

## **Notice of Meeting**

### **EAST LONDON WASTE AUTHORITY**

**Monday, 2 April 2007 - Civic Centre, Dagenham, 1:00 pm**

**Members:** Councillor M E McKenzie (Chair); Councillor S Kelly (Deputy Chair); Councillor P R Goody, BSc BA, Councillor P Murphy, Councillor P Sheekey, Councillor B Tebbutt, Councillor Mrs P A Twomey and Councillor A Weinberg

**Declaration of Members' Interests:** In accordance with the Constitution, Members are asked to declare any personal or prejudicial interest they may have in any matter which is to be considered at this meeting.

26 March 2007

R. A. Whiteman  
Managing Director

Contact Officer: Tony Jarvis  
Tel: 020 8270 4965  
Fax: 020 8270 4973  
E-mail: [tony.jarvis@lbbd.gov.uk](mailto:tony.jarvis@lbbd.gov.uk)

### **AGENDA**

- 1. Apologies for Absence**
- 2. Minutes - To confirm as correct the minutes of the meeting held on 05.02.07 (Pages 1 - 4)**
- 3. Contract Performance 2006/07 - April 2006 to February 2007 (Pages 5 - 15)**
- 4. Budgetary Control Report to 31 January 2007 (Pages 17 - 19)**
- 5. Any other public items which the Chair decides are urgent**
- 6. To consider whether it would be appropriate to pass a resolution pursuant to Section 100A(4) of the Local Government Act 1972**

### **Private Business**

The public and press have a legal right to attend ELWA meetings except where business is confidential or certain other sensitive information is to be discussed. The item below is exempt under paragraphs 2 and 4 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

- 7. Employment Arrangements for ELWA (Restricted Circulation) (Pages 21 - 31)**
- 8. Other Confidential Business**

## **EAST LONDON WASTE AUTHORITY**

Monday, 5 February 2007  
(1:05 - 1:50 pm)

**Present:** Councillor S Kelly (Deputy Chair in the Chair), Councillor P R Goody, BSc BA, Councillor B Tebbutt and Councillor Mrs P A Twomey

### **1474 Apologies for Absence**

An apology for absence was received on behalf of Councillor M E McKenzie Councillor P Murphy, Councillor P Sheekey and Councillor A Weinberg.

### **1475 Minutes - To confirm as correct the minutes of the last meeting held on 27.11.06**

We have confirmed as correct the minutes of our meeting held on 27 November 2006.

Further to Minute 1470 the Executive Director advised that the Press Release matter raised by Councillor Murphy had been rectified in a subsequent Press Release that provided more information relating to east London.

### **1476 Risk Strategy - Development**

We have received the Executive Director's report and commentary explaining ELWA's Risk Strategy and the development of the Appendices since approval. We confirm that we have noted the Strategy and have approved the updated Strategic Risk Register and Operational Risks Registers. In addition, we have agreed to review the position of risk annually.

### **1477 Consultation Strategy - Draft**

We have received the Executive Director's report and Appendices and noted the significance of producing a Consultation Strategy as recommended by External Auditors in their Annual Governance Report.

We have considered the proposed Consultation Strategy and approved it as a provisional broad scoping document, subject to amendment when best practice examples are available, and have recommended that the in-depth consultation process take place every five years.

## **1478 Testing of Biodegradable Waste**

We have received the General Manager's report and explanation of the Environment Agency's requirements for testing the biodegradability waste output from Bio-MRFs at Frog Island and Jenkins Lane and we have approved the withdrawal of up to £100,000 from the contingency to meet the cost of testing in the year 2007/08.

We have agreed to receive a further report when the results of testing are available.

## **1479 Contract Performance 2006/07 - April 2006 to December 2006**

We have noted the General Manager's report and Appendices on Contract Performance for the period April to December 2006. We have received commentary on tonnage data and contract payments, LATs performance, site operations at Frog Island over the Xmas period and orange bag losses due to the commissioning of the Optibag. Noted that an action programme had been agreed to remedy the Optibag operation.

