

West London Waste Authority

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29 November 2017

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### **West London Waste Authority**

A meeting of the West London Waste Authority will be held in Committee Room 5, Harrow Civic Centre on Friday 8 December 2017 at 10.00 am

### **MEMBERSHIP**

Councillor Keith Burrows, London Borough of Hillingdon  
Councillor Pamela Fleming, London Borough of Richmond  
Councillor Graham Henson, London Borough of Harrow  
Councillor Bassam Mahfouz, London Borough of Ealing (Chair)  
Councillor Amritpal Mann, London Borough of Hounslow (Vice-Chair)  
Councillor Eleanor Southwood, London Borough of Brent

## **AGENDA**

### **PART I - ITEMS FOR CONSIDERATION WHILE THE PRESS AND PUBLIC ARE IN ATTENDANCE**

1. Apologies for absence
2. Declarations of interest

Members are reminded that if they have a pecuniary interest in any matter being discussed at the meeting they must declare the interest. They may not take part in any discussion or vote on a matter in which they have a pecuniary interest.

3. Minutes of the meeting held on 22 September 2017 **(Pages 3 - 6)**
4. Matters arising from the Minutes
5. Budget Monitoring Report Period 7 **(Pages 7 - 12)**
6. 2018/19 Budget **(Pages 13 - 26)**
7. Medium and Long Term Financial Plan **(Pages 27 - 34)**

8. Contracts Update *(Pages 35 - 38)*
9. Operations Update *(Pages 39 - 44)*
10. Responses to Consultations Report *(Pages 45 - 58)*

**PART II - ITEMS FOR CONSIDERATION AFTER THE EXCLUSION OF THE PRESS AND PUBLIC**

11. 2018/19 Draft Budget for consultation - Appendix 1 *(Pages 59 - 60)*
12. Purchase of Transfer Station Sites *(Pages 61 - 80)*
13. Contracts Update - Appendix 1 *(Pages 81 - 82)*

**Recording and reporting on public meetings**

Please note that members of public can choose to record or report in other ways, on this public meeting. If you wish to do so then please read the Authority's protocol which can be found [online](#). Copies of the protocol are also available at the meeting.

The Authority asks that you avoid recording members of the audience who are not participants at the meeting. The Authority will seek to facilitate this. However, anyone attending a public meeting does so in the knowledge that recording may take place and that they may be part of that record.

Hugh Peart  
Clerk to the Authority

At a meeting of the West London Waste Authority held on Friday 22 September 2017 at 11.00 am at the Committee Room 5, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

**Present:**

Councillor Bassam Mahfouz (Chair)

Councillor Amritpal Mann (Vice-Chair)

Councillor Graham Henson and Councillor Eleanor Southwood

**Apologies for Absence**

Councillor Keith Burrows and Councillor Pamela Fleming

**72. Apologies for absence**

Councillors Keith Burrows and Pamela Fleming.

**73. Declarations of interest**

There were no declarations of interest.

**74. Minutes of the meeting held on 23 June 2017**

**RESOLVED:** That the minutes of the meeting held on 23 June 2017 be taken as read and signed as a correct record.

**75. Statement of Accounts for the year ending 31 March 2017**

Members received the Statement of Accounts 2016/17, which had also been considered by the Audit Committee. Jay Patel, Head of Finance, introduced the report and advised that the Authority had had a good financial performance.

The Chair of the Audit Committee reported that the Committee had considered both the report and the comments submitted by the Independent Person, Andrea White. Both the Audit Committee and the Independent Person had expressed concern at the doubling of the audit fee and had indicated that without seeing supporting evidence, the increase could not be endorsed. Jay Patel, Head of Finance, advised Members that, as part of the audit planning process, the auditors had highlighted two areas that would require additional work i.e. property valuation and the introduction of concession accountancy. Subsequently, following a meeting with officers, the auditors had also identified additional work in relation to the valuers. The auditors would provide a breakdown of the work and associated costs but it was not, in his view, unreasonable. The fee would also be subject to scrutiny by the Public Sector Audit Appointments (PSAA).

**RESOLVED:** That (1) following the receipt of further information from the External Auditor on the audit fee, the Head of Finance, following consultation with the Chair of the Audit Committee, be authorised to approve the fee;

(2) the Statement of Accounts for 2016/17, as attached at Appendix 1 to the report, be approved.

## **76. Contracts Update**

Members received a report which provided an update on the Authority's various waste treatment arrangements and procurements.

In response to a Member's questions, Ken Lawson, Senior Contract Manager, undertook to clarify the figures in relation to the mixed disposable waste contract and to look to identify a site for food waste closer to Harrow.

**RESOLVED:** That the report be noted and that the organics contract be submitted to the Authority for consideration in January 2018.

## **77. Operations Update**

Members received a report which provided an update on the Authority's operations.

In response to Members concerns in relation to the fire at Twyford WTS and smouldering waste at the Household Re-use and Recycling Centre in Brent, Sarah Ellis, Operations Manager, reported that waste electrical items, including batteries, were often thought to be the source of waste fires and that this was an issue for the waste industry as a whole. The Authority was tackling this issue with the work in the waste minimisation action plan.

Members were advised that there would be a briefing session on waste trends following the meeting.

**RESOLVED:** That the report be noted.

## **78. Waste Minimisation - Summary Update on the 2017/18 Waste Minimisation Plan and proposed 2018/19 Programme**

Members received a report which provided an update on the delivery of projects in the 2017/18 Waste Minimisation Plan.

A Member questioned whether the six constituent authorities had opportunities to discuss managing the collection of waste in the same way. Emma Beal, Managing Director, advised that collective discussion across most boroughs was by both the West London Alliance and West London Waste Authority Borough Partnership meetings. The intention was that residents across the six boroughs be directed to the Authority's website for advice on waste disposal.

**RESOLVED:** That (1) the progress of activities so far in 2017/18 (April-June Progress Report) be noted;

(2) the proposed list of activities in the draft 2018/19 Waste Minimisation Plan be noted.

## **79. Joint Municipal Waste Management Strategy Review**

Members received a report which provided details of the Joint Municipal Waste Management Strategy review for the years 2017-20 and provided updated action plans to deliver the remaining strategy aims.

Emma Beal, Managing Director, introduced the reported and advised of a correction on page 90 in that the recycling rate shown was for the year 2015/16. Members noted that Ealing was restricting the amount of residual waste per household. Members also noted that centralised waste data flow reporting was being considered and a trial was in progress with WLWA reporting Hounslow data.

**RESOLVED:** That the updated action plans be noted.

#### **80. Treasury Management**

Members received a report which provided an update on treasury management activities.

**RESOLVED:** That (1) the treasury management outturn for 2016-17 be noted;

(2) the update for the current year, including the treasury management and prudential indicators, be noted.

#### **81. Budget Monitoring Report Period 4 (July)**

Members received a report which provided an update on the financial position of the Authority at the end of July, the key operational performance indicators and delegated financial decisions.

A Member requested further details on the figures for the different types of waste material as, in his view, this would inform Members as to what was being disposed of and this could then be addressed. Members were advised that there would be a briefing session following the meeting where this question would assist the strategic discussion.

**RESOLVED:** That (1) the current financial position in 2017/18 to period 4 and key performance indicators be noted;

(2) the financial decisions taken under the Scheme of Delegation to Officers be noted.

#### **82. EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED:** That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item for the reason set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
12.	Budget Monitoring Report Period 4 (July)	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

#### **83. Budget Monitoring Report Period 4 (July)**

**RESOLVED:** That the report be noted.

**The meeting finished at 12.07 pm.**

The minute taker at this meeting was Alison Atherton.

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**Budget Monitoring Report Period 7 (October)**

**SUMMARY**

This report provides an update on the financial position of the Authority at the end of October, the key operational performance indicators (KPIs) and delegated financial decisions.

**RECOMMENDATION(S)**

Chief Officers are asked to:-

- 1) Note the current financial position in 2017/18 to Period 7 and Key Performance Indicators
- 2) Note the financial decisions taken under the Scheme of Delegation to Officers

**1. Financial position – high level summary**

A summary of the financial performance for the period and forecast to the end of the year is provided below:

**High level summary**

	P7 Budget £ 000s	P7 Actual £ 000s	P7 Variance £ 000s	Year Budget £ 000s	Year Forecast £ 000s	Year Variance £ 000s
<b>Expenditure</b>						
Employees	964	960	-4	1,653	1,726	73
Premises	2,501	2,133	-368	4,287	3,826	-461
Waste Transport & Disposal	21,696	20,410	-1,286	37,193	35,441	-1,753
Other supplies	769	328	-441	1,318	1,134	-184
Depreciation	4,799	4,766	-33	8,227	8,169	-58
Financing and Other	5,269	5,117	-151	9,032	8,736	-296
	<b>35,997</b>	<b>33,714</b>	<b>-2,284</b>	<b>61,710</b>	<b>59,032</b>	<b>-2,679</b>
<b>Income</b>						
Levies	-34,930	-34,324	606	-59,880	-58,928	952
Trade and other	-1,067	-1,211	-144	-1,830	-1,878	-48
	<b>-35,997</b>	<b>-35,535</b>	<b>463</b>	<b>-61,710</b>	<b>-60,806</b>	<b>904</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>-1,820</b>	<b>-1,820</b>	<b>0</b>	<b>-1,774</b>	<b>-1,774</b>
Disbursement back to boroughs	0	1,800	1,800	0	1,800	1,800
<b>Net (Surplus) / Deficit</b>	<b>0</b>	<b>-20</b>	<b>-20</b>	<b>0</b>	<b>26</b>	<b>26</b>

The summary shows how financial performance compares to the budget for both the period in question and the forecast for the year. The budget has been profiled to reflect how expenditure will arise.

There is one notable observation to the end of period 7. The overall waste volume, primarily residual waste, is below budget resulting in an under-spend on the Waste Transport & Disposal budget of £1.286 million (6%). The corresponding levies are for this reason also lower.

The net surplus from operating activities is offset by the disbursement of excess reserves to leave a broadly neutral position for the period.

The forecast for the year shows the same pattern and overall broadly neutral position.

The standard breakdown can be found in Appendix 1. This separates out the main types of waste streams and distinguishes between PAYT and FCL activities.

## **2. Operational KPIs**

The KPI table (Appendix 2) illustrates the performance in key activities and progress with internal audit recommendations.

The performance is consistent with the period 4 report.

There are two new KPIs (KPI3 and KPI4) where aspirational targets were set and these are at amber status. More realistic targets will be set next year based on the current year experience.

Due to unplanned downtime at the SERC resulting from oscillating stacks this has significantly affected performance in April and as a result we are forecasting missing our annual targets for KPI9 and KPI10. However monthly performance returned quickly back to expected levels and has since been maintained at that level.

KPI17 the training days target is also aspirational and unlikely to be achieved due to staffing changes and prioritisation of project work. This target will need to be reviewed for next year.

## **3. Delegated decisions**

To provide further transparency of operational arrangements, this standard section of the budget monitoring report summarises any significant financial decisions made by the Director and/or Chief Officers under the Scheme of Delegations to Officers since those reported to the last Authority meeting. There are no delegated decisions to report.

**4. Financial Implications** – These are detailed in the report.

**5. Legal Implications** – There are no legal implications as a result of this report.

**6. Impact on Joint Waste Management Strategy** – Improvements to financial management in the Authority will continue to ensure that the Authority addresses policies of the JWMS.



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## Appendix 1

Pay As You Throw	Period 7				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Waste - Residual	13,907	13,103	-805	lower than budgeted waste tonnage	23,841	22,663	-1,178	assuming lower tonnages continue 17-18
Waste - Residual: EFW Bulked	4,059	3,903	-156		6,958	7,032	74	
Waste - Residual: EFW Delivered	2,216	2,303	87		3,799	3,845	46	
Waste - Food	417	427	11		714	732	18	
Waste - Mixed Organic	548	708	160	seasonal variation	940	940	0	
Waste - Green	628	744	116	seasonal variation	1,077	1,111	34	
Waste - Other	148	202	54		254	346	92	
Waste - Concession interest	-2,010	-1,904	106		-3,445	-3,263	182	concession underspend per 2016/17 agreed/audited accounting treatment
Waste - Concession liability	-1,745	-2,020	-275		-2,991	-3,463	-472	
Financing SERC - Interest	2,010	1,904	-106		3,445	3,263	-182	
Financing SERC - Concession interest	2,584	2,563	-21		4,430	4,360	-70	
Premises - SERC	780	778	-2		1,337	1,474	137	
Depreciation - SERC	4,084	3,939	-145	per 2016/17 year end property valuation	7,001	6,752	-249	per 2016/17 year end property valuation
PAYT Levy income	-27,627	-27,020	606	rebate resulting from lower waste tonnage	-47,360	-46,408	952	estimated final reconciliation
<b>PAYT Net Expenditure</b>	<b>0</b>	<b>-370</b>	<b>-370</b>		<b>0</b>	<b>-615</b>	<b>-615</b>	

Fixed Cost Levy	Period 7				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	964	960	-4		1,653	1,726	73	
Premises	1,601	1,236	-365	negotiated lower rent uplift than initially requested	2,745	2,126	-619	negotiated lower rent uplift than initially requested
Waste - Residual	2,328	2,512	184	higher than budgeted tonnage	3,990	4,756	766	higher residual tonnage than expected
Waste - Green	496	258	-238	lower tonnage and transport cost	851	417	-434	lower tonnage and transport cost
Waste - Wood	665	311	-354	negotiated lower disposal rate with different provider	1,140	534	-606	negotiated lower disposal rate with different provider
Waste - Other	614	465	-149		1,052	823	-229	
Other Supplies	769	328	-441		1,318	1,134	-184	
Depreciation	90	224	134	2016/17 year end property valuation increase	154	383	229	per 2016/17 year end property valuation
Financing and Other	-29	-34	-5		-50	-55	-5	
Trade Waste and Other Income	-1,068	-1,212	-144	higher trade waste income during periods 1-7	-1,831	-1,879	-48	
Waste - Concession interest	-308	-292	16		-528	-500	28	concession underspend per 2016/17 agreed/audited accounting treatment
Waste - Concession liability	-267	-310	-43		-458	-531	-73	
Financing SERC - Interest	308	292	-16		528	500	-28	
Financing SERC - Concession interest	396	393	-3		679	668	-11	
Premises - SERC	120	119	-1		205	226	21	
Depreciation - SERC	625	603	-22		1,072	1,034	-38	
FCL Levy income	-7,303	-5,503	1,800	1.8M dispersed to Boroughs	-12,520	-10,720	1,800	1.8M dispersed to Boroughs
<b>Fixed Cost Levy Net Expenditure</b>	<b>0</b>	<b>350</b>	<b>350</b>		<b>0</b>	<b>641</b>	<b>641</b>	

