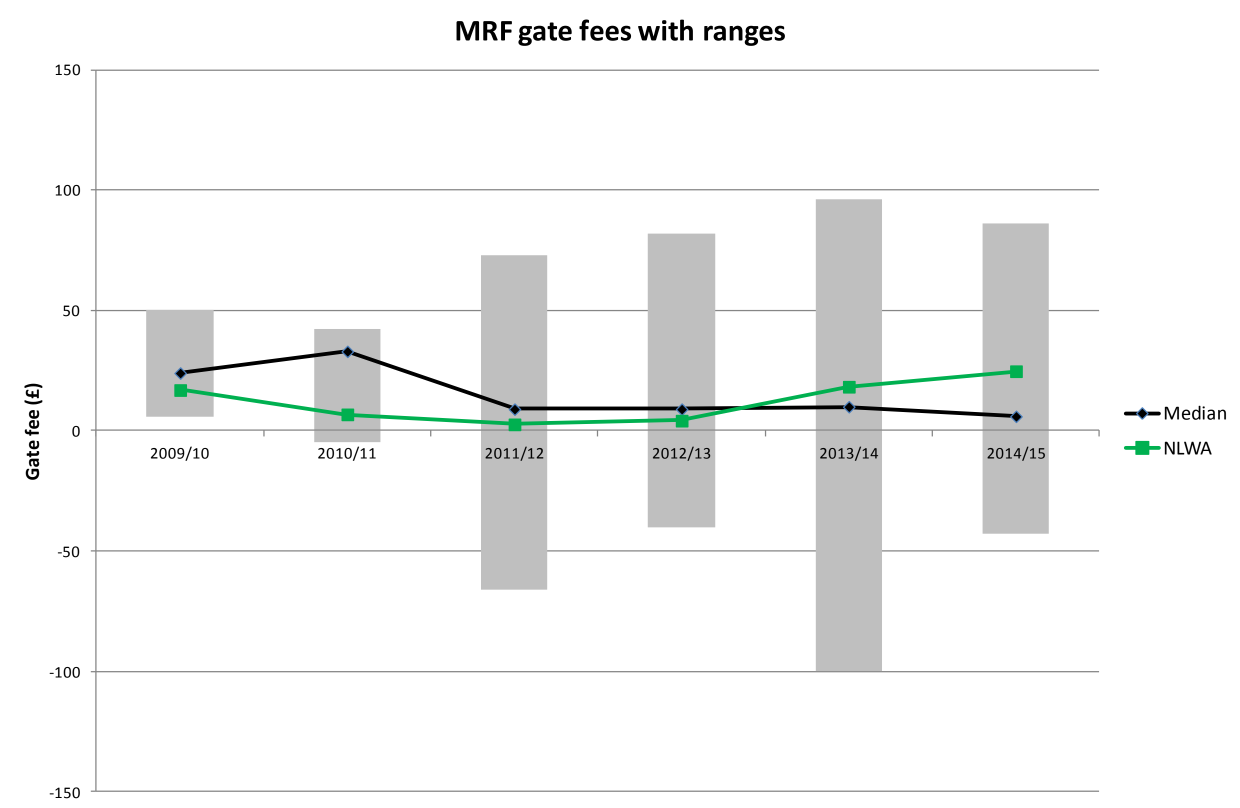

Figure 3: MRF gate fees – national ranges and medians as published by WRAP

4.7 The Authority's contract was intended to be sustainable and fair in the medium term, as it was initially awarded for just over five years, with extension provisions for up to five further years. It provided for a gate fee in relation to the contractors' basic operating costs and for the contractors to pass back to the Authority half of all income received from the sale of our recyclates. It can be seen that when the prices of recyclates were higher, our net cost of recycling was lowest, and as the prices of recyclates have fallen back down our net cost of recycling has risen, albeit without the volatility shown in Figure 4 below. It should also be noted that the contract has been able to cope with significantly increasing tonnages over time and during 2013 the addition of Barnet's mixed dry recyclables.

4.8 This information from WRAP, however, can only be an indicative guide because it does not give detail of the types of arrangements entered into by local authorities and it is considered that many of these are short term agreements which expose the local authority to more market risk and less certainty of service. There are also likely to be variations regionally and with the size of each contract, as MRF operators will choose which contracts to bid for. And on a more problematic note for some local authorities there have even been reported examples of local authorities having to make emergency arrangements due to MRFs closing[1] or MRFs withdrawing from tenders[2].

4.9 MRFs place the sale of recyclates into the global secondary materials markets and to predict what these markets will achieve in the future is difficult. In 2011 the emerging markets, such as China and other far eastern economies were in a high period of growth and demand was high. At that time opinion was that these emerging markets would enter into a long period of sustainable growth and the demand for secondary material would remain high for a long time. Members will be aware however of the news surrounding these economies and the continued slowing down being faced.

4.10 This has a direct impact on the amount of income the Authority receives, which the Authority has regard to when setting the level of its contributions to relevant boroughs' additional costs of collection through the CIPS (Commingled Income Payment Scheme). When attempting to forecast to Members and boroughs through budget reviews what this income will be Authority officers have consulted with the MRF contractors and taken a backward looking view of the commodity markets and what has been achieved, with the caveat that amounts estimated are open to market influences and boroughs should not look to these estimates as income they will definitely receive.

4.11 Finally, the chart below shows the prices achieved over time for the main different commodities obtained from the mixed dry recycling boroughs deliver. Due to the relative high value of aluminium cans, for chart purpose Members should use the legend on the left for this commodity.

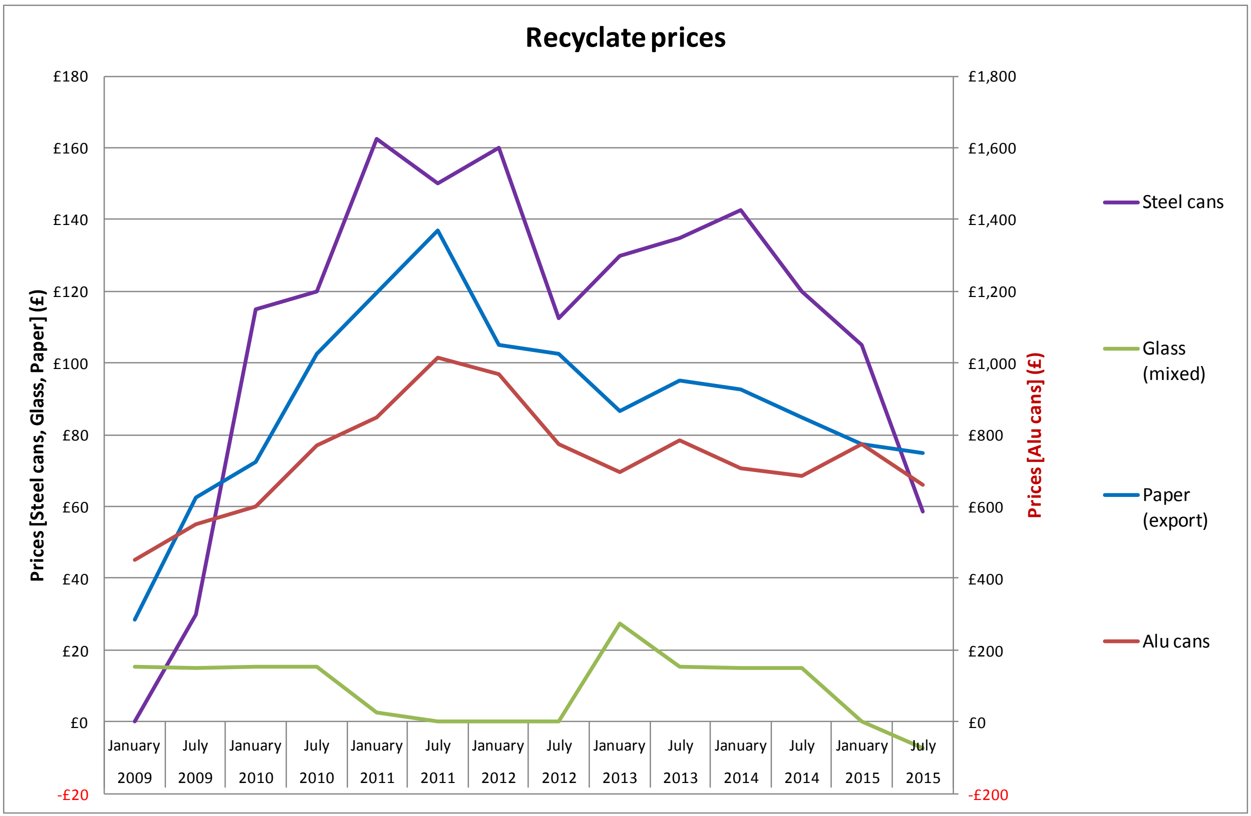

Figure 4: Recyclate prices – two data points per year; data as published by LetsRecycle.com

[1] http://www.letsrecycle.com/news/latest-news/thurrock-let-down-as-suez-closes-nordic-mrf/ - July 2015
[2] http://www.letsrecycle.com/news/latest-news/bywaters-benefits-sita-rejects-mrf-deal/ - March 2015

5. GENERAL OPERATIONAL SERVICES UPDATE

5.1 Services with all the Authority's waste services contractors have been generally good, including operations under the new main waste contract with LondonWaste Ltd; however a number of defaults have been issued to LondonWaste Ltd in relation to the bulking and transport and RRC services they provide within the wider Main Waste Contract. General contract monitoring activity is on target and tonnages are within budget.

5.2 The Authority continues to publish end destination information on its website, but officers are starting to record more detailed information on the national WasteDataFlow system in relation to end destinations of recyclable materials; this will feed through into nationally published data.

5.3 Finally, Members may wish to note that the externally funded trial to increase the amount of WEEE re-used and recycled from the RRCs commenced in August. This will be reported in more detail at a future Authority meeting.

6. COMMENTS OF THE FINANCIAL ADVISER

6.1 The Financial Adviser has been consulted in the drafting of this report. The cost of running Summers Lane RRC has been captured in the second budget review. This will be incurred by the Authority this financial year and will be recharged to LB Barnet as the RRC portion of its levy next financial year.

7. COMMENTS OF THE LEGAL ADVISER

7.1 The Legal Adviser has been consulted in the preparation of this report and has no comments to add.

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REPORT ENDS

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NORTH LONDON WASTE AUTHORITY	
REPORT TITLE: CONSULTATIONS AND POLICY UPDATE	
REPORT OF: HEAD OF OPERATIONS	
FOR SUBMISSION TO: AUTHORITY MEETING	**DATE:** 25 September 2015

SUMMARY OF REPORT:

The report provides Members with the regular update on consultations and policy issues which have the potential to impact on Authority operations or activities.

RECOMMENDATIONS:

The Authority is recommended to:

i) approve the draft Authority response to Regulation 18 Draft North London Waste Plan as attached as Appendix 1;

ii) delegate authority to the Head of Operations in consultation with the Chair and Vice Chair to respond to any forthcoming consultation on the Waste Electrical and Electronic Waste Code of Practice which may be issued prior to the next Authority meeting; and

iii) note the final response to the European Commission consultation on waste the functioning of waste markets.

SIGNED: ______________ Head of Operations

DATE: 16 September 2015

1. Purpose of Report

1.1 This report provides an update for Members on consultations and policy issues that are relevant to the Authority such that the proposals have the potential to affect the Authority's operations and/or costs. The report additionally seeks approval for responses where appropriate.

For decision

- Approval of the draft response to the Regulation 18 Draft North London Waste Plan as attached as Appendix 1 (section 2).
- Delegate authority to the Head of Operations in consultation with the Chair and Vice Chairs to respond to any forthcoming consultation on the Waste Electrical and Electronic Waste Code of Practice which may be issued prior to the next Authority meeting (section 3).

For noting

- The Authority response to the European Commission consultation on waste market distortions titled 'The functioning of waste markets'. This response was submitted following delegated authority being approved at the Authority meeting in June (section 4).

2. Regulation 18 Draft North London Waste Plan *(for decision)*

2.1 The seven constituent borough councils in north London have been working together as planning authorities to prepare a Joint Waste Development Plan Document (Joint Waste DPD) which will set the framework for waste planning in the area for the period 2017 to 2032. The joint waste DPD is entitled the 'North London Waste Plan' (NLWP).

2.2 The NLWP will set out the planning framework for waste management in the north London boroughs for the next 15 years. It will identify sites for waste management use and set out policies for determining waste planning applications. It will also identify how the boroughs will together meet the targets set by the Mayor of London in the London Plan for dealing with the waste generated in the area, rather than sending it to landfill in the counties around the capital. The NLWP accordingly allocates additional land for new waste facilities within the area and identifies the existing waste sites which are protected as a result of the London Plan (the spatial development strategy for the capital) and consequently in the NLWP. The NLWP covers a wider range of wastes than the 'local authority collected waste' (LACW) which is managed by the Authority and its constituent borough councils.

2.3 On 30 July the seven north London boroughs in their capacities as local planning authorities launched a nine-week public consultation on the Draft North London Waste Plan. The Authority has previously responded to the launch consultation on the NLWP on 27 June 2013 and has subsequently submitted a response to a Call for Existing Sites in April 2014 i.e. a call for respondents to identify existing waste sites and a Call for Nomination of New Sites (to be included in the Plan) in June 2014. The current consultation on the Plan is the consultation on the 'draft plan' and will be followed by a consultation on the 'proposed submission version' in autumn 2016.

2.4 The questions contained in the Draft NLWP cover a range of issues, including requests for comment on the methodology used to identify sites and areas for future waste management development as well as requests for comment on proposed policies and approaches. A draft Authority response is included as Appendix 1 and recommended for approval.

2.5 The following aspects of the draft NLWP are particularly noteworthy:

- NLWP's assumptions regarding wastes volumes and management which are outlined in section 4 of the draft response, in particular NLWA's preference that the Plan be based upon a particular set of parameters, namely:
  1. waste growth over the Plan period which means that more land will be required to be set aside for new waste facilities than if a no growth approach is taken
  2. maximised recycling (which will result in more land being required to be set aside for wastes management than in a lower recycling scenario) and
  3. net self-sufficiency in managing local authority collected waste (LACW), commercial and industrial waste (C&I) and construction and demolition waste (C&D) generated in north London (so that there is the maximum amount of land identified for waste uses)

- NLWP's projections for arisings of local authority collected waste during the plan period and the growth rates assumed for waste/recycling target achievement. The volume of waste will determine the facility and therefore land requirements for new waste management facilities in the area so it is important that the projections are as robust as possible. The NLWP uses information obtained from the NLWA Waste Forecasting Model developed for the Need Assessment to project household waste arisings for the period up to 2031. While the NLWA and NLWP projected arisings are largely in alignment, because the NLWP has adopted a slightly different approach to modelling, based on population rather than gross domestic household income, there are minor differences in the results which is not unexpected. Officers are continuing work with those producing the NLWP to better understand the respective approaches and assumptions applied, and where key differences lie.

- The factual accuracy of details about individual sites and areas included in the NLWP. This is particularly important because if for example NLWA officers know that an existing waste facility or site is expected to close, then it needs to be removed from the available capacity for waste treatment that is included in the plan.

- The suitability assessment criteria for new waste sites and areas which are discussed in section 12 of the draft Authority response. In particular the draft response requests that any future reuse and recycling centres (RRCs) are exempt from a proposed requirement for all new waste facilities to be enclosed and that standards of design required for new waste facilities should include some flexibility to allow for the variability of facilities coming forward.

- The policies in the draft Plan which will affect future waste planning applications, in particular section 13 of the draft response which details the Authority's proposed comments on the policy regarding energy recovery and decentralised energy. In particular NLWA is seeking to ensure that any requirements for connections to energy networks are caveated with regard to the practical implementation of such requirements and recognise the need for subsequent agreement of commercial terms.

2.6 Members are recommended to approve the draft response attached as Appendix 1.

3. Any forthcoming consultation on the Waste Electrical and Electronic Waste Code of Practice *(for decision)*

3.1 It is anticipated that the Department for Innovation and Business (BIS) will shortly issue a consultation on a revised version of an existing code of practice for the management of waste electrical and electronic waste or WEEE. The Code of Practice has been in place for a number of years, but there have been calls for the guidance to be more explicit in parts.

3.2 WEEE is a waste stream which is governed by producer responsibility legislation, meaning that the producers of electrical goods have to pay for the costs of managing (and particularly reuse and recycling of) the WEEE resulting from the sale of electrical and electronic goods that they place on the market. Accordingly NLWA contracts on behalf of the seven north London boroughs and has successfully secured a free-of-charge collection service for WEEE in north London, the costs being borne by the producers. As local authorities provide a route for producers to access WEEE, local authorities should all receive a free basic service either direct from an obligated electrical and electronics producer or from a compliance scheme, an organisation that takes over the producers' obligations and collects WEEE on a number of producer members' behalf.

