

Notice of Annual General Meeting

EAST LONDON WASTE AUTHORITY

Monday, 22 June 2009 - Council Chamber, Civic Centre, Dagenham, 1:00 pm

Members: Councillor S Kelly (Vice-Chair); Councillor I Corbett, Councillor M Dunn, Councillor P Murphy, Councillor E Norman, Councillor Mrs V Rush, Councillor B Tebbutt and Councillor G M Vincent

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.

15.06.09

R. A. Whiteman
Managing Director

Contact Officer: Tony Jarvis
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AGENDA

- 1. Apologies for Absence**
- 2. Appointment of Chair and Vice-Chair (Pages 1 - 2)**
- 3. Membership and Induction of New Members 2009/2010 (Pages 3 - 4)**
- 4. Minutes - To confirm as correct the minutes of the meeting held on 6 April 2009 (Pages 5 - 7)**
- 5. Appointment of ELWA Limited "A" Director (Pages 9 - 10)**
- 6. Programme of Meetings 2009/10 (Page 11)**
- 7. Nominations under Section 41 of the Local Government Act 1985 and Consequent Amendments to the Constitution (Pages 13 - 14)**
- 8. Governance Arrangements - Review (Pages 15 - 40)**
- 9. Service Delivery Plan 2010/11 to 2014/15 (5 Year) (Pages 41 - 48)**
- 10. Contract Monitoring - April 2009 (Pages 49 - 56)**

- 11. Waste Management - April 2009 (Pages 57 - 61)**
- 12. Closed Landfill Strategy (Pages 63 - 66)**
- 13. Final Financial Outturn report for 2008/09 (Pages 67 - 72)**
- 14. Draft Statement of Accounts 2008/09 (Pages 73 - 127)**
- 15. Draft Annual Governance Statement 2008/09 (Pages 129 - 138)**
- 16. Budgetary Control Report to 30 April 2009 (Pages 139 - 141)**
- 17. Internal Audit - Progress Report 2008/09, Audit Plan 2009/10 and Planned Audit Coverage to March 2012 (Pages 143 - 149)**
- 18. Any other public items which the Chair decides are urgent**
- 19. 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.

- 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

22 JUNE 2009

OFFICE MANAGER'S REPORT

APPOINTMENT OF CHAIR AND VICE CHAIR	FOR APPROVAL
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1. Purpose

1.1. The appointment of Chair and Vice Chair of the Authority for 2009/10.

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.

- 2.2. 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.
- 2.3. However, the Consultants' Governance Report, later on the Agenda, recommends that the Chair and Vice Chair are representatives of the same Authority and that these roles are jointly rotated amongst the Boroughs at subsequent AGMs.
- 2.4. If Members consider that they are likely to approve the recommendations in the Consultants' report, the practice of previous years would therefore be discontinued.

3 Recommendations

3.1 Members are asked to:-

- i) appoint a Member to the position of Chair ; and
- ii) appoint a Member to the position of Vice Chair.

Shirley-Ann Gray
OFFICE MANAGER

Appendix			
	None		
Background Papers			
A	Joint Venture Agreement and Articles of Association of ELWA Limited		
B	Members Code of Conduct and Constitution		
C	25.06.03	Report & Minute 1216	ELWA Limited Directorship

EAST LONDON WASTE AUTHORITY**22 JUNE 2009****OFFICE MANAGER'S REPORT**

MEMBERSHIP AND INDUCTION OF NEW MEMBERS 2009/10	FOR CONSIDERATION
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1. Purpose

1.1 To note the appointment of new Members for the year 2009/10 and the offer thanks to those Members who have not been reappointed to the Authority for 2009/10.

2. Background

2.1 Consideration by the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge of their representation on outside bodies has been completed and ELWA's membership position is confirmed for the municipal year 2009/10 as follows

London Borough	Current Representative
Barking & Dagenham	Councillor Mrs Valerie Rush Councillor Gerald Vincent
Havering	Councillor Steven Kelly Councillor Barry Tebbutt
Newham	Councillor Patrick Murphy Councillor Ian Corbett
Redbridge	Councillor Michelle Dunn Councillor Elaine Norman

2.2 All new Members have been provided with an Induction Pack and the possibility of sites visits and workshops/information meetings are referred to in several of the reports on the Agenda.

3. Legal Implications

3.1 S.31 of the Local Government Act 1985 makes provision for the replacement of members to a joint authority such as ELWA. Under the Act, a constituent council may at any time terminate the appointment of a person appointed by it to a joint authority and appoint another member of the council in his place. Where a constituent council exercises its powers of replacement it must give notice of the new appointment and of the termination of the previous appointment to the authority to which those appointments were made.

3.2 The London boroughs of Barking & Dagenham, and Redbridge have each given notice to ELWA that they have replaced their appointees in the following wise:

London Borough	Previous Representative	Current Representative
Barking & Dagenham	Councillor Milton McKenzie Councillor Pat Twomey	Councillor Mrs Valerie Rush Councillor Gerald Vincent
Redbridge	Councillor A Weinberg Councillor M Aaron	Councillor Michelle Dunn Councillor Elaine Norman

3.3 The replacement of the above-mentioned members has been confirmed in the manner set out in paragraph 2.1 above.

4. **Recommendation**

Members are asked to:-

- i) note this report;
- ii) consider arrangements for induction; and
- iii) confirm that a letter of thanks and appreciation is sent to the outgoing Members.

Shirley-Ann Gray
OFFICE MANAGER

Appendix	
	None
Background Papers	
A	ELWA Constitution

EAST LONDON WASTE AUTHORITY

Monday, 6 April 2009
(Times Not Specified)

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

1645 Apologies for Absence

An apology for absence was received on behalf of Councillor M Aaron and Councillor A Weinberg.

1646 Minutes(12 February 2009)

The minutes were noted and agreed.

1647 Matters Arising

The previous minutes (number 1642) stated that there would be a further report on the Review of Governance Arrangements at this meeting. Consultants are in the process of concluding their interviews and therefore there will now be a report on the results at the next meeting on 22 June 2009.

1648 Budgetary Control to February 2009

The Finance Director highlighted the issues of the report and the reasons for the budget variations and the impact on the following year's levy. The Executive Director will write to members to explain the deductions and penalties applied under the contract and included in these figures. We have noted the report.

1649 Contract Monitoring to February 2009

We have received the Assistant Executive Directors report and appendices. He explained that the weather had an impact early in the month. However, there have only been 6 penalties against about 600 Bring Sites. In some instances there was a loss of recycling for a short period following the disruption caused by the poor weather.

The Assistant Executive Director explained section 3 of his report on notifications received by Shanks including an electrical problem and a fire at Jenkins Lane and the contingencies were put in place.

The contract recycling performance for February was 19.7%

The Executive Director explained that about 1% of the recycling in February had related to stocks from a previous period. The Assistant Executive Director will write to Members with further explanations of stock movements.

Members requested that in future the commentary in the report should refer to

both the monthly and the accumulative performance figures.

Members were reminded of the importance of the Boroughs working together to improve performance.

The report was noted.

1650 Waste Management to February 09

We have received the Assistant Executive Director's report who referred to paragraph 2.1 and generally satisfactory performance against New National Performance Framework.

The Assistant Executive Director advised on the latest position on the current consultations on the definition of municipal waste and also on the market, for solid recovered fuel and recycle materials.

We have noted this report.

1651 Service Delivery Plan 2010-11 to 2014-15

We have considered this report about the service delivery plan for 2010/11 to 2014/15.

The appendix shows the Authority's current strategy that the Authority and Constituent Councils had agreed in 2006.

The Executive Director said that future strategies would need to consider climate change and carbon issues as well as the Government's Waste Strategy and the strategy of the Greater London Authority.

The Executive Director said the contractual waste disposal structure was now in place and this was the right time to consider future infrastructure needs.

The Chair reminded the boroughs that they should be discussing this subject and bringing the results to the meeting.

1652 London Waste and Recycling Board

The Executive Director introduced his report and referred to the strategy adopted for the submission of the expression of interest from ELWA, Shanks and the Boroughs.

This report was agreed.

1653 Policies and Procedures - Code of Conduct

We have received the Draft Code of Conduct which followed the guidelines outlined in the consultation document. The recognition agreement would be considered in due course.

We have agreed the recommendation to:-

- (i) approve the attached Draft Code of Conduct
- (ii) review the Code when the Department for Communities and Local Government issue their final guidelines at the conclusion of the current Consultation.

Chair:
Dated:.....

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

EAST LONDON WASTE AUTHORITY

22 JUNE 2009

OFFICE MANAGER'S REPORT

APPOINTMENT OF ELWA LIMITED "A" DIRECTOR	FOR APPROVAL
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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 2009/10.

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 2009/10 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			
A	Joint Venture Agreement and Articles of Association of ELWA Limited		
B	Members Code of Conduct and Constitution		
C	25.06.03	Report & Minute 1216	ELWA Limited Directorship

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

EAST LONDON WASTE AUTHORITY**22 JUNE 2009****OFFICE MANAGER'S REPORT**

PROGRAMME OF MEETINGS 2009/2010	FOR INFORMATION
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1 Purpose

1.1 To note the agreed meeting dates, for the forthcoming municipal year.

2 Background

2.1 On 24th November 2008, Members gave consideration to and approved the following meeting dates for the forthcoming municipal year:

Monday	22 June 2009	1pm Civic Centre Dagenham - Chamber (Annual General Meeting - Approval of draft Statement of Accounts)
Tuesday	29 September 2009	1pm Civic Centre Dagenham - Chamber (Approval of Annual Governance Report required by 30.09.09)
Monday	23 November 2009	1pm Civic Centre Dagenham - Chamber (Approval of IWMS Contract Annual Budget & Service Delivery Plan required by 30/11/09)
Monday	01 February 2010	1pm Civic Centre Dagenham - Chamber (Approval of annual Levy required by 15/02/10)
Monday	12 April 2010	1pm Civic Centre Dagenham - Chamber

2.2 It is also proposed within the Agenda papers that dates are also considered, in addition to those above, for site visits or an informal meeting/workshop.

3 Recommendation

3.1 Members are asked to note the date, location and times of future meetings.:

- i) note the dates agreed for future meetings; and
- ii) consider other dates for site visits and or informal meetings/workshops in due course.

Shirley-Ann Gray
OFFICE MANAGER

Appendix		
None		
Background papers		
19/06/2006	Report and Minute 1433,	Constitution (subsequent amendments Minutes 1463 & 1603)

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(Contact Officer: Eldred Taylor-Camara- Tel. 020 8227 3344)

EAST LONDON WASTE AUTHORITY

22 JUNE 2009

MONITORING OFFICER'S REPORT

NOMINATIONS UNDER SECTION 41 OF THE LOCAL GOVERNMENT ACT 1985 AND CONSEQUENT AMENDMENTS TO THE CONSTITUTION	FOR APPROVAL
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1. Purpose

- 1.1. To propose amendments to the ELWA Constitution to ensure compliance with Section 41 of the Local Government Act 1985, and
- 1.2. To seek nominations from the Authority as to which Members shall be responsible for answering questions on behalf of the Authority at their respective constituent council proceedings.

2. Background

- 2.1. Section 41 of the Local Government Act 1985 requires that, as a statutory Waste Disposal Authority, the East London Waste Authority (ELWA) should make arrangements (whether by standing orders or otherwise) for enabling questions on the discharge of the functions of a joint authority to be put in the course of the proceedings of any constituent council by members of that council for answer by a member of it who is also a member of the authority and is nominated by the authority for that purpose. What this means is that ELWA, as a joint authority, must nominate from its membership, a Member from each of the four constituent councils as the person who will, on behalf of the Authority, answer questions put by other Members of the constituent Councils in the course of council proceedings, pertaining to the discharge of ELWA's functions.
- 2.2. This is a mandatory statutory requirement and as these arrangements do not currently appear in ELWA's constitution it is important that the Authority regularise the position. It is usual for such nominations to be made as part of the Authority's business at its AGM.
- 2.3. It is therefore proposed that the ELWA Constitution be amended to include provision for such arrangements to be made and for the Authority to make its nominations of the four Members to answer questions on behalf of the Authority in their respective councils during the year 2009/10. The Authority may wish to consider nominating Authority Members who are the respective Council's lead Member for Environment/Waste to answer questions on behalf of the Authority.

3. Legal Implications

- 3.1. This report was prepared by the Monitoring Officer and Legal Adviser to the Authority and the legal implications are set out in body of the report.

4. Financial Implications

4.1. There are no financial implications associated with this report.

5. Recommendations

5.1. The Authority is asked to approve the following amendments to the Authority's Constitution:

i) The insertion after Article 10.4 of the following new clause 10.5

"10.5 The Authority shall at its AGM, nominate from its membership, one Member from each of the constituent councils to answer questions on behalf of the Authority, put by other Members of the constituent Councils in the course of council proceedings, pertaining to the discharge of the Authority's functions."

ii) The insertion under Section A – The Authority, in Part C (Responsibility for Functions, The Authority's Scheme of Delegation) of the following:

"Nominating Members from each of the constituent councils to answer questions on behalf of the Authority, put by other Members of the constituent councils in the course of council proceedings, pertaining to the discharge of the Authority's functions."

5.2. In accordance with Section 41 of the Local Government Act 1985, the Authority is recommended to nominate from its membership, one Member from each of the constituent councils, possibly their lead member at ELWA, to answer questions on behalf of the Authority, put by other Members of the constituent Councils in the course of council proceedings, pertaining to the discharge of the Authority's functions for the year 2009/10.

Eldred Taylor-Camara
MONITORING OFFICER

Appendices
None
Background papers
There are no background documents to this report subject to Section 100D of The Local Government Act 1972

*(Contact Officer: Rob Whiteman - Tel. 020 8227 2789)***EAST LONDON WASTE AUTHORITY****22 JUNE 2009****MANAGING DIRECTOR'S REPORT**

GOVERNANCE ARRANGEMENTS - REVIEW	FOR CONSIDERATION
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1. Purpose

- 1.1. To consider the consultants report following their review of the Governance arrangements within ELWA.

2. Background

- 2.1. In February 2009 Members approved (Minute 1642) an Outline Specification and the arrangements for conducting a governance review.
- 2.2. The consultants' report is attached at Appendix A.

3. Consideration by the ELWA Management Board

- 3.1. The draft consultants' report was received at the end of April and considered by the ELWA Management Board on the 6th May. The Board gave support to the general recommendations in the draft Consultants' report but deferred consideration of implementation issues until after Members views' had been gained on the broad direction.
- 3.2. As is set out in the report the present governance structures have served the Authority well during procurement and investment phases of the PFI contract. But in order for the constituent boroughs to better develop shared strategy and co-client the next phases of contract delivery with the central ELWA team, the management board concurs with the consultants' recommendations:
- that without requiring constitutional change, in the short term the management board is amended so that the boroughs' four chief officers responsible for environmental services take joint responsibility for supporting the work of the Authority; and
 - the new management board works through with Members over the next six months the issues raised in the report in relation to the governance structure of ELWA and brings forward formal constitutional amendments for the Authority's consideration.

4. Consideration by Members

- 4.1. The draft consultants' report was circulated to Members in May, to allow time for it to be discussed within the Boroughs prior to this meeting.
- It is suggested that, following these preliminary discussions within the Boroughs, Members now give formal consideration to the report. Members are asked to discuss that they are broadly in agreement with the Consultants' report, accept the

key recommendations in the executive summary on page 3 of the report, and identify any other points or options that should be considered?

5. Next steps

- 5.1. If Members are content to proceed along the lines of the recommendations in the report the next steps would include the following:
- i) implement some short term arrangements that would help with the transition to the proposed longer term arrangements, namely: to assemble a new board with four instead of two environment directors; and that the Authority asks all four boroughs to ensure consistently strong attendance at the board from the four chief officers.
 - ii) Note that David Woods will be nominated by Barking and Dagenham as their nominee, who under ELWA's present constitution will become Managing Director in replacement of Rob Whiteman; and add Len Norton to the Board as the Director of Environment from Redbridge.
 - iii) Consider the detailed longer term governance arrangements for ELWA. These details would be discussed with Members and brought forward in reports over the next two or three meetings, including the consequential updating of the Constitution.

6. Legal Implications

- 6.1. The Legal Adviser and Monitoring Officer has been consulted in the preparation of this report.
- 6.2. The ELWA Constitution provides that the Monitoring Officer shall be responsible for monitoring and reviewing the operation of the Constitution and to make recommendations to the Authority on ways in which the constitution could be amended in order to achieve its purpose.,
- 6.3. The Authority has commissioned consultants to review the areas of the constitution relating to the governance structure as mentioned in this report.
- 6.4. The consultants have prepared a report and made recommendations as to constitutional amendments that could be made to address these governance issues (Appendix A).
- 6.5. It is generally accepted that there are other areas of the Constitution that also need to be reviewed. The Authority may therefore consider extending the scope of constitutional review beyond the areas addressed in Appendix A to include a review of the whole constitution. This would be a larger piece of work and Members may wish to consider how best to approach the review and introduce the amendments recommended in Appendix A as well as those resulting from a more general review.
- 6.6. With regard to the immediate recommendations relating to the composition and structure of the ELWA Board and the role of Appointed Officers, the Monitoring Officer is of the view that several amendments will need to be made to the Constitution to effect the changes. The Monitoring Officer will work with the Managing Director, the Executive Director and such other officer or body as the Authority shall direct to draft and effect the necessary amendments.

7. Financial Implications

- 7.1. There are no cost implications from the short term changes being recommended. In the medium term, once consideration has been given to the detail of the consultants' report, the most material cost implication arising from the consultants' recommendations would be the additional resources for an extended Managing Director's role, to include for example the establishment and support to a new Partnership Board. The cost implications of a new post of Managing Director could vary significantly depending on various factors including whether a full time senior officer is recruited or a part time post holder is required. A more precise costing will be supplied after Member discussions and when the Board report back on any future implementation arrangements.
- 7.2. In the longer term the consultants are indicating that more resources may be needed to achieve higher waste management performances in the future arising from any renegotiation of the contract.
- 7.3. Both of these items will be the subject of further reports following further discussions at this and subsequent meetings.

8. Risk Analysis

- 8.1. The Authority's risk registers contain the following items identified as either strategic or operational risks.

• Strategic Risks	No 2	Corporate Division and disagreements
	No 3	Withdrawal of co-operation of Borough(s)
	No 4	Breakdown in the relationship with Shanks Waste Management Ltd
• Operational Risks	No 10	Failure to meeting stakeholder expectations
	No 15	Poor performance of collection authorities

- 8.2. The proposals in this report are intended to reduce the likelihood of these risks materialising.
- 8.3. Failure to address the problems highlighted by the consultants' report could result in significant financial costs in terms of the breakdown of the internal business arrangements of the Authority and, the failure to achieve value for money from the long term contract with Shanks.

9. Recommendations

- 9.1. Members are recommended to:-

- i) consider the consultant's report concerning their review of ELWA's Governance arrangements and the matters arising;

- ii) subject to Members consideration in i) above, the following recommendations may also be appropriate:
- agree the short-term changes to the ELWA Management Board set out in the consultants' report (referred to in paragraph 5.1 (i) of this report);
 - request the revised Managing Board to bring forward proposals for the implementation the other recommendations in the Consultants' report (referred to in paragraph 5.1 (ii) of this report).
 - henceforth receive an annual report on Management Board attendance by the borough's appointed officers.

Rob Whiteman
MANAGING DIRECTOR

Appendices			
A	May 2009	Report of Stanton Marris / Partnerships UK / DEFRA	Report of the Review of the East London Waste Authority
Background papers			
A	12.02.09	Report and Minute 1642	Governance Arrangements - Review

**REPORT OF THE REVIEW OF THE EAST
LONDON WASTE AUTHORITY**

**John Bruce-Jones
Stanton Marris**

**David Kent
Partnerships UK**

**Ben Pryn
Waste Infrastructure Delivery Programme, DEFRA**

May 2009

Review of the East London Waste Authority

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EXECUTIVE SUMMARY

The East London Waste Authority requested a review of the governance and structure of the Authority and of the governance and contract management structures in place for managing the Authority's Integrated Waste Management Services contract.

ELWA has overseen a pioneering and successful contract to build and run waste disposal facilities and services. Its performance in diverting waste from landfill (from 90% in 2002 to 45% currently) has consistently exceeded its targets.

ELWA has, however, struggled to meet its recycling targets. The changing context of waste management and government emphasis on recycling has meant that the four Boroughs have needs of ELWA that are not being met. The interface between ELWA and the Boroughs has not been able to create the level of mutual understanding required to have a shared resolution of the issues.

But there is an aspiration across the Boroughs to develop a joint vision for waste with ELWA, to work more collaboratively and to drive up performance on all waste disposal measures. This will require the development of a new contract (in the general sense) between ELWA and the Boroughs as well as a review of the IWMS contract.

