

# **Notice of Annual General Meeting**

## **EAST LONDON WASTE AUTHORITY**

**Monday, 23 June 2008 - Civic Centre, Dagenham, 1:00 pm**

**Members:** Councillor M Aaron, Councillor S Kelly, Councillor M E McKenzie, 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.

16.06.08

R. A. Whiteman  
Managing Director

Contact Officer: Tony Jarvis  
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### **AGENDA**

- 1. Appointment of Chair and Vice-Chair (Page 1)**
- 2. Apologies for Absence**
- 3. Minutes - To confirm as correct the minutes of the meeting held on 7 April 2008 (Pages 3 - 4)**
- 4. Membership 2008/09 (Page 5)**
- 5. ELWA Limited Directorship 2008/09 (Pages 7 - 8)**
- 6. Programme of Meetings 2008/09 (Pages 9 - 10)**
- 7. Final Financial Outturn Report 2007/08 (Pages 11 - 15)**
- 8. Draft Annual Governance Statement for 2007/08 (New Governance Framework For Local Government) (Pages 17 - 33)**
- 9. Draft Statement of Accounts 2007/08 (to follow)**

10. **2008/09 Performance Indicators (previously included in the Best Value Performance Plan) (Pages 35 - 37)**
11. **Contract Performance - Summary for Year 2007/08 (including LATS Performance) (Pages 39 - 53)**
12. **Internal Audit – Progress Report 2007/08, Audit Plan 2008/09 and Planned Audit Coverage to March 2010 (Pages 55 - 61)**
13. **Budgetary Control Report to April 2008 (Pages 63 - 65)**
14. **Waste Management - April 2008 (Pages 67 - 73)**
15. **Any other public items which the Chair decides are urgent**
16. **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.

17. **Waste & Recycling Performance (Pages 75 - 109)**
18. **Contract Performance (Pages 111 - 117)**
19. **Closed Landfill Strategy (Pages 119 - 129)**
20. **Any other confidential or exempt items which the Chair decides are urgent**

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

## EAST LONDON WASTE AUTHORITY

23 JUNE 2006

### OFFICE MANAGER'S REPORT

APPOINTMENT OF CHAIR AND VICE CHAIR	FOR RECOMMENDATION
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#### 1. Purpose

- 1.1. To repeat the provisions in the Constitution concerning the appointment of Chair and Vice Chair.

#### 2 Background

- 2.1 The current Constitution contains the following provisions:

##### **Article 1.4 Chair and Vice-Chair**

*The Chair and Vice-Chair are appointed at each Annual General Meeting of the Authority.*

*In the event of a casual vacancy occurring in either position, an appointment to fill the vacancy shall be made at the next ordinary meeting of the Authority.*

*The meetings are controlled by the Chair who is responsible for:*

- (a) *upholding and promoting the purposes of the Constitution, and interpreting it (with the assistance of the Managing Director);*
- (b) *presiding over meetings of the Authority so that its business can be carried out efficiently and with regard to the rights of Members and the interests of the community.*

##### **Article 1.10 Annual General Meeting (AGM)**

*The AGM of the Authority will be held in May or June of each year.*

*At each AGM, the first business shall be the appointment of a Chair and Vice-Chair for the coming year from amongst the membership. Once appointed, the newly appointed Chair shall preside at the meeting.*

*To avoid any doubt, the person presiding at the commencement of the AGM shall be the preceding year's Chair or, in the absence of the Chair, the Vice-Chair or, in the absence of both, another Member chosen by those present.*

*Following the appointment of the Chair and Vice-Chair, the AGM will consider such other business as is included on the agenda.*

#### 3. Recommendation

- 3.1 In previous years Members have considered that it is in the general interest of conducting ELWA business that the Chair and Vice Chair are representatives from different Constituent Councils and different political parties.

Shirley-Ann Gray  
OFFICE MANAGER

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## **EAST LONDON WASTE AUTHORITY**

Monday, 7 April 2008  
(1:10 - 3:14 pm)

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

### **1558 Apologies for Absence**

An apology for absence was received on behalf of Councillor Peter Goody.

### **1559 Minutes (17 March 2008)**

We have agreed the Minutes of our meeting held on 17 March 2008. However, with regard to Minute 1556, we have aired and discussed concerns that this private and confidential minute did not fully reflect the tone of the meeting.

### **1560 Contract Performance - 1 April 2007 to 29 February 2008**

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

Issues to note were that overall waste levels were slightly lower than projected in the 2007/08 Annual Budget & Service Delivery Plan, recycling and composting performance was down on the projected figure averaging 16.5%. Diversion from landfill was better than projected at 44.2%.

The Assistant Executive Director responded to questions from one Member regarding the percentage of glass included in the improved recycling performance figure and what had caused the shortfall in Bio-mrf recycling.

### **1561 Budgetary Control - 1 April 2007 to 29 February 2008**

The report sets out the Landfill Allowance Trading Scheme position, revised contingency sums and predicted an under-spend for the year and advised that any revenue under-spend and unutilised contingency for the year would be added back Revenue Reserves at year end.

### **1562 Calendar of Meetings 2008/09**

We have agreed that an additional meeting be held on 21 July 2008 at the Civic Centre, Dagenham to review the Contractor's performance for the first quarter.

### **1563 London Councils**

The Executive Director provided an update on appointments to the London Councils.

**1564 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 that included the detailed financial proposals of Shanks.east london in respect of the IWMS Contract and the financial or business affairs of other persons, which are exempt from publication by virtue of paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 as amended.

**1565 Waste and Recycling Performance**

We have noted Councillor Weinberg’s declaration of a non prejudicial interest in this item.

We have received the Executive Director’s interim report and appendices. He has provided a full commentary on the framework recycling model, current recycling trials arrangements (in particular contamination and survival bags), an improved and co-ordinated communications strategy and priorities in sustainable waste management. We have discussed at length the problems and ways in which poor recycling performance can be addressed.

We find this to be an important piece of work that makes us take a critical look at ourselves.

We have noted the ongoing trials to identify performance improvements, the likely need for a partnership approach to any major developments in the future and that further reports will be put forward to include financial and other implications of any proposals.

**1566 Landfill Strategy - Closed Landfill Sites**

We have received the Executive Director’s report and appendix and commentary on proposals to achieve part of our Closed Landfill Strategy. We have discussed and agreed that negotiations should commence and the funding position and also to receive a progress report at our meeting in June.

**1567 Any other business**

One Havering Member asked if anything was being done to obtain a refund of Landfill taxes. Officers responded that the Boroughs, in conjunction with the London Councils were lobbying the Government.

Chair: \_\_\_\_\_

Dated: \_\_\_\_\_

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

## EAST LONDON WASTE AUTHORITY

23 JUNE 2008

### OFFICE MANAGER'S REPORT

<b>MEMBERSHIP 2008/09</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 2008/09 is currently being undertaken 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 20.05.08
Havering	Councillor Steven Kelly Councillor Barry Tebbutt	Confirmed 02.06.08
Newham	Councillor Pat Sheekey Councillor Patrick Murphy	Confirmed 29.05.08
Redbridge	Councillor Alan Weinberg Councillor Mark Aaron	Confirmed 30.05.08 New Appointment

Members are asked to note this report.

Shirley-Ann Gray  
**OFFICE MANAGER**

Appendix

None

Background Papers

A ELWA Constitution

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*(Contact Officer: Shirley-Ann Gray - Tel. 020 8270 4964)***EAST LONDON WASTE AUTHORITY****23 JUNE 2008****OFFICE MANAGER'S REPORT**

<b>ELWA LIMITED DIRECTORSHIPS - 2008/09</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 2008/09

**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 2008/09 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****23 JUNE 2008****OFFICE MANAGER'S REPORT**

<b>PROGRAMME OF MEETINGS 2008/2009</b>	<b>FOR DECISION</b>
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**1 Purpose**

- 1.1. To advise Members of the agreed programme of ELWA meetings for the forthcoming municipal year and ask them to consider whether it would be advantageous to organise a visit to the key facilities at Frog Island/Jenkins Lane and the Reuse & Recycling Centres prior to the meeting on 21<sup>st</sup> July 2008.

**2 Background**

- 2.1 This programme has been based around specific dates by which ELWA is either legally or contractually required to approve key matters, as referred to below:-

Day	Date	Time		Purpose
Monday	23 June 2008	1.00pm	Civic Centre, Dagenham	(Annual General Meeting) approval of draft Statement of Accounts required by 30.06.08
Monday	21 July 2008	2.00pm	Civic Centre, Dagenham	(Additional meeting agreed 07.04.08)
Monday	29 September 2008	1.00pm	Civic Centre, Dagenham	
Monday	24 November 2008	1.00pm	Civic Centre, Dagenham	Approval of IWMS Contract Annual Budget & Service Delivery Plan required by 30.11.08
Monday	02 February 2009	1.00pm	Civic Centre, Dagenham	Approval of annual Levy required by 15.02.08
Monday	06 April 2009	1.00pm	Civic Centre, Dagenham	

- 2.2 Members are asked to note that the Constitution states "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."

### **3 Recommendation**

Members are asked to:-

- a) note the above programme of meetings and wording of the Constitution relating to attendance; and
- b) authorise Officers to make arrangements for a sites visit on Monday 21 July at say 10.00am or at some other time as may be appropriate.

Shirley-Ann Gray  
**OFFICE MANAGER**

### **Appendix**

None

### **Background Papers**

*(Contact Officer: Jayant Gohil - Tel. 020 8708 5086)***EAST LONDON WASTE AUTHORITY****23 JUNE 2008****FINANCE DIRECTOR'S REPORT**

<b>FINAL OUTTURN REPORT FOR 2007/08</b>	<b>FOR INFORMATION</b>
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**1 Introduction**

- 1.1 This report compares ELWA's final out-turn for the year ended 31 March 2008 with the Revised Estimate approved in February 2008 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 2007/08 containing explanation of the major variances of actual expenditure and income against the Estimates for 2007/08.

- 2.2 Based on the Revised Estimate of £38,965,000 and the overall final figure for net expenditure and transfers to/from reserves of £38,400,000, the revenue expenditure underspend for 2007/08 is £565,000. A detailed analysis is shown at Appendix A. The main variances are as previously reported and noted below:

- (i) as mentioned in the Contract Performance report elsewhere on this agenda the contract payments to Shanks.east london were lower than the forecast used in the revised estimates for the months of December 2007 to March 2008. This resulted in an underspend of £116,000 compared to revised budget;
- (ii) there is the generation of additional interest receipts of £253,000 mainly as a result of stronger cashflows and better interest rates than previously anticipated because of events in the money market linked to the credit crunch;
- (iii) also, compared to the revised budget there were lower actual Borough tonne mileage claims due to changes to Borough waste delivery sites. This resulted in an underspend of £47,000;
- (iv) contingency underspend of £48,000; and
- (v) a number of minor underspends in other areas totalling £101,000 (net).

