NOTICE OF MEETING

Monday, 6 February 2012 - Council Chamber, Civic Centre, Dagenham - 9:30 am

Members
Councillor S Kelly (Chairman); Councillor M Dunn (Vice Chairman); Councillor I Corbett, Councillor R Crawford, Councillor G Letchford, Councillor M A McCarthy, Councillor B Tebbutt and Councillor V Tewari

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.

Paul M Taylor
Managing Director

Tel: 020 8724 5750
E-mail: paul.taylor@eastlondonwaste.gov.uk

AGENDA

1. **Apologies for Absence**

2. **Minutes - To confirm as correct the minutes of the meeting held on 28 November 2011 (Pages 1 - 4)**

3. **Budgetary Control to 31 December 2011 (Pages 5 - 9)**

4. **Treasury Management Strategy 2012/13 (Pages 11 - 35)**

5. **Annual Budget and Service Delivery Plan 2012-2013 (Pages 37 - 68)**

   Appendix C to this report is included in the confidential section of this agenda (item 13).

6. **Revenue & Capital Estimates and Levy 2012/13 (Pages 69 - 81)**

7. **Contract Monitoring to November 2011 (Pages 83 - 88)**

8. **Bulky Waste - Reuse Collections (Pages 89 - 94)**

9. **Review of the ELWA IWMS (Pages 95 - 108)**

10. **Date of Next Meeting**

    14 May 2012 (Annual General Meeting)

11. **Any other public items which the Chair decides are urgent**

12. **To consider whether it would be appropriate to pass a resolution pursuant to Section 100A(4) of the Local Government Act 1972**

Confidential 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.

13. **Annual Budget and Service Delivery Plan 2012-2013 - Appendix C (Page 109)**

14. **ELWA Ltd Agenda (Pages 111 - 139)**

This report has been restricted to Members and specific officers only.

15. **Any other confidential or exempt items which the Chair decides are urgent**

East London Waste Authority

AUTHORITY MINUTES: MONDAY, 28 NOVEMBER 2011 (9:35 - 11:05 AM)

Present: Councillor S Kelly (Chairman), Councillor I Corbett, Councillor R Crawford, Councillor M Dunn, Councillor G Letchford, Councillor B Tebbutt and Councillor V Tewari

30 Apologies for Absence

Councillor Mick McCarthy (LBBD).

31 Declaration of Members' Interests

There were no declarations of Members' interests.

32 Minutes of Previous Meeting

Members confirmed as correct the minutes of the Authority meeting on 26 September 2011. The Finance Director updated on a potential fraud at a member Authority.

33 Representation

The Chairman informed members that the London Borough of Barking and Dagenham had replaced Councillor Vincent as their representative with Councillor Mick McCarthy and, in accordance with the Constitution, members were asked to appoint an interim Vice Chairman. It was proposed Councillor Michelle Dunn should be appointed to this position for the remainder of the year with the opportunity to become Chairperson for the next 2 years subject to Members' votes at the Annual General Meeting.

Members unanimously agreed the appointment.

The Chairman further proposed that because of his longevity with ELWA, Councillor Letchford should become the Section 41 Representative to answer questions from his Council for the remainder of the year.

Members unanimously agreed the appointment.

34 Annual Audit Letter 2010/11 and Notice of Certification of Completion of Audit

The Finance Director provided commentary on his report stating that ELWA had been issued with an unqualified Auditor report and there were no recommendations made by the Auditor to ELWA. There had been a slight delay in signing off the accounts and close down related work by the Auditor but the deadline for the accounts had been met.

Members noted the report.

35 Budgetary Control to 31 October 2011

An update to the Finance Director's regular report and appendix was tabled. This compared actual expenditure for the period with revenue estimates approved in February. The Finance Director advised that the report showed an under spend for the period.

Members noted the report

36 Treasury Management Mid Year Strategy Review 2011/12

The Finance Director presented his report on a mid year review of the Treasury Management Strategy which was on course.

Members noted the report.

37 Review of the ELWA Corporate Risk Register

The Managing Director and Finance Director provided commentary on the report and appendices adding that the Risk Register is an accurate reflection of the risks ELWA might encounter. This was reviewed formally every year.

Members discussed and noted the report.

38 Contract Monitoring to September 2011

Received the Head of Operations report, appendices and covering Contract Performance, Reuse & Recycling Centres Sites Controls and Closed Landfill sites.

In respect of the Reuse & Recycling Centres Sites Controls, the Head of Operations confirmed that the level of charge to non residents as a deterrent had been investigated and compared to other boroughs. The conclusion was that the charges were adequate. Leaflets detailing the new controls would be circulated to ELWA Members and then Councillors from the four boroughs a few days later.

He advised that there was an issue with the gas and third party involvement which was holding up the sale of Aveley to Ingrebourne Valley. The district valuer had been instructed to obtain a valuation of Gerpins Lane. ELWA will look to market Hall Farm and Wennington in the new year. Members discussed the implications of retaining the sites and their future use.

Members noted the report.

39 London Borough of Newham Olympic Tonnage

Members received this report and additional commentary submitted by the Director for Newham. With regard to tonnage level charges, Newham would look to use 2011's calendar year figures to set a benchmark for calculation.

Members asked if it a 5 year period should be used for 2011 base year for the calculation set out in paragraph 3.6. The Newham Director replied that a lot of progress had been made in controlling the waste over the last year and a 5 year period would not reflect this.

Members agreed recommendations a), b), c) and d) as set out in the report.

40 Financial Projection and Budget Strategy 2012/13 to 2014/15

The Finance Director recapped his report which set out a proposed Budget Strategy and resultant levy projections. The level of tonnages to ELWA remains a key driver of the levy together with contract and taxation costs. The assumptions and projections would be reviewed as part of the Levy Setting report in February.

Members agreed the recommendation.

41 Programme of Meetings 2012/2013

Members received the office manager's report with proposals to amend two previously approved dates and to agree 2012/13 dates. When asked their preference as to venue, **it was agreed** that future formal meetings should be held at the Civic Centre, Dagenham.

Members agreed the proposed dates for the year 2012/13 and noted the changes for the next two meetings.

42 Date of Next Meeting

Members noted that the next meeting will be held on 6 February 2012.

43 Private Business

Members resolved to exclude the public and press from the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

44 Contract Options - Legal Review

The Managing Director recapped his confidential report explaining that Solicitors had been instructed and carried out a desktop review of the contract.

Members noted the report and agreed that the managing director continues discussions with the contractor to identify contract cost savings.

45 ELWA Ltd Update

Following the managing directors update on the latest activities of ELWA Ltd, Members agreed that they would like to receive the most recent ELWA Ltd

Agenda papers in their pack.

Members noted the report.

One member showed an interest in seeing what other Councils were doing with regard to waste recycling and the Head of Operations **agreed to** put forward a list of potential Boroughs to visit and the benefits of doing so and if Members wished to pursue this then he would arrange the visits.

The Chairman offered seasons greetings and thanked everyone for attending.

Minutes agreed as a true record.

Chair: ………………………………..

Date: ………………………………..

AUTHORITY REPORT: BUDGETARY CONTROL TO 31 DECEMBER 2011

1. Confidential Report

1.1 No

2. Recommendation:

2.1 To note this report.

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3. Purpose

3.1 This budgetary control report compares ELWA's actual expenditure for the period ended 31st December 2011 with the original revenue estimates approved in February 2011 taking into account the agreed carry forward from 2010/11. It is based on information supplied by Shanks East London, ELWA technical officers and the four Constituent Councils.

3.2 Budgetary control reports are presented for monitoring and control purposes.

4. Background

Revenue Estimates

4.1 Based on the profiled budget of £39,800,000 and the actual net expenditure on services of £38,626,000, the under spend for the year to date is £1,174,000 (Appendix A). This favourable variance is mainly due to savings made in the IWMS contract which has offset budget pressures elsewhere in the accounts, most notably in respect of commercial waste income.

4.2 The principal activity driver on ELWA's budget is the level of waste tonnage delivered from the constituent councils and the means by which this waste is disposed. The general trend during this financial year has been that waste levels are below that expected when the budget was set. The year to date variance of £1,102,000 also reflects the success of new arrangements that require the public to show proof of residence at Reuse and Recycling Centres, improved diversion performance by the contractor, as well as the reductions in commercial waste tonnages received.

4.3 This budget remains susceptible to fluctuation and needs to continue to be closely monitored. The outturn projected underspend of £1,600,000 assumes that lower tonnages will continue for the remainder of the financial year, as well as reflecting that recycling performance levels are normally lower during winter months.

4.4 The underspend on payments to Shanks also includes savings associated with the Solid Recoverable Fuel (SRF) diversion proposal agreed at your September meeting. However, this figure is based upon the availability of just one month's performance data. ELWA officers receive monthly information on the implementation of this scheme. If further management information demonstrates a sustained, higher level of diversion for the remainder of this financial year, this may result in a further increase in the year end underspend.

4.5 Employee costs show a year to date underspend of £98,000 reflecting savings in Agency staff and recruitment costs as well as the non filling of a vacant post. Other supplies and services costs are currently under spent by £65,000. This mostly relates to Biodegradability Testing which has not been needed this year.

4.6 Commercial waste income continues to be below its profiled budget. This is due to a reduction in the amount of commercial waste delivered to ELWA by Havering and Redbridge and in particular Newham which has stopped its skip service. ELWA officers advise that there will be a year end under recovery of £300,000.

4.7 The 2011/12 projected outturn variance is £1,661,000. It is recommended that this increased amount of the underspend is used to minimise the 2012/13 levy increase, the proposals of which are presented elsewhere on the agenda.

Prudential indicators

4.8 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.

5. Conclusion

5.1 The net underspend for the period to date is £1,174,000, with a year end projected underspend of £1,661,000. This is mainly due to reduced IWMS contract costs.

5.2 If further savings are generated from the SRF diversion or there continues to be a decline in waste tonnage levels, then this will lead to an increased reduction in IWMS contract costs and a further increase in the year-end underspend position.

5.3 This will continue to be closely monitored on a monthly basis throughout the remainder of the financial year.

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6. Relevant officer:

Geoff Pearce, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3588

7. Appendices attached:

Appendix A: Budget Monitoring Statement to 31 December 2011

8. Background papers:

7 February 2011 - Revenue & Capital Estimates and Levy 2011/12 Report & Minute No. 2010/62

12 February 2009 - IWMS Contract – Service Delivery Plan 2010/11 to 2014/15 (5 Year) (Implementation of the Joint Municipal Waste Management Strategy) – Confidential Report & Minute No. 1638

27 June 2011 – Budgetary Control to 30 April 2011 Report & Minute No. 2011/8

26 September - Budgetary Control to 31 August 2011 Report & Minute No. 2011/20

28 November – Budgetary Control to 31 October 2011 Report & Draft Minute.

9. Legal considerations:

9.1 None

10. Financial considerations:

As outlined in the report.

11. Performance management considerations:

The financial position and projections should reflect service performance trends.

12. Risk management considerations:

Current position results in no change to present risk profile.

