

Notice of Meeting

EAST LONDON WASTE AUTHORITY

Monday, 17 March 2008 - Committee Room 2, Town Hall, Barking, 1:00 pm

Members: Councillor M E McKenzie (Chair); Councillor S Kelly (Deputy Chair); Councillor P R Goody, 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.

10 March 2008

R. A. Whiteman
Managing Director

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AGENDA

- 1. Apologies for Absence**
- 2. Minutes - To confirm as correct the minutes of the meeting held on 4 February 2008 (Pages 1 - 4)**
- 3. Contract Performance - 1 April 2007 to 31 January 2008 (Pages 5 - 15)**
- 4. Budgetary Control Report to 31 January 2008 (Pages 17 - 20)**
- 5. To consider the date of the next meeting of the Authority**
- 6. Any other public items which the Chair decides are urgent**
- 7. To consider whether it would be appropriate to pass a resolution pursuant to Section 100A(4) of the Local Government Act 1972**

Private Business

The public and press have a legal right to attend ELWA meetings except where business is confidential or certain other sensitive information is to be discussed. The items below relate to the business affairs of third parties and are therefore exempt under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended.

- 8. Annual Budget and Service Delivery Plan 2008/09 (Pages 21 - 36)**
- 9. Any other confidential or exempt items which the Chair decides are urgent**

EAST LONDON WASTE AUTHORITY

Monday, 4 February 2008
(1:10 - 2:30 pm)

Present: Councillor M E McKenzie (Chair), Councillor S Kelly (Deputy Chair), Councillor P R Goody, Councillor P Murphy, Councillor P Sheekey, Councillor B Tebbutt and Councillor A Weinberg

1540 Apologies for Absence

An apology for absence was received on behalf of Councillor Mrs P A Twomey.

1541 Minutes (26 November 2007)

We have confirmed as correct the minutes of our meeting held on 26 November 2007.

In relation to Minute 1539, we have received commentaries from the Executive Director and Managing Director on the latest position and have agreed that consideration of the Annual Budget & Service Delivery Plan 2008/09 be deferred until a future date.

1542 Revenue and Capital Estimates and Levy 2008/09

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

We have considered the report concerning the estimates and the levy for 2008/09 and the underlying cost increases, legal background, levy apportionment and the particular issues that apply. We have also considered the issues relating to contingencies and reserves, including the risk analysis.

We have considered the suggestion that ELWA was perhaps being over cautious in its approach and that the proposed levy increase did not reflect the grant increases received by the Constituent Councils.

Officers stated that they had not aimed to be over or under prudent and that the budget had been based on a range of indicators and prepared in conjunction with Borough Officers. ELWA Officers had taken a mid range view of risk and this budget was sound and would smooth out any difficulties that may arise and it was their recommendation that Members accept the position as set out in the report.

We have agreed:-

- (i) the revised estimates for 2007/08 totalling £38,755,000;
- (ii) and noted the utilisation of the 2007/08 contingency as set out in the report;

- (iii) revenue estimates for 2008/09 of £44,900,000 excluding contingency and contributions from reserves;
- (iv) the charges of £70 per tonne for 2008/09 disposal credits and recyclable commercial & industrial waste and £80 per tonne for other commercial and industrial waste;
- (v) for 2008/09 utilisation of the PFI Contract Reserve of £7,400,000;
- (vi) a Contingency Reserve of £550,000;
- (vii) a contribution from Revenue Reserves of £1,750,000;
- (viii) that ELWA determines its levy for 2008/09 at £36,300,000 on the basis of paragraphs 7.1 and 12.4 of the report;
- (ix) the policy on Reserves and associated criteria for use; and
- (x) the continuation of existing arrangements for the payment of the levy and funding of Constituent Councils in 2008/09.

Councillors Kelly and Tebbutt voted against.

1543 Treasury Management Strategy for 2008/09, and Prudential Code Indicators 2008/09 to 2010/11

We have received the Finance Director's report and appendices and discussed the interest rate levels applied to both borrowing and lending following questions raised by the Deputy Chair. We have asked the Finance Director to respond in writing direct.

