

# **Annual General Meeting**

## **EAST LONDON WASTE AUTHORITY**

**Monday, 25 June 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.

18.6.2007

R. A. Whiteman  
Managing Director

Contact Officer: Tony Jarvis  
Tel: 020 8270 4965  
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### **AGENDA**

- 1. Appointment of Chair and Vice Chair**
- 2. Apologies for Absence**
- 3. Minutes - To confirm as correct the minutes of the meeting held on 02 April 2007 (Pages 1 - 2)**
- 4. Membership 2007/08 (Page 3)**
- 5. ELWA Limited Directorship 2007/08 (Pages 5 - 6)**
- 6. Programme of Meetings (Pages 7 - 8)**
- 7. Best Value Performance Plan 2007/08 (Pages 9 - 36)**
- 8. Contract Performance for Year 2006/07 (including LATS Performance) (Pages 37 - 47)**
- 9. External Audit ISA 260 (Page 49)**
- 10. Final Financial Outturn Report 2006/07 (Pages 51 - 55)**

11. **Draft Statement of Internal Control 2006/07 (Pages 57 - 67)**
12. **Draft Statement of Accounts 2006/07 (Pages 69 - 94)**
13. **Contract Performance to April/May 2007 (Pages 95 - 105)**
14. **Budgetary Control Report to April 2007 (Pages 107 - 110)**
15. **Internal Audit Progress Report 2006/07, Audit Plan 2007/08 and Planned Audit Coverage to March 2009 (J Jones) (Pages 111 - 123)**
16. **Flood Contingency (Pages 125 - 131)**
17. **Waste Strategy for England 2007 (Pages 133 - 135)**

The 'Waste Strategy for England 2007 – Executive Summary' document is circulated to Members as a separate document.
18. **Joint Waste Development Plan Document (Pages 137 - 149)**
19. **Employment - Update (Pages 151 - 156)**
20. **Any other public items which the Chair decides are urgent**
21. **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. At the time of publishing this agenda there were no confidential or exempt items.

22. **Other Confidential Business**

## **EAST LONDON WASTE AUTHORITY**

Monday, 2 April 2007  
(1:05 - 2:00 pm)

**Present:** Councillor M E McKenzie (Chair), Councillor S Kelly (Deputy Chair), Councillor P Sheekey and Councillor Mrs P A Twomey

### **1483 Apologies for Absence**

An apology for absence was received on behalf of Councillor P Goody, Councillor P Murphy, Councillor B Tebbutt and Councillor A Weinberg.

The Deputy Chair asked that all Members be urged to attend future meetings.

### **1484 Minutes - To confirm as correct the minutes of the last meeting held on 05.02.07**

We have confirmed as correct the minutes of our meeting held on 5<sup>th</sup> February 2007.

### **1485 Contract Performance 2006/07 - April 2006 to February 2007**

We have noted the General Manager's regular report and Appendices on Contract Performance for the period April 2006 to February 2007. We have received commentary on tonnage data and contract payments, Opti-bag and Orange bag performances, RRC sites operations, LATs and the sale of Secondary Recovered Fuel. Concern was expressed at the BVPI figures shown following the Opti-bag commissioning. The Management Board was asked to pursue this concern..

Noted the outcome of the Board's meeting with Shanks' senior management relating to recycling performance, contractual targets for 2007/08 and operational improvements.

We have agreed that the Contract Waste Recycling Performance table should contain projections.

We have discussed the wind damage and recovery at the Gerpins and Jenkins Lane sites and enquired as to emergency planning in the event of a major tidal surge. The Executive Director and General Manager advised that a suitable contingency plan was in place to deal with the waste disposal. We have asked Directors to look deeper into this possible eventuality and report back, providing a floodplain map.

### **1486 Budgetary Control Report to 31 January 2007**

The Finance Director set out the key issues of the report as being the £87,000 under-spend on services for the period. The variations related to higher than expected costs to Shanks and lower than anticipated tonne mileage payments.

**1487 Glass Recycling\***

We discussed in general terms the options for glass recycling and agreed to review again when all of ELWA's facilities had been commissioned.

**1488 Frog Island - Opening Ceremony\***

Received the Executive Director's update on the current position for finalising plans relating to the Opening of Frog Island on 19<sup>th</sup> April 2007. Tabled a picture of the steel statue commission to commemorate the occasion and considered the safety and planning aspects in this connection.

**1489 Landfill Tax\***

Received and discussed a provisional assessment of the increase in landfill tax recently amended by government. Noted that ELWA will be taking this matter up with the London Councils.

**1490 Private Business**

We have resolved to exclude the public and press from the remainder of the meeting by reason of the nature of the business to be transacted which includes information exempted by paragraphs 2 and 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

**1491 Employment Arrangements for ELWA - Restructure**

We have agreed the recommendations proposed by the Managing Director.

\* These Items have been considered as a matter of urgency with the consent of the Chair under the provisions of Section 100(B)(4)(b) of the Local Government Act 1972

Chair: .....

Dated: .....

Contact Officer: Shirley-Ann Gray - Tel. 020 8270 4964)

**EAST LONDON WASTE AUTHORITY****25 JUNE 2007****OFFICE MANAGER'S REPORT**

<b>MEMBERSHIP 2007/08</b>	<b>FOR INFORMATION</b>
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Consideration by the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge of their representation on outside bodies for the Municipal Year 2007/08 has been completed and ELWA's membership position is as follows:-

<b>London Borough</b>	<b>Current Representative</b>	<b>Position</b>
Barking & Dagenham	Councillor Milton McKenzie Councillor Mrs Pat Twomey	Confirmed
Havering	Councillor Steven Kelly Councillor Barry Tebbutt	Confirmed
Newham	Councillor Pat Sheekey Councillor Patrick Murphy	Confirmed
Redbridge	Councillor Alan Weinberg Councillor Peter Goody	Confirmed

Members are asked to note this report.

Shirley-Ann Gray  
**OFFICE MANAGER**

Appendix

None

Background Papers

ELWA Constitution

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(Contact Officer: Shirley-Ann Gray - Tel. 020 8270 4964)

## EAST LONDON WASTE AUTHORITY

25 JUNE 2007

### OFFICE MANAGER'S REPORT

<b>ELWA LIMITED DIRECTORSHIPS - 2007/08</b>	<b>FOR CONSIDERATION</b>
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#### **1 Purpose**

- 1.1 To consider the appointment of a Member to the position of ELWA Limited 'A' Director for the year 2007/08.

#### **2 Background**

- 2.1 ELWA is required to make an annual appointment to the position of 'A' Director of ELWA Limited.
- 2.2 The role of the 'A' Director (currently Councillor Alan Weinberg) is set out in the Joint Venture Agreement and Articles of Association of ELWA Limited. It is an important role and an 'A' Director is required to be present for the ELWA Limited Board to be quorate. The 'B' Directors on the company are appointed by Shanks Waste Services Limited.
- 2.3 It has been previously considered that the appointment of either the Chair or the Vice-Chair to this post would not be appropriate, in order to minimise potential for conflicting interest at the ELWA meetings.
- 2.4 The Joint Venture Agreement provides that ELWA will not appoint the "A" Director without prior consultation with the "B" shareholder (Shanks Waste Services Limited). There is a proviso that the "B" shareholder shall not be permitted to prevent the appointment of a Director or Alternate Director by ELWA.

#### **3 Board Meetings of ELWA Limited**

- 3.1 ELWA Limited meets at least quarterly. If, for some reason, the 'A' Director cannot attend, the meeting would have to be rearranged. To date, it has been possible to arrange (or rearrange) dates satisfactorily to ensure that the 'A' Director can attend.
- 3.2 It was agreed at the June 2003 Authority Meeting that the Chair be authorised to nominate an alternative 'A' Director should the need arise, in order to ensure that if the 'A' Director was not available the ELWA Limited Board could continue to be quorate.

#### **4 Role of 'A' Director**

4.1 As (non-voting) shareholders in ELWA Limited, ELWA has retained some rights (of veto, for example) over certain activities of the ELWA Limited. The 'A' Director is empowered to exercise similar rights at the Board Meetings of ELWA Limited.

#### **5 The Personal Position of the 'A' Director**

5.1 At ELWA meetings, all Councillors must act in accordance with the Members Code of Conduct and Constitution in respect of items on the ELWA agenda, including those items that affect ELWA Limited.

5.2 At ELWA Limited Board Meetings, the 'A' Director must act in the best interest of the shareholders of ELWA Limited.

5.3 These separate responsibilities and partnership arrangements are increasingly common in local Government as local authorities enter into more flexible ways of delivering services and extend influence into the wider public and private sectors.

#### **6 Recommendations**

6.1 Members are asked to:-

- (i) appoint a Member to the position of ELWA Limited 'A' Director for the 2007/08 municipal year;
- (ii) authorise the 'A' Director to act as ELWA's representative at the Annual General Meeting at ELWA Limited;
- (iii) such appointment to take effect following prior consultation with the "B" shareholder;
- (iv) agree that the Chair be authorised to nominate an alternative 'A' Director should the need arise.

Shirley-Ann Gray  
**OFFICE MANAGER**

Appendix  
None

Background Papers

- 1 Joint Venture Agreement and Articles of Association of ELWA Limited
- 2 Members Code of Conduct and Constitution



(Contact Officer: Shirley-Ann Gray - Tel. 020 8270 4964)

**EAST LONDON WASTE AUTHORITY****25 JUNE 2007****OFFICE MANAGER'S REPORT**

<b>PROGRAMME OF MEETINGS 2007/2008</b>	<b>FOR INFORMATION</b>
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**1 Purpose**

- 1.1 To advise Members of the agreed programme of meetings for the 2007/2008 municipal year and to draw Members' attention to relevant parts of the Constitution that relate to attendance.

**2 Background**

- 2.1 The following schedule of meetings was agreed by Members at their meeting on 27 November 2006 and is in respect of the forthcoming municipal year. This programme has been based around specific dates by which ELWA is either legally or contractually required to approve key matters:

Day	Date	Key Issue(s)	Time & Location
Monday	25 June 2007	(Annual General Meeting.) Approval of draft Statement of Accounts and Best Value Performance Plan	1.00 pm Civic Centre, Dagenham
Monday	08 October 2007		
Monday	26 November 2007	Approval of IWMS Contract Annual Budget & Service Delivery Plan required by 30/11/07	
Monday	04 February 2008	Approval of annual Levy required by 15/02/08	
Monday	07 April 2008		

**3 The Constitution**

- 3.1 At the meeting on 2<sup>nd</sup> April 2007, Members expressed concern at the recent low levels of attendance and requested that all Members be urged to attend Authority meetings in the future.
- 3.2 The following paragraphs are extracts taken from the Constitution and relate specifically to Member attendance:

**Quorum: Page B5, para 13.3:** *Subject to paragraph 45 of Schedule 12 of the Local Government Act 1972, no business will be transacted at a meeting of the Authority unless at least four Members of the Authority are present and the Members present comprise representatives of at least three of the constituent Councils.*

**Requirement to Attend Meetings: Page B10, para 30.1:** *“If a Member fails to attend one of three consecutive meetings of the Authority, unless the failure was due to a reason approved by the Authority, the Authority will recommend to the relevant constituent Council that the Member be replaced and not considered for re-appointment by the Council to the Authority for a period of at least two years.”*

#### **4 Conclusion**

4.1 Members are asked to note the:

- a. agreed programme of meetings for the 2007/2008 municipal year; and
- b. requirement of the Constitution as set out in paragraph 3.2 above.

Shirley-Ann Gray  
**OFFICE MANAGER**

Appendices  
None

Background Papers

A Constitution.

B Minutes 27 November 2006 and 2 April 2007.

(Contact Officers: Shirley-Ann Gray - Tel. 020 8270 4964)

## EAST LONDON WASTE AUTHORITY

25 JUNE 2007

### OFFICE MANAGER'S REPORT

<b>BEST VALUE PERFORMANCE PLAN 2007/08</b>	<b>FOR APPROVAL</b>
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#### 1. Background

- 1.1 ELWA's annual Best Value Performance Plan (BVPP) is required to be published by 30 June, in accordance with the Local Government (Best Value) Performance Plans and Reviews Amendment and Specified Dates Order (Statutory Instrument No. 2002/305). The publication deadline was previously 31 March but was amended to allow local authorities to include final performance out-turn data (rather than estimates) for the previous financial year.
- 1.2 Attached at Appendix A for Members' consideration is the draft BVPP in 'Word' format for 2007/08. This draft has also been sent to the District Auditor for his initial views. There are some minor alterations to this draft still to be made.
- 1.3 In final form, having taken into account any comments received from Members and the District Auditor, the inclusion of appropriate design work (eg pictures and graphs) to enhance the appearance of the document, the BVPP will be widely circulated through the Constituent Councils and made available on ELWA's website by the publication date of 30 June 2006.

#### 2. Recommendation

- 2.1 Members are, therefore, recommended to:-
  - (i) approve the draft Best Value Performance Plan;
  - (ii) authorise the Executive Director to approve any final minor amendments to the draft prior to publication.

Shirley-Ann Gray  
**OFFICE MANAGER**

Appendix  
A Draft BVPP

Background Papers  
Local Government (Best Value) Performance Plans and Reviews Amendment and Specified Dates Order (Statutory Instrument No. 2002/305)

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# The East London Waste Authority Best Value Performance Plan 2007/08

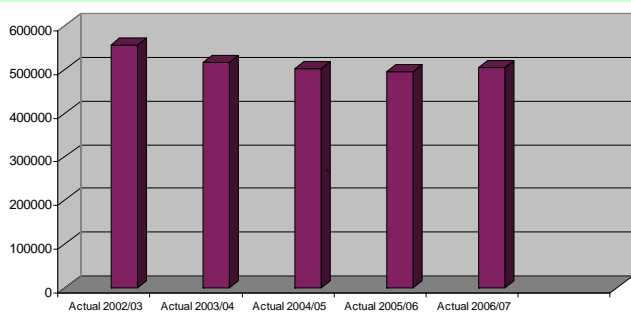
## A working partnership



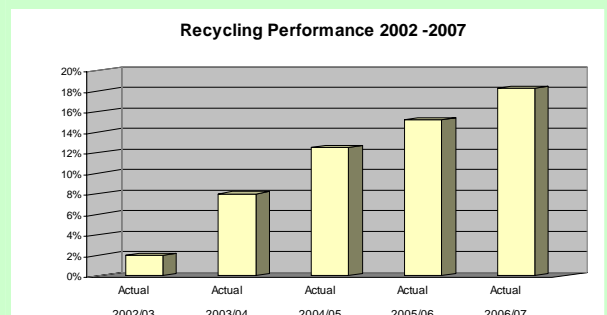
## New investment in 2007/08



## Reduced Waste 2003 – 2007



## Improved Performance



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## The East London Waste Authority Area Map



ELWA is the statutory waste disposal authority for the London Borough Councils of Barking & Dagenham, Havering, Newham and Redbridge.

Shown on both sides of the River Thames (shaded grey) is the area known as the Thames Gateway.

## Did you Know?

- On average, each person in the UK uses over 200kg of paper per year. 66% of this is collected for recycling.
- Every year, the average dustbin contains enough unrealised energy for 500 baths, 3500 showers or 5,000 hours of television.
- Just 1 recycled aluminium can saves enough energy to run a television set for 3 hours.
- Recycling aluminium requires only 5% of the energy it takes to make new aluminium – and produces only 5% of the CO<sup>2</sup> emissions.
- Making glass bottles and jars from recycled ones saves energy. The energy saving from recycling 1 bottle will power a washing machine for 10 minutes.
- It takes just 25 two litre pop bottles to make one adult size fleece jacket .
- You can obtain a free guide to recycling and sustainable waste management for businesses and organisations in London and South East England from <http://www.wastebook.org> or e-mail: [info@wastebook.org](mailto:info@wastebook.org).
- You can stop junk mail by contacting the Mailing Preference Service on 0845 703 4599 or e-mail: [mpps@dma.org.uk](mailto:mpps@dma.org.uk) or visit: <http://www.mpsonline.org.uk>





Welcome to the East London Waste Authority's (ELWA) Best Value Performance Plan for 2007/08.

This document provides you with information about how we provide waste recycling and disposal services across East London to meet the needs of our communities in the four London Borough Councils of Barking & Dagenham, Havering, Newham and Redbridge (the Constituent Councils). ELWA works closely with these four councils to play its part in improving the local environment for the benefit of all that live in, work in and visit the area.

ELWA's main objectives are to meet the recycling targets in the government's National Waste Strategy and reduce the amount of municipal waste that is landfilled.

The year 2006 was an important year for ELWA. Our flagship waste management facility at Frog Island, Rainham opened for business and now processes almost

200,000 tonnes of household waste each year to extract recyclates and to create a renewable source of energy from waste residues.

The year 2007 will be an equally significant year with ELWA's second major facility at Jenkins Lane entering its commissioning stage.

By the end of 2007 ELWA, through its commercial partner Shanks Waste Management, will have completed a programme of works across sites in the four councils to provide state of the art facilities and modern technologies to sustainably manage householders' waste arising within the four councils.

Our approach to waste management has become a reference for many councils across the UK and also in Northern Europe. The official opening of Frog Island in April 2007 even commanded a slot on the BBC London News!

For our continued success in improving waste management and pushing up recycling rates we are dependent upon the support and participation of almost one million residents in our area. You can all help to transform the old perceptions of East London by using the recycling facilities at your doorstep, on your streets and at your local Reuse and Recycling Centres.

**Rob Whiteman**  
Managing Director,  
East London Waste Authority

### The Authority

ELWA was established on 1 January 1986 as a Statutory Waste Disposal Authority (WDA) by the Waste Regulation and Disposal (Authorities) Order 1985. ELWA began to carry out its functions on 1 April 1986, following the abolition of the Greater London Council.

ELWA is responsible for waste disposal in the area that covers the four Constituent Councils and each council is responsible for waste collection in its areas.

The Constituent Councils have a combined population of approximately 900,000 people living in approximately 340,000 households. ELWA receives over 500,000 tonnes of waste each year from the councils and their residents.

ELWA is governed by a Constitution which can be viewed on our website and copies can be provided on request.

### ELWA Officers and Staff

Daily operations are managed from Arden House, 198 Longbridge Road, Barking, on behalf of ELWA by the following personnel:

Executive Director  
Assistant Executive Director  
Contracts Manager  
Office Manager and  
Secretary.

### ELWA Members

ELWA comprises eight Members, with two Members appointed annually from each of the four councils. These Members are Councillors within their respective councils.



*From left to right: Councillors Patrick Murphy (Newham), [Chair] Milton McKenzie (Barking & Dagenham), Mrs Pat Twomey (Barking & Dagenham), [Deputy Chair] Steven Kelly (Havering), Peter Goody (Redbridge) and Pat Sheekey (Newham). Councillors Alan Weinberg and Barry Tebbutt were unavailable for the photograph*

Although the eight Members of ELWA are appointed by the councils, they are required (when representing ELWA) to act in the interests of ELWA as the Waste Disposal Authority for the combined area of the four councils.

- (i) Collectively, ELWA Members are the ultimate policy-makers and those responsible for strategic and corporate functions of ELWA
- (ii) They participate in the governance and management of ELWA
- (iii) They represent ELWA on other bodies, and
- (iv) Have a duty to maintain the highest standards of conduct and ethics and follow a Code of Conduct.

The Joint Waste Management Strategy set out below was approved by ELWA in February 2006.

This strategy shows how the East London Waste Authority, together with the Constituent Councils, intend to manage municipal solid waste by means of a Vision, Objectives and Targets.

Our vision is:

***“To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value”***

Our objectives are to:

- (i) Provide reliable and achievable services in terms of management and disposal of the waste
- (ii) Provide services that are environmentally and economically sustainable in terms of:
  - encouraging waste minimisation initiatives
  - seeking to maximise waste recycling and composting opportunities potentially supported by energy recovery
  - Meeting national recycling and recovery targets whilst recognising regional waste strategies
  - complying with legislation on waste management
  - contributing to local economic development.
- (iii) Help promote the most cost effective delivery of services

- (iv) Ensure that the services shall be sufficiently diverse and flexible and not dependent upon a single method of waste treatment
- (v) Reduce biodegradable waste landfilled in order to meet the requirements of the Waste and Emissions Trading Act.

Our joint targets are to:

- stabilise or reduce the level of waste generated to below 515 kg per year per head of population
- achieve and where possible exceed, statutory recycling and composting standards
- recycle or compost 25% of our waste from April 2005, 30% from April 2010 and 33% from April 2015
- divert from landfill 40% of waste from April 2007, 45% from April 2010 and 67% from April 2015
- reduce biodegradable municipal waste sent to landfill to below 210,000 tonnes per year from April 2009, 140,000 tonnes per year from April 2012 and 100,000 tonnes per year from April 2019
- find the best methods to serve all households with a recycling collection of at least four materials by 2008.

We will achieve this by working in partnership across the councils, with our contractors and with other stakeholders, putting in place incentives to achieve targets where we can.

## 4 Other Waste Strategies

### Land Use

ELWA'S four Constituent Councils currently preparing a Joint Waste Development Plan Document (DPD) to cover the ELWA area.

The purpose of the Joint Waste DPD is to set out a planning and land use strategy for the period up to 2020 for sustainable waste management. This should enable the adequate provision of waste management facilities in appropriate locations for municipal, commercial and industrial construction and demolition and hazardous waste.

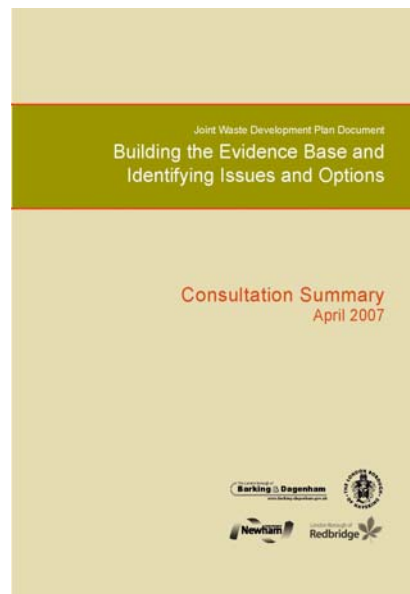
The first stage in the process was the commissioning of a technical report called "Building the Evidence Base and Identifying the Issues and Options". This document can be accessed at Constituent Council offices and websites and local libraries.

Following the consideration of responses from stakeholders and other respondents to this consultation a further important document will be produced during the Autumn of 2007 which will set out the Constituent Councils' Preferred Option for waste planning in the ELWA area.

There will be a further period of consultation during 2008 before an independent inspector, appointed

on behalf of the government, will conduct an examination in public, probably in 2010. The inspector's report is binding and at that point the Joint Waste DPD can be adopted by the four Constituent Councils and the development of all waste facilities in the area will be subject to the criteria in the DPD.

ELWA is playing it's part and contributing to the development of this new planning and land use framework, which will complement the strategies for managing municipal waste arising in the area described in this document



## A new Waste Strategy for England 2007

The government has recently published a very large document setting out the national strategy for the period up to 2020.

The foreword to the Waste Strategy for England 2007 by Ben Bradshaw, the Minister for Waste, makes the following general points:-

- significant progress has been made in diverting waste from landfill and in increasing recycling;
- public environmental consciousness is rising;
- faster progress is needed to catch up with our European neighbours and more emphasis should be placed on the linkages between waste and other policies.

Picture

The Minister makes it clear that the Waste Strategy is for the whole community, not just government.

New higher national targets are being set for municipal waste in terms of prevention, recycling and the diversion of waste from landfill.

ELWA will be considering the implications of the new national Waste Strategy during the course of 2007 taking into account the implications for our Constituent Councils and our partners. ELWA will then review its own waste strategy.

The whole document can be accessed at the government website [www.defra.gov.uk](http://www.defra.gov.uk).

## General background to the Waste Management Service

ELWA is now into the sixth year of an Integrated Waste Management Service (IWMS) Contract with Shanks Waste Management Ltd\*.

East London's waste is handled by a special company, ELWA Limited. This company operates under the trading name of "Shanks.east london", which is a better reflection of the partnership between ELWA, the four Constituent Councils and Shanks Waste Management Ltd.

Shanks.east london is responsible for the management and disposal of all waste presented by ELWA and the four councils. This includes waste collected by the councils from households and some small businesses, waste from street cleansing and also waste deposited by members of the public and small businesses visiting the Reuse & Recycling Centers. In 2006/07 total waste amounted to approximately 503,000 tonnes.

*\* As a result of the letting of the IWMS contract in 2002, the Authority had no requirement to let any further contracts within the last year which would have necessitated compliance with the Code of Practice on Workforce Matters in Local Authority Service Contracts.*

## Major Developments 2006

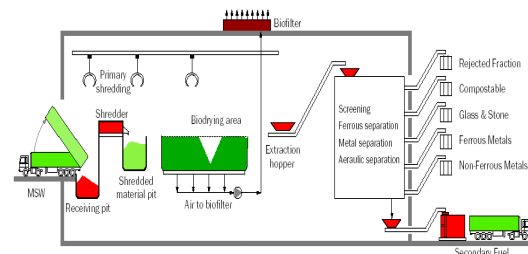
The major event to take place in 2006/07 was the opening of the Frog Island Mechanical Biological Treatment Plant (Bio Mrf).



**Frog Island Waste Management Facility**

This Plant allows for the household waste to be separated into recyclable portions (by removing the orange bags) and drying and stabilising the residual waste. The process reduces the weight and allows further separation of materials for recycling and the production of a secondary recovery fuel (SRF) that can be used to recover energy or replace fossil fuels.

## Fuelling the Future – MBT Process



## The Official Opening of Frog Island

The official Opening Ceremony for Frog Island took place on April 19th 2007 and full details of the day, press releases and coverage, the speech made on behalf of Mr Ben Bradshaw, photography and pod cast can be found by following the web link <http://www.eastlondonwaste.gov.uk/html/download/ELWA-Interactive-PDF.pdf> or can be obtained from the ELWA Office Manager on 0208 270 4064 or by e-mailing [elwaofficemanager@lbbd.gov.uk](mailto:elwaofficemanager@lbbd.gov.uk) for a copy.

