

Notice of Meeting

EAST LONDON WASTE AUTHORITY

Monday, 23 November 2009 - 1:00 pm
Council Chamber, Civic Centre, Dagenham

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

Date of Publication: 13 November 2009

David Woods
Managing Director

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AGENDA

1. **Apologies for Absence**
2. **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.
3. **Minutes - To confirm as correct the minutes of the meeting on 29 September 2009 (Pages 1 - 5)**
4. **Annual Audit Letter 2008/09 and Notice of Certification of Completion of Audit (Members are asked to note this item) (Pages 7 - 13)**
5. **Programme of Meetings 2010/11 (Pages 15 - 16)**
6. **Budgetary Control and Treasury Management Report to October 2009 (Pages 17 - 21)**
7. **Financial Projection and Budget Strategy 2010/11 to 2012/13 (Pages 23 - 32)**
8. **Contract Monitoring to September 2009 (Pages 33 - 43)**
9. **Waste Management to September 2009 (Pages 45 - 54)**
10. **Aveley 1 Composting (Pages 55 - 58)**

- 11. IWMS Contract - Service Delivery Plan 2010/11 to 2014/15 (Pages 59 - 65)**
- 12. Date of next meeting : 01 February 2010**
- 13. Any other public items which the Chair decides are urgent**
- 14. 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.

- 15. ELWA Ltd Board - Report back (Pages 67 - 71)**
- 16. Any other confidential business which the Chair decides are urgent**

EAST LONDON WASTE AUTHORITY

Tuesday 29 September 2009

(1.03 - 2.40 pm)

Present: Councillor S Kelly, (Chair), Councillor E Norman, Councillor V Rush, Councillor B Tebbutt (Vice Chair) and Councillor G Vincent.

18 Apologies

An apology for absence was received from Councillor I Corbett, Councillor M Dunn and Councillor P Murphy.

19 Minutes – To confirm as correct the minutes of the last meeting held on 22 June 2009

The minutes were noted and agreed. There were no matters arising.

20 Statement of Accounts and Auditor's Report 2008/09

We noted the Finance Director's report attaching the Statement of The Accounts for 2008/09 and The Auditor's Report. The External Auditor was planning to provide an unqualified opinion and certificate, without any major issues being raised in respect of the review and audit of the Accounts for the year ended 31 March 2009. In addition, it outlined that there was a favourable variance in terms of expenditure compared to the Revised Budget for 2008/09 resulting primarily from lower contract payments to the Contractor and lower tonne mileage and recycling initiatives claims. The General Fund Balance had increased to just over £10m.

The Chair welcomed the External Auditor to the meeting. The External Auditor confirmed that that there were no matters of substance on which to report and that there were no recommendations to consider. An unqualified opinion and certificate would be provided. He extended his gratitude to the people in the Finance Department and to Officers for making this a smooth first year of audit.

We offered our thanks to the Auditor for the work undertaken on the accounts and for presenting his report. The Auditor attended for this item only.

21 Budgetary Control Report to 31 August 2009

We have noted the Finance Director's report and a small underspend against profiled budget, for the first five months of the year. The Finance Director explained that the significant variations related to the lower than expected payment to the Contractor because of lower tonnages of waste for disposal to which other reports referred.

He also reported that commercial waste income was down and that the current investment climate had generated less investment income than expected.

We have questioned and received clarification from the Executive Director on the monitoring and enforcement of commercial waste collections by The Boroughs and agreed that we should revisit this subject early next year.

The Finance Director has asked that we consider cost savings for the future.

22 Contract Monitoring – July 2009

We have received the Assistant Executive Director's report and appendices stating that separate orange bag collections, green waste and BioMRF composting volumes had had generated above contract level recycling performance at 24.6%, recycle markets had been stable and that a few minor operational issues had been raised with the Contractor. We have discussed the fact that stone and glass from the BioMRF at Frog Island are being sent to landfill because of poor quality and note that Officers were applying pressure for a resolution to the problem. We have considered the viability of an alternative use for this material and to receiving a briefing paper. We understand that an Improvements Programme had been requested from the Contractor and was still awaited. We have asked Officers to put pressure on the Contractor.

We have also received commentary on Bring Site monitoring by London Remade, monitoring of the Reuse & Recycling Centres by ELWA and Borough Officers and on the output from Jenkins Lane Survival Bag Materials Recycling Facility.

With regard to the appendices, we have asked for these to be adjusted in future to incorporate a more legible font size.

The report was noted.

23 Waste Management – July 2009

We have received and noted the Assistant Executive Director's report and again requested that the appendices be adjusted to show a more legible font size.

In commentary he added that the LB Havering and the LB Newham were within their NI191 local target for the amount of residual waste collected. Three boroughs had also exceeded their agreed NI192 targets for the recycling and composting of waste but one remained below target. ELWA's diversion from landfill rate at 60% had well exceeded its target.

With regard to the Landfill Allowances Trading Scheme (LATS), we have been advised that there has been no opportunity for ELWA to trade the 210,800 LATS surplus generated this year.

24 Date of Next Meeting: 23 November 2009

Noted.

25 Governance Review – Next Steps and Constitution Update

At the request of the Chair, we have agreed to take the Managing Director's report and appendix on the open Agenda.

We have received commentary and been asked to consider and make decisions in connection with the future governance and management of the Authority. The Managing Director has advised us of the staffing, legal and financial implications.

With regard to the recommendations, we have specifically agreed to make changes to the Constitution as follows:

1.
 - a) that the Chair and Vice Chair should be from different boroughs;
 - b) the appointment of Chair and Vice Chair should be for a period of two years and staggered to ensure that both do not change at the same time in future; and
 - c) the appointments are generally by rotation with a provisional sequence to be proposed in the review of the Constitution.
2. we have considered the appointment of the "A" director in respect of ELWA Limited and agreed that this appointment should operate in a similar way to the above.
3. that the role of the interim Managing Director should continue as at present for the time being but that a full-time Managing Director in the employ of the Authority should be established.
4. regularise the position such that the Environment Directors from each of Constituent Councils become members of the ELWA Management Board without specific operational or functional roles and that the Board members are expected to chair and lead working groups and support the strategic activities of the Authority, with the Managing Director continuing to chair the Board. The Authority's Finance Director's appointment will continue as presently operated under the terms of Section 151 of the Local Government Act 1972.

The Managing Director has agreed to prepare further report in order for us to agree specific salary and consider personal issues. He will also write to the Boroughs' Chief Executives explaining what ELWA is minded to do in respect of the ELWA Management Board. There was a need to strengthen the policy and strategy role within the organisation at the estimated cost of £55,000, and this was agreed.

We have agreed to delegate authority to the Managing Director in order for him to take steps with the Monitoring Officer to progress these arrangements and prepare appropriate job description(s) for consideration and changes to the Constitution.

We have agreed to receive further reports with a view to amending the constitution for the forthcoming Municipal Year including the future management structure.

26 Public and Press

We have resolved to exclude the public and press from the remainder of the meeting by reason of the nature of the business to be transacted that included the detailed financial proposals of Shanks.east london in respect of the IWMS Contract, which is exempt from publication by virtue of paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 as amended.)

27 Service Delivery Plan 2010/11 to 2014/15 (5 Year) – Implementation of the Joint Municipal Waste Management Strategy

We have received and discussed at length the Executive Director's report and appendices that reviewed ELWA's and the Boroughs' achievements against the Joint Waste Management Strategy (JWMS) and the major issues outstanding. Additionally it summarised two main areas for negotiation with the contractor in respect of those outstanding issues and provided initial Outline Heads of Terms for a change in contract that would address these issues.

The conclusion of this review was that the Authority was achieving most of its strategy and this explained why there had been no major contract changes to date. The contract changes now being proposed were relatively modest with the aim of remedying the areas of strategy not yet fully achieved.

In commentary the Executive Director explained that a better understanding of the next few years' financial parameters, the Government Office for London's stance on borough recycling targets after 2010/11, and the Mayor's Waste Management Strategy was required before a formal review and probable change took place in respect of the Joint Waste Management Strategy. We have also noted the results of the risk assessment that had taken place in respect of the proposed contract changes.

We have raised and discussed our concerns about the materials, as well as quantity and quality, sent to Landfill and the reasons behind it and that customer education needs to be improved.

We have:-

- a) noted the strategy achievement assessment and areas of strategy where there are outstanding issues;
- b) approved the basis of Negotiation 1 and main elements of the current proposal and noted the outline Heads of Terms for a Contract Variation (in respect of recycling targets and incentives and optibag savings) arising from the negotiations;
- c) approved the basis of Negotiation 2 in respect to diversion from landfill arrangements, and
- d) agreed to receive another report at our meeting in November in the context of the Service Delivery Plans for 2010/11 and following years.

28 ELWA Limited

We have received and discussed at length the Executive Director's report and appendices.

We have noted the recommendations and agreed to meet again informally before our meeting in November. We have also agreed to receive a further report on this subject at our formal meeting on the 23 November.

The Chair thanked Officers for all their efforts in preparation for the meeting.

Chair:

Dated:

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Government and Public Sector

November 2009

East London Waste Authority 2008/09 Annual Audit Letter

The Members
East London Waste Authority
Arden House
198 Longbridge Road
Barking
London
IG11 8SY

4 November 2009

Ladies and Gentlemen

We are pleased to present our Annual Audit Letter summarising the results of our 2008/09 audit.

Yours faithfully



PricewaterhouseCoopers LLP
Encs

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2008 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

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Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2008/09 audit work we have undertaken at East London Waste Authority ("ELWA") that is accessible for members and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit opinion for 2008/09 financial statements, incorporating the conclusion on Use of Resources
- Report to those charged with Governance (ISA (UK&I) 260) which was presented to the ELWA Authority meeting on 29 September 2009.

The matters reported here are those that we consider are most significant for the Authority and a summary of the key recommendations that we have made can be found in Appendix A.

Scope of work

Our audit work is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its financial statements, including the Annual Governance Statement. It is also

responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Authority's Annual Governance Statement;
- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

Our 2008/09 audit work has been undertaken in accordance with the Audit Plan that was considered by the Authority at its meeting on 21 July 2009.

Audit findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit report on 29 September 2009.

We were pleased with the quality of the draft accounts and the working papers provided to support them. This ensured that the audit process itself was efficient.

Conclusion on Use of Resources

The Audit Commission requires us to assess the overall arrangements that the Authority has in place in the following three areas:

- Managing finances
- Governing the business.
- Managing Resources.

We evaluated the arrangements against criteria set by the Audit Commission in underlying Key Lines of Enquiry (KLoE).

We were required to issue a conclusion on the adequacy of the Authority's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

We issued a unqualified conclusion on the Authority's arrangements for its Use of Resources on 29 September 2009.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS) which is consistent with guidance issued by CIPFA / SOLACE. The AGS was included in the financial statements.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE guidance and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Matters affecting future accounting periods

Transition to International Financial Reporting Standards (IFRS)

CIPFA has issued the Exposure Draft and Invitation to Comment on the Code of Practice on Local Authority Accounting in the United Kingdom 2010. This will apply to accounting periods starting on or after 1 April 2010. The new Code is the first to be prepared under IFRS. Because of the need to have comparative information for the first set of full IFRS accounts the effective date of the transition is 1 April 2009. The authority will need to have values for assets and transactions as they should be recognised under IFRS from this date.