## Appendix 2

KPI No	Measure	2017/18 Target	Forecast	Apr	May	Jun	Jul	Aug	Sep	Oct	Comments
<b>Efficiency</b>											
KPI1	Total WCA waste handled by Authority (tonnes, +/- 5% of budget)	+/- 5% i.e. 515,899 to 570,204 tonnes	533,665	40,313	46,182	47,934	43,980	45,518	42,906		October tonnages not available at the time of writing
KPI2	Total kgs WCA waste per dwelling	867	852	64	74	77	70	73	68		October tonnages not available at the time of writing
KPI3	HRRC reuse, recycling, composted % (Twyford)	60%	44%	39%	46%	49%	46%	47%	42%	41%	The target is a aspirational target and there have been some changes on site.
KPI4	Borough HRRC Average reuse, recycling, composted %	60%	45%	42%	46%	46%	43%	45%	47%	46%	The target is a aspirational target and it is the first time it has been collated by the Authority.
KPI5	% of HRRC residual waste recycled	TBC	-								The trials commenced in June and are progressing with two operators following one operator withdrawing. Data is still outstanding.
KPI6	Trade debt as proportion of non levy income	Max of 8% (1 month)	2.9%	2.4%	2.3%	2.4%	5.9%	1.0%	4.3%	1.8%	
KPI7	Average days to pay creditors	Max of 30 days	17	14	17	18	18	18	18	19	
KPI8	Number of audit actions or recommendations overdue	0	0	0	0	0	0	0	0	0	
<b>Service Delivery</b>											
KPI9	Residual waste landfill diversion rate	96%	94%	65%	98%	94%	99%	100%	99%	100%	Due to the downtime caused by the oscillating stacks at the SERC EFW there is a risk that this target will not be achieved by the end of the year.
KPI10	Recycling rate for residual waste	2.00%	1%	0.57%	0.86%	0.47%	1.81%	1.48%	1.36%	2.16%	Due to the downtime caused by the oscillating stacks at the SERC EFW there is a risk that this target will not be achieved by the end of the year.
<b>Safety</b>											
KPI11	RIDDOR reported incidents at rail transfer stations	0	0	0	0	0	0	0	0	0	
KPI12	RIDDOR reported incidents at Twyford	0	0	0	0	0	0	0	0		
<b>Environment</b>											
KPI13	EA reported incidents at rail transfer stations	0	0	0	0	0	0	0	0	0	
KPI14	EA reported incidents at Twyford	0	0	0	0	0	0	0 (visit from EA due to the fire)	0		
<b>Education</b>											
KPI15	Number of people engaged at events	Min of 6,000 people	9,451	169	1,112	1404	1253	204	795	576	
KPI16	Engagement on social media	Provisional 8,000. Communication Officer to review in year	7,545	929	528	518	444	481	469	449	
KPI17	Number of Training days per WLWA employee	4	2.0	0.0	0.1	0.0	0.1	0.0	0.1	0.3	Significant training plan identified from appraisals for latter part of year but unlikely to achieve aspirational target due to staffing changes and projects
KPI18	Number of visitors to our website	Min of 60,000 hits	83,811	8,437	7,417	7,207	6,875	6,434	6,094	6,426	

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**2018/19 Budget**

**SUMMARY**

This report sets out the 2018/19 budget proposal for consultation with boroughs

**RECOMMENDATION(S)**

The Authority is asked to:-

- 1) Note the 2018/19 budget for consultation with boroughs
- 2) Note the indicative Pay As You Throw (PAYT) rates in section 14 and resulting PAYT levy of £47.6 million
- 3) Note the Fixed Cost Levy (FCL) of £12.2 million in section 15
- 4) Note the recommended trade waste prices in section 16 and delegated authority to the Treasurer to change these in year should the need arise
- 5) Note there are no new proposed capital budgets in section 17
- 6) Note the target level of reserves of £4.2 million to act as a buffer for managing risks and avoiding supplementary levies, in section 18

**1. Introduction**

1.1 The Authority is required to set an annual budget including levies and charges. It is also required to issue a demand to constituent boroughs by 15 February each year. This report sets out the 2018/19 draft budget which will be subject to consultation with constituent boroughs. Following consultation the final budget will be reported to the January meeting for approval. The PAYT and FCL charges will then be levied.

1.2 The 2018/19 budget incorporates tonnage forecasts received from boroughs and the spending plans received from Authority managers. The managers' spending plans have been scrutinised and adjusted following a budget challenge session held with the Chair, Vice Chair and Chief Officers on 17 November.

**2. Executive Summary**

2.1 The key message is that the total costs and overall levies (£59.8 million) proposed for 2018/19 are marginally lower than 2017/18 levels, despite inflation running at more than 4%.

2.2 The 2018/19 budget includes the purchase of transfer station sites (see confidential report later in today's agenda) and funding to deliver business plan objectives / projects as well as continuing to run business as usual operations.

**3. Expenditure and Income**

3.1 The table below sets out the 2018/19 budget and the movement from the 2017/18 budget. The latest 2017/18 forecast is also included to provide context and illustrate the current level of activity.

	2017-18 budget £ 000's	2017-18 forecast £ 000's	2018-19 budget £ 000's	Changes in budgets £ 000's
<b>Costs</b>				
Waste Transfer and Disposal	44,615	43,199	45,592	977
Depreciation	8,227	8,169	8,600	373
Financing Cost	5,059	4,973	5,566	507
Premises	4,288	3,826	2,571	(1,717)
Employees	1,653	1,726	1,803	150
Supplies and Services	1,317	1,134	927	(390)
Revenue Funding of Debt	0	0	684	684
Concession Accounting Adjustments	(3,449)	(3,994)	(4,065)	(616)
<b>Total costs</b>	<b>61,710</b>	<b>59,033</b>	<b>61,678</b>	<b>(32)</b>

<b>Income</b>				
PAYT Levy	47,360	46,408	47,636	276
FCL Charge	12,520	10,720	12,214	(306)
<b>Total Levies</b>	<b>59,880</b>	<b>57,128</b>	<b>59,850</b>	<b>(30)</b>
Other Income	1,830	1,879	1,828	(2)
<b>Total income</b>	<b>61,710</b>	<b>59,007</b>	<b>61,678</b>	<b>(32)</b>

<b>Total (surplus)/deficit</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>0</b>
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3.2 The budget headings are per our usual format for regular budget monitoring reports however there are two new lines for 2018/19.

3.3 Firstly the Concession Accounting Adjustments have been separated out so the Waste Transport and Disposal and Financing Costs now reflect what we actually pay contractors and lenders. For budgeting purposes it is also clearer to see what the accounting adjustment actually is, rather than netting it off with other costs (as we have to under accounting requirements for our annual accounts). This line is explained in section 11.

3.4 Secondly the revenue funding of debt represents a new activity next year. It is the cost of repaying the loans for acquiring the freehold for transfer station sites. See section 10.

#### 4. Waste Transport & Disposal (WTD)

4.1 The WTD budget accounts for the majority of the Authority's budgeted costs. The 2018/19 tonnage forecasts from boroughs have been reviewed for reasonableness by Authority managers. The forecasts together with contract pricing information form the basis for the calculation of the 2018/19 budget.

4.2 The 2018/19 WTD budget is £45.6 million, an increase of £1.0 million or 2.2% resulting primarily from the impact of inflation.

4.3 Most contracts require annual pricing adjustments based on the movement in the RPIX (retail price index excluding mortgages). The assumption for RPIX for 2018/19 is 4.0%. This

is based on the September 2017 index (4.1%) and the governments Office for Budget Responsibility's forecast for RPIX for next year of over 4.0%.

4.4 The contract pricing in the major PPP contract has gone a long way to dampening the increase in waste transport and disposal costs. This is because a significant portion of contract waste sees no / very little price inflation under the terms of the contract.

4.5 Another key factor limiting the growth in waste transport and disposal spending is the slightly lower overall borough forecasts of tonnages, better reflecting the current level of waste. The 2018/19 budgeted tonnage is made up of the following materials:

<b>Material</b>	<b>2017/18 Total Tonnes</b>	<b>2018/19 Total Tonnes</b>	<b>Change</b>
Residual	412,224	409,006	(3,218)
Mixed organic	16,000	16,200	200
Green	51,795	49,038	(2,757)
Wood	21,297	19,850	(1,447)
Kitchen	28,075	32,527	4,452
Other	13,661	12,252	(1,409)
<b>Budget 2018/19</b>	<b>543,052</b>	<b>538,873</b>	<b>(4,179)</b>

## 5. Depreciation

5.1 The budget for 2018/19 of £8.6 million is £0.4 million higher than in 2017/18. This reflects the outcome of the property valuation for the last audited accounts where full property valuations were undertaken by independent surveyors and the values increased – hence an increase in the depreciation.

5.2 The largest element of depreciation relates to the SERC and totals £8.1 million. It should be noted that for depreciation calculations, the SERC has to be separated out into its main components and each key component has to be depreciated over its own expected life.

5.3 The value of the SERC is £194.2 million and components are depreciated over periods up to 23 years.

5.4 Depreciation for the remaining assets have been calculated using the latest audited accounts and subsequent change in the asset registers.

## 6. Financing

6.1 The financing costs have increased from £5.1 million in 2017/18 to £5.6 million for 2018/19 primarily as a result of the acquisition of transfer station sites.

6.2 The largest component of financing costs relate to borrowing for the construction of the SERC and totals £5.0 million. The loans are at arm's length and from a borrowing perspective the boroughs are like any other lender with the loan agreements specifying the relationship with the Authority and including a rate of interest of 7.604%.

6.3 The budget assumes the transfer station sites will be purchased at the commencement of 2018/19 partly from borrowing and partly from utilising cash balances. The interest on this loan is budgeted at £0.6 million. Details for this can be found in the confidential report later in today's agenda.

## **7. Premises**

7.1 The budget for 2018/19 of £2.6 million is £1.7 million less than the £4.3 million in 2017/18. The majority of this is due to the removal of site rents resulting from the purchase of transfer station sites.

7.2 Part of this reduction is offset in other budgets by an increase in Financing Costs and the new Revenue Funding of Debt.

## **8. Employees**

8.1 The 2018/19 budget of £1.8 million is £0.2 million higher than the 2017/18 level. This is principally to allow for the delivery of business plan objectives, but also includes growth for inflation and pension contribution increases.

8.2 The establishment is planned to grow by 3.1 full time equivalent (FTE) posts from 31.3 to 34.4 FTEs. This provision for new posts relate to data projects (0.6), backfilling to deliver new office, IT and other projects (0.6), PPP contract audit work previously performed by auditors (0.4), reorganisation of site weighbridge work (0.5) and waste minimisation (1.0).

8.3 Putting this into context the Authority employed 88 FTE in 2012/13, 42 FTE in 2014/15 and over the last few years FTE numbers moving around at just over 30 focussed mainly on delivery of business as usual service. However with more complexity (e.g. financial management of the PPP contract) and a more ambitious business plan with a number of objectives and projects to deliver, appropriate resourcing will be required.

8.4 For projects, a decision to recruit will only be made if and when necessary, for example when projects are likely to progress beyond the initial feasibility stage.

## **9. Supplies & Services**

9.1 The 2018/19 budget for Supplies & Services is £0.9 million, £0.4 million lower than the 2017/18 level.

9.2 The expiry of leases, £340,000 which now becomes the PPP contractor's costs and stripping out of unused fees (consultants etc.) of £62,000 account for the majority of the reduction in this budget.

## **10. Revenue Funding of Debt**

10.1 The loan financing the purchase of the transfer station sites is a typical repayment loan. It is made up of two components – an element for the interest on the loan (see Financing Costs) and an element to actually repay the loan.



10.2 The Revenue Funding of Debt is the element to actually repay the loan and totals £0.7 million.

10.3 The report later in today's agenda details the implications of purchasing the transfer station sites on the cashflow, accounting and budgeting (section 7 and appendix 3 of that report). It explains that the site purchase is essentially the purchase of land and this has a different impact on the finances compared to the purchase other assets – resulting in this new line in the budget.

## 11. Concession Accounting Adjustments

11.1 Essentially under a PPP arrangement a contractor pays for the construction of an asset and then recovers it's investment over a long period through its operational charges to the local authority.

11.2 There are very specific and detailed accounting requirements that govern this type of arrangement. This is because the underlying nature of this transaction is that the local authority *essentially* owns the asset and the contractor is *essentially* a lender financing the construction of the asset.

11.3 The key feature of the accounting is the calculation of a concession accounting adjustment.

11.4 The concession accounting adjustments over the term of the contract were agreed with the auditors during the approval of the latest accounts. For 2018/19 they total £4.1 million, compared to £3.5 million in 2017/18. This reduces overall costs and levies by £0.6 million.

## 12. Growth and Savings

12.1 The majority of Authority spending is committed under long terms contracts (PPP) or agreements (loans) or governed by accounting requirements (depreciation). This leaves less opportunity for savings.

12.2 However, as part of the budget setting process at an operational level, a variety of measures have ensured a focus on savings across areas where managers are able to exercise some control. This included budget managers reporting their 2018/19 plans and proposed savings to a budget challenge session with the Chair, Vice Chair and Chief Officers.

12.3 The tables below identify the growth and savings included within the 2018/19 draft budget and separates out real growth and savings from other movements between 2017/18 and 2018/19 budgets.