## **1480 Revenue and Capital Estimates and Levy 2007/08**

The Finance Director set out the key issues of the report and drew Members' attention to them. He highlighted the budget issues including reserves and their levels, various risks, pressures on the Authority and the necessity to balance strategy and prudence.

Issues of particular mention:-

- an increase in the ELWA levy of 8.3 having applied a revenue under-spend and unutilised contingency to support the 2007/08 levy;
- key financial pressures e.g. significant increases in IWMS contract costs to meet government recycling and diversion from landfill targets, rising waste volumes, increased landfill taxation and the need to hold a reasonable level of reserves because ELWA could not set a supplementary budget during the year;
- the 2007/08 Revenue Reserves, as outlined, were considered by Directors to be robust and adequate to secure a good platform in the next few years, together with the PFI Reserve and;
- a 29.6% increase in revenue estimate;
- reduced Contingency Reserve of £600,000 for 2007/08.

We have considered the report concerning the estimates and the levy for 2007/08 and the underlying cost increases, legal background and levy apportionment, together with the particular issues that apply. We have also considered the issues relating to contingencies and reserves, including the risk analysis.

We have agreed:

- i) the revised estimates for 2005/06, totalling £30,130,000;
- ii) the utilisation of the 2006/07 contingency as reported;
- iii) the draft detailed revenue estimates for 2007/08, totalling £30,790,000 (excluding contingency and contributions from reserves);
- iv) the adoption of new rates for commercial and industrial waste and disposal credits for abandoned vehicles for 2007/08 as follows:-

Disposal Credits – Abandoned Vehicles	£63.00 per tonne
Disposal Credits - other	£64.50 per tonne
Commercial and Industrial Waste - recyclable	£64.00 per tonne
Commercial and Industrial Waste - other	£69.00 per tonne
- v) the utilisation of the PFI Contract Reserve of £5,500,000 for 2007/08;
- vi) a Contingency Reserve of £600,000 for 2007/08;
- vii) a contribution from Revenue Reserves of £1,900,000;
- viii) the levy basis for 2007/08 in the sum of £32,990,000;
- ix) the policy on Reserves and associated criteria for use in accordance with paragraphs 11 to 13 of the report;
- x) continuance of existing arrangements for the payment of the levy and funding of Constituent Councils in 2007/08;
- xi) a review of the disposal credit for abandoned vehicles is undertaken during 2007/08.

The Chair thanked Officers for the clearly presented and simple to read report which gave something back to the Boroughs.

Havering Members offered their thanks to the Finance Director, Executive Director and Finance Manager for the helpful presentation given to them recently.

#### **1481 Treasury Management Strategy 2007/08 and Prudential Code Indicators for 2007/08 to 2009/10**

We have received and noted the above report and have agreed:-

- i) the Treasury Management Strategy and Policy Statement;
- ii) the Prudential Indicators for Treasury;
- iii) the Annual Investment Strategy;
- iv) the Prudential Indicators for capital expenditure.

**1482 Any other public items which the Chair decides are urgent**

**Frog Island Opening Ceremony, 19<sup>th</sup> April 2007**

Noted that a draft guest list will be circulated for consideration.

Chair: .....

Dated: .....

*(Contact Officer: John Wilson - Tel. 020 8270 4997)***EAST LONDON WASTE AUTHORITY****02 APRIL 2007****GENERAL MANAGER'S REPORT**

<b>CONTRACT PERFORMANCE APRIL 2006 to FEBRUARY 2007</b>	<b>FOR INFORMATION</b>
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**1 Purpose**

- 1.1 To report on the performance of Integrated Waste Management Strategy (IWMS) Contract for the period April 2006 to February 2007.

**2 Tonnage Data and Contract Payments**

- 2.1 Attached at Appendix A are tables showing tonnage data and contract payments to end of February 2007. Waste flows continue to run close to the predictions and to date actual tonnages are 2% lower than budget.