13. Follow-up reports:

Budgetary Control Report, next meeting

14. Websites and e-mail links for further information:

None

15. Glossary:

Constituent Councils – London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge,
ELWA = East London Waste Authority
IWMS = Integrated Waste Management Strategy

16. Approved by management board

23 January 2012

17. Confidentiality:

Not Applicable.

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BUDGET MONITORING STATEMENT TO 31 DECEMBER 2011

	Original Budget 2011/12	Profiled Budget to 31.12.11	Total Actual to 31.12.11	Variance to 31.12.11	Projected Outturn to 31.12.11	Outturn Variance
EXPENDITURE	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Employee and Support Services	530	391	293	(98)	410	(120)
Premises Related Expenditure	107	80	79	(1)	113	6
Transport Related Expenditure	5	4	1	(3)	5	0
Supplies and Services						
Payments to Shanks.East London	54,033	40,525	39,423	(1,102)	52,433	(1,600)
Other (inc cost of Support Costs)	720	510	445	(65)	653	(67)
Third Party Payments						
Disposal Credits	50	0	0	0	0	(50)
Recycling Initiatives	354	266	266	0	354	0
Tonne Mileage	525	394	409	15	550	25
Rent payable - property leases	267	206	192	(14)	255	(12)
Capital Financing Costs	229	116	116	0	229	0
TOTAL GROSS EXPENDITURE	**56,820**	**42,492**	**41,224**	**(1,268)**	**55,002**	**(1,818)**
INCOME						
Commercial Waste Charges	(2,965)	(2,224)	(2,028)	196	(2,665)	300
Bank Interest Receivable	(275)	(206)	(178)	28	(220)	55
Other Income	(350)	(262)	(392)	(130)	(452)	(102)
TOTAL INCOME	**(3,590)**	**(2,692)**	**(2,598)**	**94**	**(3,337)**	**253**
Contingency Allocated	106	0	0	0	10	(96)
NET EXPENDITURE ON SERVICES	**53,336**	**39,800**	**38,626**	**(1,174)**	**51,675**	**(1,661)**
10/11 balance	(100)	(100)	(100)	0	(100)	0
PFI Grant Receivable	(3,991)	(2,993)	(2,993)	0	(3,991)	0
Transfer to PFI Contract Reserve	3,991	2,993	2,993	0	3,991	0
Levy Receivable	(44,749)	(33,562)	(33,562)	0	(44,749)	0
Transfer from PFI Contract Reserve	(5,987)	(4,490)	(4,490)	0	(5,987)	0
Contribution from Reserves	(2,500)	(1,875)	(1,875)	0	(2,500)	0
REVENUE SURPLUS FOR PERIOD	**0**	**(227)**	**(1,401)**	**(1,174)**	**(1,661)**	**(1,661)**

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AUTHORITY REPORT: TREASURY MANAGEMENT STRATEGY 2012/13 AND PRUDENTIAL CODE INDICATORS 2012/13 TO 2014/15

1. Confidential Report

1.1 No

2. Recommendation:

2.1 That Members agree:

a) The Borrowing Strategy for 2012/13 as set out in Paragraph 8;

b) The Minimum Revenue Provision Policy Statement for 2012/13 is set out in Paragraph 9;

c) The Annual Investment Strategy for 2012/13 as set out in Paragraph 10;

d) The Treasury Management Policy Statement as set out in Appendix A;

e) The Prudential Indicators for Treasury Management as set out in Paragraph 18.

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3. Purpose

3.1 This report sets out ELWA's Treasury Management Strategy for 2012/13 together with the Prudential Indicators for Treasury Management. The report encompasses new borrowing requirements and debt management arrangements, as well as a Minimum Revenue Provision Policy Statement. The report also looks at the annual investment strategy, the Treasury Management Policy Statement and the Prudential Indicators for Treasury Management.

4. Background

4.1 The Local Government Act 2003 requires the Authority to adopt the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities as a professional code of practice to support local authorities in taking these decisions. The Prudential regime requires consideration of the Authority's borrowing and investment strategies within the decision making process for setting the Authority's spending plans.

4.2 The Authority's treasury activities are strictly regulated by statutory requirements and a professional code of practice, the CIPFA Code of Practice on Treasury Management in the Public Services. The Authority has adopted this code of practice and subsequent revisions as part of its Financial Standing Orders (D 2-27.1) by resolution of the Authority.

4.3 In 2012/13, the Authority's maximum borrowing requirement to meet new capital expenditure and debt redemptions/replacement is estimated to be £0.4 million. The borrowing strategy to meet this requirement is set out in paragraphs 5 to 8.

4.4 ELWA is required to prepare an Annual Minimum Revenue Provision Policy Statement setting out policy for the prudent repayment of debt. The Authority must have regard to statutory guidance issued by the Department for Communities and Local Government (CLG) when preparing this statement. The Authority's Minimum Revenue Provision Policy Statement is set out at paragraph 9.

4.5 Each year the Authority is required to produce an Annual Investment Strategy that sets out the Authority's policies for managing its investments. The Authority's investment strategy must have regard to guidance issued by the Department for Communities and Local Government (CLG) in April 2010. The Annual Investment Strategy is at paragraphs 10 -14.

4.6 Standing Order D 2-27.6 requires that the Finance Director present to Members the Treasury Management Strategy for recommendation prior to the start of the Financial Year. The Prudential regime requires that the Prudential Indicators for Treasury Management be considered with the Treasury Management strategy and that ELWA set these limits. These are detailed at paragraph 18. This is an annual process.

4.7 It is a statutory requirement under Section 33 of the Local Government Act 1992 for the Authority to produce a balanced budget. In particular, the Authority is required to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This therefore means that increases in capital expenditure must be limited to a level, which is affordable within the projected income of the Authority for the foreseeable future.

4.8 Inevitably, certain technical terms have been used in this report. Explanations are provided where possible and a glossary covering main terms is included at Appendix D.

5. Borrowing Requirements and Debt Management Arrangements for 2012/13

5.1 ELWA's estimated total borrowing of £1,488,300 at 31st March 2012 consists entirely of Public Works Loan Board (PWLB) loans. All of these loans are on a fixed rate.

5.2 The current fixed borrowing rate of 9.90% is the average rate of interest payable on all loans within the portfolio. All of these loans were taken out many years ago when interest rates were much higher than now. Early repayment of these loans would incur a large premium as rates are much lower now.

6. Prospects for Interest Rates

6.1 As part of the Treasury Management Service Level Agreement, economic forecasting is provided and to assist the Authority to formulate a view on interest rates. The London Borough of Redbridge's treasury management consultants Sector have provided forecasts for medium term interest rates (as at January 2012) as shown in the table below.

Annual Average %	**Bank Rate**	**Money Market Rates**		**PWLB Rates***		
		3 month	**1 year**	**5 year**	**25 year**	**50 year**
March 2012	0.50	0.70	1.5	2.3	4.2	4.3
June 2012	0.50	0.70	1.5	2.3	4.2	4.3
Sept 2012	0.50	0.70	1.5	2.3	4.3	4.4
Dec 2012	0.50	0.70	1.6	2.4	4.3	4.4
March 2013	0.50	0.75	1.7	2.5	4.4	4.5
June 2013	0.50	0.80	1.8	2.6	4.5	4.6
Sept 2013	0.75	0.90	1.9	2.7	4.6	4.7
Dec 2013	1.00	1.20	2.2	2.8	4.7	4.8
March 2014	1.25	1.40	2.4	2.9	4.8	4.9
June 2014	1.50	1.60	2.6	3.1	4.9	5.0

* Borrowing Rates

6.2 The most recent view from Sector (January 2012) is that growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). The base rate is not expected to begin to increase until autumn 2013, despite inflation being well above the Monetary Policy Committee's inflation target. Hopes for an export led recovery appears likely to disappoint due to the Eurozone sovereign debt crisis depressing growth in the UK's biggest export market. The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.

6.3 The outlook for borrowing rates is currently much more difficult to predict as fixed interest borrowing rates are based on UK gilt yields. The UK's total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crisis have evolved.

6.4 This challenging and uncertain economic outlook has several key treasury management implications:

a) The Eurozone sovereign debt difficulties, most evident in Greece, provide clear indication of much higher counterparty risk. This continues to suggest the use of high quality counterparties for shorter time periods;

b) Investment returns will continue to remain relatively low during 2012/13;

c) Borrowing rates are attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully.

7. New Borrowing Requirements

7.1 The Authority may need to make arrangements to finance expenditure during 2012/13 in respect of any possible capital works identified as a result of the ongoing review of landfill sites. Indicative estimates for production of Prudential Indicators are shown for 2012/13, 2013/14 and 2014/15:

Borrowing Requirement	2012/13 £'000	2013/14 £'000	2014/15 £'000
Potential Capital Spending	400	-	-
Maximum Estimated Borrowing Requirement	400	-	-

7.2 New Borrowing Requirements - The options available to ELWA to finance any future capital requirements include the temporary use of internal cash balances and to raise loans via PWLB and capital markets.

7.3 Public Works Loan Board (PWLB) - The Public Works Loan Board is a statutory body operating within the United Kingdom Debt Management Office, an executive agency of HM Treasury. Their function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect repayments. Interest rates are calculated by the Treasury and are based on base rate and the government cost of borrowing (gilt yields) plus a margin of up to 1%. Loans can be taken at fixed rates for periods up to 50 years or variable rates for up to 10 years.

7.4 Money Market - Institutions, such as banks, offer alternative loan arrangements to the fixed/variable rate loans offered by the Public Works Loan Board.

7.5 It is recommended that £400,000 is set as the borrowing requirement for 2012/13.

8. Borrowing Strategy 2012/13

8.1 Paragraph 4 indicates a potential need to finance £400,000 of capital requirements in 2012/13. The Authority is free to borrow what it deems to be prudent, sustainable and affordable within the Authority's approved Authorised External Debt Limit. See further detail at Paragraph 18.

8.2 The need to undertake external borrowing can be reduced by the (temporary) application of internal balances held for provisions and reserves within ELWA's accounts and cash flow movements on a day-to-day basis. The option of postponing borrowing and running down investments balances will reduce investment risk and provide some protection against low investment returns. The use of internal balances however must be monitored in order to mitigate the risks arising from the need to externally refinance when rates are unfavourable.

8.3 Regard must be given to the maturity profile of the loan portfolio. All borrowing undertaken will be in accordance with the objectives set out in the Authority's Treasury Management Policy Statement.

8.4 A view has to be taken on the balance between variable rate borrowing and fixed rate borrowing. To give ELWA maximum flexibility, it is suggested that the upper limit for fixed rate borrowing be set at 100% of its outstanding principal sums, and the upper limit for variable rate borrowing be set at 25% of its outstanding principal sums.

8.5 It is good practice to evaluate the borrowing portfolio on a periodic basis to see if it could be structured more efficiently. Sector, the Authority's treasury management consultants, provide information on potential restructuring opportunities as part of their service.

8.6 The uncertainty over the future movement of interest rates increases the risks associated with treasury activity. Therefore all borrowing options will be carefully evaluated, and advice sought where appropriate.