## Major Developments 2007

In the Spring of 2007 the Jenkins Lane, Bio-Mrf at Becton will receive wastes. This large facility, capable of processing up to 180,000 tonnes per annum of waste, is similar to the one at Frog Island and together with handle most of ELWA's waste.



*Jenkins Lane Waste Management Facility*

## Major Development 2008

The final piece of the development programme to deliver ELWA's Waste Management Strategy is scheduled to be completed in 2008 when a large materials recycling facility will be constructed at Jenkins Lane to separate the recyclates in the orange bags collected at the doorsteps of over 250,000 households across East London.

SECTION

5

## Reuse & Recycling Centres (RRCs)

On behalf of the Constituent Councils, Shanks manages four RRCs across the ELWA area.

As well as the major developments at Frog Island and Jenkins Lane the four RRCs have continued to improve their recycling rates and reduce landfill.

These sites allow residents to recycle and dispose of household waste and are situated at:-

### Frizlands Lane site, Dagenham (London Borough of Barking & Dagenham)

Public Opening hours:

7.30am - 4.30pm, Mon – Fri

7.30am - 4.00pm, Saturday

8.00am - 4.00pm, Sunday & public holidays (except Christmas Day & Boxing Day)

Tel: 020 8227 2617

A site map can be found by following the link:

<http://www.eastlondonwaste.gov.uk/html/download/frizlands-lane-map-final.pdf>

### Gerpins Lane site, Upminster (London Borough of Havering)

Public Opening hours:

7.30am - 5.45pm, Mon - Sun incl. public holidays (except Christmas Day)

Tel: 01708 225 723

A site map can be found by following the link:

<http://www.eastlondonwaste.gov.uk/html/download/gerpins-lane-rrc-map-final.pdf>



Gerpins Lane, Upminster

### Jenkins Lane site, Barking (London Borough of Newham)

Public Opening hours:

7.30am - 5.45pm, Mon - Sun incl. public holidays (except Christmas Day, and between 9.00am - 3.00pm on Boxing Day)

Tel: 020 8591 3834

A site map can be found by following the link:

<http://www.eastlondonwaste.gov.uk/html/download/jenkins-lane-map.pdf>



Chigwell Road, Woodford  
(London Borough of Redbridge)

Public Opening hours:  
7.30am - 4.30pm, Mon-Fri  
8am - 4pm Saturday and public holidays  
(except Christmas Day & Boxing Day)  
8am - 4pm Sunday (1 May - 31 October)  
8am - 12 noon Sunday (1 November - 30 April)

Tel: 020 8504 5808

A site map can be found by following the link:  
<http://www.eastlondonwaste.gov.uk/html/download/chigwell-road-final-map.pdf>

Alternatively, site maps can be obtained for your local authority, Shanks.east London and the ELWA Office Manager.

## New Arrangements for Waste Electrical Goods

This year (2007/08) will see the introduction of the Waste Electronic Electrical Equipment (WEEE) Regulations when all the four RRCs will become Designated Collection Facilities (DCFs) which will separate and recycle used electrical equipment such as fridges, washing machines, TVs, computers, fluorescent tubes and electronic

games/toys.

The treatment process extracts CFCs and other ozone depleting substances from the cooling circuit and insulation foam. These substances are contained and consigned for safe disposal. With an impressive recycling rate – in excess of 90% by weight – most components are recycled.

### Recycling of Computer Screens, Televisions & Fridges



1. Awaiting dismantling

#### Computer Screens, Televisions



2. Hazardous waste removal



1. The Degassing process

#### Fridges



2. Processing plant for separation

SECTION

5

## “Bring” Sites

ELWA, via its contractor, now provides over 720 “bring” sites across the four councils (increased annually since the start of the Contract). These are emptied, cleaned and maintained on a regular basis and a phased programme of refurbishment and expansion continues. Bring banks are there to collect:-

Cans  
Glass  
Paper  
Plastics  
Textiles

For more details or to find out the location of your nearest site, phone 0845 3313131 or visit <http://recycleforlondon.com/index.cfm>

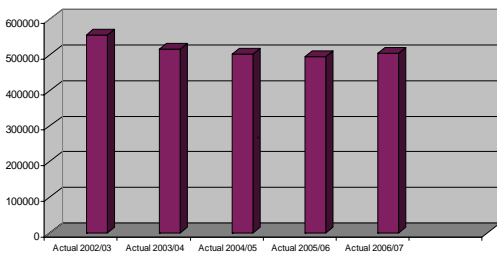


Recycling “bring” banks

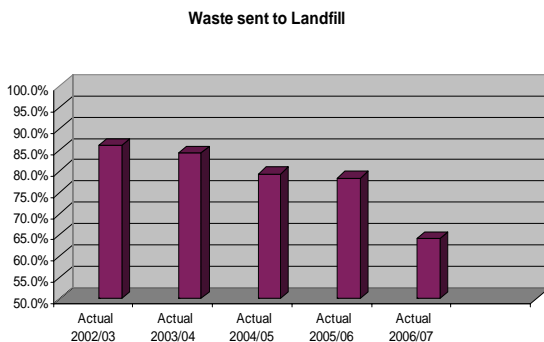
## Waste Generation Patterns

ELWA disposed of over 500,000 tonnes of waste during 2006/07 which, as anticipated, was a slight increase when compared with 2005/06. ELWA expects to see a rise in waste tonnages in the years ahead as the population in East London increases, primarily as a result of Thames Gateway developments.

The graph below shows the total amount of municipal waste generated in East London over the period 2002/03 – 2007.

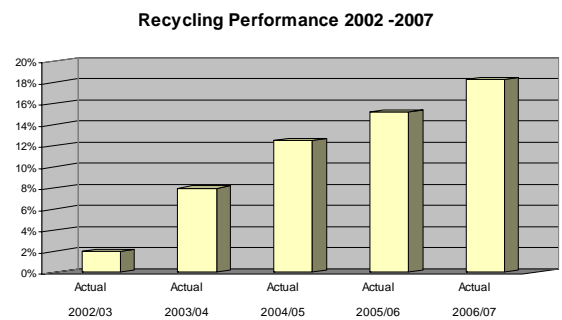


This second graph shows that ELWA is sending less of this waste to landfill as a result of investment in new waste management facilities at Frog Island (Rainham) and Jenkins Lane (Beckton).

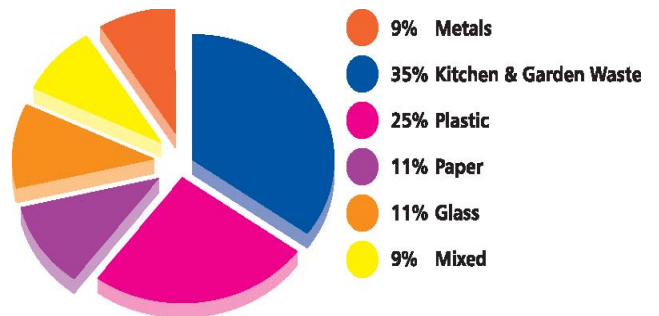


Waste being sent to Landfill

The third graph shows the improving recycling performance each year with further improvements forecast for 2007/08 and beyond



Recycling Performance



Contents of an average waste bin

## Performance at a glance

### 2006/07 compared to 2005/06:

- waste handled – up by 2%  
*a general increase in waste levels mainly due to housing developments in the area;*
- recycling and composting – up by 20%  
*investment in new facilities has resulted in recycling and composting rising steadily each year and in 2006/07 met the target set by government of 18%. Further increases in performance will follow as additional waste management infrastructure comes on stream;*
- waste landfilled – down by 18%  
*the amount of waste sent to landfill by ELWA fell by 18% in 2006/07 as a result of the waste management infrastructure described in this document.*

## MORI Customer Satisfaction

In a recent independent survey, carried out in Barking & Dagenham, over 85% of those surveyed considered the recycling facilities at the RRC centre, satisfactory or very satisfactory, whilst 81% considered the overall provision at the sites satisfactory. Since the previous survey of those dissatisfied have reduced from 13% to only 3%

Results from the poll carried out in Havering this year, showed 82% of residents were satisfied with the RRC sites showing an increase of 21% on the 61% satisfied at the 2003/04 survey.

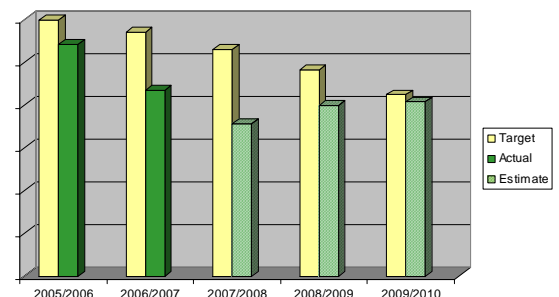
## Landfill Allowance Trading Scheme (LATS)

To comply with the EU Landfill Directive, to reduce the amount of biodegradable wastes sent to landfill, the UK Government introduced a Landfill Trading Scheme. This, in effect, allocated to each Waste Disposal Authority (WDA) a reducing number of allowances each year to encourage the recycling or recovery of wastes rather than landfilling. This meant that if a WDA sent less waste to landfill than their allowances, they were able to trade the surplus to any WDA that exceeded their allowance. The penalty is a fine of £150 per tonne for wastes sent to landfill in excess of a WDA's allowance.

In 2006/07, ELWA landfilled 50,000 tonnes less than they were allowed and so have allowances available for sale if a buyer is available.

The new Bio-Mrfs at Frog Island and Jenkins Lane will greatly assist ELWA in meeting its LATS targets. These plants dry, degrade and sort the wastes into different fractions. Each of these fractions is different in terms of biodegradability and testing has been ongoing in 2006/07 and will continue in 2007/08 to ensure that ELWA monitors the levels of biodegradable wastes it is landfilling.

Performance against LAT's Targets



ELWA is landfilling significantly less biodegradable waste than the LATS target set by government.

## Closed Landfill Site Strategy

As part of its legacy from the old GLC, ELWA owns and manages four old landfill sites.

These old sites are still producing landfill gas and leachate in various quantities. Leachate is controlled to avoid pollution of nearby water courses and the landfill gas has to be safely managed to avoid migration.

As part of ELWA's landfill strategy, ELWA previously commissioned environmental consultants, Enviros, to undertake extensive site investigations and evaluation to ascertain the levels of contamination and possible remediation requirements.

Based on these investigations, ELWA will produce a programme for their use or ongoing maintenance.

One example of the beneficial use of the Aveley closed landfill site is the production of electricity for the National Grid. This comes from the landfill gas that is still generated from the site. This service is operated by our joint venture company, Aveley Methane Ltd.



*Aveley Methane Plant*

Another example of the beneficial use of these sites is the composting operation at Aveley, which produces approximately 2,000 tonnes of soil conditioner and mulch. This takes residents' source separated green waste, shreds it, waters and turns the mix to allow the bugs to compost. After 12 weeks, the shredded compost is screened into a soil improver and mulch.

The process is certified by the Composting Association as PAS 100 compliant with British Standard quality.



*PAS 100 Certificate of Compliance with the British Standard Institution's Publicly Available Specification for Composted Material*

## Compost Production

The pictures on the next page provide show the story of the composting process.

## Compost Production



1. Resident loading green waste into bay at RRC Site



2. Loading Shredder



3. Shredding Processes



4. Screener



5. Separated compost from mulch



6. Compost Mound

## Best Value

ELWA is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements. The Authority also has a duty to make arrangements to ensure continuous improvements in the way in which its functions are exercised. ELWA continues to implement a "best value" approach to its activities following the procurement of a long term integrated waste management contract.

Examples of best value reviews are set out below. The activities of the Authority are also subject to external review in terms of value for money. The Audit Commission, ELWA's Auditor, has confirmed in its independent annual report in September 2006 that in all significant respects ELWA has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Specific Best Value Reviews in 2006/07

#### Review I - Waste Management

During September and October 2006 thorough consideration was given to the medium term service delivery plans for the forthcoming 3 year period commencing 1st April 2007. A detailed service delivery plan was agreed with our principle contractor. This plan sets performance targets and cost estimates for the future.

**Outcome:** The review confirmed that previously agreed targets would be met, some new requirements of Constituent Councils could be accommodated and further performance improvements could be considered, including an additional composting facility and extra incentives to divert waste from landfill.

#### Review 2 - Waste Management

We looked again at ongoing arrangements for monitoring the performance of our principle contractor. This continuing and time consuming task required a considerable commitment of staffing resource.

**Outcome:** The review resulted in the appointment of an external organisation to carry out a regular quarterly sweep of monitoring visits to all waste sites, including 'bring bank' sites, to provide an independent report on the qualitative and quantitative performance of our contractor.

### Review 3 - Service Agreements with Boroughs

Alongside Review 2 we also looked at how the expertise and local knowledge of waste management and staff employed in the four Constituent Councils could be utilised in monitoring performance.

**Outcome:** New, expanded, service agreements were introduced in 2006/07 providing a greater range and more detailed reports to ELWA from Council waste officers.

### Review 4 – Risk Management

ELWA had taken a number of significant steps in risk management over the years and this review aimed to further develop the assessment of high level controls and mitigation controls in respect of the principal risks facing the Authority.

**Outcome:** The review resulted in the compilation of a Risk Matrix to demonstrate which principle risks should be given the most attention. Supplementary outcomes were a review of management structures and the introduction of an Anti-Fraud and Corruption strategy.

### Future Best Value Reviews

Looking forward to 2007/08, we will be looking at the implications of the National Waste Strategy. Also, we will be reviewing our arrangements for dealing with Landfill Allowances and we will revisit Insurance Benchmarking.

### Best Value Review Programme

#### Looking ahead:

#### 2007/08

- a) National Waste Strategy
- b) Landfill Allowances Trading Scheme (LATS)
- c) Insurance benchmarking

#### 2008/09

- a) Waste Management
  - Recycling Arrangements (including WEEE)
- b) Other
  - Closed Landfill Strategy



## Recycling Performance

As a result of ELWA's strategy, recycling performance is significantly increasing, as investment is continuing to provide new facilities and improved performance.

### Recovery heat, power and reduced landfill

The two Bio-Mrf facilities, namely Frog Island and Jenkins Lane, have been constructed to significantly increase the potential for the recovery of energy from waste and reduce the amount of residual waste being landfilled.

### Household waste collected

The targets for the waste collected per head of population for 2007/08 and 2008/09 have been set in anticipation of a 2% increase in overall waste. The total amount of waste collected is likely to increase as population the ELWA area of the Thames Gateway rises.

### The Future of the BVPIs

The Local Government White Paper, *Strong and Prosperous Communities*, published in 2006 set out proposals for a new performance framework for local authorities and their partners. Amongst other things, it set out plans for a single national set of performance indicators that will replace existing sets of performance indicators. As a result of these changes, 2007/08 will be the last year in which the current BVPIs are collected.

## Action Plan to achieve targets

The approval of the Joint Waste Management Strategy and related Action Plans will be the stimulus for increased performance during 2007/08.

Despite the difficulties of commissioning new facilities, ELWA reached the required BVPI82 recycling target in 2006/07. Further improvement in recycling and diversion from landfill performances will result from the introduction of the facilities described in this document.

### Cost of municipal waste disposed

The cost of waste management is rising steeply as local authorities strive to achieve higher recycling performances and as the cost of landfilling residual waste increases (partly because of increasing landfill taxes). ELWA's costs per tonne are not strictly comparable with other Waste Disposal Authorities because, under the Integrated Waste Management Strategy, ELWA (not the Constituent Councils) meets the cost of the four Reuse & Recycling Centres (Civic Amenity sites) and meets the cost of separating, sorting, transporting and final processing of the recyclates collected by the Councils. These activities added between £10 and £15 per tonne to ELWA's cost per tonne figures shown in the table. ELWA's figures also exclude PFI grant which reduces the cost shown to local Council Tax payers by approximately £10 per tonne.

PI No.	Description	Contents/ Format	2004/05	2005/06	2006/07	2006/07	2007/08	2008/09
	<b>CORPORATE HEALTH</b>		<b>Actual</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Target</b>
156	Buildings w/facilities for people with disabilities	%	100%	100%	100%	100%	100%	100%
157	Types of interaction delivered electronically	%	100%	100%	100%	100%	100%	100%
	<b>ENVIRONMENT</b>							
82a (i)	Recycling	% household waste	8.93%	11.21%	17%	13.52%	17%	17%
82a (ii)	Recycling	Tonnes	36950	46383	71400	56314	72236	73681
82b (i)	Composting	% household waste	3.54%	4.04%	8%	4.73%	8%	8%
82b (ii)	Composting	Tonnes	14647	16723	33600	19715	33993	34673
<b>82a (i) &amp; b (i)</b>	<b>Recycling &amp; Composting</b>	<b>% household waste</b>	<b>12.50%</b>	<b>15.25%</b>	<b>25%</b>	<b>18.25%</b>	<b>25%</b>	<b>25%</b>
<b>82a (ii) &amp; b (ii)</b>	<b>Recycling &amp; Composting</b>	<b>Tonnes</b>	<b>51597</b>	<b>63106</b>	<b>105000</b>	<b>76029</b>	<b>106229</b>	<b>108354</b>
Local	Recycling & Composting RRC Sites	% household waste	32.00%	43.00%	45%	41%	50%	50%
82c (i)	Recovery heat & power	% household waste	8.13%	6.36%	12.50%	9.47%	0.00%	0.00%
82c (ii)	Recovery heat & power	Tonnes	33639	26307	52500	39443	0	0
82d (i)	Landfill	% household waste	79.40%	78.39%	52.50%	64.11%	65.00%	65.00%
82d (ii)	Landfill	Tonnes	328529	324376	220500	267079	276196	281720
Local	Waste taken by road to landfill	% of total Landfill	N/A	57%	50%	54%	40%	40%
Local	Waste taken by rail to landfill	% of total Landfill	N/A	43%	50%	46%	60%	60%
Local	Biodegradable waste landfilled (New Targets)	Tonnes	N/A	90%	76%	67%	83%	96%
84a	Amount of household waste collected	Kgs per head	492.07kg	467.8.0kg	475kg	468.9kg	478kg	487kg
84b	Household Waste Collection (% change in Kgs per head)	Percentage change	N/A	-4.92%	1.50%	0.24%	2.00%	2.0%
87	Cost of municipal waste disposal	£ per tonne	£51.05	£56.16	£67.85	£62.69	£88.28	£92.69

## ELWA's responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Director
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- to approve the Statement of Accounts.

ELWA publishes an annual Financial Statement presenting the accounts. The purpose is to give clear and precise information about the financial affairs of the Authority to both members of the Authority and the public.

The Financial Statement is available on the ELWA website ([www.eastlondonwaste.gov.uk](http://www.eastlondonwaste.gov.uk)) or by contacting the ELWA Office Manager on **020 8270 4964**.

A brief summary of the draft unaudited Financial Statements is shown below.

### Balance Sheet at 31st March 2007

		£M
Assets	long term	9.0
	current assets	40.4
		49.4
Less: Liabilities	long term borrowing	2.0
	current liabilities	12.7
Net worth		34.7

### Revenue Account for the year to 31st March 2007

	£M
Expenditure	38.5
Less: Income from fees, grants and interest	14.1
	24.4
Add: net appropriations to reserve	4.7
	29.1
Income from Levy (see below)	30.5
Surplus for Year	1.4

### Audit of Accounts 2005/06

The main key messages (review):

- 1) The District Auditor gave an unqualified audit opinion on 29 September 2006 in respect of the Authority's accounts for the year ended 31 March 2006.
- 2) The District Auditor issued an unqualified report on the Authority's use of resources including its Best Value Performance Plan
- 3) The Authority's position regarding the financial aspects of corporate governance is sound.
- 4) The District Auditor could continue to place reliance on the work of Internal Audit.
- 5) The Authority's overall arrangements to ensure the legality of financial transactions are adequate.
- 6) The District Auditor commented that the performance of the Authority was very pleasing and that at the current time its officers were addressing issues in an entirely appropriate manner.

*A copy of the District Auditor's Annual Audit Letter for 2005/06, which incorporates the Best Value statutory requirements is available on the ELWA website ([www.eastlondonwaste.gov.uk](http://www.eastlondonwaste.gov.uk)) or by contacting ELWA's Office Manager, on **020 8270 4964***

We are keen to hear from local people and other interested individuals or organisations about our plans and would positively welcome comments on this document. There is a pre-paid reply form included at the back of this plan or you can contact ELWA's Office Manager on **020 8270 4964** or via e-mail at [elwaofficemanager@lbbd.gov.uk](mailto:elwaofficemanager@lbbd.gov.uk)

This plan and other useful information about ELWA is available on our website, [www.eastlondonwaste.gov.uk](http://www.eastlondonwaste.gov.uk)

You may be interested to know that your local council has also produced its own Best Value Performance Plan. This will cover all the services they provide, including information on their refuse collection, recycling and street cleaning services. Plans for the four Constituent Councils are available from:

#### London Borough of Newham

Attn. Paul Dennis  
Performance Intelligence,  
Business Improvement,  
The Old Technical College,  
Town Hall, Barking Road,  
East Ham, London E6 2RP  
Tel: 020 8430 2534 or visit  
[www.newham.gov.uk](http://www.newham.gov.uk)

#### London Borough of Redbridge

Attn. Tony Doherty  
Performance & Improvement Officer,  
Room 59, Strategic Services  
Town Hall, PO Box 2,  
High Rd, Ilford, Essex IG11 1DD  
Tel: 020 8708 2197 or visit  
[www.redbridge.gov.uk](http://www.redbridge.gov.uk)

#### London Borough of Barking & Dagenham

Attn. John Archer,  
Futures, Civic Centre,  
Dagenham, Essex RM10 7BN  
Tel: 020 8227 3252 or visit  
[www.barking-dagenham.gov.uk](http://www.barking-dagenham.gov.uk)

#### London Borough of Havering

Attn. Barry Howlett / Edward Griffin  
Performance Team,  
8th Floor, Mercury House,  
Romford, Essex, RM1 3RX  
Tel: 01708 432963 / 432080 or visit  
[www.havering.gov.uk](http://www.havering.gov.uk)

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Version 6 - 3/2006

Thank you for reading our Best Value Performance Plan. We hope you found it useful and interesting.

We would like to know what you think of it and would appreciate it if you could take time to answer the questions on this page and return it to the FREEPOST (no stamp is required) address below.

East London Waste Authority, FREEPOST ANG1108, Barking, IG11 8ZZ

It was easy to read and understand?	Agree	<input type="checkbox"/>	Disagree	<input type="checkbox"/>	No Opinion	<input type="checkbox"/>
The information was useful?	Agree	<input type="checkbox"/>	Disagree	<input type="checkbox"/>	No Opinion	<input type="checkbox"/>
I agree with the targets set for next year?	Agree	<input type="checkbox"/>	Disagree	<input type="checkbox"/>	No Opinion	<input type="checkbox"/>
The facilities at the RRC site(s) are adequate in my area?	Agree	<input type="checkbox"/>	Disagree	<input type="checkbox"/>	No Opinion	<input type="checkbox"/>
The Bring Sites in my locality are easy to use?	Agree	<input type="checkbox"/>	Disagree	<input type="checkbox"/>	No Opinion	<input type="checkbox"/>

If you want to make any additional comments on any of these statements or would like some additional information please use the comments box below.

Name
Address

For more information about ELWA contact ELWA Office Manager on 020 8270 4964 or via e-mail to [elwaofficemanager@lbbd.gov.uk](mailto:elwaofficemanager@lbbd.gov.uk). Alternatively you can visit our website on <http://www.eastlondonwaste.gov.uk>

The East London Waste Authority is responsible for the disposal of waste generated by residents of the London Borough of Barking & Dagenham, Havering Newham and Redbridge.



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Alternatively you can visit our website on

[www.eastlondonwaste.gov.uk](http://www.eastlondonwaste.gov.uk)

(Contact Officers: Tony Jarvis/John Wilson- Tel. 020 8270 4965/4997)

## EAST LONDON WASTE AUTHORITY

25 JUNE 2007

### EXECUTIVE DIRECTOR'S REPORT

<b>CONTRACT PERFORMANCE FOR YEAR 2006 / 2007 (including LATS Performance)</b>	<b>FOR INFORMATION</b>
---	------------------------

#### 1 Purpose

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

#### 2 Tonnage Data and Contract Payments

- 2.1 Attached at Appendix A are tables showing tonnage data and contract payments for the financial year 2006-7. Waste increased by 1.4% against last year but was 0.9% lower than projected in the agreed Service Delivery Plan providing a financial saving against budget.

#### 3 Site Operations

- 3.1 All Reuse and Recycling Centres (RRC) sites settled into a consistent operational practice in accordance with the Contract. No turnaround penalties were accrued at these sites although penalties were levied at Chigwell Road when vehicle flow rates through the site were slow during some busy weekends. RRC wastes increased over the previous year by 7625 tonnes (10.4%) and accordingly the recycling capture at these sites increased by 2340 tonnes (8.7%) to 29326 tonnes. It is interesting to note that 55% of the recyclable content is attributable to compost.
- 3.2 Jenkins Lane - The development and building of the new Bio-Mrf section of the facility proceeded to schedule and the site began receiving wastes on April 11<sup>th</sup>. Unfortunately due to the insolvency of one of the equipment suppliers, some construction materials were held in Europe. The delay in getting these released by the Official Receiver meant that the completion of the refining section and therefore receiving Newham's co-mingled wastes will be delayed until July 07.
- 3.3 Ilford Recycling Centre – no major building developments during 2006/7. With the opening of Frog Island, Barking & Dagenham and Newham's orange bag materials no longer needed to use the IRC to deposit their bags, thus the site reverted to taking only Redbridge 'black box' materials for sorting.