Our key recommendations for changes to the structures for governance and contract management include:

1. Rotating the Authority roles of Chair, Vice Chair and 'A' Director around the Boroughs
2. Appointing all four Borough Chief Officers with accountability for waste matters to the Management Board
3. A preferred option to appoint a remunerated Managing Director
4. Replacing the existing appointed officer roles of Technical and Operation Directors (these roles are in fact performed by ELWA staff) with Director roles (to be filled by the appointment of the Chief Officers to the Board as above)
5. Retaining the current arrangements for the Finance Director role
6. Clarifying the distinction between the Managing Director and Executive Director roles
7. Creating a Partnership Board of Borough Leaders and Chief Executives with the Chair and Managing Director of ELWA
8. Reviewing the membership and tightening the remit of a renamed Project Team, Communications Group and Monitoring Group
9. Establishing a Strategic Negotiating Group of ELWA members and officers from ELWA and the Boroughs to consider review of the IWMS contract

We propose immediate implementation of interim arrangements:

10. Appointing the Barking and Dagenham Chief Officer, David Woods, to replace the current Managing Director
11. Appointing the Redbridge Chief Officer, Len Norton, to the Board in an informal capacity
12. Interim Management Board to establish the Partnership Board, to initiate changes to the ELWA/Borough officer groups and to establish the contract review process and governance.

1 INTRODUCTION

The East London Waste Authority (“ELWA”) requested a review of the governance and structure of the Authority and of the governance and contract management structures in place for managing the Authority’s Integrated Waste Management Services (“IWMS”) contract. The review takes place at a time when ELWA is moving very clearly from a project to construct disposal plant and set up an integrated disposal system, to the operation of an established disposal business. It was felt time to review the governance arrangements which were originally set up for the project phase of ELWA in 1986. Some ELWA Members have suggested that changes to the structure and operation of the ELWA Board are needed better to meet individual Boroughs’ requirements or achieve best value from the IWMS contract.

The scope of the review agreed with the Authority is set out in Appendix 1.

The review was carried out by John Bruce-Jones from Stanton Maris, David Kent from Partnerships UK (“PUK”) and Ben Prynne, also of PUK but currently on secondment to the Department for Environment, Food and Rural Affairs. The review involved meetings with all key stakeholders in February and March 2009. A list of those interviewed is attached as Appendix 2.

2 BACKGROUND

2.1 History

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

ELWA is responsible for waste disposal in its area, which covers the four London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge. The Boroughs have a combined population of approximately 870,000 living in over 340,000 households. They are each responsible for the collection of household waste in their areas. ELWA receives approximately 550,000 tonnes of waste each year from the four Boroughs and their residents.

In 1996, ELWA developed a strategy for dealing with the local area's waste for the next 25 years, known as the Integrated Waste Management Strategy which was to be implemented through the letting of a 25-year integrated waste management service (IWMS) contract. Shanks Waste Services Limited was selected as 'Preferred Bidder' for the IWMS Contract at ELWA's meeting on 18 March 2002.

The ELWA contract was pioneering in its time and included managing the waste flow, managing waste sites and managing 600+ bring sites. It won a public/private finance award in 2003 as an innovative flagship project. Since then it has been commended by the NAO as an example of a waste PFI project delivered to time and to cost.

The new service commenced on 24 December 2002. From this point, and for the next 25 years, a new company, ELWA Limited, became responsible for ELWA's waste disposal operations, which also included the running of the four Civic Amenity Sites (now known as Reuse and Recycling Centres) which had previously been managed by the Boroughs.

2.2 Performance

ELWA's performance in diverting from landfill has regularly met or exceeded its planned targets. In 2007/08 (last figures available from Defra¹) ELWA was 37th out of 121 Waste Disposal Authorities in minimising landfill achieving a diversion from landfill of 45%. It is achieving the primary performance measures of the contract.

In recycling, however, performance has struggled to meet planned targets and has not yet achieved the required 22%. The contract targets also now no longer reflect the Boroughs' aspirations for recycling which are for significant improvement. The ELWA contract target of 30% for 2010/11 poses a challenge to the Boroughs and the goalposts have moved; the best performing authorities have recycling rates of over 50%. Out of 354 Authorities with collection responsibilities the Boroughs were ranked in the bottom 12% for recycling performance (Havering – 314th with 24% recycled, Redbridge – 330th, Barking and Dagenham – 342nd, Newham – 352nd with 14.4% recycled).

2.3 The ELWA Constitution

ELWA is a local authority in its own right with statutory powers and duties. It has 8 Members who are appointed annually, two by each of the four Boroughs from within their councillors. The Members have, collectively, ultimate accountability for the governance, strategy and management of the Authority. The joint arrangements are similar to those in the North London Waste Authority although the NLWA waste disposal strategy is very different.

ELWA (the Authority) has four Appointed Officers who are assigned by the Constitution to the four Boroughs: Managing Director (Chief Executive of Barking & Dagenham), Finance Director (Finance Director of Redbridge), Technical Director (Chief Officer of Havering) and Operations Director (Chief Officer of Newham). The Managing Director is specified in the Constitution as having 'overall corporate management, administrative and legal responsibility'.

The Statutory Officer positions of an authority are assigned in part to the Appointed Officers: the Managing Director is the statutory Head of Paid Service, the Finance Director is the statutory Section 151 Officer. The legal adviser to the Authority has always been a legal officer from Barking and Dagenham who is appointed the statutory Monitoring Officer.

In addition ELWA has a small number of full-time employees (previously seconded from the Boroughs) including the Executive Director, a position specified in the Constitution as having 'day-to-day management responsibility' and a General Manager, now termed Assistant Executive Director with 'day-to-day operational responsibility'. In addition to the legal resource provided by Barking & Dagenham to ELWA, Redbridge provides financial and audit support.

The Integrated Waste Management Services contract is let by ELWA to ELWA Ltd which is a joint venture company between ELWA and Shanks. ELWA Ltd has a contract with Shanks as the Operating Contractor to build and operate the waste disposal system. The contracts are significant in scale and complexity and ELWA dedicates much of its limited resource to

¹ Source publication: Municipal Waste Management, Published November 2008; Department for Environment, Food and Rural Affairs; <http://www.defra.gov.uk/environment/statistics/index.htm>

contract management.

2.4 Management Structure

The management structure of ELWA is set out in the diagram at Appendix 3.

The arrangements set up at the start of ELWA – the officer positions, their powers and duties, how they are filled by the Boroughs – have served ELWA well. Successive Barking & Dagenham Chief Executives have taken the ELWA Managing Director role. The current Director of Finance of Redbridge has been the ELWA Finance Director since the start.

The Appointed Officers, and the Executive Director and Monitoring Officer constitute the ELWA Management Board which has no executive powers per se. The powers of Appointed Officers are set out in Section C of the Constitution. No powers are delegated to the Executive Director who is currently the full-time ‘manager’ of ELWA.

ELWA is reliant on resource provided by the Boroughs. In addition to the legal and financial expertise outlined above, Borough officers with a waste or recycling role are participants in three working groups: Project Team, Monitoring Group and Communications Group. These groups work with ELWA officers.

3 KEY FINDINGS

3.1 Governance of ELWA

The governance structures in place at the Authority have served for some years and are not, in themselves, inadequate. The Constitution is essentially robust and enables councillors from different authorities and political parties to work together for some common aims and to take decisions where there are differences of view between the Boroughs.

In the last two years relationships between Members have been less positive than previously. Patchy attendance from some Members is said to be a symptom of certain authorities being at the core of ELWA and others being at the margins. This tension, which has not stopped ELWA doing business (though it may have made it less effective), comes in part from Members new to the Authority working with Members who have been on the Authority since the start and questioning the roles of different Boroughs under the current arrangements.

The Management Board is perceived by some Members and officers not to grasp and respond to issues effectively enough and to be slow at making decisions. The reduced effectiveness in decision making is recognised by many to be due to perceived differences in individuals’ level of commitment to the work of the Board. These show themselves in patchy attendance and the substitution of delegates who are not empowered to make appropriate decisions. The Board’s slow response to some issues raised may be more to do with whether those issues are seen to be solely in ELWA’s grasp. We cover this in more detail below.

What was striking to us in our conversations with ELWA Members and officers across the Boroughs was the level of ambition and energy for improved waste management in East London. Many spoke of the need for a new vision and a long term strategy shared by ELWA

and Boroughs, of the need for greater collaboration between the Boroughs and ELWA and of an aspiration for leading edge performance in achieving the targets being set by government for today and the future.

Some Members in frustration advocate a much closer Member involvement in management of the contract. While the practice of the different Boroughs around the distinction between Member and officer responsibilities may vary, we do not believe that a more managerial and interventionist approach by Members is the right answer.

In section 4 we make recommendations on how these and other findings should be addressed.

3.2 Interfaces, leadership and coordination

3.2.1 Relationships

The issues that have been raised with us in the review, for example slow decision making or mismatched expectations, seem to us to spring mostly from weakness in the interface between ELWA and the Boroughs at a time of changing demand.

The Authority does by and large bring the right councillors from the four Boroughs together. This success is not entirely matched by other elements of the governance structure and other arrangements that have been put in place to compensate are not fully effective:

- The Management Board often consists of three different levels below Chief Executive (the Managing Director) which inhibits discussion and decision making
- Chief Officers from the Boroughs with accountability for waste matters come together in an informal reference group meeting whose remit and value added is not clear to all
- The level of understanding and engagement of Chief Executives and Leaders of the Boroughs is left to the varying levels of briefing they receive rather than designed in to the system
- As a result different Boroughs are 'running at different speeds' on ELWA issues
- Other senior officers who may be engaged via the Project Team or other groups do not see a strong flow of information from their groups up the management structure and do not experience timely response down the chain.

This contributes to inhibiting successful partnership working between ELWA and the Boroughs. While some may see ELWA as slow and unresponsive, others experience the Boroughs as sometimes acting in a largely parochial way and are frustrated that ELWA does not challenge Boroughs enough on issues that are raised or on their fulfilment of collective responsibility.

Our view is that significantly more senior leadership attention and investment of effort is required to overcome these difficulties and to steer a new course. With the current arrangements it is difficult to see how the Managing Director would be able to devote enough time to the role.

3.2.2 Differences

The challenge for ELWA in responding to new demands from the Boroughs which are at the margins of, or beyond, the remit of the original strategy and contract is that there are major differences between the Boroughs politically, socio-demographically and financially and these differences play out in different approaches to waste collection. So, for example, Havering has committed to a higher recycling target than the other Boroughs; Redbridge runs separate collection of the recyclables; while in Newham the housing and demographics make separation of recyclables into the orange bags used by the ELWA system more difficult than in the other Boroughs.

While officers across the 5 authorities are well aware of these differences, Members have been slower to understand them and appreciate their implications, although that is changing.

There is increasing collaboration between the Boroughs to improve the effectiveness and value of their collection systems. It is perceived that ELWA's role in this is inhibited by two factors which cut right across the need to recognise and respond to differences between the Boroughs:

- Hesitation by ELWA officers in committing resource to activities that might be outside the disposal remit and therefore ultra vires
- Concern by ELWA officers to be seen to be treating Boroughs equally, especially in terms of money spent.

These issues compound the frustration that some Members and officers experience with the recycling performance of a system designed primarily to divert from landfill.

3.3 Decision Making

The ability to make timely decisions under the current governance structure has been questioned.

At ground level the Project Team, Monitoring Team and Communications Team are not perceived to have sufficient powers to make decisions. As a result some issues are not resolved as they are not deemed important enough to escalate to the Management Board, while others are referred with consequent delays to resolution and implementation of change.

We were told that Management Board decision-making is sometimes slow because absences or delegation mean that the Board is not always able to make decisions without referring back to one or more Boroughs.

The relationship between the Executive Director and Managing Director is such that decisions can be made quickly that may be outside the delegation of the Executive Director. With different individuals in these positions this might not work so well.

A few people feel that there is an expectation by some Members and officers that ELWA is able to make decisions on issues which are, in reality, outside its remit and powers but that, despite efforts to 'educate', this is not fully understood.

If the aspiration for an approach to waste management and recycling across the five authorities is to be met, the authorities will have to develop more effective decision making at all levels across the partnership.

3.4 Roles and Responsibilities

3.4.1 Members

Members, by and large, feel that their colleagues on the Authority manage their 'twin hats' well. However, some officers feel that ELWA's interests sometimes take second place to the interests of individual Boroughs. These tensions are inevitable as the Authority is the place where, ultimately, the interests of the five authorities are brought together.

The roles of Chair, Vice Chair and A Director have by history and practice been undertaken by Barking & Dagenham and Redbridge. There is some question about whether these roles should rotate among the Boroughs. In addition, the A Director role in the joint venture is one that is not well understood.

3.4.2 Officers

Many have pointed out that the Operations Director and Technical Director roles are obsolete and that the position holders are not expected to act in this functional capacity. Some have suggested that ELWA should have more high level waste strategy expertise in house but recognise that that cannot necessarily be expected of any officer appointed from a Borough.

Others have pointed out that the distinction between the Managing Director and Executive Director whilst clear in practice, is not sufficiently specified in the Constitution. Many questioned whether the Managing Director role is a viable extra responsibility for a Borough Chief Executive.

3.5 Contract Governance and Management

Although the terms of reference for the Review did not specifically include a requirement to review the IWMS contract, it became clear during the interviews that some Members and officers from the four Boroughs are dissatisfied with the contract, the contractor's performance and the way in which the contract is managed.

Overall responsibility for the performance of the IWMS contract resides with the ELWA Board while day to day responsibility for managing the contract sits within the Project Team consisting of ELWA officers and managers from the Boroughs.

The Project Team was initially set up to oversee progress during the build-up of the project and it was felt by some that its role is now more about building relationships than managing the contract. Some felt that it should now become a Contract Management Team, rather than a Project Team.

There is a perception by some Members and officers that the relationship between ELWA and the contractor had become "comfortable" and "too cosy" and that there appeared to be an emphasis on building good relationships with the contractor at the expense of rigorous management of the contract. Comments were made that the ELWA Board bears responsibility for not having been tough enough with the contractor when required or had

been sufficiently robust in challenging the contractor to improve performance. Some felt the ELWA officers have inevitably become closer to the contractor than is in the Authority's interests.

These perceptions were expressed to us by Members and officers from more than one Borough. We were, however, also told that recent recruitment to ELWA has strengthened the Project Team and has led to a greater focus on performance management. Despite this recent strengthening of the Project Management team, it was felt by some that it is still too small and that it needs more finance and legal advice in the team rather than having to rely on that currently drawn from other Boroughs.

The ELWA officers contest that contract management has been soft or without adequate challenge and point to a more fundamental mismatch in expectations that we have covered above. We were told that evidence from files, from legal advice and from the reports to Board and the Authority demonstrates genuine challenge to the contractor. Because the perception of some Members is markedly different there is a need to improve communications with Members to achieve a better shared understanding between ELWA members and officers.

Much of the dissatisfaction with the contract stems from the fact that the contract was awarded 7 years ago and was based on the National Waste Strategy of 2000 which put more emphasis on diversion of waste from landfill sites than on recycling. Thus, although the contractor's performance exceeds the required standards for landfill diversion and, according to the latest available statistics from Defra, achieves 45% diversion, it does not – because it was not set up to – achieve the recycling targets that the Boroughs now seek to attain. This feeling that the contract is not delivering what Boroughs want is exacerbated by the fact that the contractor is not achieving even the modest recycling targets set out in the contract and it is anticipated that the contractor will fall marginally short of the 2008-09 recycling target of 22%.

Financial deductions for non-achievement of the recycling target are felt by many not to be a particularly powerful incentive for the contractor to improve performance in this area. This is of concern in view of the fact that the performance measure for recycling in the contract increases from 22% to 30% in 2009-10.

Deductions for non-achievement of targets can be seen, however, as 'negative' incentives and, on a more positive note, we were told that the Authority has already agreed to increase the incentive for "above target" recycling performance in 2009/10 from £10 per tonne to £25 per tonne. It remains to be seen whether this will be sufficient to enable the target to be met.

We were also told that the Authority has been in negotiations with the contractor "for several years" in respect of increasing both the recycling and diversion from landfill incentives. This appears to confirm the perception of one senior officer that the contract governance structure 'hinders effective negotiation' and there was also a perception that the contractor was focussing more on business development opportunities rather than resolving non-conformance

Under the contract considerable risks have been transferred to the contractor, particularly on planning, construction, composition and landfill tax. Although the level of risk transferred on recycling appears relatively low, this needs to be seen in the context that the contractor accepts the full risk on the composition of waste being delivered by the Boroughs.

4 CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

This Review has come to the conclusion that, while ELWA, the PFI contract and its governance have been successful under its starting terms, changes to the context of waste collection and disposal are not adequately reflected in the current arrangements and that these need to change.

The four Boroughs have different waste disposal requirements from when ELWA began. The need to recycle more has implications for the performance of ELWA's facilities as well as for greater integration between disposal and collection approaches.

The Boroughs have articulated an aspiration for a relationship with ELWA that brings the five authorities together in developing:

- a long term vision for recycling and disposal across the four Boroughs which will enable them to take strategic decisions on collection approaches
- greater collaboration, sharing of ideas and mutual support
- a united approach to driving up and monitoring ELWA performance (which may include re-negotiation of aspects of the contract)

The challenge for ELWA at present is how to respond to the interest and energy of the Boroughs in matters, such as recycling rates, which were not the primary purpose of the PFI contract. The needs of the Boroughs are different and ELWA has to find a way of responding to each within an agreed and equitable sharing of its resources and efforts.

The challenge for the Boroughs is to engage with the issues in an open and collaborative way and to recognise that a different and greater investment of effort by ELWA and the Boroughs will need to be resourced.

The relationship between ELWA and its client Boroughs is at a stage where a new understanding - a new 'contract' in its broadest sense – needs to be hammered out. This will require a different level of engagement with the Boroughs which will be enabled by changes to the governance and management arrangements.

The recommendations below seek to:

- Strengthen involvement of all four Boroughs in ELWA
- Make sure that the right people are talking about the right things at the right time
- Increase ELWA capability
- Tighten up roles
- Strengthen contract management
- Speed up responsiveness and decision making

4.2 Recommendations

4.2.1 *The Authority*

The stability and cross-party working evidenced by ELWA is an asset to be maintained carefully. In the last couple of years the Authority has had a mix of new and long-standing members and this has caused some tensions. This is inevitable from time to time and, if managed well, provides opportunities for new thinking. The twin-hatted nature of the member's role has been questioned but by and large people feel that members have put aside their Borough roles when acting on ELWA business. The tensions inherent in a member's role are inevitable and managing them is a political skill.

We see no reason to recommend changes to the make-up of the Authority or to the appointment of its members but do propose that the custom and practice that has assigned certain roles to certain Boroughs should now change.

Chair and Vice-Chair

We recommend that the Chair and Vice-Chair rotate amongst the four Boroughs. Chair and Vice-Chair should each be from the same Borough. The term of appointment should, probably, be two years to maintain continuity of business.

In the first instance members may wish to vote on which Borough is to start the rotation of Chair and Vice Chair posts around the Boroughs.

'A' Director

The 'A' Director appointed by the Authority to ELWA Ltd has been Councillor Weinberg of Redbridge since the start. While there have been significant advantages to this in the first stage of ELWA's life, there is now a case for recommending that this role should rotate amongst the Boroughs. Again, the term needs to reflect the time it takes to understand fully and become effective in the role, perhaps two years.

In order to maintain a separation of roles and spread the burden of ELWA duties across the Boroughs the A Director should not come from the same Borough as the Chair and Vice-Chair.

In order to plan future succession more easily members may wish to set up a rotation of the Chair, Vice-Chair and A Director roles for the next 8-10 years across the four Boroughs.

Ways of working

The next couple of years will demand particularly good thinking, debate and decision making by the Authority. The success of a recent 'awayday' of members and officers developing ideas together suggests that the Authority should find more time for creative and strategic thinking than is currently allowed for in the cycle of formal meetings.

The establishment of good process and dynamics within the 'team' of Authority members is what will help members work productively within the tensions inherent in their role. This is part of the role of the Chair with support from the Managing Director. Members might consider whether openness, respect and productive discussion would be improved by some

'teambuilding'.

4.2.2 The ELWA Management Board

The ELWA Constitution defines five Director roles. Custom and practice have assigned four of these roles on the Board to the four Boroughs (Managing Director to Barking & Dagenham, Finance Director to Redbridge, Operations Director to Newham and Technical Director to Havering). The need to engage Boroughs more equitably and effectively in the management of ELWA leads us to the following recommendations:

- The Management Board continues to develop strategy, policy and plans and to oversee the performance of ELWA as now. The Board supports the Authority, Managing Director and Finance Director in the exercise of their powers and functions.
- All four Chief Officers with responsibility for waste collection in the Boroughs should be on the Board as directors/strategic directors.
- The Managing Director and Finance Director roles remain substantially as defined in the Constitution.
- The Technical and Operations Director roles have ceased to have meaning as ELWA has developed and should be replaced with a generic role designated as Director or Strategic Director.
- The Executive Director of ELWA sits on the Board as does the Assistant Executive Director
- The Legal/Monitoring Officer attends the Board and continues to be a resource provided by Barking & Dagenham.

The most obvious advantages of these changes are that chief officers at the same level and with similar responsibility for waste across the four Boroughs are at the core of ELWA's strategy and advice to the Authority. Each Borough will have a Director fully conversant with ELWA issues, able to brief their own Chief Executive and senior management team and able to work with their own ELWA members to brief their own senior political leadership.

For this change to work chief officers must be prepared to fulfil their role; substitution but meetings, for example, should only be in exceptional circumstances. On the other side of the bargain ELWA Management Board business needs to be at a level which engages the Board's attention: the Managing Director and all Board members have a responsibility to shape the right agenda.