12.4 Summary table:

	£ 000's
Budgeted levies 2017/18	59,880
Growth	2,587
Savings	(2,926)
Other movements	309
<b>Budgeted levies 2018/19</b>	<b>59,850</b>

12.5 Growth table:

<b>Area</b>	<b>Explanation</b>	<b>Growth £ 000's</b>
Waste Transport and Disposal	Pricing inflation on residual waste (£1,235k), haulage (£171k), food (£129k), green (£37k), increase in number of mattresses (£79k) and other tonnage movements (£12k)	1,663
Financing Costs	Growth reflecting interest payments on new borrowing to purchase transfer station sites (£639k)	639
Premises	Increase in rates (£62k), utilities (£10k), security services (£20k), and a range of other small increases (£13k)	105
Employees	New posts and reorganisations (£105k), inflation and increments (£37k), increase in pension contributions (£24k)	166
Supplies and Services	Rise in insurance premiums (£10k) and other minor items (£2k)	12
Other Income	Small reduction in other income (£2k)	2
		<b>2,587</b>

12.6 Savings table:

<b>Area</b>	<b>Explanation</b>	<b>Saving £ 000's</b>
Waste Transport and Disposal	Savings from wood and mixed organics procurements (£437k), optimisation of transport arrangements (£168k), reduced tonnages (£81k)	(686)
Premises	Removal of rental budgets (£1,775k), reduced SERC rates resulting from Suez negotiations with Valuation Office (£42k) and other minor reductions (£5k)	(1,822)
Employees	Reorganisation of Twyford management structure (£15k)	(15)
Supplies and Services	Expiry of leases with responsibility moving to contractor under the PPP contract (£340k) and stripping out unused consultancy budgets (£62k)	(402)
		<b>(2,926)</b>

12.7 Other movements table:

Area	Explanation	Increase / (Decrease) £ 000's
Depreciation	A full independent property valuation was undertaken and agreed with auditors for the last accounts. Depreciation has been calculated using the updated valuations (£373k)	373
Financing Costs	Reduction in SERC financing costs arising from timing of capital contributions (£132k)	(132)
Revenue Funding of Debt	Reflects the repayment of borrowing to finance the acquisition of transfer station sites (£684k)	684
Concession Accounting Adjustment	Per accounting requirements and agreed with auditors for the last set of accounts (£616k)	(616)
		<b>309</b>

**13. PAYT / FCL split**

13.1 PAYT costs relate primarily to waste that boroughs collect and deliver to transfer stations and FCL costs are those which relate to waste from HRRC sites and the Authority's running expenses.

13.2 Where directly attributable, costs are allocated to the PAYT or FCL as appropriate. Where costs are applicable across both PAYT and FCL (e.g. SERC depreciation relates to both HRRC residual waste and borough collected residual waste) these are apportioned based on the relative WTD tonnages in PAYT and FCL. The breakdown of the budget between PAYT and FCL activities is as follows:

PAYT	2017/18 £000's	2018/19 £000's	Change £000's
Waste Transport and Disposal	37,582	38,603	1,021
Depreciation (SERC)	7,001	6,955	(46)
Financing Costs (SERC/WLRWS)	4,430	4,288	(142)
Premises (SERC)	1,337	1,292	(45)
Concession Accounting Adjustment	(2,990)	(3,502)	(512)
PAYT Levy	(47,360)	(47,636)	(276)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>FCL</b>	<b>2017/18 £000's</b>	<b>2018/19 £000's</b>	<b>Change £000's</b>
Waste Transport and Disposal	7,033	6,989	(44)
Employee	1,653	1,803	150
Premises	2,951	1,279	(1,672)
Supplies and Services	1,317	927	(390)
Depreciation	1,226	1,645	419
Financing	629	1,278	649
Revenue funding of Debt	0	684	684
Concession Accounting Adjustment	(459)	(563)	(104)
Non Levy Income	(1,830)	(1,828)	2
FCL Levy	(12,520)	(12,214)	306
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

*Note that the concession accounting adjustment has been separated out as detailed in Section 3.3.*

#### **14. PAYT Levy Income**

14.1 The PAYT charge to boroughs relates primarily to the waste that boroughs deliver to transfer stations and is to cover the cost to the Authority for disposing of that waste.

14.2 The PAYT charge for 2018/19 is £47.6 million a small increase of £0.3 million or 0.6% from 2017/18.

14.3 The table in Appendix 1 (part 2 item) shows the proposed PAYT rates.

14.4 These rates represent the average cost to the Authority for the disposal of materials. They reflect the blended price paid to a number of contractors and for residual waste also the costs of the SERC.

14.5 These rates will be applied to the 2018/19 tonnage forecasts from boroughs and result in a monthly charge to them. Each quarter end a reconciliation exercise will take place to adjust for the actual amount of waste that each borough delivers, so boroughs only pay for waste actually disposed.

14.6 In addition to this, the Authority manages non-household waste from HRRC sites and incurs transport costs. On a similar basis the average transport charges for 2018/19 are provided in Appendix 1 (part 2 item).

14.7 Following harmonisation of transport operations during the current year, the transport charge for residual and organic collected waste for 2018/19 will be a blended charge.

14.8 Using tonnage forecasts from boroughs, the PAYT charges for 2018/19 are as follows:

<b>Borough</b>	<b>2017/18 PAYT charge £000's</b>	<b>2018/19 PAYT charge £000's</b>	<b>Growth £000's</b>	<b>% Growth</b>
Brent	8,922	8,882	(40)	(0.5%)
Ealing	10,627	10,084	(543)	(5.1%)
Harrow	5,946	6,383	437	7.3%
Hillingdon	8,480	8,557	77	0.9%
Hounslow	7,533	7,744	211	2.8%
Richmond	5,852	5,986	134	2.3%
<b>Total</b>	<b>47,360</b>	<b>47,636</b>	<b>276</b>	<b>0.6%</b>

14.9 It is worth noting that the above levies use borough forecasts for the volumes of waste, including any implications from service changes.

14.10 On this basis it is also worth repeating that should borough waste volumes be lower than they've originally forecast, then each quarter they will be refunded a sum to ensure they pay only for what is actually delivered. If their volumes are higher they will be asked to pay for the extra waste.

## 15. FCL Income

15.1 The FCL charge primarily relates to the cost of managing the treatment and disposal of household waste delivered to HRRC sites. It also includes the Authority's administration, nets off other income and includes a portion of SERC costs. The charge is set to recover all FCL costs and will be apportioned using the 2018/19 Council Tax base per the CTB (October 2017) returns provided by the boroughs.

15.2 The FCL charge for 2018/19 is £12.2 million which is a small reduction of £0.3 million or 2.4% from the 2017/18 level.

15.3 Using the 2018/19 Council Tax base, the FCL charge is as follows:

<b>Borough</b>	<b>2017/18 FCL charge £000's</b>	<b>2018/19 Council Tax base</b>	<b>2018/19 FCL charge £000's</b>	<b>Change £000's</b>	<b>% Change</b>
Brent	2,053	93,438	2,001	(52)	(2.5%)
Ealing	2,533	115,469	2,474	(59)	(2.3%)
Harrow	1,895	86,335	1,849	(46)	(2.4%)
Hillingdon	2,165	98,666	2,113	(52)	(2.4%)
Hounslow	1,893	86,219	1,847	(46)	(2.4%)
Richmond	1,981	90,157	1,930	(51)	(2.6%)
<b>Total</b>	<b>12,520</b>	<b>570,284</b>	<b>12,214</b>	<b>(306)</b>	<b>(2.4%)</b>

15.4 It should be noted that overall levies (taking both PAYT and FCL together) are marginally down from 2017/18.

## 16. Other Income

16.1 The 2018/19 budget is £1.8 million, almost identical to 2017/18. Trade waste income is the largest component at £1.2 million. We are conscious that the market trade waste prices, particularly for residual waste, are more competitive. Therefore for 2018/19 the trade waste prices have been reviewed with the intention of maintaining income by bringing in more trade.

16.2 The proposed main trade/DIY charges per tonne are provided below:

Type of waste	2017/18 £	2018/19 £
Trade waste residual and wood	195.00	160.00 for account customers and £165.00 for others
Trade waste recycling	97.50	80.00
Asbestos (Households only)	272.00	272.00
Mattresses (per mattress)	12.26	10.00
Bulky items	218.00	218.00

16.3 The effect of these price changes will be kept under review over 2018/19. Given the low value of trade income in context of the overall budget it is proposed that the Treasurer has delegated authority to take corrective action (i.e. change the above rates) should the reviews identify any risks.

## 17. Capital

17.1 Other than the capital budget for the purchase of transfer station sites, there are no new capital budget requirements for 2018/19. The budget for the transfer site purchase is detailed in the confidential report later in today's agenda.

17.2 It is worth noting the following capital budgets. These are balances on capital works still in progress which were previously approved by the Authority and will be rolled forward until completion or not required.

- Construction of a bulking facility at Victoria Road (£1.1 million)
- Twyford improvements (£738,000)
- Replacement Loading Shovel (£240,000)
- Contract Management Software (£30,000)
- New Head Office (£2.5 million)
- Replacement IT (£200,000)

## 18 Reserves

18.1 Reserves represent an organisations net worth. They provide a buffer for an organisation to manage risks, for example the fluctuations in the level of activity or costs – these variances in costs lead to surpluses and deficits being absorbed within reserves. On this basis, the Authority's approach to reserves has been to build up sufficient reserves to act as a buffer against risk.

18.2 The added benefit of reserves is that they can be used to stabilise pricing by removing the need for "in year" price reviews. For boroughs and indeed the Authority, this pricing stability / predictability facilitates better planning and budgetary control.

18.3 Identifying known risks facing an Authority provides a useful basis for determining a suitable level of reserves for managing risk. The specific risks and potential costs and likelihood that could be associated with them are as follow:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Financial Risk (£000's)</b>
From time to time, a new market will emerge for recycling of specific waste streams (as opposed to landfill) e.g. carpets. The Authority tests and uses these markets cautiously, however these new markets carry a risk of both market and supplier failure. Should this arise there will be additional costs in making new arrangements to redirect and dispose of waste.	High	£300 (based on 2014/15 experience with mattresses)
Collapse of recycling markets leading to materials entering the residual waste stream	Medium	£200 (notional)
Whilst the contractor bears most of the risk in the event of the loss/closure of a transfer station, in major events like this there is a possibility of unforeseen additional costs in implementing and operating alternative arrangements. Therefore it would be prudent to set aside something for these uncertainties.	Medium	£200 (notional)
The budget is based on assumptions of indexation/ inflation, particularly in relation to contracts. There is a risk of higher costs due to higher than anticipated indexation/inflation	Medium	£500 (representing approx. 1% higher indexation)
With a changing market environment and in particular high inflation, procurement exercises could result in higher prices	High	£500 (representing 10% on key procurements in progress)
Increasing out of hours volumes and implications on service availability will lead to additional costs	High	£600 (based on pricing difference on 10,000 tonnes)
With a large number of competitors ready to receive trade waste, there is a risk that price competition could lead to a reduction in planned trade and DIY income despite more competitive pricing	Medium	£300 (representing 25% of trade income)
Purchase of transfer station sites doesn't happen in 18/19 meaning we'll still need to pay rent	Medium	£300 (representing the lost savings)
Risks / costs will arise from the complex PPP contract as a result of terms that are unclear or ambiguous in relation to the day to day operation and running of services.	Medium	£600 (based on contingent liability in last year's accounts)
Borough changes in waste collection services and changing social / demographics can have a significant impact and increase waste flows to HRRC sites. As these form part of the	Medium	£700 (representing a 10% growth in HRRC waste)

fixed cost levy there is a risk of extra costs that will need to be borne by the Authority		
<b>Target level for reserves</b>		<b>£4,200</b>

18.4 The target level of reserves for 2018/19 of £4.2 million is lower than the £5.6 million in 2017/18 primarily due to the removal of the risks in relation to SERC depreciation (£1.5 million) – the external auditors have agreed our methodologies and this risk has passed.

18.5 Ultimately, the level of reserves is a judgment based on the nature of risk facing an organisation and its risk appetite. On the basis of the risks identified above and appreciating that there are unknown risks which could materialise, £4.2 million represents a prudent and not overly cautious target level for reserves.

18.6 The forecast reserve position for the year ending 31 March 2018 is:

	<b>£000s</b>
Reserves available to manage risks 31 March 2017 per approved accounts	3,699
Forecast under-recovery for 2017/18 per period 7 budget monitoring report	26
<b>Forecast position for 31 March 2018</b>	<b>3,725</b>

18.7 Provided that no risks materialise and something close to the £3.7 million forecast reserve position is achieved for 2017/18, the Authority will have reserves slightly lower than the target level.

18.8 However, the gap is not significant and it is unlikely that all risks would materialise at the same time. Therefore at this stage there is no need to try and identify a means of building up reserves to the target level.

## **19 Financial Implications**

19.1 The financial position and performance are provided in the report.

19.2 It is a statutory requirement for the Authority to set a balanced budget (Local Government Finance Act 1992) and to set the levy for constituent boroughs by 15 February (Joint Waste Disposal Authorities (Levies) Regulations 2006).

## **20 Legal Implications**

20.1 There are no legal implications of this report

## **21 Impact on Joint Waste Management Strategy**

21.1 The proposed Annual Budget has been set out in this report to demonstrate that the Authority is supporting the boroughs to deliver improved value for money to its residents in line with Policy 7

21.2 Policy 7: The West London Waste Authority and constituent Boroughs will seek to provide waste management services that offer good value, that provide customer satisfaction and that meet and exceed legislative requirements.



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**Medium and Long Term Financial Plan (MLTFP)**

**SUMMARY**

This report provides the medium and long term financial plan for the Authority.

**RECOMMENDATION(S)**

The Authority is asked to:-

- 1) Note the medium and long term financial position
- 2) Note the sensitivity analysis and impact of waste growth and inflation

**1. Background**

As part of work on the 2018/19 budget the longer term picture is also considered, including the medium term financial outlook.

The purpose of this work is to demonstrate that the Authority is a going concern and to identify the key risks effecting its financial plans.

**2. Financial Model and Base Position**

The basis of this report is a financial model that projects the financial performance (overall expenditure / levies) and financial position (balance sheet) over the term of the PPP contract, 24 years. The model also looks at the debt position and cash balances over the same period.

The model is predicated on delivering annual balanced budgets per regulatory requirements. The model uses the 2018/19 budget as the starting point and applies a range of 32 assumptions to different activities. For example, a salary inflation assumption is applied to payroll costs which increase by that inflationary amount each year.

The base position represents a set of assumptions which are reasonable and prudent (slightly pessimistic). These are applied to the 2018/19 starting position to produce a long term financial picture. An extract of the key assumptions is provided in the table below. The assumption for RPIX is 4.0% which is 2% higher than the assumption last year to reflect the current levels of inflation. The other key assumptions are unchanged.