Regulation 34 sets out what a local authority should do, if it finds itself without a collector for its WEEE. The Regulation specifically allows that local authority concerned to ask any of the compliance schemes to collect from their area and then requires any scheme that is faced with such a request to respond to it. It is anticipated that the revised code of practice will provide more information about this regulation.

3.3 In addition it is expected that the guidance will be re-written to comply with updated requirements from central government regarding written guidance.

3.4 The Code of Practice is very much a practioners' code, but as officers consider that a response may be required to a consultation on a revised code to practice it is recommended that authority is delegated to the Head of Operations in consultation with the Chair and Vice Chair to submit a response.

4. European Commission consultation on the functioning of waste markets *(for noting)*

4.1 The goal of this consultation was for the Commission to obtain a better understanding of the nature and the extent of regulatory failures causing undue distortions to EU waste markets for recycling and recovery. In January 2015, the Commission also launched a study to examine obstacles and regulatory failures affecting the functioning of waste markets in the European Union (Tender ENV.A.2/ETU/2014/26, The efficient functioning of waste markets in the European Union - legislative and policy options). The information gathered as a result of this consultation will contribute to the finalisation of the above-mentioned study and will also be taken into consideration in preparation of the new initiative on the 'Circular Economy' for which there is a separate report elsewhere on this agenda.

4.2 At the last (June) Authority meeting authority was delegated to the Managing Director in consultation with the Chair and Vice Chairs to respond to European Commission consultations on the 'circular economy' and on waste market distortions. The full response submitted to the market distortions consultation is on the Authority's website at http://www.nlwa.gov.uk/consultations/our-responses. The key points of the Authority's response are that different interpretations of the definition of waste are one of the most important barriers/obstacles to the functioning of waste markets. The response also notes that whilst voluntary agreements are useful during transition periods to legislative requirements the Authority's preference is for legislation to be implemented to assist in the development of markets for secondary materials.

4.3 The response to the circular economy consultation is included elsewhere on this meeting agenda in a separate report.

5. COMMENTS OF THE LEGAL ADVISER

5.1 The Legal Adviser has been consulted in the preparation of this report, and has no comments to add.

6. COMMENTS OF THE FINANCIAL ADVISER

6.1 The Financial Adviser has been consulted in the preparation of this report and has no further comments to add.

Local Government Act 1972 - Access to Information

Documents used:

Draft North London Waste Plan Regulation 18, North London Waste Plan, July 2015
http://www.nlwp.net/consultation/consultation.html

Public Consultation on the Circular Economy, European Commission, 28 May 2015
http://ec.europa.eu/environment/consultations/closing_the_loop_en.htm

Public Consultation on the Functioning of Waste Markets in the European Union, 12 June 2015
http://ec.europa.eu/environment/consultations/waste_market_en.htm

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APPENDIX 1
Draft Authority response to
Regulation 18 Draft North London Waste Plan

(see next page)

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NORTH LONDON WASTE AUTHORITY	
REPORT TITLE: DEVELOPMENT CONSENT ORDER CONSULTATION	
REPORT OF: MANAGING DIRECTOR	
FOR SUBMISSION TO: NORTH LONDON WASTE AUTHORITY	**DATE:** 25 SEPTEMBER 2015
SUMMARY OF REPORT: This report summarises the Authority's activities with regard to consultation for the Authority's Development Consent Order application, and provides the latest draft Consultation Report which will be submitted as part of that application. The consultation outcomes and proposed Authority responses are highlighted in this report, and the full table of issues raised in consultation and the proposed responses is contained in Appendix A.	
RECOMMENDATIONS: That the Authority (a) notes the Consultation Report at Appendix A; and (b) agrees the responses to comments received during Phase Two Consultation including proposed changes to the Scheme as a result of those comments.	
SIGNED: .... **Managing Director** **DATE:** 16 September 2015	

1. BACKGROUND

1.1 The Authority has decided to prepare an application for a Development Consent Order for a replacement Energy Recovery Facility at the Edmonton EcoPark, with associated operations. The detail of the Scheme is described in a report on this agenda seeking approval to the submission of that application. This report provides the draft Consultation Report which must be submitted with the Application. A key requirement for acceptance of the Application by the Planning Inspectorate (PINS) on behalf of the Secretary of State for Energy and Climate Change is demonstration that the required pre-application consultation has been carried out in accordance with the legal requirements.

1.2 In line with the SoCC, which the Authority agreed prior to the start of phase 1 of the consultation, as required. the Authority conducted a two phase consultation process to gather feedback on our proposals.

2. PHASE ONE CONSULTATION

2.1 Phase One Consultation took place between 28 November 2014 and 27 January 2015 and the outcomes of that consultation and the Authority's responses were reported to the Authority meeting on 27 March. A Phase One Consultation Feedback Report was agreed at that meeting, and published on the Authority's website before the start of Phase Two Consultation.

3. PHASE TWO CONSULTATION

3.1 Phase Two Consultation took place between 18 May and 30 June 2015. The information provided for this consultation period was more detailed than in Phase One. The scheme had been developed since Phase One, taking into account the outcome of the first phase of consultation as well as further technical work.

3.2 In total 123 responses were received to Phase Two Consultation (from 116 different respondents, as some chose to submit more than one response), which covered over 1,700 individual comments. Among those who responded were statutory bodies who are consultees (statutory consultees) LB Enfield, the Environment Agency, the Greater London Authority, Thames Water and Lee Valley Regional Park Authority.

3.3 The comments, broken down by theme and with suggested Authority responses, are in section 6 of the Consultation Report which is at Appendix A to this report. The version in Appendix A is a near final draft of the report. It does not contain the response tables for Phase One consultation, as these were approved by the Authority at the meeting on 27 March, and are available through the Phase One Consultation Feedback Report which is available through the Authority's website. The Consultation Report also does not include appendices and so the consultation materials are not included; these can be made available on request.

3.4 The format of consultation comment and proposed response is the same as for Phase One responses, and is set out in tables in the themes: environment; landscape; design and appearance; need for replacement facility; construction and demolition; traffic and transport; visitor centre; cooling technology; consultation process. At the end of each theme, there is a summary of the account taken of phase two comments on that topic. In this section, "comments" means comments received from consultees, and "responses" are the Authority's proposed responses to those comments. The main issues are set out below, on a theme by theme basis:

3.4.1 Environment (Section 6.4): comments covered air quality, noise, ecology, socio-economic impacts, visual impact and water resources. The Authority's proposed responses largely provide information on where to find commentary in the application documents, largely in the Environmental Statement. As a result of comments received, cyclists were added as general road users in the transport assessment in the Environmental Statement. There is reference in the Authority's responses to some matters being subject to detailed design. Such detailed design will be informed by the Design Code Principles which will be submitted to PINS as part of the application. Other matters of concern related to the period of construction, and the responses refer to the Code of Construction Practice which will bind the Authority in constructing this Project and contains measures to mitigate the impact of construction activity on the local area.

3.4.2 Landscape (section 6.5): a number of comments were supportive of the landscaping proposals. More detailed comments referred to the type of habitat to be created, or type of planting. The Authority's proposed response makes clear that these are matters for detailed design, but that the landscaping proposals as presented for consultation will provide a framework for that detailed design which will bind the Authority in implementing the Project. The Authority's responses note that the landscaping scheme takes account of the Lee Valley Regional Park and the protected area in the north east of the EcoPark, and also of the need to design a safe and effective operational site.

3.4.3 Design and appearance (section 6.6): a number of comments welcomed the approach to appearance of the proposed ERF. Comments that the viewing platform above the tipping hall was too large have been addressed and led to a change in scale and location of the platform. Comments that EcoPark House was too high, with three storeys, have been addressed, and the proposal now includes a two storey design. This reflects the comments that the original proposal was too imposing in its location. The specific requirements for EcoPark House can be accommodated in a two storey building.

Some comments asked for changes which have been considered in the development of the design of the ERF, as set out in both phases of consultation. For example, the design of the chimney stack was consulted on in principle in phase one, and again on the proposed design in phase two. In keeping with the view that it is preferable for the building's visual impact to be minimised, the cladding proposals for the ERF and stack remain as set out at phase two, with the detailed design to follow the principles set out in the Design Code Principles. Comments suggesting that the buildings could be lowered into the ground have been responded to by reference to the site's location within a groundwater Source Protection Zone, which makes this proposal inappropriate.

Comments on the colour are met by the colour palette in the Design Code Principles which will allow for a final decision at detailed design stage, and this is set out in the response.

A comment was made that there should be solar panels. The response is that roof area has been safeguarded on the ERF and/or the RRF for photovoltaic panels, subject to feasibility and cost benefit analysis at detailed design stage. This is a change arising from consultation comment.

3.4.4. Need for replacement facility (section 6.7): a number of comments recognised the need for the facility, and accepted the proposals for size. The reduction in waste to landfill was welcomed. Some comments acknowledged the importance of recycling in the approach to sizing; others thought that the proposal failed to encourage recycling. The Authority's response refers to the Need Assessment, which contains the reasoning for the assumption of a 50% recycling rate for municipal waste from 2020 to 2051. The Authority's commitment to following the waste hierarchy is stated. Some comments welcomed the possibility of local heat provision from the ERF. The response acknowledges the potential for heat supply, clarifying that the LVHN, referred to specifically by some applicants, would be subject to a separate planning application.

Comments refer to the choice of site and to the need for assessment of alternatives. The response refers to the Alternatives Assessment Report, which describes the options analyses carried out, and the site criteria followed, in leading to this Project.

3.4.5 Construction and demolition: (section 6.8): comments included concern about the potential for adverse impact on the local community arising from traffic, and air pollutants; some detailed comments on managing construction to reduce impacts were made. The Authority's response referred to the Code of Construction Practice, which will cover these areas, and which proposes a Community Liaison Group to be established by the Authority prior to the start of construction, which was supported. The Environmental Statement includes assessments relating to the construction and demolition period, and which cover the entirety of the Application Site, including the temporary laydown area.

3.4.6 Traffic and transport (section 6.9): comments provided support for the additional access points to the EcoPark, which is welcomed. the Authority's proposed response refers to the Traffic Assessment, which assessed the impact in both the construction and demolition periods, and during operations. Travel plans for both the construction/demolition and operational periods are proposed to assist in managing impacts from traffic movements.

Comments supporting water transport were made, and the Authority's response is that an analysis of the cost and benefit of using waste transport has been undertaken. As a result of that, water transport is not proposed in this Project (for either the construction/demolition or operation periods).

3.4.7 Visitor centre (section 6.10): there was general support for a Visitor Centre, with particular aspects of education and support to the Sea Cadets being welcomed. There was some concern that there was insufficient community need for this to be necessary, which is responded to by stating that visitor space is required for those attending EcoPark tours, or visiting the facility, in addition to potential community use.

3.4.8 Cooling technology (section 6.11): the responses in this section will be finalised once Members have taken a decision on the cooling system at this meeting. The comments received are set out by reference to the nature of the comment made. 40 comments supported the air cooled system, of which the greatest number either gave no reason or stated that the support was because there was no plume. In addition, a comment expressed concern about water vapour because it (a) can be a distraction to drivers and (b) exacerbates negative perceptions on the current site. 27 comments supported the water cooled system, of which the largest number (13) gave no specific reason, and 10 stated it was because of the higher energy output.

In commenting on the criteria to be used in reaching a decision, 10 comments were made. 2 comments were that cost should not be the main factor; 3 that the cheaper option should be chosen; 5 stated that the most environmentally friendly option should be chosen. The Authority's decision on the cooling technology will take account of these comments.

3.4.9 Consultation process (section 6.12): these comments covered a wide range of topics, including comments on the level of detail and quality of information available. Some felt that the level of detail and quality was satisfactory, whereas others that the materials were not user friendly or difficult to find. The response sets out the variety of forms in which information was available, including consultation booklet, and information through the website. A number of requests for additional information were made; much of this information is contained in the application documents which are referenced in the responses.

3.5 Members are asked to consider the responses set out in the tables and approve those as the Authority responses to consultation comments.

4 CONSULTATION REPORT

4.1 The consultation report covers both phases of consultation, and includes the consultation detail and response tables which were included in the Phase One Consultation Feedback Report. The report includes consultation detail which has taken place in Phase Two, as well as information relating to informal engagement, both with community groups and with statutory consultees. The appendices to the report will contain the statutory notices, other advertisements, consultation booklets and leaflets.

4.2 Section 2 of the Consultation Report, “Approach to Consultation” sets out the statutory requirements for consultation, and provides details of the way in which these requirements were met. Section2.5 and Table 2.4 in the Consultation Report demonstrate compliance with the SoCC.

4.3 Following the detailed sections on the two phases of consultation, section 7 provides information about informal engagement carried out in the formation of the scheme for application, including with local community groups and statuory consultees.

5 CONCLUSION

5.1 Members are recommended to agree the proposed responses to comments received set out in the response tables, as well as the consultation report as a whole.

5.2 Members are also recommended to note the consultation responses on the issues of the ERF’s cooling system, the height of the viewing platform, and the size of EcoPark House.

6 FINANCIAL ADVISER’S COMMENTS

6.1 The Financial Adviser has been consulted in the preparation of this report, and comments have been incorporated into the report.

7 LEGAL ADVISER’S COMMENTS

7.1 The Planning Act 2008 (the “Act”) contains statutory requirements for DCO projects. Section 42 of the Act places a duty on the applicant to consult certain statutory persons, statutory bodies, local authorities, landowners and significantly affected persons. Section 47 places a duty on the applicant to consult people living in the vicinity of the proposed project.

7.2 Before consultation can take place, the applicant must prepare a Statement of Community Consultation which sets out their approach to consultation, and in particular to the proposed public engagement. They must then conduct the consultation in line with this, and the attached Consultation Report demonstrates that this has been done.

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REPORT ENDS

NORTH LONDON WASTE AUTHORITY	
REPORT TITLE: DEVELOPMENT CONSENT ORDER APPLICATION	
REPORT OF: Managing Director	
FOR SUBMISSION TO: NORTH LONDON WASTE AUTHORITY	**DATE:** 25 SEPTEMBER 2015
SUMMARY OF REPORT: This report provides a description of the scheme for which the Authority is preparing an application for a Development Consent Order, including details of the aspects that require Member decisions. It sets out the application documents, and the proposed approach to the DCO and the process and timescale for the examination process.	
RECOMMENDATIONS: That Members:- (i) agree the scheme as set out in this report as the scheme for which an application for Development Consent Order will be made; (ii) approve the air cooling system option; and (iii) approve the submission of the application for Development Consent for the scheme; (iv) note the timescale proposed for submission, and the process for the application thereafter	
SIGNED: ....**Managing Director** **DATE:** 16 September 2015	

1. BACKGROUND

1.1 At the Authority meeting on 12 December 2013, Members agreed that the Authority would launch the North London Heat and Power Project, which comprises the construction, operation and maintenance of an Energy Recovery Facility (ERF) to replace the existing Energy from Waste (EfW) facility at the Edmonton EcoPark in north London in 2025, when the EfW facility is expected to reach the end of its operational life.

1.2 As the ERF would generate more than 50 megawatts of electricity, in planning terms it would be a Nationally Significant Infrastructure Project. An application for this kind of project takes the form of an application for a Development Consent Order (DCO) which is made to the Planning Inspectorate (PINS) for decision by the Secretary of State for Energy and Climate Change.

1.3 Two phases of public consultation have been carried out, and the report on those consultations is presented for approval elsewhere on this agenda. The scheme has developed to take account of comments received in consultation. In addition, there has been informal engagement with statutory bodies, including LB Enfield, the GLA, the Environment Agency and Transport for London. These discussions have informed the development of the Project.

1.4 This report sets out the details of the proposed scheme, taking account of responses to consultation as set out in the report on the outcomes of phase 2 consultation also on this agenda. It then provides an overview of the documentation required for the submission, with the key purpose of each highlighted. Drafts of these documents are available for Members if they wish to see them, and the full application will be available through the website of the planning inspectorate (PINS) on acceptance of the application.

1.5 The report then sets out the next steps in the application process and the anticipated timetable.

1.6 The report has the following appendices, which are contained in the separate appendix pack:

Appendix A: Draft Development Consent Order including at Schedule 1 the description of the scheme for which the application is being made.

Appendix B: list of documents to be submitted.

Appendix C: plan showing the application site, which includes the Edmonton EcoPark and land nearby which is needed in order to deliver the project.

Appendix D: a list of the design features which have been incorporated into the design, or which will be incorporated in the detailed design, which have been assumed in carrying out the environmental impact assessments, to which the Authority will be bound in implementing the DCO, if granted.