- 2.3 In addition, the requirement to account for Landfill Allowances results in an additional net income of £355,000 (based on a value of £5 per tonne provided by DEFRA). In accordance with best accounting practice this is transferred to the non-cash backed LATS Reserve. In effect it is an in and out transaction within the attached revenue statement.

- 2.4 Members should note that the utilisation of the 2007/08 Contingency was £48,000 lower than the revised estimate. Further details are provided in Appendix B. This underspend of £48,000 is not carried forward and is added to the year end Revenue Reserves.

2.5 The effect of the levy, net expenditure and appropriations to/from reserves in 2007/08 on working balances is summarised below:

	<u>£'000</u>
Working Revenue Balance at 1.4.2007	9,847
Final Revenue Surplus in 2007/08	<u>90</u>
<b>Final Working Balance at 31.3.2008</b>	<b><u><u>9,937</u></u></b>

2.6 The year end balance on the PFI Contract Reserve is £16,580,000 and the Capital Reserve is £400,000. Members will note that the PFI Contract Reserve has been built up since 2002/03 and is specifically earmarked for utilisation over the remaining duration of the 25 year Contract term in accordance with the policy previously agreed by Members.

### **3 Capital Programme**

3.1 No capital expenditure and financing was incurred during 2007/08.

### **4 Prudential Indicators**

4.1 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 year ended 31<sup>st</sup> March 2008 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 2008
- B Claims on Contingency for 2007/08

#### Background Papers

None

**EAST LONDON WASTE AUTHORITY**

**FINAL OUTTURN STATEMENT TO 31ST MARCH 2008**

	<b><u>Original Budget for 2007/08 £'000</u></b>	<b><u>Revised Budget for 2007/08 £'000</u></b>	<b><u>Total Actual for 2007/08 £'000</u></b>	<b><u>Variance compared to Revised 2007/08 £'000</u></b>
<b><u>EXPENDITURE</u></b>				
<b><u>Employee and Support Services</u></b>	412	412	392	-20
<b><u>Premises Related Expenditure</u></b>	147	103	83	-20
<b><u>Transport Related Expenditure</u></b>	14	5	2	-3
<b><u>Supplies and Services</u></b>				
Payments to Shanks.east london	41,970	41,571	41,455	-116
Other (inc cost of Support Costs)	499	504	461	-43
<b><u>Third Party Payments</u></b>				
Disposal Credits	320	90	96	6
Recycling Initiatives	200	200	190	-10
Tonne Mileage	600	525	478	-47
Rent payable - property leases	210	215	215	0
<b><u>Capital Financing Costs</u></b>				
	285	285	283	-2
<b>TOTAL GROSS EXPENDITURE</b>	<b>44,657</b>	<b>43,910</b>	<b>43,655</b>	<b>-255</b>
<b><u>Income</u></b>				
Commercial Waste Charges	-3,547	-3,431	-3,430	1
Bank Interest Receivable	-1,300	-1,600	-1,853	-253
WEEE Grant	0	-104	-104	0
Other Income	-20	-20	-30	-10
<b>TOTAL INCOME</b>	<b>-4,867</b>	<b>-5,155</b>	<b>-5,417</b>	<b>-262</b>
Contingency	600	210	162	-48
<b>NET EXPENDITURE ON SERVICES</b>	<b>40,390</b>	<b>38,965</b>	<b>38,400</b>	<b>-565</b>
Levy Receivable	-32,990	-32,990	-32,990	0
PFI Grant Receivable	-4,537	-4,537	-4,537	0
Transfer to PFI Contract Reserve	4,537	4,537	4,537	0
Transfer from PFI Contract Reserve	-5,500	-5,500	-5,500	0
Contribution from Revenue Reserves	-1,900	-1,900	-1,900	0
Landfill Allowances - Income	0	0	-1,326	-1,326
Landfill Allowances - Expenditure	0	0	971	971
Transfer to LATS Reserve	0	0	355	355
<b>REVENUE SURPLUS FOR PERIOD</b>	<b>0</b>	<b>-1,425</b>	<b>-1,990</b>	<b>-565</b>

Notes

1. Net contribution to Revenue Reserve £90,000.
2. Net Contribution from PFI Contract Reserve £963,000.

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## CLAIMS ON CONTINGENCY FOR 2007/08

## Agenda Item 07 – Appendix B

An overall contingency of £600,000 was set for the current financial year 2007/08 in February 2007. There were actual and potential claims of £210,000 against this contingency at February 2008. At the end of the year, any claims against the contingency during the year had been absorbed in ordinary revenue budgets.

	Contingency Feb 2007 £'000	Potential Claims in year Feb 2008 £'000	On Review in February 2008	On Review in May 2008
General provision for unforeseen circumstances	100	45	Costs relating to staff recruitment	Approximately £29,000 of the expenditure was incurred in 2007/08.
Closed Landfill Sites - Provision for costs (inc insurance)	150	-	No call on this contingency item expected for 2007/08.	There were no events during the course of the year that required a call upon this contingency.
Provision for CWMS Contract Negotiations (inc insurance benchmarking)	150	40	Costs relating to Orange Bag Testing Trials and specialist advice	Approximately £34,000 of the expenditure was incurred in 2007/08.
Waste Regulation (inc biodegradability testing)	200	125	Costs relating to the biodegradability testing at Frog island and Jenkins Lane to be undertaken this year. Programme continues into 2008/09	Approximately £99,000 of the expenditure was incurred in 2007/08.
<b>Total</b>	<b>600</b>	<b>210</b>		

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*(Contact Officer: Jayant Gohil - Tel. 020 8708 5086)***EAST LONDON WASTE AUTHORITY****23 JUNE 2008****FINANCE DIRECTOR'S REPORT**

<b>DRAFT ANNUAL GOVERNANCE STATEMENT FOR 2007/08 (NEW GOVERNANCE FRAMEWORK FOR LOCAL GOVERNMENT)</b>	<b>FOR APPROVAL</b>
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**1 Purpose**

- 1.1 To present to Members, for approval, the draft Annual Governance Statement (AGS) for the financial year 2007/08.

**2 Background**

- 2.1 The new Corporate Governance (CG) Framework entitled "Delivering Good Governance In Local Government" recently launched by Chartered Institute of Public Finance and Accountancy & the Society of Local Authority Chief Executives (CIPFA/SOLACE) comes into effect for 2007/08 onwards. This report outlines to Members the new framework and proposes a new Code of Governance to reflect these changes for consideration and agreement by the Authority. One key aspect of the new framework is that the requirement to publish a separate annual Statement on Internal Control (SIC) is replaced by the need to prepare and publish an inclusive AGS.
- 2.2 The Authority is required to conduct at least annually a review of the effectiveness of the internal control arrangements and produce an Annual Governance Statement (AGS). The AGS provides a review of the Authority's arrangements for both internal control and Corporate Governance.
- 2.3 Management Board have considered the draft AGS and their comments have been incorporated in the documents being presented to your Committee.

**3 A New Governance Framework for Local Government.**

- 3.1 The new framework builds upon earlier governance work in both the public and private sectors, particularly "The Good Governance Standard for Public Services" drawn up by the Independent Commission on Good Governance in Public Services.
- 3.2 CIPFA/SOLACE defines governance as "how local government bodies ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner". The purpose of the framework is to "define the principles that should underpin the governance of each local government body" and it urges Authorities to "test their structures against the principles\* contained in the framework by:-
- reviewing existing governance arrangements against these requirements;

- developing and maintaining an up to date local code of governance, including arrangements for ensuring its ongoing application and effectiveness;
- preparing a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

*\* In this context “structures” is not restricted to staffing service structures but also the systems, processes, cultures and values that exist throughout the Authority and its services.*

3.3 The proposed/new framework consists of four roles coupled with six core principles and associated supporting principles. The four roles are:

**Role 1** - To engage in effective partnerships and provide leadership for and with the community.

**Role 2** - To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.

**Role 3** - To perform a stewardship role which protects the interests of local people and makes the best use of resources.

**Role 4** - To develop citizenship and local democracy.

3.4 These roles are underpinned by six core principles and 18 supporting principles :

**(1) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

- Exercising strategic leadership and communicating the Authority’s purpose and vision and its intended outcomes for citizens and services users
- Ensuring that users receive high quality service
- Ensuring the Authority makes best use of resources and that tax payers and service users receive excellent value for money

**(2) Members and officers working together to achieve a common purpose with clearly defined functions and roles**

- Ensuring leadership throughout the Authority and being clear about executive and non-executive functions including roles and responsibilities of scrutiny
- Ensuring constructive working relationships between Members and Officers and high standards of conduct
- Ensure relationships and expectations between the Authority and public are clear

**(3) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- Ensuring Members and officers exercise leadership by behaving to high standards of conduct and effective governance
- Ensuring organisational values are put into practice and effective

#### **(4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

- Being rigorous and transparent about how decisions are taken and listening and acting on outcome of scrutiny
- Having good quality information, advice and support to ensure services are delivered effectively and are what the community wants / needs
- Ensuring effective risk management
- Using legal powers to the full benefit of citizens and communities

#### **(5) Developing the capacity and capability of members and officers to be effective**

- Making sure that members and officers have the skills, knowledge, resources, experience and resources they need to deliver well
- Developing capability of people with governance responsibilities and evaluating their performance
- Encouraging new talent for membership of the Authority so that best use can be made of individuals skills and resources

#### **(6) Engaging with local people and other stakeholders to ensure robust public accountability**

- Exercising leadership through robust scrutiny function
- Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery
- Making best use of human resources by taking an active and planned approach to meet responsibility to staff

3.5 These principles collectively need to be reflected in a new local code of governance. In order to meet this requirement, a draft code of governance is attached at Appendix A which Members are requested to comment upon and refer for approval/adoption.

3.6 The AGS is published with the Statement of Accounts, the draft of which is elsewhere on this agenda. In approving the AGS, Members will need to consider that they have obtained sufficient, relevant and reliable evidence to support the disclosures made. Following approval, the AGS will need to be signed by both the Chair and the Managing Director of the Authority.

3.7 The guidance relating to the preparation of the AGS 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.

3.8 In response specifically to the AGS requirements the approach adopted by the Authority for 2007/08 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.