We have agreed the Treasury Management Strategy, Prudential Indicators for Treasury Management, and Prudential Indicators for Capital Expenditure and Annual Investment Strategy as set out in the respective Appendices.

1544 Risk Strategy - Update for 2008/09

We have received the Executive Director's report and appendices detailing Officers' review of the Strategic and Operational Risk Registers in accordance with the Risk Management Strategy. We considered the Emergency Planning responsibilities of the Constituent Councils.

We have noted the Risk Strategy and Net Risk Matrix and approved the updated Strategic Risk Register and Operational Risks Register as set out in the appendices. We have approved an annual review.

1545 Rent Review - Reuse & Recycling Centre Sites

We have received the Contract Manager's report providing details of the District Valuer's 5-yearly revaluation of the market rental for the borough sites managed within the IWMS contract.

Noted that the review has resulted in payments to the boroughs increasing by 35%

since the last review (an average of 7% per annum). We have agreed the lease payments to the Boroughs.

1546 Contract Performance - April to December 2007

Received and noted the Assistant Executive Director's report and appendices. We have received commentary on Site operations, contract monitoring, recycling performance and diversion from landfill.

Issues to note were that overall waste levels were lower than projected, recycling and composting performance was down on the projected figure. Low recycling performance and recovery of lost ground emphasised the need for the recycling rate to get off to a good start early in the 2008/09 financial year. Diversion from landfill was better than projected at 45%.

We have actively considered the concerns raised by Members about the contractor's underperformance within the contract and discussed the proposed way forward.

1547 MBT Testing of Bio-Mrf Facilities-Update

Noted the Assistant Executive Director's report and commentary on the results of MBT testing of the Bio-Mrf facilities.

The results of testing suggest that the MBT saves ELWA considerable value in terms of avoided landfill tax and allows ELWA to avoid potential penalties if it had to landfill above the annual allowance. He reported also that the results were forming a pattern that would support a request to the Environment Agency for less frequent testing in the future.

1548 Department for Communities and Local Government Consultation Paper - Exemption of Posts from Political Restrictions

Received the Legal Advisor's report on the provisions affecting ELWA in the Consultation paper and the question about whether it is thought necessary for the Secretary of State to make Regulations to provide for Authorities not required to have Standards Committees to establish committees to undertake functions with regard to the exemption of certain posts from political restrictions, or whether affected Authorities make arrangements under Section 101 of the Local Government Act 1972 instead.

We have agreed the recommended response and authorised the Legal Advisor to respond to the Department for Communities and Local Government Waste Disposal Authorities.

1549 Appointment of Auditor

We have noted the Office Manager's report advising that PricewaterhouseCoopers had been appointed our external auditors for five years with effect from the 2008/09 audit. Noted that the Audit Commission will continue in office until finalisation of the 2007/08 accounts. One of the Members objected to the fee percentage to be applied for these services having compared it with the grant increases received by the Constituent Councils.

1550 Date of next meeting of the Authority

Pursuant to Minute 1541, we have agreed to meet, if required, at 1pm on 17 March 2008 for the purpose the settling the Annual Budget & Service Delivery Plan. Councillor Alan Weinberg declared a non-pecuniary interest in this item adding that he would need to be excused for this item.

Chair:

Dated:

*(Contact Officer: John Wilson- Tel. 020 8270 4997)***EAST LONDON WASTE AUTHORITY****17th MARCH 2008****ASSISTANT EXECUTIVE DIRECTOR'S REPORT**

CONTRACT PERFORMANCE – APRIL 2007 TO JAN 2008	FOR INFORMATION
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1 Purpose

- 1.1 To report on the performance of the Integrated Waste Management Strategy (IWMS) Contract for the period April 2007 to January 2008.