8.7 In summary, considering the factors set out above, the recommended Borrowing Strategy is:

a) That cash balances are used to finance capital expenditure on a temporary basis, pending permanent funding at a time when rates are deemed favourable;

b) All available sources of finance are evaluated when undertaking decisions for long term borrowing and advice sought as appropriate;

c) The repayment spread period of the long-term debt portfolio is set at a maximum period of 50 years;

d) That the maturity schedule is maintained so that no more than 30% of total borrowing is due for renewal in any one year;

e) That the upper limit for fixed rate borrowing be set at 100% and the upper limit for variable rate borrowing be set at 25%.

9. Minimum Revenue Provision

9.1 In accordance with the Local Government Act 2003, the Authority is required to pay off an element of accumulated General Fund capital expenditure each year through a revenue charge known as the Minimum Revenue Provision (MRP). MRP was calculated in accordance with the detailed methodology set out in the regulations. Amendment to these regulations has now replaced the detailed statutory calculation to one that Local Authorities consider to be prudent.

9.2 In conjunction with the regulatory amendment, the CLG have issued statutory guidance on the "options" available for making prudent provision for the repayment of debt. These options relate to existing and supported debt, whereby the Authority receives government support towards capital financing costs, and unsupported (Prudential) borrowing whereby financing costs are met wholly by the Authority. Authorities must have regard to this guidance with effect from the 1 April 2008.

9.3 Secretary of State guidance requires that before the start of each financial year the Authority prepares a statement of its policy on making MRP in respect of the forthcoming financial year and submits it to Members for approval.

9.4 Annual Minimum Revenue Provision Statement

a) For capital expenditure incurred before 1 April 2008, or any new capital expenditure incurred in the future up to the limit of the Authority's supported borrowing, minimum revenue provision will be provided for in accordance with existing practice outlined in the former regulations, which is based on a 4% charge.

b) Minimum revenue provision for new capital expenditure incurred wholly or partly by unsupported (Prudential) borrowing or credit arrangements are to be determined by reference to the expected life of the asset. Asset life is deemed to begin once the asset becomes operational. Minimum revenue provision will commence from the financial year following the one in which the asset becomes operational.

c) Minimum revenue provision in respect of Finance Leases and on balance sheet Private Finance Initiative (PFI) contracts will be regarded as being met by a charge equal to the element of the rent/charges that goes to write down the balance sheet liability. Where a lease (or part of a lease) or PFI contract is brought onto the balance sheet, having previously been accounted for off balance sheet, the minimum revenue provision requirement would be regarded as having been met by the inclusion in the charge, for the year in which the restatement occurs, of an amount equal to the write down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.

d) Minimum revenue provision in respect of unsupported (Prudential) borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.

e) The Authority retains the right to make additional voluntary payments to reduce debt if deemed prudent.

10. Annual Investment Strategy 2012-2013

10.1 The Authority is required to produce an Annual Investment Strategy that sets out the Authority's policies for managing its investments. The Authority's investment strategy must have regard to the CIPFA Code of Practice on Treasury Management and the "Guidance on Local Government Investments" issued by the CLG which came into operation on 1st April 2010.

10.2 The key intention of the Guidance is to maintain the requirement for Authorities to invest prudently, and that priority is given to the security and liquidity of investments before yield. The Guidance requires the Authority to set out within its Annual Investment Strategy:

a) Security, creditworthiness criteria, risk assessment and monitoring arrangements for investments;

b) The liquidity of investments and the minimum amount to be held in short-term investments (i.e. one which the Authority may require to be repaid or redeemed within 12 months of making the Investment) and those that are available to be lent for a longer period;

c) Which investments the Authority may use for the prudent management of its treasury balances and limits for each class of investment;

d) The classification of each investment instrument for use by either the Authority's in house officers and/or external fund managers, and the circumstances where prior professional advice is to be sought from the Authority's treasury management advisers.

11. Investment Objectives

11.1 The Authority's investment strategy gives priority to:

a) the security of the investments it makes;

b) the liquidity of its investments to meet known liabilities.

11.2 The Authority's objective is therefore to achieve, within this constraint, the optimum return on its investments with the appropriate levels of security and liquidity.

11.3 Within the prudent management of its financial affairs, the Authority may temporarily invest funds, borrowed for the purpose of expenditure expected to incur in the reasonably near future. Borrowing purely to invest or on-lend for speculative purposes remains unlawful and the Authority will not engage in such activity.

12. Security of Capital

12.1 ELWA seeks to maintain the security of its investments by investing in high credit quality institutions. These institutions comprise the Authority's lending list. In order to establish the credit quality of the institutions and investment schemes in which the Authority invests, the Authority primarily makes use of credit ratings, both country (sovereign) ratings, and institution ratings provided by the three main ratings agencies, Fitch Rating Ltd, Moody's and Standard & Poors.

12.2 The rating criteria are used to apply the "lowest common denominator" method, of selecting country and counterparties and applying limits. This means that the Authority's criteria will apply to the lowest available rating for any given country or institution. The major benefit of using this approach is to further enhance the risk control process of the Authority, as credit ratings are opinions, not statements of fact or a guarantee. There may be some slight differences between the ratings provided by each agency. By using the lowest set of ratings the Authority is making a conscious effort to analyse all rating information available and adopting a prudent risk-adverse policy on limits. Those institutions that have no ratings from a particular agency will still be considered as appropriate.

12.3 Credit Risk Assessment: As set out above, security of counterparties is evidenced by the application of minimum credit quality criteria, primarily through the use of credit ratings from the three main ratings agencies. These ratings are used to formulate a credit matrix to determine prudent investment periods and monetary limits and the need for diversification.

In formulating the matrix, consideration has been given to the levels of historic default against the minimum criteria used in the Authority's investment strategy. The table below produced by Fitch Ratings, shows average defaults as at 31 March 2011 of investment grade products for each long term rating category.

Long Term Rating	Historical experience of default %
AAA	0.00
AA	0.03
A	0.08
BBB	0.24

12.4 The Authority's credit matrix minimum long term rating for investments up to one year is "A" and the minimum rating for investments greater than one year and up to five years is AA. The Authority's investment strategy is therefore considered low risk.

12.5 Other Counterparties and Investment Schemes that may be included on the approved lending list are:

a) UK Part Nationalised Banks;

b) AAA rated Money Market Funds;

c) The UK Government (Debt Management Office);

d) Building Societies with assets in excess of £3 billion; and

e) Other Local Authorities.

12.6 All counterparties must meet the Authority's Creditworthiness Criteria as set out at Appendix B.

12.7 Credit Quality Monitoring: The London Borough of Redbridge's treasury management advisers, Sector, provide credit rating information as and when ratings change and these are acted upon when received. An institution's credit quality is reviewed before any investment is made.

12.8 On occasion credit ratings may be downgraded when an investment has already been made. The creditworthiness criteria used are such that minor downgrading should not affect the full receipt of the principal and interest. Any counterparty whose ratings fall to the extent that they no longer meet the approved credit quality criteria is immediately removed from the lending list. If an institution or investment scheme is upgraded so that it fulfils the Authority's criteria, its inclusion will be considered. The inclusion of institutions and investment schemes that meet the agreed credit criteria is delegated to the Finance Director.

12.9 Reliance is not placed on credit ratings alone. Regard is also given to other sources of information such as:

a) Publicity from sources such as the quality financial press and internet sites and from ratings alerts from the credit rating agencies;

b) Investment rates being paid, and whether they are out of line with the market as this could indicate that the investment is of a higher risk;

c) Where available, price movements of Credit Default Swaps, which are a financial instrument for swapping the risk of debt default, can be plotted to give an indicator of relative confidence about credit risk;

d) All information received is acted upon promptly as appropriate.

12.10 Investments and Diversification across Asset Classes - Additional security of capital is also achieved through diversification and the specifying of the type of investment that the Authority is prepared to invest in.

12.11 "Guidance on Local Government Investments" requires the Authority to set out the investments in which it is prepared to invest under the headings of Specified Investments and Non-Specified Investments.

12.12 Specified Investments are those investments that meet the Authority's high credit quality as set out in this section and also meet the following criteria;

a) Are due to be repaid within twelve months of the date in which the investment was made;

b) Are denominated in sterling and all repayments in respect of the investment are only payable in sterling;

c) The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended].

12.13 Specified investments are therefore deemed to be of low risk.

12.14 Non-Specified Investments are all other investments that do not satisfy the Specified criteria and are deemed to have a greater potential of risk, such as investments for longer than one year or with institutions that do not have credit ratings, like some Building Societies. Limits must be set on the amounts that may be held in such investments at any one time during the year. The Authority's creditworthiness criteria for selecting non-specified investments is set out at Appendix B and Specified and Non Specified Investment categories are detailed at Appendix C.

12.15 Asset class limits - In accordance with current practice and the investment limits contained within the Authority's Treasury Management Practices, the maximum percentage of the portfolio which may be invested in each asset class are as follows:-

	Percent
UK Government	100
Local Authorities	100
UK Banks- Specified	100
Money Market Funds	75
Building Societies - Specified	50
Total Unspecified Investments	50
Non UK Banks - Specified	25

12.16 These limits have been set to ensure that the Authority retains maximum flexibility and can react quickly to changing market conditions. The actual balance between the above asset classes will depend, at any one time, on the relative levels of risk, return and the overall balance of the portfolio.

13. Investment of Cash Balances and the Liquidity of Investments

13.1 Cash flow Management - In order to assist in managing the Authority's finances, a cash flow model is produced. The model details all known major items of income and expenditure of both a revenue and capital nature, based on Capital and Revenue budget proposals, detailed elsewhere on your agenda. Cash balances can fluctuate significantly during the course of the year due to timing differences between the receipt of cash such as grants and capital receipts and the corresponding expenditure. It is estimated that over the course of the year cash balances will vary between £8 million and £25 million. The initial cash flow estimates provide an indication of cash receipts and outgoings on a month-by-month basis.

13.2 Liquidity: The Authority is required to have available, or access to adequate resources to enable it at all times to have available the level of funds which are necessary for the achievement of its service objectives. The cash flow model provides the Authority with information on its cash requirements, detailing immediate cash requirements and indicates cash balances that are available for investment for longer periods. The liquidity of the investment portfolio is monitored regularly and reported at monthly treasury meetings with Senior Finance Officers. The minimum amount of cash balances required to support cash flow management on a monthly basis is £6 million.

13.3 The borrowing strategy set out at paragraph 8 recommends the use of internal balances to temporarily fund capital expenditure. Whilst this will help reduce the need for investing, this must be balanced against the future requirement to replace these balances, and ensure that sufficient cash is available to meet the ELWA's liquidity requirements.

13.4 For debt management purposes the Authority has access to the PWLB and the money market to fund capital projects.

13.5 Borrowing in Advance of Need: The Authority has some flexibility to borrow funds this year for use in future years. The Finance Director may do this under delegated authority, where for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed rates will be economically beneficial to meet budgetary constraints.

13.6 The Finance Director will adopt a cautious approach to any such borrowing, and will only do so to fund the approved capital programme or future debt maturities where there is a clear business case. The investment of funds borrowed ahead of need, will be within the constraints of the approved investment strategy.

13.7 Interest Rates: As set out at paragraph 6, interest rates and therefore investment returns are expected to continue to remain low throughout the year, with the average investment return anticipated to be less than 1.5%. Low investment rates will continue to have a significant impact on investment receipts.