3.9 Officers have considered the new framework and reviewed/tested the Authority's structures against it. The approach being adopted follows that as suggested within the CIPFA/SOLACE guidance and builds upon the existing arrangements that were in place for compiling the SIC. An interim assessment of some of the key aspects of CG indicates that many of the CG factors already in place continue to contribute towards meeting the new CG framework.

3.10 Appendix B2 sets out the areas that have been identified as requiring further development including outstanding internal control issues raised in the 2006/07 Statement of Internal Control.

3.11 Following the undertaking of the above process the Annual Governance Statement has been produced and is incorporated on Appendix B1 for consideration and approval at this Meeting.

## **4 Recommendations**

4.1 Members are asked to:

4.2 Note the New CG Framework for Local Government, consider and agree the new local code of CG (Appendix A refers);

4.3 Consider and approve the draft Annual Governance Statement for the financial year ended 31 March 2008 as set out in Appendix B1.

Note and comment upon the update/progress of new and previously identified areas for improvement (Appendix B2).

**Geoff Pearce**  
**FINANCE DIRECTOR**

### Appendices

A Draft Local Code of Corporate Governance

B1 Annual Governance Statement 2007/08

B2 New CG Framework - Action plan

### **Background Papers**

**EAST LONDON WASTE AUTHORITY**

**DRAFT CODE OF CORPORATE GOVERNANCE**

**1. Introduction and background**

The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) published a document of corporate governance in local government entitled “Delivering Good Governance In Local Government”. The Authority has drawn together a code of corporate governance which

- brings together the various aspects of our arrangements for corporate governance, in a single document;
- demonstrates our ongoing commitment to uphold the highest standards of integrity, openness and accountability; and
- underpins the credibility and confidence in our work as a service provider, community leader and employer.
- reinforces our role and aims of delivering best value services and being properly accountable to all relevant parties and subject to effective scrutiny and challenge.

We want people to have confidence in the way we work as we tackle ELWA’s vision and aims.

These aims are set out in our Joint Waste Management Strategy which we approved in February 2006. The Strategy sets out an integrated planning process that shows the thread which links the Strategy, the Authority’s Visions, aims and priorities right through to service planning and individual staff performance. The key to our success in achieving our aims lies in Members, staff and partners working together.

To do this we must be open about the way we do our business and about the standards of conduct we expect from our members and staff. We know that setting high standards of self governance provides a clear lead to our existing and potential partners, so this code of corporate governance provides the basis for effective community involvement.

**2. What is corporate governance?**

CIPFA and SOLACE say:

*“Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner”*

*“It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities”.*

### 3. The six core principles of corporate governance

CIPFA and SOLACE have identified six core principles in delivering good governance. We fully embrace and support these principles of good corporate governance and will make sure they underpin the delivery of services to the public.

1. *Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.* – Our corporate vision, aims and plan has been developed following close consultation with our partners and those we serve. We have clear strategies and systems for gauging Value for Money and our performance is closely monitored and reported through various means including our Annual Best Value Performance Plan and published accounts.
2. *Members and officers working together to achieve a common purpose with clearly defined functions and roles.* – ELWA's Constitution sets out the respective roles of the Authority.

Our Managing Director – responsible for all aspects of operational management and a pivotal role / relationship with the leader and all other members of the Authority

The Director of Finance – responsible for the proper financial administration of the Authority and for maintaining an effective system of internal financial control.

The Legal Adviser - responsible for ensuring that the Authority operates in accordance with all applicable statutes and regulations.

We recognise the benefits and value of working with our partners and through the Joint Waste Management Strategy and other mechanisms we will continue to share our vision, practices and values with our partners in developing and delivering our services to the community.

3. *Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.* Effective leadership is an essential part of corporate governance, so we will achieve these principles by leading by example in our decision- making and other actions and conducting ourselves to high standards. All Members and staff are required to act in accordance with relevant codes of conduct and standards and there are formal processes for declaring relationships or interests so as not to unduly influence or prejudice. There are appropriate mechanisms in place for dealing with anyone who breaches our standards and expectations.
4. *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.* - We are open and consult stakeholders on all relevant issues. We provide access to full, accurate and clear information and make sure all stakeholders and potential stakeholders have the opportunity to be involved in our decision-making and actions.



Our decisions and actions are transparent and documented. We are developing innovative new ways for our stakeholders to access our services and give us feedback. We know that there are times when things can and do go wrong. We have a strong risk management strategy and processes which aim to minimise these events and identify ways of putting things right as well as “learning lessons” for the future. We actively encourage people to tell us where things have gone wrong and we expect our Members, staff, partners and contractors to tell us if they suspect any fraud or irregularity is occurring.

5. *Developing the capacity and capability of Members and officers to be effective.* We recognise the importance of having highly skilled and motivated Members and staff to drive through and deliver our demanding aims and to sustain public confidence in our services. We are committed to the development of Members and staff skills, knowledge and performance through programmes of induction, training and development programmes. We will also continue to share our practices with and involve our partners from all sections of the community to engage with and participate in the work of the Authority, thereby broadening our overall knowledge and skills base and shared values.
6. *Engaging with local people and other stakeholders to ensure robust public accountability.* Via our Constituent Councils we are committed to engaging with all sectors of our community to ensure that we are directing our efforts to those areas of greatest concern and priority but being equally aware of the competing demands that need to be considered and addressed. Our aim is to be accessible to all groups in our diverse communities. We measure and report on our own performance through communications such as the Annual Accounts Performance Reporting. We will continue to publish reports on how well we are achieving our objectives and remain open to scrutiny and encourage people to challenge performance and outcomes.

#### **4. Making the code work**

We expect the principles set out in this code to be upheld by our Members, staff and partners in the wider community. We will make sure this happens through a range of policies, systems and processes, including our:

- Constitution
- Risk Management Strategy
- Anti-fraud and Corruption Policy including whistle blowing arrangements
- Project and Performance Management
- Human Resources policies & Codes of Conduct.
- Annual Service Plans.

We will review the code each year and publish a statement setting out whether or not we are still meeting the standards.

Dated: June 2008

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**East London Waste Authority  
Draft Annual Governance Statement  
For The Year Ended 31 March 2008**

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Each year the Authority is required by law to produce a statement that details the framework for making decisions and controlling the resources of the Authority. Previously this statement has been called a Statement on Internal Control. This year the remit of the Statement has been widened to address the Authority's governance arrangements as well as control issues. This statement should enable stakeholders to have an assurance that decisions are properly made and public money is being properly spent on behalf of the public. The Statement below complies with the Accounts and Audit Regulations 2003 as amended.

**Scope of responsibility**

The East London Waste Authority (ELWA) 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. ELWA 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, ELWA is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

ELWA's local code of corporate governance is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government".

**The Governance Framework**

The key elements of the systems and processes that comprise the Authority's governance arrangements are described in more detail below: -

**Vision and Purpose**

ELWA has the vision "To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value". This vision is supported by objectives and joint targets.

The Joint Waste Management Strategy sets out the Authority's strategic direction. It shows the integrated planning process that links the Strategy, the Authority's Vision, Aims and priorities, right through to service area planning and individual staff performance. The Strategy also outlines the actions to be taken to deliver on the strategic priorities. This is reviewed annually to identify new key actions to be considered in the service planning process. A range of performance indicators assists in the monitoring of activity.

**East London Waste Authority  
Draft Annual Governance Statement (continued)  
For The Year Ended 31 March 2008**

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To support the Joint Waste Management Strategy the Authority has a service planning process. The Service Delivery Plans combine the operational management components of a business plan with the longer-term planning and customer focus of a service plan. Service Plans link to statutory plans, key improvement plans and the strategic priorities of the Joint Waste Management Strategy, and demonstrate how these are to be achieved. They are the method of planning to ensure the delivery of key improvements contained within these documents whilst delivering value for money services. Service Plans are monitored and reviewed by the Management Board to ensure that teams and individual members of staff all contribute to achieving the Authority's vision and objectives.

It is recognised that the Authority cannot achieve its Vision alone. It needs to work in partnership with its four Constituent Boroughs, other agencies and the community to make this happen.

**The purpose of the governance framework**

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

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of ELWA'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.

ELWA's governance framework is established through its systems, processes, cultures and values. These are regularly reviewed. The local Code has been incorporated into the constitution as a one point of reference for the Authority's framework for its Governance arrangements.

**Performance Management and Reporting**

The performance management framework demonstrates how effective the actions being taken are and assists in monitoring progress in the way in which the Authority's strategies are translated into action plans. It also helps to identify if any risks are materialising when indicators do not show the level of progression anticipated. The performance management framework is therefore instrumental in identifying and mapping continuous improvement of services across the Authority.

**East London Waste Authority  
Draft Annual Governance Statement (continued)  
For The Year Ended 31 March 2008**

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

- a corporately defined process that ensures that Plans are linked to strategic aims;
- mechanisms whereby performance is reported to Members.

### **Authority Constitution**

This sets out the roles and responsibilities of Members and officers. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively. The Authority's rules and regulations form part of the constitution. There is a scheme of delegation that is published on the Authority's website. It states who is authorised to make decisions in particular areas. Alongside this the Authority has financial regulations which provide details of officers responsibilities for the Authority's control environment relating to income, expenditure, internal control, risk management and partnerships. To support officers when they are making purchases the Authority has developed a procurement code of practice. The scheme of delegation and financial regulations are regularly kept under review.

### **Codes of Conduct**

Part E of the ELWA Constitution deals with the Codes of Conduct for Members and Employees. Each of ELWA's four Constituent Councils has adopted the mandatory provisions of the Model Code. ELWA is not required to adapt a Code of Conduct for its Members. However, the Members of the four Councils are bound by their respective Council Codes when they act on their official capacity for ELWA.

### **Risk Management**

The Authority has embedded risk management processes throughout its structure. A risk management Policy and Strategy is agreed and reviewed by Management Board and Members on an annual basis.

Risks identification and management processes are also in place for projects, partnerships and contracts. Given the growing use of partnerships to deliver services, the processes of risk identification and management will undoubtedly need to be enhanced to reflect the greater number and complexity of such arrangements. The process of delivering these enhancements has already commenced.

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

The constitution sets out the legal framework for making decisions and publishing them.

The Authority have the following statutory officers; Head of Paid Service – Managing Director, Section 151 officer (Local Government Act 1972) – Finance Director, and Monitoring Officer (Robin Hanton), each of whom has the power to refer matters to full Authority if a breach of regulation is possible. These officers form part of the Management Board. None of these officers have been required to use their powers during the year. The statutory officers provide professional advice on all key decision-making reports to ensure legal, financial, risk management, procedure and equality implications are addressed

### **Counter Fraud including Whistle-blowing**

The Authority has an agreed Anti Fraud & Corruption Strategy that is regularly reviewed to ensure it remains effective and adaptive to emerging issues and risks. Two key components that support this Strategy are:

- Whistle blowing arrangements that are available to the general public, employees, contractors and partners.
- Delivering a programme of anti fraud training and guidance, including a Fraud Response Plan to instill a culture and awareness that fraud will not be tolerated.