2 Tonnage Data and Contract Payments

- 2.1 As can be seen from Appendix A the tonnage for this period was 425k tonnes, approximately 4k tonnes less than anticipated in the Annual Budget & Service Delivery Plan, producing a saving against budget to date of £567k.

2.2 Site Operations

- 2.3 On 21st January the Temporary Transfer Station at Jenkins Lane was closed for the construction of the new orange bag Mrf and is expected to be out of use until July. This is the last piece of the infrastructure to be built under the IWMS contract. This loss of capacity at Jenkins Lane has meant that many of LB Newham's bulky collection vehicles had to be diverted to London Waste Ltd at Edmonton. This diversion will enable the recyclable materials carried by these vehicles to be captured, rather than being landfilled.

- 2.4 The two Bio Mrfs have been operating without major impacts upon boroughs' deliveries, despite the need to maintain or repair the many moving parts that these facilities use. Breakdowns have been accommodated by internal rearrangement at the sites without the need for unplanned diversion. SFL the company that was the brand name and who was contracted to installed the sorting mrf (containing the Opti system) have gone into liquidation. This should not have any major operational impacts as Shanks now go directly to Optibag and use the engineering company who were sub contractors to SFL for the installing the equipment.

- 2.5 Ilford Recycling Centre has adjusted to the increased throughput due to LB Redbridge initiative of offering weekly recycling collections from all properties, although this site is soon to be scheduled for ground repairs.

- 2.6 January and February are the quiet periods for the Reuse & Recycling Centres (RRC) sites and traffic movement has been good with little queuing.

3 Contract Monitoring

- 3.1 The Revised Service Delivery Plan anticipated that to achieve the 2007/08 22% target for recycling and composting, performance would need to rise from approximately 18.4% in April 2007 to over 25% in March 2008. The recycling performance from April to January is shown in Appendix B and shows that the 16.50% recycled, was lower than the cumulative 21.5% that was projected in Shanks'

revised plan. The actual performance in the month of January was 14.4%. Lower performance is expected at this time of the year at the RRC sites due to low green waste inputs, despite any Christmas tree recycling initiatives, however green waste this month is significantly less than last January. The level of green waste is not within Shanks' control. The levels of dry recycling although generally low improved compared to last January due to 400 tonnes of glass being recycled from the Bio Mfrs. The prospect of this glass being recycled was one of the main reasons why the Revised Plan was accepted last year. Unfortunately it has taken Shanks much longer than projected to get these items in place. The current recycling performance brings the required 25% level for February and March into a sharper focus, since it is not expected that significant increases will occur.

- 3.2 Albeit that a further trial load of fines has been earmarked for this year the composting levels of the 'fine' fraction as projected will not happen this financial year. This is because facilities to receive this material have not yet been secured and its ultimate end use not yet proven. The most likely outlet to receive this material has first to obtain permissions to build new vessels to increase capacity, and the planning approval is not as straight forward as expected and this facility is not expected to be in place before next July. Meanwhile other potential outlets are being actively pursued by Shanks.
- 3.3 Although efforts are being made for alternative locations, and various cleaning trials are being pursued, based upon the performance for the first ten months, the achievement of the 22% recycling target for 2007/08 looks impossible. The best estimate is 18%.
- 3.4 Appendix B shows the recycling and composting performance for April to January compared to the agreed revised plan proposed by Shanks' for 2007/08 and performance last year.

4 Diversion from Landfill

- 4.1 The contractual target for diversion from landfill is 40% for 2007/08. This target is being exceeded with a cumulative diversion of 44.2% (41.6% in January). This excess provides the Authority with a potential LATS benefit.
- 4.2 The performance against LATS allowances for 2007/08 is shown at Appendix C, and shows a surplus of 54874 allowances for the above period i.e. a greater diversion of biodegradable waste from landfill than was necessary to meet the government target.
- 4.3 Unfortunately, to date, there is still not a 'market' for the sale of surplus LATs and is likely to remain the same for the remainder of this year, with the majority of the Waste Disposal Authorities (WDAs) having sufficient allowances to meet their 2007/08 targets, and therefore will be potential sellers not buyers. Therefore although these Allowances have a potential value, without a buyer this cannot be realised. ELWA currently has 114239 allowances banked.