13.8 Yield - The Authority uses the 7 day LIBID rate as a benchmark for comparing the return on its investments.

13.9 Banking Sector/Market turbulence: Following the severe volatility in the banking sector in 2008, the Authority, like most other authorities, has taken a more cautious and prudent approach to investing by placing deposits with a more restricted lending list of Banks and Building Societies acceptable within the parameters of the overall investment strategy. This list currently comprises UK banks and building societies, highly rated overseas banks, AAA rated sterling Money Market Funds, Local Authorities and the UK Government via the Debt Management Account Deposit Facility. Investment periods have also been restricted to less than twelve months.

13.10 The creditworthiness criteria for choosing counterparties set out in this report provides a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve the base criteria set out in this report, under exceptional market conditions institutions can face real and sudden difficulties with a time lag before the credit rating agencies reflect this. Therefore, it is vital that the Authority maintains a strategy of responding swiftly and the Finance Director will restrict further investment activity to those counterparties that are at any one time considered of the highest credit quality. Security of the Authority's money remains the main priority and this strategy will take precedence over yield.

13.11 Investments Longer than a Year: The code of practice requires the Authority to give consideration to longer-term investment and set an upper limit for principal sums to be invested for longer than one year. The Authority currently has no investments invested for longer than one year but a limit will still be set to provide flexibility.

13.12 Having given due consideration to the level of balances over the next three years, the need for liquidity, spending commitments and provisions for contingencies, it is determined that under "normal" market conditions up to £5 million of total fund balances could be prudently invested for longer than one year. However, in making such investments, consideration must be given to the uncertain economic outlook, and the prospect for continued market volatility in the Eurozone.

13.13 Therefore taking all of the foregoing into consideration and to allow the Authority flexibility for market improvement, it is recommended that the Authority set an upper limit for principal sums to be invested for longer than one year at £2 million for 2012/13, £2 million for 2013/14 and £1 million for 2014/15.

14. Provision for Credit-related Losses

14.1 If any of the Authority's investments appear at risk of loss due to default, provision would need to be made from revenue for the appropriate amount. The Authority currently has no direct exposure to any banking failure, other than as set out below (para. 14.2)

14.2 An adjustment in the 2009/10 accounts was made to account for impairment of the £1 million investment to Heritable Bank. To date the Authority has received a total of £681,340 of the recoverable amount. It is currently anticipated, based on the advice from the liquidator, that on a prudent basis a total of 88p in the £ will be recovered in due course.

15. Treasury Management Consultants

15.1 Treasury Management support is provided by The London Borough of Redbridge as part of the Service Level Agreement. The Treasury Management Team use Sector as its treasury management consultants. The company provides a range of services which include:

a) Economic and interest rate analysis;

b) Credit ratings/market information service comprising the three main credit rating agencies;

c) Generic investment advice on interest rates, timing and investment instruments;

d) Debt rescheduling advice;

e) Technical support on treasury matters and capital finance issues.

15.2 Whilst Sector provide support to the London Borough of Redbridge's (LBR) Treasury Management Team, under current market rules and the CIPFA Treasury Management Code of Practice, the final decision on treasury matters remains with the Authority. The treasury consultancy service is subject to regular review.

16. Member and Officer Training

16.1 One of the main requirements of the Treasury Management Code of Practice requirements is the increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and keep their skills up to date. The Authority will address this important issue by:

a) Providing training sessions, briefings and reports on treasury management and investment issues to those Members responsible for the monitoring and scrutiny of treasury management, as appropriate;

b) Requiring all relevant LBR Officers to keep their skills up to date by utilising both external and internal training workshops and seminars, and by participating in the CIPFA Treasury Management Forum and other relevant local groups and societies;

c) CIPFA and the Association of Corporate Treasurers (ACT) have jointly introduced the Certificate in Treasury Management – Public Services qualification. LBR Treasury officers will undertake this qualification as appropriate.

17. Investment Strategy 2012/13

17.1 In summary – considering the factors set out in Paragraphs 12 and 13, the recommended Investment Strategy is:

a) That cash balances, not immediately required to finance expenditure, are lent to the money market for the most appropriate periods as indicated by the cash flow model and current market and economic conditions;

b) That liquidity is maintained by the use of overnight deposits and call funds;

c) That the minimum amount of short-term cash balances required to support monthly cash flow management is £6 million;

d) That the upper limit for investments longer than one year is £2 million;

e) That the maximum period for longer term lending be 3 years;

f) That all investment with institutions and investment schemes is undertaken in accordance with the Authority's creditworthiness criteria as set out at Appendix B;

g) That more cautious investment criteria are maintained during times of market uncertainty;

h) That all investment with institutions and investment schemes is limited to the types of investment set out under the Authority's approved "Specified" and "Non-Specified" Investments detailed in the appendix and that professional advice continues to be sought if appropriate;

i)That all investment is managed within the Authority's approved asset class limits as set out at paragraph 12.15.

18. Prudential Indicators for Treasury Management

18.1 Overview - The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of Authorities are affordable, prudent and sustainable. Further, that Treasury Management decisions are taken in accordance with good professional practice. To demonstrate that Authorities have fulfilled these objectives, the revised Prudential Code of Practice and revised CIPFA Treasury Management Code set out the indicators that must be used, and the factors that must be taken into account.

Prudential Indicators for Treasury Management relate to:

a) The adoption of the CIPFA Code of Practice for Treasury Management;

b) Limits for external debt;

c) Interest rate exposures;

d) Maturity structure of borrowings; and

e) Investment for periods of longer than one year.

18.2 The Treasury Management indicators are not targets to be aimed at, but are instead limits within which the Treasury Management policies of the Authority are deemed to be prudent.

18.3 The CIPFA Code of Practice in Treasury Management - The Authority adopted the CIPFA Code of Practice in Treasury Management in the Public Services and subsequent revisions, as part of its Financial Standing Orders. The Authority's Treasury Management policies and practices fully comply with the CIPFA Code of Practice.

18.4 In accordance with the CIPFA Code of Practice in Treasury Management, the Authority has an approved Treasury Management Policy Statement. This is a short policy statement, which sets out core strategic issues. It is reviewed periodically and amended if policies change. This Treasury Management Policy Statement is attached as Appendix A for information.

18.5 Authorised limit for External Debt 2012/13 – 2014/15 - the authorised limit for external debt represents total external debt, gross of investments, and separately identifies borrowing from other long-term liabilities such PFI Schemes and Finance leasing (see paragraph 18.6).The authorised limit is based on the Authority's spending plans, makes allowance for short-term cash flow movements and provides sufficient headroom for unusual cash movements.

18.6 As previously advised, changes in accounting treatment have resulted in ELWA PFI assets and liabilities now being included on the balance sheet. As a result of this the table below now includes a long term liability indicator of £100 million relating to the ELWA PFI liability as at 2012/13.

18.7 In order to determine the authorised limit, a number of assumptions need to be made on the possible future use of borrowing. Borrowing can be used to finance capital expenditure over and above that supported by government grant, or to cover for slippage in the realisation of capital receipts, as an alternative form of financing e.g. instead of leasing, and for short-term treasury management purposes. The following table sets out limits that represent the maximum amount of gross debt:

	2012/13 £'m	**2013/14 £'m**	**2014/15 £'m**
Estimated borrowing b/f	1.5	1.9	1.7
Borrowing requirement	0.4	-	-
Less: Maturing debt	-	(0.2)	-
Less: Loan Replacement			
Short term/cash flow requirements	6.5	7.0	7.5
Unforeseen cash movements	7.5	8.0	8.5
Borrowing	15.9	16.7	17.7
Other long term liabilities	100.0	96.0	96.0
Total External Debt	115.9	112.7	113.7

18.8 It is therefore recommended that the total Authorised Limit for External Debt for 2012/13 set at £116 million, for 2013/14 £113 million, and for 2014/15 is £114 million.

18.9 Operational Boundary External Debt 2012/13 – 2014/15 - as with the authorised limit for external debt, the operational boundary represents total external debt, gross of investments, and separately identifies borrowing from other long term liabilities. The operational boundary is based on the same assumptions as the authorised limit but reflects the most likely estimate, i.e. a prudent but not the worst-case scenario of gross debt, as assumed in the authorised limit. This has resulted in a reduction of £2 million that is included in the authorised debt calculation for unforeseen cash movements.

18.10 The operational boundary is a key monitoring tool and whilst it may be breached temporarily due to cash flow variations, a sustained or regular trend above the operational boundary would be significant and lead to further investigation and action as appropriate. It is therefore recommended that the total operational boundary for external debt for 2012/13 be set at £114 million, for 2013/14 £111 million, and for 2014/15 £112 million.

18.11 Net Debt 2012/13 – 2014/15 and indicative limits for 2015/16 and 2016/17 – a new indicator introduced in the 2011 CIPFA Treasury Management Code of Practise, requires the setting of an upper limit of net debt (gross debt less minimum investment balances) to gross debt to be calculated as follows:

	2012/13 £'m	**2013/14 £'m**	**2014/15 £'m**
Gross Debt	116	113	114
Investments	8	7	7
Net Debt	108	106	107
Net debt as a % of Gross debt	93%	94%	94%

18.12 It is therefore recommended that the upper limit of net debt as a percentage of gross debt for 2012/13 be set at 93%, for 2013/14 be set at 94%, for 2014/15 be set at 94%.

18.13 Interest rate exposure 2012/13 – 2014/15 - the management of interest rate risk is a priority for the Authority. This is recognised in the Prudential Code, which requires the Authority to establish operational boundaries on net interest rate exposure. These are set by way of two Prudential Indicators, the upper limit on fixed interest rate exposure and the upper limit on variable rate interest exposure. The indicators are calculated by netting of projected borrowing and lending estimates as follows:

	2012/13 £'000	2013/14 £'000	2014/15 £'000
Fixed Rate	7,900	7,700	7,700
Variable Rate	(28,000)	(28,000)	(28,000)

18.14 The net principal sums represent the annual upper exposure limit.

18.15 The limits indicate that all of the Authority's borrowing is fixed and interest costs are therefore certain. Investments, because they are invested mainly for less than one year, are classified as variable and income is therefore subject to movement in base rates. As cash balances fluctuate significantly throughout the year the figure for projected lending is based on the estimated maximum position.

18.16 The Authority's Treasury Management Practices require the setting of a local indicator for the percentage of borrowing at fixed and variable rates. The borrowing strategy recommends an upper limit of 100% for fixed rate borrowing, and in order to maintain flexibility should fixed term interest rates be unfavourable, that the percentage of variable rate borrowing be set at an upper limit of 25%. This would not breach the upper limit on variable rate exposure.

18.17 Maturity Structure of Borrowings – the Authority is required to set upper and lower limits with respect to the maturity structure of its fixed rate borrowings. These have been set to avoid the need to refinance a significant proportion of outstanding debt on an annual basis, and to provide the Authority with flexibility to manage the debt portfolio efficiently.

	Upper Limit %	Lower Limit %
Under 12 months	35	0
12 Months and within 2 years	45	0
2 years and within 5 years	60	0
5 years and within 10 years	80	0
10 years and within 20 years	100	0
20 years and within 35 years	100	0
35 years to 50 years	100	0

18.18 Investments for longer than 364 days – within the Annual Investment Strategy, paragraph 13.13, the following amounts have been identified as available for longer term investment 2012/13 £2 million, 2013/14 £2 million and 2014/15 £1 million.