2. THE SCHEME

2.1 The main element of the scheme is the ERF, an energy generating facility which would have two process lines, each with a capacity of 350,000 tonnes per annum, generating around 70 megawatts electricity. In accordance with previous decisions made by the Authority, the facility will have selective catalytic reduction technology for the management of NOx emissions. The flue gas treatment technology will be either a wet or a combined system, both of which have been assessed in the environmental impact assessment, and have similar environmental impacts. The technology for cooling is the subject of a recommendation in this report.

2.2 In addition, the DCO application will cover the following:-

- a Resource Recovery Facility (RRF) including a Reuse and Recycling Centre (RRC), a relocated transfer hall and a bulky waste/fuel preparation facility;
- EcoPark House, which on top of accommodating the Edmonton Sea Cadets would be a visitors' centre where people could learn about recycling, waste, heat and power;
- new site access points from Lee Park Way and Deephams Farm Road;
- new internal weighbridges, roads and parking areas;
- hard and soft landscaping; and
- the decommissioning and demolition of the existing EfW facility.

2.3 The full detail of the proposed scheme is set out in Schedule 1 to the draft DCO, which is in Appendix A. This Schedule also describes the stages of development which would be proposed, namely site preparation and the laydown area; construction of the RRF; construction of the ERF; and demolition of the existing EfW following a commissioning hand over period.

2.4 The DCO is enclosed at Appendix A, and is described in more detail below.

Cooling System

2.5 At phases 1 and 2 of the consultation on the project, the two possible cooling system technologies were set out, and views sought from consultees. Members decided to await the outcome of phase 2 consultation before making a decision on the cooling technology. The comments received in phase 2 consultation are set out in the report on consultation on this agenda.

2.6 A cooling system is required at all power facilities to condense exhaust steam (at the back of the generating turbine) back to boiler feed water. The heat from condensing the steam can be removed using either air cooled condensers or a wet cooling tower, with the choice of system dictating the turbine exhaust pressure, which in turn dictates the allowable inlet steam pressure and therefore maintenance and efficiency levels.

2.7 The current EfW utilises a wet cooling tower, drawing treated water from the adjacent Thames Water facility. This results in a visible vapour plume during cold weather which is sometimes mistaken by the public for smoke.

2.8 The benefits and costs of both options are as follows:-

- **Visual Impact:** A wet cooling tower would, as in the case of the existing EfW facility, result in a visible vapour plume during cold weather. Air cooled condensers generate no plume. The presence of a water vapour plume exacerbates the industrial nature of the development in an area that will become increasingly mixed use but with higher concentrations of residential development and this effect can be minimised by using an air cooled condenser system

- **Noise:** An air cooled condenser would rely on the operation of large cooling fans, resulting in some low level noise. This would not be an issue with a wet cooling tower.

- **Communications:** It is clear from the communications received by LondonWaste Ltd, and from responses to consultation, that in the absence of explanation there is a tendency to assume that the steam issuing from a wet cooling tower is smoke, and therefore potentially harmful. In order to manage this perception, if there were a wet cooling tower, ongoing and regular communication on the nature of the emissions would be needed to ensure that the harmless nature of the plume is understood. An air cooled condenser would not require this.

- **Maintenance:** A wet cooling tower would require more maintenance in the form of dosing the water used with chlorine to ensure there is no Legionella or other pathogens present, plus additional maintenance to minimise corrosion caused by the vapour plume. It would also depend upon the operator's ability to draw treated water from the adjacent Thames Water facility, Deephams Sewage Treatment Works. Thames Water has indicated that its intended upgrade to this facility will not result in any change to water flows required for the current or future operation. The fact of the steam also means that dust is collected, and settles on surrounding buildings, thus adding to the external cleaning requirements for the ERF and other onsite buildings. An air cooled condenser system would require none of these considerations.

- **Efficiency:** A wet cooling tower would be more efficient than an air cooled condenser, generating a higher net power output of approximately 1MWe over an air cooled system.

- **Cost:** An air cooled condenser would have higher initial capital expenditure of approximately £6m greater than of a wet cooling tower system. In addition, the wet cooling tower system allows a higher energy output, which is estimated to have a potential value of £3.5m over 20 years.

- **Consultation:** As noted in the report on the DCO consultation, there were a number of comments on the specific question relating to the cooling system. These comments were, on balance, in favour of avoiding the plume because of its visual impact and the potential for considering it to be smoke. Taking account of these factors, and in particular that the local area has hosted an energy from waste facility for many years, and will continue to do so under this scheme, it is recommended that Members choose to incorporate an air cooled condenser system into the scheme.

3. THE DRAFT DCO

3.1 The draft DCO is based on a model Development Consent Order which sets out the expected structure and likely provisions required. Where the drafting departs from the model, we are required to explain what it is that is different. An example is the approach to enforcement of the DCO provisions explained under the "Requirements" heading below. The departures from the model DCO will be contained in the Explanatory Memorandum, which must accompany the application, and which describes the DCO in non-legal language. The draft DCO will be considered during the examination part of the process, and changes may be made as a result of issues raised then.

3.2 The draft DCO contains sections as set out in the contents list in Appendix A. The following paragraphs highlight sections which particularly describe the scheme and the structure of the document:

(a) Articles: these set out the development which is permitted by the DCO. This will provide permission to carry out the authorised development in schedule 1. The articles contain a number of wide ranging powers, including the ability to carry out street works, temporarily stop up works, carry out protective works – works to protect the property of others which may be affected, eg by dust during construction.

(b) Development Description (Schedule 1). This section contains the detail of the works for which approval is sought. The level of detail in this schedule is sufficient to allow environmental impact assessments to have taken place, and to form the basis of the detailed design to follow. In proposing the detailed design following the decision on the DCO, the Authority would be required, through the Requirements mentioned in the next paragraph, to ensure that the core features of the scheme are maintained, and these will be set out in the documents describing the design, the environmental mitigation and the Code of Construction Practice (CoCP). Approval will be needed from LB Enfield as the local planning authority to the detailed design, and the process of considering the detailed design will be framed by the documents which are certified in the DCO.

(c) Requirements (Schedule 2). Like planning conditions, these set out specific obligations which must be met in implementing the DCO both for construction and demolition, and on an ongoing basis during operations. The drafting of the Requirements incorporates the following documents, which will set the boundaries for the detailed design of the ERF and the rest of the development;

- The design principles. These set out the approach to be followed to achieve the look and functionality of the buildings and site, as presented for consultation;

- The Code of Construction Practice. This describes the good practice that will be followed in the period of construction and demolition. The Authority's contractors will be required to sign up to this;

- The Environmental Mitigation Measures Document. This sets out the measures which were assumed when the environmental impact assessments were carried out, which are either incorporated into the design, or to be incorporated in the detailed design. This document shows where each measure is secured. Appendix D to this report highlights the measures which are incorporated into the design, to demonstrate that environmental matters were taken into account at this stage of design, and not left to be managed through mitigation measures determined later. The precise detail will be subject to detailed design and an approvals process with the local planning authority.

(d) Other schedules list in detail the streets and land to be affected, in different categories depending on whether there will be a temporary interference while works are carried out (eg on Advent way for the widening of the main access to the site) or permanent acquisition (eg Deephams Farm road).

4. PROPERTY INTERESTS

4.1 Red line boundary (attached at Appendix C) showing the application site was fixed before Phase Two Consultation and includes the entirety of the area which is expected to be used for the scheme, both on a temporary basis (e.g. the laydown area within the Lee Valley Regional Park) and permanently (e.g. the new road accesses to the north and east of the EcoPark).

4.2 It is possible to include in the DCO rights affecting other property interests, including compulsory acquisition and the ability to interfere permanently or temporarily with the rights of others (e.g. rights of way or access), but reaching agreements with property owners is preferable. The rights required to implement the Project are included in the draft DCO. Officers are progressing agreements with those affected, and any agreements entered into will be documented. It is hoped that a number of these agreements will be finalised before the start of the examination.

4.3 We have, as far as is possible, completed title investigations on the plots with which we may need to interfere. Letters have been sent out to property owners whose rights may be affected to inform them of this possibility and chaser letters have been sent to those who have not responded. We are seeking settlement agreements with those who have responded.

5. APPLICATION DOCUMENTS

5.1 The application documents required are prescribed by statute. Drafts of a number of the documents were made available for phase 2 consultation. In addition to the draft DCO, with its Explanatory Memorandum, particular attention is drawn to the following:

(a) The Environmental Statement, with non-technical summary. This contains, in three volumes, the assessments carried out into the areas of Air Quality, Archaeology, Daylight, Ecology, Environmental Wind, Ground conditions and Contamination, Noise, Socio-economics, Transport, Water The Scope of the Environmental Statement (that is, the topics covered within it) were agreed with the statutory consultees in the autumn of 2014.

(b) The Need Assessment contains the waste modelling which informed the Authority's decision on the sizing of the facility. In addition, it includes the relevant policy relating both to energy generation and waste management, and shows how the approach to sizing is consistent with the waste hierarchy and ongoing recycling in the north London area.

(c) The Planning Statement sets out the policies relevant to this project, and lists the benefits of the project.

(d) The Alternative Assessment Report provides the background to the Authority's decision to seek a development consent order for a replacement facility, including setting out the options work carried out in connection with the procurement, as this forms the background to the technology views taken in 2014 based on updated technology reporting, and describes the change in planning policy applicable to the Edmonton EcoPark.

(e) The Combined Heat and Power Strategy covers the policy requirement that new ERF must be capable of supplying heat, and further describes the Authority's consideration of other potential users of heat, in addition to the LB Enfield sponsored Lee Valley Heat Network.

5.2 A list of application documents with brief descriptions can be found at Appendix B. These documents are now at the stage of advanced draft, and are being finalised. They would be made public on acceptance of the application for the development consent order, through the website of the planning inspectorate. The drafts are available for Members in conjunction with this report.

6. LOCAL PLANNING AUTHORITY AND OTHER STAKEHOLDERS

6.1 Officers have been in discussions with LB Enfield about a section 106 agreement to accompany the DCO. This would cover any matters of local impact not included in the DCO. The scope of the section 106 agreement drafted takes account of relevant LB Enfield policies, including the Special Planning Document for the EcoPark site. The draft covers local employment, travel plans, and the provision of heat. The ability to provide heat is a matter of national policy, which is covered in the DCO, but the section 106 will reflect the LB Enfield policy that heat should be provided to the Lee Valley Heat Network by accepting the principle, subject to commercial negotiations. The Scheme design allows space for the District Heating Energy Centre at the south of the EcoPark, if a separate planning application for this is successfully made to LB Enfield, and for pipe routes either for LVHN or for other heat off-takers, from the ERF to the south and north of the site.

6.2 Officers have agreed with a number of stakeholders that Statements of Common Ground will be prepared and agreed. This enables PINS to see what issues are outstanding, and to use this to consider what may be covered in oral hearings during examination. Statements of Common Ground are proposed with the London Borough of Enfield, Thames Water, and Lee Valley Regional Park Authority, among others.

7. APPLICATION PROCESS AND TIMELINE

7.1 The application would be finalised and submitted following the decisions at this meeting is made to the Planning Inspectorate (PINS) who will take it through the formal examination process before making a recommendation to the Secretary of State. From the date of submission, PINS has 28 days to determine whether the application meets the criteria for acceptance.

7.2 Following acceptance of the application, there is a pre-examination period during which anyone who wishes to make representations during the examination of the application must register with PINS. The Authority must advertise the acceptance of the application, and the time for registering with PINS.

7.3 Immediately before the examination starts, there is a pre-examination meeting, following which PINS will issue the timetable for the examination, including topics for hearings and dates of hearings. There is no statutory timeframe for the period between acceptance and the start of examination, although the PINS website indicates a period of three months. The examination itself lasts for up to six months during which time the examining authority on behalf of the Secretary of State will consider the application in detail, raise questions, and hold hearings.

7.4 The final decision from Secretary of State is expected in early 2017.

8. CONCLUSION

8.1 The draft DCO sets out a scheme which would enable the Authority to continue to provide residual waste management at the EcoPark for the next generation, with associated waste management activity. The documentation supporting the application has been prepared in accordance with the statutory requirements and guidance. In accordance with the Authority’s decision in December 2013 and subsequent decisions to progress the planning process for a new energy recovery facility at the EcoPark, it is recommended that the application be approved for submission.

9. FINANCIAL ADVISER’S COMMENTS

9.1 The Financial Adviser has been consulted in the preparation of this report, and comments have been incorporated.

10. LEGAL ADVISER’S COMMENTS

10.1 The application for Development Consent Order is being made pursuant to the Planning Act 2008 (as amended). The process for applying for consent for a Nationally Significant Infrastructure Project is laid down in detail in statute and regulation. External legal advisers and counsel have been involved at all stages to ensure compliance with the legal requirements.

10.2 Once the application is submitted, PINS will review the application for acceptance, in particular taking into account the required assessments, and the consultation. The consultation report and Environmental Statement will form a key part of the review of the application for acceptance.

10.3 PINS offer a service of review of documents prior to submission, and officers have supplied documents for review. The comments from PINS (which are available through their website) have been incorporated into updated versions of the documents which are now being finalised for submission.

10.4 The draft Development Consent Order has also been reviewed by PINS. It represents the Authority's preferred approach to the description of the scheme and the associated requirements, which will bind the Authority in implementing the DCO if granted. As required, the reasons for the drafting, and any departures from the model DCO draft, are set out in an Explanatory Memorandum which accompanies the application. The draft DCO will be considered in detail during examination.

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REPORT ENDS

Agenda Item

NORTH LONDON WASTE AUTHORITY	
REPORT TITLE: CIRCULAR ECONOMY UPDATE	
REPORT OF: MANAGING DIRECTOR	
FOR SUBMISSION TO: AUTHORITY MEETING	**DATE:** 25 September 2015
SUMMARY OF REPORT: This report updates Members on the 'circular economy' and seeks approval for two associated activities..	
RECOMMENDATIONS: The Authority is recommended to: i) note the consultation response submitted to the European Commission on the 'circular economy' under delegated authority; and ii) give approval for representations to be made to the LGA on the implementation of a circular economy, and for involvement in and a contribution towards research on the potential impacts of a 'circular economy' on local authorities as set out in the report.	

Signed by the Managing Director:

Date: 16 September 2015

1. Background

1.1. The European Commission put forward waste policies in July 2014 that included a 70% re-use and recycling target for municipal waste alongside a series of wider proposals. With the appointment of the new Commission these proposals were withdrawn in December 2014, but it was promised that more ambitious proposals would subsequently come forward. The Commission launched a consultation at the end of May this year on the concept of the 'circular economy' and the Authority delegated authority to officers at its last meeting in June to respond.

1.2. This report sets out subsequent and associated activity.

2. The Circular Economy

2.1. The traditional way in which products are made, distributed, sold, used and discarded can be described as a 'linear economy'. This model is widely held to be wasteful of finite natural resources, and the established activities of re-use and recycling are familiar ways of reducing the practice and impacts of linear working.

2.2. The 'circular economy' is a concept or tool that goes further than currently established activities in that it focuses relatively less on products but more on the materials from which products are made. The European Commission stated that the circular economy "aims to maintain the value of the materials and energy used in products in the value chain for the optimal duration, thus minimising waste and resource use. By preventing losses of value from materials flows, it creates economic opportunities and competitive advantages on a sustainable basis." (EC Circular Economy Questionnaire, 28 May 2015).

2.3. The figure below further sets out the difference between these two models:

	Linear Economy (use and discard – resources move one way)	
↓	Dig up resources	↓
↓	Make products	↓
↓	Distribute and sell products	↓
↓	Use products	↓
↓	Throw away (often bury in landfill sites)	↓

	Circular Economy (use and reuse – resources constantly circulate)	
← ↓	Design products that use recovered resources	← ↑
↓	Make such products	↑
↓ ↓	Lease or sell with a deposit such products	↑ ↑
↓	Use such products	↑
→	Repair / reuse if possible (directly or after disassembly)	→
	Recycle otherwise if possible	
↓ →	Recover energy otherwise (renewable energy and energy security benefits)	↑ →

2.4. The key points taken from the Authority's formal response to the European Commission are:

- Different member states will have different aspirations in relation to the circular economy and there will be differences depending upon geographic area – urban versus rural for example. A new package of measures needs to be sufficiently flexible to accommodate this variability.