4.2.3 Board roles

Managing Director

It is widely acknowledged that ELWA has been fortunate in the leadership of three successive Chief Executives of Barking & Dagenham as Managing Directors of ELWA. This review now raises the question of whether the role should remain one that falls to Barking and Dagenham.

The review has also raised the question of whether enough time can be devoted to the role by anyone who is a Chief Officer in one of the four Boroughs, let alone a Chief Executive.

Our conclusions propose that ELWA is moving into a new phase where a new understanding and way of working with the Boroughs needs to be developed and where the same needs to be developed with the contractor under a review of the contract. The Managing Director will, over a couple of years at least, need to work more extensively with the Boroughs and other external stakeholders as well as with Authority members and the contractor. Our rough estimate is that the Managing Director role is possibly a full time and certainly at least a half time job over the next two to three years.

The main options, for this role that we see, other than no change, are:

1. Managing Director role rotates around the Chief Executives of the four Boroughs
2. Managing Director role rotates around the Borough Chief Officers (who all sit on the Board as per recommendation in 4.2.2 above)
3. Managing Director role is a remunerated 'independent' position.

Option 1 Managing Director role rotates around Borough Chief Executives

Advantages:

- Very experienced senior officer with the credibility and access to work effectively between the Authority and the Boroughs
- Part-time role focuses on what is most important

Disadvantages:

- The role requires more than the 5-10% that any Chief Executive could give to it
- Rotation could not, practically, be less than every two years so is a long additional load for a Chief Executive
- Other Chief Executives may be unwilling to take on the role (the proposition is untested at the time of writing)

Option 2 Managing Director role rotates around the Borough Chief Officers

Advantages:

- Chief Officers, in the MD role or in anticipation of filling it, are strongly engaged with ELWA business and have a strong interest in alignment of collection and disposal strategies
- Chief Officers work together to provide joint advice to the Authority
- MD role kept within the membership of a small Board

Disadvantages:

- Time: Chief Officers are unlikely to be able to give the time required (one day a week in the minimal fulfilment of the role)

- Rotation could not, practically, be less than every two years so is a long additional load for a Chief Officer.
- Turnover of Chief Officers presents challenges. Rotation could become complicated.

Option 3 Managing Director role is a remunerated 'independent' position

Advantages:

- Flexibility: the scale of the role can be set, by fixed contract, to match the need: full time or part time, over, say, three years etc
- Appointment, open to external and internal candidates, will be able to select for the skills and experience needed in the role
- Independence from the Boroughs

Disadvantages:

- Cost
- Risk of Boroughs disengaging from joint decision making

In the rotating options (1 and 2) it would be most practical (for ease of working together) to have the Managing Director from the same Borough as the Chair and Vice-Chair. This does present potential problems of business continuity at the time of rotation of three key roles. The alternative, where the Managing Director is from a different Authority from the key member posts, presents the obvious problems of maintaining a working relationship (this may, however, need to be the case during the interim arrangements that we recommend below)

On balance our preference is for Option 3. This secures the senior management capacity and capability that ELWA needs going forwards more easily. The investment this will require of ELWA (and therefore the Boroughs) is at least equivalent to the opportunity cost of diverting a significant proportion of a chief officer's or chief executive's time to ELWA.

As this, and other changes, may require constitutional change we recommend immediate implementation steps in the final section of the report.

Finance Director

This role has been filled by the Finance Director of Redbridge since ELWA started. This is acknowledged by all to have been a successful arrangement of great benefit to ELWA. While Redbridge and its current Finance Director are willing for him to undertake the role we see no reason to change the arrangements. This is the Board role which requires the greatest level of technical expertise; continuity is very important to fulfilling the role and rotation would entail significant effort.

If an option to rotate the Managing Director role is taken it presents the difficulty of the Managing Director and Finance Director being from the same Borough at some point in the cycle. Rotation of the Finance Director role is an option but probably not less than every five

years. In the event of the Managing Director role rotating and for succession planning the new Board should consider how best to plan for a new Finance Director in the future. But our recommendation for the foreseeable future is to retain the current arrangements for the Finance Director.

In any case under our recommendations Redbridge would always have two Chief Officers as ELWA Directors. This does not seem to us an insurmountable problem and the new Board will need to consider how the numerical advantage to Redbridge and the disproportionate burden that this role places on Redbridge should best be handled.

Executive Director

A future Managing Director, as Head of Paid Service, will have to determine the structure of the Authority that he or she believes will work best. Our recommendations on the Finance Director and, particularly, the Executive Director role are for a Managing Director's consideration.

The distinction between the roles of Managing Director and Executive Director set out in the Constitution (Part G 2.2, 2.3, 3.1) is not entirely clear. In the future the Executive Director role will partly depend on the option chosen for Managing Director, although we do not see a substantial change in the role. This review, however, has concluded that the future demands on the management of ELWA for the next 3-5 years will be different from those that have been served by the current arrangements. Our view is that these demands will be greater and that senior management capacity in ELWA needs to be strengthened, hence our preferred option for the Managing Director role.

In the light of the preferred option for the Managing Director we propose for the Executive Director that:

- The Executive Director has day-to-day administrative and operational responsibility for ELWA and leads the management of the contract with ELWA Ltd
- The Managing Director has responsibility for the strategy of the Authority including the review of the contract and its fitness for the future. (The Managing Director will determine what resource he or she will need for support in these responsibilities)
- While the Managing Director has final executive accountability for the management, administration and delivery of the Authority's business, the Managing Director should be focused more on the future and on developing partnership working with the Boroughs
- The Executive Director should be focused more on getting the best performance from the current arrangements between ELWA and its contractor
- In the light of this distinction the Executive Director role should be reviewed and re-designated to accord with the decisions made by members on the other matters raised in this report and in particular in relation to the type of managing director role which is decided upon.

4.2.4 Partnership arrangements

The future of waste collection and disposal in East London requires closer partnership working between the Boroughs and ELWA. It is this realisation, and the demands that this

creates, that has in part prompted this review.

Our recommendations for the Board have created a group of chief officer peers who will shape strategy and decisions for ELWA and who are key to their own Borough's strategy. We propose that chief executives of the four Boroughs and Leaders of the four Boroughs come together on a regular basis (perhaps 2 or 3 times a year) with the Managing Director and Chair of ELWA (and other ELWA members as appropriate) to help shape ELWA strategy and strengthen alignment with the Boroughs. This might be termed the Partnership Board.

At the very least this will act as a sounding board and reference group for ELWA. With Chief Executives and Leaders briefed by their ELWA Directors and Members this could be a forum for substantive discussion of shared opportunities, common challenges and the particular issues for different Boroughs,

It has the potential to develop into a strategic partnership board arrangement which sets an overall waste strategy for East London and enables aligned delivery by the collection authorities and ELWA. Our recommendation is to set up and develop productive informal arrangements before considering setting up formal LSP type arrangements.

4.2.5 Officer groups

With the above recommendations there are two governance structures with clear remit which engage the five Authorities at the senior leadership and chief officer levels. This engagement should be continued at other officer levels.

Project Team/Operational Management Group

ELWA officers are currently supported by Heads of Service and service managers from the four Boroughs in the Project Team. The subcontractor and joint venture company are also on the Team. The name of this group refers to the project implementation phase of ELWA and is no longer relevant.

Although much of the group's activity is in contract management our view is that it could have wider remit and value. We propose that this group should continue with membership much as now to act as an Operational Management Group to:

- Support ELWA in the management of the contract
- Monitor performance against the contract
- Monitor performance of the wider collection and disposal system
- Raise and, where possible, resolve operational issues of collection and disposal,
- Align communications
- Share learning and new practice.

Current membership of the group will need to be reviewed to ensure that those senior officers who report on waste matters to the Chief Officers and all relevant Borough Heads of Service are members so that it can make appropriate decisions. The Operational

Management Group should report regularly to the Management Board so that there is a clear channel for operational issues to be raised.

The Operational Management Group takes responsibility for the other task groups (see below) which report into it.

We agree that more resource, in particular legal and finance expertise will need to be available to the Operational Management Group. ELWA should decide whether to provide that resource from internal or external bodies.

Monitoring Group and Partnership Communications Group

We believe there is scope for these groups to be made more effective. The Communications Group, for example, is very large while the Monitoring Group shares membership with the current Project Team.

Membership and remit should be developed by the Operational Management Group and proposed to the Management Board to ensure that the right people are discussing the right issues, that the burden of membership of groups is minimised and that group members have authority to resolve most matters under the group's remit.

We would recommend that these groups should each be led by one of the Operational Management Group members so that there is a clear linkage between the sub groups and the main group.

Success factors

The governance structure we are proposing links the Boroughs and ELWA at all levels and thus ensures that peers with similar accountabilities and decision rights are able to work together. There are clear lines of accountability and responsibility between the groups in the proposed structure which should allow issues and ideas on the ground to be raised and resolved or escalated to the next level. Each group should expect to see a plan and reporting against that plan from the group below it.

We recommend that the changed structure is reviewed after a year of operation to evaluate whether it is delivering the intended benefits.

This structural solution will, of course, require good processes – strong agenda management and a regular cycle of meetings. More to the point, officer groups and the processes for raising issues and taking decisions will not work if they are not supported by behaviours. Most obviously non-attendance or substitution by subordinates without delegated authority means that decisions cannot be taken, matters have to be referred back and return to the agenda weeks or months later unresolved. Expectations of the behaviours and practices that support effective decision-making need to be set and modelled at the most senior level. If the Management Board sets and follows the rules others will follow.

4.2.6 The contract

We believe that ELWA is faced with a choice. The first is to continue with the contract as it currently is. Even with more robust performance management and the recent increase in the recycling performance incentive, this approach risks causing even greater dissatisfaction

within the constituent Boroughs if it does not enable them to achieve their goals on recycling targets.

The alternative is to undertake a review of the contract and seek to negotiate elements of it which no longer meet current and future waste disposal and recycling strategies. We recognise that much of the contract remains fit for purpose and should not be lost during any renegotiation but policies and strategies with regard to waste disposal have changed since the contract was signed and we believe that there are aspects of the contract that need to be updated to reflect those changes.

We recommend that the ELWA Management Board considers how best to review the contract. The recommendations to governance structures set out above will support a review but ELWA may want, in the short term, to set up a Strategic Negotiating Group, involving senior representatives from the Authority and from Boroughs, supported as appropriate by external advisers. The initial task of this group would be to agree the areas of the contract that might need to be renegotiated, to take legal advice on the implications of renegotiation and to seek agreement from the ELWA Board for authority to proceed with the necessary negotiations with the contractor.

Changing the contract, or the governance and contract management arrangements will not on their own deliver a step change in recycling performance. We are aware that renegotiation of the contract would not necessarily improve recycling performance unless a fundamental and parallel review of collection arrangements is undertaken. Hence the recommendations for governance structures that support an integrated approach to collections and disposal strategies across the five authorities.

It is also recognised that a renegotiation of the contract will require human and financial resources to progress and that a possible outcome is an increase in the price of the contract. In undertaking the negotiation, the Authority will need to decide in advance the affordability and legal parameters within which it can negotiate.

4.2.7 Implementation

Any decisions flowing from consideration of the recommendations of this report will take time to implement, particularly where there is change to the Constitution or recruitment.

We propose immediate interim steps that will put in place one of the key building blocks of our recommendations – the establishment of the four Chief Offices with accountability for waste matters in their Boroughs on the Board – which will allow other changes to take place before the formalities of appointments can be completed:

- Barking & Dagenham to appoint their Chief Officer to the Board, replacing the Barking & Dagenham Chief Executive as Managing Director for the interim
- The Redbridge Chief Officer to attend the Board (but not yet appointed as Director)
- The new Board decides how to initiate a review of the contract and establish the 'Partnership Board'
- Changes to the Project Team, Communications and Monitoring Groups can be started.

Appendix 1– Scope of the Review

The East London Waste Authority commissioned a review to cover:

- (i) The background to and recent history of the development of the project and which has led to the need for the present review;
- (ii) The contract governance and management structures and processes, including (but not limited to) examining whether;
 - a. the leadership being provided through the current structures and whether the current arrangements provide effective co-ordination and interface between the 4 key stakeholders (the 4 Boroughs)
 - b. the structures allow sufficient opportunity for debate regarding contractual issues and provides for swift and effective decision-making;
 - c. the corporate governance arrangements are robust and reflect best practice;
 - d. individuals' roles and responsibilities are clearly articulated and understood;
 - e. the “twin-hatted” responsibilities of Officers and Elected Members have any impact of the effective management of the contract
- (iii) In the light of the findings regarding (ii) above, whether the current structure, interfaces and governance arrangements provide a robust framework for the future governance of the project.

The output will be a report which will include the findings and conclusions to be drawn from the review and recommendations, if appropriate, on changes and actions that would enable the Authority to improve its governance and contract management arrangements and obtain improved value for money from the management of the contract.

Appendix 2– List of Interviewees

Meetings and telephone conference calls were held with the following key stakeholders in 3 February and March 2009:

London Borough of Barking and Dagenham

- Councillor Mackenzie
- Councillor Twomey
- Rob Whiteman
- Dave Woods
- Darren Henaghan

London Borough of Havering

- Councillor Kelly
- Councillor Tebbett
- Cynthia Griffin
- Paul Ellis

London Borough of Newham

- Councillor Murphy
- Jarlath Griffin
- Alan Emery

London Borough of Redbridge

- Councillor Weinberg
- Councillor Aaron
- Geoff Pearce
- Len Norton
- Dave Cuthell

Shanks & McEwan

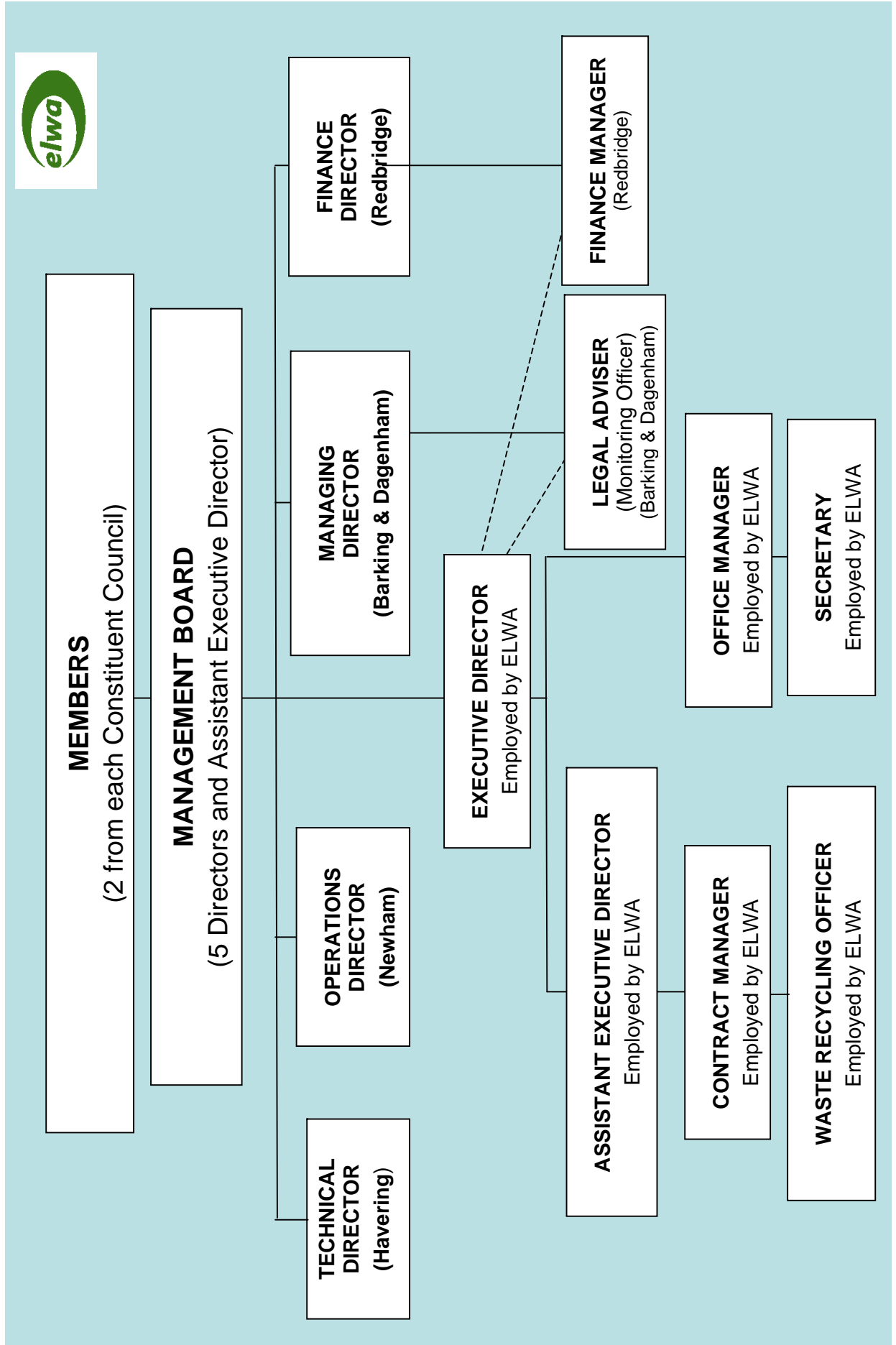
- Ian Goodfellow
- Steven Ray

ELWA

- Tony Jarvis
- Mark Ash
- Eldred Taylor-Camara

We would like to thank the above people for taking the time to speak to us, and for their openness in providing information and opinions for this report.

ORGANISATION CHART (Oct 2007)



*(Contact Officer: Tony Jarvis - Tel. 020 8270 4965)***EAST LONDON WASTE AUTHORITY****22 JUNE 2009****EXECUTIVE DIRECTOR'S REPORT**

SERVICE DELIVERY PLAN 2010/11 to 2014/15 (FIVE YEAR)	FOR CONSIDERATION
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1. Purpose

- 1.1. To provide an update on a number of issues in the development of the 5 year Service Delivery Plan (SDP) 2010/11 to 2014/15.

2. Background

- 2.1. The 5 year Service Delivery Plan is a contractual document between ELWA and ELWA Ltd. It will be submitted by ELWA Ltd to ELWA in its final form in the Autumn of 2009. Prior to the final submission ELWA, the Contractor and the Boroughs will need to consider and agree the contents of the SDP. This new plan is the first to be prepared following the completion of the infrastructure contractually required under the IWMS Contract. It is also during, and immediately after, this period that recycling and diversion from landfill targets will increase (in accordance with the Joint Waste Management Strategy). Therefore it is likely that new infrastructure and new ways of working will have to be considered by ELWA, the Contractor, and the Boroughs if these higher targets are to be achieved.
- 2.2. In relation to the development of the 5 year Plan Members have already considered and agreed a number of important steps:-
- a) the recommendation by ELWA to the Boroughs of a new policy in respect of the separate collection of recycling and together with further attention to waste minimisation;
 - b) to open negotiations with the Contractor concerning:-
 - operational savings achieved by the Contractor which can be passed back to ELWA; and
 - improvements to recycling performance required in the future.
- 2.3. Members also agreed, at a previous meeting, the Annual Budget and Service Delivery Plan (ABSDP) proposed by the Contractor for the current year 2009/10. The 2009/10 Plan does not contain any significant developments over and above 2008/09 but mainly seeks to maximise the benefit of the existing infrastructure and arrangements. The Contractor's performance in 2009/10 against this plan is reported elsewhere in the Agenda.

3. Strategy Background

- 3.1. In 2005, 3 years after the IWMS Contract had been signed, the Authority and its Constituent Councils carried out a fundamental review of the then current waste management strategy, in order to meet new requirements under the Waste and Emissions Trading Act. A revised Joint Waste Management Strategy was approved by ELWA and the Constituent Councils in 2006. This is attached at Appendix A.
- 3.2. The revised strategy confirmed the original recycling and diversion from landfill targets in the 1996 strategy but also added some additional targets from the Waste & Emissions Trading Act in respect of the new limitations on the landfilling of biodegradable waste. In simple terms the joint strategy is to achieve on average across the ELWA area 25% recycling now, 30% recycling in 2010 and 33% recycling in 2015. In respect of diversion from landfill, the strategy is to achieve 40% now, 45% in 2010 and 67% in 2015.
- 3.3. On current performance the recycling target should be achieved in 2009/10 and the diversion from landfill target well exceeded.
- 3.4. ELWA is due to review the strategy again in 2010 to include, for example, the Mayor's Municipal Waste Strategy which is under consideration at City Hall at the present time.
- 3.5. The current work with the Boroughs and the Contractor's 5 year SDP for 2010/11 – 2014/15 will provide an interim review of ELWA's medium term strategy.

4. Borough Waste Plans 2010/11 to 2014/15

- 4.1. London Remade have been engaged by ELWA to support the preparation by each Borough of a waste plan for the next 5 years. This followed the decision by the Authority in November 2008 (Minute 1625) to request the Boroughs to prepare medium term waste plans. The original timetable was that these plans would be available by Easter 2009 but that date was tended to 22nd May to allow Boroughs extra time.
- 4.2. The drafts of those waste plans are currently being reviewed and summarised. Members may wish to hold some form of informal meeting or workshop to consider these plans and improve cross Borough understanding and co-operation.
- 4.3. These plans should provide more clarity about Borough intentions in respect of waste collection and performance for the next few years including the possible separate collections of orange bags which is under various stages of consideration or implementation within three of the Boroughs.
- 4.4. The intention is to bring together, during the next few months, the finally agreed medium term waste plans for each of the Boroughs, ELWA's strategy (explained above) and Shanks' 5 year SDP (to be finally submitted in the Autumn).