18.19 In Summary – the Prudential Indicators for Treasury Management are recommended as follows:

Authorised Limit for External Debt			
	2012/13 £'m	2013/14 £'m	2013/14 £'m
Borrowing	16	17	18

Other Long Term Liabilities	100	96	96
TOTAL	116	113	114

Operational Boundary for External Debt			
	2012/13 £'m	**2013/14 £'m**	**2013/14 £'m**
Borrowing	14	15	16
Other Long Term Liabilities	100	96	96
TOTAL	114	111	112

Upper Limits for Net Debt as a percentage of Gross Debt			
	2012/13 %	**2013/14 %**	**2013/14 %**
	93	94	94

Upper Limits on Interest Rate Exposures			
	2012/13 £'m	**2013/14 £'m**	**2013/14 £'m**
Fixed Rate	7.9	7.7	7.7
Variable Rate	(28.0)	(28.0)	(28.0)

Amount of Projected Fixed Rate Borrowing that is Maturing in each Period as a Percentage of Total Projected Borrowing that is Fixed Rate		
	Upper Limit %	**Lower Limit %**
Under 12 months	35	0
12 Months and within 2 years	45	0
2 years and within 5 years	60	0
5 years and within 10 years	80	0
10 years and within 20 years	100	0
20 years and within 35 years	100	0
35 years to 50 years	100	0

Upper Limit for Total Principal Sums Invested for more than 364 days		
2012/13 £'m	**2013/14 £'m**	**2013/14 £'m**
2	2	1

19. Relevant officer:

Geoff Pearce, Finance Director / e-mail finance@eastlondonwaste.gov.uk / 020 8708 3588

20. Appendices attached:

Appendix A	Treasury Management Policy Statement
Appendix B	Creditworthiness Criteria
Appendix C	Approved list of specified and non-specified investments
Appendix D	Glossary

21. Background papers:

CIPFA Code of Practice on Treasury Management – 2011 Edition

The Prudential Code for Capital Finance in Local Authorities – 2011 Edition

CLG Guidance on Local Government Investments – April 2010

Guidance on Minimum Revenue Provision issued by CLG February 2008

22. Legal considerations:

22.1 None advised.

23. Financial considerations:

23.1 As detailed in the Report.

24. Performance management considerations:

24.1 The financial position and projections should reflect service performance trends.

25. Risk management considerations:

25.1 Current position results in no change to present risk profile.

26. Follow-up reports:

26.1 Budgetary Control Report, next meeting.

27. Websites and e-mail links for further information:

http://www.cipfa.org.uk/

http://www.communities.gov.uk/corporate/

28. Glossary:

ELWA – East London Waste Authority

29. Approved by management board

23 January 2012

30. Confidentiality:

No

TREASURY MANAGEMENT POLICY STATEMENT

The Authority defines its Treasury Management activities as:

a) The management of the organisation's investments and cash flows, its banking, money market and capital market transactions;

b) The effective control of the risks associated with those activities; and

c) The pursuit of optimum performance consistent with those risks.

The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Authority acknowledges that effective Treasury Management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in Treasury Management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

When setting borrowing and lending policies, the Authority adheres to the principles contained within the CIPFA Treasury Management Code of Practice, The Prudential Code and other statutory guidance. These policies are contained within the Authority's Treasury Management Strategy which is approved annually.

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CREDITWORTHINESS

1. Extract from Treasury Management Practices

1.1 The Authority is required to invest prudently and demonstrate that priority is given to security and liquidity before yield. Creditworthiness covers:-

a) Credit quality for selecting counterparties.

b) Credit ratings for institutions and country.

2. Credit Quality

2.1 The criteria for providing a pool of high quality investment counterparties for both Specified and Non Specified investments is as follows:

Banks with a Good Credit Quality

a) UK banks

b) Non UK banks domiciled in a country, which has a minimum Sovereign long term rating of AA-.

c) Meet the requirements of the short terms and or long-term credit matrixes set out in 2 below.

UK Part Nationalised Banks

d) Royal Bank of Scotland Group and Lloyds Banking Group whilst they continue to be part nationalised, or meet the requirements of the credit matrices.

e) The Authority's banker - National Westminster Bank (NWB), for transactional purposes. NWB is a subsidiary of the Royal Bank of Scotland. For investment purposes investments are made with the Royal Bank of Scotland (RBS). RBS is a part nationalised bank. If this were to cease and the ratings of RBS did not meet the creditworthiness criteria then cash balances would be minimised in both monetary size and time.

Bank Subsidiary and Treasury Operations

f) The Authority will use these where the parent bank has the necessary ratings outlined above.

Building Societies – the Authority will use Building Societies that:

g) Meet the requirements of the short term and or long term credit matrices set out in 2 below; or

h) Have assets in excess of three billion.

AAA rated Money Market Funds

i) UK Government (including gilts and the Debt Management Account Deposit Facility)

j) Local Authorities (including Police and Fire Authorities)

3. Credit Criteria

3.1 The Authority adopts a range of credit rating criteria. Creditworthiness is based on the credit ratings of all three credit rating agencies supplied by Fitch, Moody's, and Standard & Poors. Where appropriate, the rating criteria applied will be the "lowest common denominator" method for selecting counterparties and applying limits using all three credit rating agencies. This means that the application of the Authority's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Authority's criteria, the other does not, then the institution will fall outside the lending criteria. This is in compliance with the revised CIPFA Treasury Management Code of Practice.

Short Term Credit Matrix

3.2 For short term lending (less than one year) the following minimum credit criteria for Banks and Rated Building Societies will apply using the lowest common denominator method:

	Fitch		Moody's		S&P's	
	Highest	**Lowest**	**Highest**	**Lowest**	**Highest**	**Lowest**
Long term credit	AAA	A	Aaa	A2	AAA	A
Short term credit	F1+	F1	P-1	P-2	A-1+	A-1
Viability rating	aaa	bb-	*	*	*	*
Financial Strength	*	*	A	C-	*	*
Support	1	3	*	*	*	*

* - no equivalent/comparable rating criteria

Long Term Credit Matrix

3.3 For Long Term lending (more than one year), the following minimum credit criteria will apply using the lowest common denominator method:

	Fitch		Moody's		S&P's	
	Highest	**Lowest**	**Highest**	**Lowest**	**Highest**	**Lowest**
Long term credit	AAA	AA-	Aaa	A1	AAA	AA-
Short term credit	F1+	F1+	P-1	P-1	A-1+	A-1+
Viability rating	aaa	bb+	*	*	*	*
Financial Strength	*	*	A	C	*	*
Support	1	3	*	*	*	*

* - no equivalent/comparable rating criteria

Long Term – relates to long term credit quality

Short Term – relates to short term credit quality

Viability/Financial Strength – Strength of the organisation as a stand alone entity

Support – Fitch's assessment of whether the bank would receive support if necessary

Monitoring of Investment Counterparties

3.4 The credit rating of counterparties is monitored regularly. The Authority receives credit rating information (changes, rating watches and outlooks) from Butlers as and when ratings change and counterparties are checked promptly. Any counterparty failings to meet the criteria is removed from the list immediately.

Use of additional information other than credit ratings

3.5 The Code of Practice requires the Council to supplement credit rating information. The above criteria relates primarily to the application of credit ratings, however additional operational market information such as negative ratings watches / outlooks and financial press information must be considered before any specific investment decisions can be made. In addition, movement in credit default swap prices can provide an indication of credit risk, as can the rate of interest being offered if it is out of line with the market.

Country Sovereignty Considerations

3.6 Due care will be taken to consider the country, group and sector exposure of the Authority's investments, no more than 25% of the total investment portfolio will be placed with any non UK country at any time.

3.7 For countries other than the UK, sovereignty ratings must fall within the ratings matrix below, using the lowest common denominator approach, before the country can be considered for inclusion on the lending list and then each individual institution domiciled to that country must meet the high credit quality criteria as detailed, and the credit matrixes.

	Fitch		Moody's		S&P's	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
Sovereign ratings	AAA	AA-	Aaa	Aa3	AAA	AA-

A Fitch rating of 'AAA' denotes the highest credit rating quality with the lowest expectation of default risk. The lowest rating 'C' denotes that default is imminent and a rating of 'D' denotes that the issuer is currently in default.

4. Time and Monetary Limits applying to Investments

Type of Investment	Minimum Fitch rating (or equivalent)				Limit £'m	Time Limit
	1*	2*	3*	4*		
Credit rated Institutions	F1+	A	a-	3	5	1 Year
	F1+	A	bb-	1	4	1 Year
	F1+	A	bb-	3	4	1 Year
	F1	A	a-	3	3	1 Year
	F1	A	bb-	1	3	1 Year
	F1	A	bb-	3	2	1 Year
	F1+	AA-	a-	2	3	3 Years
	F1+	AA-	bbb	3	2	3 Years
	F1+	AA-	bb+	1	2	3 Years
	F1+	AA-	a-	2	3	3 Years
	F1+	AA-	bbb	2	2	3 Years
	F1+	AA-	bb+	1	1	3 Years
Other Institutions						
Money Market Funds	AAAmf				3	1 Year
Unrated Building Societies	Assets greater £3bn				3	3 Months
Other						
UK Government – DMADF					30	3 Years
UK Government – Part-Nationalised Banks					5	1 Year
Local Authorities					5	3 Years

1* Short Term – relates to long term credit quality

2* Long Term – relates to short term credit quality

3* Viability/Financial Strength – Strength of the organisation as a stand alone entity

4* Support – Fitch's assessment of whether the bank would receive support if necessary

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APPROVED LIST OF INVESTMENTS, CREDITWORTHINESS AND USAGE FOR UNDERTAKING THE AUTHORITY'S INVESTMENT MANAGEMENT STRATEGY

Extract from Treasury Management Practices

1. Specified Investments

1.1 Specified Investments are sterling investments of not more than one year maturity, or those which could be for a longer period, but where the Authority has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal is small.

Investment	Security/Credit Rating	Use
UK Government and Local Authorities	UK Sovereign rating	In House
Money Market Funds	Rated AAA	In House
UK Part Nationalised Banks	Government backed	In House
Banks	See table and criteria above Lowest common denominator matrix Meets sovereign criteria	In House
Building Societies	See table and criteria above Lowest common denominator matrix, or assets of at least £3bn	In House
Certificates of Deposit issued by banks and building societies	Short-term lowest common denominator matrix Sovereign rating criteria Government Backed	To be used in house / external fund manager
UK Gilt and Bond Funds	Sovereignty rating criteria and/ or AAA rated fund	To be used in house / external fund manager

2. Non-Specified Investments

2.1 Non Specified Investments are any other type of investments that do not fall under the Specified classification.

2.2 In accordance with the guidance issued by the Security of State effective from 1 April 2010, a limit must be stated for the upper limit that may be held in non-specified investments at any time. This limit has been set at 50% of the total portfolio as per the asset class limit set in the Investment Strategy Report.

2.3 Unrated banks, building societies and other institutions are classed as no-specified investments irrespective of the investment period.