5 Conclusion

- 5.1 Overall waste levels for this period, although increasing compared to 2006/07, are lower than ABSDP projected.
- 5.2 Recycling and composting performance for the period April to January averaged 16.5% compared to the 22% recycling performance required under the contract.

Shanks continue to suffer a loss in financial supplements arising from the lower than required recycling performance.

- 5.3 The 44.6% diversion from landfill is better than projected which reflects the continued success for the Secondary Recovered Fuel (SRF) recovery.

6 Recommendation

Members are asked to note this report.

John Wilson
ASSISTANT EXECUTIVE DIRECTOR

Appendices

- A Contract Waste Performance 2006/07 and 2007/08
- B Contract waste recycling & composting performance 2006/07 and 2007/08
- B1 Monthly contract recycling
- C Performance against LATS target

Background Papers

None

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Contract Waste 2006/07 and 2007/08

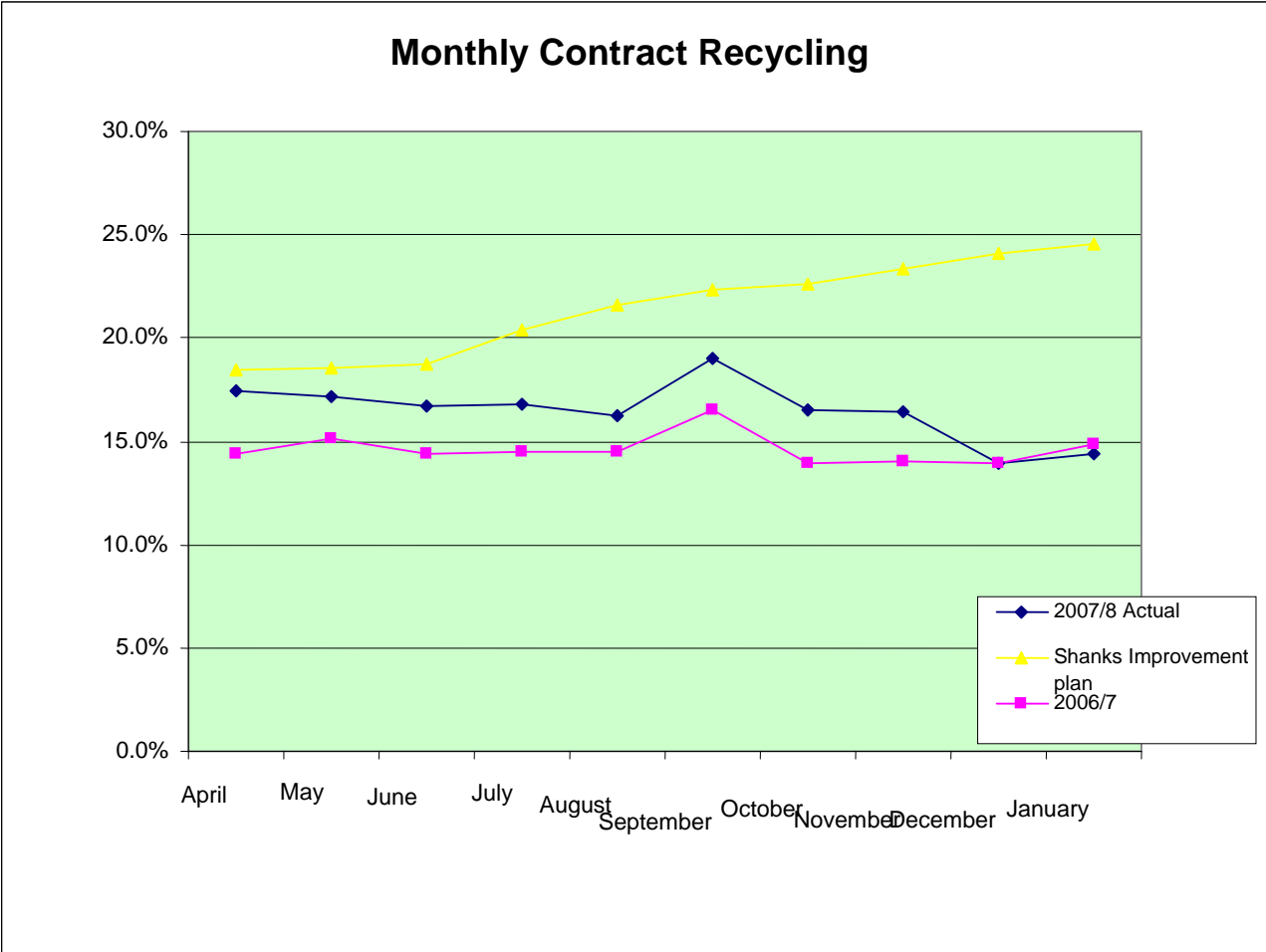