The Authority will need to ensure that it has a good grasp of the changes to accounting requirements under the new Code, and that it has robust plans in place to enable collection and processing of the information needed to comply with the new Code. In our experience the key features of a successful IFRS conversion project have proven to be:

- Completed impact analysis and comprehensive conversion plans;
- The commitment of key stakeholders in the organisation;
- Operational steering and technical groups;
- Authority oversight;
- Regular progress reporting against the plan;
- The necessary project management resources; and
- Appropriate and timely training for all members and officers with

IFRS involvement.

The most significant aspect of the conversion to IFRS will be in respect of Private Finance Initiative ("PFI") schemes. Under IFRS there is an expectation that the vast majority of PFI schemes will fall to be accounted for as "on balance sheet", in contrast with current practice under UK GAAP and the SORP, where most are accounted for as "off balance sheet".

It is important to note that the 2009 SORP adopts IFRS accounting principles for PFI schemes. Consequently, the Authority will need to ensure that its 2009/10 financial statements account for its PFI scheme appropriately. This will entail restating the prior year comparatives as if the PFI scheme had always been on balance sheet.

PwC have already performed an impact assessment for LB Redbridge and we understand that the lessons learned from this work are being applied to the Authority's circumstances and in particular to its PFI scheme. The Authority should:

- Assess its PFI scheme under the appropriate IFRS (IFRIC 12) as interpreted by the SORP 2009;
- Determine the accounting entries required to account for its PFI scheme as on balance sheet (if required); and
- Liaise with us at an early stage during the audit of the 2009/10 financial statements to enable us to comment on its proposed approach.

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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(Contact Officer: Dawn Chatterton - Tel. 020 8270 4989)

EAST LONDON WASTE AUTHORITY**23 NOVEMBER 2009****OFFICE MANAGER'S REPORT**

PROGRAMME OF MEETINGS 2010/11	FOR APPROVAL
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1 Purpose

- 1.1 Set out below, for Members' consideration, are the agreed dates for the remainder of this municipal year and the proposed programme of ELWA meetings for the forthcoming municipal year.

2 Background

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

3 Meeting Dates

<i>Dates Agreed 2009/10</i>	<i>Monday</i>	<i>01 February 2010</i>	<i>Approval of annual Levy required by 15/02/10</i>
	<i>Monday</i>	<i>12 April 2010*</i>	
<i>Dates Proposed for the Municipal year 2010/11</i>	<i>Monday</i>	<i>21 June 2010*</i>	<i>(Annual General Meeting) Approval of draft Statement of Accounts</i>
	<i>Monday</i>	<i>27 September 2010</i>	<i>Approval of Annual Governance Report (required 30/09/10)</i>
	<i>Monday</i>	<i>22 November 2010</i>	<i>Approval of IWMS Contract Annual Budget & Service Delivery Plan required by 30/11/10</i>
	<i>Monday</i>	<i>7 February 2011</i>	<i>Approval of annual Levy required by 15/02/11</i>
	<i>Monday</i>	<i>11 April 2011</i>	

** provisional dates subject to the date(s) of Local and General Elections.*

- 3.1 Following consultation with the Chairman it is proposed that the Authority meetings continue to be held at the Civic Centre, Dagenham but the start time be put back to 2.30pm to allow a more effective use of the day. This proposal is included in the recommendations.

4 Recommendation

Members are asked to:-

- a) approve the above programme of meetings together with a new proposed start time of 2.30pm.

Shirley Gray
OFFICE MANAGER

Appendices

None

Background papers

24.11.08 Report & Minute 1619 Programme of Meetings 2009/10

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

EAST LONDON WASTE AUTHORITY

23 NOVEMBER 2009

FINANCE DIRECTOR'S REPORT

BUDGETARY CONTROL REPORT TO OCTOBER 2009	FOR INFORMATION
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1 Introduction

- 1.1 This budgetary control report compares ELWA's actual expenditure to the original revenue estimates, approved in February 2009, for the period April to October 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 After seven months of the financial year, there is an overall underspend against profiled budget amounting to £264,000 with material variances explained below.
- 2.2 The payment to Shanks East London is lower than was projected in the Annual Budget & Service Delivery Plan because there was less tonnage disposed than was originally estimated. The lower tonnage has contributed to a saving of £799,000. Similar trends as a result of reduced tonnage have also been noted with Tonnage mileage charges being lower than anticipated reflecting a further saving of £49,000.
- 2.3 The reduced tonnage is largely owing to the fall in commercial waste volume, with an income under achievement to date for commercial waste of £676,000. The reduction is mainly due to the reduction in number of businesses and Commercial Waste collected. Current revised estimate for the annual total of Commercial Waste is in the region of 38,000 tonnes compared with a budget of 51,000 tonnes. This equates to income of £3,344,000, which would result in a reduction of £1,159,000 for the year compared to the original budget set in February 2009.
- 2.4 As a consequence of continued low interest rates, there is an adverse variance of £212,000 on interest receivable. The budget was set based on an estimated monthly investment return of 2.79%. In comparison, the average interest rate for the month of October 2009 is only 1.72% and the current base rate is 0.5% compared to 5% last year.
- 2.5 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 £24,000 reflects the fact that these costs are profiled evenly through the year but actual has lagged behind budget over the months.
- 2.6 There is a positive variance of £137,000 to date on other income, which is mainly due to £125,000 of royalty income from Shanks East London which was not budgeted for. It also includes rent receivable of £4,000 for which the tenancy agreement was not concluded at the time the budget was prepared.

- 2.7 The contingency position after seven months has also produced an under utilisation of £133,000, which is reflected in the accounts.
- 2.8 Any final 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 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.
- 3.2 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.
- 3.3 Whilst the credit crisis in international markets has raised the overall possibility of default, the Authority's use of the highest credit ratings for investment counter-parties 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.
- 3.4 No breaches of the Treasury Management strategy occurred during the period. Given the current uncertainty in the financial markets, a prudent lending policy continues to be operated on a day-to-day basis.
- 3.5 Day-to-day investment strategy remains under review on a regular basis, with a view to updating the Authority's lending list where appropriate to provide the opportunity for improved returns. In particular, the Authority is currently considering a limited increase in lending limits for the highest quality counterparties in order to provide greater flexibility whilst continuing to minimise risk.

4 Recommendation

4.1 Members are asked to note this report.

Geoff Pearce
FINANCE DIRECTOR

Appendices		
A	31/10/09	Budget Monitoring Statement to 31 st October 2009
Background Papers		
	None	

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EAST LONDON WASTE AUTHORITY
BUDGET MONITORING STATEMENT TO 31 OCTOBER 2009

	Original Budget	Profiled Budget to 31.10.09	Total Actuals to 31.10.09	Variance to to 31.10.09
	<u>2009/10</u>	<u>31.10.09</u>	<u>31.10.09</u>	<u>31.10.09</u>
<u>EXPENDITURE</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Employee and Support Services</u>	477	278	277	(1)
<u>Premises Related Expenditure</u>	125	73	67	(6)
<u>Transport Related Expenditure</u>	7	4	1	(3)
<u>Supplies and Services</u>				
Payments to Shanks.East London	49,907	30,339	29,540	(799)
Other (inc cost of Support Costs)	808	471	448	(24)
<u>Third Party Payments</u>				
Disposal Credits	116	68	68	0
Recycling Initiatives	210	123	123	0
Tonne Mileage	525	306	257	(49)
Rent payable - property leases	267	156	155	(0)
<u>Capital Financing Costs</u>	232	135	136	0
TOTAL GROSS EXPENDITURE	52,674	31,953	31,071	(882)
<u>Income</u>				
Commercial Waste Charges	(4,503)	(2,627)	(1,951)	676
Bank Interest Receivable	(562)	(328)	(116)	212
Other Income	(21)	(12)	(150)	(137)
TOTAL INCOME	(5,086)	(2,967)	(2,216)	750
Contingency Allocated	300	175	42	(133)
NET EXPENDITURE ON SERVICES	47,888	29,161	28,897	(264)
PFI Grant Receivable	(4,181)	(2,439)	(2,439)	0
Transfer to PFI Contract Reserve	4,181	2,439	2,439	0
Levy Receivable	(38,660)	(22,552)	(22,552)	0
Transfer from PFI Contract Reserve	(6,949)	(4,054)	(4,054)	0
Contribution from Reserves	(2,279)	(1,329)	(1,329)	0
REVENUE SURPLUS FOR PERIOD	0	1,226	962	(264)

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(Contact Officers: Geoff Pearce Tel 0208 708 3588, or Suzana Coco-Bassey - Tel. 0208 708 3735)

EAST LONDON WASTE AUTHORITY

23 NOVEMBER 2009

FINANCE DIRECTOR'S REPORT

FINANCIAL PROJECTION AND BUDGET STRATEGY: 2010/11 to 2012/13	FOR APPROVAL
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1 Introduction

1.1 In accordance with good practice and in order to comply with Financial Standing Orders this report presents the Authority's Financial Projection and Budget Strategy for the three years from 2010/11 to 2012/13 with particular focus on 2010/11.

2 Summary

2.1 In recent years ELWA has managed to achieve a relatively moderate and stable trend in levy increases despite sharply rising landfill tax costs and increased pressures on recycling levels.

2.2 The key elements of this three year financial plan are as follows:

- a) The level of levy increases within this plan has reduced since last year's, from 7% to 6% for 2010/11 and from 9.82% to 9% for 2011/12. The decrease is largely due to reductions in tonnage disposals as well as improved performance on Landfill diversion rates.
- b) The levels of reserves are reduced to appropriate levels based on the risk profile.
- c) Landfill tax increases of £8 per tonne in each year have been accommodated within this plan.
- d) IWMS Contract Cost inflation is based on 80% of forecast RPIX, i.e. at 1.6% for 2010/11, 2.3% for 2011/12 and 2.3% for 2012/13, and other costs not relating to the contract are projected to increase by an inflation rate of 1%.
- e) The level of cost is driven by the tonnage level from boroughs. Therefore boroughs need to address the level of tonnages sent to ELWA in order to maintain cost at acceptable level.
- f) Negotiation is ongoing with Shanks with regards to steps that can be taken to reduce costs.

2.3 Table 1 below summarises the draft financial plan for the next three years, highlighting the expenditure budget requirements, the proposed levy increases and draw down of reserves.

Summary Budget	2010/11 £'000	2011/12 £'000	2012/13 £'000
Revenue Budget	49,925	52,058	54,497
Annual PFI Grant	(4,014)	(3,854)	(3,699)
Transfer to PFI Reserve	4,014	3,854	3,699
Contingency	150	150	150
Sub Total	50,075	52,208	54,647
<u>Financed By</u>			
Transfer from PFI Reserve	(7,117)	(6,540)	(5,059)
Transfer from General Reserve	(1,978)	(1,000)	(900)
Levy	(40,980)	(44,668)	(48,688)
Levy Increase over previous year	6%	9%	9%
<u>Year End Reserves</u>			
PFI Reserve	7,664	4,978	3,618
Capital Reserve	400	400	400
General Reserve	5,900	4,900	4,000

The levy costs are predominantly driven by the payments to Shanks, which amount to approximately 95% of the total budget. This contract in turn is largely driven by tonnage levels. Advice on projected tonnage levels has been sought from Borough Environment Directors. The tonnages boroughs send to ELWA play a large part in driving their share of the levy.

The actions to run down the Authority's reserves are only sustainable for a limited period. Given the very challenging few years facing the public sector, cost management of the IWMS Contract is vital if the Authority is to avoid large future budget increases.