- 3.4 Frog Island – This was the most significant development of the year, with the Bio-Mrf opening for wastes in July 06. The Optibag system and other ‘front-end’ systems struggled to cope when two boroughs began delivering co-mingled black and orange bags. Procedures for closer weekly monitoring of performance of this aspect of the operations were agreed with the Contractor. As a result of this and the subsequent engineering modifications introduced by Shanks, the plant began to deliver its projected separation rates (of orange bags) towards the end of the year. However, during the course of remedial actions, the overall capture rate of recycling did fall by the equivalent of approximately 1.5% of the BVPI targets for Havering and Barking & Dagenham.
- 3.5 The other major concern since Christmas has been the delay in implementing measures to improve the recycling performance from the refinement section of the Bio-Mrf particularly the separation of the glass. (See Management Board monitoring of this in paragraph 4.1). Investigations into why this occurred and why the existing equipment did not extract the glass as proposed were put into place and following this investigation, there have been subsequent trials to find the most effective range for new filters to replace those installed.
- 3.6 As a result of the circumstances set out in paragraphs 3.4 and 3.5 above, the Contractor suffered a significant financial loss in terms of the lower recycling supplements paid for 2006/07.
- 3.7 The table at Appendix C shows actual ‘Contract’ recycling performance compared to the projected levels in the 2006/07 Service Delivery Plan. This illustrates the under performance described above. The second table on Appendix C shows Borough and ELWA BVPI Recycling Performance. It should be noted that the definitions and calculations of BVPI Recycling Performance are different to those used for Contract Recycling Performance.

#### **4 Contract Monitoring**

- 4.1 In addition to continuing on-site monitoring by ELWA and Borough staff the ELWA Management Board met with Shanks’ senior management in March, to discuss the overall recycling performance in 2006/07. At that time it was clear that Shanks were not going to meet their recycling target. Appendix B to this report confirms that the overall contract performance for recycling and composting was 15% compared to the target for 2005/06 of 18%. Shanks made additional proposals for meeting the higher 2007/08 recycling targets and this is further discussed under Agenda Item 13.
- 4.2 The other main performance target in the Contract for 2006/07 was a requirement to divert 25% of total contract waste from landfill. This target was exceeded partly due to the introduction of the new Bio-Mrf process at Frog Island and partly because of the sale of Secondary Recovered Fuel created by the refinement section at the back end of the Bio-Mrf. Total diversion from landfill, including recycling, was 33%.

#### **5 Landfill Allowances**

- 5.1 The government introduced the Landfill Allowance Trading Scheme (LATS) after the IWMS Contract had commenced. The new limits on levels of biodegradable landfilled waste were not, therefore, included in the Shanks contract. However, the controls over waste flows and the performance of the Bio-Mrf in 2006/07 (both introduced under the Shanks Contract) have resulted in a satisfactory outturn for 2006/07. The Authority landfilled significantly less biodegradable waste than the government’s limit.



- 5.2 The performance against LATS allowances for 2006/7 is shown at Appendix D, i.e. a surplus of Allowances of almost 53,000 tonnes. (This figure does not yet include any allowance for the expected reduction in biodegradability due to the Bio-Mrf process. The material being landfilled is currently being independently tested for its biodegradability and the results will be reconciled with the Environment Agency in July). If a market existed for the sale of these allowances ELWA would be able to sell the surplus Allowances to another Local Authority which was in deficit. A few Authorities nationally did manage to trade, generally with their neighbouring authorities, but at a low level. In effect there was not a market for trading nationally as most Authorities had more allowances than they needed to meet their 2006/7 targets. Thus there were many sellers but very few buyers.
- 5.3 ELWA's surplus allowances have been banked for future years within the limits of the scheme.

## **6 Conclusion**

- 6.1 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 unexpected. The contingency plans allowed for sensible management of these occurrences.
- 6.2 Frog Island Bio-Mrf was successfully commissioned during the year and Jenkins Lane Bio-Mrf is nearing completion.
- 6.3 Operations to collect recyclates from orange bags suffered disruption during the year as new facilities came on stream.
- 6.4 The contract recycling rate increased from 12.44% for 2005/6 to 14.9% for 2006/7 but did not achieve the 18% target for the year. Close monitoring ensued and Shanks submitted recycling improvement plans to the ELWA Management Board (discussed further in Agenda Item 13). Shanks suffered a loss in recycling supplements as a result of the underperformance.
- 6.5 Diversion from landfill at 33% outperformed the contracted diversion target of 25%.

## **7 Recommendation**

- 7.1 Members are asked to note this report and refer to Agenda Item 13 for the ongoing implications in respect of the monitoring of recycling and composting performance.

Tony Jarvis  
**EXECUTIVE DIRECTOR**

### Appendices

- 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

### Background Papers

None

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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	41999	4766	7472	£2,440	£2,698	£2,726
<b>Total</b>	527699	501431	490016	496880	73436	81061	£29,761	£32,614	£32,464*

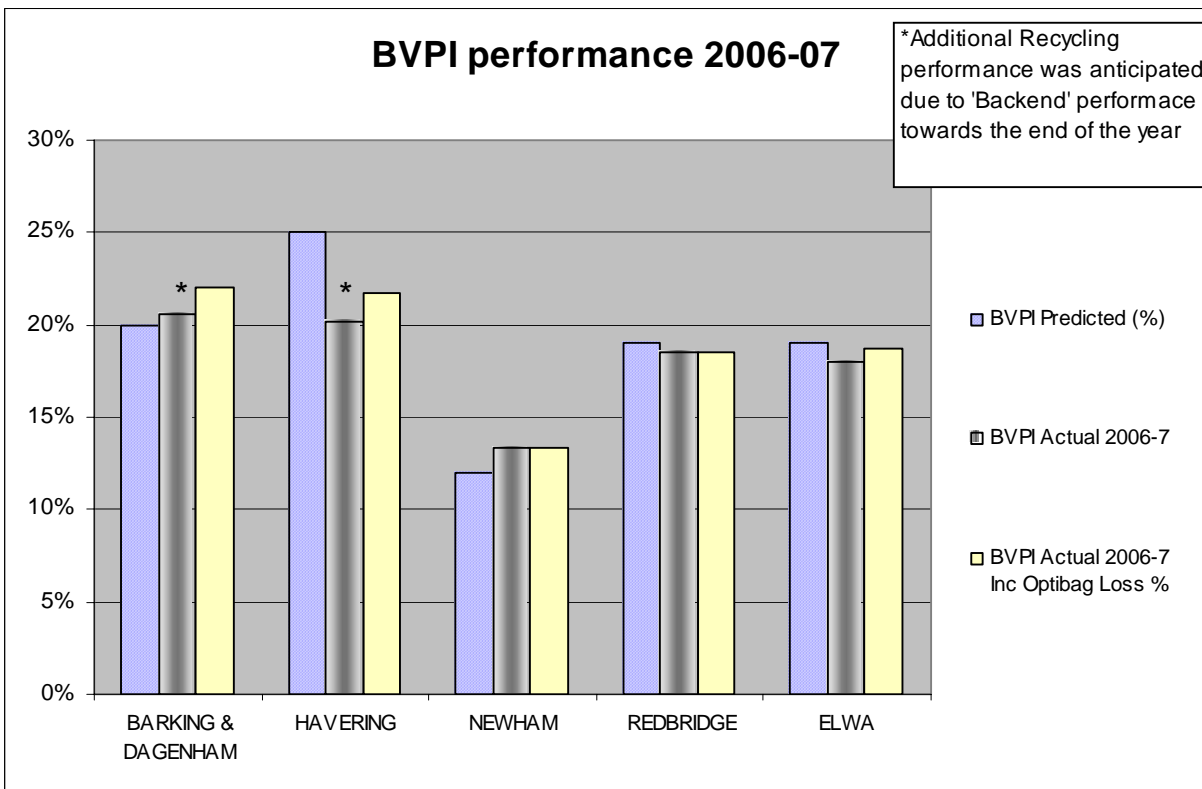
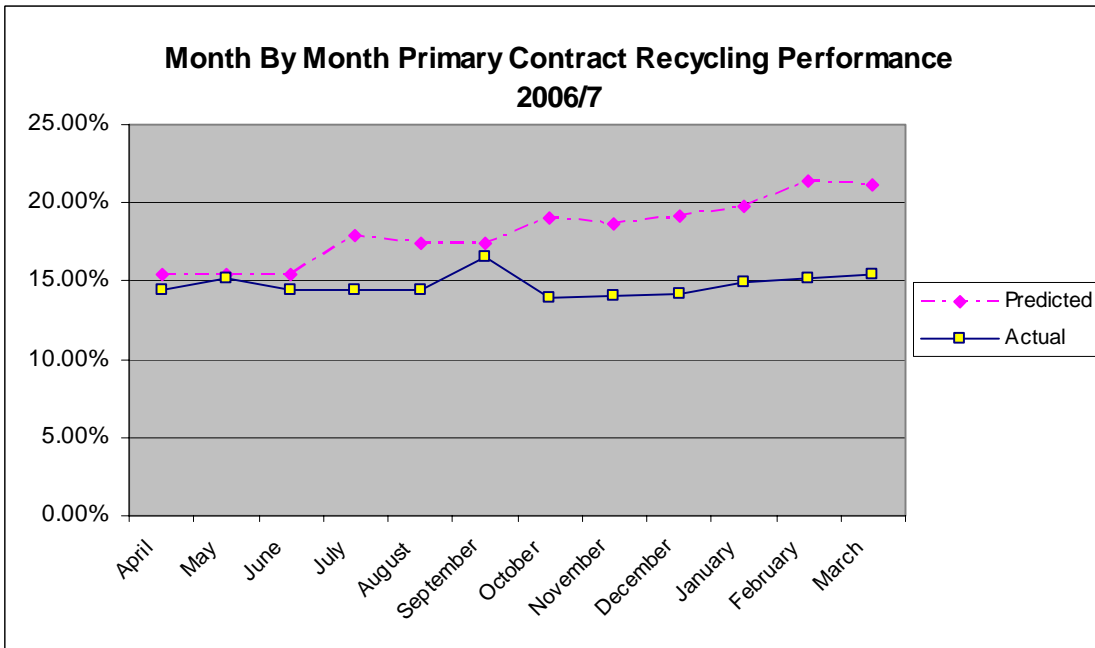
\* includes subsequent end of year reconciliation payments

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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	5236	10.11%	12.47%	729	1264	1.85%	3.01%	4,723	6500	11.96%	15.48%
<b>Accumulative Total</b>	<b>44,246</b>	<b>54031</b>	<b>9.03%</b>	<b>10.87%</b>	<b>16,723</b>	<b>20097</b>	<b>3.41%</b>	<b>4.04%</b>	<b>60,969</b>	<b>74128</b>	<b>12.44%</b>	<b>14.92</b>

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DESCRIPTION	BARKING & DAGENHAM	HAVERING	NEWHAM	REDBRIDGE	ELWA
<b>BVPI Predicted (%)</b>	20%	25%	12%	19%	19%
<b>BVPI Actual %</b>	20.6%	21.2%	13.4%	18.5%	18.5%
<b>BVPI Notional if Optibag Losses included %</b>	22.1%	22.7%	13.4%	18.5%	19.2%

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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	41,999	29,399	29,286	20,500	22,442	1,942
Accumulative Total	<b>496,114</b>	<b>347,280</b>	<b>330,942</b>	<b>231,659</b>	<b>284,573</b>	<b>52,914</b>

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**Agenda Item 8a***(Contact Officer: Jayant Gohil - Tel. 020 8708 5086)***EAST LONDON WASTE AUTHORITY****25th JUNE 2007****FINANCE DIRECTOR'S REPORT**

<b>EXTERNAL AUDIT – INTERNATIONAL STANDARD ON AUDITING UK &amp; IRELAND (ISA) REPORT 260</b>	<b>FOR APPROVAL</b>
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**1 Purpose**

- 1.1 To enable the External Auditor to report on certain matters arising from the audit of the 2006/07 final accounts, to “those charged with governance” within the statutory timescales as required by the International Standard on Auditing UK and Ireland (ISA) 260.

**2 Statement Of Accounts**

- 2.1 The 2006/07 draft Statement of Accounts (see separate agenda item) will shortly be reviewed by the External Auditor. Before issuing his audit opinion the External Auditor will need to present an ISA 260 report to the Authority. This report will cover the full range of the External Auditor’s responsibilities including both the opinion on the financial statements and the value for money conclusion. Also, it will include an action plan as agreed with Directors for addressing any significant issues.
- 2.2 The External Auditor needs to issue the ISA 260 report by the 30th September 2007. The next scheduled meeting of the Authority is on 8th October 2007. Therefore, rather than arranging an Extraordinary (“Special”) meeting in September 2007 or moving forward the October 2007, it is recommended that Members agree to delegate authority to the Finance Director in conjunction with the Chair to receive the ISA 260 report for consideration. A copy will also be sent to all other Members and a full report would be made to the meeting on 8<sup>th</sup> October 2007.
- 2.3 However, in the unlikely event that the External Auditor raises any significant, unexpected issues then the Chair would be asked to convene an urgent Special meeting of the Authority before 30<sup>th</sup> September 2007.

**3 Recommendations**

- 3.1 Members are asked to:

- i) agree the delegation to receive and consider the ISA 260 report for 2006/07 by 30th September 2007 to the Finance Director in consultation with the Chair.

Geoff Pearce  
**FINANCE DIRECTOR**

Appendices  
None  
Background Papers  
None

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(Contact Officer: Jayant Gohil - Tel. 020 8708 5086)

## EAST LONDON WASTE AUTHORITY

25<sup>th</sup> JUNE 2007

### FINANCE DIRECTOR'S REPORT

FINAL OUTTURN REPORT FOR 2006/07	FOR INFORMATION
----------------------------------	-----------------

#### 1 Introduction

- 1.1 This report compares ELWA's final out-turn for the year ended 31 March 2007 with the Revised Estimate approved in February 2007 and is based on information supplied by Shanks.east london and the four Councils.

#### 2 Revenue Estimates

- 2.1 Members have received budgetary control reports throughout 2006/07 containing explanation of the major variances of actual expenditure and income against the Estimates for 2006/07.

- 2.2 Based on the Revised Estimate of £30,380,000 and the overall final figure for net expenditure and transfers to/from reserves of £29,918,000, the revenue expenditure underspend for 2006/07 is £462,000. A detailed analysis is shown at Appendix A. This consists of three main variances:

(i) as mentioned in the General Manager's report elsewhere on this agenda the contract payments to Shanks.east london were higher than the forecast used in the revised estimates for the months of December 2006 to March 2007. This resulted in an overspend of £249,000 compared to revised budget.

(ii) in March 2007 ELWA received notice of Hazardous WEEE Grant for the two years to 2007/08. The amount for 2006/07 of £347,000 has been included in the 2006/07 income figures. It was not possible to accurately predict both the level and timing of this grant when the original budgets were set in early February 2007. The grant is intended to cover the costs for the treatment and disposal of any separately collected items such as televisions, PC monitors and fluorescent tubes, for the period to 30<sup>th</sup> June 2007. Thereafter responsibility transfers to producer compliance schemes with effect from 1<sup>st</sup> July 2007.

(iii) also, compared to the revised budget there were lower actual Borough tonne mileage claims due to changes to Borough waste delivery sites and greater standardisation of rates. This resulted in an underspend of £226,000.

- 2.3 In addition, the requirement to account for Landfill Allowances results in an additional net income of £885,000 which was not included in the revised estimate on the grounds of prudence due to the uncertainty in respect of the value of surplus allowances. In accordance with best accounting practice the Authority has set up a specific, earmarked reserve to account for the surpluses and deficits arising from the Landfill Allowances Trading Scheme. This reserve is not backed by cash and hence would not be available to utilise by the Authority for service provision. In effect it is an in and out transaction within the attached revenue statement.
- 2.4 Members should note that the utilisation of the 2006/07 Contingency was in line with revised estimate (except for lower expenditure on recycling initiatives) and was contained within existing budgets and/or other budget savings. Further details are provided in Appendix B.
- 2.5 The effect of the levy, net expenditure and appropriations to/from reserves in 2006/07 on working balances is summarised below:

	£'000
Working Revenue Balance at 1.4.2006	9,305
Final Revenue Surplus in 2006/07	542
<b>Final Working Balance at 31.3.2007</b>	<b>9,847</b>

### 3 Capital Programme

- 3.1 No capital expenditure and financing was incurred during 2006/07.

### 4 Prudential Indicators

- 4.1 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 year ended 31<sup>st</sup> March 2007 remained within the limits set.

### 5 Recommendation

- 5.1 Members are asked to note this report.

Geoff Pearce  
**FINANCE DIRECTOR**

#### Appendices

A Final Outturn Statement to 31<sup>st</sup> March 2007

B Claims on Contingency for 2006/07

#### Background Papers

None

**EAST LONDON WASTE AUTHORITY**

**FINAL OUTTURN STATEMENT TO 31ST MARCH 2007**

	<u>Original Budget for 2006/07 £'000</u>	<u>Revised Budget for 2006/07 £'000</u>	<u>Total Actual for 2006/07 £'000</u>	<u>Variance compared to Revised 2006/07 £'000</u>
<b><u>EXPENDITURE</u></b>				
<b><u>Employee and Support Services</u></b>	375	375	365	-10
<b><u>Premises Related Expenditure</u></b>	152	150	89	-61
<b><u>Transport Related Expenditure</u></b>	14	14	9	-5
<b><u>Supplies and Services</u></b>				
Payments to Shanks.east london	32,660	32,153	32,402	249
Other (inc cost of Support Costs)	478	686	628	-58
<b><u>Third Party Payments</u></b>				
Disposal Credits	270	260	254	-6
Tonne Mileage	700	800	574	-226
Rent payable - property leases	198	198	198	0
<b><u>Capital Financing Costs</u></b>	299	299	299	0
<b>TOTAL GROSS EXPENDITURE</b>	<b>35,146</b>	<b>34,935</b>	<b>34,818</b>	<b>-117</b>
<b><u>Income</u></b>				
Commercial Waste Charges	-3,516	-3,260	-3,252	8
Bank Interest Receivable	-900	-1,280	-1,284	-4
Landfill Allowances (net)	0	0	-885	-885
WEEE Grant	0	0	-347	-347
Other Income	-20	-15	-17	-2
<b>TOTAL INCOME</b>	<b>-4,436</b>	<b>-4,555</b>	<b>-5,785</b>	<b>-1,230</b>
<b>NET EXPENDITURE ON SERVICES</b>	<b>30,710</b>	<b>30,380</b>	<b>29,033</b>	<b>-1,347</b>
PFI Grant Receivable	-4,726	-4,726	-4,726	0
Transfer to PFI Contract Reserve	4,726	4,726	4,726	0
Levy Receivable	-30,460	-30,460	-30,460	0
Contribution from Reserves	-250	0	0	0
Transfer to LATS Reserve	0	0	885	885
<b>REVENUE SURPLUS FOR PERIOD</b>	<b>0</b>	<b>-80</b>	<b>-542</b>	<b>-462</b>

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CLAIMS ON CONTINGENCY FOR 2006/07

An overall contingency of £1,000,000 was set for the current financial year 2006/07 in February 2006. There were actual and potential claims of £250,000 against this contingency at February 2007. At the end of the year, any claims against the contingency during the year had been absorbed in ordinary revenue budgets.

	Contingency Feb 2006 £'000	Potential Claims in year Feb 2007 £'000	On Review in February 2007	On Review in May 2007
General provision for unforeseen circumstances	100	-	No call on this contingency item expected.	There were no significant unforeseen events during the course of the year that required a call upon this contingency.
Provision for costs - Closed Landfill Sites	150	30	Some costs relating to agreeing pipeline easement at Aveley 1 site	The closed landfill site surveys were not completed until the end of 2005. Some additional remediation and testing work needs to be done and a programme is being developed in conjunction with the strategy for their future use. The most significant part of this provision was to provide additional insurance cover (against gradual pollution) but the insurance market are not responding to this (despite the extensive marketing of the site survey results by advisers).
Transitional / implementation costs of the IWMS Contract	100	-	No call on this contingency item expected. Continuing consultancy fees for mainly legal advice in connection with the IWMS Contract have been necessary this year but contained within the detailed revenue budgets.	Given the small staff team at ELWA and the complexity of PFI contracts it is prudent to provide for the estimated cost of specialist advice during the course of the year. Advice sought during the year was strictly limited and the cost met within existing revenue budgets.
Waste Regulation	50	20	Some costs relating to the biodegradability testing to be undertaken this year. Programme continues into 2007/08	Waste Regulation issues remain are high on the Government agenda. Main expenditure on biodegradability testing will now fall into 2007/08.
Increase in Waste Volumes	300	-	Actual Waste Volumes for disposal have been within the ABSDP 2006/07 and there has been no call on this contingency item, although the last few months of the year were higher than expected.	An increase of just 1% in waste volumes would incur ELWA in additional costs of £250,000. In the past overall increases in waste have been at least at 2% pa and above. There continues to be a continuing growth, of about this figure, in respect of household waste collected at the doorstep but there have been reductions in some of the other waste streams which result, in 2006/07, of overall nil growth in waste.
New Waste Minimisation/ Recycling Initiatives	200	200	There was a separate report on the February 2007 Agenda containing recommendations on the application of this contingency.	The Authority approved in February 2007 £200,000 for recycling initiatives. Approximately £120,000 of the expenditure was incurred in 2006/07.
Provision for Control and Mitigation of Risks	100	-	No call on this contingency item expected.	There were no events during the course of the year that required a call upon this contingency, and work on developing the risk strategy and risk matrix was done in-house, avoiding external fees.
<b>Total</b>	<b>1,000</b>	<b>250</b>		

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**Agenda Item 8d***(Contact Officer: Jayant Gohil - Tel. 020 8708 5086)***EAST LONDON WASTE AUTHORITY****25th JUNE 2007****FINANCE DIRECTOR'S REPORT**

<b>2006/07 DRAFT STATEMENT OF INTERNAL CONTROL</b>	<b>FOR APPROVAL</b>
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**1 Purpose**

- 1.1 To present to Members, for approval, the draft Statement of Internal Control for the financial year 2006/07.

**2 Statement of Accounts**

- 2.1 In accordance with the Accounts and Audit Regulations 2003, the Authority is required to annually review its system of internal control and gather assurance in order to produce a Statement of Internal Control (SIC).
- 2.2 The SIC is published with the Statement of Accounts, the draft of which is elsewhere on this agenda. In approving the SIC, Members will need to consider that they have obtained sufficient, relevant and reliable evidence to support the disclosures made. Following approval, the SIC will need to be signed by both the Chair and the Managing Director of the Authority.
- 2.3 The guidance relating to the preparation of the SIC recognises that the practices described need to take place throughout the period under review. The task for ELWA has been somewhat simpler because most of the necessary steps have been put in place. Members will recall that the procurement of Integrated Waste Management Contract absorbed a huge amount of officer time leading up to Contract signature in December 2002. Since then officer time has been spent in establishing new and appropriate administrative practices and processes to reflect the new arrangements.

In addition there have been important external reviews conducted by the Audit Commission leading to clean Audit Certificates and satisfactory performance reports.

- 2.4 In response specifically to the SIC requirements the approach adopted by the Authority for 2006/07 has been as set out below:
- the review of arrangements already in place to support the Authority's governance and control arrangements including Internal Audit work and recommendations;
  - the receipt of Letters of Assurance from Management Board members setting out that they are not aware of any material issues that would affect the governance, or integrity of the Authority's management and internal control;

- In the context of the latter, the materiality threshold in respect of the accounts is £300,000, however the assurance is also considered in terms of other areas, for example, plans or policies not being achieved or the impact on reputation. The basis of enquiries of officers is in respect of their relevant knowledge, experience and responsibilities.
- the review of last year's action plan that will need to be monitored and developed over the coming year.

2.5 Following the undertaking of the above process the Statement of Internal Control has been produced and is incorporated on Appendix A for consideration and approval at this Meeting.

### **3 Recommendations**

3.1 The Members are asked to:

- i) consider and approve the draft Statement of Internal Control for the financial year ended 31 March 2007 as set out in the Appendix.

Geoff Pearce  
**FINANCE DIRECTOR**

Appendix  
A Statement of Internal Control  
Background papers  
None

**East London Waste Authority  
Statement on the System of Internal Control  
For The Year Ended 31 March 2007**

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**1. Introduction**

The Accounts and Audit Regulations (England) 2003 require the Authority to be responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. Coupled with this the Authority now has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control and for including a Statement on Internal Control (SIC), prepared in accordance with proper practices, with its published accounts.

Robust internal control arrangements are in place in ELWA. These arrangements include the following: Waste Management Strategy, governance arrangements, standing orders, internal audit, financial regulations, performance monitoring and other personnel related procedures. Without such existing arrangements the Authority could not effectively conduct its business. The SIC is intended to ensure that such arrangements are reviewed to provide assurance of their soundness and, at the same time, provide an early warning system for areas requiring action.

The internal control regime has been evaluated as described in the following section below. On the basis of their evaluation, the Directors' overall view is that internal control is generally sound as described in the following sections and that there are no major control risks. However, further work needs to be carried out in respect of a few areas of minor control weaknesses.

**2. Scope of Responsibility**

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

In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

**3. Financial Systems**

The Authority uses the financial systems of all four of its Constituent Councils for processing its transactions but primarily those of the London Borough of Redbridge. Consequently, the Authority's system of internal financial control is heavily reliant on the internal financial control systems within its four Constituent Councils, especially those of the London Borough of Redbridge.

**East London Waste Authority  
Statement on the System of Internal Control (continued)  
For The Year Ended 31 March 2007**

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The Chief Auditor for the London Borough of Redbridge is authorised to co-ordinate the completion of a programme of audit reviews within the Authority and each Constituent Council.

**4. The Purpose of the System of Internal Control**

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

The system of internal control has been in place at the Authority for the year ended 31 March 2007 and up to the date of the publication of the Statement of Accounts and accords with proper practice.

**5. The Internal Control Environment**

The key elements of the internal control environment include the following:

- establishing and monitoring of the Authority's objectives
- having appropriate arrangements for policy and decision making
- ensuring compliance with established policies, procedures, laws and regulations
- having appropriate systems of financial management and internal financial control
- performance management and reporting
- maintaining a review of effectiveness

**Establishing and monitoring of the Authority's objectives**

The Authority operates in a complex environment, providing community leadership and working with partners to deliver a joined up service within the area of the four Constituent Councils. The Authority's Waste Management Strategy is kept under review and is used to:

- Set objectives and targets
- Review progress and performance
- Set best value and value for money plans
- Help manage and plan better services

### **Policy and decision making**

The Authority has an agreed Constitution which details how the Authority operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. Members are responsible for major decisions. Key decisions required are published in advance and the vast majority are discussed in a meeting open to the public. All decisions must be in line with the Authority's overall policies and budget. Any decisions that designated officers wish to take outside the Budget or Policy framework must be referred to Members as a whole to decide.