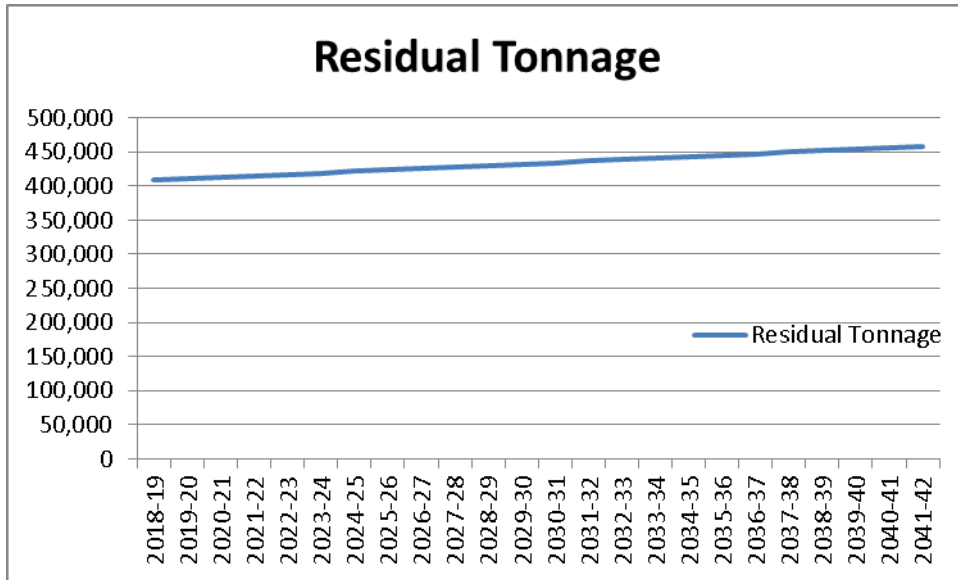
<b>Activity Level Assumptions</b>	
Annual increase in residual tonnage	0.5%
<b>Price Change Assumptions</b>	
Annual general contract inflation (RPIX)	4.0%

*Note: the Bank of England's long term monetary policy inflation target is 2.0%.  
The 4.0% assumption in the financial plan provides a cautious/pessimistic base scenario*

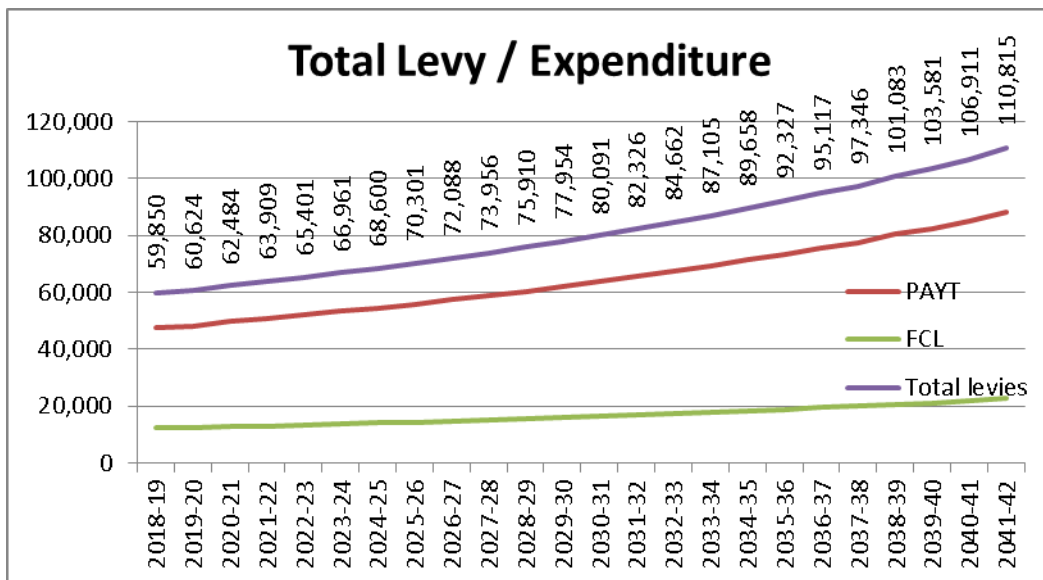
### 3. Outputs

Using the base assumptions, the model then gives us some outputs, for example how our costs (and consequently levies to boroughs) changes over time, or how our loan balance changes over time. The key outputs are illustrated below.

**Tonnage** – The chart below illustrates the impact of the base assumption of 0.5% annual growth in residual tonnage. Over the life of the plan the residual tonnage rises from 409,006 to 458,722 tonnes, although the impact of this growth could be mitigated by all boroughs achieving or exceeding the national 50% recycling target.



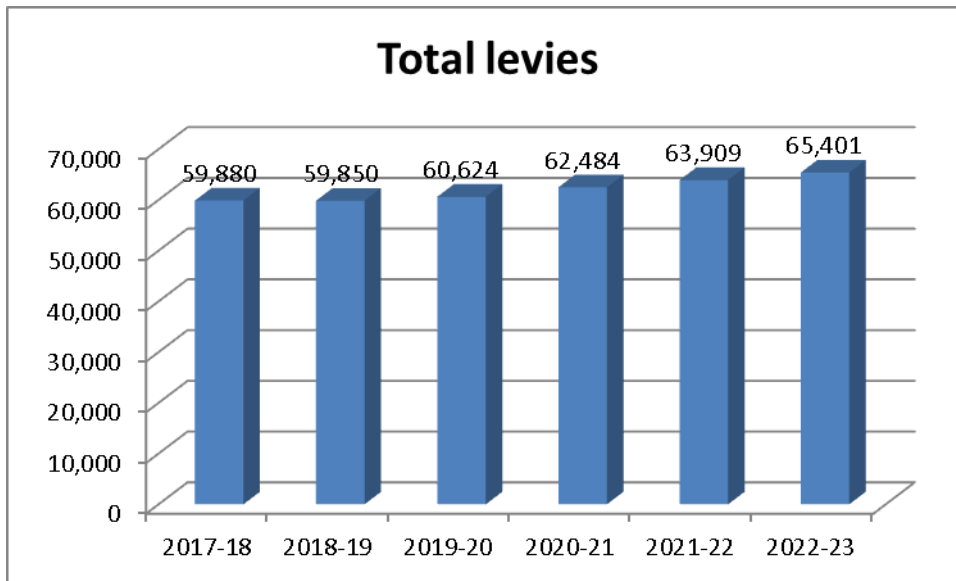
**Overall expenditure** – This equates to the total levies charged to boroughs and the chart below has been split to show the PAYT and FCL as well as the total. The chart illustrates the growth in overall expenditure and levies over time.



This chart above illustrates an average annual growth of 2.7% over the long term which is significantly lower than the 4.5% underlying growth from general contract inflation RPIX (4.0%) and annual growth in tonnages (0.5%).

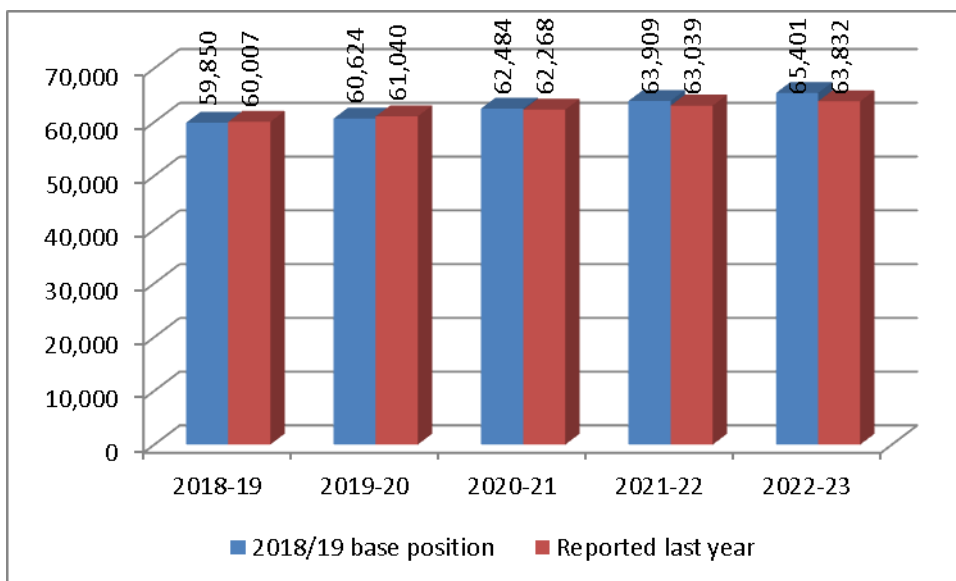
This is a result of the way the PPP contract is structured. The contract is for up to 300,000 tonnes of waste with the first 235,000 tonnes of waste incurring a 90% fixed price. This significantly dampens the effect of inflation over the whole life of the contract.

This is further illustrated in the medium term in the chart below.

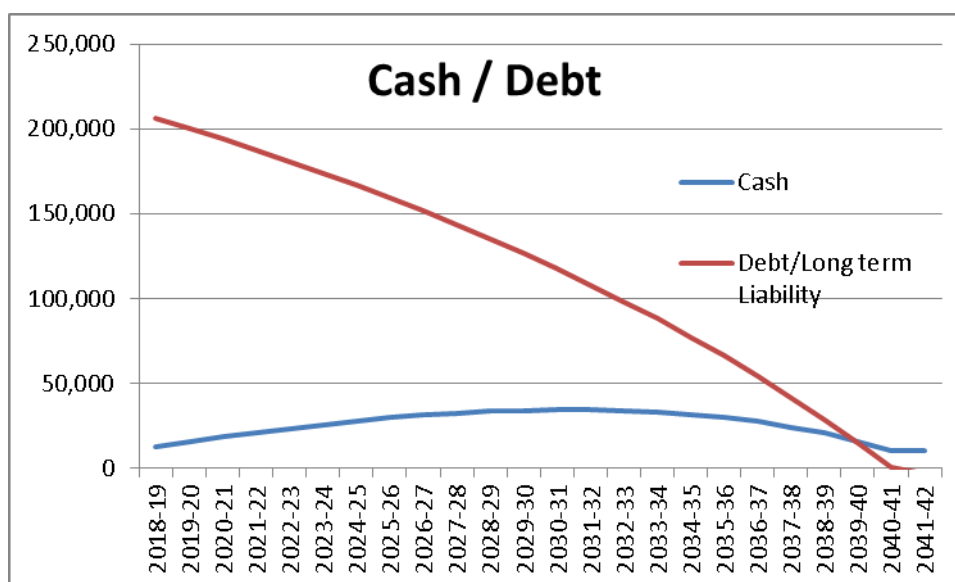


The table above shows an average growth in levies of 1.8% per year over the next 5 years. Boroughs may want to consider using this as an estimate of the increase in the WLWA levies within their medium term financial plans.

The chart below shows how the current medium term plan compares to the plan reported last year. They show a very similar position despite the very significant increase in the long term contract inflation assumption.



**Debt / long term liabilities and cash** – The following chart illustrates the movement in the debt / long term liabilities as they are paid / settled. The repayments commence at a low level and progress at increasingly larger sums, resulting in the debt/long term liability curve. This effect is reflected in the cash balances which build up in early years when repayments are small and fall in later years when loan repayments are large.



At the end of the plan the Authority will be debt free.

Details of the income and expenditure, balance sheet and cashflow over the life of the plan, which are used to produce these charts can be found in Appendix 1.

#### 4. Sensitivity Analysis

Changing the assumptions (sensitivity analysis) within the model allows us to see how the costs (and so levies) change and in doing so, understand the relative impact of key assumptions. This is an important element of long term financial planning and provides an understanding of long term risks and an appreciation of the business's financial capacity to take on strategic opportunities should they arise.

The table below shows the impact of changing tonnage assumptions and highlights that if residual waste can be reduced, this would have significant benefits in terms of overall costs and the levy.

Residual tonnage growth assumption	Average annual growth in overall costs / levy
Reducing residual tonnage to an annual 2% fall	-0.1%
Reducing residual tonnage to an annual 1% fall	1.1%
Reducing residual tonnage to an annual 0.5% fall	1.6%
No change in residual tonnage	2.2%
Base position residual tonnage growth of 0.5%	2.7%
Increasing residual tonnage growth to 1.0% pa	3.3%
Increasing residual tonnage growth to 2.0% pa	4.3%
Increasing residual tonnage growth to 3.0% pa	5.4%
Increasing residual tonnage growth to 5.0% pa	7.5%

Pricing and cost inflation also have an impact on overall costs / levies and the following table illustrates how the key output, total levies/costs, will change as the pricing inflation assumption is changed.

<b>Pricing inflation assumption</b>	<b>Average annual growth in levies/costs</b>
Reducing long term RPIX to 1.0%	0.6%
Reducing long term RPIX to 2.0%	1.3%
Reducing long term RPIX to 3.0%	2.0%
Base position of RPIX at 4.0%	2.7%
Increasing long term RPIX to 5.0%	3.5%
Increasing long term RPIX to 6.0%	4.3%

This sensitivity analysis indicates that even with the very pessimistic 6.0% RPIX scenario above for pricing inflation the annual growth in overall costs and levy would be dampened to 4.3% per year. Similarly if the Bank of England's long term inflation target of 2.0% is assumed then growth in costs / levies would be dampened to 1.3% per year.

From the sensitivity analysis above the assumption that has the largest impact on the overall financial picture is the change in residual waste tonnage over time. The Authority is also effected by pricing inflation but is well protected because of the dampening effect of the PPP contract.

This emphasises the importance of boroughs managing tonnage volumes as the key driver of future cost and levy growth.

## 5. Summary

Managing the growth of residual waste tonnages will be the driving factor for long term costs and levies. However, under current plans and building on the 2018/19 budget, the medium term financial position is strong.

- The effects of pricing inflation are significantly dampened as a result of the PPP contract
- over the long term overall costs/levies rise by an average of 2.7% pa despite an underlying growth of 4.5% used in base assumptions
- The Authority will be debt free at the end of the plan
- Healthy cash balances are maintained throughout the term of the financial plan and will mitigate any liquidity risk

**6. Financial Implications** – These are detailed in the report.

**7. Legal Implications** – There are no legal implications as a result of this report.

**8. Impact on Joint Waste Management Strategy** – Improvements to financial management in the Authority will continue to ensure that the Authority addresses policies of the JWMS.