**3 Site Operations**

- 3.1 The very high winds in January caused damage to the buildings at Gerpins Lane and Jenkins Lane sites and safety contingencies had to be put in place. Frog Island buildings suffered from losing roofing sheets, blown off by the fierce winds coming off of the river. Damaged framework balanced dangerously on the buildings causing diversions and major delays. This was the first time that the contingency or emergency provisions had to be put into practice and all the Shanks employees reacted responsibly and correctly. All the borough drivers cooperated with the revised procedures without exception. As with any of these protocols useful lessons were learnt from actual practice to enable us to refine procedures.
- 3.2 All Reuse and Recycling Centres (RRC) sites are establishing a consistent operational practice in accordance with the Contract and waste inputs are low, as expected for the winter months.
- 3.3 Jenkins Lane - The development of the new Bio MRF is on target for testing to begin in April.
- 3.4 Ilford Recycling Centre – All wastes being processed as received.
- 3.5 Frog Island. The performance of the Opti-bag system is proving more reliable after the modifications were made. At time of writing some further improvements are still scheduled to separate conveyors from lines 2 and line 3 so that separate maintenance can occur on either line without affecting the other line or compromising Health & Safety.
- 3.6 The Havering and Barking 'Orange Bag' recycling performance, affected during plant commissioning, has been reported previously. 'Orange Bag' performance in January and February were at the levels projected in Shanks' ABSDP illustrating that the measures put in place are beginning to take effect.
- 3.7 The ELWA Management Board met with Shanks' senior management on 19<sup>th</sup> March, to discuss their overall recycling performance in 2006/7 and to receive

Shank's proposals for meeting the contractual targets in 2007/8. The out come of that meeting was that although two significant operational improvements were proposed which theoretically will allow Shanks to meet these targets, both had minor issues which meant that neither had yet been implemented ready for an April start. This meant that Shanks will automatically start the new financial year by under achieving in the early months of 2007/8 with a 'break even' point projected for August when recycling will rise above 22%.

- 3.8 Although in theory these improvements should work, the Board were not convinced that the implementation and contingencies were certain. Therefore Shanks have been asked to provide ELWA with a more detailed Action Plan for the next financial year so that more frequent monitoring of the recycling performance can occur, to prompt an early introduction of the contingency plans if performance does not improve in the time line proposed.

#### **4 Conclusion**

- 4.1 The operations at the RRC sites are now into a routine and no significant problems occurred beyond the damage caused by the high winds which was managed.
- 4.2 The major concern since Christmas has been putting in measures to improve the recycling performance especially from the refining section of the Bio MRF. Unfortunately this is not an exact science and different trial and error schemes are still being tried to find the most effective.
- 4.3 The contract recycling rate has increased from 12.44% (2005/6) to an average 14.7% for this period. The 18% average required under the Contract for 2006/07 seems unlikely to occur as the extra recycling needed in the last month to provide this performance will not be forthcoming. (See para 's 3.7 ,3.8 above).
- 4.4 Appendix A shows overall tonnages and financial performance.
- 4.5 Appendix B shows overall Recycling and Composting tonnages for 2006/7 and is important for the Landfill Allowances Trading Scheme (LATS) calculations.
- 4.6 The table at Appendix C shows actual 'Contract' recycling performance to February compared to the projected levels in the 2006/07 ABSDP. This illustrates the under performance described in paragraph 4.3. The second table on Appendix C shows Borough and ELWA BVPI Recycling Performance to date compared to the ABSDP. Note that the definitions and calculations of BVPI Recycling Performance are different to those used for Contract Recycling Performance.
- 4.7 On a more positive note, the sale of the Secondary Recovered Fuel (SRF) to cement kilns has been generally strong although low in February due to kiln unavailability. Tonnage diverted from landfill is therefore beginning to out perform contracted requirements. Thus although recycling is struggling to meet our targets, diversion from landfill is exceeding expectations.
- 4.8 The performance against LATS for April to February is shown at Appendix D, i.e. a surplus of Allowances.