- There will be a need for standardised reporting methodologies to measure progress.
- Financing should feed through the system. The costs that are borne by organisations such as NLWA dealing with waste at the end of the process need to be thrust at least in part back up the pipe to the parties benefitting from the up-pipe pre-waste economic activity.
- However, the end of the pipe isn't the place to start developing the circular economy. Setting higher recycling targets for example is not the way to start developing the circular economy. It is important to resist the 'quick fix' option by focussing on waste.
- In developing a circular economy approach there may need to be a change to expectations and delivery of domestic waste collection. A perceived entitlement to a free weekly collection service for all materials for example will inevitably lead to leakages from the circular system.
- However, an appropriate focus on pre-waste activities, recycling and composting will ensure that the residual waste which is left for waste managers is unrecyclable rubbish from which most value can be obtained by extracting energy (and reducing the use of irreplaceable fossil fuels). There is a role therefore in the transition and implementation of a circular economy for energy-from-waste, and this needs to be recognised in the process.

2.5. The Authority's full explanatory response is set out at Appendix 1, and the accompanying questionnaire (23pp) is on the Authority's website[1].

3. Further Activity on the Circular Economy

3.1 It is not clear from media reports, government announcements or liaison with other waste disposal authorities as to the extent of the government's engagement with the European Commission's work on the circular economy (CE), despite its strategic importance and potential fundamental impacts on our economy. Similarly the extent to which the Local Government Association (LGA) has been addressing this issue has not been clear either.

3.2 In August the managing directors of the statutory joint waste authorities met to discuss and share ideas on the points they would be making to the European Commission, and what other steps might be taken to help move towards a circular economy, but without placing inappropriate burdens on local authorities.

3.3 A background paper was produced to inform any work on representations to protect the interests of local government in this regard, and this is attached as Appendix 2.

3.4 It urges the LGA to prompt the government to make it a duty for citizens to recycle, and to undertake or commission a range of activities in areas such as designing products for sustainable use and re-use, developing 'producer responsibility' schemes, banning excess packaging, working more with the third sector, working with the private rented sector (particularly housing associations) to increase re-use and recycling, and developing markets for recyclable wastes. It also seeks further

[1] http://nlwa.gov.uk/consultations/our-responses

support of ‘recycling on the go’ work and reviewing the powers available to local authorities particularly to require recycling and control contamination.

3.5 Members are recommended give approval for these representations to be made to the LGA on the implementation of a circular economy.

3.6 Following on from this, it is also suggested that the joint waste disposal authorities will commission through the Chartered Institution of Wastes Management some research into the potential consequences to local authorities of the European Commission and member state governments implementing a circular economy, so that any adverse impacts (practical or financial) can be quantified as well as possible. It is expected that this work would be done in stages as the Commission’s proposals (and the national means of implementation) become clear, and that it could be done by a university with expertise in wastes management or an appropriate consultancy. It is proposed that the Authority agrees to expenditure of up to £20,000 on such research as its share of the cost amongst the other joint waste disposal authorities. In agreeing this recommendation, the Authority will be ensuring it is as well equipped as possible to support and/or improve relevant Commission proposals and, conversely, to rebut from a fully informed and/or evidence-based perspective any proposals that might have an adverse impact on the Authority and its constituent borough councils.

3.7 Members are recommended to approve this activity and expenditure.

4. COMMENTS OF THE FINANCIAL ADVISER

4.1 The Financial Adviser has been consulted in the drafting of this report and has no comments to add.

5. COMMENTS OF THE LEGAL ADVISER

5.1 The Legal Adviser has been consulted in the preparation of this report, and comments have been incorporated.

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Appendix 1

EU Circular Economy Consultation

Commentary Paper from the North London Waste Authority (NLWA), UK

Précis of key points

The North London Waste Authority's (NLWA's) key points are shown in text boxes below, supported by body text. However, in summary our key points are:

- Different member states will have different aspirations in relation to the circular economy and there will be differences depending upon geographic area – urban versus rural for example. A new package of measures needs to be sufficiently flexible to accommodate this variability.
- There will be a need for standardised reporting methodologies to measure progress.
- Financing should feed through the system. The costs that are borne by organisations such as NLWA dealing with waste at the end of the process need to be thrust at least in part back up the pipe to the parties benefitting from the up-pipe pre-waste economic activity.
- However, the end of the pipe isn't the place to start developing the circular economy. Setting higher recycling targets for example is not the way to start developing the circular economy. It is important to resist the 'quick fix' option by focussing on waste.
- In developing a circular economy approach there may need to be a change to expectations and delivery of domestic waste collection. A perceived entitlement to a free weekly collection service for all materials for example will inevitably lead to leakages from the circular system.
- However, an appropriate focus on pre-waste activities, recycling and composting will ensure that the residual waste which is left for waste managers is unrecyclable rubbish from which most value can be obtained by extracting energy (and reducing the use of irreplaceable fossil fuels). There is a role therefore in the transition and implementation of a circular economy for energy-from-waste and this needs to be recognised in the process.

1. Introduction and context

1.1 This paper provides a comment on the Commission's proposals regarding the circular economy from the perspective of a municipal waste disposal authority. The paper is supplementary to our questionnaire response which is submitted alongside it.

1.2 Within the 'take, make, dispose' linear model of consumption NLWA is clearly at the end of the line. NLWA is a disposal authority, established by UK legislation with responsibility for disposing of the local authority collected waste brought to us by seven constituent borough councils in London. Established in the mid 1980s we were established with no statutory responsibility for recycling let alone any statutory responsibility for encouraging reuse or assisting in the transition to a circular economy. However, our perspective as the second largest waste authority in the UK (responsible for helping the north London boroughs dispose of almost 850,000 tonnes of local authority collected waste per year); as a long standing member of the Association of Cities and Regions for Recycling and Sustainable Resource Management (ACR+) and as an organisation with a comprehensive waste prevention programme, is that we recognise the importance of the need to transition to a circular economy and we consider that we and other authorities can play a part in this process, alongside businesses, NGOs, legislators (both European and national) and consumers.

Table 1. NLWA's statutory responsibilities

North London Waste Authority has the following statutory duties:	
1.	• To arrange the disposal of waste collected by the seven north London boroughs (Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest)
2.	• To provide places at which people resident in the area may deposit their household waste and for the disposal of waste so deposited. (Reuse and Recycling Centres - RRCs)
3.	• To store and dispose of abandoned vehicles.

1.3 NLWA also has a range of additional powers in relation to wastes management in the area including the power to make RRCs additionally available on a chargeable basis for the deposit of commercial or other controlled waste. In addition NLWA has the power to direct the waste collection authorities in its area to collect waste in a manner which will facilitate reprocessing or recycling.

2. The case for transition to a circular economy

2.1 We do not wish to reiterate all of the points made comprehensively by the Ellen McArthur Foundation in reports such as 'Growth Within: A Circular Economy Vision for a Competitive Europe'[i] or at the Commission's 'Closing the Loop' stakeholder conference on 25 June[ii]. However, particularly from a local authority perspective we see the move to a circular economy as being driven by:

- **Increasing resource scarcity** and on the counter side to this, **rising material values in the long term**. Rising material values potentially offer an opportunity for us in local government to retain the intrinsic value of products for a second, third and maybe even a fourth use prior to recycling (ideally at a local level to retain that value locally). However, the structural systems within which we operate in local government do not make it easy for us to completely valorise the circular approach e.g. the savings in waste disposal costs may be all that is captured by a waste disposal authority through multiple product use of a piece of furniture (for example) by the waste department in a local authority, but any unemployment benefit savings, or other social benefits, may accrue to entirely separate public sector organisations. Furthermore, rising material and product values and different approaches to measuring the benefits of a circular systems approach may change that analysis. NLWA for example has already been investigating different approaches to measuring the impact of our waste prevention programme, so that we not only capture the waste disposal cost savings but additionally measure some of the social and environmental benefits too. Such discrepancies need to be considered for a successful transition to a circular economy.

- **Market volatility and reliance on imports**, which in turn could put a constraint on sustainable development, will also drive us to a more circular approach within the EU e.g. setting up dismantling, repair and re-manufacture locally. There will need to be a balance between continuing open trade with non-EU countries and improvements in Europe's resource security.

- **Increasing scarcity of disposal capacity** across Europe generally and the increasing cost of landfill tax particularly in the UK.

- The **economic and particularly job opportunities** that a circular economy model can provide will also be a powerful incentive and driver for change. The case is well made that a circular economy model will create more jobs in the future. The report, entitled “The circular revolution” from Imperial College London for example (June 2015)[iii] estimates that 175,000 jobs will be created by the circular economy in the UK, amounting to almost 10% of UK unemployment, with particular opportunities for growth from plastics recycling. However, it will be necessary for any impact assessments about the benefits of the circular economy from a job creation perspective to also be clear about where the cost of these jobs will fall (i.e. producers/customers or government/taxpayers) so that a net social benefit (or an over-riding environmental benefit) can be demonstrated. This may require a new Industry Policy if these new industries are to be created in Europe.

- **Technology and innovation** will also assist in the development of dematerialisation and the sharing economy. Mobile apps and websites which enable consumers to valorise their assets such as www.theguardianhomeexchange.co.uk which allows home owners to swap houses for a holiday and Just Park (www.justpark.com) which enables people with parking space at home to make it available for others to park, will enhance and encourage the development of the sharing economy. As a local authority we can have a role in encouraging residents to use these approaches to waste less and save money in the process, subject to appropriate funding and performance measurement regimes being introduced.

2.2 Others are better placed than NLWA to further make the case for the circular economy at a macro-economic level, but from a local authority perspective we can see the merit in circular principles that move us from wasteful resource use towards keeping products and materials at their highest value for as long as possible. There are advantages of moving towards this model, not least because in a time of austerity following the economic crisis and even greater fiscal restraint in the public sector public money spent on increasingly costly waste disposal may be better spent on more worthwhile matters. There are other advantages too of moving towards a circular economy which are also increasingly persuasive. The remainder of this paper outlines some of the challenges of transition from a local authority perspective and raises some key considerations which we would like to see the Commission take into account in developing its new package of measures.

3. Key considerations and principles

3.1 As an organisation at the end of the ‘take, make, dispose’ economy one of the key issues for us is concern that the challenges of implementing a circular economy will result in a focus on ‘end of pipe’ solutions simply because they may be simpler to introduce. It would be all too easy to suggest a move to a 70% recycling target as an example, but this is surely starting at the wrong end of the supply chain. It would in our view be much more productive to look at product design for disassembly (i.e. reducing the amount of material we as waste managers have to deal with) rather than focussing on making us do more with the material we are provided with. It may be that the two approaches go hand in hand, but we are concerned that simply because of the complexity of ‘pre-waste’ actions that the circular economy agenda is transitioned to a focus on waste at the end of the process. We would therefore suggest that the priority for developing a circular economy should be to improve the system before material reaches the bin rather than focus on regulating the contents or actions of the material remaining.

NLWA Comment 1.

> It is important to resist the 'quick fix' option by focussing on waste. The end of the pipe isn't the place to start developing the circular economy.

There may well be a requirement to take further action on waste in the future, but we do not consider that this should be a focus of the new package now.

3.2 In addition to the need to consider and intervene to create the circular economy at the right point in the 'take, make, dispose' chain of activity NLWA also considers that it will be important early on to consider how the financial burdens resulting from the 'take, make, dispose' approach are adjusted to best effect to stimulate circularity. The costs of wastes management for example, at the end of the 'take, make dispose' system are currently not borne by those in the pre-waste system who benefit from the 'up-pipe' economic activity. The exception being (to a varied extent) those products for which producer responsibility legislation has been implemented. We consider that the costs that are borne by organisations such as NLWA need to be thrust at least in part back up the pipe to the parties benefitting from the 'up-pipe' economic activity. For example deposit payments that we could access in proportion to materials needing disposal.

NLWA Comment 2.

> The costs that are borne by organisations such as NLWA need to be thrust at least in part back up the pipe to the parties benefitting from the 'up-pipe' economic activity.

3.3 A lack of proper accounting for the full costs of waste management is therefore another key consideration. Waste managers need to be properly paid for managing waste and the true cost should be clearly visible to the waste producer, be that the householder or manufacturer. At least in the UK, the householder doesn't see the true cost of waste management impacting on their finances and the true value of materials that may be disposed isn't accounted for in disposal pricing policy either. If the cost of disposal was more inclusive and therefore higher and visible to the producer this would also drive the transition to a circular economy model. The consumer needs to be aware of the costs of disposal so that when they come to the decision point regarding where to place something they no longer need - for re-use, recycling or disposal they should realise the consequences of that decision. Local authorities typically average out the cost of disposal so that those who don't recycle or reuse currently don't realise the financial consequences of that decision. A move to a more laissez-faire approach to wastes management based upon a perceived entitlement to a free weekly collection service for all materials (for example) will inevitably lead to leakages from the circular system. Bringing money into play through charging (for example) would ensure that not only are the costs of picking up material with a relatively limited value covered by new income but would also provide a stronger economic incentive for consumers of materials to move towards a more circular approach.

3.4 If 'up-pipe' changes are not implemented and waste authorities do not receive new additional funds, it is likely that financial needs will limit re-use and recycling activity.

3.5 It should also be noted that in a successful circular economy, if waste authorities only receive what remains after producers' effective reclamation of their products, it is not at all realistic for any significant recycling targets to be imposed on local government.

NLWA Comment 3.

More inclusive and visible costing of waste management would help to drive the move to a circular economy.

3.6 Another fundamental consideration for us is the value of material and products available to the parties involved in reuse and remanufacture. Material and products really have to have a value after first use if the circular economy is to come into being (or alternatively as mentioned above the cost of disposal has to be higher to drive the transition). However, we don't have the tools to interfere with the market to force this value shift and imposing additional costs on the EU economy will make it globally uncompetitive. So it will be a difficult to achieve in a market economy, unless the cost of virgin materials and first use products becomes so high as to force the transition.

NLWA Comment 4.

The value of materials (component parts and products) really has to be available to the parties involved in reuse and remanufacture to counteract the current limited value of second life products and materials. Hypothecation of support is also required. Perhaps this could be developed through extended producer responsibility?

3.7 An example of where the lack of appropriate financial drivers in the system is failing to incentivise a more circular approach is evidenced by the forthcoming closure of a reuse hotline (telephone line) in London. This pan-London service which allowed residents to telephone the same number from anywhere in the capital to arrange for a collection of bulky items for reuse by the nearest or most appropriate third sector organisation is closing next month due to lack of finance. It will instead be replaced by a fragmented system where individual authorities or groups of authorities can afford/justify the need for a localised phone line. The result will be multiple phone lines for reuse across the capital resulting in a more patchy service for reuse collections and potentially a conflict of messages across the different areas.

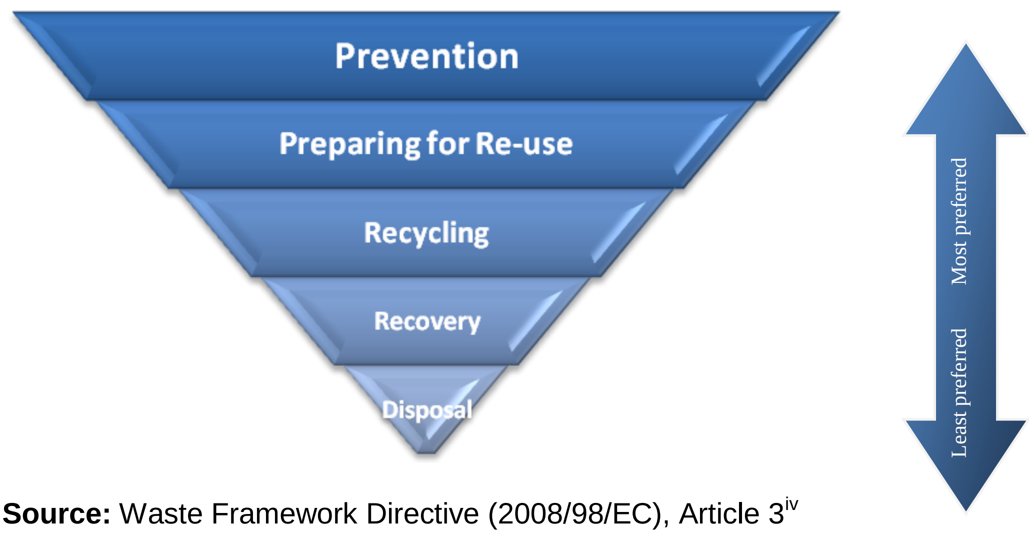
3.8 In addition, another key consideration must also be the challenge of implementation across multiple member states. For a fully functioning circular economy there will need to be global buy-in. We know from the work on climate change that orchestrating a global response to such key environmental challenges is very difficult to achieve but there may be things to learn from how negotiating targets and action on climate change has been tackled. There will be economies of scale by working Europe wide with, for example, the potential to develop more local European processing facilities and repair operations rather than transporting material to the other side of the globe. However, we are unsure if there is any evidence that the proximity of secondary materials production facilities to the potential markets that could use them (i.e. in the EU) actually incentivises the use of these materials.