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Financial Year	2017-18 £000s Budget	2018-19 £000s	2019-20 £000s	2020-21 £000s	2021-22 £000s	2022-23 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s	2027-28 £000s
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### BUDGET MONITORING FORMAT

<b>PAYT</b>											
WTD	37,582	38,603	39,468	41,081	42,330	43,640	45,014	46,456	47,968	49,554	51,218
Premises costs	7,001	1,292	1,344	1,397	1,453	1,511	1,572	1,635	1,700	1,768	1,839
Depreciation	4,430	6,955	6,794	6,794	6,794	6,794	6,794	6,794	6,794	6,794	6,794
Financing	1,337	4,288	4,213	4,097	4,000	3,897	3,788	3,670	3,546	3,413	3,271
Concession accounting adjustment	-2,990	-3,502	-3,567	-3,637	-3,710	-3,788	-3,871	-3,954	-4,053	-4,153	-4,258
PAYT Levy	-47,360	-47,636	-48,252	-49,732	-50,867	-52,054	-53,296	-54,600	-55,954	-57,376	-58,863
<b>Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FCL</b>											
WTD	7,033	6,989	7,146	7,438	7,664	7,901	8,150	8,411	8,685	8,972	9,273
Employee costs	1,653	1,803	1,875	1,950	2,028	2,109	2,194	2,281	2,373	2,468	2,566
Premises costs	2,951	1,279	1,330	1,383	1,439	1,496	1,556	1,618	1,683	1,750	1,820
Supplies & services costs	1,317	926	963	1,002	1,042	1,083	1,127	1,172	1,219	1,267	1,318
Depreciation	1,226	1,645	1,607	1,607	1,607	1,607	1,607	1,607	1,607	1,607	1,607
Financing	629	1,280	1,223	1,212	1,174	1,134	1,094	1,052	1,009	964	918
Concession accounting adjustment	-459	-563	-574	-585	-597	-609	-623	-636	-652	-668	-685
Statutory provision for debt repayment	0	683	703	722	743	764	785	807	830	854	878
Trade & Other income	-1,404	-1,395	-1,451	-1,509	-1,569	-1,632	-1,697	-1,765	-1,836	-1,909	-1,986
Agency Income	-426	-433	-450	-468	-487	-507	-527	-548	-570	-593	-616
FCL Levy	-12,520	-12,214	-12,372	-12,752	-13,042	-13,347	-13,665	-14,000	-14,347	-14,711	-15,093
<b>Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### I&E STATUTORY FORMAT

Employee costs	1,803	1,875	1,950	2,028	2,109	2,194	2,281	2,373	2,468	2,566
Premises costs	2,571	2,674	2,781	2,892	3,008	3,128	3,253	3,383	3,519	3,659
WTD	37,734	38,652	40,452	41,820	43,257	44,769	46,364	48,027	49,782	51,627
Supplies & services costs	926	963	1,002	1,042	1,083	1,127	1,172	1,219	1,267	1,318
Depreciation cost	8,600	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Financing cost	9,360	9,257	9,154	9,041	8,917	8,782	8,635	8,475	8,300	8,110
Trade & Other income	-1,395	-1,451	-1,509	-1,569	-1,632	-1,697	-1,765	-1,836	-1,909	-1,986
Agency Income	-433	-450	-468	-487	-507	-527	-548	-570	-593	-616
Levy Total	-59,850	-60,624	-62,484	-63,909	-65,401	-66,961	-68,600	-70,301	-72,088	-73,956
<b>Surplus/Deficit</b>	<b>-684</b>	<b>-703</b>	<b>-722</b>	<b>-743</b>	<b>-764</b>	<b>-785</b>	<b>-807</b>	<b>-830</b>	<b>-854</b>	<b>-878</b>

### BALANCE SHEET

Fixed Assets	229,265	220,865	212,464	204,064	195,663	187,263	178,862	170,462	162,061	153,661
Cash	12,220	15,280	18,167	20,868	23,371	25,661	27,730	29,549	31,107	32,386
Debtors	3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809
Creditors	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227
Long term borrowing	-87,854	-85,952	-83,938	-81,803	-79,540	-77,138	-74,589	-71,883	-69,008	-65,952
Other long term liabilities	-118,251	-114,109	-109,888	-105,580	-101,182	-96,688	-92,098	-87,392	-82,572	-77,628
Pension fund liability	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643
<b>Net assets</b>	<b>21,320</b>	<b>22,022</b>	<b>22,745</b>	<b>23,488</b>	<b>24,251</b>	<b>25,037</b>	<b>25,844</b>	<b>26,674</b>	<b>27,528</b>	<b>28,405</b>
Usable reserves	17,516	18,218	18,941	19,684	20,447	21,233	22,040	22,870	23,724	24,601
Unusable reserves	3,804	3,804	3,804	3,804	3,804	3,804	3,804	3,804	3,804	3,804
<b>Total reserves</b>	<b>21,320</b>	<b>22,022</b>	<b>22,745</b>	<b>23,488</b>	<b>24,251</b>	<b>25,037</b>	<b>25,844</b>	<b>26,674</b>	<b>27,528</b>	<b>28,405</b>

### CASHFLOW

<b>Cash inflows</b>											
Loan drawdowns	-23,000	0	0	0	0	0	0	0	0	0	0
Trade & Other income	-1,395	-1,451	-1,509	-1,569	-1,632	-1,697	-1,765	-1,836	-1,909	-1,986	
Agency Income	-433	-450	-468	-487	-507	-527	-548	-570	-593	-616	
Levy Total	-59,850	-60,624	-62,484	-63,909	-65,401	-66,961	-68,600	-70,301	-72,088	-73,956	
<b>Inflow</b>	<b>-84,678</b>	<b>-62,525</b>	<b>-64,461</b>	<b>-65,965</b>	<b>-67,539</b>	<b>-69,185</b>	<b>-70,913</b>	<b>-72,707</b>	<b>-74,589</b>	<b>-76,558</b>	
<b>Cash outflows</b>											
Employee costs	1,803	1,875	1,950	2,028	2,109	2,194	2,281	2,373	2,468	2,566	
Premises costs	2,571	2,674	2,781	2,892	3,008	3,128	3,253	3,383	3,519	3,659	
WTD - PAYT costs	45,592	46,614	48,518	49,993	51,541	53,164	54,866	56,652	58,526	60,491	
Supplies & services costs	926	963	1,002	1,042	1,083	1,127	1,172	1,219	1,267	1,318	
Additions	33,000	0	0	0	0	0	0	0	0	0	
Financing cost	5,568	5,437	5,309	5,174	5,032	4,881	4,723	4,555	4,377	4,188	
Loan repayments	1,796	1,902	2,014	2,135	2,264	2,401	2,549	2,706	2,875	3,056	
<b>Outflow</b>	<b>91,256</b>	<b>59,464</b>	<b>61,574</b>	<b>63,264</b>	<b>65,036</b>	<b>66,895</b>	<b>68,844</b>	<b>70,888</b>	<b>73,031</b>	<b>75,279</b>	
<b>Net cash (inflow)/outflow</b>	<b>6,578</b>	<b>-3,060</b>	<b>-2,887</b>	<b>-2,701</b>	<b>-2,503</b>	<b>-2,290</b>	<b>-2,069</b>	<b>-1,819</b>	<b>-1,558</b>	<b>-1,279</b>	
<b>Cash b/f</b>	<b>18,798</b>	<b>12,220</b>	<b>15,280</b>	<b>18,167</b>	<b>20,868</b>	<b>23,371</b>	<b>25,661</b>	<b>27,730</b>	<b>29,549</b>	<b>31,107</b>	
<b>Cash c/f</b>	<b>12,220</b>	<b>15,280</b>	<b>18,167</b>	<b>20,868</b>	<b>23,371</b>	<b>25,661</b>	<b>27,730</b>	<b>29,549</b>	<b>31,107</b>	<b>32,386</b>	

2028-29 £000s	2029-30 £000s	2030-31 £000s	2031-32 £000s	2032-33 £000s	2033-34 £000s	2034-35 £000s	2035-36 £000s	2036-37 £000s	2037-38 £000s	2038-39 £000s	2039-40 £000s	2040-41 £000s	2041-42 £000s
52,964	54,796	56,718	58,734	60,849	63,069	65,398	67,842	70,407	73,098	75,922	78,887	81,998	85,371
1,912	1,989	2,069	2,151	2,237	2,327	2,420	2,517	2,617	2,722	2,831	2,944	3,062	3,184
6,794	6,794	6,794	6,794	6,794	6,794	6,794	6,794	6,794	6,238	6,794	6,238	6,238	2,187
3,119	2,957	2,783	2,597	2,398	2,185	1,957	1,713	1,450	1,178	870	556	211	-349
-4,371	-4,490	-4,616	-4,751	-4,894	-5,046	-5,208	-5,380	-5,562	-5,756	-5,963	-6,182	-6,416	-2,193
-60,419	-62,045	-63,746	-65,525	-67,385	-69,329	-71,361	-73,486	-75,706	-77,480	-80,455	-82,442	-85,093	-88,200
0	0	0	0	0	0	0	0	0	0	0	0	0	0
9,589	9,921	10,269	10,634	11,017	11,419	11,840	12,283	12,747	13,234	13,746	14,282	14,845	15,456
2,669	2,776	2,887	3,002	3,122	3,247	3,377	3,512	3,653	3,799	3,951	4,109	4,273	4,444
1,893	1,969	2,048	2,130	2,215	2,303	2,396	2,491	2,591	2,695	2,802	2,915	3,031	3,152
1,371	1,426	1,483	1,542	1,604	1,668	1,734	1,804	1,876	1,951	2,029	2,110	2,195	2,282
1,607	1,607	1,607	1,607	1,607	1,607	1,607	1,607	1,607	1,475	1,607	1,475	1,475	517
869	820	768	714	658	599	539	475	409	331	267	182	103	326
-703	-722	-743	-764	-787	-812	-838	-865	-895	-926	-959	-995	-1,032	-353
902	928	954	981	1,009	1,037	1,066	1,096	1,127	1,159	1,192	1,225	1,260	1,295
-2,065	-2,148	-2,233	-2,323	-2,416	-2,512	-2,613	-2,717	-2,826	-2,939	-3,057	-3,179	-3,306	-3,438
-641	-667	-693	-721	-750	-780	-811	-843	-877	-912	-949	-987	-1,026	-1,067
-15,492	-15,909	-16,345	-16,801	-17,278	-17,776	-18,297	-18,842	-19,411	-19,866	-20,629	-21,138	-21,818	-22,615
0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0

2,669	2,776	2,887	3,002	3,122	3,247	3,377	3,512	3,653	3,799	3,951	4,109	4,273	4,444
3,806	3,958	4,116	4,281	4,452	4,630	4,815	5,008	5,208	5,417	5,633	5,859	6,093	6,337
53,566	55,603	57,744	59,995	62,360	64,845	67,457	70,202	73,086	76,117	79,303	82,650	86,168	97,172
1,371	1,426	1,483	1,542	1,604	1,668	1,734	1,804	1,876	1,951	2,029	2,110	2,195	2,282
8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	7,714	8,400	7,714	7,714	2,705
7,903	7,678	7,434	7,169	6,881	6,569	6,232	5,866	5,470	5,041	4,581	4,080	3,541	1,085
-2,065	-2,148	-2,233	-2,323	-2,416	-2,512	-2,613	-2,717	-2,826	-2,939	-3,057	-3,179	-3,306	-3,438
-641	-667	-693	-721	-750	-780	-811	-843	-877	-912	-949	-987	-1,026	-1,067
-75,910	-77,954	-80,091	-82,326	-84,662	-87,105	-89,658	-92,327	-95,117	-97,346	-101,083	-103,581	-106,911	-110,815
-902	-928	-954	-981	-1,009	-1,037	-1,066	-1,096	-1,127	-1,159	-1,192	-1,225	-1,260	-1,295

145,260	136,860	128,460	120,059	111,659	103,258	94,858	86,457	78,057	70,343	61,943	54,229	46,515	43,810
33,365	34,025	34,341	34,290	33,846	32,980	31,662	29,860	27,539	23,976	20,504	15,707	10,225	10,384
3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809	3,809
-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227	-9,227
-62,702	-59,246	-55,567	-51,650	-47,478	-43,032	-38,293	-33,239	-27,848	-22,095	-15,953	-9,394	-2,386	-1,091
-72,555	-67,343	-61,984	-56,468	-50,787	-44,929	-38,883	-32,638	-26,181	-19,499	-12,577	-5,400	2,048	4,594
-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643	-8,643
<b>29,308</b>	<b>30,235</b>	<b>31,189</b>	<b>32,170</b>	<b>33,179</b>	<b>34,216</b>	<b>35,282</b>	<b>36,378</b>	<b>37,506</b>	<b>38,664</b>	<b>39,856</b>	<b>41,081</b>	<b>42,341</b>	<b>43,636</b>
25,504	26,431	27,385	28,366	29,375	30,412	31,478	32,574	33,702	34,860	36,052	37,277	38,537	39,832
3,804	3,804	3,804	3,804	3,804	3,804	3,804	3,804	3,804	3,804	3,804	3,804	3,804	3,804
<b>29,308</b>	<b>30,235</b>	<b>31,189</b>	<b>32,170</b>	<b>33,179</b>	<b>34,216</b>	<b>35,282</b>	<b>36,378</b>	<b>37,506</b>	<b>38,664</b>	<b>39,856</b>	<b>41,081</b>	<b>42,341</b>	<b>43,636</b>

0	0	0	0	0	0	0	0	0	0	0	0	0	0
-2,065	-2,148	-2,233	-2,323	-2,416	-2,512	-2,613	-2,717	-2,826	-2,939	-3,057	-3,179	-3,306	-3,438
-641	-667	-693	-721	-750	-780	-811	-843	-877	-912	-949	-987	-1,026	-1,067
-75,910	-77,954	-80,091	-82,326	-84,662	-87,105	-89,658	-92,327	-95,117	-97,346	-101,083	-103,581	-106,911	-110,815
<b>-78,616</b>	<b>-80,768</b>	<b>-83,018</b>	<b>-85,370</b>	<b>-87,828</b>	<b>-90,397</b>	<b>-93,082</b>	<b>-95,888</b>	<b>-98,820</b>	<b>-101,197</b>	<b>-105,089</b>	<b>-107,746</b>	<b>-111,243</b>	<b>-115,321</b>
2,669	2,776	2,887	3,002	3,122	3,247	3,377	3,512	3,653	3,799	3,951	4,109	4,273	4,444
3,806	3,958	4,116	4,281	4,452	4,630	4,815	5,008	5,208	5,417	5,633	5,859	6,093	6,337
62,554	64,717	66,986	69,368	71,866	74,488	77,238	80,125	83,154	86,332	89,668	93,169	96,843	100,827
1,371	1,426	1,483	1,542	1,604	1,668	1,734	1,804	1,876	1,951	2,029	2,110	2,195	2,282
0	0	0	0	0	0	0	0	0	0	0	0	0	0
3,988	3,776	3,551	3,311	3,056	2,785	2,496	2,188	1,859	1,509	1,138	738	314	-24
3,249	3,457	3,679	3,917	4,172	4,446	4,739	5,054	5,391	5,753	6,142	6,559	7,007	1,295
<b>77,637</b>	<b>80,109</b>	<b>82,701</b>	<b>85,421</b>	<b>88,272</b>	<b>91,263</b>	<b>94,400</b>	<b>97,690</b>	<b>101,141</b>	<b>104,761</b>	<b>108,561</b>	<b>112,544</b>	<b>116,725</b>	<b>115,162</b>
<b>-980</b>	<b>-659</b>	<b>-316</b>	<b>51</b>	<b>445</b>	<b>866</b>	<b>1,318</b>	<b>1,802</b>	<b>2,321</b>	<b>3,563</b>	<b>3,472</b>	<b>4,797</b>	<b>5,481</b>	<b>-159</b>
<b>32,386</b>	<b>33,365</b>	<b>34,025</b>	<b>34,341</b>	<b>34,290</b>	<b>33,846</b>	<b>32,980</b>	<b>31,662</b>	<b>29,860</b>	<b>27,539</b>	<b>23,976</b>	<b>20,504</b>	<b>15,707</b>	<b>10,225</b>
<b>33,365</b>	<b>34,025</b>	<b>34,341</b>	<b>34,290</b>	<b>33,846</b>	<b>32,980</b>	<b>31,662</b>	<b>29,860</b>	<b>27,539</b>	<b>23,976</b>	<b>20,504</b>	<b>15,707</b>	<b>10,225</b>	<b>10,384</b>

**Contracts Update**

**SUMMARY**

This report provides an update on the Authority's various waste treatment arrangements and procurements.