Currently, overall management arrangements for the Authority include the following:

- a) ELWA operates from one office with five full-time trained and experienced staff who were up to 31<sup>st</sup> May 2007 seconded from the Boroughs. With effect from 1<sup>st</sup> June 2007 these staff will be employed by ELWA. This unit reports to the Management Board of one Director from each Constituent Council and to the Authority (directly);
- b) the activities of ELWA staff are monitored by the Boroughs, by Internal Audit and by External Audit; and
- c) there is one major service (waste disposal) which is contracted out and comprehensively documented in accordance with PFI guidance.

### **Compliance with established policies, procedures, laws and regulations**

The Authority has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Authority and to the public. Key documents include the Constitution, which includes the Scheme of Delegations, Standing Orders, and Financial Regulations. These are available to all officers via the Authority's website. The Constitution is reviewed and revised as necessary. There is guidance on a range of topics such as Data Protection, ICT Security, Whistleblowing and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Authority keeps staff aware of changes in policy and new legislation as necessary, by a variety of documentation, attending seminars, and other means, and where appropriate arranging training for relevant officers.

Statutory instruments setting out the roles and responsibilities of the Authority, in terms of both what it can and cannot do, are all reflected in the Authority's Constitution. This is overseen by both the Managing Director and the Authority's Legal Advisor. The management of, and adherence to, the Authority's wider statutory obligations rely heavily on devolved working arrangements. There is provision for further advice from Finance and Legal Services within Constituent Councils as required.

**East London Waste Authority  
Statement on the System of Internal Control (continued)  
For The Year Ended 31 March 2007**

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Fundamental to the system of internal control is the requirement to develop and maintain robust systems for identifying and evaluating all principal risks to the achievement of the Authority's objectives and ensuring that the control framework includes controls to mitigate those risks.

The Authority has access to effective operational risk management practices in professional disciplines, (e.g. financial management, health and safety). The Authority takes the subject of risk management seriously and is aware that there is more work to be done in codifying risk management across all the activities of the Authority. This should enable consistent practice to be followed.

**Securing Value for Money and continuous improvement**

The Authority maintained robust budgetary monitoring and control processes during the year to ensure that financial resources were being used to their best advantage, including regular management reporting to the Management Board and Members.

Service planning is linked to financial planning, with increased expenditure in any area being approved by the Members through the annual levy setting process. Increased expenditure is allocated in line with the Authority's policy priorities and contractual obligations. The element of challenge is encouraged as part of regular routines including Management Board and Member meetings and comparison with other waste authorities also taking place through consideration of comparative information and engagement in benchmarking.

The Authority's Best Value duty i.e. the economic, effective and efficient use of resources is subject to independent review through the work of both External and Internal Audit.

**Financial Management and Internal Financial Control**

The Finance Director has responsibility for ensuring that an effective system of internal financial control is functioning. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.



**East London Waste Authority  
Statement on the System of Internal Control (continued)  
For The Year Ended 31 March 2007**

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The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Officers within the Authority and Constituent Councils undertake development and maintenance of the system. In particular, the system includes:

- comprehensive budgeting systems;
- regular review of periodic and annual financial reporting;
- setting targets to measure financial and other performance.

Internal audit is an independent appraisal function that acts as a control by measuring, evaluating and reporting upon the effectiveness of internal controls, financial and others, as a contribution to the efficient use of resources within the Authority.

The Annual Audit Plan is used to set out the cyclical coverage of fundamental financial systems and other audits. This plan is based on the identification of the Authority's systems and activities to be audited, each assessed for risk. The delivery of the previous year's plan is also used to identify and learn from any trends that might be established. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process. Internal Audit focuses mainly on meeting the basic regularity and probity threshold.

Internal Audit operates to defined standards as set out in the Chartered Institute of Public Finance (CIPFA) Code of Practice for Internal Audit in Local Government; its audit reviews provide an independent opinion on the adequacy and effectiveness of the system of internal financial control. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. The Chief Auditor for the London Borough of Redbridge is empowered to report any matter of concern and reports on the outcomes of the annual programme of audit work to Management Board and Members.

### **Performance Management and Reporting**

The fundamentals of performance management are becoming increasingly embedded in the way the Authority operates. There is:

- An established reporting process in place to link strategic aims with operational functions
- performance in individual areas is reported to Management Board and Members. This information is also available to the public through printed reports and via related web sites, and by the publication of a Best Value Performance Plan containing key performance data.

## **6. Review of Effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors within the Constituent Councils and senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors in their annual audit letter and other reports.

The Authority's review of the effectiveness of the system of internal financial control is informed by:

- The Authority procedures and management structure set out in the Constitution;
- The responsibilities of designated officers within the Authority;
- Regular performance reporting to the Management Board and the Authority covering finance and key performance information;
- The findings of the external auditors in their annual audit letter and other reports;
- The provision of an effective internal audit function within the Constituent Councils;

The Chief Auditor for the London Borough of Redbridge and External Audit (the Audit Commission) operate a joint working arrangement to maximise the effectiveness of the audit scrutiny of the Authority. In accordance with the Audit Commission's Code of Audit Practice, the Audit Commission may place reliance upon Internal Audit's work in the assessment of risk, core accounting processes, and the effectiveness of internal control. An effective Internal Audit function is a core part of the Authority's arrangements to ensure the proper conduct of its financial affairs. Audit priorities are risk based and agreed with the Finance Director, following consultation with the designated officers and External Audit as part of the annual planning process.

Internal audit operates to the following standards of service:

- CIPFA Code of Practice for Internal Audit in Local Government in the UK;
- Auditing guidelines of the CCAB;
- Codes of ethics and standards of the Institute of Internal Auditors

**East London Waste Authority  
Statement on the System of Internal Control (continued)  
For The Year Ended 31 March 2007**

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The Chief Auditor for the London Borough of Redbridge is authorised to complete a programme of audit reviews within the Authority. To assist in the accomplishment of this programme, the Financial Regulations of the Authority and the Constituent Councils give authority for Internal Auditors to have full, free and unrestricted access to all its assets, records, documents, correspondence and personnel for the purposes of that audit. Recommendations arising from the work of both internal and external auditors are discussed and agreed with management, including acceptable timescales for their implementation. The Chief Auditor for the London Borough of Redbridge reports on the outcomes of the annual programme of audit work to Management Board and Members. The annual report by the Auditor contains a view on the adequacy and effectiveness of the system of internal controls.

To support and reinforce the routine review processes such as internal audit, the Executive Director and his officers used a Key Controls Diagnostic checklist, consisting of around sixty lines of enquiry, to undertake a review of the adequacy and effectiveness of our internal control arrangements grouped in the following areas:

- Risk Management
- Organisational Processes
- Operational Management
- Finance
- Compliance Issues

For controls to be considered sound the officers sought to identify evidence to substantiate this. Similarly where further work was considered necessary actions have been identified. Other key documents such as the audit reports and risk assessment registers have also been used as part of the process for producing this Statement.

The Finance Director/Section 151 Officer undertakes a regular review of the Internal Audit process and its effectiveness. This has included regular briefings by the Chief Auditor, Audit Manager and the External Auditor. My view based upon my experience of the Internal Audit Section's advice and performance, external guidance on Internal Audit and the feedback received, is that the Authority has a sound and robust system of Internal Audit, which continues to adapt and respond to the changing needs of the Authority.

Following the commencement of the IWMS/PFI Contract in December 2002, there have been and there will continue to be some changes in the way that the financial management of the Authority is conducted. While some of these changes remain to be considered, it is likely that they will be largely modeled on the systems of internal financial control within the London Borough of Redbridge. Internal Audit within the London Borough of Redbridge will contribute to these ongoing developments to ensure the adequacy and effectiveness of the new arrangements especially in relation to the management and monitoring of the IWMS/PFI Contract.

**East London Waste Authority  
Statement on the System of Internal Control (continued)  
For The Year Ended 31 March 2007**

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**7. Improvements during the year**

The Authority in liaison with its Constituent Councils and its IWMS Contractor reviewed its medium term operational plans and agreed a Service Delivery Plan for the period 2007/08 to 2009/10. This Plan sets performance targets and cost estimates for this period and confirms the obligations and targets in the IWMS Contract. The Authority also looked again at the ongoing arrangements for monitoring this Contract and appointed an external organisation to carry out a regular quarterly sweep of monitoring visits to all waste sites, including bring banks sites to provide an independent report on the qualitative and quantitative performance of our Contractor. The Authority also considered the way it manages itself and as a result revised the employment arrangements for its staff and revised the agreements with its Constituent Councils for the provision of support services. Further work was also done to develop both the Authority's Anti-Fraud and Corruption Strategy and the Risk Strategy by adding a Risk Matrix to demonstrate which principal risks should be given the most attention.

**8. Statement of Internal Control**

We have been advised on the implications of the review of the effectiveness of internal control, and plan to address weaknesses and ensure continuous improvement of the system is in place.

Based upon the review of the effectiveness of internal control the areas of weakness identified have been noted below. In our opinion, these are not significant and do not have a material impact upon the figures presented in the Statement of Accounts. These areas are being addressed and will be kept under review over the next few years. There is also an appropriate mechanism in place to identify areas of weakness within the Authority and to take corrective action, through implementation of recommended actions from Internal and External Audit reports, Best Value Improvement Plans and Performance Management arrangements.

There are no major areas of internal control weakness. However, it is important that contract management continues to be subject to regular review and also the risk assessment/risk management processes in respect of closed landfill sites.

**M. McKenzie**

**R. Whiteman**

**Councillor Milton McKenzie  
Chair**

**Robert Whiteman  
Managing Director**

Date: 25th June 2007

Date: 25<sup>th</sup> June 2007

**East London Waste Authority  
Statement on the System of Internal Control (continued)  
For The Year Ended 31 March 2007**

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**Agenda Item 8c***(Contact Officer: Jayant Gohil - Tel. 020 8708 5086)***EAST LONDON WASTE AUTHORITY****25<sup>th</sup> JUNE 2007****FINANCE DIRECTOR'S REPORT**

<b>2006/07 DRAFT STATEMENT OF ACCOUNTS</b>	<b>FOR DECISION</b>
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**1 Purpose**

- 1.1 To present to Members for approval the draft Statement of Accounts for the financial year 2006/07.

**2 Background**

- 2.1 The Accounts and Audit Regulations 2003 set out the requirements for the production and publication of the annual Statement of Accounts. These regulations require local authorities to present for approval a draft set of 2006/07 Final Accounts to Members by 30<sup>th</sup> June 2007 this year and publish these by 30<sup>th</sup> September 2007.
- 2.2 ELWA's Financial Rules require the Finance Director to ensure that the Annual Statement of Accounts is prepared and made available in accordance with the statutory timetable.

**3 Statement of Accounts**

- 3.1 The 2006/07 draft Statement of Accounts attached at Appendix A will shortly be reviewed by the District Auditor and consequently may be subject to change. Any significant changes to these accounts will be reported to Members, as required by the Accounts and Audit Regulations, later in the year. Following completion of the review the District Auditor will issue his audit report.
- 3.2 CIPFA's Statement of Recommended Practice 2006 has introduced significant changes in 2006/07 in respect of the presentation of key information within the accounts. The aim is to improve the standards of financial accounting and reporting for the benefit of users. The old Consolidated Revenue Account and Statement of Total Movement on Reserves have been disaggregated to produce a set of "core" financial statements each with a single clear objective. The new core statements are the Income and Expenditure Account, the Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses. The requirement to make a capital financing charge has also been removed.
- 3.3 The figures within the Accounts are based on those shown in the Final Out-turn Report for 2006/07 which is elsewhere on the agenda.
- 3.4 Also, the Statement of Internal Control is omitted from the attached draft Accounts as it requires separate consideration and is elsewhere on your agenda.

**4 RECOMMENDATIONS**

4.1 Members are asked to:

- i) consider and approve the draft Statements of Accounts for the financial year ended 31 March 2007 as set out in Appendix A.

**GEOFF PEARCE  
FINANCE DIRECTOR**

Appendix

A Draft Financial Statements for the year ended 31<sup>st</sup> March 2007

Background papers

None



**EAST LONDON WASTE AUTHORITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**East London Waste Authority  
Financial Statements  
For The Year Ended 31 March 2007**

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2-3	Finance Director's Statement
4	Statement of Responsibilities
5-12	Statement of Internal Control
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15-17	Statement of Accounting Policies
18	Income and Expenditure Account
19	Statement of Movement on the General Fund Balance
19	Statement of Total Recognised Gains and Losses
20	Balance Sheet
21	Cash Flow Statement
22-32	Notes to the Financial Statements

**East London Waste Authority  
Financial Statements  
For The Year Ended 31 March 2007**

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**PREFACE**

This publication presents the Authority's Accounts for the year ended 31st March 2007. Its purpose is to give clear and concise information about the financial affairs of the Authority to both Members of the Authority and the Public.

Any enquiries about the Accounts or the requests for further financial information should be addressed to the Finance Director, Lynton House, 255-259 High Road, Ilford, Essex, IG1 1NN.

**EXPLANATORY FOREWORD**

The accounts for 2006/07 are set out on the following pages and consist of:

- The Income and Expenditure Account on page 18 summarises the costs of the services provided by the Authority. It also shows how these costs are met from Service Income, Government Grants and the Levy Income.
- The Statement of Movement on the General Fund Balance on page 19 brings together all the movements in 2006/07 on this Balance.
- The Statement of Total Recognised Gains and Losses on page 19 brings together all the gains and losses in 2006/07 separating the movements between revenue and capital reserves.
- The Balance Sheet on page 20 is a summary of the Authority's financial position at 31st March 2007.
- The Cash Flow Statement on page 21 shows the total cash received by the Authority and how it was used.

The Authority's Accounts are accompanied by explanatory notes.

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Statement of Recommended Practice 2006 has introduced significant changes in 2006/07 in respect of the presentation of key information within the accounts. The aim is to improve the standards of financial accounting and reporting for the benefit of users. The old Consolidated Revenue Account and Statement of Total Movement on Reserves have been disaggregated to produce a set of "core" financial statements each with a single clear objective. The new core statements are the Income and Expenditure Account, the Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses. The requirement to make a capital financing charge has also been removed.

has introduced significant changes in 2006/07 in respect of the presentation of key revenue and reserves statements within the accounts.

The Finance Director's Statement on pages 2 and 3 identifies the more significant matters included within the Authority's Accounts and provides a summary of the Authority's overall financial position.

**East London Waste Authority  
Financial Statements For The Year Ended 31 March 2007  
Finance Director's Statement**

**Introduction**

The East London Waste Authority (ELWA) was created by Regulations made under the Local Government Act 1985. From 1 April 1986, ELWA assumed responsibility for the disposal of waste arising in the area covered by the London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge. Under the Environmental Protection Act 1990, the Government required ELWA to put its waste disposal functions out to tender.

The financial statements on the following pages set out the Authority's financial position for the year to 31 March 2007. Further information on the nature and purposes of the Authority's expenditure is contained in the annual Revenue and Capital Budgets.

**Income and Expenditure Account**

The Authority's position at different points during the year is summarised below.

	<u>Original Budget (£'000)</u>	<u>Revised Budget (£'000)</u>	<u>Actual (£'000)</u>
Levy Raised	30,460	30,460	30,460
Less:			
Net Revenue Expenditure (inc. Contingency and Contribution from Revenue Reserve)	25,734	25,654	24,307
Contribution to Reserves (see below)	4,726	4,806	6,153
Contribution to PFI Contract Reserve	4,726	4,726	4,726
Contribution to LATS Reserve	-	-	885
Contribution to Revenue Reserve	-	80	542
	<b>4,726</b>	<b>4,806</b>	<b>6,153</b>

The Original Budget was set in February 2006 and revised in February 2007.

The variances from the Original Budget were primarily due to lower IWMS Contract payments to Shanks, lower tonne mileage claims by Boroughs, additional bank interest income, additional grant income from the Hazardous Waste Electrical and Electronic Equipment (WEE) Grant, partly offset by lower commercial waste income. In addition, in accordance with current accounting practice to account for surplus landfill allowances under the Landfill Allowances Trading Scheme (LATS), an amount of £885,000 has been credited to the Income and Expenditure Account and then subsequently transferred to the LATS Reserve to reflect the uncertain valuation of this asset.

The levels of the year end Cash balances are relatively high due principally to the surplus on the Income and Expenditure Account for the year and the building of the PFI Contract Reserve for future utilisation.

**East London Waste Authority  
Financial Statements For The Year Ended 31 March 2007  
Finance Director's Statement (Continued)**

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**Capital Programme/Borrowing Facilities**

Since the introduction of the Prudential Code in 2004, the Authority can set its capital spending limit as long as it is affordable, sustainable and prudent. The Local Government and Housing Act 1989 specifies that all new capital receipts generated from the sale of non-housing land, buildings and other assets are available to finance capital expenditure.

ELWA can borrow for any purpose for which it is legally entitled to incur expenditure. Loans can be raised for new capital requirements, to replace maturing debt and also to meet short-term revenue cash flow deficits.

No capital expenditure and financing was incurred during 2006/07.

**ELWA Operations**

ELWA transferred its principal operations and contracts to Shanks Waste Services Limited as part of the 25-year IWMS Contract partly backed by PFI funding in December 2002. Since then ELWA's limited direct operational responsibilities have been in relation to its closed landfill sites.

**Conclusion**

I would like to thank all the staff and colleagues in the four Constituent Councils for their continued support in the production of these financial statements.

G. PEARCE

Signed -----  
G Pearce, BA, CPFA  
Finance Director

Dated 25 June 2007

**East London Waste Authority  
Statement of Responsibilities for the Statement of Accounts  
For The Year Ended 31 March 2007**

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**The Authority’s Responsibilities**

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Director;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

**The Finance Director’s Responsibilities**

The Finance Director is responsible for the preparation of the Authority’s Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom (‘the SORP’), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

In preparing this Statement of Accounts, the Finance Director confirms that he has: -

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the Code,
- kept proper accounting records which were up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**I certify that the Statement of Accounts, the Income and Expenditure Account and the Balance Sheet present fairly the Authority’s income and expenditure for the year ended 31 March 2007 and the Authority’s financial position as at 31 March 2007.**

G. PEARCE

M. McKENZIE

Signed -----  
G Pearce  
Finance Director

Signed -----  
Councillor Milton McKenzie  
Chairman

Dated 25 June 2007

Dated 25 June 2007

**East London Waste Authority  
Statement of Accounting Policies  
For The Year Ended 31 March 2007**

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## **1 General Principles**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2006 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the application of Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs). In addition, the accounts follow the Accounts and Audit Regulations 2003 under the Local Government Finance Act 1982 and the Local Government Housing Act 1989 that defines proper practices to be observed.

## **2 Accruals Basis Of Accounting**

The Accounts have been prepared on the normal accruals basis whereby debtors and creditors are included in the balance sheet in respect of goods supplied and services rendered but not paid for at the 31 March.

## **3 Fixed Assets**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised provided that the fixed asset yields benefits to the Authority and the service it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to the Income and Expenditure Account.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2006 Code of Practice on Local Authority Accounting. Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.

Re-valuations of fixed assets are planned at five yearly intervals, although material changes to assets valuations will be adjusted in the interim period, as they occur.

Assets acquired under finance leases are capitalised in the Authority's Accounts, together with the liability to pay future rentals.

In 2002/03, under the terms of the IWMS/PFI Contract, ELWA transferred its operational land, buildings and fixed plant (via a 25 year lease) and its mobile plant for nil consideration to ELWA Limited. The leased assets will revert to the Authority at nil cost at the end of the Contract. On the grounds of prudence, Directors assumed no residual value for these assets at the end of the 25-year Contract term. Consequently, the full net book value of these fixed assets was written-off against Capital Reserves. As a result, the fixed assets are shown at £nil as at 31<sup>st</sup> March 2006 and 2007.

**East London Waste Authority  
Statement of Accounting Policies (continued)  
For The Year Ended 31 March 2007**

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**4 Charges to Revenue**

External interest payable (charged on an accruals basis) and the provision for depreciation are charged to the Income and Expenditure Account.

Amounts set aside from revenue for the repayment of external loans to finance capital expenditure or as transfers to other reserves are excluded from the Income and Expenditure Account and disclosed separately on the Movement on the General Fund Balance.

**5 Value Added Tax**

All expenditure and income figures in the Accounts are stated exclusive of Value Added Tax.

**6 Reserves**

- a) A Capital Reserve exists primarily to enable expenditure to be financed without the need to borrow or use capital receipts.
- b) The PFI Contract Reserve has been set-up in pursuance of the Authority's agreed policy to match income and expenditure in respect of the IWMS/PFI Contract. The reserve will ensure a smoother levy profile by avoiding exceptional levy increases especially in years when, under the terms of the IWMS/PFI Contract, the cost is expected to be subject to significant stepped increases to meet higher recycling and recovery targets.
- c) The LATS Reserve is a non-cash backed reserve which represents any surpluses or deficits arising from the Landfill Allowances Trading Scheme.
- d) The Capital Financing Account is a non-cash backed reserve, which represents amounts set aside from revenue resources and capital receipts to finance expenditure on fixed assets and also for the repayment of external loans and certain other capital financing transactions.
- e) Other Reserves have been established to finance future expenditure.

**7 Disposal of Assets**

Income from the disposal of fixed assets is credited to the Usable Capital Receipts Reserves and can be wholly used to finance capital expenditure. The balance on this Reserve was £Nil as at 31<sup>st</sup> March 2006 and 2007.



**East London Waste Authority  
Statement of Accounting Policies (continued)  
For The Year Ended 31 March 2007**

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**8 Stocks**

The Authority holds no stocks or work in progress. The cost of all materials is charged to the Income and Expenditure Account when they are purchased.

**9 Redemption Of Debt**

ELWA's Treasury Management function is administered by the London Borough of Redbridge on behalf of ELWA. The Local Government and Housing Act 1989 requires that a Minimum Revenue Provision be charged to the General Fund and set aside for the repayment of debt.

**10 Financial Relationship Between The Authority And Constituent Councils**

The Authority's day to day operations during the year were run on an agency basis utilising resources from the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge.

**11 Deferred Consideration**

This represents the notional deferred consideration originally valued at £8.4 million from the transfer of fixed assets to ELWA Limited as part of the IWMS/PFI Contract. This will be written-off to the Capital Financing Account via the Income and Expenditure Account over the 25 year Contract period on a straight-line basis.

**12 Government Grants and Contributions**

Government Grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

**13 Landfill Allowances**

In accordance with CIPFA's Code of Practice on Local Authority Accounting Bulletin 64, there is a new requirement with effect from 1<sup>st</sup> April 2005, to account for Landfill Allowances at the lower of cost and net realisable value. Any surpluses or deficits arising from the Landfill Allowances Trading Scheme are taken to the specific, earmarked LATS Reserve.

**East London Waste Authority  
Income and Expenditure Account  
For The Year Ended 31 March 2007**

The Income and Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Authority during the year. It includes all day-to-day expenses and related income on an accruals basis.

	<u>Note</u>	<u>2006/07</u> <u>£'000</u>	<u>2005/06</u> <u>£'000</u>
<b>Expenditure</b>			
Employee and Support Services	6	698	634
Premises Related Expenditure		89	73
Transport Related Expenditure		9	1
Supplies and Services	1	33,034	30,192
Third Party Payments		1,026	1,108
Landfill Allowances - Expenditure		3,567	5,494
		<b>38,423</b>	<b>37,502</b>
<b>Less: Income</b>			
Commercial Waste Charges		3,252	3,027
PFI Grant		4,726	4,923
Other Income		364	342
Landfill Allowances – Income		4,452	6,043
		<b>12,794</b>	<b>14,335</b>
<b>Net Cost of Services</b>			
Interest Payable and Similar Charges	2	212	218
Interest and Investment Income		(1,284)	(999)
<b>Net Operating Expenditure</b>			
Income from the Levy		24,557	22,386
		30,460	29,803
<b>Surplus for the year</b>			
		<b>5,903</b>	<b>7,417</b>

**East London Waste Authority  
Statements of Movement in General Fund Balance and Total Recognised Gains and Losses  
For The Year Ended 31 March 2007**

**Statement of Movement in General Fund Balance**

The Income and Expenditure Account shows the Authority's actual financial performance for the year. The General Fund Balance compares the Authority's spending against the levy income that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	<u>Note</u>	<u>2006/07</u> <u>£'000</u>	<u>2005/06</u> <u>£'000</u>
Surplus for the year on the Income and Expenditure Account		5,903	7,417
Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	17	(5,910)	(4,677)
<b>(Decrease)/Increase in General Fund Balance for the year</b>		<b>(7)</b>	<b>2,740</b>
<b>General Fund Balance brought forward</b>		<b>9,854</b>	<b>7,114</b>
<b>General Fund Balance carried forward</b>		<b>9,847</b>	<b>9,854</b>

**Statement of Total Recognised Gains and Losses**

This Statement brings together all the recognised gains and losses of the Authority for the financial year and shows the aggregate increase in net worth. In addition to the surplus generated on the Income and Expenditure Account it includes other gains and losses.

	<u>Note</u>	<u>2006/07</u> <u>£'000</u>	<u>2005/06</u> <u>£'000</u>
Surplus for the year on the Income and Expenditure Account		5,903	7,417
Other gains and losses for the year		-	-
<b>Total recognised gains for the year</b>		<b>5,903</b>	<b>7,417</b>

**East London Waste Authority  
Balance Sheet  
As At 31 March 2007**

The Balance Sheet reflects the Authority's position at the end of the year for all activities and services.