### **Complaints process**

The Authority has a recognised complaints process.

Members also receive enquiries and complaints via their surgeries, walkabouts or by correspondence. The Authority's staff support Members in addressing these queries to ensure that the public receive an appropriate answer.

Members of the public may also complain to the Local Government Ombudsman. The Authority has had no previous history of any such complaints.

Complaints are analysed and assessed so that the organisation can identify trends and issues and if necessary, put in place changes and improvements to prevent complaints reoccurring.

### **Training and development**

Members have a general programme to keep them up to date with changes and to support their training needs via their Constituent Councils. This is supplemented by formal and informal information about ELWA through briefings and conferences.

Staff appraisal and training and development policies are being developed following the Authority becoming an employer during 2007.

### **Communication and engagement**

Good communication is key to the Authority being able to carry out its core business efficiently and effectively. The Authority has a responsibility to communicate how to access basic services and information. Communicating the Authority objectives and performance are an essential part of the democratic contract. Local people have a right to know what their Council Tax is funding and how their Authority is performing. Communication is also essential in encouraging people to get involved in the democratic process.

The Authority's primary communication methods are comprehensive reporting, its website leaflets and briefings for Constituent Councils.

User satisfaction surveys provide services with feedback on Authority performance, used to shape service delivery and policy.

### **Partnerships**

The most significant partnerships for the Authority are with its four Constituent Boroughs and through the IWMS Contract with Shanks.east London.

There are sound governance arrangements in place for partnerships.

### **Review of effectiveness**

ELWA has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors who have responsibility for the development and maintenance of the governance environment, the Chief Auditor for the London Borough of Redbridge annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

**East London Waste Authority  
Draft Annual Governance Statement (continued)  
For The Year Ended 31 March 2008**

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Directors have responsibility for the development and maintenance of the internal control and governance environment. To support and reinforce routine review processes, such as internal audit, the Authority has an established overview assurance process through its Management Board. Management Board members consider the AGS before it is presented to the Members to endorse. In this way the process involves internal controls and corporate governance arrangements being overviewed corporately and the ensuing Statement being subjected to both Member and Director scrutiny.

Directors, having made enquiries with relevant senior officers, are required to complete an assurance statement to confirm that proper governance and internal control arrangements are in place for their areas of responsibility. These statements should also identify any significant areas of concern or weakness within each area.

Management Board sought evidence to substantiate the assessment of controls being sound. A Key Controls Diagnostic Checklist, consisting of around 60 lines of enquiry, was used to undertake a review of the adequacy and effectiveness of the internal control arrangements grouped in the following areas:

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

### **Internal Audit**

Internal Audit 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 seeks to 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. Internal Audit priorities are risk based and agreed with the Finance Director, following consultation with the Management Board and External Audit as part of the annual planning process.



**East London Waste Authority  
Draft Annual Governance Statement (continued)  
For The Year Ended 31 March 2008**

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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 give authority for Internal Auditors to have full, free and unrestricted access to all Authority 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 Members and management.

**Governance and internal control issues requiring improvement**

Areas for improvement that had been previously identified within the Statement of Internal Control for 2006/07.

- Contract Management
- Risk assessment/management processes re closed landfill sites

There have been significant improvements during the year in these areas. However, some further work to develop best practice is required in 2008/09.

Following an assessment against the Corporate Governance Framework “Delivering Good Governance”, some further areas for development have been satisfied. The action plan attached to this Statement has been compiled by management to address the above and other emerging issues. The areas as identified in the action plan do not represent serious governance or control issues but are included to ensure continuous improvement.

In reviewing the Authority’s overall governance arrangements, Management Board considered a wide range of policies, procedures and documents in order to identify any significant governance issues for which further developments and strengthening is required. The action plan will help to address these issues and the actions identified will be led and regularly reviewed by the Management Board. The action plan is predominantly intended to enable the Authority to respond to key legislative changes.

**East London Waste Authority  
Draft Annual Governance Statement (continued)  
For The Year Ended 31 March 2008**

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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

.....  
**Robert Whiteman (Managing Director)**

.....  
**Councillor Milton McKenzie (Chair)**

**Date: xx June 2008**

**New Corporate Governance Framework For Local Government – ELWA Action Plan as at 31.3.2008**

<b>Number</b>	<b>Area to develop</b>	<b>Ongoing Action</b>	<b>Timescales</b>	<b>Responsible Officer</b>
1	Contract Monitoring	Develop best practice	During 2008/09	Tony Jarvis
2	Risk Assessment/Management & Business Continuity Arrangements	Develop best practice	During 2008/09	Tony Jarvis
3	Review of Management Performance	To be considered as part of future review.	During 2008/09	Directors
4	Review arrangements for engaging with public	To be considered as part of future review.	During 2008/09	Directors

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**EAST LONDON WASTE AUTHORITY****23 JUNE 2008****CONTRACT MANAGER'S REPORT**

<b>BEST VALUE PERFORMANCE INDICATORS 2007/08</b>	<b>FOR APPROVAL</b>
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**1. Background**

- 1.1 Previously ELWA was required to prepare and publish an 'Annual Best Value Performance Plan (BVPP)'. This requirement was dropped as part of the Government's review of reporting procedures. ELWA is, however, required to publish a limited number of Best Value Performance Indicators for 2007/08.
- 1.2 Attached at Appendix A is a table showing the initial figures. These may be subject to minor alterations after ratification by DEFRA [via waste dataflow] and after the boroughs have entered any outstanding data.

**2. Recommendation**

2.1 Members are, therefore, recommended to:-

- (i) approve the performance table that will be published on ELWA's web site (Appendix A); and
- (ii) authorise the Executive Director to approve the final version of the table for publication.

Dave Hawes  
**CONTRACT MANAGER**

Appendix

A Best Value performance indicator table of results

Background Papers

None

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## Agenda Item 10 - Appendix A

<b>2007/08 BEST VALUE PERFORMANCE STATISTICS</b>						
PI No.	Description	Contents/ format	2005/06	2006/07	2007/08	2007/08
	<b>CORPORATE HEALTH</b>		<b>Actual</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>
156	Buildings w/facilities for people with disabilities	%	100%	100%	100%	100%
157	Types of interaction delivered electronically	%	100%	100%	100%	100%
	<b>ENVIRONMENT</b>					
82a (i)	Recycling	% household waste	11.21%	13.46%	17%	15%
82a (ii)	Recycling	Tonnes	46383	56126	72286	62780
82b (i)	Composting	% household waste	4.04%	4.91%	8%	5%
82b (ii)	Composting	Tonnes	16723	20481	34017	20952
<b>82a (i) &amp; b (i)</b>	<b>Recycling &amp; Composting</b>	<b>% household waste</b>	<b>15.25%</b>	<b>18.37%</b>	<b>25%</b>	<b>20%</b>
<b>82a (ii) &amp; b (ii)</b>	<b>Recycling &amp; Composting</b>	<b>Tonnes</b>	63106	76607	106303	83732
Local	Recycling & Composting RRC Sites	% household waste	43.00%	41.05%	50%	34%
82c (i)	Recovery heat & power	% household waste	6.36%	9.46%	5.0%	5.5%
82c (ii)	Recovery heat & power	Tonnes	26307	39443	21261	23084
82d (i)	Landfill	% household waste	78.39%	65.81%	55%	55%
82d (ii)	Landfill	Tonnes	324376	274341	233866	231009
Local	Waste taken by road to landfill	% of total Landfill	57%	54%	40%	65%
Local	Waste taken by rail to landfill	% of total Landfill	43%	46%	60%	35%
Local	Biodegradable waste landfilled (New Targets)	Tonnes	264691.062	231659	234000	194071
84a	Amount of household waste collected	Kgs per head	467.8.0kg	469.2kg	475kg	472kg
84b	Household Waste Collection (% change in Kgs per head)	Percentage change		0.24%	1.0%	0.06%
87	Cost of municipal waste disposal	£ per tonne	£56.16	£62.69	£88.28	TBC

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*(Contact Officer: John Wilson - Tel. 020 8270 4997)***EAST LONDON WASTE AUTHORITY****23 JUNE 2008****ASSISTANT EXECUTIVE DIRECTOR'S REPORT**

<b>CONTRACT PERFORMANCE</b> <b>Summary for Year 2007/08 (including LATS Performance)</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 to March 2008.

**2 Tonnage Data and Contract Payments**

- 2.1 Attached at Appendix A are tables showing tonnage data and Contract Payments for the financial year 2007-8. Overall waste only increased by 0.4% compared to the previous year. This was 1.6% lower than projected in the Annual Budget & Service Delivery Plan (ABSDP) providing a financial saving against budget as reported separately by the Treasurer. However, although 'collected' household wastes reduced by 2%; Reuse & Recycling Centre (RRC) wastes increased by 13% (10,500 tonnes) negating this reduction and giving the small overall increase in total waste.

**3 Site Operations**

- 3.1 **Reuse & Recycling Centres:** All sites operated in accordance with the ABSDP despite operations changing from April 2007, when the boroughs began delivering some wastes to their local RRC sites, as opposed to Frog Island, helping to speed up their delivery times by reduced travelling. Subsequently a few turnaround penalties were accrued at these sites although flow rate penalties were only levied at Chigwell Road where queuing continues. The performance at Chigwell Road in terms of the flow rates improved compared to the previous year. The required flow rate within the Contract which Shanks have to maintain at Chigwell Road is relatively high and this is difficult due to the size and design of the site. The delays in turnaround arise because the public stay on site longer to use the various recycling containers and by most people arriving at the site between 10 and 2pm. This means that during the busy periods of the weekend and Bank Holidays queues unavoidably occur. Under the present arrangements the elimination of queuing at Chigwell Road would appear remote.
- 3.2 Overall RRC wastes increased by 10,500 tonnes (13%) compared to 2006/7. Accordingly, the recycling capture at these sites increased by 6,089 tonnes to 35,415 tonnes. This equates to a 38.7% recycling of RRC input. This increase in recycling was mainly due to improved capture of 'dry' recycling. The quantity of 'green' waste composted remained approximately the same as last year (an increase of 200 tonnes).