**RECOMMENDATION(S)**

- 1) *The Authority is asked to note the information within this report; and*
- 2) *Delegate contract award decisions for the Food, Organics and Haulage Contracts to the Managing Director and Chief Technical Officer in consultation with the Chair.*

**1. Introduction**

The waste treatment contracts managed by WLWA deliver Policy 6 of the Authority's Joint Municipal Waste Management Strategy - "West London Waste Authority and constituent boroughs will seek a residual waste management solution in accordance with the waste hierarchy that presents value for money and offers reliability in the long term".

**2. West London Residual Waste Services Contract**

Since the September Authority meeting the Residual Waste Service Contract has been operating smoothly. The SERC EfW has achieved its longest period of uninterrupted operation at 58 days. On the 14<sup>th</sup> December, the contract will have its one year anniversary of full services.

**3 – 5 – See Part 2**

**6. Procurements**

As Members may be aware the existing contracts for food, organics and haulage services all terminate on the 31<sup>st</sup> March 2018. To ensure that the procurements are marketed properly Officers have invested time in understanding the market before developing the procurement documents. As a result it is envisaged that these procurements will be competitive to ensure value for money for the Authority and boroughs. The Procurement Team from the London Borough of Harrow has provided advice and guidance of the structure of the procurement documents and is enabling the Authority to utilise an e-Tendering portal for the first time. Following feedback back from potential contractors it is proposed that the Authority stagger the roll out of its procurements to allow contractors to fully resource the development of their tenders. Table 1 shows the indicative timetables

*Table 1 – Procurements timetables*

<b>Timetable</b>	<b>Food waste</b>	<b>Haulage and organics</b>
OJEU Contract Notice sent for publication	2 November 2017	6 December 2017
Issue of Invitation to Tender (ITT) commences	2 November 2017	6 December 2017
Deadline for clarifications	1 December 2017	10 January 2018

<b>Timetable</b>	<b>Food waste</b>	<b>Haulage and organics</b>
Deadline for submission	09:00 on 13 December 2017	09:00 on 24 January 2017
Evaluation of tenders	13 December 2017 – 17 January 2018	24 January 2017 – 17 February 2018
Presentation / clarification meeting deadline for shortlisted Tenderers (if required)	w/c 8 January 2018	N/A
Contract award decision	End January 2018	End February 2018
Contract signed	28 February 2018	28 March 2018
Contract start date (including allowance for Alcatel standstill) period)	1 April 2018	1 April 2018

As shown in table 1 it will not be possible to evaluate tenders and report back to Members at the January 2018 Authority Meeting (a verbal update will be provided). A decision needs to be made before the March Authority Meeting to provide contractors enough time to mobilise for the start of services on the 1st April 2018. Therefore it is recommended that Members delegate the award decisions to the Managing Director and Chief Technical Officer in consultation with the Chair. A report will be circulated to Members outlining the results of the procurements and selected Tenderers.

## **7. Dynamic Purchasing System (DPS)**

The OJEU notice for the DPS is anticipated to be issued by before Christmas 2017. As members are aware the DPS is a modern version of a procurement framework and should allow the Authority and its constituent boroughs to procure services with greater, speed and flexibility in future as the Authority will not have to issue OJEU notices. It is anticipated that the first contract procured through this system will be a textile collection contract for several boroughs.

## **8. Risk**

Any risks associated with a contract are recorded on the Authority's risk register. This is reviewed by the WLWA Officers and reported to the Audit Committee.

## **9. Financial Implications**

The approved 2018/19 budget has estimated new contract rates.

## **10. Staffing Implications**

There are no direct staffing issues arising from this report.

## **11. Health and Safety Implications**

None

## **12. Legal Implications**

None

## **13. Joint Waste Management Strategy Implication**

The contracts mentioned in this report meet the Authority's Joint Waste Management Strategy policies listed below:

Policy 5: West London Waste Authority and its constituent Boroughs will reduce biodegradable municipal waste landfilled with regard to the Landfill Allowance Trading Scheme.

Policy 6: West London Waste Authority and constituent Boroughs will seek a residual waste management solution in accordance with the waste hierarchy, that presents value for money and that offers reliability in the long term.

Policy 7: The West London Waste Authority and constituent Boroughs will seek to provide waste management services that offer good value, that provide customer satisfaction and that meet and exceed legislative requirements.

Policy 8: The West London Waste Authority and constituent Boroughs will work together to achieve the aims of this strategy and are committed to share equitably the costs and rewards of achieving its aims

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**Operations Update****SUMMARY**

This report provides an update on the Authority's operations.

**RECOMMENDATION(S)**

The Authority is asked to note the information within this report.

1. **Introduction** – This report sets out day to day operations and business plan activities being undertaken by the Operations Team. The role of the team is to ensure the day to day running of WLWA's contracts and the operation of the waste transfer station and Household Re-use and Recycling Centre in Brent in line with the Authority's values of leadership, efficiency, partnership and good communications.
2. **Twyford WTS and HRRC** – Work continues to increase the recycling rate at both the transfer station and HRRC and identify smarter ways of work to generate efficiencies.
3. Following consultation in early Autumn a new management structure has been introduced. The new Assistant Site Manager is in post and recruitment is underway for the Site Manager. New staff have also been recruited in the weighbridge.
4. **Fire at WTS** – Investigation following the fire in August has not been able to identify the exact cause of the fire. It appears that an item in the waste stream is responsible but the heat of the fire and turning of waste to dampen it has meant the exact item cannot be found. There are lessons to be learned and proposed actions were presented to the quarterly Health and Safety meeting held in November.
5. Following the receipt of the structural report officers have been out to market to procure relevant expertise to conduct repairs following the fire and other works identified in previous condition reports for Twyford. It has taken longer than expected to procure the right expertise but companies have now been appointed.
6. **Other operational review and support** – A trial separation of black bag and bulky waste has been taking place on site, this will result in a £6.84 per tonne efficiency saving this year by delivering black bag waste direct to the Lakeside EfW. This will also reduce the number of vehicle movements transporting the Authority's waste within west London.
7. **Health and Safety Action Plan update** – Appendix 1 shows the progress made against the actions agreed in WLWA's annual health and safety action plan. Good progress is still being made.
8. **Risk** – Changes to processes and procedures on site will need careful management and monitoring of risks, including updates risk assessments and safe working procedures. The plan, do, check, act methodology will be implemented.
9. **Financial Implications** – Spend for the 2017/18 actions is in line with the budget provision.
10. **Staffing implications** – Changes to processes and procedures on site will need careful management and monitoring of staff capability, training requirements and competencies.

11. **Health and Safety Implications** – Changes to processes and procedures on site will need careful management and monitoring of risks, including updates risk assessments and safe working procedures management and monitoring of staff capability, training requirements and competencies.

12. **Legal implications** - There are no legal issues arising from this report.

13. **Impact on Joint Municipal Waste Management Strategy** – Operations activities are in line with the following policies:

Policy 5: West London Waste Authority and its constituent Boroughs will reduce biodegradable municipal waste landfilled with regard to the Landfill Allowance Trading Scheme.

Policy 6: West London Waste Authority and constituent Boroughs will seek a residual waste management solution in accordance with the waste hierarchy, that presents value for money and that offers reliability in the long term.

Policy 7: The WLWA and constituent boroughs will seek to provide waste management services that offer good value. That provide customer satisfaction and that meet and exceed legislative requirements.

Policy 8: The WLWA and constituent boroughs will work together to achieve the aims of this strategy and are committed to share equitably the costs and rewards of achieving its aims.

Background Papers	None
Contact Officers	Sarah Ellis, Operations Manager <a href="mailto:sarahellis@westlondonwaste.gov.uk">sarahellis@westlondonwaste.gov.uk</a> 020 8825 9414
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## Appendix 1 - Health and Safety Action Plan 2017/18 quarter 2 update

Ref	Action	Responsible person(s)	Target timescale	Status	Updates
1	Introduce a new schedule of quarterly review of H&S at senior management team meetings and integrate these with Authority reporting.	Senior Contracts Manager	September 2017	Green	Meetings have been set until Summer 2018
2	Improve the existing document library for H&S and introduce a schedule for review and update that spreads the work throughout the year.	Operations Manager	September 2017	Green	Work on this has been started, a number of documents have been moved to a shared location.
3	Work with all contractors to build a formal schedule of H&S monitoring in to contracts and operations.	Senior Contracts Manager	February 2018	Green	Health and Safety is a standard item on the contract meetings with both Lakeside and Suez.
4	Complete an unscheduled HSE style visit and inspection at both Twyford WTS & HRRC and the corporate offices	H&S Advisor	Random date within the year	Green	The audit at Twyford took place at the beginning of August. A report has been issued and follow up actions will be taken. Dates for the inspection at Twyford and both inspection/audit of the Hounslow Office will take place soon.
5	Complete procurement for companies to undertake: <ul style="list-style-type: none"> <li>▪ Training for site drivers to ensure continued competency</li> <li>▪ Manual handling training</li> <li>▪ Banksman training</li> <li>▪ On-going water risk assessment and legionella testing</li> <li>▪ The 5 year periodic fixed wiring testing</li> </ul>	Operations Manager	July 2017  July 2017 July 2017 July 2017  September 2017	Green	<ul style="list-style-type: none"> <li>▪ Driver training has been booked for December</li> <li>▪ Dates have yet to be booked for the chosen manual handling provider.</li> <li>▪ The banksman training took place in September.</li> <li>▪ A new legionella risk assessment and 2 quarters of testing have taken place.</li> </ul>
6	In light of the new guidance regarding fires at waste sites undertake a review of arrangements at Twyford WTS and HRRC	Operations Manager	August 2017	Green	Further evidence about waste fires is due to be published early next year following recent testing by the WISH Forum. This will add to existing knowledge and may feed in to further actions, in addition to the ones prosed to the quarterly H&S meeting.
7	Undertake a full review of driving needs	Assistant Site	Begin June	Green	Proposals have been received for alternative

Ref	Action	Responsible person(s)	Target timescale	Status	Updates
	(including training & licensing), plant safety and maintenance at Twyford WTS and HRRC	Manager	2017 and complete by February 2018		vehicles options. Further work is needed before a final decision is made.

### On-going/regular items

Ref	Item	Responsible person(s)	Status	Update
A	Risk assessment reviews	All Supervisors and Managers	Green	A programme of risk assessment reviews has begun with the site staff and trade union representative.
B	Health surveillance	Head of Finance and Performance	Green	This will take place in January 2018.
C	Drug and alcohol testing	Head of Finance and Performance	Green	To be arranged for a random date and time sampling the workforce. Staff have no warning of the taking place.
42) D	Driving licence testing	Head of Finance and Performance	Green	This is due to take place in the Autumn.
E	Regular maintenance - Organise for small works as identified by site inspections and other monitoring/testing on site as well as changes that may be identified during risk assessment and review	Assistant Site Manager	Green	A new company is currently being procured.
F	Capital works	Operations Manager	Green	A programme of works has been identified. A company to oversee the work has been procured, as has a company to design the technical specifications. Repairs to the concrete on the ramp at Twyford are underway.  A timetable for all works is not yet in place.
G	Routine testing This includes: <ul style="list-style-type: none"> <li>▪ Legionella testing every 3 months</li> <li>▪ Dust monitoring as appropriate</li> </ul>	Assistant Site Manager	Green	<ul style="list-style-type: none"> <li>▪ Legionella testing – a programme has been established</li> <li>▪ LOLER testing is undertaken by WLWA's insurance company</li> </ul>

Ref	Item	Responsible person(s)	Status	Update
	<ul style="list-style-type: none"> <li>▪ Vibration testing as appropriate</li> <li>▪ Lifting Operations Lifting Equipment Regulation (LOLER) testing</li> <li>▪ Obtain portable appliance testing quotes for testing in November 2017</li> </ul>			
H	Site inspections	Assistant Site Manager	Green	Daily visual inspection to check the site condition for safety and operational purposes.

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WEST LONDON WASTE AUTHORITY

Report of the Managing Director

8 December 2017

## Responses to Consultations Report

### SUMMARY

This report provides the Authority's officer response to these consultations.

### RECOMMENDATION

The Authority is asked to:-

- 1) *Note the Authority's response to the Defra consultation*
- 2) *Note the Authority's response to the Mayor of London's consultation*

**1. Introduction** – The Authority wishes to take an active role in influencing the development of waste management policy and regulation at national and regional level. Therefore, the Authority Officers should take the opportunity to respond to all appropriate consultation requests.

**2. Defra Consultation on voluntary and economic incentives to reduce littering of drinks containers and increase recycling** – This consultation was published on 2<sup>nd</sup> October 2017, was due to close on 30<sup>th</sup> October and was extended until 20<sup>th</sup> November 2017. The consultation questions focused around known schemes to incentivise consumers. The Authority's response sought to reframe the question around producers to have the greatest environmental impact. The response was replied to in text on the consultation website and a letter sent by email to the Minister. It can be found in appendix 1.

**3. Consultation on the Mayor of London's draft Environment Strategy** - This consultation opened in August 2017 and closed on 17 November 2017. For the first time, several environmental disciplines were brought into a single strategy. The Managing Director attended wider briefing and consultation events which brought together representatives of many interested parties including waste collection authority and waste disposal authority representatives from across London. The first was a briefing and consultation event presented by the Deputy Mayor for Environment and Energy on 6<sup>th</sup> September and included a wide range of consultees from all sectors. The second was a London Councils consultation event which included several workshops, one was hosted by the GLA Policy and Strategy Manager – Waste and Green Economy and at the end there was an opportunity to ask questions of the Deputy Mayor.