	Contract Tonnages						Contract Sums			£K
	ABSDP		Actual Tonnage		RRC Tonnage		2006/7	2007/8		
	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	Actual	ABSDP	Actual	
April	45511	41984	40573	42736	8178	9895	£2,658	£2,865	£2,885	
May	43378	47106	45523	43237	8484	8205	£2,869	£3,124	£3,019	
June	47851	49818	48144	43209	9533	8517	£2,954	£3,198	£2,956	
July	42148	42726	41277	44372	6913	8572	£2,695	£3,759	£3,730	
August	42771	43578	42113	45446	6963	10103	£2,732	£3,797	£3,796	
September	45056	44385	42869	42778	7617	8807	£2,758	£3,774	£3,688	
October	40311	40948	41114	43339	6113	7719	£2,705	£3,680	£3,768	
November	40915	41738	40719	41001	5533	6866	£2,667	£3,656	£3,614	
December	38838	38351	35895	36227	4418	5359	£2,471	£3,564	£3,396	
January	38244	39116	40802	42975	4772	7255	£2,722	£3,599	£3,730	
10 Months to January	425023	429750	419029	425321	68524	81298	£27,231	£35,015	£34,582	
February	35448	35823	35087		5064		£2,444	£3,274		
March	40960	40872	41999		7472		£2,726	£3,677		
Annual Total	501431	506445	496115		81061		£32,401	£41,965		