- 3.3 The major operational changes at the RRC sites occurred in June with the introduction of the WEEE (Waste Electronic and Electric Equipment) Regulations. When these Regulations were enacted the RCC sites effectively became Designated Collection Facilities (DCFs). These are places where the producers said the materials would be collected for recycling. ELWA was fortunate in that these items were already being collected and recycled within the Contract, therefore little disruption occurred to the operations such that the changes were probably not noticed by the public although it took a lot of behind the scenes arranging. DHL operates the Producer Compliant Scheme for ELWA area. The benefit to ELWA of this Producer led legislation was a saving in supplements paid to Shanks. When the contract was signed it was foreseen that this legislation would be forthcoming. Therefore it was agreed that separate supplements would be paid within the contract for these WEEE items only until the Regulations were enacted.
- 3.4 **Jenkins Lane:** The building and commissioning of the new Bio Mrf (Mechanical Biological Treatment plant) Materials section of the site proceeded to meet the revised schedule and the site began receiving waste in April 2007 with Newham's co mingled collections being received in July 2007.
- 3.5 Once it was fully operational, it became apparent from our monitoring that the quality and quantity of the orange bags going through the Jenkins facility appeared worse than that received into Frog Island. Subsequently trials were carried out towards the end of the year within Newham, Barking & Dagenham and Havering to confirm this observation and to try to understand where and how the orange bags were being damaged and how much contamination was occurring. Members have received separate reports on these trials.
- 3.6 The Jenkins Lane Temporary Transfer Station (TTS) stopped receiving wastes just after the Christmas period, which meant that some diversion of Newham vehicles away from Jenkins Lane to London Waste Ltd at Edmonton was necessary. Demolition and removal of the TTS internal concrete followed and Shanks, at the end of this period, were still awaiting delivery of the mechanical equipment to complete the installation. It is now expected to be operational in September 2008.
- 3.7 Meanwhile the separated bags are all being put through the Frog Island RRC Mrf (Materials Recovery Facility) to undergo a coarse screening to remove as much contamination as possible before being sent for reprocessing at third party Mrfs. It became essential during the year for this pre screening to occur because the third party Mrfs were refusing to accept the collected orange bags in their initial condition. To improve the quality of the contents of these orange bags Shanks had to quickly revise their operations. A bag splitter had to be purchased and installed in the Frog Island RRC Mrf to open the bags before feeding to the picking lines where the obvious contamination was removed before being sent to various Mrfs for final separation. This is a very time consuming and expensive option which Shanks had to undertake to secure these third party outlets. During 2007/8, even after this initial screening, the average level of contamination quoted by the receiving Mrfs was 10.6%.

- 3.8 Once the Jenkins Lane Mrf becomes operational, this additional screening will not be as necessary as Shanks will be in control of the whole sorting process and not reliant upon others. Contamination issues are nevertheless becoming increasingly important as higher standards are being imposed by the recycling processors.
- 3.9 **Iford Recycling Centre:** No major building developments occurred during 2007/8, although a revision of the site took place which incorporated the use of a mobile trammel for the separation of glass. In October Redbridge extended their 'Black Box' scheme to a borough wide service. This increase in throughput caused minor disruptions at the site until operational revisions were put in place.
- 3.10 **Frog Island:** This was the first year of full operation and one in which major engineering work was not anticipated. However as previous described, significant changes had to be made to the RRC Mrf to pre treat the Orange Bags. This also involved various modifications to the RRC Mrf equipment to accommodate the revised procedure since the already installed equipment was not designed for these smaller items.
- 3.11 The screens in the refining section of the Bio mrf had to be changed to a smaller gauge in order to capture more glass which was previously passing into the 'fine' fraction.
- 3.12 The major success for the year has been the consistent quality of the SRF which has been delivered as a fuel to various cement kilns in increasing quantities such that Diversion Targets have been exceeded giving ELWA surplus Landfill Allowances.
- 3.13 The ELWA Management Board met with Shanks' senior management, in June 07 and accepted a revised recycling programme which indicated how Shanks intended to reach the contractual 22% recycling rate for 2007/8. At the time the Board approved the revised Plans for 2007/08 only the April 2007 performance figures were available. The options in this revised recycling plan were plausible, but relied upon capturing most of the glass from the refining sections of both Bio Mrfs and finding outlets to recycle this material. At that time two contractors expressed interest but due to constraints placed on the contamination levels within this material by these contractors, this material would not be accepted at these facilities. Throughout this period various trials have been ongoing within Shanks to clean this glass to an acceptable standard. Towards the end of the year Shanks entered into a contract to deliver this material to a third party but this contract was too late to have any significant effect on the 2007/8 performance. Similarly within this revised plan it was essential for the 'fine' (less than 6mm) fraction to be separated and composted for reuse. During this period trial loads have been taken to various 'in vessel' composting facilities where it has been confirmed that this material will compost. This material has to be treated in facilities which are Animal Bi Product Compliant, which implies 'in vessel', but the existing facilities within travelling distance of ELWA did not have immediate capacity, such that only a little composting of this material occurred in 2007/8.

## 4 Conclusion

- 4.1 The operations at the RRC sites coped without incident with the introduction of the WEEE legislation. Throughout the summer extra emphasis was put into the capture of the 'dry' recycling whilst composting remained the consistent despite the new green waste initiatives introduced by the boroughs. The pattern of input being variable largely due to the weather conditions.
- 4.2 The major concern over the year has been implementing measures to improve the recycling performance from the refining section of the Bio Mrfs particularly of the glass fraction and investigations into facilities for composting of the 'fine' material. To this end a pilot 'in vessel' unit has been set up at Frog Island to try to establish the best type of unit for composting this material with the intention of possibly setting up their own facility at a site at Frog Island. To this end an option on a area of land was being negotiated during 2007/8 but not finalised. Meanwhile Shanks are reliant on using third party contractors for this material.
- 4.3 The contract recycling rate increased from 14.7% (2006/7) to a yearly average of 16.56 % in 20078/8 which meant that the 22% recycling target was not met for the reasons explained above. However diversion from landfill outperformed the contracted diversion targets.
- 4.4 Appendix A shows overall tonnages and financial performance.
- 4.5 Appendix B shows overall Recycling and Composting tonnages for 200787 and is important for the Landfill Allowances Trading Scheme (LATS) calculations.
- 4.6 The graph at Appendix C shows actual 'Contract' recycling performance compared to the projected levels in the 2007/8 ABSDP. This illustrates the under performance described in paragraph 4.3. Appendix C1 shows Borough and ELWA BVPI Recycling Performance. It should be noted that the definitions and calculations used for BVPI Recycling Performance are different to those used for Contract Recycling Performance.
- 4.7 Throughout 2007/8 biodegradability testing of the various fractions from the Bio mrfs at Frog Island (and for the last quarter at Jenkins Lane) was carried out by WRC Laboratories. This analysis gives ELWA an insight into plant performance and the necessary data on the biodegradability of the wastes which was sent to landfill and which is the basis of the Landfill Tax Allowance Regulations. ELWA's performance against its LATS allowances for 2007/8 is shown at Appendix D, i.e. a surplus of Allowances. (This surplus is subject to being reconciled with the Environment Agency in July 08).
- 4.8 As in 2006/7 no significant trading occurred for these allowances although DEFRA has given them a notional value of £5 for accounting purposes. Generally most Authorities had more allowances than they needed to meet their 2007/8 targets. ELWA's surplus allowances have been banked for future years within the limits of the scheme.

## 5 Recommendation

5.1 Members are asked to note this report.

John Wilson  
**ASSISTANT EXECUTIVE DIRECTOR**

<b>Appendices</b>	
A	Contract Performance
B	Contract Waste Recycling Performance
C	Contract recycling performance compared to ABSDP 2007/8
C1	BVPI recycling performance
D	Performance against LATS target

### **Background Papers**

None

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**Contract Waste 2006-7 and 2007-8**

	Contract Tonnages				Contract Sums		2007/8 Actual	
	ABSDP		RRC Tonnage		2006/7	2007/8		
	2006/7	2007/8	2006/7	2007/8	Actual	ABSDP		
<b>April</b>	45511	41984	40573	42736	8178	9895	£2,658	£2,885
<b>May</b>	43378	47106	45523	43237	8484	8205	£2,869	£3,019
<b>June</b>	47851	49818	48144	43209	9533	8517	£2,954	£2,956
<b>July</b>	42148	42726	41277	44372	6913	8572	£2,695	£3,730
<b>August</b>	42771	43578	42113	45446	6963	10103	£2,732	£3,796
<b>September</b>	45056	44385	42869	42778	7617	8807	£2,758	£3,688
<b>October</b>	40311	40948	41114	43339	6113	7719	£2,705	£3,768
<b>November</b>	40915	41738	40719	41001	5533	6866	£2,667	£3,656
<b>December</b>	38838	38351	35895	36227	4418	5359	£2,471	£3,396
<b>January</b>	38244	39116	40802	42975	4772	7255	£2,722	£3,730
<b>February</b>	35448	35823	35087	37746	5064	6461	£2,444	£3,459
<b>March</b>	40960	40872	41999	36957	7472	5570	£2,726	£3,677
<b>Recon</b>				-1922		-1821		
<b>Total</b>	<b>501431</b>	<b>506445</b>	<b>496115</b>	<b>498101</b>	<b>81061</b>	<b>91508</b>	<b>£32,401</b>	<b>£41,457</b>