**4. WLWA Strategy Discussion** - Discussion points raised by Authority members in the strategy presentation after the Authority meeting on 22<sup>nd</sup> September and follow up discussions with Boroughs were used to inform the Authority response to the draft London Environment Strategy. The Authority response, shown in appendix 2, gives general support for the ambition of the Environment Strategy and highlights some of the policy drivers and commercial issues which we will need collective solutions for to enable progress towards the waste targets. The Authority is

continuing to hold discussions with Boroughs, LWARB, GLA and supply chain partners to explore next steps.

**5. Joint Waste Management Strategy Implications** – Under Policy 1 of the Joint Waste Management Strategy the Authority and boroughs will seek to comply with national and regional strategies, policies and legislations, and it is therefore important that the Authority is pro-active in responding to consultations documents to help shape national and regional waste strategy.

Background papers	None	
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**West London Waste Authority**

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Date: 20 November 2017

The Rt Hon Michael Gove MP  
Secretary of State for Environment, Food and Rural Affairs  
House of Commons  
London  
SW1A 0AA

Dear Minister,

The Defra Voluntary and Economic Incentives Working Group has issued a call for evidence on “voluntary and economic incentives to reduce littering of drinks containers and promote recycling” that focuses upon consumers as the target for the scheme. I am writing to you directly because a more radical approach is needed. Focusing on consumers will not bring success; it will add bureaucracy to a system which is already faltering.

To ensure packaging material is returned, recycled and integrated back into product design the working group should be asking questions with a wider scope of influence across the whole supply chain, seeking to create links between new products, recycled products, collection points, consumer messaging and education.

A producer led scheme focusing on capture of packaging materials before it becomes waste will result in less litter, it incentivises and benefits the committed recycler who won't put recycling into a litter bin and prevents litter bins being scavenged for income.

A producer led scheme will increase recycling and answer the question that is regularly asked by householders namely “*where does all of our recycling go to?*” Being able to buy drinks containers that are clearly advertised as made of recycled material will answer that question.

Additional benefits include:

- Increased efficiency; Companies producing and marketing consumer products are better placed to influence consumer behaviour than government or local authorities,
- Improved productivity; Capturing materials before they become waste,
- Increased quality; Reducing contamination at the point of return,
- Increased quantity; Ensuring packaging is easy to recycle, and
- Improved behaviour choices; Shifting the cost of managing waste packaging from taxpayers to consumers will reduce waste overall.

Deposit Return Schemes and Reward and Return schemes have been compared to the five pence charge for plastic bags but in behaviour terms these are very different. The consumer has to choose whether to spend 5p on a plastic bag and it can never be reclaimed. The plastic bag is in addition to the shopping being purchased, whereas a bottled drink cannot be purchased without the container. The shopping has to be transferred and then the basket or trolley can be returned but drinks on the go are consumed as the person travels and so finding the correct place to return the drink container is more complicated.

Local authorities will have to manage the negative consequences of lost investment in infrastructure and the commercial arrangements that rely on that infrastructure. Recycling targets and the PRNs system will need to be reviewed. However we cannot maintain the status quo for fear of the impact that change will bring. Our current course will not only maintain the current inefficiency of pushing recycling into a saturated market (driving down the price of raw materials), it reinforces the cynicism of householders about recycled products in particular and the recycling process as a whole.

West London Waste Authority would be delighted to join Defra, retailers and waste industry groups to explore these ideas further with a view to driving real and lasting improvements in recycling and litter prevention.

Yours sincerely,



Emma Beal  
Managing Director

### **About West London Waste Authority**

West London Waste Authority's (WLWA) purpose is to be leaders in treating waste as a valuable resource.

WLWA was created as a statutory joint waste disposal authority (WDA) in 1986 to dispose of waste collected by the London Boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond upon Thames.

About 1.7 million people live in this area, which covers 38,000 hectares.



## WLWA Response to consultation on the draft London Environment Strategy

### Do you agree with the overall vision and principles of this draft London Environment Strategy?

WLWA agrees with the overall vision and principle of the draft London Environment Strategy. We note that it is very ambitious in the current socio-economic climate. The level of inter-agency co-operation required to be successful must be reflected in layered targets and KPIs, with the individuals and organisations being held accountable only for that which they can address and control.

The ambitions set out in this strategy need government to address the commercial barriers to recycling which must be openly and honestly discussed if we are to be able to act and collectively succeed. More detail is offered below in our answers to the questions posed in the waste chapter.

### To achieve the policies and proposals in this strategy, which organisations should the mayor call upon to do more (for example central and local government and business) and what should the priorities be?

The policies and proposals in this strategy require significant change and all agencies whether government, voluntary, business or individuals are required to play their part. Waste has universal reach in that it touches every part of society, is impacted by any business that produces and sell commodities and has an effect upon every home and business.

To address the issues in the waste section the priorities should be **to reduce waste and increase productivity by giving recycled material a value**. This is no easy task and significant change will be required from:

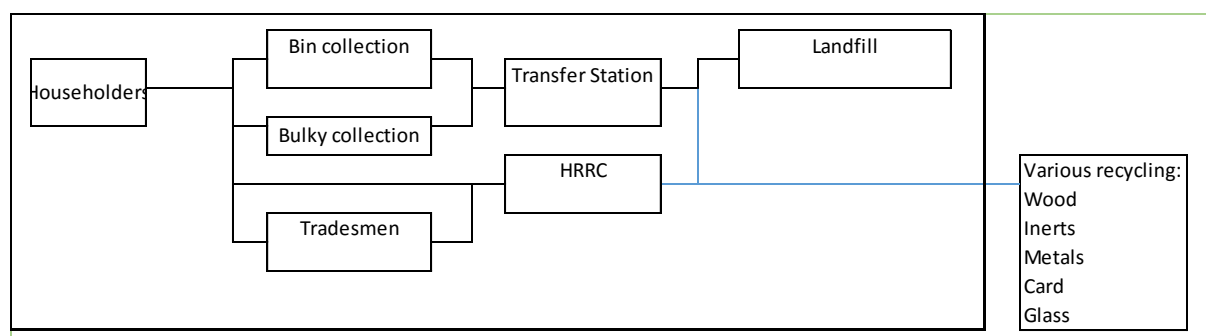
- Central Government,
- Local government,
- Waste Collection Authorities,
- Waste Disposal Authorities,
- Private Sector Waste collectors,
- Private Sector Waste treatment operators,
- Planning Authorities,
- Housing Developers,
- Tenant Management Organisations,
- Residents Associations,
- Caretakers,
- Residents,
- Businesses

Government needs to either fund recycling or require Producers to fund recycling.

Planning Authorities need to insist that the ability to recycle is built into the fabric of new developments.

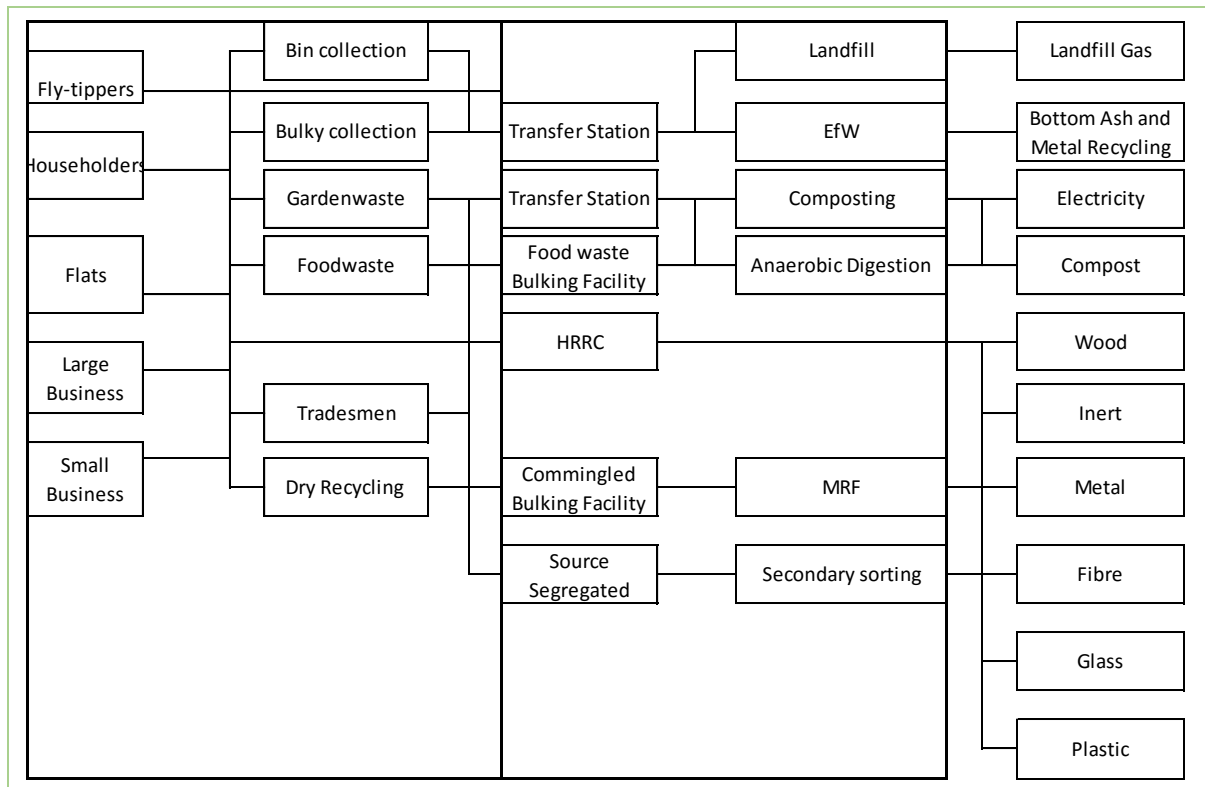
Strong organisational clarity will be vital to meet the scale of the task. Collection costs are increasing, the value of recycling has decreased and managing resources has changed from a relatively simple task:

*Simple Waste management of the past:*



into a much more complex operation:

*Complexity of modern resources management transitioning to circular economy:*



We need to be as efficient as possible and ensure that the waste collection authorities, the waste disposal authorities and Lwrb are taking on different tasks and pulling in the same direction, not cross cutting each other.

**Do you agree that this draft London Environment Strategy covers all the major environmental issues facing London?**

Yes, except light pollution.

**There are a number of targets and milestones in this draft LES, what do you think are the main key performance indicators that would demonstrate progress against this integrated strategy?**

Reaching targets needs individuals and organisations to know and report their own critical success factors. Our answers are limited to reporting against the targets set out in the waste section from the perspective of waste authorities and our counterparts in the private sector to describe what WLWA considers to be our contribution to the ambition that is within our control:

**a) No biodegradable or recyclable waste to landfill by 2026:**

Using waste composition analysis on waste being sent to landfill to calculate:

- tonnes per annum of biodegradable waste going to landfill,
- tonnes per annum of recyclable waste going to landfill.

Recyclable waste should be defined as the target materials for a standard Materials Recycling Facility. This does not include mixed plastics also known as pots tubs and trays.

**b) 65% waste will be recycled by 2030:**

Waste Authorities should be asked to report

- i) the number of households which do not receive a collection of the minimum standard of recycling collections and
- ii) kgs per annum of household waste measured as:
  - o kgs per household per annum for residual waste,
  - o kgs per household per annum for dry recycling, and
  - o kgs per household per annum for composting waste

Commercial waste operators should be asked to report

- i) the number of customers which do not receive the minimum standard of recycling collections and
- ii) kgs per annum commercial waste measured as:
  - o kgs per customer per annum for residual waste,
  - o kgs per customer per annum for dry recycling, and
  - o kgs per customer per annum for composting waste

**What are the most important changes Londoners may need to make to achieve the outcomes and ambition for this strategy? What are the best ways to support them to do this?**

It will cost more to achieve the outcomes and ambition of this strategy and Londoners will need to agree to spend more to achieve it. The Mayor will need to find a way to provide financial support.

More land will be needed to sort and transfer waste and recycling. Large commercial and residential developments need to include and pay for space for sorting and transferring waste on site to prevent unnecessary movement of waste within London.

**Waste**

**Do you agree that the Mayor’s policies and proposals will effectively help Londoners and businesses to recycle more?**

The Mayor’s policies and proposals set a strong direction but to effectively help Londoners and businesses to recycle more the Government must address the commercial barriers to recycling which include:

- Without market intervention it is cheaper to use raw materials than to use recycled products,
- Local Authorities are encouraged by targets to promote quantity of recycling over quality of recycled products thereby reducing the value of recycling further,
- Producers are incentivised to create cheap, disposable and non-recyclable products by a system which does not hold them accountable for recycling,
- Businesses are not required to recycle and won’t until it is genuinely cheaper and easier.

**Objective 7.2** to maximise recycling rates: The London Waste and Recycling Board should actively participate in increasing commercial recycling in London, working closely with commercial waste companies to collect commercial waste data eg Commercial waste operators should be asked to report the number of customers which do not receive the minimum standard of recycling collections and specifically measuring commercial waste as:

- kgs per customer per annum for residual waste,
- kgs per customer per annum for dry recycling, and
- kgs per customer per annum for composting waste

Resource London's borough support programme to improve recycling rates and provide high quality and well participated municipal waste recycling services should be broadened to incorporate waste infrastructure through Local Authority sites.

LWARB should be making the case to central government for the need for Producers to play their part in improving recycling and reuse performance by insisting on the use and sale of recycled products. The most often asked householder question is "where does my recycling go to?" Until recycled products are sold in all of the shops in London, householders will continue to be cynical about their recycling efforts.

**Policy 7.2.1** Increasing recycling rates for local authority collected waste in the manner described will drive local authorities to collected commercial recycling but unless the Mayor puts in place a methodology of monitoring recycling levels of commercially collected waste, this is likely to move recycling from commercial operators to local authorities rather than genuinely driving up recycling rates.

The original definition of NI192 "recycling rates" was envisaged to include reused waste and so to take account of waste reduction but the method is flawed because waste authorities reduce waste and reuse is carried out in charity shops, ebay, sharing economy, gumtree etc. Consequently waste authorities have money saving waste reduction programmes and a contradictory recycling target. If this persists the problems will be imported into commercial recycling data.

Scenario 1 below demonstrates how WLWA could reach a 65% recycling rate by collecting commercial recycling eg the LACW will rise from circa 650,000 tonnes per annum to over 1 million tonnes per annum. In the current recycling market this will increase the risk exposure of taxpayers to the recycling market without any real environmental benefit.

Scenario 2 below demonstrates how moving 20% of the organic waste found in residual waste and 10% of the dry recycling waste into the recycling and organics waste stream WLWA can only reach a 57.33% recycling and composting target. Scenario 2a demonstrates how this recycling rate decreases over time as householders reduce avoidable food waste.