2.3 It is anticipated that the Authority will break even for 2009/10. This is mainly due to: -

- Anticipated underspend on payment to Shanks East London of £0.7m due to a fall in commercial waste volume.
- Anticipated under achievement of Commercial Waste income of £1m.
- Anticipated under achievement of Bank interest income of £0.2m.
- Anticipated over achievement of other income due to expected Shanks Royalty income of £0.2m.
- Anticipated under spend on Contingencies and Other Expenses of £0.3m.

The anticipated closing revenue reserve for 2009/10 is £7.9m. As The Authority is expected to break even and expects only a slight increase in tonnage cost for 2010/11, it is able to reduce the increase on levy from 7% as previously projected in last year's financial plan to 6%.

2.4 The key item within the revenue budget is Shanks East London's Annual Budget and Service Delivery Plan (ABSDP). The associated annual contractual cost accounts for nearly 95% of ELWA's total gross expenditure. For 2010/11 contract costs have increased by £1.2m against the revised estimate for 2009/10 (£0.5m compared to the budget for 2009/10). The increase is mainly due to increase in landfill tax.

2.5 Another key element to the revenue budget is the reduction of Commercial Waste, which is anticipated to be in the region of 10,000 tonnes for 2010/11. As a consequence income from Commercial Waste will be £2.7m in 2010/11, a reduction of £0.6m compared to the revised estimate for 2009/10 of £3.3m (reduction of £1.8m compared to the budget for 2009/10).

2.6 The proposal to finance these increased costs and reduction in income is a combination of 6% levy increases in 2010/11 and 9% increase in 2011/12 and 2012/13 together with utilising the PFI and revenue reserves in order to smooth the levy increases for the next three years.

2.7 As a consequence of additional Landfill Tax rises of £8 per annum for the next three years, the revenue budget has incorporated subsequent increases in Commercial waste disposal charges to the boroughs of equivalent amount. For 2010/11 the charge per tonne will rise from the current charge of £88 per tonne to £96 per tonne, an increase of 10%.

2.8 The contingency of £0.15m per annum largely reflects uncertainty around tonnage growth and a possible need for incentives to improve or maintain recycling performance.

- 2.9 The PFI reserve exists to smooth the IWMS contract step price increases in the early years of the contract. It was good financial practice and agreed ELWA policy that a suitable level of PFI Contract Reserve be set aside in the years prior to such changes to avoid large step increases in the levy for those years. These step price increases have ceased; however there are new pressures outside ELWA control, in particular the annual increases on landfill taxes, and the PFI reserve exists to serve this need. It is proposed that a large portion of grant is drawn down in the next three years. For this plan a further £8 per tonne increase in landfill tax has been factored for every year from 2010/11 to 2012/13.
- 2.10 As agreed by members a risk-based approach has been adopted to calculate the level of revenue reserves required for the authority. For financial year 2010/11 a minimum figure of £5.9m is required to manage the authority's financial risks.

3 Financial Projection and Levy Forecast: 2009/10 to 2011/12

- 3.1 ELWA Members will understand the impact of its levy on the boroughs' budgets as well as Council Taxes and it is important to keep any annual increases to a minimum subject to the continual need for financial prudence and operational viability. These two pressures must be balanced and Members must also take a three-year view on the budget strategy. It is likely that ELWA will continue to face uncertainty in the future and financial pressures cannot be ruled out for the remainder of the current year and for the years 2010/11 to 2012/13.
- 3.2 Table 2 below shows the impact of the proposed levy increases by borough, based on the 2009/10 apportionment rate and based on current estimates of total waste collected in these years. These are likely to change when the February levy report is produced.

Boroughs - Levy	2010/11 £'000	2011/12 £'000	2012/13 £'000
Barking And Dagenham	7,556	8,236	8,977
Havering	10,683	11,644	12,692
Newham	12,034	13,117	14,298
Redbridge	10,707	11,671	12,721

- 3.3 The boroughs should see the levies for 2010/11 to 2012/13 in the context of the rising costs of waste disposal particularly the impact of landfill tax, potential increases in tonnages and inflation. The Authority's IWMS contract, supported by Private Finance Initiative (PFI) funding, is not only a response to legislative requirements but is also an attempt to cap and smooth the cost of future waste disposal cost increases by means of a long term contract which significantly reduces the amount of waste landfilled. Cost increases can be mitigated by adopting the policy of restraining waste.
- 3.4 In the absence of the contract and based on projected increases in landfill tax levels, the ELWA levies in the future would be very much higher. This would primarily be attributable to increased landfill prices due to the increased scarcity of landfill, to increased expenditure on landfill taxes, to penalties under the landfill allowances regime, and to the need for extra capital investment on ELWA and Borough sites to meet the Government's stricter recycling and recovery targets
- 3.5 These Financial Projections and Budget Strategy highlight various complex issues facing ELWA, which necessitates a prudent approach to its Projection and Strategy. Waste management generally continues to be subject to many changes, a number of which are driven by the Government's national agenda and beyond ELWA's control. This Projections and Strategy have been prepared in conjunction with, and are supported by, all of the ELWA Directors.
- 3.6 When considering these Financial Projections and Budget Strategy, Members will need to have regard to the Authority's longer-term position and the level of its reserves over the next few years.
- 3.7 Comments on Key Financial Issues

The key pressures on the ELWA levy are as follows:

- a) An issue of concern for the future will be the pace of development of the Thames Gateway and the impact of the Olympics, which will significantly add to waste growth over the next decade. An estimated increase in tonnages of 1,200 tonne for 2011/12 and 7,000 for 2012/13 has been reflected in the projection to allow for the impact of the Olympics;
- b) General rise in the cost of all aspects of waste management including recycling infrastructure costs and landfill disposal including higher taxation. A further increase in landfill tax of £8 per tonne each year until 2010/11 is known for certain, with an assumption that the 2011/12 and 2012/13 increases will be similar. In 2010/11 the increase in landfill tax is £1.5 m compared to the revised estimate. It is anticipated that landfill tax will increase by £1.5m in 2011/12 and £1.8m in 2012/13;
- c) The implications of recent EU and UK legislation on particular issues, for example, the Government's new Waste Strategy and the debate stimulated by Defra about the definition of 'household waste';
- d) The reduction in Commercial Waste income in future years. It is anticipated that tonnages will reduce by 10,000 tonne in the next three years due to reduction in Commercial Waste tonnage;

- e) Service and performance improvements may need to be driven by an injection of funds from contingencies and reserves;
- f) The need to hold a reasonable level of reserves to meet the costs associated with unforeseen circumstances and the uncertainties of waste disposal at the current time; and
- g) Risks around inflation.

3.8 The basic elements of the ELWA levy are:

- a) As mentioned above, the key item is Shanks East London's Annual Budget and Service Delivery Plan (ABSDP). The associated annual contractual cost accounts for nearly 95% of ELWA's total gross expenditure;
- b) The cost of services not subject to the IWMS Contract, for example, management of Aveley I site, strategy, support and administration costs. This expenditure is likely to increase in line with inflation. There is an element of risk management about maintaining the closed landfill sites and this has implications for reserves;
- c) Offsetting income, for example, generated by commercial waste charges to the Boroughs, investment income, Trade Waste Royalty income and the PFI Grant; and
- d) Other items including contingency provisions and use of reserves.

3.9 ELWA and its constituent boroughs benefit directly from significant additional revenue funding in the form of PFI credits. Constituent boroughs also receive funding from Government for waste management via the main revenue support grant.

2010/11 Levy Forecast

3.10 The 2010/11 levy will cover the eighth full year under the current contractual arrangements. The provisional ABSDP for 2010/11 assumes a total ELWA Waste figure of approximately 464,600 tonnes (waste reduction of 2.39% over the likely outturn for 2009/10). For the levy report due in February 2010, an account will be taken of the Technical Officers from all the four boroughs in respect of tonnage projection.

3.11 The current provisional contract cost forecast for Shanks East London for 2010/11 is £50.4m, an increase of £1.2m compared with the revised estimate of £49.2m for 2009/10 (£0.5m compared to the budget for 2009/10). ELWA's waste management costs are now effectively capped in cost per tonne terms apart from external factors such as rising landfill taxes, inflation and tonnage growth.

3.12 The revenue reserves at 31st March 2010 are estimated to be around £7.9m. These reserves have been built up over the last few years to reflect a risk based approach to the issue.

3.13 These Financial Projections and Budget Strategy assume no income for the anticipated surplus Landfill Allowances accruing to the Authority nor any penalties for any potential deficit of Landfill Allowances for the years to 2012/13. This is because the current value of any sale of surplus allowances is likely to be nil.

3.14 The final detailed Revised Estimates for 2009/10 and the Revenue Estimates for 2010/11 will be prepared in conjunction with borough officers and the contractor during the period up to mid-January 2010. Clearly there could be further changes to the figures in this report in the light of any new information over the coming weeks and months. The 2009/10 and 2010/11 Estimates will be finalised for approval at the ELWA meeting in early February 2010, including consideration of the Authority's reserves position.

3.15 In summary: -

- a) The previous projection for 2010/11 was for a levy of £41.4m, an increase of 7% compared to the 2009/10 levy. The proposed levy increase of 6% for 2010/11 will bring the levy down to £41m.
- b) It is proposed to transfer £7.3m from PFI reserves, which will result in estimated PFI reserves as at 31st March 2010 of £7.7m, and to transfer £2m from revenue reserves, which will result in estimated revenue reserves of £5.9m as at 31st March 2010.

2011/12 to 2012/13 Levy Forecasts

3.16 The main component will continue to be the IWMS Contract cost which in turn will reflect waste growth, inflation, landfill taxation and improved landfill diversion performance. Based on these factors and the proposed use of reserves recommended in this and previous reports, the indicative figures for the ELWA levy in 2011/12 to 2012/13 are in the region of £44.7m to £48.7m respectively i.e. an annual increase of 6% in 2010/11 and 9% for 2011/12 and 2012/13.

3.17 The levy forecasts for 2011/12 to 2012/13 clearly can only be taken as an attempt to provide the most helpful indication presently possible for planning purposes, together with an explanation of some of the relevant factors concerned. However, a change in any of a number of uncertain factors, for example landfill allowances, waste growth and inflation assumptions and any new legislation could significantly impact on the overall projections.

3.18 It should be noted that the anticipated key costs would have been much higher if the Authority had not embarked upon the current IWMS. For example, the controls exerted over waste flows by the contractor, particularly at the old Civic Amenity sites, have reduced tonnage by 20% compared to that anticipated.

3.19 Furthermore, the success of diverting waste from landfill, by virtue of the current infrastructure (to almost 60% diversion in 2010/11) has significantly reduced the Authority's exposure to landfill taxes and potential penalties under the landfill allowances regime.

4. General Budget Strategy

- 4.1 ELWA is well placed compared to many Waste Disposal Authorities (WDA) in that it has a clear waste management strategy being implemented via an Integrated Waste Management Strategy (IWMS) Contract. In general terms ELWA is less exposed to the need for unplanned or unbudgeted significant new capital expenditure than most WDAs.
- 4.2 However it remains exposed to other risks, the major issues being around waste levels, as follows: -
- a) Volumes of waste could increase, rather than decline as assumed in these figures. This is quite likely as Thames Gateway (e.g. Barking Riverside) developments proceed and as a result of the Olympics and its legacy. The extra cost is £0.4m per 1% increase in waste.
 - b) Inflation (RPIX) at greater than 1.60% will increase these costs. The extra costs are £0.3m per 1%.
 - c) Landfill Tax increases of above £8 per tonne p.a. will increase these costs. Every £1 per tonne on landfill tax increases costs by £0.2m p.a.
 - d) New Regulations over waste, for example, the definitions of household waste, could increase waste and therefore increase costs.
 - e) There is a contractual arrangement to benchmark operational insurance costs incurred by ELWA Ltd and if these increase significantly ELWA will share some of the increase. Action is being taken under the Closed Landfill Strategy to reduce exposure to risks from the sites.
 - f) Problems around contract delivery and / or the need to change the contract.
- 4.3 The responsibility for, and maintenance of, four closed landfill sites continue to carry a significant financial risk for ELWA. Currently maintenance operations are at relatively low cost but the nature of the sites creates some financial uncertainty for the future, together with a potential opportunity for capital receipts.