Investment	Security/Credit Rating	Maximum Term	Use
Unrated Building Societies	Market capitalisation over £3bn	6 months	In House

2.4 Long-term investments must be undertaken within the approved creditworthiness criteria and total exposure constrained within the boundaries of the approved limits.

2.5 The table below details the total percentage of the Annual Principal Sums Invested for more than 364 days that can be held in each category of investment, for example 100% of the Principal Sums limit can be held with the UK Government at any one time.

Investment (All in Sterling)	**Security/Credit Rating**	**Maximum term**	**Use**	**Upper Limit % of the Total Principal sums for each year**
UK Government DMO	Sovereign rating criteria	3 years	In House	100%
UK Gilt and Bond Funds	Sovereign rating criteria / AAA mf	3 years	In House / external fund manager	50%
Local Authorities	High Security	3 years	In House	100%
Banks	See table and criteria above Long term credit matrix Meets sovereign criteria	3 years	In House	100%
Building Societies	See credit criteria table Long term credit matrix.	3 years	In House	50%
The Authority's own banker	Government backed	1 years	In house	50%

GLOSSARY

Asset Class Limits	Types of investments - such as Banks, Building Societies, Government, Money Market Funds. The Authority has to set these limits in terms of percentages of each type of investment held of the total portfolio.
Asset Life	How long an asset is likely to last e.g. a Recycling Centre.
Borrowing Portfolio	A list of loans held by the Authority.
Borrowing Requirements	The Authority's need to finance and manage debt and debt redemption and replacement.
Capitalisation direction or regulations	Expenditure of a revenue nature that may use capital reserves, borrowing and capital receipts to finance.
CIPFA Code of Practice on Treasury Management	A code of practice issued by CIPFA defining treasury management as the management of the organisation's cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance consistent with those risks.
Counterparty	Banks and Building Societies that the Authority transacts with for borrowing and lending.
Credit Arrangements	Methods of Financing such as borrowing, leasing etc.
Credit Ratings	A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard and Poors that indicate the financial strength and other factors of a bank or similar institution.
Creditworthiness	How highly rated an institution is according to its credit rating.
Debt Management Office	The DMO is an agency of the HM Treasury and its responsibilities include debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.
Debt Rescheduling	When the Authority's loans are refinanced at different terms and rates to the original loan.
Depreciation Method	The spread of the cost of an asset over its useful life and expected wear and tear.
Fitch Ratings	A credit rating agency who provides credit rated worthiness information.
Gilts	Issued by the UK Government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for the period.
Guidance on Local Government Investments	Guidance issues by CIPFA on the scale of treasury management activities.
Interest Rate exposures	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
Lender Option Borrower Option (LOBO)	Loans taken by the Authority that have a fixed rate for a specified number of years and the rate can be varied by the lender at agreed intervals for the remaining life. If the

	Authority is not happy with the revised rates offered by the lender, the Authority then has the option to repay the loan in full and the loan agreement will end.
Limits for external debt	This forms part of the Prudential Indicators prescribed by the Prudential Code. The level of external debt is a consequence of a treasury management decision about how much external borrowing to undertake.
Liquidity	Availability of access to cash that is readily available.
Lowest Common Denominator	Whereby rating agencies provide credit ratings of institutions and the lowest rating is applied to determine whether they meet the criteria to be on the Authority's lending list.
Maturity	The date when an investment is repaid or the period covered by a fixed term investment.
Maturity Structure of Borrowings	A profile of the Council's loan portfolio in order of the date in which they expire and require repayment.
Minimum Revenue Provision	The minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities.
Minimum Revenue Provision Policy Statement	An Authority is required under statutory guidance to set out how a revenue charge would be paid.
Money Market	Financial institutions and dealers in money and credit.
Money Market Funds	Funds where money can be placed in a particular fund and then invested in a mix of investments in Banks and other institutions.
Moody's	A credit rating agency who provides credit rated worthiness information.
Non Specified Investments	This is terminology specified within CIPFA's Treasury Management Code to describe investments for more than one year and with unrated banks and building societies.
Prudential Borrowing	Authorities are required to comply with the Prudential Code by demonstrating the affordability, prudence and sustainability of the Authority's financial planning methods.
Prudential Code for Capital Finance in Local Authorities	The capital finance system is based on the Prudential Code developed by CIPFA. The key feature of the system is that local authorities should determine the level of their capital investment and how much they borrow to finance that investment based on their own assessment of what they can afford.
Prudential Indicators	The key objectives of the Prudential Code developed by CIPFA are to ensure that the capital investment plans are affordable, sustainable and prudent. As part of this framework, the Prudential Code sets out several indicators that must be used to demonstrate this.
Public Works Loan Board (PWLB)	A central government agency which provides long and medium term loans to local authorities at interest rates slightly higher than those at which the Government itself can borrow.

Credit Rated	Institutions that possess a credit rating from a credit rating agency such as Fitch, Moody's or Standard and Poors.
Risk Control	Putting in place processes to control exposures to risk.
Security	Placing cash in highly rated institutions.
Specified Investments	This is terminology specified within CIPFA's Treasury Management Code to describe investments for less than one year and with rated banks and building societies.
Standard and Poors	A credit rating agency who provides credit rated worthiness information.
Supported Borrowing	Mainstream funding for housing investments is provided in the form of revenue support to cover borrowing costs.
Supranational Institutions	Multi national structures - an amalgamation of different countries offering investment opportunities - for example Euro Investment Bank
Unrated institution	An institution that does not possess a credit rating from one of the main credit rating agencies.
Unsupported Borrowing	Borrowing costs wholly financed by the Authority.

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AUTHORITY REPORT: ANNUAL BUDGET & SERVICE DELIVERY PLAN 2012-2013

1. Confidential Report

1.1 Part confidential (Appendix C)

2. Recommendation:

2.1 Members are asked to:

a) Approve the Annual Budget & Service Delivery Plan (ABSDP) 2012-2013.

b) Consider the continued annual allocation of £150k to support the ELWA Partnership communications strategy.

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3. Purpose

3.1 To consider the Annual Budget & Service Delivery Plan 2012-2013, produced by ELWA Ltd (Appendix A).

4. Background

4.1 The Integrated Waste Management contract contains specific requirements regarding service delivery plans:

4.2 The Overall Service Delivery Plan (OSDP) of ELWA Ltd is a plan that covers the 25 years of the contract. This large document is a schedule to the contract and is essentially the operational and technical proposal by the contractor to meet ELWA's requirements.

4.3 The 3 or 5 year Service Delivery Plan (SDP) follows a similar format to the OSDP but provides a greater level of detail.

4.4 The ABSDP provides a further level of detail, particularly in respect of financial matters. The plan connects ELWA to the contractor (Shanks East London) through the conduit that is ELWA Ltd. The intention is for the authority to consider the ABSDP in the autumn prior to the commencement of the relevant financial year to which it relates. This is to ensure that the levy report in February can fully reflect the likely expenditure commitments arising from the contract.

4.5 Various penalties can be applied by the authority if these plans, once approved, are not adhered to and met. In extreme circumstances, the authority could terminate the contract. However, changes may occur due to circumstances beyond the control of the contractor, such as force majeure events.

4.6 The contractual arrangements concerning service delivery plans are quite specific and provide a firm foundation for the achievement of contractual targets. They also provide the flexibility to review and update plans as necessary over the life of the contract. In addition, the financial aspects of the ABSDP are important in the preparation of the ELWA levy.

5. Current Position

5.1 Shanks East London discussed and agreed a revised format for the ABSDP and submitted the plan to ELWA officers in line with the agreed timetable. The plan takes account of current and planned waste tonnages and operational performance in determining likely recycling and diversion rates for the coming year. In addition, the contract allows for an annual RPI inflationary cost increase. These three factors are the basis of the plan and the resulting contractual cost.

Tonnages

5.2 The Shanks forecast tonnage for 2011-2012 is 439,000 tonnes.

5.3 The 2012-2013 ABSDP estimates are for a reduction in general household waste of 1.2% and a reduction of 12% in RRC waste. In addition, officers from the London Borough of Newham have indicated there will be an additional 5,000 tonnes of household waste due to the 2012 Olympics. Therefore, the estimated total waste for the year is 434,890 tonnes. Appendix B details waste flows for the year.

Performance

5.4 The contractual recycling target for Shanks is 27% for 2012-2013. However, the ABSDP confirms does not indicate this level of performance for the year, due to Shanks' failure to secure an appropriate market for the fines material produced by the MBT process. This material represents approximately 3.5% of the annual recycled tonnage. Until last year, the material was further processed, by in vessel composting, by a sub-contractor to Shanks and then used in such a way that it was classified as recycled. However, following problems with the sub-contractors process, the Environment Agency made it clear that this processing did not result in an appropriately inert material for it to be considered as recycled, regardless of the end-use. Since then, Shanks have had difficulty finding a contractor willing to process the MBT fines material.

5.5 Shanks have begun construction of their anaerobic digestion (AD) plant and have confirmed the fines material will be processed using this technology. The processed material will be an inert product, classified as recycled once it is used as a product. The AD plant will not be fully commissioned until April 2013. Therefore Shanks face a year of not being able to include the material as recycled. However, some of the material should be processed during commissioning of the plant from September 2012, which will help reduce the recycling target shortfall.

5.6 Shanks' management have committed to identifying other means of increasing recycling to meet the shortfall. In reality, the only part of the waste disposal process where this is feasible is in relation to the RRCs. Shanks will increase staffing levels at the RRCs in order to manually extract recyclable waste. Elwa officers are pleased at this commitment but recognise the RRC waste is mixed and extracting all the recyclable material will be difficult. Therefore, there is no guarantee the shortfall will be fully met and Shanks consider it prudent to state a recycling rate of 25% for the year.

5.7 Overall diversion of waste from landfill is currently at 62%. Following the implementation of the agreement with Shanks to increase diversion by exporting coarse SRF, the 2012-2013 ABSDP diversion rate for the year, including recycling, is 78%.

RPI Inflation

5.8 Each year, 80% of the RPI figure for the month of October is used for the inflationary uplift to the contract. The assumed October 2011 RPI was 5.6%; therefore the inflationary uplift to the contract for 2012-2013 is 4.5%.

Contractual Cost

5.9 The combination of the waste tonnages, performance levels and the inflationary increase give rise to a contract cost of £53,623,000. It should be noted that this figure also includes an inflationary increase of £8/tonne in landfill tax. Appendix C summarises the financial information and is confidential.

Communications Budget

5.10 At the meeting of the authority on 29 September 2008 members approved the annual allocation of £150k to support the budget of the ELWA Partnership Communications Group. This funding was linked to the engagement of Waste Watch to deliver the partnership's communications strategy, following advice to the authority from WRAP.

5.11 The Waste Watch contract has been reviewed and group members consider it has successfully delivered an effective community engagement programme. Appendix D contains information from Waste watch about the Recycle for Your Community campaign activities and outputs, including a list of the additional activities the money would fund.

5.12 The Operational Management Team also considered the value of this work and agreed its continuance would be beneficial to the achievement of the Integrated Waste Management Strategy objectives. The contract with Waste Watch has been renewed for a further three years from April 2012 and members are asked to consider the continued annual allocation of £150k to support this work.