## 5 Recommendation

5.1 Members are asked to note this report.

John Wilson  
**GENERAL MANAGER**

<b>Appendices</b>	
A	Contract Performance
B	Contract Waste Recycling Performance
C	Contract recycling performance compared to ABSDP 2006/07 BVPI recycling performance compared to ABSDP 2006/07
D	Performance against LATS target

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**Contract Performance**

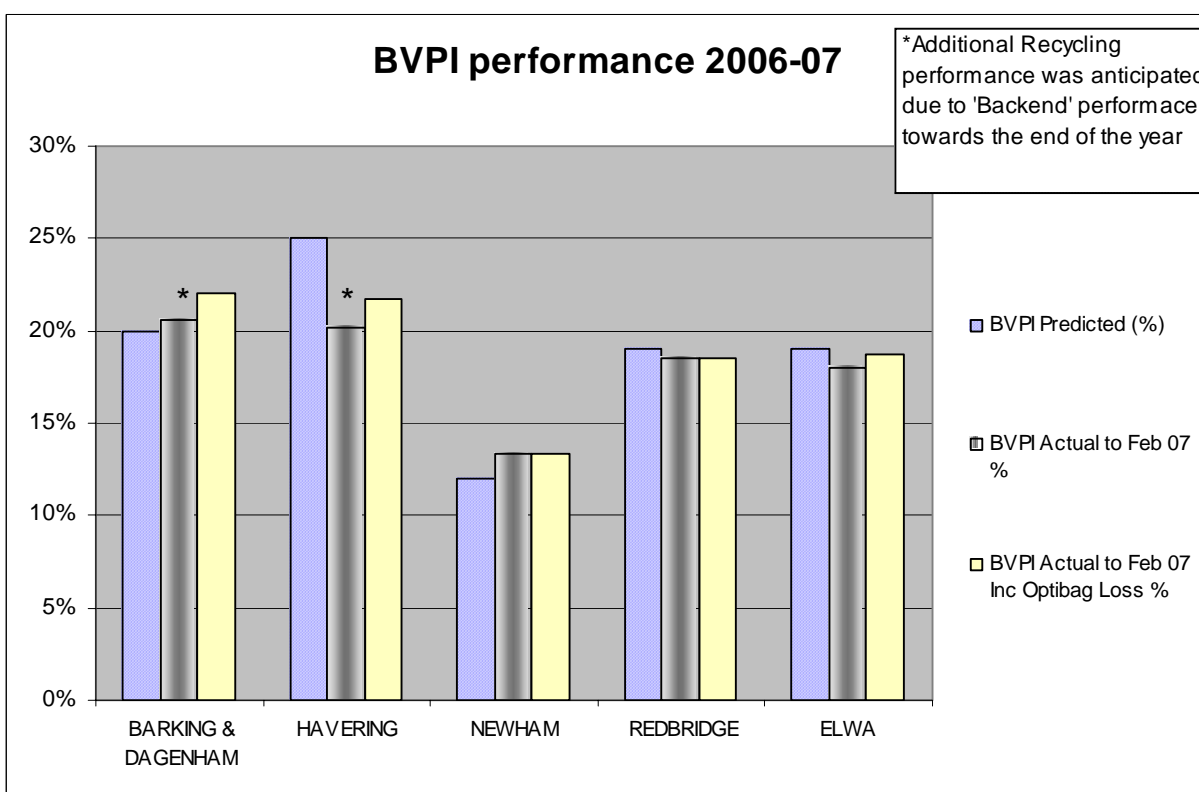
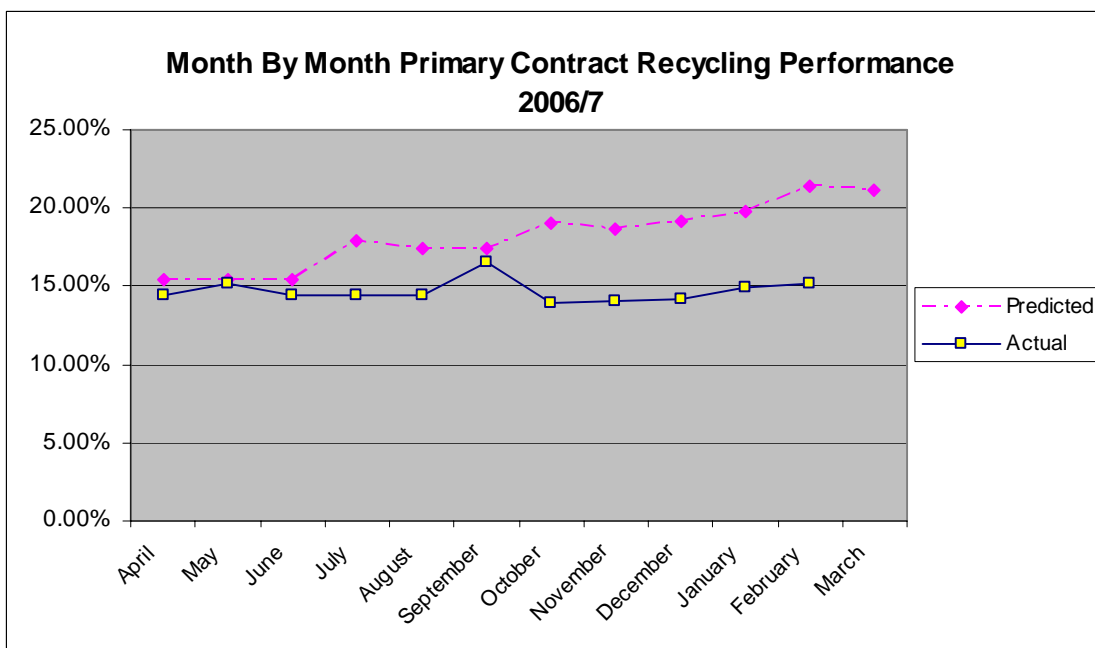
	Contract Tonnages						Contract Sums £K		
	ABSDP		Actual Tonnage		RRC Tonnage		2005/6	2006/7	
	2005/6	2006/7	2005/6	2006/7	2005/6	2006/7	Actual	ABSDP	Actual
<b>April</b>	47849	45511	44545	40573	8983	8178	£2,514	£2,869	£2,658
<b>May</b>	44982	43378	42459	45523	8131	8484	£2,437	£2,746	£2,869
<b>June</b>	49018	47851	46924	48144	8455	9533	£2,600	£3,006	£2,954
<b>July</b>	46426	42148	41270	41277	6703	6913	£2,524	£2,767	£2,695
<b>August</b>	43667	42771	41833	42113	6460	6963	£2,562	£2,806	£2,732
<b>September</b>	46496	45056	44039	42869	7131	7617	£2,632	£2,943	£2,758
<b>October</b>	45482	40311	39631	41114	5674	6113	£2,481	£2,655	£2,705
<b>November</b>	39943	40915	40335	40719	4782	5533	£2,496	£2,688	£2,667
<b>December</b>	40084	38838	37062	35895	3795	4418	£2,395	£2,565	£2,471
<b>January</b>	42937	38244	37801	40802	4169	4772	£2,407	£2,528	£2,722
<b>February</b>	38371	35448	34619	35087	4387	5064	£2,273	£2,343	£2,445
<b>March</b>	42444	40960	39498		4766		£2,440	£2,698	
<b>Total</b>	<b>527699</b>	<b>501431</b>	<b>490016</b>	<b>454116</b>	<b>73436</b>	<b>73588</b>	<b>£29,761</b>	<b>£32,614</b>	<b>£29,676</b>