5. Budget Strategy for PFI Credits and PFI Contract Reserve

- 5.1 As previously agreed by Members, ELWA's Financial Projection and Budget Strategy must take account of both the reducing value of the PFI credit in cash terms over 25 years and the increases in contract costs when, for example, the Government's targets for increased recycling and recovery are implemented in accordance with the requirements of the IWMS contract. It is prudent to seek to level this trend over this period to give greater financial stability
- 5.2 As the IWMS contract had step price increases in the early years it was good financial practice and agreed ELWA policy that a suitable level of PFI Contract Reserve be set-aside in the years prior to such changes to avoid large step increases in the levy for those years.

- 5.3 These step price increases have ceased; however new pressures outside ELWA control in particular the annual increases on landfill taxes require financing with the PFI grant as an option. It is proposed that a large portion of grant is utilised in the next three years to cover these abnormal cost increases. The current government policy is that the annual landfill tax increases will rise to £56 per tonne in 2011/12 with further rises of £8 per tonne assumed within this plan.
- 5.4 This Financial Projection and Budget Strategy assume that the forecast PFI Contract Reserve of approximately £10.7m as at 31st March 2010 is reduced from 2010/11. For example, the IWMS contract cost is forecast to increase by £1.2m in 2010/11 but by management of the PFI credits in the earlier years the predicted levy increases for 2010/11 to 2012/13 are smoothed to between 6% and 9% by utilising the built-up PFI Contract Reserve.
- 5.5 If the Authority had not entered into the IWMS Contract the Authority would not have benefited from PFI Credit and it would have been exposed to very significant increases in the levy in any event, arising from increasing rates of landfill tax, for excess landfilling (under Landfill Allowances regime) and an escalation of landfill costs due to market forces.

6. Strategy for Revenue Reserves

- 6.1 The Authority has accepted in earlier years that the minimum level of normal operational revenue balances should be set and the suggested approach is risk-based approach. The estimated total financial cost of risks facing the Authority in 2010/11 has been reassessed by Officers and is deemed to be a minimum of £5.9m.
- 6.2 The Authority's Auditors in their Annual Reports over recent years have commented favourably on the Authority's medium to long-term approach to financial planning. This includes the need for the Authority to continue to monitor and agree the level of reserves it holds.
- 6.3 This Financial Projections and Budget Strategy assume that the revenue reserves, which are estimated at £7.9m by the end of 2009/10, are reduced to £4m over the next three years to match the current assessed profile of the risks facing ELWA during this period. However, this would be subject to an annual assessment of the risks and plans for the Authority.

7. Budget Strategy

- 7.1 The foregoing sets out the Authority's financial issues for the next three years. This highlights that there continues to be the need for the Authority to prudently move forward whilst managing the risks before it. Therefore the following Strategy is being proposed:
- 7.2 That the Authority recognises the need to ensure there is an effective Budget Strategy in place to drive forward the financial planning process. The Budget Strategy is determined by policies and priorities contained within plans of the Authority.
- 7.3 That the Authority recognises the need to seek new funding and new ways of working. The Authority will also continue to look at new ways of working and to improve value for money.

- 7.4 That, while addressing its priorities and setting a balanced and prudent budget, the Authority will seek to keep any increase in the levy to the lowest possible level.
- 7.5 The Authority will also seek to manage the risks it faces including through the maintenance of an adequate and prudent level of reserves.

8. Conclusion

- 8.1 Waste Disposal has been, and continues to be, subject to much new legislation and regulation. This has created uncertainty in waste flows and in costs. All the Directors recommend the continuation of the existing strategy of seeking to smooth out increases in the levy. Whilst some risks identified in earlier years have been reduced, many are still present. It is thus difficult to project beyond three years and annual reviews are necessary
- 8.2 ELWA, by letting an IWMS contract and gaining PFI support has put itself in a good position and is better placed to manage the future. This has been demonstrated by the higher levels of levy increases and predicted future levy increases in other Joint Waste Disposal Authorities. This report sets out the projected financial pressures on ELWA, proposes a Strategy for the use of reserves and suggests that the overall levy increase will be in the region of 6% per annum for the next year and 9% per annum for the next two years.

These increases are dampened due to the use of reserves as set out in this report. Without the IWMS Contract and the related PFI Credit this forecast would have had to anticipate higher levels of levy increase. The Finance Director will continue consulting with Borough Directors of Finance during the next couple of months regarding the details of this Financial Projection and Budget Strategy. Detailed calculations of actual levy increases will be considered at the February meeting of the Authority prior to the start of the 2010/11 financial year.

- 8.3 The Budget Strategy recommended in this report will need to be kept under review in the light of new circumstances.

9. Recommendation

- 9.1 Members are asked to agree the Financial Projection and Budget Strategy for the years 2010/11 to 2012/13.

Geoff Pearce
FINANCE DIRECTOR

Appendices	
None	
Background papers	
None	

*(Contact Officer: Mark Ash - Tel. 020 8270 4997)***EAST LONDON WASTE AUTHORITY****23 NOVEMBER 2009****ASSISTANT EXECUTIVE DIRECTOR'S REPORT**

CONTRACT MONITORING – SEPTEMBER 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 August - September 2009.

2 Monitoring by ELWA and Borough staff

- 2.1 The requirement placed on the Boroughs to monitor the RRC sites was completely satisfied during the months of August and September. Apart from the issues relating to the development of Frizlands Lane no non conformances were raised. ELWA officers also met the monitoring obligations for RRC sites and again no non conformances were raised
- 2.2 Borough officers are not required to monitor key facilities but discussions are being held to extend the Service Level Agreements (SLAs) to include the monitoring of the key facilities by Borough Officers. ELWA officers carried out monitoring of the Frog Island key facilities for the months of August and September. Due to the ongoing problems at Jenkins Lane, the number of visits by ELWA officers was doubled in August and trebled in September. Although there were a significant number of breakdowns in this period necessitating increased visits there was only one non conformance recorded during these visits relating to failure to weigh non contract waste for which a penalty was applied in August. During this period of disruption there was continuing liaison with Boroughs.
- 2.3 Monitoring of the bring sites is the only monitoring activity that did not meet the required number of inspections by ELWA officers. This is primarily because the Waste Recycling Officer (WRO) function remains vacant. As the process of the Governance review is looking at the staffing and structure of ELWA officers is deemed prudent to review this role at the same time. This has delayed recruitment. Recognising that monitoring of the Bring sites is an important function it is being considered to extend the monitoring carried out by London Remade Services to include the routine monitoring and follow up inspections of the Bring Sites that would normally be carried out by the WRO.
- 2.4 The obligations to monitor Bring Sites by the Borough officers were met fully in accordance with the SLAs.

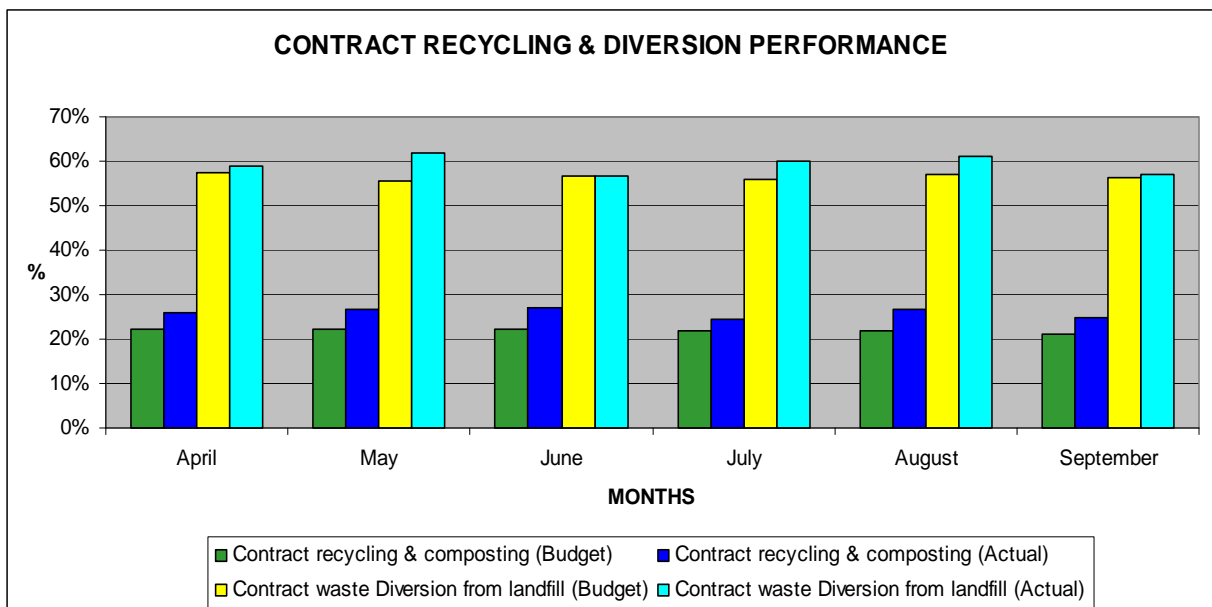
3 Notifications received by Shanks

- 3.1 August and September were marred by consecutive breakdowns at Jenkins Lane BioMRF facility. Several notifications were received from Shanks notifying ELWA officers of equipment failures regarding, shredders, conveyors and cranes. Inevitably a proportion of the recycling contained in orange bags from Newham was lost during these months. It is difficult to quantify how much recycling was lost but a rough estimate would indicate approximately 77 tonnes and 50 tonnes for August and September respectively.
- 3.2 August and September each have a recorded accident involving a member of the public. In August a member of public tripped over a speed ramp at Gerpins Lane and sustained an injury to her face. In September a member of public slipped whilst throwing waste over a wall at Frizlands Lane resulting in an injury to her ankle.
- 3.3 Shanks received a complaint from a member of public as their property was damaged by the crew that deliver the orange bags. Shanks dealt with this complaint as per the terms of the contract leading to a satisfactory resolution. In September Shanks received a complaint from a gentlemen complaining about staff attitude towards his disability. ELWA officers have not yet received confirmation that this has been dealt with satisfactorily.