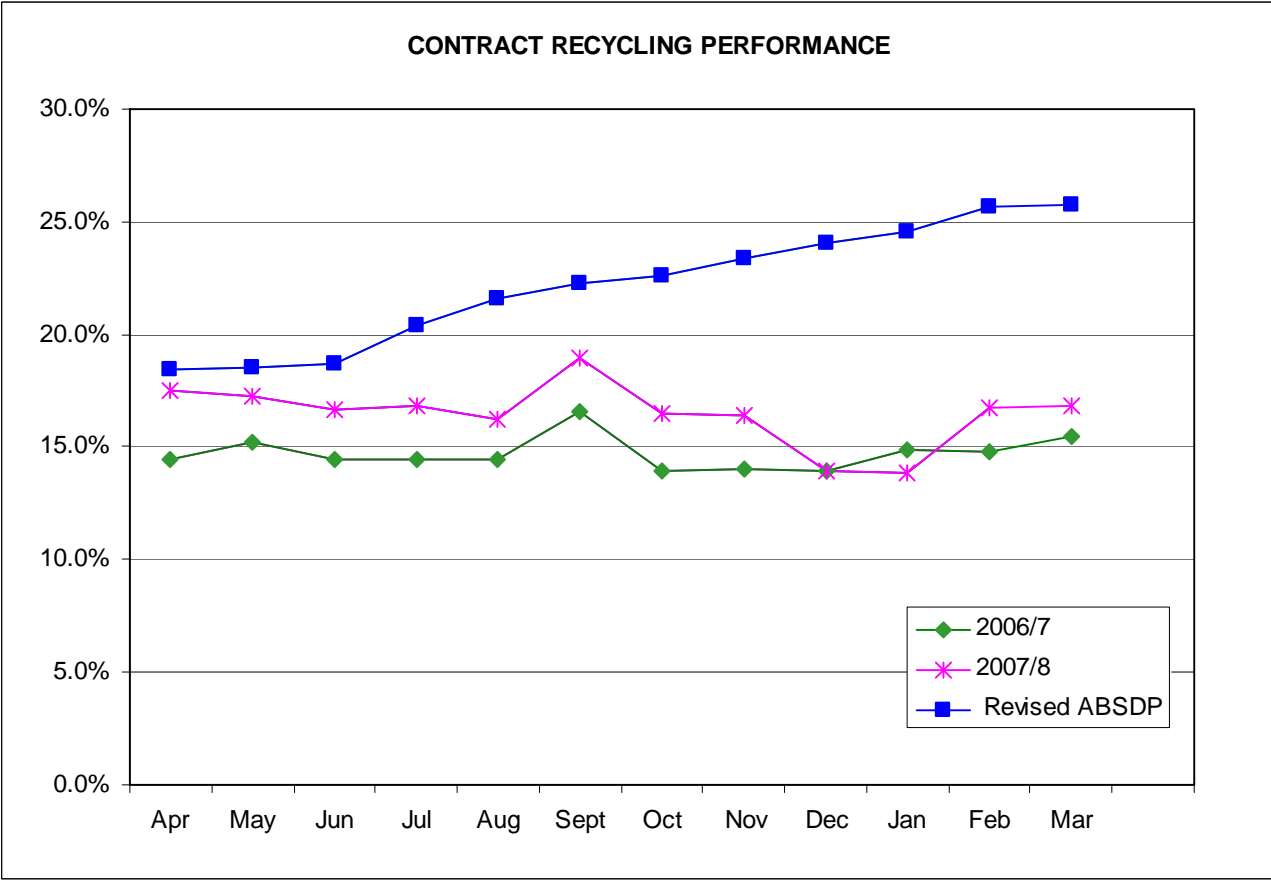
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**Contract Waste Recycling & Composting Performance 2006-7 and 2007- 8**

Month	Recycling				Composting				Total Recycling				
	Tonnes		Percentage		Tonnes		Percentage		Tonnes		Percentage		
	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	2006/7	2007/8	
April	4256	5,352	10.5%	12.5%	1596	2,115	3.9%	4.9%	5852	7,467	14.4%	17.5%	
May	4249	5,561	9.3%	12.9%	2658	1,881	5.8%	4.3%	6907	7,442	15.2%	17.2%	
June	4130	5,016	8.6%	11.6%	2822	2,191	5.9%	5.1%	6952	7,207	14.4%	16.7%	
July	4129	5,330	10.0%	12.0%	1843	2,130	4.5%	4.8%	5972	7,460	14.5%	16.8%	
August	4526	5,540	10.7%	12.2%	1572	1,849	3.7%	4.1%	6098	7,389	14.5%	16.3%	
September	5152	5,150	12.0%	12.0%	1942	2,970	4.5%	6.9%	7094	8,120	16.5%	19.0%	
October	4145	5,442	10.1%	12.6%	1600	1,713	3.9%	4.0%	5745	7,154	14.0%	16.5%	
November	4370	5,166	10.7%	12.6%	1356	1,561	3.3%	3.8%	5726	6,727	14.1%	16.4%	
December	4015	4,443	11.2%	12.3%	1002	605	2.8%	1.7%	5017	5,048	14.0%	13.9%	
January	5285	5,383	13.0%	12.5%	793	572	1.9%	1.3%	6078	5,955	14.9%	13.9%	
February	4304	5,301	12.3%	14.0%	883	1014	2.5%	2.7%	5187	6,315	14.8%	16.7%	
March	5236	5,216	12.5%	14.1%	1264	993	3.0%	2.7%	6500	6,209	15.5%	16.8%	
Adjustment													
Annual Total	53797	62900	10.8%	12.63%	19331	19593	3.9%	3.93%	73128	82493	14.7%	16.56%	
													Shanks Revised plan 18.4% 18.5% 18.7% 20.4% 21.6% 22.3% 22.6% 23.3% 24.1% 24.5% 25.7% 25.7%

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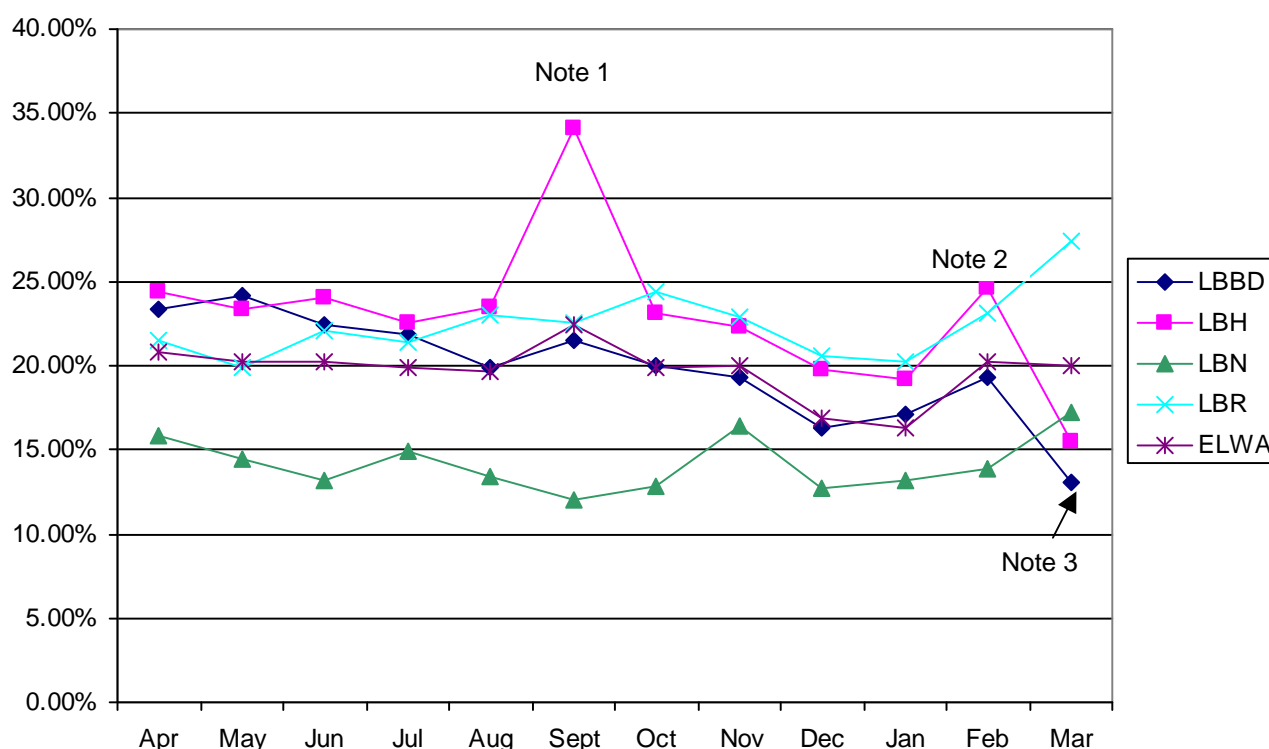
Note: Contract Performance Recycling is calculated using different definitions to those used for Best Value Performance Indicators (on the next page).  
The calculation of Contract Recycling Performance, which is the average across the whole area, produces a figure which is generally 3% to 5% lower than the calculation of Best Value Performance Indicators.

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**Best Value Performance Indicator Performance**

**Borough BVPI Performance**

Month	B&D	Havering	Newham	Redbridge	Elwa
April	23.35%	24.38%	15.79%	21.54%	20.86%
May	24.12%	23.35%	14.40%	19.91%	20.25%
June	22.37%	24.00%	13.21%	22.04%	20.22%
July	21.87%	22.50%	14.88%	21.36%	19.94%
August	19.91%	23.42%	13.46%	22.99%	19.66%
September	21.53%	34.08%	11.97%	22.50%	22.47%
October	20.00%	23.17%	12.80%	24.37%	19.86%
November	19.35%	22.35%	16.46%	22.87%	19.98%
December	16.35%	19.76%	12.76%	20.53%	16.84%
January	17.07%	19.23%	13.17%	20.18%	16.32%
February	19.33%	24.58%	13.84%	23.13%	20.18%
March	13.10%	15.50%	17.24%	27.45%	20.01%
Average	20.18%	23.18%	14.32%	22.36%	20.01%



Note 1: The peak in September represents green waste delivered for composting to a third party site for the previous 8 months.

Note 2: The peak in September represents bring site recycling where an adjustment was made by third party recycling for the previous three months.

Note 3: The dip in March represents an adjustment by third party recycling processes in respect of the contamination in previously delivered loads.

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**Performance against LAT'S Target**

Month	Contract Waste		LANDFILL		LATS Target	
	Tonnage	Biodegradable	Tonnage	Biodegradable	Tonnage	Surplus
April	42,736	30,086	25,975	18,286	22,097	3,811
May	43,237	30,439	24,815	17,470	22,097	4,627
June	43,209	30,419	25,952	18,270	22,097	3,827
July	44,372	31,238	24,047	16,929	22,097	5,168
August	45,446	31,994	23,293	16,398	22,097	5,699
September	42,778	30,116	21,065	14,830	22,097	7,267
October	43,339	30,511	23,447	16,507	22,097	5,590
November	41,001	28,865	23,664	16,659	22,097	5,438
December	36,227	25,504	19,931	14,031	22,097	8,066
January	42,975	30,254	25,092	17,665	22,097	4,432
February	37,746	26,573	21,038	14,811	22,097	7,286
March	36,957	26,018	17,351	12,215	22,097	9,882
Recon	-1,922	-1,353	0	0	0	0
<b>Accumulative Total</b>	<b>498,101</b>	<b>350,663</b>	<b>275,669</b>	<b>194,071</b>	<b>265,164</b>	<b>71,093</b>

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*(Contact Officer: John Jones - Tel. 020 8708 3192)***EAST LONDON WASTE AUTHORITY****23 JUNE 2008****FINANCE DIRECTOR'S REPORT**

<b>INTERNAL AUDIT PROGRESS REPORT 2007/2008, AUDIT PLAN 2008/2009 AND PLANNED AUDIT COVERAGE TO MARCH 2012</b>	<b>FOR DECISION</b>
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**1. Purpose**

- 1.1 To advise Members of the progress of Internal Audit coverage and findings arising during 2007/2008.
- 1.2 To seek Members' comments and agreement to the proposed Internal Audit Plan for 2008/2009.