- 5. Issues for consideration in the next 5 year SDP – The Climate Change Agenda**
- 5.1. The Climate Change Agenda is becoming an increasingly important consideration in medium term planning and will feature strongly in the Mayor's new Waste Strategy when published.
- 5.2. Desktop studies have already been undertaken and further reports on practical examples will follow in due course, together with any clarification or government guidance about possible future carbon targets for local authorities.
- 6. Issues for consideration in the next 5 year SDP – Partnership Communications**
- 6.1. This is now a three year communications strategy in place, and a detailed year 1 work plan for 2009/10. The Strategy is intended to both guide the communications produced through ELWA's contractor, but also guide the work of the four borough based waste and recycling communication and engagement teams.
- 6.2. The strategy is aligned to the aspirations of the boroughs for service change and moreover a substantial increase in resident commitment, awareness and participation in recycling and waste minimisation.
- 7. Issues for Consideration in the next 5 year SDP – The Contractors' proposals**
- 7.1. The Management Board agreed that ELWA and Shanks representatives meet to open a negotiation about medium term planning and specifically the higher recycling targets from 2010/11.
- 7.2. These negotiations have been called 'Roundtable' meetings and have to date been conducted around two main issues.
- 7.3. The first main issue concerns the possible provision by the contractor of new waste disposal infrastructure in East London to treat residual waste that is currently landfilled.
- 7.4. Subject to technical evaluations, planning consents, and funding approvals Shanks are suggesting that a new plant could be operational in 2011 or 2012 and at that time would improve ELWA's recycling performance and increase ELWA's diversion from landfill.
- 7.5. The capital cost to Shanks would be significant and it is possible that ELWA could be asked to increase the supplements currently payable under the Payment Mechanism in the IWMS Contract in order to make the project viable. (Note: in principle the Authority had approved in 2005 an increase in the level of supplements payable to the Contractor to support a similar project, had it progressed).
- 7.6. Further reports on this proposal will be submitted as progress is made.
- 7.7. The second main issue has related to a potential dispute about the legal interpretation of the Contract between ELWA and the Contractor.

- 7.8. The Contractor is required in the Autumn of 2009 to put forward proposals in their forthcoming 5 year plan (SDP) to meet the higher recycling targets in ELWA's strategy (which is the basis of the IWMS Contract). The preliminary legal aspects of a potential formal dispute on this matter have been satisfactorily resolved but it is possible that further aspects could be the subject of a formal dispute over the next few months.
- 7.9. It should be noted that should issues surrounding potential disputes be debated at the meeting then the meeting should resolve to go into confidential session. It also may also be necessary to consider whether the 'A' Director can remain in the meeting while the debate is conducted.

8. Financial Implications

- 8.1. The 5 year Service Delivery Plan commencing 1st April 2010 will in total cover expenditure of approximately £200m over the 5 years. It is the responsibility of the Authority to ensure that these sums are spent in achieving maximum certainty, reliability and performance.
- 8.2. The cost of not agreeing a viable and effective waste plan for the next 5 years which minimises landfill and optimises recycling performance could be very high.
- 8.3. Resources for the various aspects of this report have already been allocated including the Communications Strategy, the Climate Change work, support from London Remade for the preparation of the 5 year plan, and the technical evaluation of the Contractor's infrastructure proposal. Contingency provision also exists for professional and legal fees should advice be required.
- 8.4. The financial implications of the separate collection of orange bags were reported to the last meeting. There are also financial implications for the boroughs which are being considered separately by the Boroughs.

9. Recommendations

- 9.1. It is recommended that the following is noted:-
- i) the previous decisions of the authority in respect to the preparation of the 5 year service delivery plan (SDP) that commences on 1st April 2010 (please see paragraph 2.2 of this report);
 - ii) the current Authority (and Borough) Joint Waste Management Strategy (set out in paragraph 3 and in Appendix A);
 - iii) the development of draft Borough waste plan for the next 5 years is underway (in paragraph 4);
 - iv) the roundtable meetings with the Contractor to develop the 5 year SDP for 2010/11 to 2014/15, have commenced including the consideration of new infrastructure development and the possibility of formal disputes arising in respect of the achievement of high recycling targets.

9.2. It is also recommended that Members:-

- i) consider holding an informal meeting or a workshop either in July or September to consider Borough waste plans for the next five years and other aspects of this report.
- ii) consider whether as part of any general induction programme, or as part of the above, site visits to existing waste facilities would be helpful.

Tony Jarvis
EXECUTIVE DIRECTOR

Appendices			
A	10/04/06	Joint Municipal Waste Management Strategy for the East London Waste Authority Area - Headline Strategy and Statement of Policies as required under the Waste and Emissions Trading Act (2003) S32	
Background papers			
A.	10/04/2006	Report & Minute 1416	The Joint Waste Management Strategy
B.	06/04/2009	Report & Minute 1651	Service Delivery Plan 2010/11 to 2014/15 (5 year)
C.	12/02/2009	Report & Minute 1637	Annual Budget and Service Delivery Plan 2009/10
D.	24/11/2008	Report & Minute 1625	Service Delivery Plan 2010/11 to 2014/15 (5 Year)
E.	12/02/2009	Report & Minute 1638	Service Delivery Plan 2010/11 to 2014/15 (5 Year) – including London Remade, round table and Optibag
F.	29/09/2008	Report & Minute 1608	Carbon Counting
G.	23/06/2008	Confidential Report & Minute 1584	Waste & Recycling Performance (Part II)
H.	07/04/2008	Report & Minute 1565	Waste and Recycling Performance

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Joint Municipal Waste Management Strategy for the East London Waste Authority Area

Headline Strategy and Statement of Policies as required under the Waste and Emissions Trading Act (2003) S32

This strategy sets out how East London Waste Authority together with London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge intend to manage municipal solid waste.

Our vision is:

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

Our objectives are to:

- (i) *Provide reliable and achievable services in terms of managing and disposing of the waste*
- (ii) *Provide services that are environmentally and economically sustainable in terms of:*
 - *Encouraging waste minimisation initiatives*
 - *Seeking to maximise waste recycling and composting opportunities potentially supported by*
 - *energy recovery*
 - *Meeting national recycling and recovery targets whilst recognising regional waste strategies*
 - *Complying with legislation on waste management*
 - *Contributing to local economic development*
- (iii) *Help promote the most cost effective delivery of services*
- (iv) *Ensure that the services shall be sufficiently diverse and flexible and not dependent upon a single method of waste treatment*
- (v) *Reduce biodegradable waste landfilled in order to meet the requirements of the Waste and*

Emissions Trading Act

Our joint targets are:

- *To stabilise or reduce the level of waste generated to below 515 kg per year per head of population.*
- *To achieve and where possible exceed, statutory recycling and composting standards (See box 1)*

- *To recycle or compost 25% of our waste from April 2005, 30% from April 2010, and 33% from April 2015*
- *To divert from landfill 40% of waste from April 2007, 45% from April 2010, 67% from April 2015*
- *To reduce biodegradable municipal waste sent to landfill to below 210,000 tonnes per year from April 2009, 140,000 tonnes per year from April 2012 and 100,000 tonnes per year from April 2019*
- *To find the best methods to serve all households with a recycling collection of at least four materials by 2008*

We will achieve this by working in partnership across the councils, with our contractors and with

other stakeholders, putting in place incentives to achieve targets where we can. The strategy review process conducted in 2005 indicated that we should focus on increasing recycling, improving the efficiencies of the Bio-MRF plants and on investigating advanced thermal treatments of residual waste.

The strategy has been prepared in consultation with the public and with stakeholders and takes account of government guidance and the Mayor of London's current Municipal Waste Management Strategy. It will inform the joint waste planning framework for the four Constituent Councils.

This strategy will be kept under review including issues resulting from the review of the National Waste Strategy or the Mayor's Municipal Waste Management Strategy

*(Contact Officer: Mark Ash - Tel. 020 8270 4997)***EAST LONDON WASTE AUTHORITY****22 JUNE 2009****ASSISTANT EXECUTIVE DIRECTOR'S REPORT**

CONTRACT MONITORING – APRIL 2009	FOR INFORMATION
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1 Purpose

- 1.1. To provide an update on the monitoring, outcomes and actions taken with regards to the management of the IWMS contract for the period of April 2009.

2 Monitoring by ELWA and Borough staff

- 2.1 During April the Waste Recycling Officer employed by ELWA left his position and returned to University and the process of finding a replacement is ongoing. The impact of this is reflected in the shortfall of monitoring carried out during April and is reflected in Appendix A indicators 1 and 4.
- 2.2 In order to improve the service provision provided by the contractor ELWA officers are raising a wider range of issues at RRC sites and Key facilities and raised 5 non conformances at the RRC sites and 10 non conformances at key facilities (Appendix A indicators 6 and 8) during April. Issues raised were primarily regarding storage of materials and site cleanliness and were mostly at Jenkins Lane. In May, Shanks instigated a Management restructure resulting in a change of site management at Jenkins Lane.
- 2.3 Indicator 3 on Appendix A shows that there were no non conformances raised against the contractor in relation to non service of bring sites.
- 2.4 All monitoring was carried out by the Boroughs as per the Service Level Agreements.

3 Notifications received by Shanks

- 3.1 There were no notifications received by Shanks for issues that would affect service delivery for the month of April.

4 Issues arising out of monitoring

- 4.1 Positive outcomes
- a) With the exception of 2 items, one of which is linked to the development of Frizlands Lane and is out of the control of Shanks, the non conformances raised against Shanks as mentioned in 2.1 were closed out within a week.
- b) Since the start up of the BioMRFs there has always been a problem with the level of fly activity on and around the sites. Shanks have made some improvements with the assistance of external agencies and records show that the level of flies is down compared to this time last year.

- c) In conjunction with the local businesses and the Environment Agency, Shanks have agreed an action plan to mitigate the problems associated with flies and all parties appear to be taking a pragmatic approach.
- d) There were no recorded public complaints in April.

4.2 Other Monitoring Outcomes

- 4.2.1 The recycling performance for April was 26.1% and continues the increased recycling performance recorded for March. The reason for the high performance can be attributed to the volumes of green waste. There was 2,717 tonnes of green waste sent for composting compared to approximately 560 tonnes in February. This 2,717 tonnes of green waste contributed about 6% towards the recycling performance.
- 4.2.2 At present the stock of recyclate materials is considered to be at normal operating levels as there are currently no problems getting materials to recycling reproprocessors.
- 4.2.3 Traditionally this time of year is a very busy time of year for the RRC sites. This always results in large queues at the sites particularly at Chigwell Road. Indicator A8 on Appendix D shows that there were 13 occasions where the target turnaround times for public vehicles at RRC sites was not achieved and this was attributable to Chigwell Road. It should be noted however that Chigwell Road has the highest turnaround targets of all the RRC sites.
- 4.2.4 The recycling tonnages that were previously referred to as the 'Jenkins Lane Bulky recycling' was an operation that was deemed to be inefficient and potentially unsafe. The operation itself has now been relocated to the RRC site at Jenkins Lane where the improvements in efficiency are still to be determined. To avoid complications and errors with the weighbridge system these tonnages will be recorded in the RRC recycling outputs (Appendix B indicator 9). In relation to this the target figure for the RRC sites has been increased proportionately to take into account the expected recycling figure from the bulky recycling operation.
- 4.2.5 The RRC MRF at Frog Island is underperforming and this issue has been raised with Shanks by ELWA officers. Shanks have agreed to undertake a review of this process with regards to processing more residual waste from the RRC sites.
- 4.2.6 There was one reported accident at an RRC site involving a member of public who sustained a minor injury after stepping on a nail.

4.4 Remedial actions following Monitoring.

- 4.3.1 Following the non conformances identified on the site audits these issues were raised at the contract monitoring meetings held with Shanks. As mentioned in 4.1 the majority of these items were closed out with no further action taken.
- 4.3.2 Financial penalties were levied on the contractor to the value of £5,305 for the month of April as per the payment mechanism for contractual non conformances for items A4 and A8 on Appendix D.

4.3.3 ELWA officers have engaged London Remade to carry out customer satisfaction surveys at the RRC sites. The results will be reviewed and discussed at Project Team meetings to identify areas for improvement.

5 Conclusion

5.1 Recycling performance for April was above contract levels and heavily influenced by green waste volumes.

5.2 Stability in the recyclate markets has enabled stocks to be managed at normal operating levels.

5.3 The recruitment process is underway to replace the WRO which will enable contract monitoring to return to normal levels.

5.4 ELWA officers are monitoring a wider range of issues at RRC sites and Key facilities to further improve service delivery.

6 Recommendations

6.1 Members are recommended to:-

- i) note this report.

MARK ASH
ASSISTANT EXECUTIVE DIRECTOR

Appendices	
A	Facility Monitoring Indicators
B	Recycling, Composting and Diversion Indicators
C	Contract Monitoring Indicators
D	Performance Deduction Indicators
Background Papers	
None	

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Indicator Number	IWMS - Facility Monitoring Indicators <small>(arising from Borough and ELWA monitoring)</small>	KEY												Performance acceptable	Improvement Required	Month on Month	
		Quarter 1			Quarter 2			Quarter 3			Quarter 4						
		Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10				
	Bring Sites																
1	Number of completed audits against planned audits (ELWA)	88%															X
2	Number of completed audits against planned audits (constituent councils)	100%															✓
3	Number of non conformances raised against contractor	NIL															✓
	RRC Sites																
4	Number of completed audits against planned audits (ELWA)	80%															X
5	Number of completed audits against planned audits (constituent councils)	125%															✓
6	Number of non conformances recorded on audits.	5															X
	Key Facilities																
7	Number of completed audits against planned audits (ELWA)	100%															✓
8	Number of non conformances recorded on audits.	10															X

Recycling, Composting & Diversion Indicators		Quarter 4 2009/10												YTD	YTD Performance		
Indicator Number	Indicator	Quarter 1-2009/10			Quarter 2-2009/10			Quarter 3 2009/10			Quarter 4 2009/10			YTD		See Key	
		April	May	June	July	August	September	October	November	December	January	February	March	Target	Actual		
1	Contact waste tonnage (tonnes)	40,291	42,678	45,789	43,616	39,965	40,593	42,469	40,180	36,507	42,112	36,994	36,222	0	40,291	42,678	✓
2	% Shanks primary recycling and primary composting	22%	22%	22%	22%	22%	21%	22%	22%	22%	21%	22%	23%		22%	26%	✓
3	% Shanks Contract waste Diversion from landfill	57%	55%	57%	56%	57%	56%	56%	57%	59%	56%	59%	60%		57%	59%	✓
4	LATS performance (tonnes) Against allowance	18,083	12,926	20,554	19,594	17,911	18,219	18,201	15,702	15,935	16,591	14,368	17,690		18,083	12,926	✓
5	Bring Size Recyclable (tonnes)	650	620	739	704	645	665	685	648	573	680	597	584		650	620	✓
6	Orange Bag Recyclable (tonnes) Shanks allocation	1,211	1,500	1,376	1,311	1,201	1,220	1,276	1,207	1,067	1,266	1,112	1,088		1,211	1,500	✓
7	Ifood Recyclate (tonnes)	790	850	896	855	783	786	833	788	696	826	725	710		790	850	✓
8	Borough Recycling (Green, Fodgas etc) (tonnes)	343	1,400	379	365	341	345	358	343	312	355	322	317		343	1,400	✓
9	RRC Recyclate Processed (tonnes)	3,523	3,600	4,087	3,803	3,394	3,148	3,307	3,113	2,717	3,076	2,943	3,178		3,523	3,600	✓
10	RRC Mf Recycling Tonnage (tonnes)	605	400	666	642	601	608	985	926	846	959	871	888		605	400	X
11	BoMRF - Metals (tonnes)	462	680	524	500	459	466	487	461	408	483	425	416		462	680	✓
12	BoMRF Glass & Stone (tonnes)	728	675	826	787	722	734	767	726	643	761	670	656		728	675	✓
13	Bo Mf Composting (tonnes)	595	1,400	675	644	591	600	627	584	526	622	547	536		595	1,400	✓
14	Total (tonnes)	8,908	11,125	10,171	9,611	8,738	8,572	9,304	8,806	7,786	9,026	8,212	8,345	0	8,908	11,125	✓

Indicator Number	IWMS - Contract Monitoring Indicators <small>(excluding from self monitoring information from shanks and ELWA targeted monitoring)</small>	Quarter 1				Quarter 2				Quarter 3				Quarter 4			Comments
		Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10				
	Self monitoring information from Shanks																
1	Number of occurrences of non contract waste being prioritised over contract waste.	0															
2	Number of Environmental non conformances	0															
3	Number of Accidents involving Members of Public	1															
4	Number of Public complaints received	0															
5	Number of occurrences of unavailability of sites.	0															
6	Number of ad hoc / immediate notifications received from contractor.	0															Member of Public trod on a nail at an RRC site
	ELWA contract monitoring information																
7	Number of incidences of procedures not being followed during outages as per ABSDP.	0															
8	Number of improvement issues raised	0															
9	Number of improvement issues closed	0															
10	Number of non conformances escalated	0															
11	Number of complaints received from WCA.	0															
	Special contract performance targeted monitoring																
12	BioMRF composting output	235%															
13	BioMRF glass output	93%															
14	Optibag performance	124%															
15	BioMRF metals output	147%															

Indicator Number	Performance Deduction Indicators (arising from payment mechanism in contract)	Rectification period	Quarter 1			Quarter 2			Quarter 3			Quarter 4			(YTD) 2009/10
			Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	
A1	Failure to accept contract waste delivered by WCA	None	0												0
A2	Failure to accept contract waste delivered by the public.	None	0												0
A3	Failure to accurately distinguish, weigh and record waste.	None	0												0
A4	Failure to achieve turnaround times for WCA vehicles.	None	54												54
A6	Failure to weigh an authorised vehicle within 10 minutes of arrival.	None	0												0
A8	Failure to prevent a queue at entrance to RRC sites.	None	13												13
A9	Failure to prevent tipping of commercial / industrial waste at RRCs.	None	0												0
A10	Failure to prevent unauthorised tipping of waste at RRC sites.	None	0												0
A11	Minor infringement of H&S procedures.	30 Mins	0												0
A12	Material breach of H&S procedures.	None	0												0
A15	Failure to empty or service a bring site in accordance with spec.	1 Day	0												0
A16	Non provision of CELO (rectification period applies)	2-3 Months	0												0
A18	Failure to provide a contractor representative.	None	0												0
A19	Failure to deliver orange bags in accordance with the ABSDP.	2 Weeks	0												0
A20	Failure to deliver orange bags to a household.	1 Week	0												0
B1	Failure to transport contract waste in enclosed containers.	None	0												0
B4	Failure to observe any H&S related procedures relating to transportation of waste.	5 Days	0												0
C1	Failure to rectify breaches of planning or licencing conditions.	2 Weeks	0												0
C3	Failure to take reasonable efforts to limit fugitive emissions.	None	0												0
D	Failure to comply with any administrative requirement (D1-D9).	Various	0												0

(Contact Officer: Mark Ash - Tel. 020 8270 4997)

EAST LONDON WASTE AUTHORITY**22 JUNE 2009****ASSISTANT EXECUTIVE DIRECTOR'S REPORT**

WASTE MANAGEMENT – APRIL 2009	FOR INFORMATION
--------------------------------------	------------------------

1 Purpose

- 1.1. To report on the performance of the Joint Waste Management Strategy (JWMS) contract for the period to February.
- 1.2. To report on the waste and recycling developments and the impact on the JWMS.

2 Performance against New National Performance Framework

2.1 Appendix A shows the four Boroughs' individual performance against the National Indicator Targets of NI 191 Residual Household waste per household, NI 192 Household waste composted and recycled and NI 193 Municipal waste landfilled for the month of April 2009.

2.2 Points to note are :

- a) Each of the four Boroughs have agreed higher targets for 2009/10 as follows:

NI	Borough	08/09 Target	09/10 Target
191	LBH	832 kg/hh	809 kg/hh
191	LBN	1036 kg/hh	1025 kg/hh
192	LBBB	23.5%	27%
192	LBH	27%	30%
192	LBN	20%	22%
192	LBR	25%	27.5%

- b) Note that the target for NI 191 for LBN is a local target only and not a target that has been agreed with GOL. LBH are the only Borough within ELWA to have set a target with GOL for NI 191.
- c) Appendix A shows the impact of improved recycling activity by the Boroughs and improved contract recycling performance on the Boroughs targets. It can be seen that all Boroughs have started the year well with only Newham being below their NI192 target.
- d) Diversion of Municipal waste from landfill is at 59% for April which is well in excess of ELWA's strategy target of 45%. ELWA should therefore remain in the upper quartile for diversion of Municipal waste from landfill in England. Diversion from landfill is of course a major target for waste disposal authorities, because of the potential onerous financial implications in respect of landfill tax and landfill allowances (see paragraph 5) if excess land filling of waste were to occur.