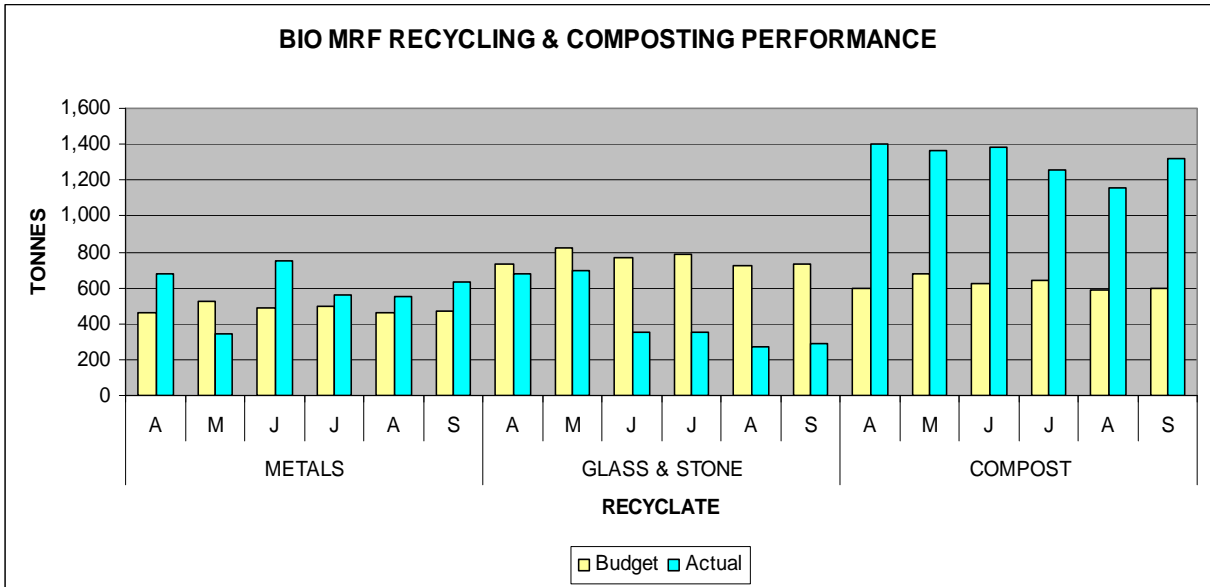
4 Issues arising out of monitoring

4.1 Positive outcomes

- a) The graph below shows that the recycling and composting performance for August and September remains above the forecast levels. At the end of September the year to date performance was 26%. Diversion from landfill also remains high and is currently at 60% for the year to date.

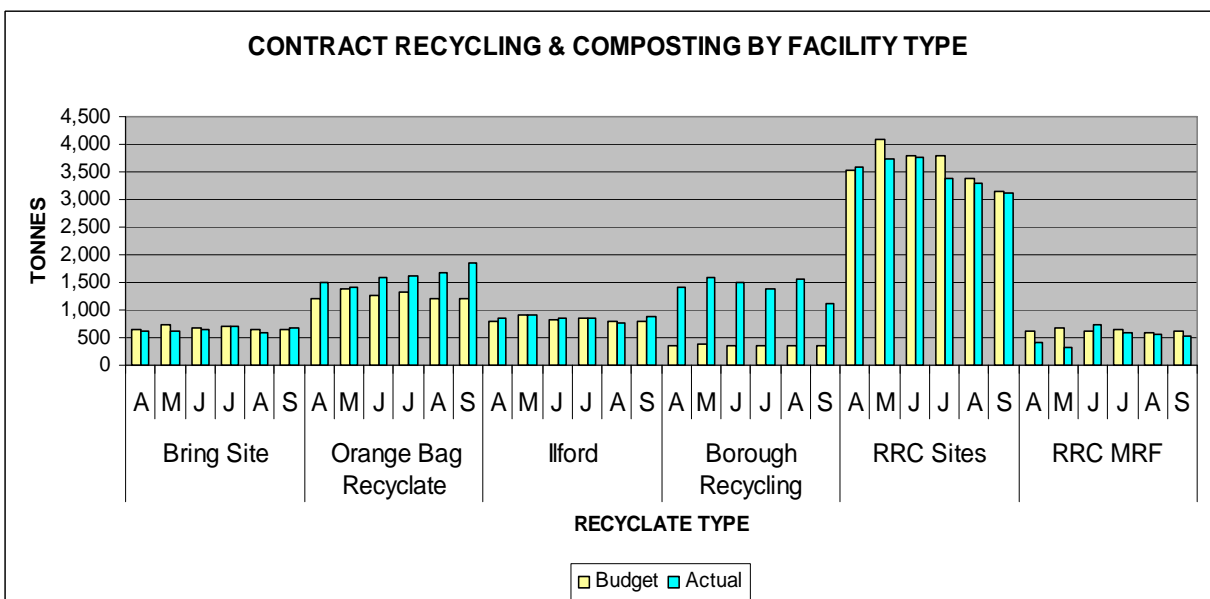


- b) September showed the first real signs of a reduction in green waste being delivered to the RRC sites, however, as can be seen from the graph below the composting from the BioMRFs is remaining at levels above that predicted in the ABSDP.



4.2 Other Monitoring Outcomes

- a) The BioMRF recycling and composting graph above also shows the effect of landfilling glass from the BioMRFs as previously reported to Members. At a recent ELWA Ltd meeting Shanks explained that they were carrying out independent testing to try to establish the quality of this material as in their view the quality was no different to that from Jenkins Lane.
- b) There are no real current concerns over any of the other facilities performances in relation to contract performance. The graph below provides an overview of a summary of the other facilities performances. Borough recycling (materials such as green waste, fridges and tyres etc collected separately by the Boroughs) and RRC sites are normally viewed as one item but are split purely for clarity of monitoring.



4.3 Specific monitoring of key issues.

4.3.1 ELWA officers have been monitoring the situation regarding the breakdowns at Jenkins Lane very closely. At an operational level Officers have raised concerns and recommendations for mitigation procedures for the future. These concerns were raised again at a recent ELWA Ltd meeting where senior Shanks personnel were present.

4.4 Remedial actions following Monitoring.

- a) Financial penalties invoked - Appendix B shows the penalties levied on Shanks as per the payment mechanism for contractual non conformances. Despite the operational problems at Jenkins Lane causing a loss of recycling as detailed in 3.1 there is no financial penalty that can be levied on the contractor, however the loss of recycling resulted in lower recycling supplements paid to the contractor. During the periods of breakdowns at Jenkins Lane the receipt of waste was managed in a way that the service provided to Newham and Redbridge collection vehicles was not adversely affected. Had this not been the case the financial penalty levied for the months of August and September of approximately £3,240 and £1,352 respectively would have been much higher.

5 Conclusion

5.1 Routine monitoring carried out by ELWA and Borough Officers is not highlighting any major issues on the operational management of the facilities.

5.2 August and September were particularly bad months for the operation of the BioMRF at Jenkins Lane resulting in a small loss of recycling for Newham.

5.3 The overall contract recycling and composting performance for August and September was above the contractual target of 22% resulting in a year to date performance of 26%. Diversion from landfill remains high at 60%.

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 Deductions
Background Papers	
None	

FACILITY MONITORING INDICATORS

Indicator Number	IWMS - Facility Monitoring Indicators (arising from Borough and ELWA monitoring)	Quarter 1				KEY	Quarter 2			Month on Month	
		Apr-09	May-09	Jun-09	Jul-09		Aug-09	Sep-09			
	Bring Sites										
1	Number of completed audits against planned audits (ELWA)	88%	0%	0%	0%	0%	0%	0%	0%	X	
2	Number of completed audits against planned audits (constituent councils)	100%	100%	100%	100%	100%	100%	100%	100%	✓	
3	Number of non conformances raised against contractor	Nil	16	41	25	1	12			✓	
	RRC Sites										
4	Number of completed audits against planned audits (ELWA)	80%	100%	100%	100%	100%	100%	100%	100%	✓	
5	Number of completed audits against planned audits (constituent councils)	125%	125%	125%	125%	125%	125%	125%	125%	✓	
6	Number of non conformances recorded on audits.	5	2	2	4	1	0			✓	
	Key Facilities										
7	Number of completed audits against planned audits (ELWA)	100%	100%	100%	100%	100%	100%	100%	100%	✓	
8	Number of non conformances recorded on audits.	10	3	1	0	1	0			✓	

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RECYCLING, COMPOSTING & DIVERSION INDICATORS

Recycling, Composting & Diversion Indicators		Quarter 2- 2009/10												YTD Performance		
		Quarter 1- 2009/10						Quarter 2- 2009/10								
		April		May		June		July		August		September			YTD	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		Target	Actual
1	Contract waste tonnage (tonnes)	40,291	42,678	45,789	41,556	42,320	42,667	43,616	43,438	39,965	38,746	40,593	41,924	252,572	251,008	✓
2	% Shanks primary recycling and primary composting	22%	26.1%	22%	26.5%	22%	27.0%	22%	24.6%	22%	26.8%	21%	24.8%	22%	26.0%	✓
3	% Shanks Contract waste Diversion from landfill	57%	59%	55%	62%	57%	57%	56%	60%	57%	61%	56%	57%	57%	60%	✓
4	LATS performance (tonnes) Against allowance	18,083	14,741	20,554	13,293	18,995	15,571	19,594	14,671	17,911	12,694	18,219	15,052	95,136	86,022	✓
5	Bring Site Recyclate (tonnes)	650	620	739	630	683	640	704	700	645	580	655	680	3,421	3,850	✓
6	Orange Bag Recyclate (tonnes)	1,211	1,500	1,376	1,424	1,272	1,587	1,311	1,610	1,201	1,680	1,220	1,860	6,371	9,661	✓
7	Ilford Recyclate (tonnes)	790	850	898	924	830	840	855	850	783	750	796	875	4,156	5,089	✓
8	Borough Recycling (Green, Fridges etc) (tonnes)	343	1,400	379	1,575	357	1,500	365	1,390	341	1,550	345	1,121	1,786	8,536	✓
9	RRC Recyclate Processed (tonnes)	3,523	3,600	4,087	3,735	3,793	3,760	3,803	3,386	3,394	3,300	3,148	3,115	18,601	20,896	✓
10	RRC Mrf Recycling Tonnage (tonnes)	605	400	666	331	628	733	642	580	601	555	608	528	3,143	3,127	✓
11	BioMRF - Metals (tonnes)	462	680	524	343	485	750	500	560	459	555	466	628	2,431	3,516	✓
12	BioMRF Glass & Stone (tonnes)	728	675	826	700	764	350	787	350	722	268	734	286	3,828	2,629	✗
13	Bio Mrf Composting (tonnes)	595	1,400	675	1,369	625	1,380	644	1,260	591	1,160	600	1,315	3,130	7,884	✓
14	Total (tonnes)	8,908	11,125	10,171	11,030	9,436	11,540	9,611	10,666	8,738	10,398	8,572	10,408	46,865	65,187	✓

KEY

Target achieved or bettered
 Less than target but within 10%
 More than 10% below target

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CONTRACT MONITORING INDICATORS

Indicator Number	IWMS - Contract Monitoring Indicators (arising from self monitoring information from shanks and Self monitoring information from Shanks)	Quarter 1				Quarter 2			Comments
		Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09		
1	Number of occurrences of non contract waste being prioritised over contract waste.	0	0	0	0	0	0	0	
2	Number of Environmental non conformances	0	0	0	0	0	0	0	
3	Number of Accidents involving Members of Public	1	2	1	2	1	1	1	Member of Public slipped on waste at Frizlands Lane
4	Number of Public complaints received	0	4	0	0	0	1	1	A disabled resident complained about staff attitude at an RRC site.
5	Number of occurrences of unavailability of sites.	0	0	0	0	0	0	0	
6	Number of ad hoc / immediate notifications received from contractor.	0	0	0	0	0	0	4	Various incidents at Jenkins Lane BioMRF
7	ELWA contract monitoring information								
8	Number of incidences of procedures not being followed during outages as per ABSDP.	0	0	0	0	0	0	0	
9	Number of improvement issues raised	0	0	6	0	1	2	0	Glass from FI BioMRF
10	Number of improvement issues closed	0	0	0	4	0	0	0	
11	Number of non conformances escalated	0	0	0	0	0	0	1	Management of waste at Jenkins Lane as a result of Breakdowns.
12	Number of complaints received from WCA.	0	0	0	0	0	0	2	Unauthorised Bring Site removal.
13	Special contract performance targeted monitoring								
14	BioMRF composting output	235%	203%	221%	196%	196%	196%	219%	
15	BioMRF glass output	93%	85%	46%	44%	44%	37%	39%	Material from Frog Island currently being landfilled.
16	Optibag performance	124%	103%	125%	122%	122%	140%	152%	
17	BioMRF metals output	147%	65%	155%	112%	112%	121%	135%	