3.9 The following sections of this paper raise some more detailed additional comments about the practical implementation of the package.

4 Practical considerations

4.1 As a waste authority NLWA works within the policy context established by the European Waste Framework Directive and its enshrined principle of the waste hierarchy. The Directive introduces this five-step hierarchy where prevention is the best option, followed by preparing for reuse, recycling and other forms of recovery. Disposal being the least preferred option, as described in the figure below.

Figure 1. The waste hierarchy



Source: Waste Framework Directive (2008/98/EC), Article 3[iv]

4.2 Along with its seven constituent borough councils NLWA has an agreed joint waste strategy which commits the partners to working towards a 50% recycling target by 2020 in line with current Directive requirements. However, we have also been working on an extensive waste prevention programme incorporating both encouragement of waste avoidance as well as increased levels of reuse. Further details of our last three year's work in prevention and recycling[v] are available here. (http://www.nlwa.gov.uk/docs/authority-meetings-and-reports/appendix-a1---from-interim-need-assessment---phase-2-consultation-issue-3.pdf)

NLWA Comment 5.

A key question for us is whether the Commission considers the waste hierarchy is still fit for purpose in a new economic framework of the circular economy?

4.3 NLWA's view is that a resource hierarchy might be more appropriate than a waste hierarchy in a circular economy i.e. a move to a hierarchy which takes account of, for example, the land, carbon and material footprint. NLWA would urge the Commission to reconsider the waste hierarchy. However, if the hierarchy is not reconsidered then it would be appropriate to consider where the circular economy approach sits within the current waste hierarchy – possibly straddling reuse and recycling, and incorporating avoidance as well. Energy generation would also have to be considered, but our initial view is that the various forms of energy generation from waste are necessary to support the move to a circular economy, but that energy generation is not an integral part of it in its purest form. However, energy recovery is clearly preferable to landfill, so clearly has a significant role to play for many years to come, and will always be a preferable treatment for materials for which there is no further economic use. Clearly recovering energy from waste also has benefits in terms of European energy security too.

4.4 If a resource hierarchy is adopted instead of a waste hierarchy then this would require a different approach to measurement than currently employed. In our response to the Environmental Food and Rural Affairs (EFRA) Committee Inquiry on Waste Management in England (May 2014), NLWA argued that Government in England may want to consider moving to a carbon metric as in Scotland or a measurement regime which is similar to the Mayor of London's Greenhouse Gas Emissions Standard for measuring progress on waste management issues. Such an approach could work alongside tonnage-based measurements and indeed the tonnage information would be required to calculate the carbon impacts anyway.

4.5 We argued in our response to the EFRA Committee[vi] that a broader scoped approach to measurement would recognise the environmental benefits which may be achieved by recycling materials which may not be a priority in tonnage terms but which in the context of environmental improvements could be more valuable to prioritise for recycling. The introduction and wider use of a carbon metric would potentially aid in focussing the prevention, reuse and recycling of waste with the greatest environmental impact. However, further work would be required to understand the implication of this and if such a scheme was to be introduced there should be enough lead time to enable authorities to align themselves with this methodology.

4.6 At a local and very practical level a resource hierarchy would be initially difficult to adjust to and monitor against, but we are already finding difficulties with the purely tonnage driven metric enshrined in the waste hierarchy when we translate it to a local level and to some sectors of the material chain. We have heard the packaging industry in the UK quote the example of the unintended consequences of requiring all packaging to be recyclable for example. A wrapper for parmesan cheese reportedly contains seven types of plastic and it's not recyclable. However, if this cheese was required to be wrapped in a single polymer which could be recycled, to achieve the same levels of product preservation would require double the thickness of polymer of the current packaging. The waste hierarchy in this instance drives us towards a solution which may not be the most appropriate in overall resource management terms as food waste is such a significant issue that must be balanced against packaging use. Another example is the PET pots and trays used for ready meals. These are easily recycled, but provide a poor barrier to oxygen which means that the food products within the pots and trays have to be chilled, thus using energy in product distribution and storage. There is another plastic product available, EPO4, which is a better oxygen barrier which would not require chilling, and which would therefore provide a longer shelf life, both in-store and at home, potentially leading to less food waste and energy use in storage. However, this product is not recyclable, (but could of course be burnt in an energy-from-waste facility to generate energy and possibly heat).

4.7 The legislative framework is in favour of the linear model of 'take, make, dispose'. We expect this will need to change if we are to move effectively to a circular economy approach. The new legislative framework will also have to allow a life cycle analysis approach to justify exceptions to the concept of circularity because, as above, insisting on recyclability and closed loops may not deliver the best overall environmental outcome in all cases.

NLWA Comment 6.

A second issue is the definition of waste and whether the current definition that is used at an EU level and translated to member state's own legislation will continue to be fit for purpose as we transition to a circular economy model?

4.8 Dame Ellen McArthur discussed the various circles within the circular economy in her presentation to the Commission's conference on 25 June 2015. In this she talks about the preferred approach being to retain the whole value of a product by initially giving it a second use, e.g. a table being used again by another owner, and only then downgrading its use to chipboard to be made into another product and then again to particle board and finally to disposal with energy recovery. In other words she describes decreasing value cycles for a product as it moves through the circular economy loop, with the goal being to retain the highest value use in the first instance and for the longest possible period.

4.9 Waste represents foregone potential so in a circular economy where we are seeking to maximise the potential of products and resources, defining something as waste immediately strikes it back into the end of the linear model approach. In order to stimulate maximum levels of reuse, i.e. retained value, it may be appropriate and necessary to reconsider the definition of waste and whether by defining materials as waste we are immediately putting up a barrier to the extension of product life and the development of the circular economy. However, there are risks of reinterpreting the definitions that we use in the linear economic model and then applying them to circular economy thinking. In our response to a discussion paper on clarifying the applications of the definition of waste to reuse and repair activities from the Department for Environment, Food and Rural Affairs in England NLWA made the following comments about the risks of changing the definition of waste, but was supportive of greater clarity regarding interpretation. The application of linear economic model thinking and definitions to a new circular economy model needs to be considered carefully too. Any changes to definitions to make them more appropriate to circular economy thinking should be done so as to deliver change but guard against abuse and environmental harm at the same time.

Figure 2 - Clarifying the applications of the definition of waste to reuse and repair activities - Discussion paper (Department for Environment, Food and Rural Affairs) – Extract from the North London Waste Authority Response, applicable January 2015[vii]

- NLWA is broadly supportive of any discussions that aim to clarify the *interpretation* of the definition of waste and welcomes the suggestion for greater clarity on its application.
- However, any suggestion of changes to the definition of waste itself could increase the risk of illegal trade, i.e. there is a risk of opening up the reuse market to illegal trade in what used to be waste, especially with regards to Waste Electrical and Electronic Equipment (WEEE).
- The Authority also takes this opportunity to highlight the need for regulatory control and enforcement, lack of which can deeply damage the reputation of the reuse and repair sector. Therefore any discussions about the interpretation of definition of waste should not result in greater risks for example as a result of potentially hazardous products and hazardous waste no longer being subject to the appropriate regulatory controls.
- The Authority would like the discussions to result in greater consistency in the application of the definition of waste to reuse and repair processes for all those involved in reuse and repair activity, i.e. consistent interpretation of the regulations across all those involved in providing reuse and repair services. Greater consistency of interpretation should also assist Government in its role in ensuring that resources are managed in as environmentally and socially effective ways as possible as greater consistency of interpretation will assist with measurement and thus ensure that the positive impacts of reuse and repair are fully captured.

4.10 Therefore, whilst we consider it may be necessary to reconsider our definitions and interpretations of waste in the new circular economy, a thorough consideration of the implications of change should be carried out before doing so.

4.11 Aligned with this definitional point for waste is the fact that there is a lack of EU-wide quality standards for recycled materials. The end-of-waste criteria that have been developed have generally been developed over a number of years and countries such as the UK have additionally put in place end of waste protocols for a limited number of materials. This can lead to situations where a material is classified as 'non waste' in one country, but then becomes waste when it is exported, so there is a need for greater consistency. However, we also need to ensure that in the drive for more material and products to be recovered that we don't move towards the lowest common denominator in secondary materials and product standards. There should at least be a regime of data management and reporting that reflects the additional quality and benefits that may be secured in relevant Member States.

NLWA Comment 7.

A third key issue for NLWA is to understand the role that energy plays within circular economy thinking and targets. It will be important for the Commission to be clear about the role that EfW plays in treating the waste that comes out from the inevitable imperfections and the LCA-based exceptions to the circular economy.

4.12 Energy recovery including energy-from-waste (EfW) and the use of bio-fuels will have to play a role in supporting the circular economy for non-reusable and non-recyclable waste. In particular energy recovery which has R1 status is also not classified as waste disposal under the Waste Framework Directive so this could have an even greater contribution.

4.13 It will be important for the Commission to be clear about the role that EfW plays treating the waste that comes out from the imperfect circular economy. Our view is that EfW has an important role to play, particularly during the transition stage to a circular economy and once it is established for those materials that are left over or are too expensive to reuse or recycle. There may be instances where EfW is the most appropriate solution, for example, for treating materials of low quality which may not be suitable for recycling and serve only to contaminate higher quality recyclate. If a circular economy is working reasonably well it would be wrong to ban or restrict EfW for disposal authorities at the end of the pipe. What's left is likely to be worthless or expensive to recycle; therefore it will be important not to penalise a very helpful production of energy. Similarly it would not serve the development of the circular economy well to adopt a landfill tax type of approach to drive the circular economy by banning energy-from-waste or increasing its cost or requiring expensive intervention at the end of the pipe. Across Europe many of those with the highest usage of EfW have also achieved the highest recycling rates, which contradict suggestions that EfW detracts from recycling.

4.14 A key consideration for EfW is the efficiency at which materials may be converted to energy. More investment in district heating and cooling is necessary in order to maximise the full potential of EfW in the circular economy and avoid landfill diposal.

4.15 More than 80 million tonnes of municipal waste is still landfilled each year across the EU generating significant quantities of methane gas. NLWA is supportive of phasing out of landfill for specific material streams that reduce greenhouse gas emissions subject to *de-minimis* levels of banned wastes to still go to landfill in local authority collected waste. However, this must be supported by well managed collection and processing infrastructure and introduced such that municipalities and businesses have sufficient time to prepare. Collection systems and methods to encourage the separation of high quality recyclates are necessary so as to avoid simply substituting landfill with EfW.

4.16 Efficient EfW systems are complementary to the circular economy vision for material that is not suitable for recycling or has reached the end of its circular life.

NLWA Comment 8.

We also urge the Commission to consider the type of metric it will employ to measure progress to a circular economy.

4.17 In the example of PET pots and trays for ready meals that is quoted above (paragraph 4.6) the impact of energy use is not considered. This results in the use of recyclable material which potentially uses more energy in its use phase than a product which is not recyclable.

4.18 There will also be a need to standardise the metrics being used across different member states so that results are comparable.

NLWA Comment 9.

We would additionally like to see the Commission reassess its approach to targets and standards.

4.19 A reassessment of targets to take account of whole life and wider environmental impacts is likely to be necessary if we are to move to a circular economy and measure our progress in this area.

4.20 As a start, the **separation of reuse from recycling targets would be one approach to consider in the local authority waste sector**. Reuse does take place in different forms in today's mostly linear economy, through long-standing channels such as jumble sales, charity shops and the antiques trade, as well as online platforms such as Gumtree and eBay. However, there are opportunities to expand these practices in both scale and range of reused goods. If reuse targets were established alongside those for recycling and composting this may go some way to moving up the waste and resource hierarchy to a more circular approach. Consultation and a transitional period would clearly be required before making such changes, but rather than increasing the target for recycling, it may be better to consider the separation of reuse and recycling targets in order to move materials and products up the hierarchy at the reuse and recycling end of the chain, rather than at the recycling and disposal end.

4.21 NLWA considers that it would be prudent for the Commission to set some targets to drive progress, because targets set an ambition for the future and can also influence areas outside of the EU jurisdiction.

4.22 Standards for product reuse, durability, repairability and recyclability may also be helpful in the longer term and NLWA considers that the packaging element of products should be included within such targets and standards. Manufacturers will be the ones to determine if there's a reuse life or a material life for a product after first use. So the onus has to be on designers, manufacturers and retailers as part of their decision-making process to consider whether they design for disassembly or whether their products deteriorate to the material level. There may be a role in the transition phase to a circular economy to start with a product-sector or materials led approach to targets and standards, but long term the necessity is to encourage product re-use and therefore a product based approach rather than a materials focussed system of delivery.

4.23 An example of the impact that standards can have upon the development of circular economy is evidenced in Scotland with the Revolve Reuse Quality Standard[viii]. Zero Waste Scotland identified that a key factor in the expansion of reuse was increasing public confidence in reuse businesses and goods. The result was the Revolve Reuse Quality Standard, an externally-validated tool designed and piloted in 2011 for Scottish reuse businesses to increase footfall in stores and the purchasing of reuse goods.

4.24 The programme was first rolled out to community-based third sector reuse businesses, with 30 businesses achieving accreditation under the scheme. A further 20 businesses are currently working towards accreditation, primarily in high population areas, and piloting is soon due to begin with UK-based charity chains and the private sector. In terms of the model, businesses currently pay £100 to join the initiative as a sign of commitment and are accredited with the Quality Standard in under 12 months. This process involves training, assessments, a mystery shopper visit and other legislative requirements, to uphold the integrity of the Standard and ensure that it remains meaningful for the public.

4.25 The concept works on the basis that businesses displaying the Revolve standard are committed to the quality of their reused products, and customer service that exceeds traditional perceptions of the second hand market. In addition, businesses carrying the logo are obliged to test all the products that they sell, overcoming trust-based apprehension that may have put buyers off in the past.

4.26 While data from Revolve is currently limited to a number of stores, businesses have reported increased sales and turnover of stock. In a sample of 10 stores, revenue has increased by just under £45,000 since 2011. Furthermore, standards such as Revolve also improve standards in the reuse sector from within, by providing a goal for businesses to aim for and opening discussion around legislation, perception and barriers to progress for the reuse of goods

4.27 There will inevitably be lots of players involved in the redirection of product and materials after first or multiple use and local authorities can have a part to play in this system. However, our role may need to be more sophisticated than at present and the onus in a circular economy system will be on product manufacturers to design for reuse and disassembly, and materials recovery only as a last resort.

5 Challenges

5.1 NLWA sees a number of challenges to the development of the circular economy:

- Member states' **varying levels of interest in intervention**. The deregulation agenda on the back of the global economic crisis and continuing difficulties in EU member states means that the **ability to access investment capital** for new systems and approaches is likely to be a challenge. Governments need to intervene where there is market failure, but no amount of intervention will help if the capital is not available to deliver progress. Accordingly the Commission could usefully assess the likelihood of accessing capital to drive and deliver on the changes that the Commission wants to see. There will be a need to quantify the value and risks for different parts of the circular economy, be that by industry sector or by member state. There is a risk that countries where unofficial circular economy practices are taking place will not be replaced by more formal circular economy practices if intervention does not happen at local country level.
- There will also be a **need for flexibility** regarding progress and delivery across the EU. For example, the ability to achieve recycling targets in an urban environment is more challenging than in more rural areas where there is a higher proportion of households with gardens and therefore the ability to contribute green garden waste to the recycling target achievement. In this case there is a need to recognise the urban challenge in relation to the cost, of recycling, timing & likely participation which in turn has implications for the speed with which developments progress. Parallel issues are likely to emerge with circular economy targets and approaches – i.e. the ability of individual member states to progress the circular economy agenda will vary, but there is also likely to be variability in the ability and speed with which different regions and areas of individual member states can move forward on the circular economy agenda.
- Another challenge will be **the need to work across sectors** to deliver change. The traditional split between municipal and commercial responsibilities is likely to be challenged by the circular economy model. For example even in recycling we see producer responsibility initiatives in packaging and WEEE leading to industry initiatives potentially competing for product to reach recycling targets in competition to the municipal sector, which runs the risk of local authorities being

left with the difficult to service, more costly producers' waste to collect and manage. As the demand for material and resources becomes ever stronger there is a risk of the public sector being locked out of the value chain at worst or at a best of different sectors competing for product take-back and materials, leading to consumer confusion and duplication of effort and resources to develop a more circular approach. In the case of WEEE for example local authorities in England have already invested in collection infrastructure supported by producer funding so that the public and private sectors are working together rather than competing. Co-operation such as this avoids the risk of private sector obligated producers competing with and devaluing local government investment in alternative collection systems which may end up being operated at a sub-optimal level due to a lack of material collected. However, if this sort of competition does materialise, authorities with responsibility for waste disposal, such as NLWA shouldn't find themselves faced with ill considered restrictions on disposal and unachievable recycling targets against material streams that contain no value other than energy because others operating in the system have already cherry picked the most valuable materials either for target achievement or cost reasons.