	<u>Note</u>	<u>2007</u>		<u>2006</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Fixed Assets</b>					
Operational Assets	8,10		-		-
Deferred Consideration	11		6,992		7,329
Long Term Investments	10,16		2,000		3,000
<b>Total Long Term Assets</b>			<b>8,992</b>		<b>10,329</b>
<b>Current Assets</b>					
Debtors	12	14,076		8,255	
Investments	10,16	26,322		22,372	
		<b>40,398</b>		<b>30,627</b>	
<b>Current Liabilities</b>					
Short Term Borrowing	14,23	(111)		(129)	
Cash Overdrawn		(2)		-	
Creditors	13	(12,577)		(9,919)	
		<b>(12,690)</b>		<b>(10,048)</b>	
<b>Net Current Assets</b>			<b>27,708</b>		<b>20,579</b>
<b>Total Assets less Current Liabilities</b>			<b>36,700</b>		<b>30,908</b>
Long Term Borrowing	15,23		(2,033)		(2,144)
<b>Total Assets less Liabilities</b>			<b>34,667</b>		<b>28,764</b>
<b>Capital Equity</b>					
Capital Financing Account	18	5,443		5,693	
Capital Reserve	18	400		400	
PFI Contract Reserve	18	17,543		12,817	
LATS Reserve	18	1,434		-	
General Fund	18	9,847		9,854	
<b>Total Equity</b>			<b>34,667</b>		<b>28,764</b>

**East London Waste Authority  
Cash Flow Statement  
For The Year Ended 31 March 2007**

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	<u>Note</u>	<u>2005/06</u> <u>£'000</u>	<u>2004/05</u> <u>£'000</u>
<b>Revenue Activities</b>			
<i>Cash Outflows</i>			
Cash Paid to and on behalf of Employees	6	978	357
Other Operating Costs		34,654	29,621
		35,632	29,978
<i>Cash Inflows</i>			
Precept Receipts		30,460	29,803
Other Government Grants	7	4,726	4,923
Cash Received for Goods & Services		2,424	3,387
		37,610	38,113
<b>Revenue Activities Net Cash Inflow</b>	20	1,978	8,135
<b>Returns on Investment and Servicing of Finance</b>			
<i>Cash Outflows</i>			
Loan Interest Paid	2	(213)	(217)
<i>Cash Inflows</i>			
Interest Received		1,312	1,255
<b>Capital Activities</b>			
<i>Cash Inflows</i>			
Long Term Investments	16	1,000	-
<i>Cash Outflows</i>			
Long Term Investments	16	-	(3,000)
<b>Net Cash Inflow before Financing</b>		4,077	6,173
<b>Management of Liquid Resources</b>			
Net increase in Short Term Investments	21	(3,950)	(6,119)
<b>Financing</b>			
Repayment of amounts borrowed	23	(129)	-
<b>(Decrease)/Increase in Cash</b>	22	<b>(2)</b>	<b>54</b>

**East London Waste Authority  
Notes To The Financial Statements  
For The Year Ended 31 March 2007**

**1 Revenue Account**

The Supplies and Services expenditure includes the following:

	<b><u>2007</u></b> <b><u>£'000</u></b>	<b><u>2006</u></b> <b><u>£'000</u></b>
Auditor fees – Audit of Accounts	35	31

**2 Interest Payable and Similar Charges**

	<b><u>2007</u></b> <b><u>£'000</u></b>	<b><u>2006</u></b> <b><u>£'000</u></b>
External interest charges on loans	212	218
	<b>212</b>	<b>218</b>

**3 Minimum Revenue Provision**

The Local Government and Housing Act 1989 requires the Authority to set aside a minimum revenue provision (MRP) for the repayment of external loans. The details of the MRP for 2006/07 are shown below:

	<b><u>2007</u></b> <b><u>£'000</u></b>	<b><u>2006</u></b> <b><u>£'000</u></b>
Non-housing (4% of Capital Financing Requirement)	87	91
Amount charged as depreciation	-	-
Adjustment to General Fund Balance	87	91
	<b>87</b>	<b>91</b>

**4 Leasing**

No new finance leases were entered into during 2006/07 (2005/06: None).

**East London Waste Authority  
Notes To The Financial Statements (continued)  
For The Year Ended 31 March 2007**

**5 Publicity Account**

Under Section 5(1) of the Local Government Act 1986, Authorities are required to account separately for publicity. The details of relevant expenditure included in the Income and Expenditure Account are as follows:

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Promotions, Publications and Advertising	10	12

**6 Officers' Emoluments**

During the year ended 31<sup>st</sup> March 2007, the Authority itself did not have any employees. The four Constituent Boroughs, as agents of the Authority, employ all staff working on the Authority's activities. The number of such full-time, seconded employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000 were:

	<u>2007</u> <u>Number</u>	<u>2006</u> <u>Number</u>
£50,000 to £59,999	1	1
£60,000 to £69,999	-	1
£70,000 to £79,999	1	-

**7 Analysis of Other Government Grants**

The Cash Flow Statement includes the following Other Government Grants:

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
PFI Grant	4,726	4,923
	<b>4,726</b>	<b>4,923</b>

**East London Waste Authority  
Notes To The Financial Statements (continued)  
For The Year Ended 31 March 2007**

**8 Fixed Assets**

- a) In 2002/03, under the terms of the IWMS/PFI Contract, ELWA transferred its land, buildings and fixed plant (via a 25 year lease), and its mobile plant for nil consideration to ELWA Limited. The leased assets will revert to the Authority at nil cost at the end of the Contract. On the grounds of prudence, Directors assumed no residual value for these assets at the end of the 25-year Contract term. Consequently, the full net book value of these fixed assets was written-off against both the Fixed Asset Restatement and Capital Financing Accounts. As a result, the fixed assets are shown at £nil as at 31<sup>st</sup> March 2006 and 2007.
- b) All the Authority's assets, except its Landfill sites, are valued on the bases of open market value for the existing use and/or depreciated replacement cost on the assumption that the properties will continue in the occupation of the Authority for the foreseeable future, having regard to the prospect and viability of the continuance of occupation. The Directors are of the opinion that the Authority's Landfill sites, based on current permitted land use, have a £nil value in accordance with professional valuations undertaken during 2006/07.

**9 Financing of New Capital Expenditure**

The Authority incurred no new capital expenditure during the years ended 31 March 2006 and 2007.

**10 Investments**

- a) The Authority owns 1,500,000 £1 shares partly paid (0.1p per share) in Aveley Methane Limited, whose principal activity is the utilisation of landfill gas including electricity generation under the Government's Non Fossil Fuel Obligation. Aveley Methane Ltd is regarded by the Authority as an authorised company for the purposes of the Local Authority (Companies) Order 1995. The investment was transferred at nil value to the Authority as successor from the Greater London Council. This shareholding represents a holding of almost 50% of the total share capital of Aveley Methane Limited and the Authority would be required to meet any request for uncalled share capital that Aveley Methane Limited might make. The Authority's interest in Aveley Methane Limited is an important part of the management of its closed landfill site at Aveley 1.

	<b><u>2007</u></b> <b><u>£'000</u></b>	<b><u>2006</u></b> <b><u>£'000</u></b>
Loan repayable in more than one year	93	93
Less: Provision against loan	(93)	(93)
	-	-



**East London Waste Authority  
Notes To The Financial Statements (continued)  
For The Year Ended 31 March 2007**

**10 Investments (continued)**

The net assets of Aveley Methane Limited as at 31 March 2006 were £95,876. The profit after taxation for the year ended 31 March 2006 was £4,198. The 2005/06 figures are based on signed audited financial statements.

Copies of the financial statements of Aveley Methane Limited can be obtained from Novera Energy Europe Limited, Mill Lane, Wingerworth, Chesterfield Derbyshire S42 6NG.

- b) Until 23<sup>rd</sup> December 2002, the Authority owned 100% of the share capital of ELWA Limited, its Local Authority Waste Disposal Company (LAWDC). As part of the IWMS/PFI Contract, the Authority transferred all its equity shareholding to Shanks Waste Services Limited on 23<sup>rd</sup> December 2002. Following the transfer, the Authority owns 19 Class 'A' non-equity, voting shares in ELWA Limited with a nominal value of £0.01p each. ELWA Limited commenced trading on 24<sup>th</sup> December 2002 and its principal activity is the operation of waste disposal services for ELWA.

The net liabilities of ELWA Limited as at 31 March 2007 were £5,070,000 (2005/06: Net liabilities £3,879,000). The loss after taxation for the year ended 31 March 2007 was £1,191,000 (2005/06: Loss after taxation £1,057,000). These figures are based on draft unaudited financial statements.

Copies of the financial statements of ELWA Limited can be obtained from Shanks Waste Services Limited, Dunedin House, Auckland Park, Mount Farm, Milton Keynes MK1 1BU.

- c) In the opinion of the Directors, the investments in Aveley Methane Limited and ELWA Limited are not material interests for the purposes of Group Accounts as defined in the Code of Practice on Local Authority Accounting (2006) and therefore, there is no requirement to produce Group Accounts.
- d) Cash Investments are managed by the London Borough of Redbridge and held in cash deposits on behalf of the Authority in accordance with the Authority's Treasury Management Strategy. Note 16 shows further details.

**11 Deferred Consideration**

	<u><b>2007</b></u> <u><b>£'000</b></u>	<u><b>2006</b></u> <u><b>£'000</b></u>
Balance brought forward	7,329	7,666
Amount written-off in the year	(337)	(337)
<b>Balance carried forward</b>	<b>6,992</b>	<b>7,329</b>

East London Waste Authority  
Notes To The Financial Statements (continued)  
For The Year Ended 31 March 2007

12 Debtors

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Landfill Usage Allowances	10,495	6,043
Commercial Waste Charges	2,003	1,175
VAT	825	701
Amounts due from Constituent Councils	149	16
Payments in advance – Land Lease Rentals	22	45
Bank Interest Receivable	227	255
Grants Receivable	347	-
Sundry Debtors	8	20
	<b>14,076</b>	<b>8,255</b>

13 Creditors

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Liability to DEFRA for Landfill Usage	9,061	5,494
Amounts due to Constituent Councils	23	23
IWMS/PFI Contract payment	2,726	2,440
Tonne Mileage payments	413	1,371
Disposal and Recycling Credit payments	51	75
External Loan Interest payable	40	41
Employee and Support Costs	163	443
Sundry Creditors and Accruals	100	32
	<b>12,577</b>	<b>9,919</b>

14 Short Term Borrowing

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Short Term Borrowing (repayable within 12 months)	111	129

East London Waste Authority  
Notes To The Financial Statements (continued)  
For The Year Ended 31 March 2007

**15 Long Term Borrowing**

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
<b>Analysis of Long Term Loans by Maturity</b>		
Maturing in:		
1 - 2 years	423	111
2 - 5 years	122	423
5 - 10 years	238	360
More than 10 years	1,250	1,250
	<b>2,033</b>	<b>2,144</b>

All long-term loans are with the Public Works Loans Board. The range of average interest rates payable is between 8.6% to 10.5%.

**16 Cash Investments**

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Short Term Deposits	26,322	22,372
Long Term Deposits	2,000	3,000
	<b>28,322</b>	<b>25,372</b>

East London Waste Authority  
 Notes To The Financial Statements (continued)  
 For The Year Ended 31 March 2007

17 Reconciling Items for Statement of Movement on General Fund Balance

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	-	-
Write down of deferred charges to be financed from capital resources	(337)	(337)
	(337)	(337)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
Minimum revenue provision for capital financing	87	91
	(250)	(246)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
Net transfer to earmarked reserves	6,160	4,923
<b>Net additional amount to be debited to the General Fund Balance for the year</b>	<b>5,910</b>	<b>4,677</b>

East London Waste Authority  
Notes To The Financial Statements (continued)  
For The Year Ended 31 March 2007

18 Total Movements on Reserves

	CAPITAL		REVENUE			Total
	<u>Capital Financing Account</u>	<u>Capital Reserve</u>	<u>PFI Contract Reserve</u>	<u>LATS Reserve</u>	<u>Revenue Reserve</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	
Balance as at 1.4.2006	5,693	400	12,817	-	9,854	28,764
Contributions from General Fund	-	-	4,726	1,434	(549)	5,611
Contributions to General Fund	(250)	-	-	-	-	(250)
Net Surplus for the year	-	-	-	-	542	542
<b>Balance as at 31.3.2007</b>	<b>5,443</b>	<b>400</b>	<b>17,543</b>	<b>1,434</b>	<b>9,847</b>	<b>34,667</b>

19 Provision for Credit Liabilities (Memorandum Account)

This account shows the sums which the Government requires the Authority to set aside each year from revenue and from capital receipts to meet credit liabilities. The accumulation of these provisions and their application to debt redemption is now reflected in a memorandum account (as shown below) but the actual transactions are recorded in the Fixed Assets and in the Capital Financing Account.

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Balance brought forward	696	605
Minimum Revenue Provision	87	91
Repayment of external debt	(129)	-
<b>Balance carried forward</b>	<b>654</b>	<b>696</b>

East London Waste Authority  
Notes To The Financial Statements (continued)  
For The Year Ended 31 March 2007

**20 Reconciliation of Surplus for the year to Net Cash Inflow from Operating Activities**

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Surplus for the year	542	2,740
Add: Items not involving transfer of funds		
Contributions to Reserves	5,611	4,923
Minimum Revenue Provision	87	91
(Increase)/Decrease in Debtors	(5,821)	(5,029)
Increase/(Decrease) in Creditors	2,658	6,448
(Less)/Add: Servicing of Finance	(1,099)	(1,038)
<b>Net Cash Inflow from Operating Activities</b>	<b>1,978</b>	<b>8,135</b>

**21 Movements in Liquid Resources**

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
<i>Short Term Investments</i>		
Balance brought forward	22,372	16,253
Increase in year	3,950	6,119
<b>Balance carried forward</b>	<b>26,322</b>	<b>22,372</b>

**22 Movements in Cash**

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Balance brought forward	-	(54)
Net Cash Inflow/(Outflow) in year	(2)	54
<b>Balance carried forward</b>	<b>(2)</b>	<b>-</b>

East London Waste Authority  
Notes To The Financial Statements (continued)  
For The Year Ended 31 March 2007

23 Movement in Borrowing

	<u>2007</u> <u>£'000</u>	<u>2006</u> <u>£'000</u>
Balance brought forward	2,273	2,273
Repayments in year	(129)	-
Balance carried forward	2,144	2,273
Short Term Borrowing	111	129
Long Term Borrowing	2,033	2,144
	<b>2,144</b>	<b>2,273</b>

24 Related Party Disclosures

Since the 1st April 1986, ELWA has assumed the statutory responsibility for the disposal of waste arising in the area covered by the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge and has an interest in Aveley Methane Limited and ELWA Limited. The material expenditure and income transactions with these related parties are set out below.

	<u>2007</u>		<u>2006</u>	
	<u>Exp</u>	<u>Inc</u>	<u>Exp</u>	<u>Inc</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
London Boroughs of:				
Barking and Dagenham	340	6,318	365	6,166
Havering	471	8,975	983	8,533
Newham	301	9,729	348	9,728
Redbridge	552	8,690	710	8,403
Aveley Methane Limited	-	-	-	-
ELWA Limited	32,402	-	29,801	-

**East London Waste Authority  
Notes To The Financial Statements (continued)  
For The Year Ended 31 March 2007**

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**25 Private Finance Initiative**

The IWMS/PFI Contract, which commenced on 24th December 2002, is for 25 years and had an initial annual value of approximately £25 million. ELWA Limited is implementing a capital investment programme of more than £100 million in new waste management facilities over the life of the contract. The designing, building, alteration, financing and operation of the waste management facilities required for provision of the IWMS together with any associated risks, will be the responsibility of ELWA Limited.

Based on the structure of contract, in the Authority's opinion the accounting treatment is to include no newly-created fixed assets on its balance sheet and consequently, there is no obligation on it to provide credit cover for the construction of new facilities. The Contract involves an agreed annual payment by ELWA to ELWA Limited from the commencement of the IWMS. These payments have been treated as the equivalent of revenue expenditure in the Authority's Revenue Account. Based on original estimates the total Contract payments, including annual inflation increases, would be £1,417 million over the 25 year Contract period. The Government will provide PFI grant funding based upon a National Credit Approval of £47 million, equivalent to approximately £85 million over 25 years.

**26 Pension Costs**

During the year ended 31<sup>st</sup> March 2007, the Authority itself did not have any employees. The four Constituent Boroughs, as agents of the Authority, employed all staff working on the Authority's activities and participated in the Local Government Pension Scheme. This is a defined benefit scheme. Employees' and employers' contributions are paid into the respective Constituent Boroughs' Pension Fund. Employers' contribution rates are advised by the Fund's Actuary. Consequently, there are no accounting or disclosure requirements on this Authority in respect of the application of the Financial Reporting Standard (FRS) No. 17 for the year ended 31<sup>st</sup> March 2007.

**27 Post Balance Sheet Events**

With effect from 1<sup>st</sup> April 2007 the Authority become an employer. On 1<sup>st</sup> June 2007 five staff were transferred from the Constituent Councils to the Authority.

Except for the above there have been no other events since 31<sup>st</sup> March 2007 that require adjustments of, or disclosure in, the accounts.

**28 Contingent Liabilities**

There are no material contingent liabilities as at 31<sup>st</sup> March 2007.



(Contact Officers: Tony Jarvis/John Wilson- Tel. 020 8270 4965/4997)

## EAST LONDON WASTE AUTHORITY

25 JUNE 2007

### EXECUTIVE DIRECTOR'S REPORT

<b>CONTRACT PERFORMANCE FOR APRIL 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 2007.

#### 2 Tonnage Data and Contract Payments

- 2.1 Attached at Appendix A is a table showing tonnage data and contract payments for April which indicates that waste was 1.8% higher than projection in the Service Delivery Plan resulting in an overspend compared to the budget.

#### 3 Site Operations

- 3.1 All Reuse and Recycling Centres (RRC) sites were busy over the Easter period with queues being unavoidable at the peak times on the Saturday and Sunday. Penalties were imposed at Chigwell Road and Frizlands Lane which struggled at times to meet their vehicle flow rate targets due to the heavy demand.
- 3.2 Jenkins Lane - The new Bio Mrf site began receiving low volumes of wastes on April 11<sup>th</sup> into Line 3. Line 3 does not have the Optibag equipment fitted so this input is to enable the Bio Mrf shredding and aerating equipment to be tested ready for full acceptance mid-June. The co-mingled collection of waste commences in July, therefore Newham are continuing separated recycling collections until then. These are being delivered to the Temporary Transfer Station at Jenkins Lane. The achievement of higher overall recycling and diversion from landfill performances in 2007/08 are dependent upon Jenkins Lane Bio Mrf becoming fully functional during the course of the year.
- 3.3 Frog Island - The operations at Frog Island have now stabilised but modifications are still to be made to the input and output procedures at the Bio Mrf in order to improve efficiency and improve recycling performance. Orange bag recycling at Frog Island in April had returned to the level expected but there were significant levels of contamination being reported within these recyclates. The 'back end' recycling from the Bio Mrf was disappointing amounting to only 409 tonnes of recyclates being separated for dispatch to reprocessors. This tonnage was primarily made up from mixed metals. The new glass separator is not yet installed so the potentially recyclable glass is still being included in landfilled residues.
- 3.4 At a meeting with the ELWA Management Board in March (referred to in Agenda Item 8), Shanks had undertaken to implement certain contingencies if recycling performance was continuing to be under target.

- 3.5 Accordingly Shanks employed two extra people at each Reuse & Recycling Centre (RRC) site from the beginning of April to help maximise the capture of recyclables at source and to manage the extra wastes expected over the Easter period. This proved effective in that the recycling from the RRC's increased by 322 tonnes compared to April last year but the percentage increase in recycling was masked by the waste inputs increasing by over 1700 tonnes compared to last April.
- 3.6 It had not been possible for Shanks to implement other contingency plans to improve recycling during April, as described in paragraph 4.4 below.

#### **4 Recycling Performance**

- 4.1 The ELWA Management Board met the Shanks Management Team again on the 11<sup>th</sup> June to reconsider Shanks improvement plans for recycling.
- 4.2 The Service Delivery Plan, agreed in November 2006, anticipated that to achieve a year-end percentage of 22% for 2007/08, recycling and composting performance would rise from approximately 18.4% in April 2007 to over 25% in March 2008. However, the performance in April, as shown in Appendix B, was 17.5% and the performance for May was predicted to be similar.
- 4.3 Shanks had implemented one of their contingency plans and employed two extra people at each RRC site from the beginning of April as described in paragraph 3.4 above. This had increased recycling from the RRCs by over 300 tonnes that month.
- 4.4 Shanks' other plans to improve recycling performance had been significantly affected by a delay within the Environment Agency of the approval to the composting of Bio Mrf fine material. There was also a delay in getting new glass separators installed in the Frog Island Bio Mrf refinement section.
- 4.5 The latest plans for these and other developments were discussed with the ELWA Management Board on the 11<sup>th</sup> June. Following these discussions, the Board have written again to Shanks requesting a revised and detailed plan for the improvement in recycling performance, taking into account the underperformance in April and May, which will demonstrate how the 22% recycling and composting target for the year 2007/08 will be met.
- 4.6 The issue of the high levels of contamination in the recycling waste was also raised at the meeting and all parties agreed to look at means of reducing the amounts of non-recyclable waste in the recycling waste stream.
- 4.7 Appendix B shows the recycling and composting performance for April and the monthly target for the year ahead. The figures for May will be tabled at the meeting.
- 4.8 The first table at Appendix C shows actual Contract recycling performance compared to the previously agreed plan for 2007/08. This illustrates the under performance described in paragraph 4. This plan needs to be revisited because of the underperformance in the first months of 2007/08 for the reasons described above. The second table on Appendix C shows Borough and ELWA BVPI Recycling Performance for April. It should be noted that the definitions and calculations of BVPI Recycling Performance are different to those used for Contract recycling performance.

## **5 Conclusion**

- 5.1 The development of the new waste management infrastructure for ELWA is nearing completion across all sites`.
- 5.2 The 18.4 % recycling performance projected for the month of April was not met and the Management Board are concerned that the 22% target for the year is under threat. Close monitoring of the situation is ongoing with particular reference to any further improvement plans to be put forward by the Contractor. The Contractor continues to suffer a loss in financial supplements arising from the lower than required recycling performance.
- 5.3 The contractual target for diversion from landfill increased in respect of 2007/08 from 25% to 40%. The sale of the Secondary Recovered Fuel (SRF) from the Bio Mrf to cement kilns has been maintained but due to the temporary closure of the Kilns, the actual diversion from landfill for the month of April of 39% narrowly missed the garget of 40%.
- 5.4 The performance against LATS allowances for 2007/8 is shown at Appendix D, which shows a surplus for April i.e. a greater diversion of biodegradable waste from landfill than was necessary to meet the government target.

## **6 Recommendation**

Members are asked to:-

- i) note this report.
- ii) receive a further report at the next meeting on the progress against the improvement plans proposed by Shanks in respect of recycling and composting performance

Tony Jarvis  
**EXECUTIVE DIRECTOR**

### Appendices

- A Contract Performance
- B Contract Waste Recycling and Composting Performance and Monthly Target in the Annual Budget & Service Delivery Plan (ABSDP) agreed for 2007/08
- C Contract recycling performance compared to ABSDP 2007/08  
BVPI recycling performance compared to ABSDP 2007/08
- D Performance against LATS target

### Background Papers

None

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**Contract Performance**

	Contract Tonnages						Contract Sums £K		
	ABSDP		Actual Tonnage		RRC Tonnage		2006/7	2007/8	
	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	Actual	ABSDP	Actual
<b>April</b>	45511	41984	40573	42736	8178	9895	£2,658	£2,865	£2,885
<b>May</b>	43378	47106	45523		8484		£2,869	£3,124	
<b>June</b>	47851	49818	48144		9533		£2,954	£3,198	
<b>July</b>	42148	42726	41277		6913		£2,695	£3,759	
<b>August</b>	42771	43578	42113		6963		£2,732	£3,797	
<b>September</b>	45056	44385	42869		7617		£2,758	£3,774	
<b>October</b>	40311	40948	41114		6113		£2,705	£3,680	
<b>November</b>	40915	41738	40719		5533		£2,667	£3,656	
<b>December</b>	38838	38351	35895		4418		£2,471	£3,564	
<b>January</b>	38244	39116	40802		4772		£2,722	£3,599	
<b>February</b>	35448	35823	35087		5064		£2,444	£3,274	
<b>March</b>	40960	40872	41999		7472		£2,762	£3,677	
<b>Total</b>	501431	506445	496115	42736	81060.52	9895	£32,464	£41,965	£2,885