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PERFORMANCE DEDUCTION INDICATORS

Indicator Number	Performance Deduction Indicators	Rectification period	Quarter 1 09/10					Quarter 2 09/10			YTD
			Apr	May	Jun	Jul	Aug	Sep			
A1	Failure to accept contract waste delivered by WCA	None	0	0	0	0	0	0	0	0	0
A2	Failure to accept contract waste delivered by the public.	None	0	0	0	0	0	0	0	0	0
A3	Failure to accurately distinguish, weigh and record waste.	None	0	0	0	0	0	0	0	0	0
A4	Failure to achieve turnaround times for WCA vehicles.	None	54	77	86	21	42	21	21	301	
A6	Failure to weigh an authorised vehicle within 10 minutes of arrival.	None	0	0	0	0	0	0	0	0	
A8	Failure to prevent a queue at entrance to RRC sites.	None	13	7	1	0	0	0	0	21	
A9	Failure to prevent tipping of commercial / industrial waste at RRCs.	None	0	0	0	0	1	0	0	1	
A10	Failure to prevent unauthorised tipping of waste at RRC sites.	None	0	0	0	0	0	0	0	0	
A11	Minor infringement of H&S procedures.	30 Mins	0	0	0	0	0	0	0	0	
A12	Material breach of H&S precedures.	None	0	0	0	0	0	0	0	0	
A15	Failure to empty or service a bring site in accordance with spec.	1 Day	0	2	32	1	1	12	48		
A16	Non provision of CELO (rectification period applies)	2-3 Months	0	0	0	0	0	0	0		
A18	Failure to provide a contractor representative.	None	0	0	0	0	0	0	0		
A19	Failure to deliver orange bags in accordance with the ABSDP.	2 Weeks	0	0	0	0	0	0	0		
A20	Failure to deliver orange bags to a household.	1 Week	0	0	0	0	0	0	0		
B1	Failure to transport contract waste in enclosed containers.	None	0	0	0	0	0	0	0		
B4	Failure to observe H&S procedures relating to transportation of waste.	5 Days	0	0	0	0	0	0	0		
C1	Failure to rectify breaches of planning or licencing conditions.	2 Weeks	0	0	0	0	0	0	0		
C3	Failure to take reasonable efforts to limit fugitive emissions.	None	0	0	0	0	0	0	0		
D	Failure to comply with any administrative requirement (D1-D9).	Various	0	0	0	0	0	0	0		

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

EAST LONDON WASTE AUTHORITY**23 NOVEMBER 2009****ASSISTANT EXECUTIVE DIRECTOR'S REPORT**

WASTE MANAGEMENT – SEPTEMBER 2009	FOR INFORMATION
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1 Purpose

- 1.1 To report on the general waste management issues concerning the Authority and Boroughs for the period to September.
- 1.2 The areas covered in this report are:-
- The individual Borough's performances for National Indicators 191 & 192;
 - Waste arisings for the year to date;
 - Markets for recyclates;
 - LATS performance;
 - Service impacts
 - Closed Landfill up date including an update on Aveley Methane Ltd.

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 up to and including the month of September 2009.
- 2.2 Points to note are :
- a) NI 191 Residual household waste per household – Whilst Havering were the only constituent council to set a target with GOL for NI 191 the table below provides a comparison of all ELWA constituent councils performance for the year to date. Note this is not the full year target or performance but a profiled calculation for the period April to September 2009.

Borough	NI 191 Target (Kg)	NI 191 Actual (Kg)
LBBD	No target set	415 Kg
LBH	433 Kg	370 Kg
LBN	Local target 548 Kg	521 Kg
LBR	No target set	361 Kg

- b) NI 192 Household waste recycled and composted – All constituent councils were required to agree targets with GOL for National Indicator 192 and the table below shows the cumulative year to date performance.

Borough	NI 192 Target (%)	NI 192 Actual (%)
LBBD	27%	33.6%
LBH	30%	36.5%
LBN	22%	17.2%
LBR	27.5%	34.1%

- c) Appendix A details the month by month breakdown of each constituent council with regards to NI191 and NI192. September was the first month to show a significant reduction in green waste volumes and this reduction is demonstrated in the performance change from August to September. As LBN have little reliance on green waste volumes this is reflected in their recycling performance being unaffected by the reduction in green waste volumes.
- d) The percentage of municipal waste sent to landfill was 43% for September equating to a diversion of 57% which remains well in excess of ELWA's strategy target of 45%. This high diversion rate has a positive impact on ELWA's LATS allocation.

3 Background information

- 3.1 Waste arisings in September were 41,924 tonnes. This is 1,331 tonnes above budgeted projections, however the year to date tonnage received is 1,564 tonnes below budget.

4 Markets for recyclates

- 4.1 There have been no significant changes to the markets for recycled materials since the last report to the Authority. A previous report to the Authority detailed the problems the contractor was having in recycling the glass from the Frog Island BioMRF and that this material was being landfilled. This situation has now been resolved and this material is now being recycled.

5 LATS performance

- 5.1 ELWA's permitted 2009/10 LATS allowance allocation is 211,793 tonnes. Subject to reconciliation by the Environment Agency the amount of Biodegradable Municipal Waste sent to landfill for this scheme year so far is 86,022 tonnes. The continuation of this profile would mean that ELWA would be comfortably within its permitted allowance for this target year.

6 Service Impacts

- 6.1 Flats recycling – The ability to collect recycling from low and high rise flats in LBBD, LBH, and LBN poses a significant problem when the collection of commingled orange bags together with residual waste ceases. WRAP have been engaged to project manage a solution (or solutions) to this problem. To date there has been a project initiation meeting with all partners involved and an agreement on project milestones.
- 6.1.1 The consultants working on behalf of WRAP are currently at the information gathering stage and are in line with the project timescales. It is expected that a draft report will be submitted to ELWA and partners in early December 2009 which will be followed by a meeting to discuss the findings and recommendations. It is planned that a final report will be available by the end of December 2009 upon which an implementation plan will have to be devised.
- 6.2 Communications - As part of the communications strategy the Authority approved an outline three year communications plan and a detailed one year plan to be delivered by Wastewatch on behalf of the Authority and the contractor.
- 6.2.1 Outsourcing of communications to a specialist organisation has been viewed as a great success. More detailed information has become available on the measurable progress so far in delivering the agreed communications programme enabling a more targeted campaign within the Boroughs.
- 6.2.2 It was agreed that communications was an important part of the Authority's activity and a long term approach should be taken with each year building upon the success of the previous years. The Board have received the second year work plan from Wastewatch and have considered and approved the communications programme for 2010/11.
- 6.2.3 An overview of the communications plan for 2010/11 can be seen attached at Appendix B.

7 Closed Landfills Update

- 7.1 A previous report to the Authority detailed the position in relation to ELWA closed landfills. The report stated that the Authority would be updated on any developments at future meetings. The current situation is as follows:
- (a) Wennington Farm – Thurrock Thames Gateway Development Corporation have now submitted an Outline Planning Application for this land. This is good news for ELWA as it brings the Authority a step closer to disposing of this land and generating a significant cash income. ELWA officers have written to the tenants advising them of this development.
- (b) Aveley 1 – Since the last meeting ELWA officers have received two outline proposals by parties interested in importing soils for the restoration and possible future use of this site. A third proposal is imminent but requires a confidentiality agreement to be in place. The long term gas management option that will be employed on this site, outlined elsewhere on this agenda, will have to consider future use of this site and vice versa.

- (c) Gerpins Lane – A draft Heads of Terms document has been received from LBH but will not be able to be progressed further until advisors have been appointed.
- (d) Hall Farm – Advisors appointed by the Department of Transport have conducted a walk over ecology survey of the site but no further updates are available.

7.2 ELWA officers will update the Authority of developments at future meetings.

8 Aveley Methane Ltd update

- 8.1 Aveley Methane Ltd, the joint venture company between ELWA and Novera Energy, operates the extraction of landfill gas and conversion to energy at ELWA's Aveley 1 Landfill Site.
- 8.2 In a previous report to Members, it was reported to Members that due to falling gas levels the viability of AML beyond 2010 is in doubt.
- 8.3 At a recent meeting of the Directors of AML it was confirmed that as far as Novera Energy are concerned energy production will not be financially viable beyond 2010. The existing engine at AML has a lease expiry date of October 2010 and this has been the date proposed to cease energy production at Aveley 1 and would signify the end of the Joint Venture (JV) between ELWA and Novera Energy.
- 8.4 Energy generation for the year to date is 11% behind budget despite efforts to maximise gas production. The financial position of AML at September 09 is a net loss of £11K. The budget forecast for next year up to September 2010 is a net loss of £17K despite Novera Energy reducing their management fees for this period.
- 8.5 At the end of energy production at Aveley 1 ELWA will be left with an ongoing liability of managing the landfill gas. In 2006 ELWA commissioned Enviro to compile a contingency report on the various options for the management of landfill gas at Aveley 1. ELWA officers have reviewed this information and will be instructing Enviro to bring this report up to date with options for gas management re evaluated.
- 8.6 To allow for procurement, consultations and a planned handover from Novera it is envisaged that decisions on ongoing gas management will have to be made by April 2010.
- 8.7 The option of ongoing gas management will have to consider any potential impacts on ELWA long term strategy of eventual disposal / use of Aveley 1.
- 8.8 Members will receive a further report in 2010 with recommendations for on going gas management with financial implications outlined.

9 Recommendations

9.1 It is recommended that Members:

- i) note this report.