- There will additionally be **technical challenges** to overcome in developing a circular approach**.** Our ability to dismantle and remanufacture some very complicated products will clearly be a challenge.
- **Deciding where to start**, i.e. where to intervene will also be a challenge. As noted above, NLWA is looking at differing approaches to measuring impact and doing more work on prevention and reuse, but the circular economy calls for more joined up thinking and the engagement of many different actors across the value chain, so we know that we cannot make big steps in isolation. We also reiterate the point we made earlier in this response about not starting with the 'end-of-pipe' waste industry when looking to assign responsibilities and set targets. The Commission questionnaire question 3.4 which requests a response to the question about which product categories should be given priority in the next few years and why, is a useful approach.
- **Consumer behaviour** could also be a challenge. Research has shown that 77% of the UK population want to shop second-hand, but only 27% actually do, so changing attitudes and behaviour could take time. An approach which combines cross-territorial circular economy actions with a territorial approach to consumer behaviour change might the most effective.

5.2 One option for moving the circular economy forwards would be a new regime of financially incentivised product stewardship, perhaps led by industry trade associations and possibly commencing with voluntary agreements and approaches. Such approaches could be incentivised at the Member state level perhaps with tax breaks or other fiscal incentives to encourage industry to participate. However, even with this approach there would be a number of constitutional and informational barriers to be overcome first, and legislation would appear to be necessary to underpin the change:

- The inevitable need for devolved solutions creates subsidiarity tensions at the pan-European level and for the global corporations trying to respond to the demand for circular thinking the practicalities of implementing take-back systems, repairability initiatives and/or product design solutions which place the circular economy model at the heart of their development, the challenge of the differing approaches in each Member state will also create difficulties. The solutions that evolve will inevitably need to develop at different paces and in different ways in order to be responsive to the economic, social and environmental goals of each Member state.
- Equally there are likely to be tensions between those actors (countries and organisations) that are more advanced in their development of circular economy approaches than others. There will also be tensions between industry sectors

where a circular economy approach may be easier and quicker to develop and those for whom it will be more difficult, although as others have noted, even raw material mining companies see opportunities within the circular economy approach. So the differing stages at which different Member states and industries find themselves in the progress towards a circular economy will also create tensions if blunt targets are set, particularly if they fail to recognise the differing levels of progress across the EU.

- In addition the differing data collection and measurement regimes across the EU are likely to lack comparability thus making it difficult for each Member State to compare progress and for global operators to implement standard global systems across their jurisdiction.

5.3 The Commission could also usefully build upon the work of the UK's National Industrial Symbiosis Programme (http://www.nispnetwork.com/), further support by WRAP (http://www.wrap.org.uk/content/what-industrial-symbiosis) and similar work that we expect to have been undertaken in other Member States, such that it has the best evidence-base for its ambitions and means of implementation as possible.

5.4 However, ultimately the focus should be upon the total impact of the move to make better use of resources. It shouldn't matter where products or materials go to, how quickly or by what means as long as products and materials are re-circulated.

6. Implications for and the role of local government

Target setting, reporting and data capture

6.1 Because NLWA considers it will be useful for the Commission to develop a new set of indicators for a circular economy it would be necessary for local government to change their data capture systems. Any new approach will need to be embedded in practical realism. Whatever approach we take to measuring reuse for example has to work at a waste transfer station on a wet December afternoon. We would therefore caution against the need to over-complicate data capture and to recognise the challenges that introducing a new measurement regime will create.

Collection system impacts

6.2 We have briefly touched earlier in this paper on the potential tension between different sectors wishing to capture materials for take-back, repair, re-use and/or recycling. Ideally the sectors will work together to maximise resource use and economic analysis suggests that the most profitable value creation mechanism in a circular economy lies in smaller loops, such as maintenance and reuse. As Ellen McArthur noted in the Commission's circular economy conference in June, the smaller circles such as repair and reuse which are closer to the original product will have the greatest impact. If you were to return a product back to its component parts or materials, you would lose much of the embedded energy and value added during the various stages of manufacture. However, there will be tensions between product manufacturers perhaps wanting to move to leasing approaches for new products as opposed to sale and take-back, and local government structures and collection arrangements which are established to support the 'take, make dispose' systems which are currently in place. The challenge for local government may then be to transform from a tax-payer funded public service collecting waste, into a component of a multitude of reverse logistics chains working on behalf of both producers and importers of virgin and secondary materials.

6.3 NLWA's own experience is that there is considerable demand for this new system of logistics, but the collection vehicles, routing and driver and crew training and back up systems have to be adapted to suit. Examples in north London include the successful introduction of a free '123 Recycle for Free' service for householders whereby our electrical compliance scheme DHL Envirosolutions has been working with a third sector reuse organisation who collects materials from people's homes for recycling and increasingly for reuse.

6.4 We have also seen the success of these new types of collection arrangements such as Give and Take days where residents come to give materials for free and others come to take them for free. However, for large bulky items we have recently been offering a free collection service for those wanting to donate as well as a delivery service for those coming to 'take'. It is too soon for us to tell whether the collection and delivery service has made a difference to the average tonnage of material diverted through a 'give and take' event, but on the basis that for the last two events the collection driver has had to be sent back out to pick up additional items this suggests that the service is proving a success.

Communication and behaviour change

6.5 The third impact to highlight from a local government perspective is the potential role that local government can play in encouraging citizens to take part in the circular economy. We recognise that culture change in industry will be a large challenge too, but local authorities have access to local residents and can communicate with them relatively easily. Whilst We would urge caution against feeling compelled to communicate too much about the circular economy, we still consider that local authorities can provide a key channel for behaviour change communications with consumers.

6.6 We look forward to playing our part in the transition to a circular economy, but we are realistic about the challenges that we face. We would urge the Commission to take note of the need to be practical in putting forward solutions for a more resource efficient approach.

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Joint Waste Disposal Authorities (JWDAs) Group

Developing an evidence base for a circular economy

02nd September 2015

This paper has been developed by the six Joint Waste Disposal Authorities (JWDA) established by the Local Government Act 1985, namely, East London Waste Authority (ELWA), Greater Manchester Waste Disposal Authority (GMWDA), Merseyside Recycling and Waste Authority (MRWA), North London Waste Authority (NLWA), West London Waste Authority (WLWA) and Western Riverside Waste Authority (WRWA). The Authorities have 30 years' experience in delivering sustainable waste management; together the six JWDAs manage around 15% of the England's household waste. Therefore, the ability of England to meet its recycling and waste management ambitions, including statutory targets, depends on the successful delivery of aligned waste management strategies within these conurbations.

1. Purpose and objectives

1.1 The group has been established to investigate implications of emerging policy changes for waste disposal, and to provide a practitioners lobbying position to help shape final proposals.

1.2 This paper outlines how local authorities have reacted to current Government waste management objectives, and outlines potential changes to legislation that are emerging in Europe. The impact of those changes is likely to be significant in terms of technical delivery and financial consequences, yet there remains a knowledge vacuum within which these decisions are being made. A study to examine the potential consequence of the outlined European proposals would therefore greatly benefit the EU and UK Government policy makers, as well as those industry and local government that need to react to it.

2. Where we are today

2.1 The principal focus of the Waste Management Plan for England is to deliver the legal objectives required by Europe to reduce municipal biodegradable waste landfilled to 35% of 1995 levels, and reach 50% recycling of municipal waste by 2020. These are realistic ambitions that have been set in-train for several years, and are now firmly embedded within the waste management strategies of local authorities. The early pace set has seen recycling and composting rates double over the last ten years, now reaching around 44%, and Defra remain convinced that there is sufficient energy from waste capacity in the pipeline to meet EU diversion targets by 2020. Indeed the gap has closed significantly, though some caution should be exercised when interpreting the figures since the target is based upon compositional analysis of local authority collected waste that doesn't really apply to the additional commercial and industrial waste which are now included. Separately from the England waste plan the devolved national Governments (Northern Ireland, Scotland and Wales) have set their own agendas, which set more ambitious targets. There is no evidence of any English appetite to push forward its own plans.

2.2 That rosy outlook has been stymied in recent years, as recycling rates have begun to stagnate; having surpassed the 40% mark nearly five years ago they have slowly increased to around 44%, where they have stubbornly remained over the last two years, leading many industry commentators to raise doubts whether the 50% recycling target will be reached by 2020.

2.3 Examining evidence from WRAP to try and pin-point the exact reasons for this stagnation tells us that recycling rates are predominately determined by the number of different materials (particular those that weigh more) which are included in the recycling collected. In terms of dry recycling most local authorities already collect the maximum number of materials for which there are available outlets so it is difficult to make any further gains. This has been compounded by a fall in the quantity of potentially recyclable material; particularly paper (but also light-weighting of other materials like glass) that has negated gains in participation resulting in the performance in many local authorities flat-lining. The development of markets for secondary raw materials is therefore imperative to further increasing recycling.

2.4 Clearly, the most significant area for potential gain is food waste, which represents around a fifth to a quarter of waste collected at the kerbside, or a third of the residual waste bin. Food waste collections however are more expensive for local authorities to implement, consequently many local authorities have not put a collection in place, or more ominously, some have taken the difficult decision to remove them due to budget constraints. Moreover, once implemented participation and capture levels fall well below those of other waste streams. The consequences of this for the national recycling targets can be observed in the published statistics which show that separately collected food accounts for only 2.9% of recycling (2013/14) when it could realistically be ten times that figure. The question that needs to be answered in order to meet the 50% recycling target is therefore not one of technical feasibility, but how are we going to pay for it?

2.5 There are now concerns that waste arisings may be starting to grow again. The most recent data shows that total household waste nationally increased by 3.5%, with the main component of that increase being residual waste, which increased by 2.5% (to December 2014). Those figures are reflected in the data held by the JWDAs, which show the upsurge is predominantly due to an increase in bulky wastes delivered to Household Waste Recycling Centres. This may, in part, be due to transfer of waste arising between District and HWRC streams locally, though at a national level it suggests that the improving economy is again leading to an increase in consumption, in turn leading to more wastes, which means waste management costs are likely to increase going into the future. This will be further compounded by a rising population that increasingly gravitates towards urban areas where high recycling rates are the hardest to deliver.

2.6 Local government funding, of which the JWDAs levys form part, is under unprecedented pressure. Since 2010 central government support in many JWDA areas has fallen by more than a third (with some more than 40%). Coupled with the increased cost of statutory services due to increased demand (particularly adult social care) pressure on waste disposal budgets has been intense. The current preparations for the autumn's Comprehensive Spending Review announcement (CSR 2015) are looking at the impact of a further 40% reduction in resources. Set against that background waste disposal's usual ground of "environmentally good" is not sustainable, and "cheap as possible" is the new watchword. Doing nothing is not an option, and there is a real danger that in the English policy vacuum short term financial expediency may win over longer term environmental benefits.

2.7 Set against that background the JWDAs want to act collectively, but this is area in which Government needs to take the lead, since the industry is underpinned by either regulation and fiscal incentives. That message is also mirrored by industry (the Environmental Services Association – ESA) and the professional body (Chartered Institute of Wastes Management – CIWM).

3. Resource efficiency: towards a circular economy

3.1 Whilst we grapple with meeting the 2020 targets, the European Commission is working on a new approach based upon resource efficiency, which has become known as The Circular Economy, with the long term objective of developing an economy based upon the minimal uses of resources, where materials are kept circulating in the economy for as long as possible. At the forefront of that work stream is a revision to the existing waste targets, under the following Directives:

a) Waste Framework Directive 2008;

b) Landfill Directive 1999; and

c) Packaging and Packaging Waste Directive 1994.

3.2 On the 9th July The European Parliament adopted a resolution (known as the Sirpa Pietikäinen Opinion) calling on the Commission to introduce new legislation by the end of 2015 to include the following waste related requirements:

a) clear and unambiguous definitions;

b) developing waste prevention measures;

c) binding waste reduction targets for municipal, commercial and industrial waste to be achieved by 2025;

d) setting clear minimum standards for extended producer responsibility requirements to ensure transparency and cost effectiveness of the extended producer responsibility schemes;

e) applying the 'pay-as-you-throw-principle' for residual waste combined with mandatory separate collection schemes for paper, metal, plastic and glass in order to facilitate the high quality of recycling materials; introducing mandatory separate collection for biowaste by 2020;

f) increasing recycling/preparation for reuse target to at least 70% of municipal solid waste and 80% recycling of packaging waste by 2030, based on a solid reporting method preventing the reporting of discarded waste (landfilled or incinerated) as recycled waste, using the same harmonised method for all Member States with externally verified statistics; an obligation for recyclers to report on the 'input' quantities of waste going into the sorting plant as well as the 'output' quantity of recyclates coming out of the recycling plants, preventing the reporting of discarded waste (landfilled or incinerated) as recycled waste;

g) strictly limiting incineration with or without energy recovery, by 2020, to non-recyclable and non-biodegradable waste;

h) a binding, gradual reduction of all landfilling, implemented in coherence with the requirements for recycling, in three stages (2020, 2025 and 2030), except for certain hazardous waste and residual waste for which landfilling is the most environmentally sound option; and

g) introducing fees on landfilling and incineration.

3.3 Although there is a lot of uncertainty regarding the content of the new proposals, and what will make it through the various EU approval processes the above given us closest indication of what we might expect by the end of the year.

4. The level of ambition

4.1 The JWDAs Group has examined the European proposals and whilst the core concepts of resource security and efficient usage are certainly the right things to deliver, the speed and timing need to be more carefully considered. If we take the proposed recycling targets and incineration limit, as an example then the Parliamentary motion suggests 70% recycling is delivered by 2030, but incineration of non-biodegradable and non-recyclable is banned by 2020. That leaves the question; what do we do with the significant quantity of material that isn't being recycled between 2020 and 2030? A better approach, therefore, would be to plan the appropriate level of energy from waste capacity required to treat the expected level of waste arising over the medium to long term as recycling rates increase.

4.2 The European Commission needs to take a much longer joined up strategic view that befits the complexity of what they are trying to achieve. Changing to a circular economy requires a wholescale shift in the way the whole economy works that goes beyond how products are manufactured to the way business operates, and how they access finance. Delivered in a structured way such reforms could not only benefit Government but deliver real economic advantage. Reform of the financial sector will be required to introduce new financing models, and develop tools to assess financial viability based on greater retention of assets, and much longer term cash flows as companies take responsibility for a product over a long term cycle. In that economy companies will need to adjust to revenues being generated from secondary raw materials, reuse and repair that will not manifest until much later in a products lifespan. The scale of change required for the whole economy to adopt a long term strategic approach based on resource value cannot be realistically delivered over a five or ten year timescale.

5. Understanding the impact of the circular economy on local authorities

5.1 At a time when financial pressures are falling disproportionately on local authority environmental services (that have not been afforded the protection given to other services like education and health) and has curtailed investment in the collection systems, it looks increasingly certain that recycling targets will be further increased. This will, of course, have implications for local authorities but also for UK recycling and waste management industries. Given there is very little practical evidence that a truly circular economy can be created, then there is a real danger that local authorities may face very high recycling targets, combined with more complex waste products but very little in the way of market development or adequate powers to enable delivery.
The JWDAs Group therefore see benefit in commissioning a study to examine the achievability of the outlined EU proposal, establishing the steps required to achieve the targets, and the financial implications of doing so.

5.2 Modelling the impact of a 70% high recycling target

5.2.1 The initial EU waste target review proposed a 70% recycling target for municipal waste, and despite it being later withdrawn support for this target has remained high within Europe suggesting it is still a likely outcome. In any case the EU has a legal obligation to review the current 50% recycling target, so it very likely that it will be increased to some extent. The JWDAs Group therefore view the 70% target as a central part of the study, and suggest the following should be included:

a) establish the technical feasibility of increasing recycling levels to 70% in terms of what is potentially recyclable via existing recognised markets at current levels of participation and limits to accurate recognition of recyclables;

b) establish what the current high performers are doing to achieve recycling rates between 60-65%;

c) Identify what additional materials will need to be recycled to increase recycling from current levels to 70%, and therefore the actions required to close the gap between current recycling levels and the target e.g. designing PVC trays so that they can be recycled;

d) examine the impact of Europe introducing a ‘contamination limit’ e.g. 2% on current recycling rates and determine how much that would increase the implementation gap to achieve a 70% recycling target;

e) Determine the cost of delivering 70% recycling for local authority collected waste; and

f) consider the measures required to improve participation and accuracy to achieve 70% recycling in a typically urban environment, where half of households are terraced or flatted properties, and there is (generally) a large transient population, often without English as their first language.

g) determine the impact of changes to recycling calculations, in particular allowing incinerator bottom ash/aggregate to be included in the calculation;

h) Evaluate the impact of the more recently introduced wider definition of municipal waste, and does this help or hinder the achievement of high targets; and

i) Consider whether a different approach to targets e.g. material specific or carbon (rather than tonnage based) measures support achievement of a better environmental outcomes.