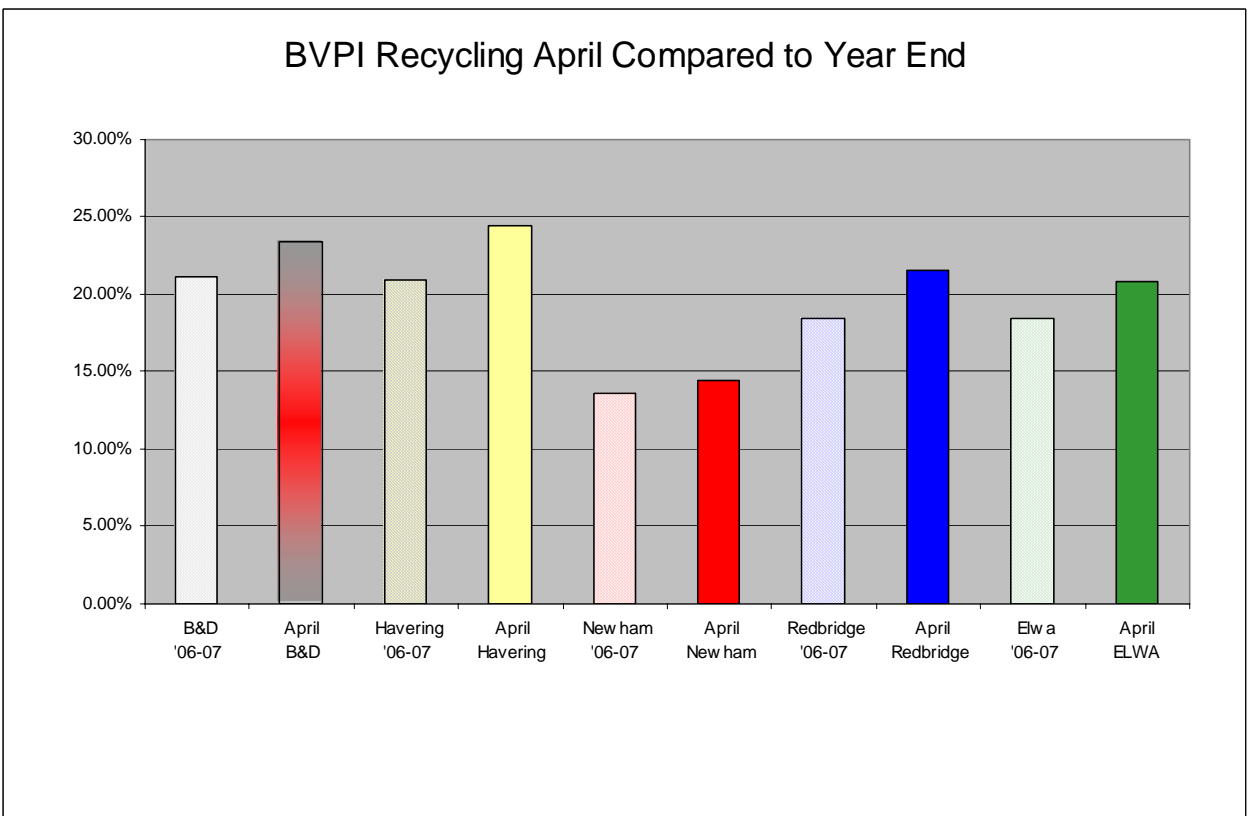
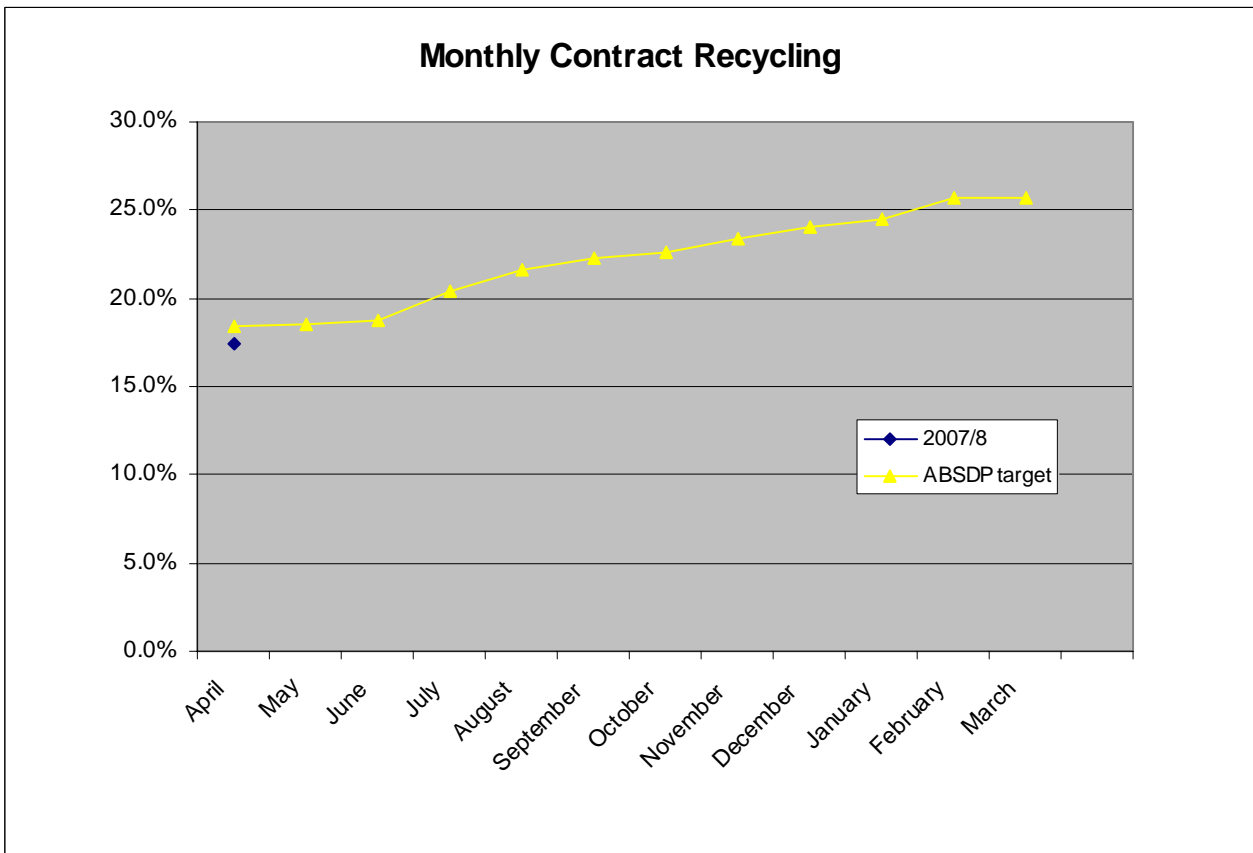
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**Contract Waste Recycling & Composting Performance**

Month	Recycling				Composting				Total Recycling				
	Tonnages		Percentage		Tonnages		Percentage		Tonnages		Percentage		ABSDP
	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	target
April	4256	5,352	10.5%	12.5%	1596	2,115	3.90%	4.9%	5852	7,467	14.40%	17.5%	18.4%
May	4249		9.3%		2658		5.80%		6907		15.20%		18.5%
June	4130		8.6%		2822		5.90%		6952		14.40%		18.7%
July	4129		10.0%		1843		4.50%		5972		14.50%		20.4%
August	4526		10.7%		1572		3.70%		6098		14.50%		21.6%
September	5152		12.0%		1942		4.50%		7094		16.50%		22.3%
October	4145		10.1%		1600		3.90%		5745		14.00%		22.6%
November	4370		10.7%		1356		3.30%		5726		14.10%		23.3%
December	4097		11.4%		1002		2.80%		5099		14.20%		24.0%
January	5285		13.0%		793		1.90%		6078		14.90%		24.5%
February	4304		12.3%		883		2.50%		5187		14.80%		25.6%
March	5236		12.5%		1264		3.00%		6500		15.50%		25.7%
Accumulative Total	53879.5	5352	10.9%	12.52%	19331.3	2115	3.90%	4.95%	73210.1	7467	14.80%	17.47%	22.0%

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**Performance against LAT'S Target**

Month	Contract Waste		LANDFILL		LATS Target	
	Tonnage	Biodegradable	Tonnage	Biodegradable	Allowance	Difference
April	42,736	29,915	25,975	18,183	22,097	3,915
May		0		0	22,097	
June		0		0	22,097	
July		0		0	22,097	
August		0		0	22,097	
September		0		0	22,097	
October		0		0	22,097	
November		0		0	22,097	
December		0		0	22,097	
January		0		0	22,097	
February		0		0	22,097	
March		0		0	22,097	
<b>Accumulative Total</b>	<b>42,736</b>	<b>29,915</b>	<b>25,975</b>	<b>18,183</b>	<b>265,164</b>	<b>3,915</b>

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**Agenda Item 8e***(Contact Officers: Jay Gohil: 020 8708 5086)***EAST LONDON WASTE AUTHORITY****25<sup>th</sup> JUNE 2007****FINANCE DIRECTOR'S REPORT**

<b>BUDGETARY CONTROL REPORT TO 30<sup>th</sup> APRIL 2007</b>	<b>FOR INFORMATION</b>
---	------------------------

**1 Introduction**

- 1.1 This budgetary control report compares ELWA's actual expenditure for the month ended 30th April 2007 with the original 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 Based on the profiled budget of £2,683,000 and the actual net expenditure on services of £2,565,000, the underspend for the period is £118,000 (see Appendix A). This is the first month of the new 2007/08 financial year and therefore, it very difficult to draw any trends at this very early stage in the year.
- 2.2 The main variation relates to ELWA receiving unbudgeted income in respect of the WEEE Grant for 2007/08 of £104,000. It was not possible to accurately predict both the level and timing of this grant when the original budgets were set in February 2007. The grant is intended to cover the costs for the treatment and disposal of any separately collected items such as televisions, PC monitors and fluorescent tubes, for the period 1<sup>st</sup> April 2007 to 30<sup>th</sup> June 2007. Thereafter responsibility transfers to producer compliance schemes with effect from 1<sup>st</sup> July 2007.
- 2.3 As at the end of 2006/07 waste tonnages were slightly above the anticipated monthly levels.
- 2.4 ELWA's original Contingency sum for 2007/08 is £600,000 and comprises of a general provision of £100,000 for unforeseen circumstances, £150,000 for IWMS Contract negotiations including insurance benchmarking, £200,000 for Waste Regulation including testing the biodegradability of waste and £150,000 for closed landfill sites costs including insurance. There is no utilisation to date.
- 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 2007/08, 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 month of April 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 30th April 2007

Background Papers

None

**EAST LONDON WASTE AUTHORITY**  
**BUDGET MONITORING STATEMENT TO 30th APRIL 2007**

<b><u>EXPENDITURE</u></b>	<b><u>Original Budget 2007/08 £'000</u></b>	<b><u>Profiled Budget to 30.4.07 £'000</u></b>	<b><u>Total Actual to 30.4.07 £'000</u></b>	<b><u>Variance to 30.4.07 £'000</u></b>
<b><u>Employees</u></b>	412	34	32	-2
<b><u>Premises Related Expenditure</u></b>	147	12	7	-5
<b><u>Transport Related Expenditure</u></b>	14	1	1	-
<b><u>Supplies and Services</u></b>				
Payments to Shanks.east London	41,970	2,865	2,884	19
Other (inc cost of Support Services)	499	41	32	-9
<b><u>Third Party Payments</u></b>				
Disposal Credits	320	27	27	-
Recycling Initiatives	200	17	-	-17
Tonne Mileage	600	50	50	-
Rent payable - property leases	210	18	18	-
<b><u>Capital Financing Costs</u></b>	285	24	24	-
<b>TOTAL GROSS EXPENDITURE</b>	<b>44,657</b>	<b>3,089</b>	<b>3,075</b>	<b>-14</b>
<b><u>Income</u></b>				
Commercial Waste Charges	-3,547	-296	-296	-
Interest on Balances	-1,300	-108	-108	-
WEEE Grant	-	-	-104	-104
Other Income	-20	-2	-2	-
<b>TOTAL INCOME</b>	<b>-4,867</b>	<b>-406</b>	<b>-510</b>	<b>-104</b>
<b>NET EXPENDITURE ON SERVICES</b>	<b>39,790</b>	<b>2,683</b>	<b>2,565</b>	<b>-118</b>
PFI Grant Receivable	-4,537	-378	-378	0
Transfer to PFI Contract Reserve	4,537	378	378	0
Transfer from PFI Contract Reserve	-5,500	-458	-458	0
Levy Receivable	-32,990	-2,117	-2,117	0
Contingency Allocated	600	-	-	0
Contribution from Reserves	-1,900	-108	-108	0
<b>REVENUE SURPLUS FOR PERIOD</b>	<b>0</b>	<b>0</b>	<b>-118</b>	<b>-118</b>





(Contact Officer: John Jones - Tel. 020 8708 3192)

**EAST LONDON WASTE AUTHORITY****25 JUNE 2007****FINANCE DIRECTOR'S REPORT**

<b>INTERNAL AUDIT PROGRESS REPORT 2006/2007, AUDIT PLAN 2007/2008 AND PLANNED AUDIT COVERAGE TO MARCH 2012</b>	<b>FOR DECISION</b>
--	---------------------

**1. Purpose**

- 1.1 To advise Members of the progress of Internal Audit coverage and findings arising during 2006/2007.
- 1.2 To seek Members' comments and agreement to the proposed Internal Audit Plan for 2007/2008, the Internal Audit Strategy and the revised Audit Charter.
- 1.3 To advise Members of the planned Internal Audit coverage for the five years from 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2012.

**2. Background**

- 2.1 The objective and responsibility of the Internal Audit function is to provide Members and management with an independent view and assurance concerning the robustness of the systems and procedures within ELWA and in particular for the effective management of the contract with Shanks Waste Services, thereby safeguarding assets from fraud and wastage.
- 2.2 Prior to ELWA entering into a 25-year contract with Shanks Waste Services on 24<sup>th</sup> December 2002 audit coverage centred on reviewing the direct operations undertaken by the constituent Boroughs. As these responsibilities have now been transferred to Shanks Waste Services Internal Audit coverage has and will continue to concentrate on reviewing systems and procedures within ELWA to ensure the effective management of the contract.
- 2.3 The existing 5 year Internal audit strategy / plan was agreed on 26th March 2003. The purpose of the 5 year strategic plan is to ensure total audit coverage of the key systems / areas of activity within ELWA's unique operational environment. It is intended to fulfil this responsibility by working in conjunction with the External Auditor in keeping with the principles of "Managed Audit" advocated by the Audit Commission and aims to avoid any duplication of audit effort. Where the External Auditor can place reliance upon the work of internal audit, this can assist in minimising the number of days (and cost) of external audit work.
- 2.4 The Internal Audit function is provided by the London Borough of Redbridge and reports directly to the Finance Director (ELWA) who is the Section 151 Officer and who subsequently reports on Audit matters to the Authority.

2.5 This report provide Members with:-

- a brief summary of the audit coverage for 2006/2007;
- a list of the Audits due to be undertaken during 2007/08;
- details of the revised Internal Audit Strategy and the Internal Audit Charter;
- details of the proposed Internal Audit coverage for the 5 years 1<sup>st</sup> April 2007 to 31<sup>st</sup> March 2012.

### **3. Internal Audit Coverage During 2006/2007**

- 3.1 The main focus of Internal Audit activity during this year has been to undertake a review of the Closed Landfill sites and to assess the accuracy of Performance Data produced by the Time and Information Management system (TIMS). The risk assessment and Business Continuity review due to be undertaken in 2006/07 has been deferred until 2007/08 with the agreement of both the Executive Director and Finance Director. Two other reviews due to be undertaken in respect of PFI progress Review and Best Value work have been cancelled also with the agreement of the Executive Director and Finance Director.
- 3.2 Based upon the audit work undertaken during 2006/07, Internal Audit has reached the opinion that the Authority's overall control framework is generally sound and the core financial systems continue to operate effectively and subject to the weighbridge issue being reviewed by management, there are no fundamental breakdowns of controls resulting in material discrepancy. There has been no reported fraud and irregularity during the year. As no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance. The main findings of the audits undertaken during 2006/07 are noted below.

#### **Audit of Closed Landfill Sites**

- 3.3 The review of Closed Landfill Sites was to consider the adequacy of the controls in place particularly with regards to methane and leachate monitoring, site accessibility, adherence to statutory obligations and the risk assessment processes.
- 3.4 Risk profiles have been formulated for all 4 sites and monitoring arrangements are in place and the results are logged, however no formal monitoring procedures are in place and monitoring is irregular. It is recommended that management should review the adequacy of monitoring frequencies for the different sites and ensure appropriate procedures are drawn up.
- 3.5 A report on Risk Management by the Executive Director on 5<sup>th</sup> February 2007 identified a number of issues in respect of closed landfill sites as a medium level risk. The report goes on to imply that although the risks are considered unlikely the impact could have a critical effect with potential consequences for the Authority. Management are aware of the issues and a number of mitigation controls have been set down.

- 3.6 Overall the risks posed by closed landfill sites feature prominently in the ELWA risk register. Internal Audit noted that varying degrees of measures have been implemented to manage these risks including site modifications and monitoring. The environmental appraisals commissioned by ELWA have not highlighted any major concerns but these have re-iterated the need for on-going monitoring. Management should further consider and review the adequacy, including frequency, of the methane testing arrangements. Monitoring should then be carried out at predetermined intervals to achieve substantial assurance.
- 3.7 The Audit made a total of six recommendations of which three were assessed as a medium level risk and three were identified as low risk

#### **Audit of Performance Measures**

- 3.8 The review of performance measures examined the procedures and controls in place for collating performance data by ELWA, and assessed the accuracy, completeness and validity of the information produced. The review assessed the waste data information and how the Borough's waste is quantified, reconciled and Borough charges allocated.
- 3.9 All waste data information is recorded by Shanks on their Total Information Management system (TIMS), which is then transferred to an allocations table, which gives a breakdown of each Borough's waste. Internal Audit recommended that a detailed reconciliation should be undertaken to demonstrate that there is clear audit trail between tonnages recorded on TIM and the recyclates allocated to the individual councils. Unallocated tonnages should be clearly shown, carried forward as opening balances to the new period and allocated accordingly.
- 3.10 The audit also identified some weighbridge discrepancies in respect of internal transfers of waste between sites. There could be a number of reasons for this including improper calibration of weighbridges and rainwater loss / absorption during transits etc. Internal Audit recommended that ELWA investigate the discrepancies and management have subsequently advised of a number of procedural changes since the completion of the audit to deal with the issues identified.
- 3.11 The Audit made a total of seven recommendations of which three were assessed as a medium level risk and four were identified as low risk.

#### **4. Internal Audit Strategic Plan 2007/08 – 20011/12 and the Audit Charter**

- 4.1 The past four years have allowed the Chief Auditor to consider the most appropriate way to meet the annual plan, react to changing circumstances while considering the strategic implications / risk management issues for the Authority. Consequently it has been determined that in future the annual Audit Plan should be formulated from discussions with the Finance Director / Section 151 Officer, the Executive Director and the General Manager and will be based on an annual risk assessment process so that identified concerns are assessed and evaluated to determine the impact on the Authority. The risk assessment process will take into consideration the risks identified in the Authority's risk register, but will also consider other factors such as, previous audit findings, materiality, volume and value of transactions, complexity and stability of systems, contract compliance and level of irregularities. This will ensure the plan is more responsive to the needs of the Authority. Based on Internal Audits previous work, foremost amongst those aspects, which need to be regularly reviewed, are the

arrangements for the management and monitoring of the Integrated Waste Management Contract. A five year plan based on the work undertaken to date, is attached (as Appendix A for agreement and comment).

4.2 The role, responsibility and approach of Internal Audit are set out in the Internal Audit Charter (Appendix B). The Charter reflects the requirements of the Accounts and Audit Regulations (Amendment) 2006 and the CIPFA Code of Practice for Internal Audit. Members review and agreement of the Audit Charter, Annual Plan and 5 year Strategic Plan provides clear authority and endorsement for the independent activity of the Audit Function. The performance and effectiveness of Internal Audit is regularly monitored and reported upon by the Director of Finance.

## 5. Internal Audit Coverage for 2007/2008

5.1 For 2007/08 the Audit Plan reflects the factors mentioned in 4.1 above but has also taken into consideration the Authority's high strategic and operational risks namely

<b>Strategic Risks</b>	<b>Operational Risks</b>
Gradual pollution event on a closed landfill site	Trespass on a closed landfill site leading to death / serious injury
Abolition of the Authority	Closure of a key waste site
Loss of key staff / lack of succession planning	Major Health and Safety event
Insolvency of Shanks Waste Ltd	Major failure of technology
Instantaneous pollution event on a closed landfill site e.g. explosion	Risk of enforcement due to compliance failure
	Fraudulent activity
	Discovery of hazardous substances

The programme of Audit work reviews aspects of the above strategic and operational risks either through specific planned reviews or as part of individual audits, which inform the Authority's overall risk management process.

5.2 Internal Audit coverage for 2007 /08 will again review aspects of the contract management arrangements in place for the Integrated Waste Management Contract. Another review will consider the Risk assessment process in place at the Authority and the Business Continuity Plan. At the request of the Executive Director Internal Audit will review the revised Personnel arrangements.

5.3 It is also intended to introduce a follow up process to ensure that agreed actions by management have been implemented and to seek explanations where recommendations have not been implemented in the appropriate time scales. The follow up process expects that recommendations will be implemented within a 3, 6 or 12 month timescale depending upon whether they are classified as high, medium or low risk. From 2007/08 it is intended to report to Members any instances where high-risk recommendations have not been implemented in the appropriate timescale.

## 6. Performance and Effectiveness of Internal Audit

6.1 The requirements of the Accounts & Audit Regulations (Amendment) 2006 provide the necessary assurance to Members and Management as to the adequacy of the Internal Audit function. It is important that the effectiveness of the work of Internal Audit is monitored and reported, to do this a range of Performance criteria is closely monitored

by my Chief Auditor throughout the year. It is also essential that Internal Audit obtain the views of ELWA regarding the service it delivers and the value it adds to ELWA's business objectives. While feedback is currently obtained through discussions with the Executive Director, it is appropriate that a more formal arrangement is introduced. Another important measure of the effectiveness of Internal Audit is the reliance that can be placed on its work by the External Auditors. It is encouraging that the External Auditors continue to place reliance on Internal Audits work.

6.2 As the Authority's Section 151 Officer I have undertaken a review of the Internal Audit process and its effectiveness. This has included regular briefings to me by the Chief Auditor / Audit Manager and the External Auditor. My view based upon my experience of the Internal Audit Section's advice and performance, external guidance on Internal Audit and the feedback received, is that the Authority has a sound and robust system of Internal Audit, which continues to adapt and respond to the changing needs of the Authority.

## **7. Conclusions**

7.1 Based upon the audit work undertaken during 2006/07, Internal Audit has reached the opinion that the Authority's overall control framework is generally sound and the core financial systems continue to operate effectively and there are no fundamental breakdowns in control resulting in material discrepancy. This view is re-enforced by the Authority's External Auditors. However, Internal Audit continue to identify issues around the contract management process which need to be addressed / investigated by management. The risks associated with these elements of control / activity are an essential aspect of the Authority's business.

7.2 I feel confident that through this process I will be well placed to provide an opinion as to the overall adequacy and effectiveness of the Authority's internal control environment to Members and Management, as well as external audit that continue to be able to place reliance on our work.

## **8. Recommendation**

8.1 Members are asked to:-

- i) note the audit coverage for 2006/2007 as outlined in Section 3;
- ii) agree the planned Internal Audit coverage for the 5 years to 31<sup>st</sup> March 2012 as outlined in Section 4;
- iii) agree the Internal Audit Strategy and the Audit Charter as outlined in Section 4;
- iv) agree the audit coverage for 2007/2008 as outlined in Section 5.

Geoff Pearce  
**FINANCE DIRECTOR**

## **Appendices**

- A 5 Year Strategic Plan
- B Internal Audit Charter

Background Papers  
None

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**ELWA - 5 year Strategic Plan 2007/08 - 20011/12**

Aspect	Risk Impact	Likelihood	Risk Rating	Frequency	Audit Plan - 2003/04	2004/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
<b>Internal Control and Corporate Governance</b>													
Review of Constitution / CSO's / Financial Regs	1	1	1	When Req'd									
Review of Corporate Governance arrangements									10				
Review of High Level Controls and Roles & Responsibilities	3	1	3	5 yearly	20					10			
Risk Assessment & Business Continuity Planning	5	2	10	5 yearly					10				10
Anti Fraud Arrangements	1	3	3	5 yearly	10								
Personnel Arrangements	1	1	1	When Req'd					5				
Internal IT Systems (B&D)	1	1	1	When Req'd									
<b>Contract Management / Monitoring / Compliance</b>													
ELWA Monitoring Arrangements	7	3	21	2 yearly			10		5		5		5
Borough Monitoring	3	5	15	2 yearly			5		5		5		5
Payments to Contractor	9	2	18	3 yearly					5			5	
Performance Measures	3	3	9	3 yearly				10		7			5
TIM'S System	4	3	12	3 yearly						8			5
Weighbridge System	5	4	20	2 yearly				5		5			5
<b>Financial Management</b>													
Financial Management	3	3	9	4 yearly						10			
Borough Recycling Pl's	5	4	20	3 yearly							10		
Borough Waste Disposal Cost Allocations	4	4	16	4 yearly								10	
Landfill Allowance Trading	5	3	15	When Req'd								10	
<b>Asset Management</b>													
Landfill Sites	5	4	20	3 yearly				10					
<b>Follow Up Provision</b>													
									3	3	3	3	3
<b>Total days</b>					<b>20</b>	<b>30</b>	<b>15</b>	<b>25</b>	<b>33</b>	<b>43</b>	<b>33</b>	<b>33</b>	<b>33</b>

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## INTERNAL AUDIT CHARTER

### 1. PURPOSE

The purpose of this charter is to set out the nature, role, responsibility, status and authority of internal auditing within the East London Waste Authority, and to outline the scope of internal audit work. The charter can also be used in monitoring the performance of the Internal Audit function.

### 2. APPROVAL OF THE CHARTER

This Charter is annually reviewed, updated and, where necessary, reported to Members for approval.

### 3. ROLE OF INTERNAL AUDIT

3.1 In 2006 the Chartered Institute of Public Finance & Accountancy updated the Code of Practice for Internal Audit in Local Government in the United Kingdom which now defines internal audit as follows: -

**“an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisations' objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.”**

The revised code further sets out minimum standards for the performance and conduct of all internal auditors. There are 11 standards, namely -

- Scope of internal audit
- Independence
- Ethics for Internal Auditors
- Audit Committees
- Relationships
- Staffing, Training and Continuing Professional Development
- Audit Strategy and Planning
- Undertaking Audit Work
- Due Professional Care
- Reporting
- Performance, Quality and Effectiveness

3.2 Internal audit assists the Executive Director, the General Manager and particularly the Director of Finance and Members in the effective discharge of their responsibilities. To this end, Internal Audit provides them with analyses, appraisals, recommendations, advice and information concerning the activities reviewed, particularly the Authority's financial affairs.

#### 4. MISSION & AIMS OF INTERNAL AUDIT

4.1 The Audit Mission Statement which draws on the Council's Vision Statement is as follows: -

***OUR MISSION IS TO BE AN EFFECTIVE PROVIDER OF AUDIT SERVICES. WE SHALL DO THIS BY WORKING WITH MANAGEMENT, ADDING VALUE TO THE ORGANISATION AND CONTINUOUSLY INVESTING IN STAFF.***

4.2 The aims of Internal Audit are as follows: -

- to provide a high quality and effective audit service that is responsive to the needs and requirements of members and management;
- to add value to the Council systems by identifying areas for improvement and offering advice and assistance to members and management to ensure effective systems of internal control;
- to assist the Council discharge its corporate governance requirements;
- to operate in accordance with relevant professional codes and guidance by relevant accounting bodies including the Code of Practice for Internal Audit in Local Authorities.

#### 5. RESPONSIBILITIES OF INTERNAL AUDIT

5.1 Internal Audit is responsible for: -

- operating the policies established by management and Members; and
- conducting its work in accordance with Standards for the Professional Practice for Internal Auditing as set by the Institute of Internal Auditors and those of the CCAB.

5.2 Internal Audit will prepare and agree with management a working protocol setting out the working arrangements with all relevant parties.