Mark Ash
ASSISTANT EXECUTIVE DIRECTOR

Appendices			
A	Qtr 1 and Qtr 2	Table	National Indicator Table
B			Overview of 2010/11 Communications Programme
Background Papers			
22/06/09	Report and Minute 12/2009		Closed Landfill Strategy Report

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National Indicator Performance		KEY		Target achieved or bettered												YTD Performance
				Less than target but within 10%												
Indicator Number		More than 10% below target												YTD Performance		
		Quarter 1- 2009/10						Quarter 2- 2009/10							Cumulative YTD	
		April	May	June	July	August	September	Planned	Actual	Planned	Actual	Planned	Actual	Planned		Actual
1	NI 191 Residual Household waste per household (LBBD)	Not set	72.85	66.73	Not set	68.13	73.66	Not set	61.41	Not set	68.89	Not set	68.89	Not set	414.8	--
2	NI 191 Residual Household waste per household (LBH)	69.07	67.64	61.79	72.56	60.59	66.72	68.41	55.40	69.59	63.37	69.59	63.37	433	370.3	✓
3	NI 191 Residual Household waste per household (LBN) (See Note 1 below)	87.47	83.81	83.05	91.88	88.38	92.63	86.64	77.85	88.13	83.41	88.13	83.41	548	521.7	✓
4	NI 191 Residual Household waste per household (LBR)	Not set	61.24	58.40	Not set	61.08	65.68	Not set	53.25	Not set	61.52	Not set	61.52	Not set	361.1	--
5	NI 192 Household waste recycled and composted (LBBD)	27.0%	34.4%	34.7%	27.0%	36.2%	31.4%	27.0%	34.7%	27.0%	31.7%	27.0%	31.7%	27.0%	33.6%	✓
6	NI 192 Household waste recycled and composted (LBH)	30.0%	35.3%	37.0%	30.0%	38.5%	33.7%	30.0%	38.3%	30.0%	34.8%	30.0%	34.8%	30.0%	36.5%	✓
7	NI 192 Household waste recycled and composted (LBN)	22.0%	17.5%	16.9%	22.0%	17.2%	16.5%	22.0%	17.8%	22.0%	17.9%	22.0%	17.9%	22.0%	17.2%	✗
8	NI 192 Household waste recycled and composted (LBR)	27.5%	33.4%	35.5%	27.5%	35.0%	32.7%	27.5%	36.5%	27.5%	32.6%	27.5%	32.6%	27.5%	34.1%	✓
9	NI 193 Municipal waste landfilled (ELWA) See Note 2 below	60%	41%	38%	60%	43%	40%	60%	39%	60%	43%	60%	43%	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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2010-11 COMMUNICATIONS WORK PLAN OVERVIEW

Borough	Leading activity	When	Activity	Aim	Deliverable
Education Programme					
B&D Redbridge Havering	Education	Ongoing	Consultations	To provide practical support to schools to promote recycling and waste reduction amongst students and staff	9 per year
B&D Redbridge Havering	Education	Ongoing	School visits	To inspire students to reduce waste and recycle To promote correct use of local recycling services	36 per year
B&D Redbridge Havering	Education	Ongoing	MuRFys World	To inspire students to reduce waste and recycle To promote correct use of local recycling services	22 per year
Newham	Education	Ongoing	Tbc	To support the roll-out of orange bags in schools	Tbc
All	Education	July/Aug	Summer school	To inspire children to reduce waste and recycle To motivate parents employed by the RFYC partners to recycle and reduce waste To raise awareness of the RFYC campaign	4 one day sessions with parents and children from each partner organisation
All	Education and boroughs	Ongoing	Education meetings	To share best practise To ensure harmonisation To avoid over lap To promote partnership working	1 meeting per term for all boroughs (and additional project meetings as required)
Community Programme					
All	Community	Ongoing	Community events and roadshows Includes campaigns:	To promote correct use of local recycling services To encourage recycling and waste reduction CAW 2-8 May Recycle Week 21-27 June Christmas	104 per year
All	Community	Ongoing	Volunteers	To increase the outreach capacity of the RFYC To recruit and train local advocates for waste reduction and recycling	4 vols trained per quarter 10 hrs donated per month
All	Community	Ongoing	Community newsletter	To keep stakeholders, volunteers and community groups up to date with the RFYC campaign To inspire and motivate grass roots action on recycling and waste reduction	1 newsletter per quarter (electronic and hard copy)
All	Community	Ongoing	Talks and workshops	To promote correct use of local recycling services To motivate residents to recycle and reduce waste	60 per year
B&D Havering	Community	Ongoing	Give and Take Days	To promote reuse and waste reduction To increase community cohesion	1 per borough
Redbridge	Community	Ongoing	Community outreach work focusing on: • LFHW • Muslim community	To increase the outreach capacity of Redbridge Recycling team To help hard to reach and engage groups overcome barriers to recycling To support waste reduction campaigns at a grass roots level	
B&D	Community	Ongoing	Community outreach focusing on: • LFHW • Councillors	To increase the outreach capacity of B&D Recycling team To support waste reduction campaigns at a grass roots level To raise the profile and obtain member support for the RFYC campaign	
Newham	Community	Ongoing	Community outreach focusing on: • BAME • New movers	To increase the outreach capacity of Newham Recycling team To help hard to reach and engage groups overcome barriers to recycling	
Havering	Community	Ongoing	Community outreach work focusing on: • LFHW	To increase the outreach capacity of Havering Recycling team To support waste reduction campaigns at a grass roots level	

Borough	Leading activity	When	Activity	Aim	Deliverable
			<ul style="list-style-type: none"> Composting 	To increase recycling awareness and knowledge of recycling front line staff and volunteers	
All	Community and boroughs	Ongoing	Monthly community catch ups	To share best practise To ensure harmonisation To avoid over lap To promote partnership working	1 per month per borough
All	Community	Ongoing	Procedure for using trailer	To increase usage of a RFYC partnership trailer To get best value out of RFYC trailer	Target for usage of trailer - tbc
Doorstepping and research					
All	Consultancy	Ongoing	Tonnage monitoring	To monitor the impact of comms campaigns in the boroughs	Quarterly
B&D Havering	Consultancy	April-Aug	Flats doorstepping	To raise awareness of flats recycling services To promote correct use of local recycling services	B&D: 22,000 visits to flats Havering: 14,000 visits to flats
Redbridge	Consultancy	Sept-Nov	Doorstepping second box scheme/ intro of	To raise awareness of service changes To promote correct use of local recycling services	21,000 visits
All	Consultancy	Sept	Surveys	To track changes in resident awareness, attitudes and behaviour	1,200 surveys completed across ELWA
All	Consultancy	Sept	Participation Monitoring	To monitor resident participation in recycling services	8 collection rounds monitored across ELWA
Havering	Consultancy	Dec	Contamination Campaign	To promote correct use of recycling services To communicate with residents about incorrect materials placed out for recycling	5 recycling rounds to be monitored over three week period
Newham	Consultancy	Jan-March	Doorstepping	To raise awareness of service changes To promote correct use of recycling services	28,000 visits
Communications					
All	Comms	Feb-March	Paper advertising Campaign	To raise awareness of materials that can be recycled using local services To increase capture of materials from medium recyclers	4 Pre campaign press releases 2 weeks outdoor advertising
All	Comms	Ongoing	Website development to: Increase traffic to website Include a film on MRF processes	To motivate and inspire residents to recycle correctly and recycle more To dispel myths about recycling and waste	Film on MRF processes on website >5,000 visits per quarter
All	Comms	tbc	Leaflets	To raise awareness of local recycling services To promote correct use of recycling services To raise awareness of service changes To dispel myths about recycling and waste	2x20k general leaflets 2x20k doorstep leaflets per borough
All	Comms	ongoing	Stakeholder communications	To raise the profile of the RFYC campaign To gather member support for recycling services and the RFYC campaign	Managing a photo opportunity per borough
All	Comms	ongoing	Comms support for community recycling	To help community recycling organisations to promote their services to residents	Tbc
All	Comms	ongoing	Merchandising/ giveaways for community and schools programmes	To drive traffic to the website To incentivise engagement in the RFYC campaign	Tbc
All	Comms	tbc	Stickers on bring sites to discourage fly-tipping: PRODUCTION	To reduce side waste at bring sites To increase tonnage collected from bring sites	5000 stickers produced

*(Contact Officer: Mark Ash - Tel. 020 8270 4997)***EAST LONDON WASTE AUTHORITY****23 NOVEMBER 2009****ASSISTANT EXECUTIVE DIRECTOR'S REPORT**

AVELEY 1 COMPOSTING	FOR APPROVAL
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1 Purpose

- 1.1. To review the composting operation at Aveley 1 with a view to obtaining Members approval to cease the activity.

2 Background

- 2.1 ELWA has an ongoing obligation and responsibility to manage the closed landfill site at Aveley 1 and three other closed landfill sites. Primarily this involves site security, leachate and gas management and site husbandry. To fulfil these duties ELWA employs three staff.
- 2.2 It was accepted that the ongoing management of the closed landfills is not a full time job for three staff. However due to some of the activities requiring more than one person there could be no less than 2 staff employed at the site. As the site required ongoing restoration works potentially involving the importation of soils it was agreed there would be value in beginning a composting operation at Aveley 1.
- 2.3 It is felt to be timely to review the composting operation to determine the value of continuing this activity due to the considerations outlined below.

3 Considerations

- 3.1 Health and Safety – The burden of complying with H&S legislation is ever increasing. A review of the Health and Safety has been undertaken at Aveley 1 and considerable improvements have been identified as being required. The result of which will inevitably be increased operational costs, a requirement for capital expenditure and a need for increased management controls.
- 3.2 Environmental - Currently the composting operation is carried out under a Paragraph 12 exemption from waste management licensing. As previously reported to Members this particular exemption and others are currently under consultation by the Environment Agency and DEFRA and is likely to result in the Authority having to apply for an Environmental Permit at some time in the future. Whilst the operation is in general conformance with what is believed will be the standard permit conditions the ongoing operation would require additional management controls and time.
- 3.3 Once a permit has been issued, should the Authority decide to stop the operation at a later date, then a process for the surrender of the Environmental Permit would have to be instigated and completed which will involve additional costs.
- 3.4 The financial implications of applying for and the surrender of a permit are considered later in this report.

- 3.5 It is the case however that due to the phasing in approach by the EA it will not be a requirement to apply for a permit until after the next municipal year.
- 3.6 The composting activity is carried out under a planning permission granted by Thurrock Council which expires February 2014. The planning permission was permitted as an exception to the policies for the Metropolitan Green Belt due to the operations connection with the restoration and remediation of Aveley 1. There is therefore a planning condition that restricts the use of the compost to Aveley 1 thus preventing any commercial opportunity for the sale of compost.
- 3.7 Whilst the compost spread on Aveley 1 does improve the quality of the soil there will not be any significant implications in relation to the ongoing maintenance of the landfill by ceasing this operation.
- 3.8 It is not envisaged that the cessation of composting will impact on any future use or value of the site.
- 3.9 Stopping the composting operation will not affect the contractors recycling performance as the contractor would easily be able to place this material to one of its existing processors of green waste.

4 Financial Implications

- 4.1 There are some financial benefits in stopping the composting process although some of the operational expenditure is offset against the revenue generated from the gate fee charged to Shanks.
- 4.2 Stopping the operation will avoid future potential costs as detailed below:
- (a) A requirement to improve the Health and Safety at the site has been identified in many areas. To address this issue there will be an initial cost of approximately £12,000 and the potential for further ongoing costs.
 - (b) The nature of the operation is very aggressive in relation to the machinery and as the equipment ages there is an increasing need to carry out a major overhaul or replacement of the equipment in the near future.
 - (c) The application for an Environmental Permit could cost upwards of £1,590. The annual subsistence could cost £2,400 per annum and a surrender of the permit could cost £3,500 (may reduce to £1,500). These costs however would not apply until after the next municipal year.
 - (d) Ceasing the composting operation would save the Authority approximately £33,000 revenue costs per annum in addition to the future avoided costs outlined in (a) above.

5 Staffing Implications

- 5.1 By stopping the composting operation the staffing level would be reduced by one full time employee to leave two full time employees remaining. There are no redundancy implications as one of the staff is currently a temporary worker employed via a recruitment agency.

- 5.2 The reduction in staff would be made 12 weeks from the date of the decision to stop the operation in order to complete the maturation and work in progress and to assist in clearing the site of waste materials.
- 5.3 ELWA officers would then embark on a review of the ongoing management of the site which may have other staffing implications.

6 Risk Assessment

- 6.1 The authorities risk registers contain operational and strategic risks relating to the closed landfill sites.
- 6.2 ELWA officers have reviewed these risks and it is felt that there would be no adverse change in the risk profile by stopping this operation as the high level controls would remain in place, in particular, inspections by site staff.
- 6.3 There would however be a reduction in the risk of injury or death to site staff as there would no longer be any use of heavy plant and machinery related to this operation.