3 Background information

- 3.1 Waste arisings in April were 42,678 tonnes. This is higher than predicted in the Annual Budget and Service Delivery Plan (ABSDP) for 2009/10 and is a result of the seasonal weather pattern resulting in higher green waste tonnages arriving at the sites earlier than expected.

4 Service Impacts

4.1 Waste Batteries and Accumulators Regulations 2009

- 4.1.1 As previously reported to the Authority in February 2009 the Government were soon to implement the provisions of the EU Directive on Waste Batteries and Accumulators, these regulations came into force in the UK on 5th May 2009.
- 4.1.2 The UK intends to meet separate collection targets of 25% by 2012 and 45% by 2016 and these regulations set out the requirements for waste battery collection, treatment, recycling and disposal.
- 4.1.3 Battery producers will be required to fund the collection, treatment and recycling of waste batteries through Battery Compliance Schemes (BCS) subject to the tonnages they place on the market. Operators of BCS will have a legal obligation to meet the collection targets (as detailed in 4.1.2) of their members.
- 4.1.4 From 1st February 2010 distributors/retailers that sell more than 32kg of batteries a year will have to take back waste batteries from end users free of charge and not just the type they sell.
- 4.1.5 Local Authorities do not have obligations under these regulations.

4.2 Update on Controlled Waste Regulations (CWR)

- 4.2.1 As reported to the Authority in September 2008 DEFRA have been actively considering the Controlled Waste Regulations 1992 in respect of the disposal of waste *'arising from premises forming part of a school, university, other educational establishment, hospital or nursing home'*.
- 4.2.2 Currently, with the exception of clinical, commercial and industrial waste, waste from these premises is deemed as household waste for which no charge for disposal can be made. The advice from London Councils was and still is that Local Authorities are recommended to maintain status quo as a holding position. This is the position that ELWA have taken.
- 4.2.3 Defra have now released a timetable for consultations and begun informal consultations in February 2009, however the earliest changes to Schedule 2 of the CWR could be made is April next year. If however the Environmental Protection Act requires amending this change to primary legislation could take much longer.

4.3 Markets for recycle materials

- 4.3.1 There have been no significant changes to the markets for recyclates since the last report to the Authority. Demand for all materials remains constant and Shanks are able to get all materials away to recycling reprocessors.

5 LATS performance

- 5.1 The Landfill Allowance Trading Scheme (LATS) introduced a way of enabling England to meet its targets for reducing the amount of biodegradable municipal waste sent to landfill under Article 5(2) of the EC Landfill Directive.
- 5.2 The first target set by the 1999 Landfill Directive is to reduce the amount of BMW going to landfill by 2010 to 75% of that produced in 1995. This means that 2009/10 is the first target year and as such no banking or borrowing of allowances is allowed.
- 5.3 ELWA's target for 2009/10 is to landfill less than 211,793 tonnes of Biodegradable Municipal Waste (BMW). This equates to approximately 18,000 tonnes per month, in April ELWA landfilled approximately 12,926 tonnes of BMW.
- 5.4 Trading of any unused allowances is allowed for 2009/10 however the majority of WDAs have sufficient allowances making trading possibilities unlikely.
- 5.5 The increase in landfill tax to £40 per tonne and a certainty of an increase to £72 per tonne is likely to lead to further investment by Local Authorities to divert waste from landfill and thus make fewer trading opportunities in future years.

6 Conclusion

- 6.1 Boroughs have begun the year well in relation to the NI191 and NI192 targets with only Newham still to achieve their targets.
- 6.2 Diversion of municipal waste from landfill remains high and above contractual targets.
- 6.3 Waste arisings in April were above expectations due to the increase in green waste.
- 6.4 This is the first target year for LATS and the Authority should have a surplus of allowances at the end of the year.

7 Recommendations

- 7.1 It is recommended that Members:
- i) Note this report;

Mark Ash
ASSISTANT EXECUTIVE DIRECTOR

Appendix	
A	National Indicator table
Background Papers	
	None

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National Indicator Performance		KEY												YTD Performance			
		Quarter 1- 2009/10			Quarter 2- 2009/10			Quarter 3- 2009/10			QTR 4 2009/10					Cumulative YTD	
		Planned	Actual	YTD	Planned	Actual	YTD	Planned	Actual	YTD	Planned	Actual	YTD			Planned	Actual
Indicator Number	Indicator	Planned	Actual	YTD	Planned	Actual	YTD	Planned	Actual	YTD	Planned	Actual	YTD	Planned	Actual	YTD	
1	NI 191 Residual Household waste per household (LBBD)	Not set	72.85	Not set	Not set	72.56	Not set	Not set	69.52	69.52	Not set	60.87	Not set	Not set	63.37	Not set	72.8
2	NI 191 Residual Household waste per household (LBH)	69.07	67.64	78.51	72.56	91.88	Not set	68.41	88.04	88.04	Not set	77.08	Not set	67.57	80.26	85.57	67.6
3	NI 191 Residual Household waste per household (LBN) (See Note 1 below)	87.47	83.81	99.42	91.88	Not set	86.64	Not set	Not set	Not set	Not set	Not set	Not set	Not set	Not set	Not set	83.8
4	NI 191 Residual Household waste per household (LBR)	Not set	61.24	Not set	Not set	Not set	Not set	Not set	Not set	Not set	Not set	Not set	Not set	Not set	Not set	Not set	61.2
5	NI 192 Household waste recycled and composted (LBBD)	27.0%	34.4%	27.0%	27.0%	30.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	34.4%
6	NI 192 Household waste recycled and composted (LBH)	30.0%	35.3%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	35.3%
7	NI 192 Household waste recycled and composted (LBN)	22.0%	17.5%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	17.5%
8	NI 192 Household waste recycled and composted (LBR)	27.5%	33.4%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	33.4%
9	NI 193 Municipal waste landfilled (ELWA) (See Note 2 below)	60%	41%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	41%

All data subject to ratification from Waste Data Flow

Note 1 - Local target based on Waste Strategy 2007

Note 2 - Local target based on Joint Waste Management Strategy.

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*(Contact Officer: Mark Ash - Tel. 020 8270 4997)***EAST LONDON WASTE AUTHORITY****22 JUNE 2009****ASSISTANT EXECUTIVE DIRECTOR'S REPORT**

CLOSED LANDFILL STRATEGY	FOR APPROVAL
---------------------------------	---------------------

1 Purpose

- 1.1. To report on recent approaches regarding the potential disposal of ELWAs four closed landfill sites.
- 1.2. To obtain approval to appoint advisers in order to facilitate further discussions.

2 Background

- 2.1 ELWA currently has four closed landfill sites with a present net value of nil (£0). They currently have no value overall because these sites pose a potential environmental liability. Furthermore they do not have the benefit of any planning permission for development beyond open space or agricultural land.
- 2.2 In June 2005 Members approved expenditure on intrusive surveys at these sites in order to consider and facilitate a disposal strategy.
- 2.3 The four sites are located at Wennington, Gerpins Lane, Hall Farm, and Aveley.
- 2.4 Site visits can be organised as part of any induction programme. It would take approximately half a day to see all four sites.

3 Current Position

- 3.1 Wennington – Exchange of contracts is imminent regarding Option Agreement and Conditional Agreement with Thurrock Thames Gateway Development Corporation (TTGDC) which provide for the purchase of this land at market value should certain conditions be achieved. Should this development proceed the agreement allows for a sequence of land acquisition from the various landowners in the development area. In addition to the Option therefore the Authority has also entered into a Conditional Agreement which protects the Authority's interests against piecemeal developments. ELWA's existing tenants on this land have entered into new agricultural leases which will facilitate the implementation of the development once the conditions have been satisfied.
- 3.2 Gerpins Lane – ELWA's land at Gerpins is surrounded by Havering's land and as such it is not capable of being developed separately. Following informal discussions with officers at Havering for the purchase of this land ELWA now needs to appoint advisors to consider options and proceed to disposal to Havering (if that is confirmed as the best option). ELWA officers anticipate that the cost of advisors for this piece of work would be less than £5,000.

3.3 Hall Farm – ELWA officers have had a recent enquiry from the Department of Transport (via Parsons Brinckerhoff) for the potential future purchase of this land. This land is under consideration as part of a potential M25 road widening project which will go to public consultation in 2010. ELWA needs to appoint advisors at some point in the future to proceed to disposal if that is forthcoming. Anticipated costs of advisors for this work is again likely to be less than £5,000.

3.4 Aveley 1 – ELWA officers have now been approached by three companies expressing an interest in restoration and future use of this land. ELWA needs to appoint advisors before considering the way forward. This is the largest of the closed landfills and has the additional complexity of Aveley Methane Limited (AML) on site and therefore advisors costs are likely to be considerably higher at an estimated £10,000 and could rise depending on possibilities and potential future value.

4 Risk Assessment

4.1 The authorities risk registers contain the following operational and strategic risks relating to the closed landfill sites.

Table 1 Operational Risk Assessment

ID No.	Risk Description	Consequences	Likelihood		Impact		High Level Controls	Mitigation Controls	Risk Holder
			Gross	Net	Gross	Net			
3	Trespass on closed landfill site leading to death / serious injury	1. HSE / Police investigation 2. Adverse national media attention 3. ELWA security provisions called into question	3	3	3	2	Quarterly review of site security. Appropriate signage	Insurance cover.	Assistant Executive Director
13	Operational incidents on landfill site e.g. leachate overflow	1. High cost of remediation and correction 2. Adverse media attention	2	2	2	2	Site engineering pre 1990. Risk assessments in 2005 Bi-annual testing of gas equipment. Inspection by on-site staff.	Insurance re: sudden events	Assistant Executive Director

Table 2 Strategic Risk Assessment

ID No.	Risk Description	Consequences	Likelihood		Impact		High Level Controls	Mitigation Controls	Risk Holder
			Gross	Net	Gross	Net			
8	Instantaneous pollution event on a closed landfill site e.g. explosion	1. Clear-up costs 2. Scrutiny of techniques used 3. Adverse media attention 4. Local resident concerns 5. H&S Event 6. Financial penalties by EA 7. Prosecution 8. On-site remediation	2	2	3	2	Site engineering pre 1990 Risk assessments in 2005 Inspection by on-site staff.	Insurance cover is in place for rapid or instant event.	Technical Director

ID No	Risk Description	Consequences	Likelihood		Impact		High Level Controls	Mitigation Controls	Risk Holder
			Gross	Net	Gross	Net			
9	Gradual pollution event on a closed landfill site	1. Clear-up costs 2. Scrutiny of techniques used 3. Adverse media attention 4. Local resident concerns 5. Financial penalties eg EA 6. Prosecution 7. On and off site remediation	3	2	3	2	Site engineering pre 1990 Risk assessments in 2005 Bi Annual testing since 2005	Environmental impairment liability insurance is now in place.	Technical Director

4.2 By disposing of the closed landfill sites the Authority would be reducing or removing its exposure to the identified risks.

5 Appointment of Advisers

5.1 Examining the potential for the disposal of landfill sites is a specialist area and each of these sites is different in nature, raising different issues with different timescales. There will be limited experience or capacity within some advisory firms to support ELWA with the necessary and relevant market knowledge. Furthermore, because of the complexities and constraints at each site it is not possible to produce a common specification of the work required of the Advisers. Approval is therefore sought to negotiate with 2 or 3 estate valuers and legal advisers to support ELWA in respect of each of these sites.

6 Financial Implications

6.1 This report recommends the allocation of £20,000 from the contingency for the appointment of surveying and legal advisers in order to pursue the closed landfill strategy. There is sufficient funds in the contingency for this.

6.2 These sites have, overall, little or no value at present although there is the potential for some limited development, subject to planning permission. As previously reported in detail, the Wennington site is now subject to an option which if executed could realise a significant capital receipt.

7 Recommendations

7.1 Members are asked to note that:

- i) the Option Agreement and Conditional Agreement with Thurrock Thames Gateway Development Corporation are about to be completed shortly which should generate a significant capital receipt in due course;
- ii) there will be an update on developments at future meetings in respect to all these sites.

7.2 It is recommended that Members approve:

- i) the selection and appointment of advisors and allocation of up to £5,000 to consider options regarding the disposal of Gerpins Lane;
- ii) the selection and appointment of advisors and allocation of up to £5,000 to proceed to the potential disposal of Hall Farm;
- iii) the selection and appointment of advisors and allocation of up to £10,000 to consider options with regards to the best way forward for the use and / or disposal of the Aveley 1 Site;
- iv) arrangements for site visits to ELWA's closed landfill sites at a convenient date as part of an induction programme.

MARK ASH
ASSISTANT EXECUTIVE DIRECTOR

Appendices			
None			
Background Papers			
A	07/04/08	Report and Minute 1566	Closed Landfill Strategy
B	29/09/08	Report and Minute 1612	Closed Landfill Strategy
C	02/02/09	Report and Minute 1644	Closed Landfill Strategy

EAST LONDON WASTE AUTHORITY**22nd JUNE 2009****FINANCE DIRECTOR'S REPORT**

FINAL FINANCIAL OUTTURN REPORT FOR 2008/09	FOR INFORMATION
---	------------------------

1 Introduction

- 1.1 This report compares ELWA's final out-turn for the year ended 31 March 2009 with the Revised Estimate approved in February 2009 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 2008/09 containing explanation of the major variances of actual expenditure and income against the Estimates for 2008/09
- 2.2 Based on the Revised Estimate of £43,979,000 and the overall final figure for net expenditure and transfers to/from reserves of £43,592,000, the revenue expenditure underspend for 2008/09 is £387,000. A detailed analysis is shown at Appendix A. The main variances are as previously reported and noted below:
- 2.3 The payment to Shanks East London has fallen further than projected in the revised budget because tonnage levels in the last few months of the year were slightly lower than anticipated. When the Revised Estimates were agreed in February 2009 based on advice from technical officers the tonnage projections were 486,000 for the year, compared with an original estimate of 509,000 tonnes. In the event the actual tonnage was even lower at 481,700. This together with a better diversion from landfill performance contributed to a saving of £750,000. Reduced tonnage has resulted in tonne-mileage charges being lower than anticipated reflecting a further saving of £33,000 but lower Commercial Waste income of £194,000.
- 2.4 A total of £83,000 was incurred relating to Waste and Resources Action Programme (WRAP); the whole amount was subsequently recovered through grant funding.
- 2.5 Compared to the revised budget there is an underspend of £29,000 for premises related expenditure due to lower than anticipated cost for pumping and trade effluent charges.
- 2.6 Reduction of Recycling initiatives charges by £55,000 has also contributed to the underspend. The underspend is due to delays in some programmes.
- 2.7 An adjustment has been made to the accounts for impairment of the £1 million investment with Heritable Bank. It reflects the advice from Ernst & Young, administrators to Heritable, that on the basis of conservative assumptions 80p in the pound will be recovered. The amount of the adjustment is prescribed by accounting guidance, which takes into account the delay in realising the £1 million and attributes a notional interest cost to this. This approach gives a total impairment figure of £333,000.

- 2.8 Members should note that the utilisation of the 2008/09 Contingency was £48,000 lower than the revised estimate.
- 2.9 The final revenue under-spend and unutilised contingency for the year will be carried forward and this will be used to help minimise any levy increase for 2010/11. An under-spend was anticipated when setting the budget for 2009/10 and this has allowed the Authority to set a lower than anticipated levy in 2009/10.
- 2.10 Due to market conditions there have been no sales of surplus Landfill Allowance Trading Scheme (LATS) allowances for the year ended 31 March 2009 and the balance to date of LATS allowances has been valued at zero this year-end.
- 2.11 The effect of the levy, net expenditure and appropriations to/from reserves in 2008/09 on working balances is summarised below:

	<u>£'000</u>
Working Revenue Balance at 1.4.2008	9,937
Final Revenue Surplus in 2008/09	130
Final Working Balance at 31.3.2009	<u>10,067</u>

- 2.11 The year-end balance on the PFI Contract Reserve is £13,535,000 and on the Capital Reserve is £400,000.

3 Capital Programme

- 3.1 No capital expenditure or financing was incurred during 2008/09.

4 Prudential Indicator

- 4.1 The Authority sets Prudential Indicators covering borrowing, lending and capital expenditure limits. These are monitored by the Finance Director on a monthly basis and the Authority remains within the limits set by the Prudential Indicators.
- 4.2 The Treasury Management Strategy, including borrowing and investment strategies, is approved by Members on an annual basis. The current Treasury Management Strategy was agreed by Members at your meeting in February 2009. Within this, the investment strategy defines a comprehensive and rigorous range of credit rating criteria. These criteria have been fully observed. Given the current uncertainty in the financial markets, a cautious lending policy continues to be operated on a day-to-day basis.

5 Recommendation

5.1 Members are asked to note this report.

Geoff Pearce
FINANCE DIRECTOR

Appendices

A Final Outturn Statement to 31st March 2009

Background Papers

None

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EAST LONDON WASTE AUTHORITY
BUDGET MONITORING STATEMENT TO 31st MARCH 2009

	Original Budget <u>2008/09</u> £'000	Revised Budget <u>2008/09</u> £'000	Total Actuals <u>2008/09</u> £'000	Variance compared to Revised <u>2008/09</u> £'000
<u>EXPENDITURE</u>				
<u>Employee and Support Services</u>	461	461	468	7
<u>Premises Related Expenditure</u>	151	130	101	(29)
<u>Transport Related Expenditure</u>	14	7	1	(6)
<u>Supplies and Services</u>				
Payments to Shanks.East London	47,701	46,660	45,910	(750)
Other (inc cost of Support Costs)	583	531	523	(8)
<u>Third Party Payments</u>				
Disposal Credits	100	113	126	13
Recycling Initiatives	205	205	150	(55)
Recycling Initiatives -Waste and Resources Action Programme (WRAP) Expenses	0	0	83	83
Tonne Mileage	600	525	492	(33)
Rent payable - property leases	267	267	276	9
<u>Impairment</u>	0	0	333	333
<u>Capital Financing Costs</u>	256	256	247	(9)
TOTAL GROSS EXPENDITURE	50,338	49,155	48,710	(445)
<u>Income</u>				
Commercial Waste Charges	(3,988)	(3,988)	(3,794)	194
Bank Interest Receivable	(1,430)	(1,518)	(1,498)	20
Waste and Resources Action Programme (WRAP) Income	0	0	(83)	(83)
Other Income	(20)	(20)	(45)	(25)
TOTAL INCOME	(5,438)	(5,526)	(5,420)	106
Contingency Allocated	550	350	302	(48)
NET EXPENDITURE ON SERVICES	45,450	43,979	43,592	(387)
PFI Grant Receivable	(4,355)	(4,355)	(4,355)	0
Net revenue Expenditure (inc. Contingency)	41,095	39,624	39,237	(387)
Levy Receivable	36,300	36,300	36,300	0
	(4,795)	(3,324)	(2,937)	387
Adjustment on pensions per Financial Statements	0	0	22	22
Transfer to PFI Contract Reserve	4,355	(4,355)	(4,355)	0
Transfer from PFI Contract Reserve	(7,400)	7,400	7,400	0
FINAL REVENUE SURPLUS IN 2008/09	(7,840)	(279)	130	409

(Contact Officer: Suzana Coco-Bassey - Tel. 020 870 83735)

EAST LONDON WASTE AUTHORITY

22 JUNE 2009

FINANCE DIRECTOR'S REPORT

DRAFT STATEMENT OF ACCOUNTS 2008/09	FOR DECISION
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1 Purpose

- 1.1 To present to Members for approval the draft Statement of Accounts for the financial year 2008/09.

2 Background

- 2.1 The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulation 2006, set out the requirements for the production and publication of the annual Statement of Accounts. These regulations require local authorities to present for approval a draft set of 2008/09 Final Accounts to Members by 30th June 2009 this year and publish these by 30th September 2009.
- 2.2 ELWA's Financial Rules require the Finance Director to ensure that the Annual Statement of Accounts is prepared and made available in accordance with statutory deadlines and proper accounting practices.

3 Statement of Accounts

- 3.1 The 2008/09 draft Statement of Accounts attached at Appendix A will shortly be reviewed by PricewaterhouseCoopers and consequently may be subject to change. Any changes to these accounts will be reported to Members, as required by the Accounts and Audit Regulations, later in the year. Following completion of the review the Audit Commission will issue their audit report.
- 3.2 CIPFA's Statement of Recommended Practice 2008 has introduced some changes for 2008/09 in respect of the accounting and presentation of key information within the accounts. The aim is to improve the standards of financial accounting and reporting for the benefit of users especially in relation to accounting for Pension scheme liabilities.
- 3.3 The figures within the Accounts are based on those shown in the Final Out-turn Report for 2008/09 which is elsewhere on the agenda.

4 RECOMMENDATIONS

4.1 Members are asked to:

- i) consider and approve the draft Statements of Accounts for the financial year ended 31 March 2009 as set out in Appendix A.

**GEOFF PEARCE
FINANCE DIRECTOR**

Appendix	
A	Draft Financial Statements for the year ended 31 st March 2009
Background papers	
None	

DRAFT- 15th June 2009

EAST LONDON WASTE AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

**East London Waste Authority
Financial Statements
For The Year Ended 31 March 2009**

Page	Contents
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4	Statement of Responsibilities
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14	Income and Expenditure Account
15	Statement of Movement on the General Fund Balance
15	Statement of Total Recognised Gains and Losses
16	Balance Sheet
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PREFACE

This publication presents the Authority's Accounts for the year ended 31st March 2009. Its purpose is to give clear and concise information about the financial affairs of the Authority to both Members of the Authority and the Public.