6. Conclusion

6.1 Officers recognise the ABSDP reflects a realistic position and understand the reasons for it including a recycling rate of 25%. Whilst it is disappointing and does not meet the contractually agreed target of 27%, there are no contractual remedies ELWA can enforce. Shanks management have given valid reasons for the shortfall and officers are reassured by the proposed solution to the fines material problem and the introduction of increased staffing at the RRCs.

6.2 Officers consider Shanks plans to mitigate the loss of recycling are realistic. In light of this, and there being no contractual means to enforce the recycling target, officers recommend members approve the ABSDP.

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7. Relevant officer:

Paul Taylor, Managing Director / paul.taylor@eastlondonwaste.gov.uk / 020 8270 4965 / 07875 993657

8. Appendices attached:

Appendix A: Annual Budget & Service Delivery Plan 2012-2013

Appendix B: ABSDP 2012-2013 One Year Waste Flow Summary

Appendix C: Summary of ABSDP 2012-2013 Financial Information ***(Confidential)***

Appendix D: Waste Watch Recycle for Your Community campaign information

9. Background Papers:

Minute 1607 Partnership Communications Strategy.

10. Legal Considerations:

The arrangements of waste authority are to a significant degree set by the contractual relationship. It is crucial to the on going performance of the contract that it is monitored effectively and this Report contributes to that process. As paragraph 17 explains, the contents of part of this report are private and confidential by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972 that is because it contains information relating to the financial and business affairs of the waste authority.

11. Financial Considerations:

11.1 The ABSDP provides detailed information on expenditure commitments, tonnage estimates and landfill diversion rates. It is vital that ELWA Officers are satisfied that these assumptions are accurate and achievable as they are used to underpin the assumptions within the calculation of the annual levy.

11.2 The Levy report appears elsewhere on your agenda. a further level of detail, particularly in respect of financial matters.

12. Performance Management Considerations:

The ABSDP sets the level of performance for the year.

13. Risk Management Considerations:

13.1 The decision to accept the ABSDP should help mitigate the following strategic risks:

a) S1 - Corporate divisions and disagreements.

b) S2 - Breakdown of relationship with contractor.

c) S8 - Contract no longer affordable.

d) S12 - Failure to deliver improved levels of contractual performance.

13.2 Acceptance of the ABSDP should help mitigate the following operational risks:

a) O14 - Poor performance of collecting authorities

b) O15 - Insufficient waste produced to meet contract minimums.

c) O16 - Waste increases above budgetary assumptions.

14. Follow-up Reports:

None.

15. Websites and e-mail links for further information:

None.

16. Glossary:

ABSDP - Annual Budget & Service Delivery Plan

OSDP - Overall Service Delivery Plan

RRC – Reuse and Recycling Centre

SRF – Solid Recovered Fuel

RPI – Retail Price Index

MBT – Mechanical Biological Treatment

AD – Anaerobic Digestion

WRAP - Waste & Resources Action Programme

17. Approved by management board

23 January 2012

18. Confidentiality:

18.1 Appendix C of report is not for publication as it contains information relating to the business affairs of third parties and is therefore exempt from publication by virtue of paragraph 3 of part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

18.2 Reason for confidentiality: Appendix C contains commercially sensitive information that would impact contractually on partnerships and is market sensitive.

ANNUAL BUDGET AND SERVICE DELIVERY PLAN YEAR 11

APRIL 2012-MARCH 2013

Date Submitted: 18 November 2011

Version: 1.6 [draft]

Written By: Amy Pitch, Compliance & Project Delivery Manager

Gary James, Accounts Assistant & Weighbridge / Contracts Supervisor

CONTENTS

PART 1

1. Wasteflow Summary 2012-2013

[Electronic Copy Only]

2. Wasteflow Assumptions

[Electronic Copy Only]

PART 2

1. Recycling and Diversion Contributions Year 11

Scheme	2011/12 ABSDP	2011/12 Actual / F/Cast	2012/13 ABSDP	Difference between Actual and ABSDP 2012/13
Contract Waste	469,627	442,856	436,836	
Primary Recycling				
RRC Sites	46,101	41,243	46,448	5,205
RRC MRF	12,832	12,783	6,567	(6,216)
Bring Sites	4,161	6,083	5,870	(213)
Orange Bag Schemes & MRF	22,500	24,052	28,385	4,333
BioMRF's (metal, glass, compost)	25,454	27,626	9,994	(17,632)
Ilford RC	15,746	10,295	11,950	1,655
Secondary Recycling				
Inerts	10,179	8,664	6,433	(2,231)
Diversion				
SRF Use – Contractual (60%)	69,671	59,778	69,222	9,444
SRF Use – Aspirational (up to 20%)		20,343	78,638	58,295
Moisture Loss from BioMRF	74,931	75,133	77,230	2,097
Total Primary Recycling	126,793	122,138	109,216	(12,922)
Total Diversion	281,794	286,057	340,739	54,682
% Primary Recycling	27.00%	27.57%	25.00%	(2.57%)
% Secondary Recycling	0.02%	0.02%	0.01%	(0.01%)
% Diversion	32.98%	36.82%	52.99%	16.17%

Key Assumptions

- The two BioMRF's & the OB Mrf's performance is based on the last six months doubled
- All the other facilities are based on the last rolling twelve months
- The 434,890 contains 7,000 tonnes for the Olympics

2. Waste Reprocessing Facilities and Offtakers

Facility	Offtake / Processing method
Incineration	
LondonWaste	Incineration of clinical waste and SRF
GW Butler	Autoclave of clinical wastes via their facilities at Fairview Industrial Park
White Rose Environmental	Contingency option for autoclave and incineration of clinical waste at Sidcup, Hillingdon or Larksfield
Vetspeed Ltd	Incineration of dead animals at their Cambridge incinerator
Solid Recovered Fuel (SRF)	
Castle Cement (Hanson Heidelberg)	Cement kilns at Ketton and Padeswood
Kunda Nordic Cement Corp	Cement kilns in Estonia and Sweden
Van Gansewinkel (VGW)	Waste to energy facility, Holland
Icopower BV	Waste to energy facility, Holland
LondonWaste	Waste to energy facility, Edmonton
Afval Energie Bedruf (AEB)	Waste to energy facility, Holland
Cemex UK Cement Ltd	Cement kiln in Rugby
Remondis	Waste to energy facility, Germany
Composting	
TJ Composting Group Ltd	Composting of green waste to PAS 100
Birch Airfield Composting Services Ltd	Composting of green waste to PAS 100
Stanton Composting (County Mulch)	Composting of green waste
Veolia (Rainham Composting)	Composting of green waste to PAS 100
AWO Recycling Services	Composting of green waste to PAS 100
Landfill	
Veolia (Rainham Landfill)	Use of all Veolia landfill facilities, with no maximum tonnage. Closest facility is Rainham, less than 2.5 miles away from Frog Island
WRG	Landfills in Bletchley, Calvert, Stewartby and Brogborough. No maximum tonnage under LTTA
Cory	Landfill in Colchester
Pinden Ltd	Hazardous waste landfill near Dartford. Licensed for asbestos
MRFs	
Biffa Waste Services Ltd	Edmonton MRF provides Orange Bag sorting and recycling
Bywaters Ltd	Bow MRF provides Orange Bag sorting and recycling
Ideal Waste	Swanley, Kent. Orange bag sorting and

	recycling.
Reprocessors	
Aylesford Newsprint Ltd	Recycling of paper and grey cardboard
Beaumont Farms Ltd	Currently accept mixed and kerbside recycling, mixed paper, soft mix and cardboard
Berrymans Ltd	Reprocessing of paper, mixed cans and mixed glass
MR Services Essex Ltd	Recycling of aggregate and hardcore
MDJ Light Brothers Ltd	Recycling of Fe and non-Fe metal, WEEE, fridges and freezers, car batteries and gas bottles
Larner Pallets Recycling Ltd	Processes clean and dirty wood before transporting to board mills for recycling
Hadfield Wood Recyclers	Recycling of clean and dirty wood into animal bedding
Choice Waste Management Ltd	Recycling of all plastics, including dense and LDPE
Northern Trading (Cumbria) Ltd	Recycling of mixed cans and steel
Mid UK Recycling	Currently accept inert and fines (0-6mm). Will also process C&D waste, plasterboard, glass, scrap metal, paper and cardboard, plastics, green and wood waste
Veolia (Rainham MRF)	Accepts kerbside recycling, mixed cans, co-mingled plastic and mixed cans and co-mingled glass
Southfields Gravel Company Ltd	Recycling of hardcore, inerts and ceramics
TGM Environmental Ltd	Recycling of paper and cardboard
AMG Resources Ltd	Recycling of aluminium, steel and mixed cans
LM Barry & Co	Textile recycling
McGrath Bros (Waste Control) Ltd	Tyre recycling
Pinden Ltd	Recycling of wood and aggregate
Alutrade Ltd	Recycling of cans and scrap metal
Edwards Waste Paper Ltd	Originally paper and card, but now accepts co-mingled recyclates through a new MRF
Eco Oil Ltd	Recycling of waste oils and lubricants
Gregory Demolition Group	Recycling of wood, metal, brick and concrete. Also provides crushing and screening of materials for soil remediation
Forest Recycling Project	East and North London based community re-use and recycling project. Community RePaint East London is one of the services they provide
British Heart Foundation	Provision of Bring Site collection bins across the Boroughs
Living Fuels	Recycling of waste cooking oil into biofuel
Tetra Pak Ltd	Recycling of Tetra Pak packaging
Wiser Group	Recycling of fluorescent tubes. WEEE recycling also offered
Homestore	Furniture Reuse (part of Quaker Social Action)
Lampcare	Complete Lamp Recycling. Includes

	fluorescent tubes
DS Smith Paper (formerly St Regis Paper Co Ltd / Severnside Recycling)	Recycling of paper and card
G & P Batteries	Batteries recycling, plus provision of recycling bins
Glazewing Ltd	Recycling of wood, inert, plastics and cardboard
Day Group Ltd	Recycling of aggregates and glass
Monoworld Ltd	Recycling of plastic and paper
Van Dalen UK	Metals recycling
M-Real New Thames Ltd	Paper and pulp mills. Recycling of paper.
WRG Luton	Recycling of Orange Bags / co-mingled recyclates
Newport Paper Company Ltd	Recycling of paper and card
J&A Young (Leicester) Ltd	Plastics recycling
Hall & Campey	Plastics recycling
Keltbray Hunt Ltd	Re-use, recycle and recover wastes generated from construction / industrial projects. Disposal of asbestos and contaminated materials
Nutra Mulch Yorkshire Ltd	Wood, green waste and industrial liquid recycling. Also composting and topsoil manufacture
Tom Martin & Company Ltd	Recycling of non-ferrous metal
Valpak Recycling Ltd	Recycling of WEEE and batteries
Chep UK Ltd	Pooling of pallets and containers
Eurokey Recycling Ltd	Plastic, cardboard and metal recycling services
Borders Recycling Ltd	Recycling of plastics and scrap metals
Vliko BV	Dutch subsidiary of Shanks Group plc
Shanks Kettering	Shanks MRF at Kettering. Processing of mixed recyclates
DHL	WEEE Compliance Scheme provider
REPIC	WEEE Compliance Scheme provider
Exceptional items of Contract Waste	
The City of London Corporation	Arrangement with the City of London for Collection and Disposal of Hazardous Waste, including flytips. An updated Procedure was issued by Shanks in May 2011 to ensure the Boroughs fully utilise all elements of the Service

In addition to the Waste Reprocessing Facilities and Offtakers listed above, Shanks Waste Management Ltd reserves the right to use any other available offtaker to meet quality requirements, without going through the approval process.