7 Recommendations

- 7.1 Members are asked to note that:

Continuing the operation:

- i) will require a significant upgrade of Health and Safety at the site;
- ii) may result in a requirement to apply for an Environmental permit and an increase in management control;
- iii) cause the Authority to incur increased future expenditure;

Stopping the operation:

- iv) will not adversely affect the risk profile of the Authority;
- v) will not incur redundancy costs;
- vi) will not have a detrimental affect on the restoration of the site;
- vii) will deliver a revenue saving to the Authority;
- viii) will not affect the contractors recycling performance.

7.2 It is recommended that Members approve:

- i) that the composting operation at Aveley 1 is stopped after all materials currently on site have been processed;
- ii) that ELWA officers continue to review the ongoing management of the closed landfill sites and that Members receive a report in due course.

MARK ASH
ASSISTANT EXECUTIVE DIRECTOR

Appendices	
None	
Background Papers	
None	

*(Contact Officer: Tony Jarvis - Tel. 020 8270 4965)***EAST LONDON WASTE AUTHORITY****23 NOVEMBER 2009****EXECUTIVE DIRECTOR'S REPORT**

SERVICE DELIVERY PLANS 2010/11 TO 2014/15	FOR APPROVAL
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1 Purpose

1.1. To report:-

- progress on the development of the next Service Delivery Plan that commences on 1st April 2010;
- progress on negotiations with the Contractor and the consequential proposed Contract Variation.

2 Background

- 2.1 The report to the last Authority Meeting on 29th September 2009 set out a comprehensive assessment of the actions being taken to achieve value for money improvements in performance. The actions arising from that meeting focussed on aspects of the Authority's Integrated Waste Management Strategy that had not been fully achieved. That report set out the two main areas of negotiation with the Contractor and the risk analysis of the potential outcomes.
- 2.2 Members approved the basis of the negotiation with the Contractor and the outline Heads of Terms for a Contract Variation.

3 Subsequent Events in respect of ELWA's proposed Contract Variation re: Recycling Performance

- 3.1 On the 7th October a letter was sent to the Contractor appending the proposed Contract Variation in accordance with the decisions at the Authority Meeting on the 29th September.
- 3.2 The Contractor responded and the areas of uncertainty or disagreement were discussed between the parties, with both parties' advisers present, on the 21st October.
- 3.3 In broad terms the areas of agreement between the parties are as follows:-
- closure of optibag lines by the contractor and pass back of savings (confirming previous agreements);
 - the general principle of increased incentives and the introduction of penalties relating to recycling performance.

3.4 The principle areas requiring further negotiation are as follows:-

- additional savings arising from the benefit achieved by the Contractor from the release of capacity for 3rd party waste by the closure of the Optibag lines;
- the actual level of the incentives, targets and penalties re. recycling performance.

3.5 As a consequence of the points made in paragraph 3.3 and 3.4 a draft Contract Variation will be forwarded to the Contractor to formalise the arrangements in respect of the closure of optibag lines and further negotiations will ensue regarding the other matters.

4 Subsequent Events in respect of the proposals to increase diversion from landfill performance

4.1 It is reported elsewhere on the agenda that the Contractor is continuing discussions with the new owners of the gasification project in Rainham.

4.2 This project, originally initiated by Novera Energy, requires further planning, licensing and financing approvals but, subject to those, could be constructed during the period of the next 5 year Service Delivery Plan.

4.3 This project and the contractor's proposed anaerobic digestion facility (Project Mojito) would contribute significantly to the Authority's Landfill Diversion performance and improve certainty about the levels of diversion from landfill for the remainder of the Contract period.

5 The 5 year Service Delivery Plan and the Annual Budget and Service Delivery Plan (ABSDP) for 2009/10

5.1 The timetable for the preparation of these formal contractual plans requires Shanks to have submitted the financial elements of these plans by the end of October.

5.2 The timetable has been met in respect to the financial elements of the ABSDP and the Contractor's proposals are summarised in Appendixes A and B:-

- Appendix A: proposed waste flow summary for 2010/11 including targets and performance;
- Appendix B: proposed ABSDP for 2010/11 – financial summary;

5.3 The key points on Appendix A are:-

- Overall tonnage of contract waste is estimated to be 464,700 tonnes in 2010/11, which is 21,000 tonnes less than estimated for the current year (a reduction of almost 4 ½%).
- The overall level of recycling will rise from 25% to 30% in 2010/11 (to reflect an increase in the contractual target for that year).
- The overall diversion from landfill will be 59%, up 2% on the plan for the current year.

5.4 The key points from Appendix B are:-

- Excluding the Authority's liability for landfill tax, the forecast payments under the IWMS contract for 2010/11 will be £44.1m which is £0.6m lower than in 2009/10.
- The Authority's liability for landfill tax will increase from £5.1m to £6.2m an increase of £1.1m (because of the increase in landfill tax rate from £40 to £48m in 2010/11)

5.5 The Contractor's proposals are based on the current IWMS contract because the Contract Variation described above has not yet been agreed. Consequentially there could be some amendments to the detailed financial aspects of these plans. However any amendments will be within the overall cost envelope for 2010/11 with the expectation that savings will be achieved in subsequent years.

5.6 There are a number of service developments that the Boroughs have requested, mainly in relation to new recycling initiatives to improve performance. These service improvements are under discussion with the contractor and will be brought forward for consideration at a future meeting.

5.7 Officers will be in a position to bring the service implications of the 5 year Service Delivery Plan and ABSDP 2010/11 to the Authority at the February Meeting.

5.8 There is a possibility that the Contractor's full proposals, when submitted, for future Service Delivery Plans will not be completely satisfactory to the Authority. This situation has occurred in previous years and there is the potential for a formal contractual dispute to arise.

6 Medium Financial Outlook

6.1 Running parallel to the service consideration set out in paragraphs 3 to 5 above, due regard has been placed on the severe financial outlook facing local authorities for the foreseeable future.

6.2 Officers are in contact with each of the Boroughs seeking advice on potential service reductions in respect to the aspects of the IWMS Contract that relate to their Borough services.

6.3 Officers have also opened a 'without prejudice' discussion with the Contractor about areas of the Contract where the Contractor might propose that financial savings could be achieved.

7 Financial Implications

7.1 The estimated costs of the contract for next year, are set out earlier in this report in paragraph 5.4 and Appendix B. These costs form part of the Finance Director's accompanying report on Medium Term Financial Projections.

7.2 In overall terms the net costs under the IWMS Contract will increase by £0.7m in 2010/11 compared to 2009/10. The overall cost of the service has fallen for 2010/11 but there is a significant increase in the taxes on landfill that have more than offset this reduction.

7.3 The implications of any Contract Variation are excluded from these figures but would not lead to an increase in overall costs.

- 7.4 Further incentives to reduce landfill cost and further cost saving proposals are under consideration.
- 7.5 A further outlay of approximately £11,000 has been incurred since the last meeting on legal and financial advisers fees mainly in respect to the proposed Contract Variation.

8 Legal Implications

- 8.1 This report provides a progress report on the first Contract Variation being proposed in respect to the IWMS Contract and the development of the contractually required Service Development Plans. The Authority's legal advisers are fully engaged in these matters.

9 Risk Assessments

- 9.1 The last report set out in the Risk Analysis related to the main proposals in this report. In overall terms none of the proposals in this report materially change the balance of risks accepted by the Contractor (and the Authority) in 2002 when the Contract was signed.

10 Recommendations

- 10.1 It is recommended that Members:-

- i) note that the contractor is anticipating that contract targets will met or exceeded in 2010/11;
- ii) note that it is anticipated that the full versions of the 5 Year Plan and ABSDP 2010/11 will be submitted to the next meeting – to include any proposed service developments or service savings;
- iii) approve the financial aspects of the ABSDP for 2010/11.

Tony Jarvis
EXECUTIVE DIRECTOR

Appendices			
A	Oct 2009	Proposed Service Delivery Plans	The Contractors' Proposed Service Delivery Plans – waste flow summary including targets and performance
B	Oct 2009	Proposed Service Delivery Plans	The Contractors' Proposed Service Delivery Plans – financial summary
Background Papers			
A	24/11/08	Report & Minute 1624	Service Delivery Plan 2010/11 to 2015/16 (5 Year)
B	12/2/09	Report & Minute 1638	Service Delivery Plan 2010/11 to 2014/15 (5 Year) – including London Remade, round table and Optibag
C	6/4/09	Report & Minute 1651	Service Delivery Plan 2010/11 to 2014/15 (5 year)
D	22/6/09	Report & Minute 1662	Service Delivery Plan 2010/11 to 2014/15 (5 year)
E	29/9/09	Report & Minute 17/2009	Service Delivery Plan 2010/10 to 2014/15 (5 year) – implementation of the Joint Municipal Waste Management Strategy

ABSDP 2010/11 – October 2009			
Waste Flow Summary - First Draft			
	<u>Tonnes</u>	<u>ABSDP %</u>	<u>Target %</u>
Total Contract Waste	<u>464,700</u>	<u>100</u>	
Bring site Recyclates	8,000		
Havering Orange Bag Recyclates <i>(inc Separately Collected)</i>	8,500		
B&D Orange Bag Recycling <i>(inc Separately Collected)</i>	9,000		
Newham Orange Bag Recycling	3,800		
Other Recycling <i>(excl Green collections to RRC sites)</i>	2,000		
Redbridge Box Recyclates	11,000		
CA Waste Recyclates Processed	48,000		
Frog Island RRC Mrf Recyclates Processed	5,000		
BioMrf - Recyclates Processed	15,000		
BioMrf – Material composted	15,000		
TOTAL CONTRACT RECYCLING & COMPOSTING PERFORMANCE IN ABSDP 2010/11	125,300	27	27
Total Secondary Recycling	16,500		
OVERALL CONTRACT RECYCLING & COMPOSTING PERFORMANCE (INCLUDING SECONDARY RECYCLING)	141,800	30	30
Other Diversion From Landfill via Ecodeco Process	133,000		
Other Diversion From Landfill via London Waste (Clinical Waste)	200		
OVERALL DIVERSION FROM LANDFILL INCLUDING RECYCLING & COMPOSTING IN ABSDP 2010/11	275,000	59	45

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SUMMARY OF ABSDP 2010/11 – FINANCIAL INFORMATION – NOVEMBER 2009

Assumed ELWA Contract Waste for year:

464,700 tonnes

Forecast Payments to ELWA Limited

	£000
Baseline Payments (based on tonnage)	39,221
Site Management Charges	1,845
Sub Total	41,066
Additional Incentive and Other Payments:	
Recycling & Composting Band 1	974
Recycling & Composting Band 2	332
Diversion from Landfill supplement	1,018
Diversion from Landfill above contracted performance levels	613
Clinical waste supplement	146
Reimbursement of Landfill Tax in excess of £15 per tonne ²	6188
Sub Total	9,271
Total forecast payments for ABSDP 2010/11	50,337

Notes

1. In addition to the above figures there are also addition service expenditure and income items relating to Communication Strategy expenditure (£150,000), Insurance Benchmarking (estimated at £100,000) offset by a royalty income in respect of non-contract waste (likely to be in excess of £150,000).
2. Landfill Tax is increasing at £8 every year and in 2010/11 the Landfill Tax will be £48 per tonne.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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