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

EXPLANATORY FOREWORD

The accounts for 2008/09 are set out on the following pages and consist of:

- The Income and Expenditure Account on page 14 summarises the costs of the services provided by the Authority. It also shows how these costs are met from Service Income, Government Grants and the Levy Income.
- The Statement of Movement on the General Fund Balance on page 15 brings together all the movements in 2008/09 on this Balance.
- The Statement of Total Recognised Gains and Losses on page 15 brings together all the gains and losses in 2008/09 separating the movements between revenue and capital reserves.
- The Balance Sheet on page 16 is a summary of the Authority's financial position at 31st March 2009.
- The Cash Flow Statement on page 17 shows the total cash received by the Authority and how it was used.

The Authority's Accounts are accompanied by explanatory notes.

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Statement of Recommended Practice 2008 has introduced some changes in 2008/09 in respect of the presentation of key information within the accounts. The aim is to improve the standards of financial accounting and reporting for the benefit of users especially in relation to accounting for Pension scheme liabilities.

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

**East London Waste Authority
Financial Statements For The Year Ended 31 March 2009
Finance Director's Statement**

Introduction

The East London Waste Authority (ELWA) was created by Regulations made under the Local Government Act 1985. From 1 April 1986, ELWA assumed responsibility for the disposal of waste arising in the area covered by the London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge.

The financial statements on the following pages set out the Authority's financial position for the year to 31 March 2009. Further information on the nature and purposes of the Authority's expenditure is contained in the annual Revenue and Capital Budgets.

Income and Expenditure Account

The table below shows the Authority's budget for 2008/09 and how it compared with the outturn position:

	<u>Original Budget</u> (£'000)	<u>Revised Budget</u> (£'000)	<u>Actual</u> (£'000)
Net Revenue Expenditure (inc. Contingency)	41,095	39,624	39,507
Levy Raised	36,300	36,300	36,300
Deficit for the Year	(4,795)	(3,324)	(3,207)
Net Transfer from PFI Contract Reserve	3,045	3,045	3,045
Transfer to LATS Reserve	-	-	(9)
Transfer from Capital Adjustment Account	-	-	256
Transfer from Pensions Reserve	-	-	45
Net Effect on Revenue Reserves	(1,750)	(279)	130
Revenue Reserves Brought Forward	9,937	9,937	9,937
Revenue Reserves Carried Forward	8,187	9,658	10,067

The Original Budget was set in February 2008 and revised in February 2009.

The variances from the Original Budget were primarily due to lower waste volumes and therefore IWMS Contract payments to Shanks, lower tonne mileage and recycling initiative claims by Boroughs, offset by a reduction in commercial waste income and impairment of an investment.

Capital Programme/Borrowing Facilities

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

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

No capital expenditure or financing was incurred during 2008/09.

ELWA Operations

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

Pension Scheme

The Authority is legally obliged to offer guaranteed pension benefits to its employees. The statutory pension fund provider for the Authority is the London Pensions Fund Authority (LPFA). The LPFA Fund is maintained at a level to eventually meet the Authority's long-term liabilities for pension benefits, with the Authority's contributions fixed accordingly.

The results of the 2007 triennial actuarial valuation for the LPFA Fund showed that the LPFA Fund had assets sufficient to meet 82% of its accrued liabilities, an increase of 8% from its actuarial valuation undertaken in 2004. The next valuation is due as at 31 March 2010.

The accounts fully comply with Financial Reporting Standard (FRS) 17, and include a Pension Reserve and Liability on the Balance Sheet. As at 31 March 2009 the Authority's estimated liability for retirement benefits exceeded the value of assets by £429,000 (as at 31 March 2008 £331,000) when valued in accordance with the accounting standards.

Conclusion

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

Signed G Pearce, BA, CPFA
 Finance Director

Dated 29 September 2009

**East London Waste Authority
Statement of Responsibilities for the Statement of Accounts
For The Year Ended 31 March 2009**

The Authority's Responsibilities

The Authority is required:

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

The Finance Director's Responsibilities

The Finance Director is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('the SORP'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

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

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

I certify that the Statement of Accounts, the Income and Expenditure Account and the Balance Sheet present fairly the Authority's income and expenditure for the year ended 31 March 2009 and the Authority's financial position as at 31 March 2009.

Signed -----
G Pearce
Finance Director

Signed -----

Dated 29 September 2009

Dated 29 September 2009

1 General Principles

The general principles adopted in compiling the accounts are consistent with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice 2008 (2008 SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). All relevant Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs), so far as they apply to Local Authorities, have been observed.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of assets and liabilities in accordance with the 2008 SORP.

2 Accruals Basis Of Accounting

The Accounts have been prepared on the normal accruals basis whereby activity is accounted for in the year that it takes place not when cash payments are made or received. Debtors and creditors are included in the balance sheet in respect of goods supplied and services rendered but not paid for at 31 March 2009.

3 Fixed Assets

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

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2008 Code of Practice on Local Authority Accounting. Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.

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

Two of the Authority's four closed landfill sites have been allocated for new uses (i.e. green belt to employment) by Thurrock TGDC in their non-statutory Master Plan for the area. At the present time, these sites have not been granted planning permission for anything other than their current agricultural use. Consequently, in the opinion of Directors these do not need to be revalued and continue to be shown at £nil.

3 Fixed Assets (continued)

In 2002/03, under the terms of the IWMS/PFI Contract, ELWA transferred its operational land, buildings and fixed plant (via a 25 year lease) and its mobile plant for nil consideration to ELWA Limited. The leased assets will revert to the Authority at nil cost at the end of the Contract. On the grounds of prudence, Directors assumed no residual value for these assets at the end of the 25-year Contract term. Consequently, the full net book value of these fixed assets was written off against Capital Reserves. As a result, the fixed assets are shown at £nil as at 31st March 2008 and 2009.

4 Charges to Revenue

External interest payable (charged on an accruals basis) is charged to the Income and Expenditure Account.

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

5 Value Added Tax

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

6 Reserves

- a) A Capital Reserve exists primarily to enable expenditure to be financed without the need to borrow or use capital receipts.
- b) The Pension Reserve has been set up as part of the requirement to comply with FRS 17, Accounting for Pension Costs. It represents the actuarially calculated deficit between the value of all pension liabilities and the assets held by the LGPS as at the 31 March 2009. The deficit also includes the difference between the cost of statutorily required payments to the LGPS and the FRS 17 accounting cost charged to the Net Cost of Services in the Income and Expenditure Account. Further information relating to the Net Pension Liability is shown in the Notes to the Accounts.
- c) The PFI Contract Reserve has been set-up in pursuance of the Authority's agreed policy to match income and expenditure in respect of the IWMS/PFI Contract over its 25 year duration from December 2002. The reserve will ensure a smoother levy profile by avoiding exceptional levy increases especially in years when, under the terms of the IWMS/PFI Contract, the cost is expected to be subject to significant stepped increases to meet higher recycling and recovery targets.

6 Reserves (continued)

- d) The LATS Reserve is a non-cash backed reserve which represents any surpluses or deficits arising from the Landfill Allowances Trading Scheme.
- d) The Capital Adjustment Account is a non-cash backed reserve, which represents amounts set aside from revenue resources and capital receipts to finance expenditure on fixed assets and also for the repayment of external loans and certain other capital financing transactions.
- e) Other Reserves have been established to finance future expenditure.

7 Disposal of Assets

Income from the disposal of fixed assets is credited to the Usable Capital Receipts Reserves and can be wholly used to finance capital expenditure. The balance on this Reserve was £Nil as at 31st March 2008 and 2009.

8 Stocks

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

9 Redemption Of Debt

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

10 Financial Relationship Between The Authority And Constituent Councils

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

11 Deferred Consideration

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

12 Government Grants and Contributions

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

13 Landfill Allowances

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

Under the scheme the Authority receives annual allowances from DEFRA for landfilling Biodegradable Municipal Waste (BMW). Each allowance received represents grant income, while each tonne of BMW landfilled incurs a liability to DEFRA. Any unused allowances are carried forward as an Authority asset. These transactions are reflected in the Income and Expenditure Account and Balance Sheet at the rate of £0.10 per tonne as at 31st March 2009 (2008: £5.00). As there have been very few trades and no active market for the balance of the unused allowances the value at the year-end has been written down to zero.

14 Long Term Contracts/Private Finance Initiative

For long-term contracts such as those under the Private Finance Initiative (PFI) the Authority follows advice and guidance issued by the appropriate Government department and CIPFA. In accordance with such guidance, expenditure incurred by contractors relating to such contracts is accounted for as revenue expenditure.

PFI contracts are agreements to receive services where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Authority under the contracts are generally charged to revenue to reflect the value of services in each financial year.

15 Financial Instruments

Financial Instruments represent transactions, with a contract, which result in a financial asset for one entity and a financial liability for another. Financial Instruments cover both financial assets and liabilities.

a) Financial Assets

Financial assets are classified into two types:

- (i) Loans and receivables - assets that have a fixed or determinable payment, but are not quoted in an active market.
- (ii) Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

15 Financial Instruments (continued)

Loans and receivables are initially measured at fair value and carried in the Balance Sheet at amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For loans that the Authority has made, the amount in the Balance Sheet is the outstanding principal receivable and the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where financial assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

(b) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate of interest for the instrument.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. Costs associated with the arrangement of borrowing have been identified and assessed as immaterial.

Borrowings and investments are undertaken and accounted for in accordance with the Authority's Treasury Management Policy and Treasury Management Strategy.

16 Pension Provision

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) administered by the London Pension Funds Authority (LPFA). This is a funded defined benefit scheme.

16 Pension Provision (continued)

Employees' and employers' contributions are paid into the LGPS. Employers' contribution rates are advised by the LPFA Fund's Actuary, Hymans Robertson LLP, with the intention of balancing the pension liabilities with investment assets over time. Additional pension liabilities resulting from early retirements are met by the Authority's Income and Expenditure Account and not by the Pension Fund.

The Authority is required to account for pension costs in accordance with FRS 17 and to recognise in the accounts accrued benefits payments at the time that the employees earn their future benefit entitlements.

This has the following effect on the results of the current and prior period:

- the overall amount to be met from the levy has remained unchanged, but the costs disclosed for services are £45,000 higher (£29,000 higher in 2007/08) after the replacement of actual employer's contributions by current service costs, and net operating expenditure is 0.1% higher (0.1% higher in 2007/08) than it would otherwise have been;
- the requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the Authority by 1.50%, £429,000 (1.0%, £331,000 in 2007/08).

For 2008/09 the following changes were made to the Accounts as a result of the adoption of the revised FRS17 *Retirement Benefits*:-

- The discount rate for scheme liabilities is based on the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities;
- Quoted securities held as scheme assets are to be valued at bid price rather than mid-market value; and
- The introduction of new disclosure requirements and the deletion of some disclosures previously included.

Effect of the change in the discount rate for liabilities

In assessing the retirement benefits at 31st March 2007 for the 2007/08 Statement of Accounts, the actuary assumed a discount rate of 3.2% real (6.9% actual). Under the revised FRS17 requirements a rate based on current rate of return on a high-quality corporate bond of equivalent currency and term of liabilities is to be used. For 2008/09 Statement of Accounts, the actuary has advised that a rate of 3.7% real (6.9% actual) is appropriate.

The effect on the liabilities of the change in financial assumptions between 31 March 2008 and 31 March 2009 is a gain of £61,000, and therefore reduces the liabilities

16 Pension Provision (continued)

Effect of Change in the valuation of Quoted Securities

Under the 2008 SORP the Authority has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid- market value. The value of the scheme as at 31 March 2008 has not been restated as the effect is not material.

17 Interest on Balances

Cash balances, not required for immediate use, are invested in accordance with the Authority's Annual Investment Strategy. Interest earned on the Authority's balances is credited to the Income and Expenditure Account.

18 Financial Relationships with Companies and other Organisations

The 2008 SORP requires local authorities to prepare a full set of group financial statements where they have material interests in subsidiaries, associates and joint ventures. This also includes consideration of interests in other statutory bodies. The Authority has undertaken a review of its interests in other bodies in accordance with the accounting tests contained in the SORP and has concluded that it has no group relationships. However, the Authority does have a financial relationship with some bodies and this is explained in Notes to the Accounts.

Independent auditor’s report to the Members of East London Waste Authority

**East London Waste Authority
Income and Expenditure Account
For The Year Ended 31 March 2009**

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

	<u>Note</u>	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Expenditure			
Employee and Support Services	5	815	797
Premises Related Expenditure		101	83
Transport Related Expenditure		1	2
Supplies and Services	1	46,725	42,027
Third Party Payments		1,127	979
Landfill Allowances - Expenditure		15	971
		48,784	44,859
Less: Income			
Commercial Waste Charges		3,794	3,430
PFI Grant	6	4,355	4,537
Other Income		128	134
Landfill Allowances – Income		24	1,326
		8,301	9,427
Net Cost of Services		40,483	35,432
Interest Payable and Similar Charges		166	199
Interest and Investment Income		(1,498)	(1,853)
Impairment of Investment		333	-
Pension Interest Cost and Expected Return on Pension Assets		23	12
Net Operating Expenditure		39,507	33,790
Income from the Levy		36,300	32,990
(Deficit)/Surplus for the year		(3,207)	(800)

East London Waste Authority
Statements of Movement in General Fund Balance and Total Recognised Gains and Losses
For The Year Ended 31 March 2009

Statement of Movement in General Fund Balance

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

	<u>Note</u>	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Deficit for the year on the Income and Expenditure Account		(3,207)	(800)
Net additional amount required by statute and non-statutory proper practices to be credited/(debited) to the General Fund Balance for the year	16	3,337	890
Increase in General Fund Balance for the year		130	90
General Fund Balance brought forward		9,937	9,847
General Fund Balance carried forward		10,067	9,937

Statement of Total Recognised Gains and Losses

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

	<u>Note</u>	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Deficit for the year on the Income and Expenditure Account		(3,207)	(800)
Revaluation of LATS allowances		(763)	(1,035)
Balance on Pension Reserve as at 1.6.2007		-	(378)
Actuarial (Loss)/Gain on Pension Fund Assets and Liabilities	24	(53)	76
Total recognised losses for the year		(4,023)	(2,137)

**East London Waste Authority
Balance Sheet
As At 31 March 2009**

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

	<u>Note</u>	<u>31.3. 2009</u>		<u>31.3. 2008</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fixed Assets					
Operational Assets	8,9		-		-
Deferred Consideration	11		6,318		6,655
Long Term Investments	10,15		2,619		1,022
Total Long Term Assets			8,937		7,677
Current Assets					
Debtors	12		3,484		8,515
Investments	10,15		23,051		28,039
			26,535		36,554
Current Liabilities					
Short Term Borrowing			-		(432)
Cash Overdrawn	20		(11)		(1,385)
Creditors	13		(4,886)		(7,914)
			(4,897)		(9,731)
Net Current Assets			21,638		26,823
Total Assets less Current Liabilities			30,575		34,500
Long Term Borrowing	14,25		(1,639)		(1,639)
Pension Liability	24		(429)		(331)
Total Assets less Liabilities			28,507		32,530
Capital Adjustment Account	17		4,934		5,190
Capital Reserve	17		400		400
Revaluation Reserve			-		-
Pension Reserve	17		(429)		(331)
PFI Contract Reserve	17		13,535		16,580
LATS Reserve	17		-		754
General Fund	17		10,067		9,937
Total Equity			28,507		32,530

**East London Waste Authority
Cash Flow Statement
For The Year Ended 31 March 2009**

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

	<u>Note</u>	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Revenue Activities			
<i>Cash Outflows</i>			
Cash Paid to and on behalf of Employees	5	886	570
Other Operating Costs		46,734	41,392
		47,620	41,962
<i>Cash Inflows</i>			
Levy Receipts		36,300	32,990
Other Government Grants	6	4,355	4,537
Cash Received for Goods & Services		3,846	2,359
		44,501	39,886
Revenue Activities Net Cash Outflow	18	(3,119)	(2,076)
Returns on Investment and Servicing of Finance			
<i>Cash Outflows</i>			
Loan Interest Paid		(175)	(201)
<i>Cash Inflows</i>			
Interest Received		1,700	1,519
Capital Activities			
<i>Cash Inflows</i>			
Long Term Investments	15	-	996
<i>Cash Outflows</i>			
Long Term Investments	15	(1,597)	-
Net Cash Outflow before Financing		(3,191)	238
Management of Liquid Resources			
Net decrease/(increase) in Short Term Investments	19	4,988	(1508)
Financing			
Repayment of amounts borrowed	21	(423)	(113)
Increase/(Decrease) in Cash	20	1,374	(1,383)

**East London Waste Authority
Notes To The Financial Statements
For The Year Ended 31 March 2009**

1 Revenue Account

The Supplies and Services expenditure includes the following:

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
External Audit Services (under the Code of Practice in accordance with section 5 of the Audit Commission Act 1998)	36	36
Statutory Inspections	-	-
Certification of grant claims and returns	-	-
Fees payable for other services	-	-
	36	36

2 Minimum Revenue Provision

The Local Government and Housing Act 1989 requires the Authority to set aside a minimum revenue provision (MRP) for the repayment of external loans. The details of the MRP for 2008/09 are shown below:

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Non-housing (4% of Capital Financing Requirement)	81	84
Amount charged as depreciation	-	-
Adjustment to General Fund Balance	81	84
	81	84

3 Leasing

The Authority currently holds no finance or operating leases.

East London Waste Authority
Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

4 Publicity Account

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

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Promotions, Publications and Advertising	9	10

5 Officers' Emoluments

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000 were:

	<u>2008/09</u> <u>Number</u>	<u>2007/08</u> <u>Number</u>
£50,000 to £59,999	2	1
£60,000 to £69,999	-	1
£70,000 to £79,999	-	-
£80,000 to £89,999	-	1
£90,000 to £99,999	1	-

6 Analysis of Other Government Grants

The Cash Flow Statement and Income and Expenditure includes the following Other Government Grants:

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
PFI Grant	4,355	4,537
	4,355	4,537

East London Waste Authority
Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

7 Pension Costs

The Authority recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against the levy is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income & Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Income and Expenditure Account		
Net Cost of Services		
Current Service Cost	45	42
Past Service Cost	14	-
Curtailments and Settlements	-	-
Net Operating Expenditure		
Expected return on Employer Assets	(28)	(24)
Interest on Pension Scheme Liabilities	51	36
Net charge to Income and Expenditure Account	82	54
Statement of Movement in the General Fund Balance		
Reversal of net charges made for pensions in accordance with FRS 17	45	29
Actual Amount Charged Against Levy for Pensions in the year		
Employer Contributions to the Pension Fund	37	25
	82	54

The Authority transfers into the Pension Fund payments to meet the enhanced liability of the Fund due to early retirements granted in the year.

The Authority is responsible for all pension payments related to added years of reckonable service it has awarded, together with related increases.

**East London Waste Authority
Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009**

8 Fixed Assets

- a) In 2002/03, under the terms of the IWMS/PFI Contract, ELWA transferred its land, buildings and fixed plant (via a 25-year lease), and its mobile plant for nil consideration to ELWA Limited. The leased assets will revert to the Authority at nil cost at the end of the Contract. On the grounds of prudence, Directors assumed no residual value for these assets at the end of the 25-year Contract term. Consequently, the full net book value of these fixed assets was written-off against both the Fixed Asset Restatement and Capital Adjustment Accounts. As a result, the fixed assets are shown at £nil as at 31st March 2008 and 2009.
- b) All the Authority's assets, except its Landfill sites, are valued on the bases of open market value for the existing use and/or depreciated replacement cost on the assumption that the properties will continue in the occupation of the Authority for the foreseeable future, having regard to the prospect and viability of the continuance of occupation. The Directors are of the opinion that the Authority's Landfill sites, based on current permitted land use, have a £nil value in accordance with professional valuations.

9 Financing of New Capital Expenditure

The Authority incurred no new capital expenditure during the years ended 31 March 2008 and 2009.

10 Investments

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

In addition, the Authority has made loans to Aveley Methane Limited prior to 1.4.2006 as summarised below:

	<u>2008/09</u>	<u>2007/08</u>
	<u>£'000</u>	<u>£'000</u>
Loan repayable in more than one year	93	93
Less: Provision against loan	(93)	(93)
	-	-

10 Investments (continued)

The net liabilities of Aveley Methane Limited as at 31 December 2008 were (£4,431) (As at 31 December 2007: Net assets £37,281). The loss after taxation for the period ended 31 December 2008 was £41,712 (Period ended 31 December 2007: Loss after taxation £22,200). The figures are based on audited financial statements.

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

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

The net liabilities of ELWA Limited as at 31 March 2009 were £5,477,000 (2007/08: Net liabilities £3,536,000). The loss after taxation for the year ended 31 March 2009 was £1,941,000 (2007/08: Loss after taxation £505,000). These figures are based on audited financial statements.

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

- c) In the opinion of the Directors, the investments in Aveley Methane Limited and ELWA Limited are not material interests for the purposes of Group Accounts as defined in the Code of Practice on Local Authority Accounting (2007) and therefore, there is no requirement to produce Group Accounts.
- d) Cash Investments are managed by the London Borough of Redbridge and held in cash deposits on behalf of the Authority in accordance with the Authority's Treasury Management Strategy. Note 17 shows further details.