5.3 In order to maintain its objectivity and independence, Internal Audit will not assume operating responsibilities for, and will remain independent of, the activities it audits. Members of the Internal Audit function will not assume responsibility for the design, installation, operation or control of any procedures, although may review systems under development and advise on appropriate controls without prejudicing its right to subsequently audit such systems.

## 6. STATUS OF INTERNAL AUDIT IN THE ORGANISATION

- 6.1 In accordance with the Accounts and Audit Regulations (Amended) 2006, the Authority, through the Statutory Section 151 Officer, is responsible for maintaining an 'adequate and effective' internal audit of its accounting records and of its systems of internal control. Internal Audit will also have a significant role / input into the production of the Authority's Statement of Internal Control (SIC) as part of the publication of the Annual Accounts.
- 6.2 The day-to-day operational management of the Internal Audit function lies with the Chief Auditor, who is accountable through the Director of Finance to Members for standards of performance and the proper discharge of the audit function. The Director of Finance is responsible for the preparation of the annual audit plan and for agreeing it with members. Prior to drawing up the audit plan, the Chief Auditor will consult with the Executive Director and the General Manager in regard to risks, concerns etc and take account of any put forward by them. The Director of Finance will be responsible for the effective implementation of the audit plan.

## 7. SCOPES AND AUTHORITY OF INTERNAL AUDIT WORK

- 7.1 There are no restrictions placed upon the scope of Internal Audit's work. It will examine and evaluate, on a risk focussed basis, the whole system of controls established by management, not just the controls over financial accounting and reporting, but all operational and management controls.
- 7.2 The scope of Internal Audit work (based on CIPFA 's standard of professional practice on auditing) will generally cover but is not restricted to the following: -
- the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice;
  - the extent of compliance with, relevance of, and financial effect of, established policies, strategies, standards, plans and procedures and the extent of compliance with external laws and regulations;
  - the extent to which the assets and interests are acquired, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause;
  - the suitability, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
  - the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the organisational strategic goals;
  - the suitability of the organisation of the units audited for carrying out their function, to ensure that services are provided in a way, which is economical, efficient and effective;

- the follow - up action taken to remedy weaknesses identified by internal audit review, ensuring that good practice is identified and widely communicated;
- the operation of the organisation's corporate governance arrangements.

7.3 Internal Audit are entitled to have whatever information or explanation they consider necessary in the proper discharge of their responsibilities. In this regard, Internal Audit may have unrestricted access to any records, reports, personnel, IT systems and assets of the London Borough of Redbridge.

7.4 Internal Audit is responsible for ensuring the confidentiality and safekeeping of all records and information accessed in the course of its work.

## **8. PLANNING AND REPORTING**

8.1 Generally, a systems based approach is adopted. This involves a needs and risk assessment of all the activities carried out by the Authority from which a strategic and an annual operational plan are prepared. The type of audits covered include: -

- Systems / Operational Reviews
- Specialist audits (contract / computer)
- Anti fraud work
- Financial advice

8.2 The Director of Finance will submit to Members for approval, in general terms, an annual Internal Audit plan, setting out the recommended scope of their work in the period.

8.3 The Annual Plan will be developed with reference to a longer-term strategic outlook for Internal Audit work, prepared in conjunction with management.

8.4 Internal Audit will carry out the work, as agreed, report upon the outcome and findings, and will make appropriate recommendations on the action to be taken as a result. The reporting arrangements will include both individual and composite reports to management and where appropriate to Members.

8.5 Internal Audit will report to Members, in accordance with the agreed arrangements, on the overall adequacy of the internal control system and major findings, recommendations and management actions.

## **9. RESPONSIBILITIES OF MANAGEMENT**

9.1 Management is responsible for determining the scope of Internal Audit work, in relation to relevant professional standards / guidelines, and for deciding the action to be taken on the outcome of or findings from their work.

9.2 Management is responsible for ensuring the Internal Audit function has: -

- the support of management
- adequate resources; and
- direct access and freedom to report to senior management and Members, including the Director of Finance

- 9.3 Management has primary responsibility for establishing and maintaining a proper and effective control environment and for managing risk, including proper accounting records and other management information for running the business. Management also has primary responsibility for the prevention and detection of fraud, including the prompt reporting to all relevant parties of any evidence or reasonable suspicion of an irregularity.
- 9.4 During the course of an audit, management and their staff will be required to cooperate fully with the auditor's requirements, including the completion of action plans, signing off of reports and the timely implementation of specific recommendations made by Internal Audit.

**10. RELATIONSHIP WITH THE EXTERNAL AUDITORS / OTHER REGULATORY BODIES**

Internal Audit will consult and where appropriate work closely with others, particularly the external auditors, to minimise areas of duplication and to maximise the benefits to the Authority.

May 2007

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(Contact Officer: John Wilson - Tel. 020 8270 4997)

**EAST LONDON WASTE AUTHORITY****25 JUNE 2007****GENERAL MANAGER REPORT**

<b>FLOOD CONTINGENCY Frog Island and Jenkins Lane</b>	<b>FOR INFORMATION</b>
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**1 Introduction**

- 1.1 At our last meeting members asked officers to report on contingencies in respect of operations in the event of the River Thames flooding.

**2 Report**

- 2.1 Under the IWMS contract it is a requirement for the successful contractor to outline the contingencies for continuing operations under adverse conditions. These included arrangements:-

- during the transition periods between taking over existing contracts and completion of facilities;
- post facilities completion.

The Service Delivery Plans provided by Shanks contains proposals for alternative outlets (landfills, incinerators) and alternative locations for the borough RCV's to deposit their waste in the event of one or both of the new facilities being unavailable. However, the one common factor in all these contingencies was that the road systems would be serviceable.

- 2.2 As the new facilities at Frog Island and Jenkins Lane are built close to the River Thames, members asked what contingencies ELWA had to manage wastes if these two sites were flooded. Accordingly officers contacted the Environment Agency who referred us to the new London Flood Response Strategic Plan published in March this year. This plan states

*“The defended tidal floodplain of the River Thames consists of a series of “embayments” that are virtually independent hydrological units. In other words, but for connections such as tunnels and a few other low points, flooding in one embayment would not automatically spread to adjacent embayments.*

*The chance of overtopping of defences from a storm surge tide should be evident several hours beforehand. There is continuous monitoring of tide levels as tides move southward down the East coast from Scotland, and the Environment Agency aims to issue a warning at least 2 hours in advance. The tidal defences for London and the Thames Estuary provide protection against a storm surge with a statistical return period of 1 in 1000 years, or an annual chance of 0.1%. With the Thames Barrier closed, any overtopping from a severe storm surge greater than that for which the defences were designed would commence downstream and be confined initially to one or two embayments North and South of the river.*

*Because of ground levels, floodwater could be several metres deep in places and, close to the site of overtopping, floodwater velocities could exceed 1 metre per second; enough to sweep people off their feet. Floodwater will not drain away naturally from embayments because of their geography. Recovery will necessitate pumping and water could be present in an embayment for weeks. The water will be brackish as well as polluted and this will cause additional damage. (See Appendix B for a map showing the embayments)."*

- 2.3 ELWA Officers' and Shanks' planning consultants Mouchel Parkman are unaware of any flooding studies for these two sites,. The Environmental Statement for Frog Island under Water Resource, Hydrology used in the planning document states that the site is not considered to pose a significant flood risk as the 0.1% annual probability would indicate. So both sites would appear to be protected by the river defences from anything short of that level of flood event. If the wall is over topped then the Thames basically would expand out to the line of the A13 and the same flood event would reach the entrance of Buckingham Palace. (See Appendix A).
- 2.4 The Government Office for London (GOL) is the lead authority for this plan and for coordinating the emergency response. The plan spells out the roles of the various emergency services should such an event occur. Obviously the major areas of concern would be the loss of life, homelessness, disruption of utilities and infrastructure and pollution from sewerage of the water. Waste collection is not mentioned in the plan being a low priority. Waste collection and disposal would necessarily come to the fore in the aftermath when the clear up begins. It is not expected that such a flood would occur without some form of meteorological warning, so that the public can be forewarned to keep their wastes within their homes and essential equipment moved to a safer location.
- 2.5 As Frog Island and Jenkins Lane are situated in different embayments there is a possibility that one and not the other site may be affected and in these circumstances the remaining site would act as the contingency, as long as access was available. However, working on the worst case scenario, if amongst this chaos, refuse vehicles were still collecting rubbish and alternate routes were available, locations outside and to the north of London would have to be found for final disposal. The London Waste incinerator at Edmonton would be part of the option being to the north of the potential flood plain. The RRC sites at Frizlands Lane, Gerpins Lane and Chigwell Road are located on the edge but to the north of the flood plain (see Appendix B). These would act as Temporary Transfer Stations for storage and bulk transfer of wastes until an assessment of the situation at Frog Island and Jenkins Lane could be made.
- 2.6 Both has reduced the sites can readily be drained. Emergency generators are already installed at each site as a contingency for power failure which should help speed recovery, should pumping be necessary. However access to these sites from the A13 may be a continuing problem.



### **3 Recommendation**

3.1 Members are asked to receive this report and note:-

- i) Although such exceptional circumstances might occur the probability is low. However as far as one can speculate contingencies are in place to use sites to the north of the predicted affected area. In such an event all the Authorities would have to act in accordance with the London Flood Response Strategic Plan and take directions from the emergency services coordinating its implementation. No doubt ELWA in conjunction with Shanks would be active in assisting the boroughs and these services to clear up and recover the situation.

John Wilson  
**GENERAL MANAGER**

#### Appendices

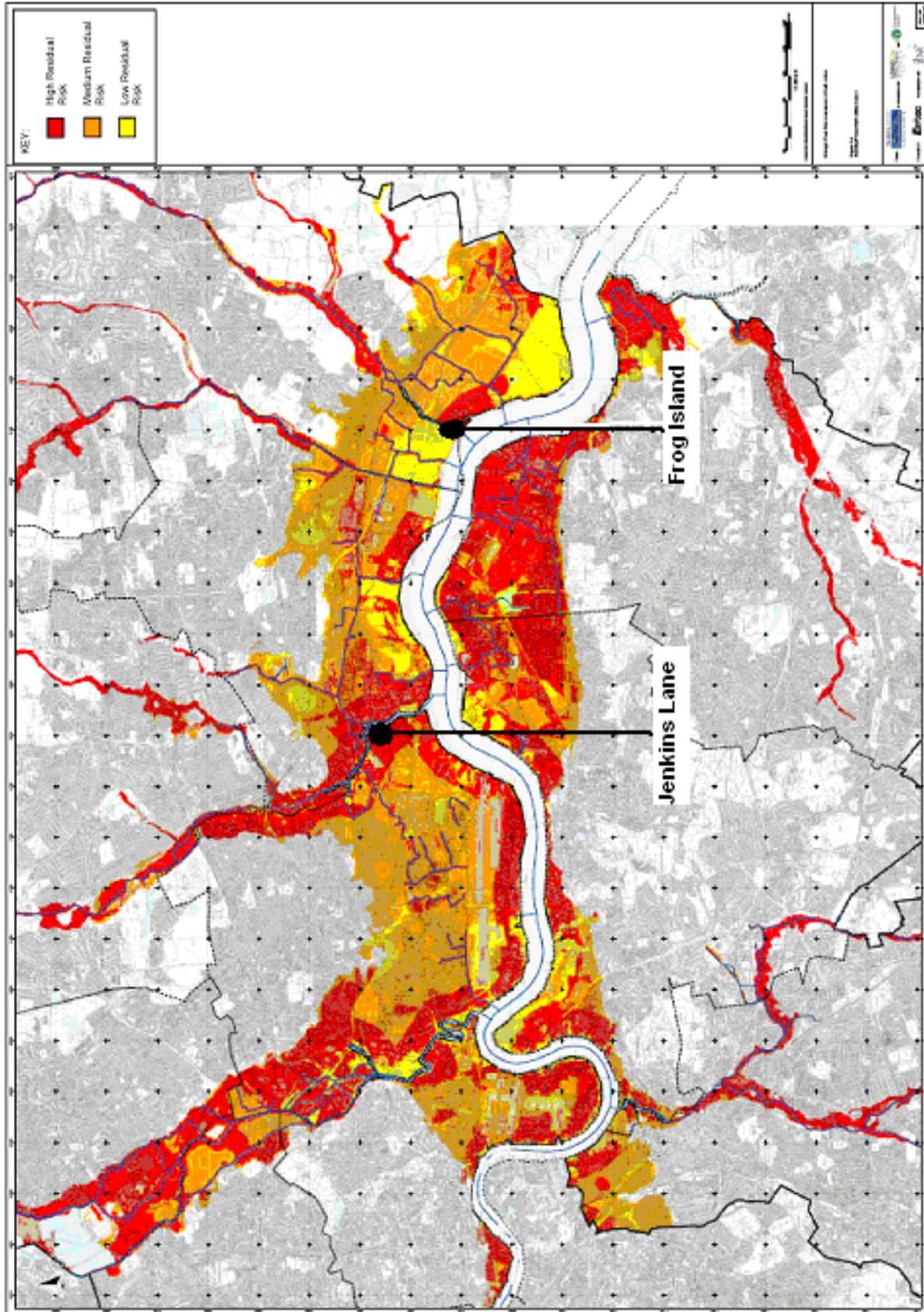
- A Residual Flood Risk Map
- B Tidal Thames Embayments in relation to Greater London Authority Boundaries

#### Background Papers

Minutes dated 02.04.07

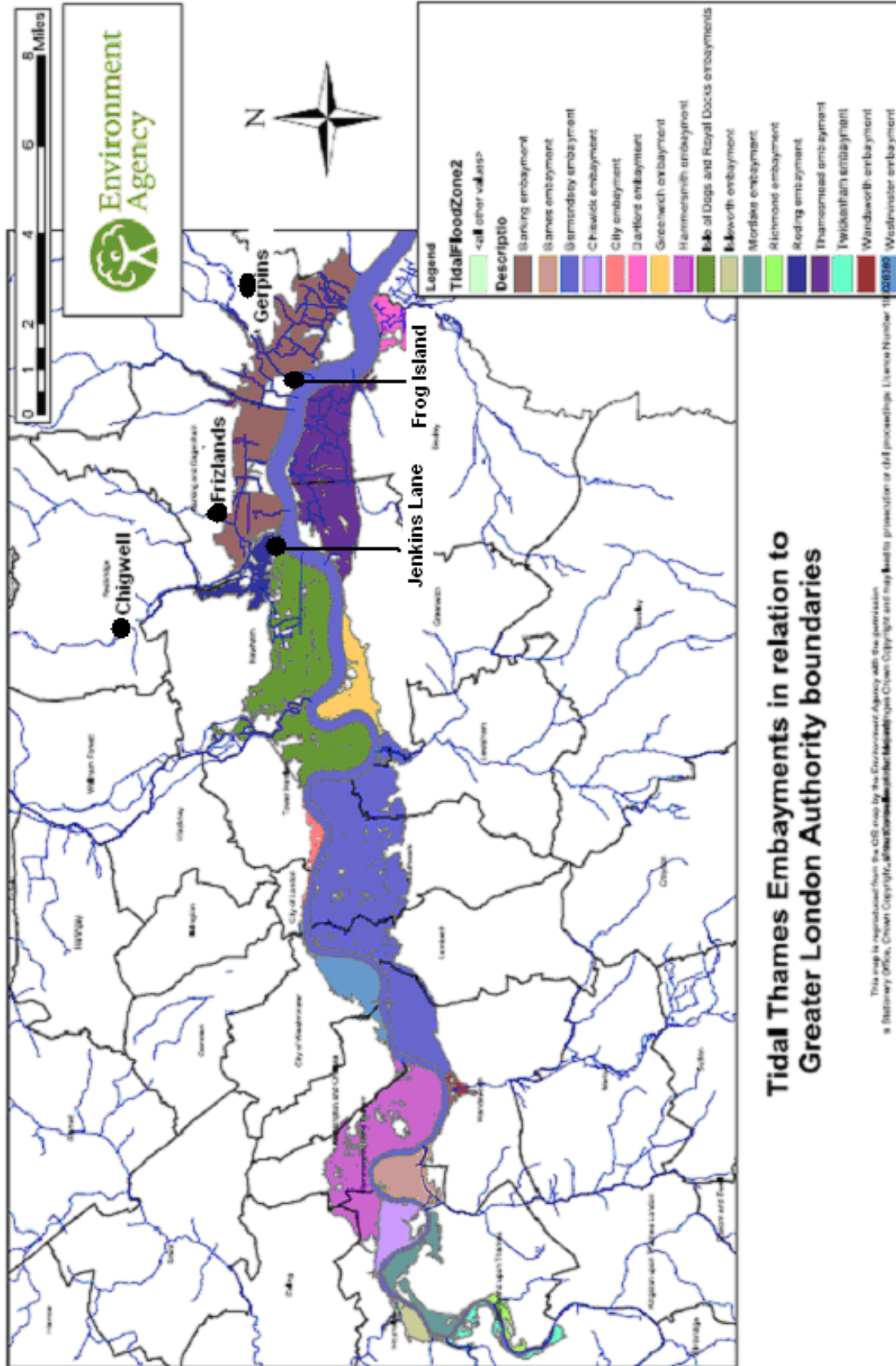
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Residual Flood Risk Map – East London (from East London Strategic Flood Risk Assessment)



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Tidal Thames Embayments in relation to Greater London Authority Boundaries



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*(Contact Officer: Tony Jarvis - Tel. 020 8270 4965)***EAST LONDON WASTE AUTHORITY****25 JUNE 2007****EXECUTIVE DIRECTOR'S REPORT**

<b>WASTE STRATEGY FOR ENGLAND 2007</b>	<b>FOR APPROVAL</b>
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**1 Purpose**

- 1.1 To give initial consideration to the government's recent publication "Waste Strategy for England 2007". This strategy is a very large document consisting of over 120 pages plus almost thirty annexes. The commentary below concentrates on the major points for waste disposal authorities.

**2 Introduction**

- 2.1 The foreword to the Waste Strategy for England 2007 by Ben Bradshaw, the Minister for waste makes the following general points:-
- significant progress has been made in diverting waste from landfill and in increasing recycling;
  - public environmental consciousness is rising;
  - faster progress is needed to catch up with our European neighbours and more emphasis should be placed on the linkages between waste and other policies.
- 2.2 The Minister makes it clear that the Waste Strategy is for the whole community, not just government.
- 2.3 The Executive Summary is attached and the whole document can be accessed at the government website [www.defra.gov.uk](http://www.defra.gov.uk).

**3 Executive Summary****3.1 Objectives and Targets**

- new targets are to be introduced to give a greater focus on waste prevention. This is expressed as reducing the amount of household waste not re-used, recycled or composted by 30% by 2010 and 50% by 2020;
- increase the existing targets for recycling and composting of household waste to at least 40% by 2010, 45% by 2015, and 50% by 2020 (these are national targets);
- increase the existing target for the recovery of municipal waste to 53% by 2010, 67% by 2015 and 75% by 2020.

- 3.2 The government will also shortly be setting a new national target for the reduction of commercial and industrial waste going to landfill.

### 3.3 Key incentives

The government is:-

- increasing the landfill to escalator so that the cost of each tonne landfilled will rise from £24 in 2007/08 to £48 in 2010;
- consulting on removing the ban on local authorities introducing household financial incentives for waste reduction and recycling;
- Introducing enhanced capital allowances for investment in secondary recovered fuel.

## 4 Local Government

4.1 The strategy says that Local and Regional Government have a vital role in providing advice and services to businesses and householders and developing partnership working.

The government is to:-

- strengthen the ability of local authorities in two tier areas to work together;
- establish a new performance framework for local authorities to support delivery of the Government's waste outcomes;
- encourage local authorities to take on a wider role in partnership to help local (particularly smaller) businesses to reduce and recycle waste (but the government does not propose placing any specific new duties on local authorities at this stage).

4.2 Key new policies will ensure that Regional Spatial Strategies and local development plans are properly in place. (See also Agenda Item 18 on this issue).

## 5 Implications for ELWA

5.1 Provisionally it can be expected that:-

- future recycling and recovery targets will increase. Details are expected to be announced in conjunction with Comprehensive Spending Review 2007 and these will be within a new framework for Local Area Agreements. It is probably that this framework will require further integration of Constitute Council and ELWA policies;
- there will be an increased focus on waste issues, particularly arising from the consultation on financial incentives to householders and arising from new actions to tackle illegal waste activity;
- The Landfill Allowances Trading Schemes (LATS) will remain unchanged subject to a review in 2007 which will explore the impact of home composting schemes;
- Shanks will find increasing commercial interest in the solid recovered fuel produced by the Bio MRFs (because of new targets and new incentives in the commercial sector);
- The commercial sector will come under increasing pressure to recycle via packaging Regulations and producer responsibility directives.



5.2 In addition to the implementation of the Waste Strategy for England 2007 there have been other recent decisions by government which impact on ELWA and the Constituent Councils, including:-

- the increase in landfill tax which will significantly increase costs;
- A package of measures that provide the Mayor of London with a stronger strategic role in waste, including the new requirement to deliver service in general conformity with the Mayor's waste strategy.

## **6 Recommendation**

6.1 Members are recommended to:-

- i) note the new Waste Strategy for England 2007 (Appendix A);
- ii) note the provisional summary of the general implications for the Authority (in paragraph 5);
- iii) receive a further report when government clarifies the new performance framework for Local Authorities in the Autumn;
- iv) consider reviewing the Joint Waste Management Strategy (together with Constituent Councils) when waste management targets under the new performance framework are known, and when the Mayor of London has completed the review of the Regional (London) Waste Strategy.

Tony Jarvis  
**EXECUTIVE DIRECTOR**

Appendices

A Waste Strategy for England 2007 – Executive Summary

Background Papers

Waste Strategy for England 2007

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*(Contact Officer: Tony Jarvis - Tel. 020 8270 4965)***EAST LONDON WASTE AUTHORITY****25 JUNE 2007****EXECUTIVE DIRECTOR'S REPORT**

<b>JOINT WASTE DEVELOPMENT PLAN DOCUMENT</b>	<b>FOR APPROVAL</b>
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**1 Purpose**

- 1.1 The purpose of this report is to consider a response to the consultation on the Joint Waste Development Plan Document for east London.

**2 Introduction**

- 2.1 The four Constituent Councils of the East London Waste Authority (ELWA) are currently preparing a Joint Waste Development Plan Document (DPD) to cover the ELWA area.
- 2.2 The purpose of the Joint Waste DPD is to set out a planning and land use strategy for the period up to 2020 for sustainable waste management. This should enable the adequate provision of waste management facilities in appropriate locations for municipal, commercial and industrial, construction and demolition and hazardous waste. The Joint Waste DPD will form part of the Local Development Framework (LDF) for each Constituent Council.

**3 Strategic Context**

- 3.1 In terms of waste management ELWA has already embarked upon a long term strategy to meet recycling and diversion from landfill targets in the National Waste Strategy published in the year 2000. ELWA entered into a long term PFI contract with Shanks Waste Management to design, build and operate the recycling and disposal facilities necessary to manage the municipal waste from the four Constituent Councils.
- 3.2 In terms of waste planning and land use the Joint Waste DPD will provide a robust framework within which future planning applications for waste facilities in the four Constituent Councils can be considered.
- 3.3 The Joint Waste DPD, when adopted will:-
- encourage communities to take more responsibilities for their own waste;
  - drive waste up the hierarchy;
  - reverse the historical trend of east London being the dumping ground for London's waste;
  - promote sustainable waste management in accordance with the 'proximity principle';
  - Integrate waste planning with other spatial concerns, including regeneration plans; and
  - work towards meeting targets in national waste strategies and the London Plan.

- 3.4 The development of a Joint Waste DPD by the four Constituent Councils is another pioneering step by east London. It is the first of the few, Joint DPD's being developed in London at the moment.

#### **4 Stages and timetable for the Joint Waste DPD**

- 4.1 The first stage in the process for the Joint Waste DPD was the Borough Officer Steering Group commissioning a report by Land Use Consultants and Environmental Resources Management Ltd. This technical report was called "Building the Evidence Base and Identifying the Issues and Options". This document can be accessed at Constituent Council Offices and websites and local libraries.
- 4.2 A Consultation Summary in respect of this report is attached at Appendix A. A sustainability Appraisal of the issues and options has also been undertaken and this is available on Constituent Council websites.
- 4.3 Following the consideration of responses from stakeholders and other respondents to this consultation a further important document will be produced during the Autumn of 2007 which will set out the Constituent Councils' Preferred Option for waste planning in the ELWA area.
- 4.4 There will be a further period of consultation during 2008 on the Preferred Option before an independent inspector appointed on behalf of the government will conduct an examination in public, probably in 2010. The inspector's report is binding and at that point the Joint Waste DPD can be adopted by the four Constituent Councils and the development of all waste facilities in the area will be subject to the criteria in the DPD.

#### **5 Consideration by ELWA of a response to the Joint Waste DPD**

- 5.1 The Joint Waste DPD Consultation Response Form is attached at Appendix B.
- 5.2 Officers have provisionally indicated the responses that the Authority might make to the four Constituent Councils on this document. The responses proposed are consistent with the Authority's current Waste Management Strategy but also consider the impact of the government's new Waste Strategy and the waste apportionment exercise within the London Plan discussed below.

#### **6 Relationship to the London Plan – Borough level waste apportionment**

- 6.1 The Mayor's London Plan (the spatial development plan for the whole GLA area) is currently going through its final approval stages.
- 6.2 One contentious aspect has been the proposal in that Plan to apportion waste arising in central London to be managed in outer London. The general east London sub region has been apportioned 50% of the excess from Central London.
- 6.3 ELWA and the four Constituent Councils have been quite successful over the last 12 months in challenging the Mayor's original proposals. The latest proposals by the Mayor (published as minor amendments to the London Plan) are now considered to be more manageable by east London in the period up to 2015. However, the Mayor's waste projections for the period 2015 to 2020, particularly in respect of commercial and industrial waste, are still considered to be too high and this continues to be a concern. Excessively high projections for the growth of waste

have a particularly adverse affect on the number of waste facilities that east London would be required to accommodate in the future. The Borough Officer Steering Group are soon to meet GLA's officers to pursue the discussion on waste forecasts.