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**Contract Waste Recycling Performance**

Month	Recycling				Composting				Total Recycling			
	Tonnages		Percentage		Tonnages		Percentage		Tonnages		Percentage	
	2005/6	2006/7	2005/6	2006/7	2005/6	2006/7	2005/6	2006/7	2005/6	2006/7	2005/6	2006/7
<b>April</b>	3,802	4256	8.54%	10.49%	1,809	1596	4.06%	3.93%	5,611	5852	12.66%	14.42%
<b>May</b>	3,629	4249	8.55%	9.33%	2,169	2658	5.11%	5.84%	5,798	6907	13.66%	15.17%
<b>June</b>	3,567	4130	7.60%	8.58%	2,189	2822	4.67%	5.86%	5,756	6952	12.27%	14.44%
<b>July</b>	3,461	4129	8.39%	10.00%	1,574	1843	3.81%	4.46%	5,035	5972	12.20%	14.47%
<b>August</b>	3,840	4526	9.18%	10.75%	1,672	1572	4.00%	3.73%	5,512	6098	13.18%	14.48%
<b>September</b>	3,543	5152	8.04%	12.02%	1,781	1942	4.05%	4.53%	5,324	7094	12.09%	16.55%
<b>October</b>	3,969	4145	10.02%	10.08%	1,591	1600	4.01%	3.89%	5,560	5745	14.03%	13.97%
<b>November</b>	3,784	4370	9.38%	10.73%	1,064	1356	2.64%	3.33%	4,848	5728	12.02%	14.06%
<b>December</b>	3,690	4097	9.96%	11.41%	784	1002	2.11%	2.79%	4,474	5099	12.07%	14.21%
<b>January</b>	3,608	5285	9.54%	12.95%	710	793	1.88%	1.94%	4,318	6078	11.42%	14.90%
<b>February</b>	3,359	4304	9.70%	12.27%	651	883	1.88%	2.52%	4,010	5187	11.58%	14.78%
<b>March</b>	3,994		10.11%		729		1.85%		4,723		11.96%	
<b>Accumulative Total</b>	<b>44,246</b>	<b>48643</b>	<b>9.03%</b>	<b>10.71%</b>	<b>16,723</b>	<b>18067</b>	<b>3.41%</b>	<b>3.98%</b>	<b>60,969</b>	<b>66710</b>	<b>12.44%</b>	<b>14.69</b>

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DESCRIPTION	BARKING & DAGENHAM	HAVERING	NEWHAM	REDBRIDGE	ELWA
<b>BVPI Predicted (%)</b>	20%	25%	12%	19%	19%
<b>BVPI Actual to Feb 07 %</b>	20.6%	20.2%	13.4%	18.5%	18.0%
<b>BVPI Notional to Feb 07 if Optibag Losses included %</b>	22.1%	21.7%	13.4%	18.5%	18.7%

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**Performance against LAT'S Target**

Month	Contract Waste		LANDFILL		LATS	
	Tonnage	Biodegradable	Tonnage	Biodegradable	Target	Surplus
April	40,573	28,401	30,286	21,200	25,171	3,971
May	45,523	31,866	31,410	21,987	25,171	3,184
June	48,144	33,701	32,339	22,637	25,171	2,533
July	41,277	28,894	28,609	20,026	24,570	4,544
August	42,113	29,479	26,337	18,436	24,570	6,134
September	42,869	30,008	26,086	18,260	24,570	6,310
October	41,114	28,780	26,463	18,524	22,674	4,150
November	40,719	28,503	26,548	18,584	22,674	4,090
December	35,895	25,126	24,219	16,954	22,674	5,721
January	40,802	28,561	26,756	18,729	22,443	3,714
February	35,087	24,561	22,603	15,822	22,443	6,621
March					22,442	
Accumulative Total	<b>454,115</b>	<b>317,881</b>	<b>301,656</b>	<b>211,159</b>	<b>284,573</b>	<b>50,972</b>

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(Contact Officers: Jay Gohil: 020 8708 5086)

## EAST LONDON WASTE AUTHORITY

2 APRIL 2007

### FINANCE DIRECTOR'S REPORT

<b>BUDGETARY CONTROL REPORT TO 31<sup>st</sup> JANUARY 2007</b>	<b>FOR INFORMATION</b>
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#### **1 Introduction**

- 1.1 This budgetary control report compares ELWA's actual expenditure for the ten months ended 31<sup>st</sup> January 2007 with the revised revenue estimates approved in February 2007 and is based on information supplied by Shanks.east london and the four Councils.
- 1.2 Budgetary control reports are presented for monitoring and control purposes.