**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 25th June 2007. 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 2007/2008;
- a list of the Audits due to be undertaken during 2008/09;
- details of the revised Internal Audit Strategy and the Internal Audit Charter;
- details of the proposed Internal Audit coverage for the 3 years 1<sup>st</sup> April 2009 to 31<sup>st</sup> March 2012.

### **3. Internal Audit Coverage During 2007/2008**

3.1 The main focus of Internal Audit activity during this year has been to undertake a review of the arrangements in place for the management of the Contract with Shanks East London Ltd. and to review the Business Continuity arrangements in place. The planned review of Personnel arrangements has been deferred until 2009/10 at the request of the Executive Director because not all policies and procedures have yet been put in place to represent all the issues that might arise now that ELWA is an employer.

3.2 Based upon the audit work undertaken during 2007/08, Internal Audit has reached the opinion that the Authority's overall control / governance framework is generally sound. Although the core financial systems continue to operate effectively, arrangements for monitoring the contract with Shanks East London were not sufficient to guarantee that all contract requirements were being fully complied with. However it is not suggested that there are major gaps in coverage in respect of the most significant service issues. This was recognised last year and a new monitoring officer post was created and filled towards the end of 2007. Consequently more resources are now devoted to monitoring the provision of the service. 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 2007/08 are noted below.

#### **Audit of Risk Management & Business Continuity Arrangements**

3.3 The review found that Management had taken appropriate steps to identify the key risks associated with the operation of the business. Expert advice was obtained to help in the identification process and the construction of the Risk Management strategy. Formal approval to adopt the strategy and to ensure that the risk registers are reviewed annually was taken by the ELWA Board in February 2007. The Authority checks that the mitigation control relating to the Landfill sites are tested by an external firm twice a year due to the high risk posed by pollution and explosion.

3.4 Although the Authority does not have an overall Business Continuity Plan there are in place a number of processes that will be followed in the event of a disaster. However these have still to be compiled into an overarching Business Continuity Plan. A number of key systems and processes for which ELWA is dependent are provided by other organisations. We have been advised that where ELWA is dependent upon other organisations that those organisations own Business Continuity arrangements have incorporated the need to restore facilities to ELWA. While Business continuity arrangements may be in place the Authority needs to satisfy itself that those arrangements are satisfactory and meet ELWA's business requirements.

- 3.5 The financial and operational performance of ELWA Ltd, is assessed annually by their auditors and by Shanks themselves through the Annual Report which gives an overview of the operational performance of the company. This, coupled with the monitoring of Shanks performance by the Authority, enables a detailed assessment of the company's performance to be made.
- 3.6 Following our review of the Risk Assessment process / Business Continuity arrangements overall we are able to provide Substantial assurance that the system of internal controls are generally sound. However, ELWA needs to satisfy itself that where it is dependent upon other organisations business continuity arrangements for its own operations that those arrangements best meet the requirements of the Authority

### **Audit of Contract Monitoring Arrangements**

- 3.7 The contractual arrangement with Shanks East London Ltd. (SEL) requires the company to undertake a significant amount of "self monitoring". The process relies on Shanks providing key information on its financial and non financial performance to ELWA. There are severe penalties on Shanks, however if key information is not provided including the ability of the Authority to withhold payment of the monthly invoice. The contract sets out the performance requirements against which the company is monitored.
- 3.8 The Authority's monitoring regime at the time of the audit placed significant reliance on the information provided by SEL and was primarily geared to analysing the information provided. However reports in themselves may not pick up the performance / compliance issues and need to be supported by a comprehensive and targeted monitoring regime conducted by the Authority. Although regular independent site visits were conducted by ELWA and Borough Officers these were not to a structured monitoring work programme. London Remade were appointed to provide additional monitoring support in a more structured way. Where defaults / financial penalties have been incurred these have generally been based on the self-monitoring information provided by SEL and are primarily raised for vehicle turnaround time. As defaults can only be raised when they occur or when they are picked up, this indicates that either there are currently few contractual issues or there is insufficient scope of the monitoring conducted by ELWA of SEL operations.
- 3.9 The reliance on self-monitoring, although a contractual obligation, places responsibility on SEL to report failings. However there is also a requirement for a systematic review and checking of SEL's compliance with contractual requirements to ensure contractual obligations are met or which allow the Authority to penalise SEL for poor performance.
- 3.10 The Authority has recognised the need to strengthen its monitoring obligations in addition to the "self monitoring" conducted by Shanks by establishing a new monitoring officer post. One of the main duties of this post is the carrying out of independent monitoring visits and investigations to ensure adherence by SEL to the agreed self-monitoring programme. Internal Audit have been advised that a programme of site visits and monitoring activities will be drawn up to focus the monitoring conducted by this officer to ensure that key activities and areas that have been reported as poorly performing are targeted to ensure that corrective action is taken and where appropriate, that financial penalties are deducted.

- 3.11 Aspects of the contract are also monitored by the four boroughs under a Service Level Agreement (SLA) which requires the boroughs to undertake a monitoring role as part of ELWA's Integrated Waste Management Strategy (IWMS). The requirements of the SLA are extensive and require both planned monitoring visits as a result of complaints and random inspection of the Refuse and Recycling Centres (RRC) sites and the "Bring" sites in each borough. However, we noted that monitoring officers currently complete the inspection sheets manually, a move towards using handheld monitoring equipment should be considered as this will improve the efficiency of the process as well as allow for data download.
- 3.12 One of the roles of the new ELWA monitoring officer will be to better coordinate the work of the Borough Monitoring Officers as they will provide a point of contact and be responsible for following up on issues identified by them, a current weakness, and ensuring that Shanks and where appropriate its sub-contractors complete the rectification process in the agreed timescales as set out in the contract. As well as the borough monitoring officers, the Authority has entered into an agreement with London Remade (LR) for the provision of additional monitoring checks. The scope of the service provided by LR is a quarterly assessment of the performance of SEL at the Refuse and Recycling Centres (RRC), the Major Facilities (Frog Island and Jenkins Lane) and the Bring sites. The agreement requires LR to provide a quarterly report on the results of the monitoring undertaken. Internal Audit have been advised that this arrangement will continue into 2008/09.
- 3.13 While we have noted an improvement in the monitoring of SEL by ELWA and the Boroughs over the last 2 years we remain concerned at the current reliance on self monitoring and consider that the monitoring undertaken by the Authority is not currently at the level required to fully monitor all the activities of SEL to ensure compliance with the standards and scope agreed in the contract. We appointment of the WRO should go some way to ease those concerns. As the WRO had only just been appointed at the time of the audit we could only give limited assurance that the current monitoring operation ensures compliance by SEL with the contractual requirements. The appointment of the Waste Recycling Officer (WRO), the continued use of London Remade and the monitoring contribution by the boroughs should go a long way to ensure, overall, that SEL are adequately monitored and that the Boroughs get the service specified.
- 3.14 A recent follow up to the report identified that although levels of monitoring have increased with the additional member of staff and the continued use of London Remade there has been no noticeable increase in the penalties levied on Shanks. It is also the case that some financial penalties may be insufficient to change the behaviour of the contractor. An example is that penalties for queuing at the Chigwell Road site are regularly imposed but the current site restrictions make it almost impossible to speed up the flow of traffic through the site.

#### **4. Internal Audit Coverage for 2008/09**

- 4.1 The past five years have allowed the opportunity 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.

- 4.2 In addition to giving consideration to the Authority's high strategic and operational risks identified in the report to Members on 4<sup>th</sup> February 2008 the annual audit plan was formulated from discussions with the Finance Director / Section 151 Officer, the Executive Director and the General Manager and was based on an annual risk assessment process so that identified concerns are assessed and evaluated to determine the impact on the Authority.
- 4.3 The risk assessment process takes into consideration the risks identified in the Authority's risk register, but also considers 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 ensures the plan is 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.
- 4.4 Internal Audit coverage for 2008 /09 will again review aspects of the contract management arrangements in place for the Integrated Waste Management Contract. Another review will consider the Authority's Corporate Governance arrangements / High Level Controls. A third Audit will review the Authority's financial management arrangements.
- 4.5 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 2008/09 it is intended to report to Members any instances where high-risk recommendations have not been implemented in the appropriate timescale.

## **5. Internal Audit Coverage for 2007- 2012**

- 5.1 At your meeting held on 25<sup>th</sup> June 2007 Members agreed a proposed Internal Audit five year plan. An updated five year taking into account the deferral of the review of Personnel Arrangements until 2009/10 is attached for reference (Appendix A). No further changes are proposed but there remains a requirement for the audit plan to be flexible in order to respond to changing priorities and the concerns of Members and Management. Consequently further changes to the strategic five year plan may be necessitated. As in all cases, actual audit coverage will be dependent on the outcome of our reviews.

## **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 the 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. 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 2007/08, 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 monitoring process which need to be addressed / investigated by management.

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 2007/2008 as outlined in Section 3; and
- ii) agree the audit coverage for 2008/2009 as outlined in Section 4.