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Contract Waste Recycling & Composting Performance 2006/07 and 2007/08

Month	Recycling		Composting		Total Recycling		
	Tonnages	Percentage	Tonnages	Percentage	Tonnages	Percentage	Percentage
	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	2006/7
April	4256	5,352	1596	2,115	5852	7,467	14.40%
May	4249	5,561	2658	1,881	6907	7,442	15.20%
June	4130	5,016	2822	2,191	6952	7,207	14.40%
July	4129	5,330	1843	2,130	5972	7,460	14.50%
August	4526	5,540	1572	1,849	6098	7,389	14.50%
September	5152	5,150	1942	2,970	7094	8,120	16.50%
October	4145	5,442	1600	1,713	5745	7,154	14.00%
November	4370	5,166	1356	1,561	5726	6,727	14.10%
December	4015	4,443	1002	605	5017	5,048	14.00%
January	5285	5,383	793	572	6078	5,955	14.90%
10 Months to January	44257	52383	17184	17586	61441	69969	14.70%
February	4304		883		5187		14.80%
March	5236		1264		6500		15.50%
Annual Total	53797		19331		73128		14.70%
							21.50%
							25.70%
							25.70%
							22.00%

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Performance against LATS Target

Month	Contract Waste		LANDFILL		LATS Target	
	Tonnage	Biodegradable	Tonnage	Biodegradable	Tonnage	Difference
April	42,736	29,915	25,975	18,183	22,097	3,915
May	43,237	30,266	24,815	17,371	22,097	4,727
June	43,209	30,246	25,952	18,166	22,097	3,931
July	44,372	31,060	24,047	16,833	22,097	5,264
August	45,446	31,812	23,293	16,305	22,097	5,792
September	42,778	29,945	21,065	14,746	22,097	7,351
October	43,339	30,338	23,447	16,413	22,097	5,684
November	41,001	28,701	23,664	16,565	22,097	5,532
December	36,259	25,381	19,931	13,952	22,097	8,145
January	42,975	30,082	25,092	17,564	22,097	4,533
February		0		0	22,097	
March		0		0	22,097	
Accumulative Total	425,353	297,747	237,281	166,096	265,164	54,874

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*(Contact Officers: Jay Gohil: 020 8708 5086)***EAST LONDON WASTE AUTHORITY****17th MARCH 2008****FINANCE DIRECTOR'S REPORT**

BUDGETARY CONTROL TO 31st JANUARY 2008	FOR INFORMATION
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1 Introduction

- 1.1 This budgetary control report compares ELWA's actual expenditure for the ten months ended 31st January 2008 with the revised revenue estimates approved in February 2008 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 £32,256,000 and the actual net expenditure on services of £32,143,000 the under spend for the period is £113,000 (see Appendix A).
- 2.2 There are no significant variations to highlight since the Levy report presented to your last meeting.
- 2.3 Due to market conditions there have been no sale of surplus LATS allowances to date. Officers will continue to review the situation.
- 2.4 ELWA's revised Contingency sum for 2007/08 is £210,000 and comprises of £45,000 for staff recruitment costs, £40,000 for costs relating to Orange Bag Testing Trials and specialist advice and £125,000 for costs relating to biodegradability testing at Frog Island and Jenkins Lane. The agreed total utilisation to date is £94,000.
- 2.5 Currently, there are still some issues and uncertainties faced by ELWA but overall there could be an under spend for 2007/08.
- 2.6 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 ten months to January 2008 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 31st January 2008

Background Papers

None

EAST LONDON WASTE AUTHORITY
BUDGET MONITORING STATEMENT TO 31st JANUARY 2008

<u>EXPENDITURE</u>	<u>Revised Budget 2007/08 £'000</u>	<u>Profiled Budget to 31.1.08 £'000</u>	<u>Total Actual to 31.1.08 £'000</u>	<u>Variance to 31.1.08 £'000</u>
<u>Employees</u>	412	343	327	-16
<u>Premises Related Expenditure</u>	103	86	73	-13
<u>Transport Related Expenditure</u>	5	4	2	-2
<u>Supplies and Services</u>				
Payments to Shanks.east London	41,571	34,620	34,579	-41
Other (inc cost of Support Services)	504	420	384	-36
<u>Third Party Payments</u>				
Disposal Credits	90	75	75	-
Recycling Initiatives	200	167	167	-
Tonne Mileage	525	438	438	-
Rent payable - property leases	215	179	179	-
<u>Capital Financing Costs</u>	285	237	237	-
TOTAL GROSS EXPENDITURE	43,910	36,569	36,461	-108
<u>Income</u>				
Commercial Waste Charges	-3,431	-2,859	-2,859	-
Interest on Balances	-1,600	-1,333	-1,333	-
WEEE Grant	-104	-104	-104	-
Other Income	-20	-17	-22	-5
TOTAL INCOME	-5,155	-4,313	-4,318	-5
NET EXPENDITURE ON SERVICES	38,755	32,256	32,143	-113
PFI Grant Receivable	-4,537	-3,781	-3,781	0
Transfer to PFI Contract Reserve	4,537	3,781	3,781	0
Transfer from PFI Contract Reserve	-5,500	-4,583	-4,583	0
Levy Receivable	-32,990	-27,469	-27,469	0
Contingency Allocated	210	175	94	-81
Contribution from Reserves	-1,900	-1,583	-1,583	0
REVENUE SURPLUS FOR PERIOD	-1,425	-1,204	-1,398	-194

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