#### **2 Revenue Estimates**

- 2.1 The actual net expenditure on services for the period was £25,349,000 compared to the profiled budget of £25,436,000 resulting in an under-spend of £87,000 for the period (see Appendix A).
- 2.2 The main variations relates to the payment to Shanks.east london which is higher than the revised budget which was based on the actual cost to November 2006 plus the estimated cost anticipated in the Annual Budget & Service Delivery Plan for the months December 2006 to March 2007.
- 2.3 Also, the tonne mileage payments for the year are expected to be approximately £150,000 lower than the revised budget based on the submission of actual claims by Boroughs for the period to 31<sup>st</sup> December 2006.
- 2.4 ELWA's revised Contingency sum for 2006/07 is £250,000. The agreed utilisation to date is £160,000 and comprises of £110,000 for recycling initiatives, £20,000 for testing the biodegradability of waste, £30,000 for Aveley 1 pipeline easement and for preliminary survey for new waste sites.
- 2.5 Any revenue under-spend and unutilised contingency for the year will be added back to Revenue Reserves at the end of the year.

### **3 Prudential Indicators**

- 3.1 The Prudential Indicators for 2006/07, previously agreed by the Authority, covering borrowing, lending and capital expenditure limits are monitored by the Finance Director on a monthly basis. The Authority's Treasury Management and Capital activities for the period to January 2007 remain within the limits set.

### **4 Recommendation**

- 4.1 Members are asked to note this report.

Geoff Pearce  
**FINANCE DIRECTOR**

Appendix

A Budget Monitoring Statement to 31<sup>st</sup> January 2007

**EAST LONDON WASTE AUTHORITY****BUDGET MONITORING STATEMENT TO 31<sup>st</sup> JANUARY 2007**

	<b><u>Revised Budget 2006/07 £'000</u></b>	<b><u>Profiled Budget to 31.01.07 £'000</u></b>	<b><u>Total Actual to 31.01.07 £'000</u></b>	<b><u>Variance to 31.01.07 £'000</u></b>
<b><u>EXPENDITURE</u></b>				
<b><u>Employees</u></b>	375	313	306	-7
<b><u>Premises Related Expenditure</u></b>	150	125	89	-36
<b><u>Transport Related Expenditure</u></b>	14	12	9	-3
<b><u>Supplies and Services</u></b>				
Payments to Shanks.east London	32,153	27,122	27,230	108
Other (inc cost of Support Services)	436	361	346	-15
<b><u>Third Party Payments</u></b>				
Disposal Credits	260	217	217	-
Tonne Mileage	800	667	542	-125
Rent payable - property leases	198	165	165	-
<b><u>Capital Financing Costs</u></b>	299	250	250	-
<b>TOTAL GROSS EXPENDITURE</b>	<b>34,685</b>	<b>29,232</b>	<b>29,154</b>	<b>-78</b>
<b><u>Income</u></b>				
Commercial Waste Charges	-3,260	-2,717	-2,717	-
Interest on Balances	-1,280	-1,067	-1,076	-9
Other Income	-15	-13	-13	-
<b>TOTAL INCOME</b>	<b>-4,555</b>	<b>-3,796</b>	<b>-3,805</b>	<b>-9</b>
<b>NET EXPENDITURE ON SERVICES</b>	<b>30,130</b>	<b>25,436</b>	<b>25,349</b>	<b>-87</b>
PFI Grant Receivable	-4,726	-3,938	-3,938	0
Transfer to PFI Contract Reserve	4,726	3,938	3,938	0
Levy Receivable	-30,460	-25,711	-25,711	0
Contribution from Reserves	-250	-208	-208	0
<b>REVENUE SURPLUS FOR PERIOD</b>	<b>-580</b>	<b>-483</b>	<b>-570</b>	<b>-87</b>

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