5.3 Modelling the impact of a binding waste reduction target

5.3.1 There has been little indication from Europe as to what level any target may be set at. The initially withdrawn legislation simply asked Member States to take appropriate measures, with the only target and a non-binding aim to reduce food waste by 30% across waste across all sectors including households by 2025.

5.3.2 Waste reduction is largely the responsibility of design and manufacturing at a national level, whilst the role of local authorities is more narrowly focused on engaging residents, and improving access to waste such as furniture and clothing to enable reuse and repair. The impact of waste reduction initiatives at a national level may be difficult to predict, light-weighting of packaging for example has been occurring over the past 30 or 40 years, and may now be reaching levels were further gains are unlikely so any modelling should therefore be based on fairly modest waste reduction assumptions, accepting that there it is unlikely that waste growth has been decoupled from economic growth.

5.3.3 Nevertheless, if waste volume is reduced, and its content changed, that could impact on the potential level of recycling. It is thus essential to understand if there are links between recycling and waste minimisation targets. Some of these issues were considered in a future trends study for the 2010 Merseyside JMWMS review – the report at the link below might be useful for the study http://www.merseysidewda.gov.uk/wp-content/uploads/2012/10/RESOURCES-Future-Trends-Spple-Report-D1.pdf

5.4 Modelling the impact of the 80% packaging recycling target

5.4.1 Increasing the packaging recycling target to 80% would help to develop markets and support local authorities to deliver higher recycling targets. However, there are question marks regarding the feasibility of this target. In 2012 the government set the 2017 packaging recycling target at 72.9%. As part of that target the glass packaging industry were expected to achieve 81%, however, this resulted in very high costs for the glass packaging industry leading to a revision of the target in 2014, which was consequently reduced to 77% by 2017. Similarly the government are now consulting on whether it is feasible to reduce the plastic packaging target currently set at 47.1% in 2017.

5.4.2 The study should therefore consider the economic impact of an 80% recycling target on the packaging industry, and hence whether it is achievable in financial terms. Assuming it is technically achievable the study should then demonstrate what impact achieving 80% packaging recycling would have on increasing the range of materials that local authorities will be able to recycle and contribute to their 70% municipal waste recycling target.

5.5 Modelling the impact of residual waste charging

5.5.1 If introduced, residual waste charging is likely to have a significant impact on increasing participation rates. Experience in other countries would indicates that it is effective in increasing the quantity of recycling collected, though there has been significant variations both in the level of success (ranging from virtually no impact to a very high increase), which is in part due to different charging mechanism but also the cultural background. It is therefore worth considering which of these approaches may successfully fit into the UK, recognising that historical investment decisions and cultural acceptance may make some charging mechanism more likely to succeed than others. The introduction of the system should be considered in the real-world context, which includes issues such as reduced or exempt fees for low income households contamination, the potential diversion of waste via illegal routes, or attempts to avoid charges by using public litter bins, HWRCs or neighbour bins. Furthermore, the limits of charging mechanism should be considered. The insensitivity of on-board weighing equipment at the household level will make it very difficult to detect differences in voluminous wastes like plastics, so the responsiveness of the householder to an increase in the charge may be poor particularly at low waste levels, and a limit on what residual waste charging can achieve may be reached fairly quickly.

5.5.2 That said, it is likely to raise levels of participation in recycling schemes particularly those related to heavy materials like paper, card, glass, garden and food waste to very high levels, and have a significant impact in tonnage terms. Taking into account these factors the work should assess what impact residual waste charging would have on the recycling rate, but also the costs involved in providing the quality alternative recycling collection services that will make residual waste collection charging palatable.

5.6 Modelling the impact of mandatory separate collection

5.6.2 It is difficult to understand at this stage what the EU mean by mandatory separate collection, since this may be interpreted as either 'separate from residual waste' or 'separate from materials of a different type or nature.' The modelling should therefore examine the difference between those two outcomes at a high level.

5.6.3 The recent requirements on collection authorities to examine the need for a range of separate collection arrangements (TEEP Regulations) has only recently been introduced. For the JWDAs the initial assessment has supported their existing systems of collection (a mixture of kerbside collection and commingled collections with mechanical sorting) by demonstrating that the cost (both capital and operational) of shifting to separate collection are very high, and the benefits of recycling are negated by additional transport emission . This cost and benefit analysis could be used by the study to establish the overall cost/benefits of a more aligned English collection system.

5.7 Modelling the impact of limiting incineration to non-biodegradable and non-recyclable waste

5.7.1 The text adopted by the European Parliament is very difficult to interpret at this stage, particularly with reference to what they mean by 'non-recyclable'. Non-biodegradable is a narrower definition although there are numerous different ways to define this (e.g. gas released loss on ignition test, waste composition). The national current biodegradable waste targets are based upon mass balance and make the assumption that 68% of municipal waste is biodegradable based upon waste composition. A material, however, may be inherently 'non-recyclable' or become 'non-recyclable' because it is contaminated or mixed with other wastes.

5.7.2 Without further clarification it is difficult to determine the starting point, or usefulness of any modelling exercise. However, removing biodegradable waste plus any commonly recycled materials is going to leave very little that is burnable other than some plastics. Therefore modelling could be undertaken under a very broad assumption that incineration will be reduced to around 10%.

5.8 Modelling the impact of limiting landfill

5.8.1 There is little indication from the adopted parliament text regarding the landfill limit. However, the previously adopted proposals had a staged approach, which suggested a ban on certain recyclables (plastic, metals, glass, paper and other biodegradable wastes) by 2025, alongside an overall 25% limit, then further reducing the overall limit to 5% by 2030. In the absence of any clearer indication then financial impact should be modelled on these assumptions.

6. Understanding the wider impacts

6.1 Clearly, delivery of new European targets is highly likely to cost more, but as set out in 2.6 it is more likely that less money will be available. A larger funding gap would inevitably lead to wider questions regarding the way local authorities and industry operates and whether there is better way of doing things. Local authorities are actively seeking new ways to deliver services but it is not always clear as to the extent that these changes deliver savings. A significant proportion of local authorities, for example, outsource waste collection services but this doesn't always lead to cost saving with some reverting back to in-house collections. Alternative models of delivery being discussed at various levels include those listed below. Some of these are directly in the control of local authorities, but other require active engagement of central government to bring about the relevant legislation changes that can help local authorities to reduce costs:

a) greater funding flexibility including changes in legislation to allow charging for services e.g. residual waste, schools, HWRCs;

b) partnership working – merging management, back office or front-line services;

c) use of technology and information – electronically tagging bins to deliver personalised communications, targeted enforcement, direct charging;

d) stronger legislation framework;

e) integration of services e.g. work with troubled families dealing with all aspects of council interaction;

f) joint commissioning or procurement;

g) national and regional harmonisation of waste collection and treatment systems

h) national material exchange for recycled materials;

i) out-sourcing, joint-ventures or local authority owned companies;

j) revisions to the producer responsibility schemes (PRNs, WEEE compliance);

k) moving from voluntary (Courtald commitment) to compulsory retail commitments to address supply chain issues; and

l) including waste in the devolution model, including the link between JWDAs and Combined Authorities where they exist in the same geographical area;

m) shared collection e.g. a joint food waste collection service;

n) shared infrastructure e.g. sharing of depots between districts;

o) share service provision e.g. specific roles, services, staff;

p) designing services to reduce waste and cost e.g. three weekly collections, specific charging.

7. JWDA Recommendation

7.1 A policy position, expected to be formally agreed by the JWDAs in the near future, is provided at Appendix A. These views have been determined as a result of the JWDAs experience in delivering sustainable waste strategies, which have put England on the right path to meet waste recycling and diversion targets in 2020. However, there is a knowledge vacuum within which decisions are being taken regarding future waste management targets, which lack any real-world analysis of the technical and financially viability of achievement. A better understanding of the potential impact of forthcoming EU proposals is therefore required to support policy makers, and those that will need to react to them. Subject to formal approval by each JWDA the Group, will therefore commission a study based upon the broad assumptions in section five above regarding the forthcoming legislation changes.

Appendix A: JWDAs Recommended Policy Actions

ISSUE	POSITION
Waste prevention and reuse	• needs greater EU focus as represents the waste hierarchy priority • needs to be tackled predominantly at the design and production phase • pursuing recycling targets can work against waste prevention by encouraging waste generation • the role of local authorities is limited to education, community engagement and access to raw materials
Packaging	• reduce excessive packaging • better designed PRN system to only reward where the material has been recycled • use product benchmarking to actively investigate and ban excessive packaging • deter the use of packaging for marketing and product enhancement e.g. black plastics • develop a standard declaration for recyclability linked to viable markets to encourage materials to be designed to be recycled, and greater level of clarity as to what local authorities should collect and how packaging can be labelled to reduce confusion
Product and service design	• regulation to require design improvements to facilitate longevity, reuse, re-manufacture and recycling e.g. Standard Environmental Product Declaration, Eco-Directive focused material use • where single use / disposable products cannot be avoided they should be easier to recycle or designed to maximise their potential for energy recovery • single use tax should be encouraged to reduce environmental damage e.g. successful example of plastic bags • new business models required which promote buying a service rather than owning a product • support new business models by tax breaks, financing schemes for products that are accompanied by lifetime guarantees, design life product support, software led longevity, provision of specific parts e.g. replacement screen, service packages, design for disassembly, device/product service packages, targeted removal of resource intensive parts • develop a reuse/disassembly compliance scheme to overcome split incentives between those involved in design and repair • promote access to information – requirement to disclose information on product disassembly and list of materials within products
Producer responsibility	• need extended Producer Responsibility (PR) to ensure that Producers provide a greater contribution to the cost of managing end of life products and recovering resources and are incentivised to design for longevity, reuse and recycling

	• local authorities (LAs) are currently subsiding inefficient UK plc resource use and can ill afford to continue to do so • PR schemes should cover the cover the cost of collection as an absolute minimum requirement • greater transparency of investment from PR funds into waste management and resource recovery infrastructure is required • ensure the cost of joining a producer responsibility scheme is based on the environmental damage (not sales volume) • link the cost to the lifespan, reusability or recyclability of a product not just the sales volume • tax virgin materials, and tax breaks or exemptions from PR compliance fees for recycled content
Procurement and supply chains	• sustainable public procurement can stimulate behavioural change in suppliers and act as 'champion' for greener procurement • improved information flow through supply chains supports better awareness between designers, manufacturers, retailers, waste managers and reprocessors e.g. the RSA 'Great Recovery' project which brings different parts of a product chain together to facilitate improvements in design to support reuse and recycling and development of the circular economy • product innovation tends to be quicker than waste management innovation. Measures to improve communication, awareness and joint working across the supply chain are encouraged • make the provision of information by suppliers mandatory and require collation of data on the environmental impact of individual products not just company performance • LAs should engage more actively with the supply chain, especially with retailers due to their direct influence on consumers and pivotal role in the supply chain • increase the focus on retailers as the intermediate between consumers and the manufacturer by building on the Courtald Commitment to develop a stronger initiative and considering the potential for a compulsory scheme • support retailers to make better decision by requiring suppliers to provide product specific environmental information • legislate good practice in supply chain management e.g. audits, benchmarking, flow of information, environmental scorecard, matrix, supply chain product mapping • support WRAP's continued work with retailers to address products and supply chain waste, but shift towards a mandatory scheme
Waste Definitions	• a consistent EU approach to calculation methods should be agreed so the current position is more fully understood before considering the future direction • faster process for removing regulatory burdens rather than relying on case law • set up grades for secondary raw materials to increase market confidence • ensure consistency of definitions of waste across Member

	states • improve provision of information between suppliers of waste and end-users • do not de-regulate waste at the expense of environmental protection
Recycling targets	• recycling targets should not be increased without supportive cost:benefit and life cycle analyses and without identified funding to support increased collection and sorting activities. • the marginal carbon benefit of delivering higher recycling targets should be considered against investment in alternatives e.g. solar power • poorly designed recycling targets can impede waste prevention • material specific targets that take into account feasibility, carbon benefits, and resource scarcity are a better approach than increasing the municipal recycling rate above 50%, which is not supported in current market conditions. Such targets should support and contribute to the achievement of long term carbon reduction targets looking ahead to 2030 - 2050 • targets should be achievable, but what is achievable will vary across EU Member States due to different waste flows; again, product specific targets/capture rates would overcome this • recycling targets should be based on material type rather than the source of material to encourage joint treatment of commercial, industrial and household waste • accepting recycled Incinerator Bottom Ash Aggregate (IBAA) in the official recycling calculation would better represent the proportion of recovered material returning to economic use in line with the EU Waste Framework Directive definition of recycling • incorporating IBAA would allow LAs who have invested in landfill diversion through EfW to increase recycling performance at no additional cost • there needs to be a sensible and flexible balance between recycling and energy recovery reflecting both affordability of treatment methods, market needs (resources v energy) and relative carbon benefits. The ‘bang for buck’ of every Euro invested into the circular economy needs to be maximised • there is little point collecting materials for which there are no markets, which simply lead to higher waste management costs and increased likelihood of contamination • recycling targets driven by incineration taxes, landfill taxes or bans create a market distortion since it leads local authorities and waste management companies to accept the widest range of material at lowest cost (thus avoiding landfill/incineration costs) thus focusing on volume over quality • over-arching targets will not tackle barriers to recycling which stem from design and supply chain interaction
Participation	• increased participation could be supported by more comprehensive communication and engagement programmes funded by PR • shift to reduced residual waste collection frequency and relatively higher collection frequency for recycling. Recent WRAP research suggests an increase in weekly residual

	capacity from 120 to 240L reduces recycling rates by 7.9% • improved powers giving local authorities the flexibility to direct householders as to what material is place in which containers, and better enforce where appropriate • abolish the 'public nuisance test' under section 46 powers • increased PR funded support for engagement with Housing Associations, landlords, businesses to ensure opportunities available for residents and customers to recycle • greater clarity of landlord responsibilities, and allow wider use of landlord licensing by removing areas specific constraints
Food waste – separate collection and diversion from landfill	• diversion of food waste from landfill is supported but decisions on the most appropriate treatment, e.g. separate collection for AD or inclusion in residual waste for EfW, should be taken locally based on local considerations including cost, social and environmental impacts • a managed withdrawal from landfill is supported by diversion of food waste and residual waste to alternative treatment technologies • an approach utilising a mix of targets and incentives set over a medium – long term timescale can provide the signals the waste sector requires to adapt, change practices and develop new infrastructure to effectively drive material away from landfill without requiring bans, incurring sudden shocks or risking long term investments in infrastructure • a specific requirement to separate food waste for recycling can only be accepted if the requirement is matched with the necessary funding to support collection and treatment infrastructure • revisit animal-by product regulation to reduce compliance costs for food waste treatment and encourage the use of animal feed
Markets for Secondary Materials	• it is imperative that markets for secondary materials are first developed before deciding how much material should be collected • further incentives placed on waste rather than markets (whether these are bans, taxes or recycling targets) will simply lead to more material being collected for which there is no market • the right behaviour needs to be financially rewarded in clearly visible way e.g. tax on virgin materials, exemption for compliance fees for recycled content • any new EU measures should complement, support and encourage action at appropriate geographic levels
Energy from waste	• strongly oppose any ban, limit or tax on incineration. • support the careful design of EfW capacity requirement to meet expected demand • energy recovery is the best option for some waste e.g. clinical wastes, offensive waste, hazardous wastes, difficult to recycle plastics or biodegradable wastes • EfW can provide a supply of secure and low carbon energy • local authorities should not be penalised for implementing waste policies which necessarily require investment over a

	long time frame • investment should not be discouraged by making dramatic, short-term changes to waste policy • specifically designing a material for energy recovery can have better environmental benefits that recycling in some circumstances where more energy is expended on several separation stages • carbon based life-cycle assessments often over-look the high degree of water usage involved in several cleaning or liquid-phase separation stages, which mean recycling is sometimes wrongly supported above energy recovery
Better technology	• support development and commercialisation of technologies to address specific bottlenecks e.g. PET tray recycling and plastic bags • narrowly focus EU grant funding towards projects with the greatest potential commercial benefit
Illegal activity and better enforcement of waste shipments	• illegal activity needs to be addressed prior to increasing recycling targets • consistent controls are required across the EU to make sure material is only exported to certified facilities and only materials actually recycled are counted towards targets • greater focus on closing down illegal operations before they have the opportunity to export by strengthening the link between exports and the permitting system through the use of end market specifications • greater focus on the export activity of poorly performing sites since these are more likely to seek illegal disposal routes
JWDAs regulation	• JWDAs lack the general power of competence of principal authorities. This is an issue that could potentially be addressed locally through the devolution agenda and in city regions through clarification of the relationship between JWDAs and Combined Authorities • the Waste Minimisation Act 1998 supports action by relevant authorities, including JWDAs, to reduce all wastes, not just household or municipal

REPORT ENDS

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NORTH LONDON WASTE AUTHORITY	
REPORT TITLE: RISK REVIEW	
REPORT OF: MANAGING DIRECTOR	
FOR SUBMISSION TO: AUTHORITY MEETING	**DATE:** 25 September 2015
SUMMARY OF REPORT: This report provides the annual review of high level risks for noting by Members	
RECOMMENDATIONS: The Authority is recommended to note the report and the High Level risk register	
SIGNED: ……………………………. **Managing Director** **Date: 16 September 2015**	

1. BACKGROUND

1.1 This is the regular report for Members' review of the Authority's high level risks. The risk register is attached as appendix A.