*Example: WLWA waste KPIs reflecting recycling, composting and the positive impact of including waste reduction*

	NI 191 Residual household waste per hh per annum (kgs)	Dry Recycling waste per hh per annum (kgs)	Composting waste per hh per annum (kgs)	Reuse waste per hh per annum (kgs)	NI 192 % Household waste sent for reuse, recycling or composting	Waste reduced per household per annum relative to 2006/07 (kgs)	% Waste reduced, recycled or composted relative to 2006/07 baseline
2006/07	923.11	182.18	101.13		23.50%	0	23.48%
2011/12	586.50	233.25	147.32	Information not available	39.40%	239.35	51.39%
2016/17	544.54	219.91	128.81		39.10%	313.16	54.86%
2035/36							
Scenario 1							
Waste stays same, recycling trebles	544.54	659.73	386.43		65.77%	-384.28	54.86%
Scenario 2							
20% organic shift, 10% dry recycling shift	381.18	274.36	237.72		57.33%	313.16	68.40%
Scenario 2a							
20% organic shift and reduction, 10% dry recycling shift	381.18	274.36	137.72		51.95%	413.16	68.40%

If however the target for waste authorities is to achieve a 65% reduction, recycling and composting of household waste against a baseline set in 2006/07, scenario 2 puts WLWA at 68.4% with no impact of ongoing waste reduction programmes.

Scenario 2 is challenging. It requires significant householder effort to increase separation of food waste and dry recycling whilst taking on the imperative to improve the quality of recycling set out.

**Do you support the Mayor's ambition to ensure food waste and the six main recyclable materials (glass, cans, paper, cardboard, plastic bottles and mixed plastics) are collected consistently across London?**

WLWA supports the idea of a minimum offer and has developed projects to increase food waste collection and increase the quality of recyclables collected. However, mixed plastics is not a current recycling grade. It includes material that is plastic but not recyclable and only a change in waste legislation or Producer Responsibility will change this. This is an important point because it is the targets promoting quantity over quality and the inclusion of non-recyclable material on specifications for recycling that has resulted in inefficiency, expense and opaque commercial arrangements which push more currently valueless plastics into the market. We should use the deliberate segregation of non-recyclable mixed plastics to demonstrate how much of the plastic produced isn't currently recyclable but note that it may not increase recycling performance in the short term.

**Do you think the Mayor should set borough specific household waste recycling targets?**

WLWA suggests the Mayor should set a standard 65% reduction, recycling and composting rate against a baseline set in 2006/07 as set out in the answer to the first question in the waste section. This is an opportunity to show leadership and correct a miscalculation which is resulting in damaging mixed messages about recycling.

**What needs to happen to tackle poor recycling performance in flats?**

Projects are needed to investigate the chain of events from end to end. Using the recycling materials market as a starting point and working back to the resident: Understand what is recyclable and only ask people to put effort into recyclable materials, Insist upon clean recycling material, placed in the right bin; Situate the bins in a place where they are easy and rewarding to use; Make it easy for the resident to segregate and dispose of different material streams, Build flats with space to easily segregate recycling in the kitchen.

To tackle this last point about making it easy for the resident, the planning system must be used to ensure that recycling behaviour is planned in to the design of the building, ensuring there is space in the kitchen for the separate aggregation of food waste and the minimum offer of recyclable materials. Ensure the waste storage areas are prioritised in the design to promote sustainability and recycling. Finally long term behaviour change projects are needed to support residents in their efforts to recycle.

**What are the most effective measures to reduce single-use packaging in London such as water bottles and coffee cups?**

An extended producer responsibility (EPR) scheme is needed, the reduction in single use packaging will not be effective if it is targeted on consumers. The producers of packaging are in control of the whole supply chain, have the skills and marketing departments to influence consumer behaviour and benefit from free disposal via waste authorities. The Mayor has an opportunity to work with business and create examples of world leading recycled product design. We attach a copy of our response to the government consultation on deposit return and return and reward schemes for information. An EPR scheme will have a negative impact on local authority recycling and composting rates, but not on a reduction, recycling and composting rate with a baseline set in 2006 as previously described.

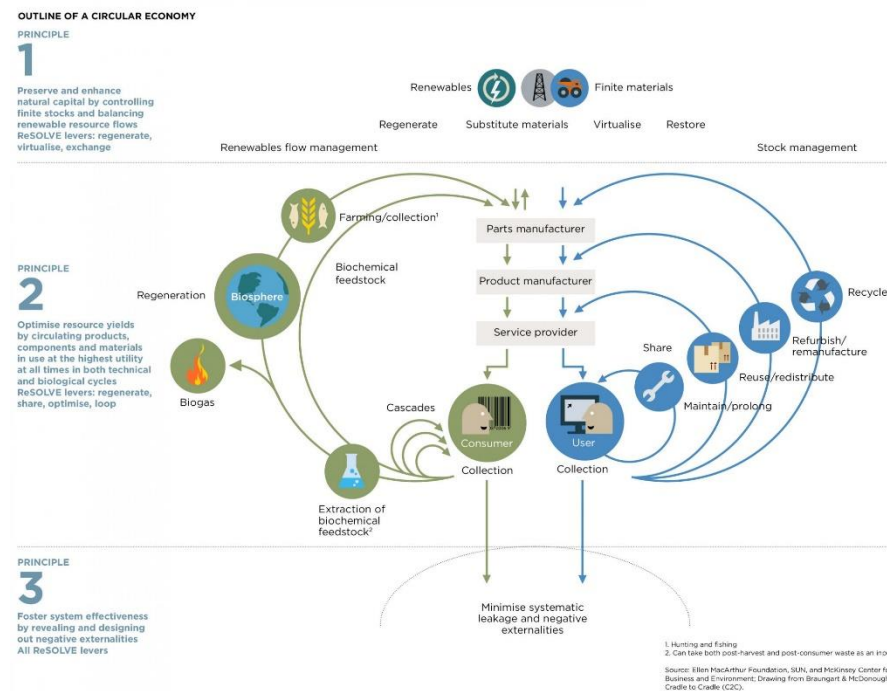
**Please provide any further comments on the policies and programmes mentioned in this chapter.**

There are a number of interesting and exciting proposals included in this chapter which have not been commented upon. WLWA is taking the opportunity to comment on items to note, suggested changes and improvements.

Most of the specific questions in this chapter relate to recycling which is unfortunate because it downplays the importance of waste reduction to delivering the aims and ambitions of the strategy. The chapter should explain the change from waste hierarchy to circular economy and demonstrate a commitment to waste reduction by describing policies which will bring about investment in the sharing economy and put pressure on the product manufacturers to take responsibility for the long term protection of the resources they use and sell.

The many ways in which this chapter focuses on the waste hierarchy and recycling in particular misses the opportunity of applying the circular economy and WLWA would like to see the links between the chapter on circular economy and waste made clearer. In the diagram below which has been taken from the Ellen MacArthur foundation website, recycling sits on the outer ring of the circular economy which means that recycling should be an area of last resort when adopting a circular economy model or used as a stepping stone to the inner rings of the circular economy. This is why increasing waste reduction counteracts the recycling target as currently calculated and why Waste Authorities and waste companies will not be able to demonstrate that a single activity which increases recycling also reduces the environmental impact of waste activities.

ELLEN MACARTHUR FOUNDATION Circular Economy System Diagram



WLWA believes that **Objective 7.1** is too narrow and should be shortened to say “Drive resource efficiency to significantly reduce waste.” Sitting in the inner rings of the circular economy this objective should not be limited. In addition to the chosen focus on food waste and single use packaging, the Mayor needs a policy to work with producers to address the increasing amount of low quality disposable waste preventing reuse. WLWA’s waste minimisation team focuses on five key items for waste prevention: food waste, textiles, waste electricals, furniture and nappies. Of these, textiles, waste electricals and furniture face double challenges in that increasing amounts are thrown away and are of reduced quality, increasing waste and preventing reuse. The Mayor through LWARB or Resource London could do some heavy lifting in this arena to support the waste authorities work on waste prevention.

The waste authorities have been working for many years to prevent waste because the most effective reuse and repair takes place before an item is discarded. Extended producer responsibility is the most productive method of creating jobs through reuse and repair without contradicting the other ambitions of the environment strategy.

**Objective 7.3** Reduce the environmental impact of waste activities should be the next objective in the list to give a sense of hierarchy.

**Objective 7.2** to maximise recycling rates has been covered in our answer to the first question in this chapter. In addition; a policy to collate waste compositions from the commercial waste sector to analyse and understand the true levels of commercial waste recycling would be a catalyst to create more recycling infrastructure in London. Policies committing to bring together the waste industry, waste authorities and producers to make packaging more recyclable would enable Londoners and businesses to recycle more.

**Objective 7.4** WLWA strongly supports the policy to maximise local waste sites and ensure London has sufficient infrastructure to manage all the waste it produces. Using circular economy thinking, the role of the waste authorities is to facilitate new ways of working, new behaviours which will ultimately remove waste from our influence. Resource London's borough support programme should be broadened to incorporate waste infrastructure to improve recycling rates and provide high quality and well participated municipal waste recycling services through Local Authority sites.

London is not a self-contained island, it is a city which attracts workers, tourists, visitors and through passengers in addition to its residents travelling in and out of London on a daily basis. Products, materials and waste is imported and exported every day with the transportation, people, commodities etc. The Mayor has an opportunity to connect with other Mayoral regions to understand what the industrial strategy means for other regions and how London's resources can be offered as a valuable product, increasing the amount of much needed recycling infrastructure.

There are a number of reasons why policies trying to manage London's waste in London and expecting waste sites to achieve multiple policy aims has resulted in fewer waste sites in London now in comparison to the past:

1. Policies to try to retain the economic value of London's waste within London.
  - a. To achieve high levels of recycling, a significant amount of space is needed to sort waste into multiple streams of food waste, garden waste, wood, glass, metals, fibres, plastic and waste suitable for SRF, RDF and EfW etc. London needs to focus on using sites for sorting, not for treatment. By sorting commercial waste delivered in vans to local sites we can increase recycling and create dynamic enterprises within London. However, prioritising large scale treatment in London reduces the amount of space available for sorting and restricts dynamic enterprise.
  - b. It costs more in London. In a highly regulated industry, lowest cost is an indicator of most efficient and therefore lowest environmental impact. Sending waste to a treatment facility in London may be closer in miles but more expensive for example:
    - i. road journeys through London's domestic streets are slower and more polluting than a few miles more up a trunk road,
    - ii. more infrastructure (resources) is needed to operate in a London neighbourhood than in a more rural setting,
    - iii. additional energy is needed to manage odour in a London neighbourhood in comparison to a more rural site,
    - iv. additional road movements to take the by-products out of London after processing is complete are slower and more polluting than being able to divest locally where infrastructure is co-located.
2. Expecting waste sites to be able to satisfy all aspects of environmental policy.

- a. Property and rental prices in London continue to reduce the space available to sort and recycle waste. Expecting waste sites which are necessary but not always considered desirable by neighbours, to take on the development costs associated with carbon reduction, green infrastructure, reduced emissions etc. has prevented waste sites from being developed which then results in less sorting and therefore less recycling.
- b. If London is to have the best air quality of any major city by 2050, waste management activities in London will need to change. Reconciling the changes needed on air quality with the policies and proposals in the waste management section means that we need to reduce the number of movements London's waste is subjected to and prioritise efficiency over proximity. To this end waste sites in London need to be:
  - i. protected for waste use,
  - ii. sized according to the area they serve,
  - iii. focused on sorting London's waste quickly and efficiently into its constituent parts, and
  - iv. sending the right waste or commodity to the right place for treatment irrespective of distance.
- c. There is a risk that the planning system will be used to "green" waste sites, making them costly to run, leading to fewer waste sites resulting in less recycling and less waste reduction. The plan should guard against a drive to complicate waste sites, they should be developed to be adaptable, dynamic and responsive to improvements.

A point to note: If only 1 million tonnes of London's waste is landfilled currently, this is because of the RDF export market which creates energy from circa 1.5 million tonnes of London's waste for which there is no treatment infrastructure in the UK. Any disruption to the RDF market will see London's commercial waste going back into landfill and it is therefore highly unlikely that significant landfill closures will take place until infrastructure is in place.

## Appendix

Letter in response to Defra consultation on Bottle Deposit Scheme:

Dear Minister,

The Defra Voluntary and Economic Incentives Working Group has issued a call for evidence on "voluntary and economic incentives to reduce littering of drinks containers and promote recycling" that focuses upon consumers as the target for the scheme. I am writing to you directly because a more radical approach is needed. Focusing on consumers will not bring success; it will add bureaucracy to a system which is already faltering.

To ensure packaging material is returned, recycled and integrated back into product design the working group should be asking questions with a wider scope of influence across the whole supply chain, seeking to create links between new products, recycled products, collection points, consumer messaging and education.

A producer led scheme focusing on capture of packaging materials before it becomes waste will result in less litter, it incentivises and benefits the committed recycler who won't put recycling into a litter bin and prevents litter bins being scavenged for income.

A producer led scheme will increase recycling and answer the question that is regularly asked by householders namely "where does all of our recycling go to?" Being able to buy drinks containers that are clearly advertised as made of recycled material will answer that question.



Additional benefits include:

- Increased efficiency; Companies producing and marketing consumer products are better placed to influence consumer behaviour than government or local authorities,
- Waste hierarchy; Materials captured before they enter the waste stream are more suitable for reuse,
- Increased quality; Reducing contamination at the point of return,
- Increased quantity; Ensuring packaging is easy to recycle, and
- Improved behaviour choices; Shifting the cost of managing waste packaging from taxpayers to consumers will reduce waste overall.

Deposit Return Schemes and Reward and Return schemes have been compared to the five pence charge for plastic bags but in behaviour terms these are very different. The consumer has to choose whether to spend 5p on a plastic bag and it can never be reclaimed. The plastic bag is in addition to the shopping being purchased, whereas a bottled drink cannot be purchased without the container. The shopping has to be transferred and then the basket or trolley can be returned but drinks on the go are consumed as the person travels and so finding the correct place to return the drink container is more complicated.

Local authorities will have to manage the negative consequences of lost investment in infrastructure and the commercial arrangements that rely on that infrastructure. Recycling targets and the PRNs system will need to be reviewed. However we cannot maintain the status quo for fear of the impact that change will bring. Our current course will not only maintain the current inefficiency of pushing recycling into a saturated market (driving down the price of raw materials), it reinforces the cynicism of householders about recycled products in particular and the recycling process as a whole.

West London Waste Authority would be delighted to join Defra, retailers and waste industry groups to explore these ideas further with a view to driving real and lasting improvements in recycling and litter prevention.

Yours sincerely,

Emma Beal

Managing Director

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