Following the rapid collapse of Icelandic banks, Heritable Bank went into administration. The Authority had £1million deposited in the bank at an interest rate of 6.11% with a maturity date of 13 November 2008.

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7th October 2008. The creditor progress report issued by the administrator Ernst & Young, dated 17 April 2009 outlined that the return to creditors was projected to be 80p in the pound by the end of 2012 with the first

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

10 Investments (continued)

dividend payment of 15p in the pound due in the summer of 2009. The Authority has therefore decided to recognise an impairment based on it recovering 80p in the pound. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012

Therefore in calculating the impairment the Authority has made the following assumptions with regard to timing of recoveries:

July 2009 – 15%

July 2010 – 30%

July 2011 – 15%

July 2012 – 10%

July 2013 – 10%

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 6 October 2008.

11 Deferred Consideration

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

	<u>2008/09</u>	<u>2007/08</u>
	<u>£'000</u>	<u>£'000</u>
Balance brought forward	6,655	6,992
Amount written off in the year	(337)	(337)
Balance carried forward	6,318	6,655

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

12 Debtors

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
<u>Available for Sale</u>		
Landfill Usage Allowances	-	4,244
<u>Loans and Receivables</u>		
VAT	349	1,149
Sundry Debtors	-	15
Grants Receivable	83	-
Amounts due from Constituent Councils for:		
Commercial Waste Charges	3,022	3,074
Payments in advance – Land Lease Rentals	17	17
Employee and Support Costs	-	10
Other	13	6
	3,484	8,515

There is no material difference between the book value of Debtors and their fair value. No bad debt provision is required based on previous debt collection history.

13 Creditors

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
<u>Financial Liabilities Amortised at Cost</u>		
Liability to DEFRA for Landfill Usage	-	3,490
IWMS/PFI Contract payment	3,875	3,416
Sundry Creditors and Accruals	209	104
Amounts due to Constituent Councils for:		
Tonne Mileage payments	231	295
Disposal and Recycling Credit payments	57	33
Recycling Initiatives	109	99
Land Lease Rentals	67	71
Employee and Support Costs	315	383
Other	23	23
	4,886	7,914

There is no material difference between the book value of Creditors and their fair value.

**Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009**

14 Long Term Borrowing

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Analysis of Long Term Loans by Maturity		
Maturing in:		
1 - 2 years	-	-
2 - 5 years	363	123
5 - 10 years	-	240
More than 10 years	1,276	1,276
	1,639	1,639

All long-term loans are with the Public Works Loans Board. The range of average interest rates payable is between 8.5% and 10.5%.

15 Cash Investments

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Cash Investments	25,303	28,500
Accrued Interest	367	561
	25,670	29,061
Short Term	23,051	28,039
Long Term	2,619	1,022
	25,670	29,061

In accordance with the SORP 2008, the accrued interest receivable on cash investments is added to the investment value as at 31st March 2008 and 2009.

There is no material difference between the book value and fair value of cash investments as at 31st March 2008 and 2009.

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

16 Reconciling Items for Statement of Movement on General Fund Balance

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	-	-
Write down of deferred charges to be financed from capital resources	(337)	(337)
Charges made for pensions in accordance with FRS 17	(82)	(54)
	(419)	(391)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
Minimum revenue provision for capital financing	81	84
Employers contributions payable to Pension Fund	37	25
	(301)	(282)
Transfers to and from the General Fund that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Net transfer from earmarked reserves	(3,036)	(608)
Net additional amount to be credited to the General Fund Balance for the year	(3,337)	(890)

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

17 Total Movements on Reserves

	<u>Capital Adjustment Account</u>	<u>Capital Reserve</u>	<u>Pensions Reserve</u>	<u>PFI Contract Reserve</u>	<u>LATS Reserve</u>	<u>Revenue Reserve</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance as at 1.4.2008	5,190	400	(331)	16,580	754	9,937	32,530
<u>Gains/Losses</u>							
Net Deficit for the year						(3,207)	(3,207)
Revaluation movement					(763)		(763)
Actuarial Loss			(53)				(53)
<u>Movements</u>							
Contributions from/(to) GF	(256)	-	(45)	(3,045)	9	3,337	-
Balance as at 31.3.2009	4,934	400	(429)	13,535	-	10,067	28,507

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

	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Surplus for the year	130	90
Add: Items not involving transfer of funds		
Contributions (from)/to Reserves	(3,036)	(608)
Minimum Revenue Provision	81	84
LATS Reserve - Revaluation	(763)	(1,035)
Impairment of Investments	(333)	-
Decrease /(Increase) in Debtors	5,031	5,334
(Decrease)/Increase in Creditors	(3,028)	(4,623)
Less: Servicing of Finance	(1,201)	(1,318)
Net Cash (Outflow)/Inflow from Operating Activities	(3,119)	(2,076)

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

19 Movements in Liquid Resources

<i>Short Term Investments</i>	<u>2008/09</u>	<u>2007/08</u>
	<u>£'000</u>	<u>£'000</u>
Balance brought forward	28,039	26,531
(Decrease)/Increase in year	(4,988)	1,508
Balance carried forward	23,051	28,039

20 Movements in Cash

	<u>2008/09</u>	<u>2007/08</u>
	<u>£'000</u>	<u>£'000</u>
Balance brought forward	(1,385)	(2)
Net Cash Inflow/(Outflow) in year	1,374	(1,383)
Balance carried forward	(11)	(1,385)

21 Movement in Borrowing

	<u>2008/09</u>	<u>2007/08</u>
	<u>£'000</u>	<u>£'000</u>
Balance brought forward	2,033	2,144
Repayments in year	(423)	(111)
Accrued Interest	29	38
Balance carried forward	1,639	2,071
Short Term Borrowing	-	432
Long Term Borrowing	1,639	1,639
	1,639	2,071

In accordance with the SORP 2008 the accrued interest payable on PWLB loans is added to the outstanding loan.

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

22 Related Party Disclosures

Since the 1st April 1986, ELWA has assumed the statutory responsibility for the disposal of waste arising in the area covered by the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge and has an interest in Aveley Methane Limited and ELWA Limited. The Members of the Authority have official appointments within their respective Constituent Boroughs.

The Code of Practice requires the disclosure of interests between the Authority and its related parties not disclosed elsewhere in the Statement of Accounts. The material expenditure and income transactions with these related parties are set out below.

	<u>2008/09</u>		<u>2007/08</u>	
	<u>Exp</u>	<u>Inc</u>	<u>Exp</u>	<u>Inc</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
London Boroughs of:				
Barking and Dagenham	702	7,449	580	6,800
Havering	414	10,440	408	9,338
Newham	294	11,591	245	10,686
Redbridge	415	10,614	391	9,596
Aveley Methane Limited	-	-	-	-
ELWA Limited	45,909	-	41,455	-

Members of the Authority and Chief Officers

The following Member has made a declaration of his interest in the following Organisation, which arises from official Authority Appointments.

Membership of Other Organisations

Councillor A Weinberg - Director of ELWA Limited.

23 Private Finance Initiative

The IWMS/PFI Contract, which commenced on 24th December 2002, is for 25 years. ELWA Limited is implementing a capital investment programme of more than £100 million in new waste management facilities over the life of the contract. The designing, building, alteration, financing and operation of the waste management facilities required

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

23 Private Finance Initiative (continued)

for provision of the IWMS together with any associated risks, will be the responsibility of ELWA Limited.

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

24 Disclosure of Net Pension Liability

The underlying assets and liabilities attributable to the Authority with the LPFA Fund as at 31 March 2009 are as follows:

(i) Reconciliation of present value of scheme liabilities:

	<u>2008/09</u>	<u>2007/08</u>
	<u>£'000</u>	<u>£'000</u>
Present Value of Scheme Liabilities as at 1 April	711	740
Current Service Cost	45	42
Interest Cost	51	36
Contributions by Members	18	12
Actuarial Gains	(61)	(112)
Past Service Costs	14	-
Benefits Paid	(7)	(7)
Present Value of Scheme Liabilities as at 31 March	771	711

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

24 Disclosure of Net Pension Liability (continued)

(ii) Reconciliation of Fair value of the scheme assets:

	<u>2008/09</u>	<u>2007/08</u>
	<u>£'000</u>	<u>£'000</u>
Fair Value of Scheme Assets as at 1 April	380	376
Expected Return on Assets	28	24
Contributions by Members	18	12
Employers Contributions	37	25
Actuarial (Losses)	(114)	(50)
Benefits Paid	(7)	(7)
Fair Value of Scheme Assets as at 31 March	342	380

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns on fixed interest investments are based on gross redemption yields as at Balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £85,000 (2007/08 £25,000).

(iii) Scheme History

	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>
	<u>£'000</u>	<u>Restated</u>	<u>Restated</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fair Value of Employer Assets	342	380	376
Present Value of Defined Benefits Obligation	(771)	(711)	(740)
Surplus/(Deficits)	(429)	(331)	(364)

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

24 Disclosure of Net Pension Liability (continued)

With effect from 1st April 2007 the Authority became an employer. On 1st June 2007 five staff were transferred from the Constituent Councils to the Authority and three staff elected to join the LPFA.

The liabilities show the underlying commitment that the Authority has in the long run to pay retirement benefits. The net pension liability of £429,000 (As at 31st March 2008 £331,000) has a substantial impact on the net worth of the Authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit in respect of LPFA Fund liabilities will be made good by increased contributions to the LPFA Fund as assessed by the LPFA's Actuary.

The total contributions expected to be made to the pension scheme by the Authority in the year to 31st March 2010 is £43,000.

(iv) Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the "projected unit method", an estimate of pensions that will be payable in future years dependent on actuarial and financial assumptions. Liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, who use a roll forward approach, based on the results of the last full valuation of the LPFA Fund as at 1st April 2007, and adjusting for known membership and scheme changes where applicable. The main assumptions used in these calculations have been:

(a) Financial Assumptions

	<u>2008/09</u>	<u>2007/08</u>
Inflation / Pension Increase Rate	3.1%	3.6%
Salary Increase Rate	4.6%	5.1%
Expected Return on Assets	6.4%	7.0%
Discount Rate	6.9%	6.9%

(b) Breakdown of the expected return on assets by category

	<u>2008/09</u>	<u>2007/08</u>
Equities	7.0%	7.5%
Target Return Funds	5.5%	6.3%
Alternative Assets	6.0%	6.7%
Cash	4.0%	4.8%

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

24 Disclosure of Net Pension Liability (continued)

(c) Mortality

	<u>Males</u>	<u>Females</u>
Current Pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

(d) Fair Value of employer's assets

<u>Assets</u>	<u>2008/09</u>		<u>2007/08</u>	
	<u>%</u>	<u>£'000</u>	<u>%</u>	<u>£'000</u>
Equities	57%	195	60%	228
Bonds	10%	34	19%	73
Property	25%	86	18%	68
Cash	8%	27	3%	11
Total		342		380

The above asset valuations as at 31 March 2009 in the LPFA Fund are at bid value. In the 2007/08 accounts the assets were valued at mid-market value.

(e) History of Experience gains and losses

The actuarial gains identified as movements on the Pension reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

<u>Assets</u>	<u>2008/09</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
Difference between the expected and actual return on assets.	(113)	(52)
Experience gains and losses on liabilities	0	16

Notes To The Financial Statements (continued)
For The Year Ended 31 March 2009

25 Financial Instruments - (a) Fair Value Disclosure

The borrowing and Investments shown in the Balance Sheet are made up of the following categories of Financial Instruments:

LONG TERM				
	31/03/2009	31/03/2009	31/03/2008	31/03/2008
	Book Value	Market Value	Book Value	Market Value
	(Carrying Value)	(Fair Value)	(Carrying Value)	(Fair value)
	£000	£000	£000	£000
Financial Liabilities at Amortised Cost				
Public Works Loans Board	1,639	2,720	1,639	2,903
Total	1,639	2,720	1,639	2,903
Loans and Receivables				
Cash Investments	2,619	2,628	1,022	1,001
Total	2,619	2,628	1,022	1,001
SHORT TERM				
	31/03/2009	31/03/2009	31/03/2008	31/03/2008
	Book Value	Market Value	Book Value	Market Value
	(Carrying Value)	(Fair Value)	(Carrying Value)	(Fair value)
	£000	£000	£000	£000
Financial Liabilities at Amortised Cost				
Public Works Loans Board	-	-	432	419
Cash held by Authority	11	11	1,385	1,385
Creditors	4,886	4,886	7,914	7,914
Total	4,897	4,897	9,731	9,718
Loans and Receivables				
Cash Investments	23,051	23,153	28,039	27,494
Debtors	3,484	3,484	8,515	8,515
Total	26,535	26,637	36,554	36,009

The fair value of outstanding debts as at 31st March 2009 is £2,720,000 (As at 31.3.2008 £2,903,000). This is higher than the book value due to the changes in market factors since the original borrowing was made.

For the years ending 31st March 2008 and 2009, the Authority has undertaken no repurchase or early settlement of borrowing, incurred no premiums and discounts, entered into no financial guarantees, not defaulted on any loans and not held or pledged

25(a) Financial Instruments (Fair Value Disclosure continued)

any collateral in respect of the repayment of any loans. The Authority has made no concessionary loans in the years ended 31st March 2008 and 2009.

Financial Liabilities and Financial Assets represented by loans, investments and receivables are accounted for in the Balance Sheet at amortised cost.

The Fair Value (Market Value) has been based on the comparable new borrowing/deposit rates for the same financial instrument from a comparable lender; a consistent approach has been applied to assets and liabilities. Fair values can be assessed by calculating the present value of the cash flow.

- For PWLB debt the discount rate reflects the new borrowing rates for PWLB loans at maturity.
- For investments the discount rate is calculated using the prevailing market rates at Balance Sheet date for instruments with similar structures and terms.
- The Fair Value of Trade debtors and other debtors are taken to be invoiced or billed amount.

As at 31st March 2009 the financial assets and liabilities Fair Value did not vary materially from the carrying value (book value).

25(b) Disclosure of nature and extent of risks arising from Financial Instruments.

The Authority's activities expose it to a variety of financial risks in respect of financial instruments:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk – the possibility that the Authority may not have the funds available to meet its commitments to make payment.
- Refinancing risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates or stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund its services. The procedures for risk management in relation to key financial instruments are set out through the legal framework detailed within the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance. Overall, the Authority is required to manage risk in the following ways: -

**25 (b) Disclosure of nature and extent of risks arising from Financial Instruments
(continued)**

- by formally adopting the requirements of the Code of Practice
- by approving annually in advance prudential indicators which limit the Council's overall borrowing, its maximum and minimum exposures to fixed and variable interest rates, its maximum and minimum exposure to the maturity structure of its debt, and its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the following year, which sets out its criteria for both investing and selecting investment counterparties in compliance with government guidance.

In order to comply with the requirement that the Authority is required to set a balanced budget (Local Government Finance Act 1992) the above is required to be reported at the same time as the levy setting meeting. The annual treasury management strategy, outlines the detailed approach to managing risk in relation to financial instrument exposure. Actual performance is compared to the strategy and reported annually to Members.

In accordance with Standing Orders, the Finance Director is responsible for all of the Authority's banking, borrowing and investment activities. Under the Authority's existing service level arrangements, the London Borough of Redbridge administers the treasury management function on behalf of ELWA. The policies and detailed guidance in the form of Treasury Management Practices (TMPs) are managed on a day to day basis by the London Borough of Redbridge. The TMPs are reviewed at regular intervals. ELWA monitors the treasury management performance of the London Borough of Redbridge on a regular basis.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Authority's credit criteria, which are restricted to the upper end of the independent credit rating criteria. In addition, investment values are set taking into account the institutions' credit rating and the duration of lending. The Authority has also set limits as to the maximum percentage of the investment portfolio, which is placed with any one class of Institution and this is monitored on a daily basis. All transactions in relation to deposits were in line with the Authority's approved credit ratings.

**25(b) Disclosure of nature and extent of risks arising from Financial Instruments.
(continued)**

Credit Risk in relation to payments due from Council Customers (Debtors)

Credit risks can arise from the Authority's exposure to customers. Payments for services are either required in advance or due at the time the service is provided. As at 31st March 2009, £2.2 million (£2.2 million as at 31 March 2008) is due to the Authority from its customers, the total being past its due date. The past due date can be analysed by age as follows:

	<u>31/03/2009</u> £'000	<u>31/03/2008</u> £'000
Overdue: Less than 3 month	1,235	875
Overdue: 4 to 6 months	1,016	1,147
Overdue: 1 to 2 years	-	194
	2,251	2,216

There was no provision for bad debts as at 31st March 2009 and 31st March 2008 as all outstanding debtors are expected to be paid.

Credit risk arising from deposits with Banks and Financial Institutions.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings services. The annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they are rated independently and meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990-2007 on investments out to 5 years.

25(b) Disclosure of nature and extent of risks arising from Financial Instruments
(continued)

Deposits with banks and financial institutions	Amount at 31 st March 2009 £'000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 st March 2009 % (c)	Estimated maximum exposure to default £'000 (a)*(c)
AAA rated counterparties	4,645	0.00	0.00	0
AA rated counterparties	7,001	0.06	0.06	4
A rated counterparties	6,000	0.65	0.65	39
Other counterparties	7,667	0.65	0.65	50
Bonds – AAA rates	0	0.00	0.00	0

The above breakdown does not include the deposit of £1 million in Heritable Bank which was placed into administration (see Note 10d). The total impairment of the investment is £333,000 and is reflected in the Accounts. The total amount of repayment due is £843,791. The principle amount recoverable is £666,870, interest due to 31st March 2009 of £84,201 that has been included in this report and interest receivable from 2009/10 to 2013/14 of £92,720.

The diversification of investments also provides additional security. The maximum percentages of the investment portfolio, which may be invested in each class of assets, are detailed below:

25(b) Disclosure of nature and extent of risks arising from Financial Instruments
(continued)

Asset Class Percentages		
Type of Asset	% Of Total Investment as set by 2008/09 Treasury Management Strategy %	% Of Total Investment as at 31st March 2009. %
UK Government and Local Authorities	50	18.3
Banks- Specified	100	26.3
Money Market Funds – Specified	75	0
Building Societies - Specified	100	43.5
Monetary Institutions outside Europe – Specified	15	0
Unspecified Investments – including un-rated Building Societies	75	11.9
Non UK Government and Supranational Bonds	15	0

The asset class percentages are well within the Upper limits prescribed in the Council's Treasury Management Strategy for 2008/09.

On 14th April 2009, Moody's one of the three main credit rating agencies, implemented a number of rating changes in respect of building societies. The moves were in relation to the current economic crisis and in particular the potential losses for institutions with exposure to various forms of residential and commercial property lending. The result was that all building societies apart from one, the Leeds Building Society were downgraded to a level where they no longer met the Council's criteria to be classified as a "specified" investment with adequate credit rating. They have therefore moved from being classified as a "specified" investment to "unspecified".

**25(b) Disclosure of nature and extent of risks arising from Financial Instruments
(continued)**

As at 31st March 2009, the impact on the asset class percentages of this change means that there has been a major shift from the specified to unspecified investment category for building societies. The new total for unspecified investments of 55%, including Irish Building Societies still falls within the asset class limit of 75% as prescribed by the strategy.

An independent review of the Authority's investment portfolio credit quality as at January 2009 stated that:-

- The overall investment strategy was robust,
- There was full compliance with the Treasury Management Strategy and statutory regulations, and
- All related processes and operations were considered sound.

All transactions in relations to deposits were in line with the Authority's approved credit ratings and Asset Class Limits.

No breaches of the Authority's counter-party criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds, other than the impairment of the Heritable Bank deposit referred to in note 10.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Authority's use of the highest credit ratings for investment counterparties will assist to avoid undue risk. The Authority has continued to refine procedures to ensure that the highest quality of institutions is used through its 2009/10 Treasury strategy by:

- Adopting the lowest common denominator approach, whereby rating agencies provide credit ratings of institutions and the lowest rating is applied for the institution to determine whether they meet the criteria to be on the Authority's counterparties list;
- Tightening the selection criteria for investments for over 1 year;
- Expansion of information gathering procedures to identify changes in the status of investment counterparties.

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow

**25(b) Disclosure of nature and extent of risks arising from Financial Instruments
(continued)**

management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Authority has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer- term funds and acts as lender of last resort to authorities. Therefore there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. As at 31st March 2009, all of the Authority's outstanding loans were with PWLB.

The Authority manages its day-to-day liquidity position through the setting of prudential indicators, associated strategies and practices and cash flow management procedures.

Refinancing and Maturity Risk

The key risk is that the Authority will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The risk relates to both maturing financial liabilities and assets. The Authority approved Treasury Management and Investment Strategies address the main risks and the L B of Redbridge treasury team address the operational risks within approved parameters. This includes: -

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt; and
- Monitoring the maturity of investments to ensure that there is sufficient liquidity available for the Authority's day to day cash flow needs, and the spread of long term investments provide stability of maturities and returns in relation to long term cash flow needs.