6.4 In July, the apportionment of waste will be the subject of debate at the Examination in Public (EIP) of the Further Alterations to the London Plan.

## **7 Recommendation**

7.1 Members are recommended to:-

- i) note the timetable for the development of a Joint Waste DPD for the Authority's area paragraph 4);
- ii) note the consultation summary (Appendix A);
- iii) consider and approve a response to the Consultation as set out in Appendix B.

Tony Jarvis  
**EXECUTIVE DIRECTOR**

### Appendices

- A Consultation Summary in respect of Building the Evidence Base and Identifying Issues and Options
- B Proposed response to the Consultation Document

### Background Papers

Technical Report – Building the Evidence Base and Identifying Issues and Options – October 2006

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Joint Waste Development Plan Document  
**Building the Evidence Base and  
Identifying Issues and Options**

**Consultation Summary**  
April 2007



## Who is preparing the Joint Waste DPD?

The Joint Waste Development Plan Document (DPD) for East London is being developed by the four East London Waste Authority (ELWA) boroughs of LB Newham, Barking & Dagenham, Havering and Redbridge. The decision to work together was established through the boroughs' Local Development Schemes and is intended to build on the positive working relationship between these boroughs as part of ELWA.



## Why do we need a Joint Waste DPD?

The Planning and Compulsory Purchase Act 2004 requires local authorities to replace their existing Unitary Development Plan with the Local Development Framework (LDF). The LDF is made up of a portfolio of Local DPDs, which must include specific waste policies. The Joint Waste DPD will form part of each boroughs LDF and help deliver the key elements of the Community Strategy for each of the boroughs.

## What are the over-arching aims of the Joint Waste DPD?

In developing the Joint Waste DPD we are aiming to:

- Encourage communities to take more responsibility for their own waste;
- Reverse the historical trend of east London being the dumping ground for London's waste;
- Promote sustainable waste management in accordance with the 'Proximity Principle';
- Integrate waste planning with other spatial concerns, including regeneration plans; and
- Work towards meeting targets set out in the National Waste Strategy and the London Plan.

## What wastes are to be managed within the Joint Waste DPD?

The Joint Waste DPD has to deal with all waste types - Municipal Solid Waste (MSW), Commercial and Industrial Waste (C&I), Construction and Demolition Waste (C&D) and Hazardous Waste.

## Key steps in developing the Issues & Options

### STEP 1

How much waste will we need to be managed in 2020?

In 2004/2005 there was approximately 2million tonnes of waste generated in the ELWA boroughs. To plan for the management of waste in the future, we need to predict how much waste will be produced. These **forecasts** are developed from looking at what has happened in the past and thinking about what may happen in the future. Factors that could influence the amount of waste at 2020 include:

- development of the Thames Gateway
- 2012 Olympic Games
- Changes to UK and EU legislation
- the amount of other London boroughs waste that is managed by the ELWA boroughs.

Our waste forecast to 2020 is 3.2million tonnes.

### STEP 2

What facilities will we need to manage this amount of waste?

There are currently facilities in the ELWA boroughs for the recycling, composting, recovery and disposal of wastes, as well as a number of transfer stations. However, there is not enough capacity within these facilities to manage the amount of waste forecast to 2020. The types of extra facilities that might be needed will depend on how we plan to manage the waste - how much waste will we recycle, compost and recover? This is discussed as the **Target Options** in the Issues & Options Consultation Document.

### STEP 3

How much land will be needed for the required waste facilities?

The London Plan (as amended December 2006) requires all boroughs to safeguard enough land to accommodate the facilities required for future waste management. Different types of waste facilities will require different amounts of land for their building and operations. To estimate how much land the ELWA boroughs may need to safeguard a standard site area requirement based on facility type and proposed capacity is used. Detail of how many hectares of land could be required across the ELWA boroughs is discussed in the Issues & Options Consultation Document.

### STEP 4

Where should new waste facilities be located?

We need to consider where in the ELWA boroughs we may be able to locate new waste facilities needed. The Issues & Options Consultation Document identifies and maps broad **opportunity areas** to focus on for facility requirements:

- expansion or intensification of operations on existing waste management sites
- land currently allocated as employment/industrial areas in planning frameworks.

It is recognised that there may be reasons as to why specific sites may not be suitable for waste management facilities. These **constraints** may include how close the site is to sensitive uses, environmental impacts, competition for the use of the site. A detailed investigation of potential sites is to be carried out.



## Consultation on Issues & Options

The Issues and Options document provides the evidence base for the development of a Joint Waste DPD for East London, and includes potential options for how we might deal with the issues identified. These options have not been endorsed by any of the boroughs and are not policy, but an opportunity for you to give us your views on future planning for waste.

We welcome your comments on the evidence base used, including our baseline data, projections and reasons, and your thoughts on the options identified. The Consultation Document includes a number of 'key questions' and a Consultation Response Form. Please return all comments to us by **4<sup>th</sup> June 2007**.

## What happens next?

The comments received during consultation on the Issues and Options, together with further investigations and discussions with various stakeholders, will be used in the development of the draft Preferred Options for the Joint Waste DPD, on which we will consult with you again.

The Issues and Options identifies a number of opportunity areas across the ELWA boroughs. These areas will be investigated in more detail when preparing the draft Preferred Option to assess their potential suitability for accommodating a new waste management facility.

## For further information


The Issues and Options consultation document is available at libraries and service centres of the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge, or can be downloaded from your Council's website:

[www.barking-dagenham.gov.uk](http://www.barking-dagenham.gov.uk)  
[www.havering.gov.uk](http://www.havering.gov.uk)  
[www.newham.gov.uk](http://www.newham.gov.uk)  
[www.redbridge.gov.uk](http://www.redbridge.gov.uk)

Please send all comments to:  
 Project Manager - Joint Waste DPD  
 Forward Planning & Transportation  
 London Borough of Newham  
 Town Hall  
 High Street South  
 East Ham E6 2RP

Alternatively, please email us at  
[ldf@newham.gov.uk](mailto:ldf@newham.gov.uk)

If you would like to be directly involved throughout the preparation of our Joint Waste DPD please contact us as above.

Monday - Friday 9.30am-5.00pm		FPSD/07/5
<p><b>For free translation phone</b>          للترجمة المجانية الرجاء الاتصال هاتفياً.          欲索取免費譯本，請致電。</p> <p><b>Pour une traduction gratuite, téléphonez</b>          मुफ्त अनुवाद के लिए फोन कीजिए          സൗജന്യമായ തർജ്ജമയ്ക്കായി ബന്ധപ്പെടുക  <b>Turjubaan lacag la'aan ah ka soo wac telefoonka.</b></p> <p><b>Para uma tradução grátis, telefone.</b>          বিনাখরচে অনুবাদের জন্য টেলিফোন করুন          મફત ભાષાંતર માટે ફોન કરો.          ਮੁਫਤ ਅਨੁਵਾਦ ਲਈ ਫੋਨ ਕਰੋ          مفت ترجمے کے لیے ٹیلیفون کیجئے۔</p> <p><b>Za besplatne prevode pozovite</b>  <b>Para obtener una traducción telefónica gratuita llame al:</b>          Перевод – бесплатно. Звоните.  <b>Për një përkthim falas telefononi.</b>          இலவச மொழிபெயர்ப்புக்கு தொலைபேசி செய்யவும்.          Για δωρεάν μετάφραση, τηλεφωνήστε.          Ücretsiz çeviri için telefon edin.          Điện thoại để được thông dịch miễn phí.          بۇ ومۇگتیران (تەرجومەکردن) بە خۆزایی، تەلەفۇن بکە.  <b>Del nemokamo vertimo skambinkinte</b>  <b>Po bezplatne tлумaczenia prosimy dzwonic</b></p> <p><b>For large print or braille phone</b>  <b>020 8430 6291</b>          © Newham Language Shop</p>		

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**JOINT WASTE DEVELOPMENT PLAN DOCUMENT (JWDPD)  
Response to Consultation**

Question	Consideration	Proposed ELWA response
<p>Key questions on the Municipal Solid Waste forecast</p> <p>Q.1 Do you agree with the growth rate projections we have used and our reasons for doing so?</p>	<p>The JWDPD uses the forecasts in the IWMS Contract plus a calculation of waste growth arising from additional households.</p>	<p>Agree</p>
<p>Q.2 Our forecasts for MSW incorporate good waste management principles, including moving up the waste hierarchy. Do you agree with this approach?</p>	<p>The JWDPD aims to provide facilities to meet the rising recycling and recovery targets in national waste strategies and therefore assumes a move up the waste hierarchy.</p>	<p>Agree</p>
<p>Q.3 Generally there are limited site opportunities in central London to manage the waste generated there. Our forecasts equally apportion central London's waste across the London boroughs. Do you agree with this approach?</p>	<p>The JWDPD provides an equal distribution of Central London's waste to the GLA sub-regions.</p>	<p>Agree</p>
<p>Key questions on the Commercial and Industrial waste forecast</p>	<p>forecast</p>	
<p>Q4 Do you agree with our scenario that decouples waste growth from economic growth that we have selected for the Commercial and Industrial waste forecast?</p>	<p>The JWDPD assumes economic growth of 3.3% pa but lower waste increases of 0.5% pa (see the consideration of Q5 below).</p>	<p>Agree</p>
<p>Q5 Do you agree with the variables considered in 3.17 for developing and selecting this scenario?</p>	<p>The JWDPD takes into account growth in Thames Gateway, the Olympics and general economic growth but these are offset by waste minimisation in the commercial and industrial sector to avoid increasing disposal costs (including Landfill Tax), additional producer responsibilities (e.g. packaging) and also a greater engagement in resource efficiency by the commercial and industrial sector.</p>	<p>Agree</p>
<p>Q6 Are there any additional variables that may impact on waste arisings that need to be considered for Commercial and Industrial waste?</p>	<p>The JWDPD appear to have considered the most relevant variables that may have an impact.</p>	<p>Agree</p>

Question	Consideration	Proposed ELWA response
<b>Key questions on the Construction and Demolition waste forecast</b>		
Q.7 Do you agree with the scenario we have selected for the Construction and Demolition waste forecast?	The JWDPD assumes a specific significant increase in the period up to 2012 described in Q8 below and a general 0.5% pa increase to 2012 with a small or no increase thereafter.	Agree
Q.8 Do you agree with the variables considered in 3.21 for developing and selecting this scenario?	The JWDPD has taken account of Thames Gateway developments, the Olympics and other general construction activity, offset in later years by the affect of increased disposal costs and the aggregates levy on the reuse and recycling of this waste stream.	Agree
Q.9 Are there any additional variables that may impact on waste arisings that need to be considered for Construction and Demolition waste?	The JWDPD appears to have considered the most relevant variables.	Agree
<b>Key questions on the hazardous waste forecast</b>		
Q.10 Do you agree with the scenario we have selected for the hazardous waste forecast?	The JWDPD assumes a 0.5% pa decrease in Hazardous Waste	Agree
Q.11 Do you agree with the variables considered in developing and selecting this scenario?	The JWDPD takes into account recent changes in Regulations and impact of increased disposal costs.	Agree
Q.12 Are there any additional variables that may impact on waste arisings that need to be considered for hazardous waste?	The JWDPD appears to have considered the most relevant variables.	Agree
<b>Key questions on existing waste capacity</b>		
Q.13 Are there other significant waste management facilities in the ELWA area that have not been included in the Building the Evidence Base and Identifying Issues & Options technical report?	The JWDPD has researched the Environmental Agency database, planning data and local knowledge to establish the total management facilities.	Not aware of any significant other facilities.
Q.14 Do you agree with the capacity figures for existing facilities? Do you have, or know of, more accurate data?	The JWDPD has researched the Environmental Agency database, planning data and local knowledge to establish the total management facilities.	Agree

Question	Consideration	Proposed ELWA response
<p>Q.15 Do you agree with the estimate that actual throughput at facilities is likely to be 75% of the maximum available (licensed) capacity as suggested in the London Plan?</p>	<p>The JWDPD has assumed 75% of capacity is available. This would allow for some additional waste growth being handled by existing facilities.</p>	<p>Agree</p>
<p>Key questions on determining required capacity</p>		
<p>Q.16 Should we consider using policies in the DPD to encourage recycling and reuse of C&amp;D wastes at or near to construction sites?</p>	<p>The JWDPD suggests that policies in the DPD could reduce the transport of construction and demolition waste and increase on-site recycling and reuse of this waste.</p>	<p>Agree</p>
<p>Q.17 What targets should we be aiming to achieve?</p> <ul style="list-style-type: none"> <li>• TARGET OPTION A Meet the current national/regional targets for recycling and composting of municipal solid waste [Waste Strategy 2000 and London Plan 2004] and recovery of municipal solid waste [Waste Strategy 2000]</li> <li>OR</li> <li>• TARGET OPTION B Meet the suggested higher recycling, composting and recovery targets for municipal solid waste [Review of Waste Strategy 2000] and proposed recycling targets for C&amp;I and C&amp;D wastes [Further Alterations to the London Plan].</li> </ul>	<p>Under Option A the JWDPD would aim to provide waste management capacity to achieve 33% recycling &amp; composting of municipal waste by 2015 and a total diversion from landfill of 67% of municipal waste. There are no specific recycling and composting or reuse targets for commercial, industrial, construction and demolition waste in the National Waste Strategy 2000.</p> <p>Under Option B the JWDPD would aim to provide waste management capacity to achieve 45% recycling and composting by 2015 (and 50% by 2020) and a total diversion from landfill of 75% of municipal waste. In addition 70% of commercial and industrial waste would be recycled and composted and 95% of construction and demolition waste would be recycled and reused.</p>	<p>The recently published "Waste Strategy for England 2007" has higher national targets for municipal waste than in Option A. Therefore Option B may be the more appropriate option <u>or</u> a variant of Option B that also considers the impact of the new waste strategy on commercial and industrial waste and on construction and demolition waste.</p>
<p>Key questions for the number of facilities and land area required</p>		
<p>Q.18</p>	<p>Not applicable</p>	

Question	Consideration	Proposed ELWA response
<p>Key questions for the number of facilities and land area required</p> <p>Q.19 If your preferred target option (Q.17) is TARGET OPTION B, based on the discussion above what are your preferred facility/land area options and why?</p> <ul style="list-style-type: none"> <li>For the required 90-95ktpa MSW recycling/composting or recovery capacity from 2008: OPTION MSW B1 or OPTION MSW B2 or OPTION MSW B3 or OPTION MSW B4 or OPTION MSW B5 or OPTION MSW B6</li> </ul> <p>And</p> <ul style="list-style-type: none"> <li>For the required C&amp;I recycling capacity from 2015: OPTION C1 B1 or OPTION C1 B2</li> </ul>	<p>The JWDPD has six sub-options on possible large and small recycling and composting facilities for <u>municipal</u> waste providing 100ktpa in total from 2015 (not 2008 as stated).</p> <p>The JWDPD has two sub-options for recycling and composting facilities for commercial and industrial waste, i.e. three small facilities or one large facility, both options providing 150ktpa in total.</p>	<p>More materials could be recovered through the existing Bio MRF facilities in sub option MSW B1 or further processing facilities added to recover energy from the Bio MRF residues. Sub-option MSW B6 appears to be the most appropriate (and flexible) option for additional recycling &amp; composting facilities. Option MSW B6 is a mix of new smaller recycling and composting facilities adding up to 100ktpa.</p> <p>Sub Option C1B1 appears to be the most appropriate (and flexible) given the uncertainties about waste growth forecasts) option for additional recycling. It suggests 3 smaller facilities of 50ktpa.</p>
<p>Key questions for opportunity areas and constraints</p> <p>Q.20 Are there any other areas that should be highlighted as opportunity areas for locating new waste management facilities?</p>	<p>The JWDPD is asking questions about opportunity areas, constraints on sites and broad location types.</p>	<p>These questions on spatial development issues are beyond the remit of the Waste Disposal Authority.</p>
<p>Q.21 Do you think that any of the identified opportunity areas should be removed? If so, please include reasons why.</p>	<p>“ “ “ “</p>	<p>“ “ “ “</p>
<p>Q.22 Are there other constraints that we should consider?</p>	<p>“ “ “ “</p>	<p>“ “ “ “</p>
<p>Key questions for the distribution of new facilities</p>		
<p>Q.23 Do you support the broad location types identified?</p>	<p>“ “ “ “</p>	<p>“ “ “ “</p>
<p>Q.24 Should any other types of locations be considered?</p>	<p>“ “ “ “</p>	<p>“ “ “ “</p>

**Joint Waste Development Plan Document**

**Draft minor alterations to the London Plan  
Borough level apportionment**

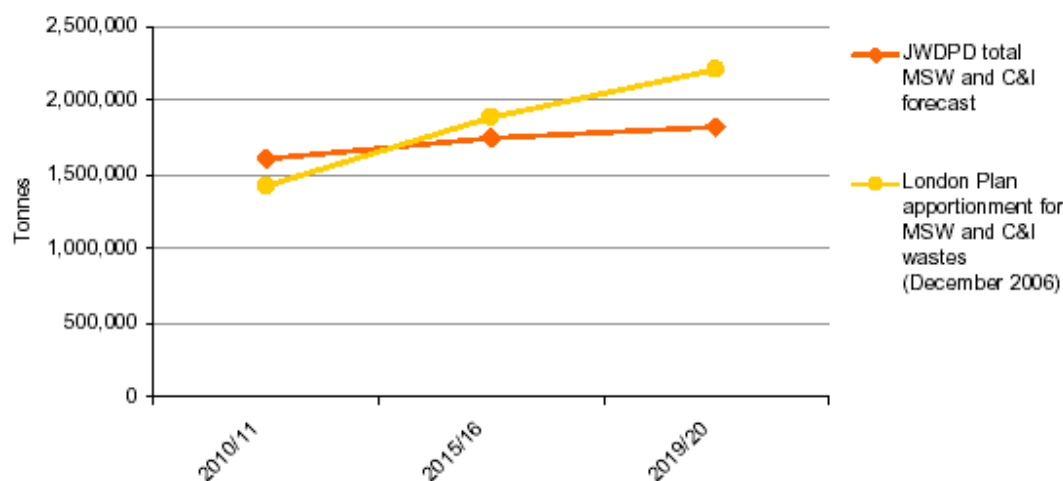
1. The adoption by the Mayor of London of the current proposals under the draft minor alterations to the London Plan would result in the following implications for waste facilities within the Constituent Councils of ELWA.

At 2010 - The options identified in East London Joint Waste DPD are adequate to meet the apportionment requirements proposed by the Mayor.

At 2015 - In addition to the options identified in the East London Joint Waste DPD the Constituent Councils would need to identify and safeguard land to accommodate a further 137,000 tonnes of municipal, commercial and industrial waste from central and other areas of London.

At 2020 - in addition to the options identified in the East London Joint Waste DPD the Constituent Councils would need to identify and safeguard land to accommodate a further 387,000 tonnes of municipal, commercial and industrial waste from central and other areas of London.

2. The graph below shows the above Joint Waste DPD proposals for the total amount of waste to be 'managed' within the ELWA area and the London Plan proposals for the amount of waste to be 'managed' within the ELWA area.



The Joint Waste DPD forecast is for municipal waste growth of 1% p.a. or less over the period and commercial and industrial waste growth of 0.5% or less. The draft Alterations to the London Plan's forecast is for municipal waste growth of 1.75% p.a. and commercial and industrial waste growth of 2.3% p.a.

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*(Contact Officer: Ruth Gibson - Tel. 07994 932655)***EAST LONDON WASTE AUTHORITY****25 JUNE 2007****HUMAN RESOURCES MANAGER**

<b>EMPLOYMENT - UPDATE</b>	<b>FOR INFORMATION</b>
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**1 Introduction**

- 1.1 As part of the evolution of ELWA as an employer, it was agreed by the Board (2006) that LBBD would provide HR support services to ensure the effective TUPE transfer of staff from their respective local authorities to ELWA. This report provides information on progress to date.
- 1.2 This report is organised under the following headings:-
- Information to date;
  - financial implications;
  - legal implications;
  - conclusion.

**2 Information to Date**

- 2.1 The East London Waste Authority became an employer on the 1<sup>st</sup> April 2007.
- 2.2 The implementation date for the transfer of seconded staff was set as 1<sup>st</sup> June 2007 to allow for:-
- the development of ELWA Terms and Conditions of Employment;
  - the development of key policies such as grievance and disciplinary provisions, sick pay and leave;
  - The practical arrangements for TUPE transfers and a new payroll.
- 2.3 Although a principle agreement was reached by the Authority to adopt LBBD personnel policies where appropriate, these are not completely compatible with the ELWA management and staff structure. Policies would therefore not only need to be constructed to comply with legal provisions, but to ensure that they reflected the different arrangements within ELWA. Appendix A lists the work programme to develop appropriate policies.
- 2.4 ELWA would benefit from the construction of a 'Staff Handbook' which would form part of the employee's terms and conditions of employment. The aim of this comprehensive document would be to provide existing and new employees with all of ELWA's agreed policies, practices and procedures. It would also contain key information about ELWA and its operations. The development of this document would be on-going, involving consultation with staff and the Board. Appendix B provides a framework of proposed contents of the Handbook. A number of the items within this list can be copied across from the ELWA Constitution or from current LBBD policies and guidelines.

### **3 Financial Implications**

- 3.1 A Service Level Agreement (SLA) is being finalised which will formalise the provision of Human Resources, Payroll and Pension services between LBBB and ELWA.
- 3.2 There will be a one-off set up cost of £7,000 and an annual continuing cost of £15,000 for personnel services. (The SLA for payroll has yet to be finalised). Some savings will be made to existing SLA's with the three seconding Boroughs to offset the ongoing cost.

### **4 Legal Implications**

- 4.1 As an employing authority, ELWA needs to ensure that it meets all of its legal provisions including TUPE transfer obligations. Current LBBB policies will be adapted where possible to meet ELWA staff and management arrangements.
- 5.2 Agreed policies will ensure consistency in the dealings and decisions of employment matters and will significantly minimise risk of legal claims through bad practice.

### **5 Conclusion**

- 5.1 Staff were successfully transferred from their respective local authorities to ELWA on June 1<sup>st</sup> 2007.
- 5.2 The construction of necessary employment contracts and immediate policies have been achieved.
- 5.3 Framework for a Staff Handbook is on-going (Appendix A).
- 5.4 Framework for policy planning is on-going (Appendix B).

### **6 Recommendations**

- 6.1 Members are asked to note this report.

Ruth Gibson  
**HR MANAGER**

#### **Appendices**

- A List of Policies and Proposed Deadlines
- B Outline for Proposed Staff Handbook

#### **Background Papers**

Minutes 16.10.06 (Minute 1461)

## List of Policies – and Proposed Deadlines

This is not an exhaustive list. ELWA may introduce their own policies that reflect the unique way that it works.

### Completing Policies – Proposed Deadlines

**Achieved**

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#### ***March – May***

Contract and Terms and Conditions of Employment  
 Grievance  
 Discipline  
 Pay and Pensions  
 Allowances and Benefits (Car Users etc)  
 Sickness Absence and Sick Pay  
 Annual Leave  
 Termination of Employment  
 Working Hours




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#### ***June – December***

Confidentiality and Data Protection  
 Work-Life Balance – (Hours of work etc)  
 Health and Safety  
 Risk Assessments  
 Politically Restricted posts  
 Special Leave Arrangements (Garden Leave, Time off for Dependents etc)  
 Redundancy, Redeployment and Assimilation  
 Training and Development  
 Performance, Appraisals and Capability  
 Whistle Blowing  
 Job Evaluation  
 Retirement

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#### ***January 2008 – March***

Equal Opportunities and Diversity  
 Harassment and Bullying  
 Maternity Leave  
 Paternity Leave  
 Adoption Leave  
 Recruitment and Selection  
 Probation  
 Using Consultants  
 Violence and Aggression at Work  
 Working for ELWA

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# East London Waste Authority

## Staff Handbook



### Outline For A Staff Handbook

#### **SECTION A ABOUT ELWA**

Mission Statement and Core Strategic Aims  
Location of Sites & Contact Details  
Address & Contact Details of Main Office  
Organisation Structure of Arden House  
Executive Board Structure  
Executive Board Roles  
General Notes Governing the Membership and Conduct of the Authority (refer to Constitution)

#### **SECTION B EQUAL OPPORTUNITIES AND DIVERSITY**

Equal Opportunities & Diversity Policy

#### **SECTION C PERSONNEL, PERFORMANCE REVIEWS AND STAFF DEVELOPMENT**

Staff Pay & Policies  
Car Allowances and Car Loans  
Appraisals and Performance Reviews  
Staff Development

#### **SECTION D ABSENCE AND LEAVE ARRANGEMENTS**

Annual Leave Arrangements  
Sick Leave Procedures  
Maternity Leave & Pay Guidelines  
Family Friendly / Flexible Work Life Balance Guidelines  
Parental Leave Guidelines  
Paternity Leave Guidelines  
Time Off for Dependents Guidelines

#### **SECTION E STAFF BEHAVIOUR AND CONDUCT**

Grievance Procedure  
Disciplinary Procedure  
Harassment & Bullying Guidelines  
Alcohol and Drugs Guidelines  
Confidentiality  
Conflict of Interest  
Exclusivity of Service  
Whistle Blowing

## **SECTION F DATA PROTECTION**

National Context & Legislation  
ELWA's Responsibilities for Data Protection  
Staff Rights & Responsibilities  
Writing References for Staff & Former Staff Members

## **SECTION G HEALTH AND SAFETY**

Policy Statement  
Emergency & Security Procedures at Landfill Sites, Waste Management Sites  
& at Arden House  
First-Aid  
Display Screen Equipment  
Risk Assessment  
Hazardous Materials  
Hazard Report Form  
Accident / Incident Report Form

## **SECTION H FINANCIAL PROCEDURES**

Financial Regulations Guidelines  
Staff Expenses Claims  
Petty Cash  
Mobile Telephones  
Invoices & Purchase Orders  
Banking & Security of Cash, Cheques and Other Negotiable Instruments  
Payment Procedures  
Payment Processing Cycles

## **SECTION I GENERAL STAFF INFORMATION**

Photocopying & Copyright  
Identification Cards  
Public Opening Times at Arden House  
Property  
Season Ticket Loans  
Smoking  
Staff Telephone Directory  
Use of LBBD Leisure Facilities