1.2 The risk register is formally reviewed on an annual basis, and presented to Members.

2. RISK REGISTERS AND REVIEW

2.1 The Authority has a high level risk register for strategic risks, which is owned by the Managing Director. Operational areas have specific, more detailed, risk registers used for ensuring that risks associated with specific areas of work are monitored and managed.

2.2 The high level risks have been reviewed and the management actions planned and taken updated. The operational registers have been considered by Members in the Member Finance Working Group. In addition, a high level risk register has been created by LondonWaste Ltd so that the risks for the company can be taken into account by the Authority as shareholder, and ensure that they are reflected in the Authority's high level risk register.

2.3 Following the review of the registers, no changes were made to the risk assessments. While management actions taken were updated, the risks remain the same at this level, as there has been no change in the nature of the activities of the Authority over the last year.

2.6 The high level risk register is at Appendix A to this report, and Members are recommended to note the report and register.

3. LEGAL ADVISER COMMENTS

3.1 The Legal Adviser has been consulted in preparation of this report and has no comments to add.

4. FINANCE ADVISER COMMENTS

4.1 The Finance Adviser has been consulted in the preparation of this report and has no comments to add.

REPORT ENDS

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North London Waste Authority
Risk Register Draft as at 03 September 2015
Authority: High Level
Register Owner: David Beadle

North London Waste Authority - High Level Risk Register

APPENDIX 1

Risk Identification								Assessment			Risk Management				Residual Risk		
Risk Number	**Title**	**Date Added**	**Risk Description**	**Risk Owner**	**Effect**	**Category**	**Status**	**Probability**	**Impact**	**Rating (R-Y-G)**	**Management Actions Planned**	**Date**	**Management Actions Taken**	**Date Updated**	**Probability**	**Impact**	**Rating (R-Y-G)**
NLWA - HL001	Finance	31/01/12	The Authority has insufficient funds to meet its obligations	**Mike O'Donnell**	Could have adverse impact on day-to-day service provision and delivery of future services. Unplanned borrowing would be necessary.	Financial / Commercial	Active	1	3	3	The Authority is a mature organisation with no specific new actions planned other than constant vigilance.	On-going	Prudent budgets and contingencies are set every year having regard to specific financial risks in consultation with Members. Effective budgetary control systems and reporting arrangements in place. Appropriate insurance cover in place. Internal and external audit review.	03-Sep-15	1	3	3
NLWA - HL002	Finance	31/01/12	The Authority's control systems do not provide timely detection of fraudulent or corrupt acts	**Mike O'Donnell**	The Authority may have to take legal action to recover funds or undertake other remedies. Possible reputational damage.	Financial / Commercial	Active	3	3	9	The Authority is a mature organisation with no planned changes other than constant vigilance and the need to be aware of changing requirements and best practice, e.g. as a consequence of the Bribery Act 2010 review working practices and ensure all staff are aware of their responsibilities. Implement recommendations proposed by internal audit.	On-going	The Authority has mature processes in relation to its main contracts and third party credit payments, and the right to set-off overpayments against future payments. The Authority has embedded a range of control systems in its payment and other financial arrangements. The Authority is supported in this regard by the payment control systems operated by the London Borough of Camden. Staff have received training and provided with guidance on compliance with the Bribery Act, declarations of gifts and hospitality, conflicts of interest and related party transactions. Internal Audit recommendations have been implemented and a follow up audit completed. All declarations for 2014/15 have been collected. Contract standing orders have also been strengthened.	03-Sep-15	1	3	3
NLWA - HL003a	Finance	31/01/12	There is a financial failure of LondonWaste Ltd while in Authority ownership	**David Beadle**	The value of LWL may be reduced, normal operations may be disrupted, reputation damaged.	Financial / Commercial	Active	1	5	5	Regular Officer contact with LWL senior management incl. Member Shareholder Group, regular financial/operational reporting. Working with LWL to maintain profitability and value to the Authority.	On-going	The Shareholder Agreement provides robust controls. The Authority controls the appointment of Directors, capital expenditure and a range of other key matters. Regular detailed reports are received including copies of Board papers and minutes of meetings. The business plan is being reviewed in conjunction with budget setting. NLWA Officer & LWL senior management links have been strengthened. The Member Shareholder Group also meets with the Board of LWL.	03-Sep-15	1	3	3
NLWA - HL003b	Activities	17/10/13	Failure of LWL to fulfil contract requirements	**Andrew Lappage**	Additional cost would be incurred outside the control of the Authority for replacement service or landfill. The value of LWL may be reduced, normal operations will be disrupted, reputation damaged. Borough waste vehicles unable to discharge loads and return to work.	Financial / Commercial	Active	1	5	5	Insurance requirements in place with LWL. Internal systems for monitoring the plant in LWL and understood by Authority officers; LWL risk register reviewed and understood. Continue to review the operational capability of the EFW facility and to determine any investment needs and any changes to the maintenance regime.	On-going	Plant inspected and reviewed by external consultants; capital expenditure identified. Working Group established with LWL managers and Authority officers. The external consultants report has been used by LWL management to help determine the EFW facility's maintenance and investment needs up to 2025.	03-Sep-15	1	3	3
NLWA - HL004	Activities	31/01/12	The Authority does not manage and maintain current services to meet statutory or other obligations	**Andrew Lappage**	Borough waste vehicles unable to discharge loads and return to work.	Operational	Active	1	1	1	Mature service - risk mitigation measures already in place. Continuing regular engagement with contractors and monitoring of waste flows.	On-going	Regular engagement with contractors to minimise the risk. Emergency Plan to direct boroughs to alternative facility to mitigate the risk.	03-Sep-15	1	1	1
NLWA - HL005a	Activities	31/01/12	The Authority and LondonWaste Ltd do not adequately anticipate impacts of new legislation on services	**David Beadle**	Urgent need to alter services, potentially at higher cost.	Contractual	Active	1	1	1	Mature service - risk mitigation measures already in place. Continuing regular attendance at National and London officer meetings and appropriate industry bodies.	On-going	NLWA: Regular engagement with DEFRA, BIS, DECC, WRAP at NAWDO meetings, and regular engagement with London Councils, CIWM and other waste authorities, to understand and influence likely future changes. LWL: Regular engagement with ESA, CIWM and other relevant organisations.	03-Sep-15	1	1	1
NLWA - HL008	Organisation	31/01/12	There is a challenge to the Authority's decisions.	**David Beadle**	Cost to Authority, drain on resources. Distraction from strategic goals. Possible reputational damage.	Strategic	Active	1	5	5	Ensure effective legal advice relating to decision making; robust internal review of strategies and actions arising. Continue to secure the support of Authority Advisers appointed from constituent boroughs.	On-going	Use of external legal advisers as appropriate; analysis of proposed strategies carried out and presented to members; communications activity to ensure understanding of Authority actions by public as well as other stakeholders.	03-Sep-15	1	5	5
NLWA - HL012	Organisation	31/01/12	Staff or visitors are injured at work	**David Beadle**	Potential impact on service delivery. Potential legal action. Potential reputational damage.	Regulatory	Active	1	3	3	Mature organisation, so no specific actions planned other than regular reviews of procedures and constant vigilance.	On-going	Risk assessments are undertaken by managers for all activities (office & site) in advance.	03-Sep-15	1	3	3
NLWA - HL014a	Organisation	31/01/12	The Authority does not maintain adequate levels of appropriately qualified and motivated staff		Required service outcomes are delayed, possibly with an adverse financial impact.	HR / People	Active	3	1	3	Review staffing requirements during normal appraisal and business planning cycles.	On-going	Risk assessments are undertaken by managers for all activities (office & site) in advance. Timely recruitment of staff.	03-Sep-15	3	1	3
NLWA - HL015	Organisation	31/01/12	The Authority does not interact with or respond appropriately to stakeholders and the general public including statutory responsibilities (FoI)	**David Beadle**	Potential impact on future service delivery, reputational damage and potential regulatory or legal action.	Reputation	Active	1	3	3	Maintain a detailed communications plan. Consider communication aspects of all activities. Maintain specialist staff and where necessary specialist advisers.	On-going	Communications plan up-dated. Specialist advisers appointed as necessary.	03-Sep-15	1	3	3
NLWA - HL016	Organisation	05/09/12	The Authority does not maintain effective partnership working with Constituent Boroughs	**David Beadle**	Boroughs do not achieve optimum service. NLWA cost of working increases. Reputational damage.	Financial / Commercial	Active	3	3	9	Complete Inter-Authority Agreement (IAA). Maintain multi-level interaction with Borough officers.	On-going	IAA terms identified in discussion with boroughs. Partnership Board established with senior borough and Authority officers; regular meetings with borough Chief Executives, Directors of Finance, Directors of Environment and borough waste management colleagues (Partnership Group).	03-Sep-15	1	3	3
NLWA - HL017	Organisation	17/10/13	The Authority does not have adequate systems in place to ensure continuity of its business operations	**David Beadle**	Financial impact through failure to manage service provision; impact on governance if procedures not in place for decision making; potential adverse impact on service delivery.	Financial / Commercial	Active	1	5	5	Regular review of business continuity arrangements/procedures.	On-going	Business Continuity procedures in place and understood by staff. Arrangements made for remote working by staff if necessary.	03-Sep-15	1	3	3
NLWA - HL018	Activities	28/08/14	Replacement residual waste treatment arrangements not in place when needed	**David Beadle**	Increased cost to the Authority and constituent boroughs. Possible reputational damage.	Strategic	Active	3	3	9	Take all steps to ensure that planning is progressed to allow for option of replacement facility at an appropriate time. Ensure timely consideration of future arrangements.	On-going	Project management in place, consultants appointed, and stakeholder engagement commenced.	03-Sep-15	1	3	3

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Agenda Item

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:

FORWARD PLAN OF DECISIONS

REPORT OF:

MANAGING DIRECTOR

FOR SUBMISSION TO:	**DATE:**
NORTH LONDON WASTE AUTHORITY	25 September 2015

SUMMARY OF REPORT

This report provides a forward plan of reports for the Authority.

Local Government Act 1972 – Access to Information

Documents used in the preparation of this report:
None excepting minutes of previous meetings

RECOMMENDATION:

The Authority is recommended to note and comment on the report.

Signed by the Managing Director

Date: …………16 September 2015……………….

1. INTRODUCTION

1.1 Members have asked that a mechanism be created to allow the Authority to identify future reports and see indicative dates of when decisions will need to be made including when possible an indication of when decisions may need to be made by the consituent Boroughs.

1.2 This report will be updated for every meeting and new and forthcoming items will be added to the list over time.

1.3 The Forward Plan has been divided into sections:

- Consultations and Policy Development
- Operations and Contracts Management
- Corporate Management
- Finance
- Projects

2. CONSULTATIONS AND POLICY DEVELOPMENT

2.1 Consultations relating in particular to planning policy developments and issues relating to waste management are kept under review. Where such consultations are identified, they are noted in this section of the forward plan; otherwise a general report is listed, and relevant policy developments and consultations will be included.

3. OPERATIONS AND CONTRACTS MANAGEMENT

3.1 This section lists the on-going recycling, composting and disposal of the wastes collected by the seven constituent borough councils continues, along with associated contract, performance management and statutory reporting activities.

3.2 The implementation of the North London Joint Waste Strategy will proceed in a variety of ways, including through the on-going management of contracted services and through the North London Waste Prevention Plan 2014-16 and the implementation of a joint recycling communications campaign. Third party reuse and recycling credits will continue. Bids for financial support from external bodies will also come forward.

4. CORPORATE MANAGEMENT

4.1 At the organisational level, the Authority continues to have regard to potential risks, to oversee its shareholder interest in LondonWaste Ltd, and to manage its relationships with the constituent borough councils.

5. FINANCE

5.1 The Budget approval reports, and Accounts sign off reports are included, together with the regular budget reviews.

6. PROJECTS

6.1 This section covers reports to take forward specific aspects of the Authority's approach to the treatment of residual waste, which will be updated to take account of Members' decisions on the timeline for future activity. It includes the timing of decisions on procurement relating to future residual waste facilities.

7. COMMENTS OF THE FINANCIAL ADVISER

7.1 The Financial Adviser has been consulted on the report and has no comments.

8. COMMENTS OF THE LEGAL ADVISER

8.1 A forward plan as such is not a legal requirement, because the Authority does not operate under Executive arrangements, but will nonetheless be helpful in longer term business planning.

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FORWARD PLAN

CONSULTATIONS AND POLICY DEVELOPMENT

TITLE OF REPORT & CONTACT	NATURE OF DECISION	INDICATIVE DECISION DATE
Consultations and policy update Head of Operations	To consider and approve draft responses to various waste consultations, as published.	As arising
Recycling proposals Managing Director	Proposals to be agreed relating to achievement of the 50% recycling target.	December 2015
Third Party Reuse and Recycling Credits Registrations Head of Operations	Advises Members of the third party organisations that have applied to be registered for third party re-use and recycling credits for 2016/17	February 2016

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OPERATIONS AND CONTRACTS MANAGEMENT

TITLE OF REPORT & CONTACT	NATURE OF DECISION	INDICATIVE DECISION DATE
Funding Bids Head of Operations	To consider and approve draft funding bids to various bodies as invited.	As arising
Operations Report Head of Operations	Update on operations including contract activity	December 2015 and February, April and June 2016

CORPORATE MANAGEMENT

TITLE OF REPORT & CONTACT	NATURE OF DECISION	INDICATIVE DECISION DATE
LWL Shareholder Issues Managing Director	Issues arising in connection with the Authority's shareholding in LWL.	Ongoing.
NLWA Annual Report	To approve the annual report for 2015/16.	AGM – June 2016
Other AGM items	Appointment of the Chair of the Authority for the 2016/17 municipal year. Appointment of the Vice-Chair(s) of the Authority for the 2016/17 Municipal Year. Membership of the Authority 2016/17. Appointment of Members to Committees and Working Groups. Dates of meetings for the Authority in 2016/17 Annual report of Directors of LondonWaste Ltd.	AGM – June 2016

FINANCE

TITLE OF REPORT & CONTACT	NATURE OF DECISION	INDICATIVE DECISION DATE
2015/16 Regular Budget Reviews Head of Finance	To keep under review and note the Authority’s performance against budget during the year. In December the report will update Members on the budget and levy prospects for the following financial year. In June the report will also provide Members with details of the actual expenditure and income for 2015/16 (subject to audit).	Ongoing
2016/17 Revenue Budget and Levy	To secure agreement to the Authority’s 2016/17 budget	February 2016

TITLE OF REPORT & CONTACT	NATURE OF DECISION	INDICATIVE DECISION DATE
Head of Finance	and levy	

PROJECTS

TITLE OF REPORT & CONTACT	NATURE OF DECISION	INDICATIVE DECISION DATE
Development Consent Order Process for replacement ERF Managing Director	To progress the application in accordance with the published timetable, decisions and updates as required.	Reports anticipated at each Authority meeting during process
Residual Waste Management – next steps Managing Director	Consideration of options relating to future residual waste management including technical, finance and procurement – report dates indicative	Initial report December 2015 and subsequent progress reports during 2016 and 2017 (timing to be refined in future reports) Anticipated timescale for decision December 2016/February 2017

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Head of Finance – Paul Gulliford, Tel 8489 5867 Email: paul.gulliford@nlwa.gov.uk

Clerk – Mike Cooke, Tel 7974 5686 Email: mike.cooke@camden.gov.uk

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