The maturity structure for borrowing as at 31st March 2009 is set out below and is within the Authority's Prudential Code limits for 2008-09 as set out in its Treasury Management Strategy:

25(b) Disclosure of nature and extent of risks arising from Financial Instruments
(continued)

Renewal Period	Market Loans Outstanding as at 31 st March 2009 £000's	% Of Total borrowing	Market Loans Outstanding as at 31 st March 2008 £000's	% Of Total borrowing
Less than One Year	-	-	423	20.8
Between One and Two Years	-	-	-	-
Between Two and Five Years	360	22.4	122	6.0
Between Five and Ten Years	-	-	238	11.7
More than Ten Years	1,250	77.6	1,250	61.5
Total	1,610	100.0	2,033	100.0

In terms of the maturity of long-term investments (over 364 days), as at 31st March 2009, the Authority had £2.6 million (as at 31st March 2008 £1 million) in long-term investments, which is within the upper limit for long-term investments set out in the Authority's Treasury Management Strategy.

Market Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at fixed rates – the fair value of the assets will fall.

Since the Authority's borrowings are not carried at fair value in the Accounts under FRS 26, nominal gains and losses on fixed rate borrowings will not impact on the Income and Expenditure Account or the STRGL. Movement in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses (STRGL).

The Authority has the following strategies to manage interest rate risk: -

- Setting a maximum for Authority's borrowings at variable rates. For 2008-09 all the Authority's borrowings were at fixed rates.
- Prudent borrowing and repayments arrangements, by limiting the net annual repayment of debt to the outstanding debt.

25(b) Disclosure of nature and extent of risks arising from Financial Instruments (continued)

The L B of Redbridge treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to monitor performance throughout the year. This allows any adverse changes to be responded to and accommodated quickly.

According to this assessment strategy, at 31st March 2009, if interest rates had been 1% higher with all other variations held constant, the financial effect would be:

- In view of the fact that the Authority has no variable rate investments or borrowings, no financial impact on the Authority's financial performance for 2008-09 as reported in the key financial statements.
- Decrease in fair value of fixed rate investment assets – approximately £55,000 (as at 31st March 2008 £86,000), with no impact on the Income and Expenditure and STRGL; and
- Decrease in fair value of fixed rate borrowings - £238,000 (as at 31st March 2009 £227,000), with no impact on Income and expenditure account or STRGL.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Authority does not invest in equity shares and therefore is not exposed to losses arising from movements in the price of the shares.

Foreign Exchange Risk

The Authority has no financial assets or a liability denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

26 Post Balance Sheet Events

There have been no events since 31st March 2009 that require adjustments of, or disclosure in, the accounts other than the impairment of investment with Heritable Bank.

27 Contingent Assets and Liabilities

There are no material contingent assets or liabilities as at 31st March 2009.

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". A copy of the code is on our website at

<http://www.eastlondonwaste.gov.uk/html/meetings/meets.htm>

Or can be obtained from ELWA Office.

This statement explains how ELWA has complied with the code and also meets the requirements of regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of statement on internal control.

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 ongoing process designed to identify and priorities 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 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.

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 vision was adopted in consultation with stakeholders.

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.

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.

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.

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 has the following statutory officers; Head of Paid Service – Managing Director, Section 151 officer (Local Government Act 1972) – Finance Director, and Monitoring Officer – Legal Adviser 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.

Training and development of staff continues via professional associations, conferences, seminars, courses run by Constituent Councils, on-line tuition and bespoke courses. These are related to the demands of new legislation and new system.

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. Increased resources have recently been approved for the delivery of a 3-year communications strategy in conjunction with specialist providers.

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. They are implemented via regular formal meetings with Shanks including those at ELWA Ltd and regular formal meetings with the Boroughs including those at the Board and Project Team.

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 annual report of Chief Auditor for the London Borough of Redbridge, and also by comments made by the external auditors and other review agencies and inspectorates.

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 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.

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 Annual Governance Statement for 2007/08.

- Contract Monitoring
- Risk assessment/management processes re closed landfill sites
- Performance Management
- Arrangements for engaging with the public.

There have been significant improvements during the year in these areas, including the implementation of best practice in contract and performance monitoring, a continued pro-active approach to the delivery of the closed landfill strategy and work to engage with the public.

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. During the

Annual Governance Statement (continued)
For The Year Ended 31 March 2009

year independent consultants, including Partnerships UK, reviewed the governance arrangements for contract management and produced recommendations for Members to consider.

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 (Chair)

Date: 29 September 2009

ANNUAL GOVERNANCE REPORT ACTION PLAN

No	Area to develop	Ongoing Action	Timescales	Responsible Officer
1	Contract Monitoring	Embedding best practice including monthly bulletin, improving precision in service level agreements with Boroughs, and monitoring impact of new arrangements on performance outcomes.	2009/10	Tony Jarvis
2	Risk Assessment in light of current economic conditions / Management & Business Continuity Arrangements	Business continuity reviewed for 2009/10 business plans, further review of Risk Registers and implements consequential implications, and increased attention to commercial intelligence and market conditions.	2009/10	Tony Jarvis
3	Review of Member and Board Governance	Governance arrangements under current consideration by both Management Board and Members following independent review. Implementation issues will arise following detailed consideration of specific recommendations.	2009/10	Directors

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(Contact Officer: Suzana Coco-Basseyl - Tel. 020 8708 3735)

EAST LONDON WASTE AUTHORITY

22nd JUNE 2009

FINANCE DIRECTOR'S REPORT

DRAFT ANNUAL GOVERNANCE STATEMENT FOR 2008/09	FOR APPROVAL
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1 Purpose

- 1.1 To present to Members, for approval, the draft Annual Governance Statement (AGS) for the financial year 2008/09.

2 Background

- 2.1 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.
- 2.2 Management Board have considered the draft AGS and their comments have been incorporated in the documents being presented to your Committee.

3 Corporate Governance – identified areas for development

- 3.1 The Action Plan at the end of the Annual Governance Report sets out the areas that have been identified as requiring further development including outstanding area of improvement raised in the 2007/08 Annual Governance Report.

4 Recommendations

The Directors are asked to:

- 4.1 Note and comment upon the update/progress of new and previously identified areas for improvement within the Action Plan.
- 4.2 Consider and approve the draft Annual Governance Statement for the financial year ended 31 March 2009 as set out in Appendix A.

Geoff Pearce
FINANCE DIRECTOR

Appendices

A Annual Governance Statement

Background Papers

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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". A copy of the code is on our website at

<http://www.eastlondonwaste.gov.uk/html/meetings/meets.htm>

Or can be obtained from ELWA Office.

This statement explains how ELWA has complied with the code and also meets the requirements of regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of statement on internal control.

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 ongoing process designed to identify and priorities 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 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.

The Governance Framework

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

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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 vision was adopted in consultation with stakeholders.

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.

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.

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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.

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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.

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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.

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The Authority has the following statutory officers; Head of Paid Service – Managing Director, Section 151 officer (Local Government Act 1972) – Finance Director, and Monitoring Officer – Legal Adviser 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.
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Complaints process

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Training and development of staff continues via professional associations, conferences, seminars, courses run by Constituent Councils, on-line tuition and bespoke courses. These are related to the demands of new legislation and new system.

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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. Increased resources have recently been approved for the delivery of a 3-year communications strategy in conjunction with specialist providers.

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. They are implemented via regular formal meetings with Shanks including those at ELWA Ltd and regular formal meetings with the Boroughs including those at the Board and Project Team.

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 annual report of Chief Auditor for the London Borough of Redbridge, and also by comments made by the external auditors and other review agencies and inspectorates.

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 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.

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 Annual Governance Statement for 2007/08.

- Contract Monitoring
- Risk assessment/management processes re closed landfill sites
- Performance Management
- Arrangements for engaging with the public.

There have been significant improvements during the year in these areas, including the implementation of best practice in contract and performance monitoring, a continued pro-active approach to the delivery of the closed landfill strategy and work to engage with the public.

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. During the

**East London Waste Authority
Annual Governance Statement (continued)
For The Year Ended 31 March 2009**

year independent consultants, including Partnerships UK, reviewed the governance arrangements for contract management and produced recommendations for Members to consider.

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 (Chair)

Date: 29 September 2009

ANNUAL GOVERNANCE REPORT ACTION PLAN

No	Area to develop	Ongoing Action	Timescales	Responsible Officer
1	Contract Monitoring	Embedding best practice including monthly bulletin, improving precision in service level agreements with Boroughs, and monitoring impact of new arrangements on performance outcomes.	2009/10	Tony Jarvis
2	Risk Assessment in light of current economic conditions / Management & Business Continuity Arrangements	Business continuity reviewed for 2009/10 business plans, further review of Risk Registers and implements consequential implications, and increased attention to commercial intelligence and market conditions.	2009/10	Tony Jarvis
3	Review of Member and Board Governance	Governance arrangements under current consideration by both Management Board and Members following independent review. Implementation issues will arise following detailed consideration of specific recommendations.	2009/10	Directors

(Contact Officer: Suzana Coco-Bassey: 020 8708 3735)

EAST LONDON WASTE AUTHORITY

22nd JUNE 2009

FINANCE DIRECTOR'S REPORT

BUDGETARY CONTROL REPORT TO 30th APRIL 2009	FOR INFORMATION
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1 Introduction

- 1.1 This budgetary control report compares ELWA's actual expenditure for the month ended 30th April 2009 with the original revenue estimates approved in February 2009 and is based on information supplied by Shanks East London and the four Constituent Councils.
- 1.2 Budgetary control reports are presented for monitoring and control purposes.

2 Revenue Estimates

- 2.1 Based on the profiled budget of £4,024,000 and the actual net expenditure on services of £4,029,000, the overspend for the period is £5,000 (see Appendix A). This is the first month of the new 2009/10 financial year and therefore it is very difficult to draw any trends at this early stage in the year.
- 2.2 The main variation relates to the payment to Shanks East London which is higher than that anticipated in the Annual Budget & Service Delivery Plan by £45,000. This is because tonnage was up for April 09 by 6% and cost was up by 1%.
- 2.3 Other costs consist of Services Level Agreement costs for all four boroughs, recycling initiatives, office and administration costs, rates, pumping, trade effluent charges and various other expenses. The underspend of £28,000 reflects the fact that these costs are profiled evenly through the year but actual has lagged behind budget at the beginning of the year.
- 2.4 ELWA's Contingency sum for 2009/10 is £300,000 and comprises of £150,000 for IWMS Contract negotiations including insurance benchmarking, £100,000 for any unforeseen circumstances, £50,000 for Waste Regulation including Hazardous Waste, definitions of Household Waste and Disposal Credits to third parties. There is no utilisation of the contingency to date.
- 2.5 Any revenue under-spend and unutilised contingency for the year will be added back to Revenue Reserves at the end of the year.

3 Prudential Indicators

- 3.1 The Prudential Indicators for 2009/10, 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 2009 remain within the limits set. Given the current uncertainty in the financial markets, a cautious lending policy continues to be operated on a day-to-day basis.

4 Recommendation

4.1 Members are asked to note this report.

Geoff Pearce
FINANCE DIRECTOR

Appendix

A Budget Monitoring Statement to 30th April 2009

Background Papers

None

EAST LONDON WASTE AUTHORITY
BUDGET MONITORING STATEMENT TO 30th APRIL 2009

	Original Budget	Profiled Budget	Total Actuals	Variance compared to Revised to
	<u>2009/10</u>	<u>to 30.04.09</u>	<u>to 30.04.09</u>	<u>30.04.09</u>
<u>EXPENDITURE</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Employee and Support Services</u>	477	40	39	(1)
<u>Premises Related Expenditure</u>	125	10	5	(5)
<u>Transport Related Expenditure</u>	7	1	0	(1)
<u>Supplies and Services</u>				
Payments to Shanks.East London	49,907	4,217	4,262	45
Other (inc cost of Support Costs)	796	66	38	(28)
<u>Third Party Payments</u>				
Disposal Credits	116	10	10	0
Recycling Initiatives	210	18	18	0
Tonne Mileage	525	44	44	0
Rent payable - property leases	267	22	22	0
<u>Capital Financing Costs</u>	244	20	20	0
TOTAL GROSS EXPENDITURE	52,674	4,448	4,458	10
<u>Income</u>				
Commercial Waste Charges	(4,503)	(375)	(375)	0
Bank Interest Receivable	(562)	(47)	(54)	(7)
Other Income	(21)	(2)	0	2
TOTAL INCOME	(5,086)	(424)	(429)	(5)
Contingency Allocated	300	0	0	0
NET EXPENDITURE ON SERVICES	47,888	4,024	4,029	5
PFI Grant Receivable	(4,181)	(348)	(348)	0
Transfer to PFI Contract Reserve	4,181	348	348	0
Levy Receivable	(38,660)	(3,222)	(3,222)	0
Transfer from PFI Contract Reserve	(6,949)	(579)	(579)	0
Contribution from Reserves	(2,279)	(190)	(190)	0
REVENUE SURPLUS FOR PERIOD	0	33	38	5

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*(Contact Officer: John Jones - Tel. 020 8708 3192)***EAST LONDON WASTE AUTHORITY****22 JUNE 2009****FINANCE DIRECTOR'S REPORT**

INTERNAL AUDIT PROGRESS REPORT 2008/2009, AUDIT PLAN 2009/2010 AND PLANNED AUDIT COVERAGE TO MARCH 2012	FOR DECISION
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1. Purpose

- 1.1 To advise Members of the progress of Internal Audit coverage and findings arising during 2008/2009.
- 1.2 To seek Members' comments and agreement to the proposed Internal Audit Plan for 2009/2010.

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 Contract with Shanks East London Ltd (SEL), thereby safeguarding assets from fraud and wastage.
- 2.2 Prior to ELWA entering into a 25-year contract with SEL on 24th December 2002 audit coverage centred on reviewing the direct operations undertaken by the constituent Boroughs. As these responsibilities have now been transferred to SEL, 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 23rd 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 (LBR) 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 2008/2009;
 - a list of the Audits due to be undertaken during 2009/2010;
 - details of the proposed Internal Audit coverage for the 2 years 1st April 2010 to 31st March 2012.

3. Internal Audit Coverage During 2008/2009

- 3.1 The main focus of Internal Audit activity during this year has been to undertake the planned reviews of Financial Management and the Management of the Contract with Shanks East London Ltd (SEL). The high-level Governance review, which was also scheduled for this year, has been deferred until 2009/10 and some elements of the Contract Management review were amended as an unplanned audit of the Treasury Management function was undertaken at the request of the Finance Director. All three audits have been finalised.
- 3.2 Based upon the audit work undertaken during 2008/09, Internal Audit has reached the opinion that the Authority's overall control / governance framework is generally sound. Core financial systems continue to operate effectively and the arrangements for monitoring the contract with SEL have improved. There has been no reported fraud or 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 2008/09 are noted below.

Audit of Financial Management

- 3.3 Overall, we are satisfied that the systems in place are generally sound. No major issues were identified during testing; the controls in place are adequate and in the main, are complied with. An issue was identified with the ordering process but it was considered that simplification and better documentation would help resolve this.
- 3.4 ELWA financial systems in place at LBR were generally effective.
- 3.5 Budget monitoring processes were found to be effective. Monthly meetings are held with ELWA staff and the Principal Finance Officer from LBR reports on the current budgetary position regarding each cost centre. The provision of read-only access to LBR Financial Systems has now been obtained for ELWA staff, which will enable them to take a greater degree of ownership in managing their budgets and help to avoid overspends.
- 3.6 Based upon our testing and the assurances received from management we can provide substantial Assurance that the systems of internal controls are generally sound,

Audit of Contract Monitoring Arrangements

- 3.7 Since the review undertaken during 2007/08 the post of Waste & Recycling Officer (WRO) has been filled. This has enabled ELWA to take a more pro-active role in the monitoring of the contract. Management of the contract with SEL to deliver ELWA's Integrated Waste Management Service includes monitoring that is undertaken by a number of sources. A great deal of reliance is placed upon SEL's self-monitoring but this has been subject to a higher degree of validation since the appointment of the WRO, which has allowed ELWA to undertake a programme of inspection visits and to take over the responsibility for following up issues identified by the constituent boroughs. Programmed inspection visits are also carried out by the four constituent boroughs and London Remade, a contractor engaged to provide independent advice on SEL's performance. There is regular liaison with SEL through a variety of scheduled meetings which are held periodically.

- 3.8 Generally these revised monitoring arrangements have been effective although instances were identified where systems and controls need to be introduced or tightened.
- 3.9 The outcome of all visits undertaken by both ELWA and the constituent boroughs is recorded. A standard proforma is in place for recording the findings of visits to the Civic Amenities sites and whilst this is completed by the boroughs, it is not used by ELWA to record their own visits. The standard of completion of the forms and the supporting evidence provided, namely photographs, varies across the constituent boroughs. It is considered that ELWA need to specify the standard required which should be incorporated in the Service Level Agreements with the constituent Boroughs. In addition we feel that the monthly spreadsheet used to record the inspection visits to the Bring Sites should also be standardised. Currently the layout and content of the spreadsheets varies widely, as does their standard of completion.
- 3.10 The visiting programme introduced by the WRO is not scheduled in advance and no overall master list is maintained of the sites visited, instead visits are recorded monthly in date order. This could lead to sites being missed.
- 3.11 The contract with SEL contains a number of performance criteria which are used as part of SEL's self-monitoring programme. Failure to achieve these standards results in penalties being deducted from the value of the work undertaken in the monthly invoice. Each standard states what is to be monitored, how it is to be done, the performance deduction criteria and the rectification period. The performance deduction criteria range is categorised from A to E with Category A incurring a penalty of £20 through to Category E which incurs a £1000 penalty. We noted that the majority of penalties incurred relate to the turnaround times of vehicles and to a much lesser degree, queues and failing to empty or service a Bring Site.
- 3.12 A number of local performance indicators are monitored and these are mainly concerned with the performance standards within the contract, the information for which primarily comes from TIMS, SEL's information management system. Indicators are monitored in relation to the performance of the constituent boroughs as well as SEL and are reported to Members, the ELWA Board and the four boroughs monthly.
- 3.13 Overall it is our view that there has been a continuous improvement in the contract monitoring regime operated by ELWA. However the monitoring arrangements need to be regularly reviewed to ensure there are adequate controls in place. Issues identified during the Audit in respect of the monitoring controls and the evidencing of findings by the constituent boroughs need to be addressed.

Audit of Treasury Management

- 3.14 Our review of the Treasury Management function undertaken by the London Borough of Redbridge on behalf of ELWA found that systems and controls in place were sound and the stipulated criteria for determining investments was followed. Overall, the current arrangements provide substantial assurance that risks are being managed and control objectives are being met.
- 3.15 Through testing we were able to confirm that the Treasury Management Strategy was complied with and that controls were effective and properly applied.

4. Internal Audit Coverage for 2009/10

- 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. 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. 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 Audit's 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.
- 4.2 Internal Audit coverage for 2009/10 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 Recycling National Performance Indicators and a fourth audit will review the Asset Management of Landfill Sites.
- 4.3 It is also intended to continue to carry out follow up work to ensure that actions agreed by management have been implemented and to seek explanations where recommendations have not been implemented in the appropriate time scales. Internal Audit will periodically report to the Authority on the progress made by management on the implementation of high risk recommendations.

5. Internal Audit Coverage for 2007- 2012

- 5.1 At your meeting held on 25th June 2007 Members agreed a proposed Internal Audit five year plan. An updated five year plan, taking into account the deferral of the review of Corporate Governance Arrangements to 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. During 2008/09 an unplanned audit of Treasury Management was undertaken to review arrangements in place and provide assurance to Members that appropriate and adequate systems and controls were in place. 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.
- 5.2 Within the Strategic 5 Year Plan 2007/08 to 2011/12 it was proposed to undertake a review of Personnel systems. From discussions with the Executive Director and Finance Director it is proposed to remove this audit from the strategic plan. The subject is considered low risk and was not undertaken during 2008/09 to accommodate the Audit of Treasury Management

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 Audit's 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 2008/09, 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. Whilst improvements have been evident within the contract monitoring process, issues have been identified which need to be addressed / investigated by management to ensure that controls are fully satisfactory.

7.2 I feel confident that through this process and the assurances received, notably from Internal Audit, External Audit and other sources, 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.

8. Recommendation

8.1 Members are asked to:-

- i) note the audit coverage for 2008/2009 as outlined in Section 3;
- ii) agree the audit coverage for 2009/2010 as outlined in Section 4.

Geoff Pearce
FINANCE DIRECTOR

Appendices	
A	5 Year Strategic Plan
Background Papers	
	None

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

Aspect	Risk Impact	Likelihood	Risk Rating	Frequency	Audit Plan - 2003/04	2004/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
Internal Control and Corporate Governance													
Review of Constitution / CSO's / Financial Regs	1	1	1	When Req'd									
Review of Corporate Governance arrangements				Review							10		
Review of High Level Controls and Roles & Responsibilities	3	1	3	5 yearly	20								
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									
Internal IT Systems (B&D)	1	1	1	When Req'd									
Contract Management / Monitoring / Compliance													
ELWA Monitoring Arrangements	7	3	21	2 yearly			10		5				5
Borough Monitoring	3	5	15	2 yearly			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				
Financial Management													
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	
Treasury Management*										10			
Asset Management													
Landfill Sites	5	4	20	3 yearly			10				10		
Follow Up Provision													
					20	30	15	25	25	43	43	33	33
Total days													

* - This audit was unplanned but carried out at the request of the Director of Finance

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