Geoff Pearce  
**FINANCE DIRECTOR**

## **Appendices**

A 5 Year Strategic Plan

Background Papers

None

**ELWA - 5 year Strategic Plan 2007/08 - 2001/12**

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				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
TIMS System	4	3	12	3 yearly		10				8			5
Weighbridge System	5	4	20	2 yearly				5		5			5
<b>Financial Management</b>													
Financial Management	3	3	9	4 yearly		10				10			
Borough Recycling PI'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			10		
<b>Follow Up Provision</b>													
										3	3	3	3
<b>Total days</b>					<b>20</b>	<b>30</b>	<b>15</b>	<b>25</b>	<b>25</b>	<b>43</b>	<b>38</b>	<b>33</b>	<b>33</b>

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*(Contact Officers: Jay Gohil: 020 8708 5086)***EAST LONDON WASTE AUTHORITY****23 JUNE 2008****FINANCE DIRECTOR'S REPORT**

<b>BUDGETARY CONTROL REPORT TO 30<sup>th</sup> APRIL 2008</b>	<b>FOR INFORMATION</b>
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**1 Introduction**

- 1.1 This budgetary control report compares ELWA's actual expenditure for the month ended 30th April 2008 with the original 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 £3,878,000 and the actual net expenditure on services of £3,623,000, the underspend for the period is £255,000 (see Appendix A). This is the first month of the new 2008/09 financial year and therefore, it very difficult to draw any trends at this very early stage in the year.
- 2.2 The main variation, as in the previous year, relates to the payment to Shanks.east london which is lower than that anticipated in the Annual Budget & Service Delivery Plan by £226,000 as a result of nearly 2,667 less tonnes requiring disposal during April 2008 than previously forecast (see separate report elsewhere on the agenda on Contract Monitoring for further details).
- 2.3 ELWA's original Contingency sum for 2008/09 is £550,000 and comprises of a £200,000 for IWMS Contract negotiations including insurance benchmarking or other unforeseen circumstances, £100,000 for Waste Regulation including Hazardous Waste, definitions of Household Waste and Disposal Credits to third parties and £250,000 for an increased Communications Campaign. There is no utilisation to date.
- 2.4 Members should note that employers pension contributions have increased for 2008/09 and later years following the 2007 Fund Valuation by the London Pensions Fund Authority. The contribution rate increase in 2008/09 is from 12.4% to 14.4% of payroll costs for those staff in the Local Government Pension Scheme. This increased cost of approx £6,000 can be contained within the existing employees budget.
- 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 2008/09, 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 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 30<sup>th</sup> April 2008

Background Papers

None

**EAST LONDON WASTE AUTHORITY**  
**BUDGET MONITORING STATEMENT TO 30th APRIL 2008**

<b><u>EXPENDITURE</u></b>	<b><u>Original Budget 2008/09 £'000</u></b>	<b><u>Profiled Budget to 30.4.08 £'000</u></b>	<b><u>Total Actual to 30.4.08 £'000</u></b>	<b><u>Variance to 30.4.08 £'000</u></b>
<b><u>Employees</u></b>	436	36	35	-1
<b><u>Premises Related Expenditure</u></b>	151	13	8	-5
<b><u>Transport Related Expenditure</u></b>	14	1	-	-1
<b><u>Supplies and Services</u></b>				
Payments to Shanks.east London	47,701	4,112	3,886	-226
Other (inc cost of Support Services)	608	51	48	-3
<b><u>Third Party Payments</u></b>				
Disposal Credits	100	8	8	-
Recycling Initiatives	205	17	17	-
Tonne Mileage	600	50	50	-
Rent payable - property leases	267	22	22	-
<b><u>Capital Financing Costs</u></b>	256	21	21	-
<b>TOTAL GROSS EXPENDITURE</b>	<b>50,338</b>	<b>4,331</b>	<b>4,095</b>	<b>-236</b>
<b><u>Income</u></b>				
Commercial Waste Charges	-3,988	-332	-332	-
Interest on Balances	-1,430	-119	-138	-19
Other Income	-20	-2	-2	-
<b>TOTAL INCOME</b>	<b>-5,438</b>	<b>-453</b>	<b>-472</b>	<b>-19</b>
Contingency Allocated	550	-	-	-
<b>NET EXPENDITURE ON SERVICES</b>	<b>45,450</b>	<b>3,878</b>	<b>3,623</b>	<b>-255</b>
Levy Receivable	-36,300	-3,162	-3,162	-
PFI Grant Receivable	-4,355	-363	-363	-
Transfer to PFI Contract Reserve	4,355	363	363	-
Transfer from PFI Contract Reserve	-7,400	-617	-617	-
Contribution from Reserve Reserves	-1,750	-145	-145	-
<b>REVENUE SURPLUS FOR PERIOD</b>	<b>0</b>	<b>-46</b>	<b>-301</b>	<b>-255</b>

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*(Contact Officer: John Wilson- Tel. 020 8270 4997)***EAST LONDON WASTE AUTHORITY****23 JUNE 2008****ASSISTANT EXECUTIVE DIRECTOR'S REPORT**

<b>WASTE MANAGEMENT - APRIL 2008</b>	<b>FOR INFORMATION</b>
--------------------------------------	------------------------

**1 Purpose**

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

**2 Key Facts**

- 2.1 As can be seen from Appendix A the tonnage of wastes delivered for April was 41114 tonnes, 2600 tonnes (6.1%) less than anticipated in the Annual Budget & Service Delivery Plan (ABSDP) for 2008/09, producing a saving against budget of £226k. The monthly cost was £3.887 million compared to the estimated £4.113 m.
- 2.2 The recycling rate achieved was only 18% compared to the 20% profiled for April in the ABSDP. Almost 1,000 tonnes of Bio MRF glass was recycled in April. The below target performance was due to two main reasons. Firstly there was lower than expected green waste volumes delivered to RRC sites in the month. The profiled amount of green waste would have added 2% to the total recycling performance. Secondly, although 1,700 tonnes of Orange Bag was extracted from the Opti Bag lines, only 1,100 tonnes was sent to reprocessors after the decontamination operation at the RRC MRF.
- 2.3 Due to the lower than anticipated recycling performance at the RRC site Shanks have revisited how they operate and are trialling a revised mode of operation at the Gerpins Lane site by employing extra persons within the waste bays sorting materials into euro bins to improve capture. The success of this change is being monitoring.
- 2.4 Under the present set up because 'dry' recycling alone appears to be difficult to increase in the volumes needed to meet the recycling target, and green waste is open to the vagaries of the weather, the overriding key to achieving the recycling target is how successful will Shanks be in obtaining a third party contractor to treat the 'fine' materials from the Bio MRF's from July. Meanwhile although Shanks are striving to improve the performance at the RRC's by revised working and searching for new outlets (a contractor who can take 'dirty' wood, mdf, and chip board has been identified and trial loads have been despatched ) that alone, albeit improving, will not be sufficient to bridge the gap. The glass captured from the Bio MRF's although on target for April has the potential for higher capture but the equipment needs modification which Shanks are reviewing. Similarly the performance of the Optibag system is a regular source of 'leakage' due to its vulnerability, breakdowns and contamination.

### **3 Site Operations**

- 3.1 There have been no major changes to operational facilities other than the Temporary Transfer Station at Jenkins Lane undergoing its redevelopment into the survival bag MRF. This work has been delayed by three months compared to the date given in the ABSDP and is not expected to be completed until September 2008. This delay will impact the return to Jenkins Lane of LB Newham vehicles diverted to London Waste Ltd at Edmonton.

### **4 Diversion from Landfill**

- 4.1 The contractual diversion from landfill target for 2008/9 is 40%. This was exceeded in April with a diversion of 52.3% due to the strong market for the Solid Recovered Fuel produced by the Bio MRF. This diversion also provides the Authority with a potential LATS benefit.
- 4.2 The performance against the revised LATS allowances for 2008/98 is shown at Appendix C. This shows a surplus of 6258 allowances for April i.e. a greater diversion of biodegradable waste from landfill than was necessary to meet ELWA's revised target allowances set by Government. Due to previous surpluses ELWA currently has 130,000 allowances banked.

### **5 Recommendation**

Members are asked to note this report.

John Wilson  
**ASSISTANT EXECUTIVE DIRECTOR**

#### **Appendices**

- A Contract Waste 2007/08 and 2008/09
- B Contract waste recycling & composting performance April 2008
- C Performance against LATS target April 2008

#### **Background Papers**

None

**Contract Waste 2007-8 and 2008-9**

	Contract Tonnages						Contract Sums £K		
	ABSDP		Actual Tonnage		RRC Tonnage		2007/8	2008/9	
	2007/8	2008/9	2007/8	2008/9	2007/8	2008/9	Actual	ABSDP	Actual
<b>April</b>	41984	43781	42736	41114	9895	7567	£2,885	£4,112	£3,887
<b>May</b>	47106	44272	43237		8205		£3,019	£4,154	
<b>June</b>	49818	44245	43209		8517		£2,956	£4,149	
<b>July</b>	42726	45384	44372		8572		£3,730	£4,239	
<b>August</b>	43578	46187	45446		10103		£3,796	£4,315	
<b>September</b>	44385	43822	42778		8807		£3,688	£4,091	
<b>October</b>	40948	42192	43339		7719		£3,768	£3,952	
<b>November</b>	41738	41805	41001		6866		£3,614	£3,915	
<b>December</b>	38351	37040	36227		5359		£3,396	£3,491	
<b>January</b>	39116	41886	42975		7255		£3,730	£3,931	
<b>February</b>	35823	36286	37746		6461		£3,459	£3,409	
<b>March</b>	40872	43059	36957		5570		£3,416	£4,021	
<b>Recon</b>			-1922		-1821				
<b>Total</b>	<b>506445</b>	<b>509959</b>	<b>498101</b>		<b>91508</b>		<b>£41,457</b>	<b>£47,779</b>	<b>£3,887</b>

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**Contract Waste Recycling & Composting Performance 2006-7 and 2007-8**

Month	Recycling				Composting				Total Recycling			
	Tonnages		Percentage		Tonnages		Percentage		Tonnages		Percentage	
	2007/8	2008/9	2007/8	2008/9	2007/8	2008/9	2007/8	2008/9	2007/8	2008/9	2007/8	2008/9
April	5,352	6,000	12.5%	14.6%	2,115	1,360	4.9%	3.3%	7,467	7,360	17.5%	17.9%
May	5,561		12.9%		1,881		4.3%		7,442		17.2%	
June	5,016		11.6%		2,191		5.1%		7,207		16.7%	
July	5,330		12.0%		2,130		4.8%		7,460		16.8%	
August	5,540		12.2%		1,849		4.1%		7,389		16.3%	
September	5,150		12.0%		2,970		6.9%		8,120		19.0%	
October	5,442		12.6%		1,713		4.0%		7,154		16.5%	
November	5,166		12.6%		1,561		3.8%		6,727		16.4%	
December	4,443		12.3%		605		1.7%		5,048		13.9%	
January	5,383		12.5%		572		1.3%		5,955		13.9%	
February	5,301		14.0%		1014		2.7%		6,315		16.7%	
March	5,216		14.1%		993		2.7%		6,209		16.8%	
Adjustment												
Annual Total	62900		12.63%		19593		3.93%		82493		16.56%	

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**Performance against LAT'S Target**

Month	Contract Waste		LANDFILL		LATS Target	
	Tonnage	Biodegradable	Tonnage	Biodegradable	Tonnage	Difference
April	41,114	28,944	19,627	13,817	20,075	6,258
May					20,075	
June					20,075	
July					20,075	
August					20,075	
September					20,075	
October					20,075	
November					20,075	
December					20,075	
January					20,076	
February					20,077	
March					20,077	
Recon						
<b>Accumulative Total</b>					<b>240,905</b>	

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