VGW Contract

From 01 November 2011, Shanks will be sending Contract Waste in the form of coarse SRF to Van Gansewinkel's (VGW) energy from waste facility in Holland. Shanks anticipate that this will result in a substantial increase in diversion during Contract Year 11.

Refer to section 4, page 9 for more details on Contractual Recycling and Diversion targets.

Non-Contract Waste

In addition to the expected contract waste tonnages estimated in Table 2.1, Shanks have budgeted for 96,803 tonnes of non-contract waste during Year 11 (April 2012 and March 2013). Shanks strongly advise ELWA that this is an estimated tonnage only, as it will be subject to variations in market forces.

Duty of Care

Duty of Care audits of facilities processing ELWA materials in excess of 1000 tonnes per annum were carried out in ABSDP Year 10. At the point of submission of this draft, these include:

- Veolia
- Castle Cement
- Countrystyle
- Beaumont Farms Limited
- Berryman - (Reuse Collection Ltd)
- MDJ Light Brothers
- Larner Pallets Recycling Ltd
- Aylesford Newsprint Ltd
- Choice Waste Management Ltd
- Cory - Belhouse Landfill
- TGM Environmental Ltd
- Mc Grath Bros (Waste Control) Limited
- Biffa Waste Services Ltd
- JK Environmental
- Regional Recycling Ltd

The audit process will continue into Year 11, with re-visits to existing customers and initial audits for prospective new customers. The frequency of these visits will depend on the amount of tonnage sent, and the level of risk.

Whilst there is no contractual obligation to audit our offtakers in any particular fashion, Shanks Waste Management Ltd take full risk on the Duty of Care.

3. Transport

Refer to Appendix A for a list of authorised vehicles for ABSDP Contract Year 11.

Rail Use in ELWA Contract

The railhead trial is now complete, with a final progress report submitted to ELWA in July 2011. Negotiations with ELWA regarding the complete closure of the railhead are ongoing.

Transport of Materials by Boat

Shanks are transporting SRF by boat to Germany and the Netherlands, and occasionally to Sweden and Estonia. This is part of our offtaker arrangements with AEB, VGW, Remondis and Kunda Nordic.

All SRF is transferred in accordance with the Transfrontier Shipment of Waste Regulations 2007.

4. Proposals for maintaining and enhancing existing levels of recycling, composting and recovery

Contractual Recycling and Diversion Targets

Over the previous Contract Year, Shanks have consistently achieved above Contractual Recycling and Total Diversion targets (27% / 60%), and this success is expected to continue into the next Contract Year.

This ABSDP for Year 11, March 2012-April 2013, also assumes targets of 27% recycling and 60% total diversion, as per the Shanks / ELWA contract, with contractual penalties remaining the same.

In addition to these targets, Shanks aim to divert an additional 20% of contract waste during Contract Year 11, with no penalties for failing to achieve this target.

Payment for the additional 20% diversion is being negotiated between Shanks and ELWA. A draft form of the Contract variation is currently being reviewed by lawyers for both parties.

Bio-MRF Performance Increase

Shanks have the pleasure to report that last year's problems at the Frog Island Bio-MRF have now been resolved, and that the facility is performing well (see page 4 for performance figures). Shanks will now aim for the facility to meet recycling and diversion targets through the production of SRF, which continues to be a market leader for quality. Refer to section 1 for more details of how we will deliver increased SRF tonnages over ABSDP Year 11.

Biofilter Media Replacement

The media within two Frog Island Bio-MRF biofilters and all Jenkins Lane Bio-MRF biofilters will be replaced during ABSDP Contract Year 11. By trialling a line at Frog Island in October 2011, Shanks are confident that there will be no impact on the bio-drying process during this work.

Performance of OB MRF, RRC sites and Ilford Recycling Centre (IRC)

Refer to the table on page 4 for performance figures relating to the OB MRF, RRC sites and IRC.

Shanks will maintain performance during Contract Year 11 by continuing the current level of service. No changes to current service are anticipated at the OB MRF, RRC sites and IRC, as Shanks are currently achieving contractual recycling and diversion targets.

Recycling of Organic Fines

Issues with the composting and subsequent use of the organic fines during 2011-12 have resulted in all composting of this material ceasing. The ABSDP model does not include any recycling performance for the composting of organic fines. This reduces the recycling performance by 3.5% to 23.5%. Shanks have agreed to undertake a study of the performance of the RRC sites to provide an additional 1.5% recycling bringing the annual target to 25%. This additional performance at the RRC sites has been included in the ABSDP model.

During ABSDP Year 11, Shanks will build an AD facility adjacent to Frog Island. There is an opportunity to place the organic fines into this plant, ensuring recycling performance for this material for many years to come.

Re-Use

Shanks support ELWA re-use activities in principal, and will discuss re-use activities with ELWA next financial year to understand how arrangements will work contractually.

5. Kerbside Collections

It is anticipated that there will be no changes to the kerbside collections service for the London Borough of Havering for Contract Year 11.

London Borough of Barking & Dagenham (LBBD) – Separate Glass Collection

LBBD are considering the introduction of a separate kerbside collection for glass for ABSDP Contract Year 11. The proposals are currently being reviewed by ELWA.

London Borough of Redbridge (LBR) – Inclusion of Cardboard in Paper Collections

Since July 2011, LBR has included grey card in with paper collections, and this is set to continue into Contract Year 11. Whilst LBR anticipated that increased tonnages would offset the downgrading in material value, there has not yet been enough of an increase for the deterioration in quality to become economically viable.

Shanks will continue to monitor LBR mixed paper tonnages into Contract Year 11.

London Borough of Newham (LBN) – Flats Recycling

Shanks anticipate a small increase in recycling tonnages for LBN once the new flats recycling scheme is rolled out.

6. RRCs / Bring Sites

Number of Bring Sites

Borough	2011	Available for 2012
Redbridge	191	200
Barking & Dagenham	113	135
Newham	223	225
Havering	134	145
Total	**661**	**705**

705 Bring Sites remain available across the four ELWA Boroughs. Locations for Contract Year 2011 will be agreed with the constituent Boroughs.

Bring Site Management Plan

It is anticipated that there will be no changes to the Bring Site Management Plan since last year's ABSDP. The maximum number of Bring Sites for each Borough remains the same.

Re-location of Bring Sites

During ABSDP Year 11, in consultation with ELWA and the constituent Boroughs, poorly performing Bring Sites could be re-located to residential areas with low recycling rates to increase and promote recycling.

Bring Site Collections and Cleaning

The Bring Sites Collections contract will be re-tendered, with new Contract Commencement expected July 2012.

Schedules for bring site collections and cleaning will be submitted to ELWA at the beginning of each quarter (no later than 5 working days after 01 April, 01 July, 01 Oct and 01 January of each Contract Year). For any major changes to these services, ELWA will be notified immediately.

Changes to RRC Protocol

From 01 January 2012, the use of disclaimer forms at the RRC sites will stop. One form of ID, restricted to an ELWA Borough Council Tax Bill or Driver's Licence will be required before members of the public are allowed to tip at the sites.

Shanks will work with ELWA to ensure that the new measures are enforced.

The ABSDP model allows for 1.5% additional performance over and above the reported performance for 2011-12. This is to partially mitigate the reduced recycling performance due to the loss of organic fines compost as a recyclate stream. See section 4.

7. Contingency Measures

Apart from the shutdown described below, there are no other planned shutdowns scheduled for ABSDP Year 11. It is anticipated that there will be no changes to Contingency Measures at any of the ELWA facilities since the last ABSDP.

Shanks contingency offtakers are included in Part 2, Section 1 of this ABSDP.

Jenkins Lane Shredder Replacement

There may be a planned shutdown at the Jenkins Lane Bio-MRF during ABSDP Year 11. This is to replace one or two of the secondary shredders.

The bio-drying and refinement processes will not be affected during shredder replacement, although only coarse grade SRF (not cement grade) will be produced from the individual line. Shanks will mitigate this by sending the coarse SRF to VGW (see VGW Contract section, page 7, for details).

There will be no interruption of Service for deliveries into Jenkins Lane, and no requirement for Boroughs to redirect their wastes to contingency sites. There will be no impact on diversion performance.

Contingency Landfill Capacity

Shanks continue to work with WRG and Veolia, with a Long Term Trading Agreement (LTTA) signed between Shanks and WRG. With no specified maximum tonnages and potential use of all sites, a robust contingency option in the event of any unplanned shutdowns is ensured.

Olympic Disruption Planning

London will host the 2012 Olympic and Paralympic Games during ABSDP Year 11. Substantial planning will be required to mitigate subsequent disruption to waste collections and street cleansing. <u>Shanks look to ELWA and the Boroughs for clear instructions on how their services will change to take account of these events.</u>

8. Safety, Health & Environment

BSI 18001

As next calendar year, Shanks will be working towards BSI 18001 Accreditation. BSI inspections have been arranged for January 2012 at Frog Island, Jenkins Lane and IRC, as part of this assessment.

Environmental Management

Shanks will continue to closely monitor the effects of its operations on the environment, working closely with the Environment Agency to ensure compliance with relevant legislation, permitting requirements, industry Best Practice (including BSI 14001) and Shanks Company Procedures.

Waste Regulations 2011

Shanks anticipate that the transposition of the Waste Framework Directive through the Waste Regulations 2011 will have some impact on its UK operations. This includes changes to the Standard Industrial Classification of waste transfer notes, changes to environmental permitting and changes to the registration system for Waste Carriers / Brokers / Dealers.

Shanks will continue to work with the Environment Agency, ELWA and its customers to ensure the smooth application of any changes.

Fly Management

Working alongside the Environment Agency and local Environmental Health Officers, Shanks have significantly reduced the fly numbers at Frog Island and Jenkins Lane, through the development and strict adherence to site-specific Fly Management Plans. As a consequence of Shanks proactive and consistent approach, there was also a considerable decline in the number of fly complaints in ABSDP Year 10.

9. Communications Plan

Waste Watch will produce a work plan for 2012 towards the end of this calendar year. This will be approved by Shanks, ELWA and ELWA Ltd.

Re-tendering of Communications Plan Contract

The formulation and delivery of the ELWA Communications Plan is currently contracted to Waste Watch until March 2012. Shanks will work with ELWA and the Boroughs to secure the next contract.

Shanks continue to commit £250,000 per annum to the ELWA Communications Plan. We await ELWA’s decision on their continued contribution of £150,000 per annum towards these activities.

10. Shanks Waste Management Ltd Team

Refer to Appendix B for the latest emergency contact list for Frog Island and Jenkins Lane.

10.1 Summary of Senior Managers

There have been a few changes to the Senior Management Team since last year’s ABSDP:

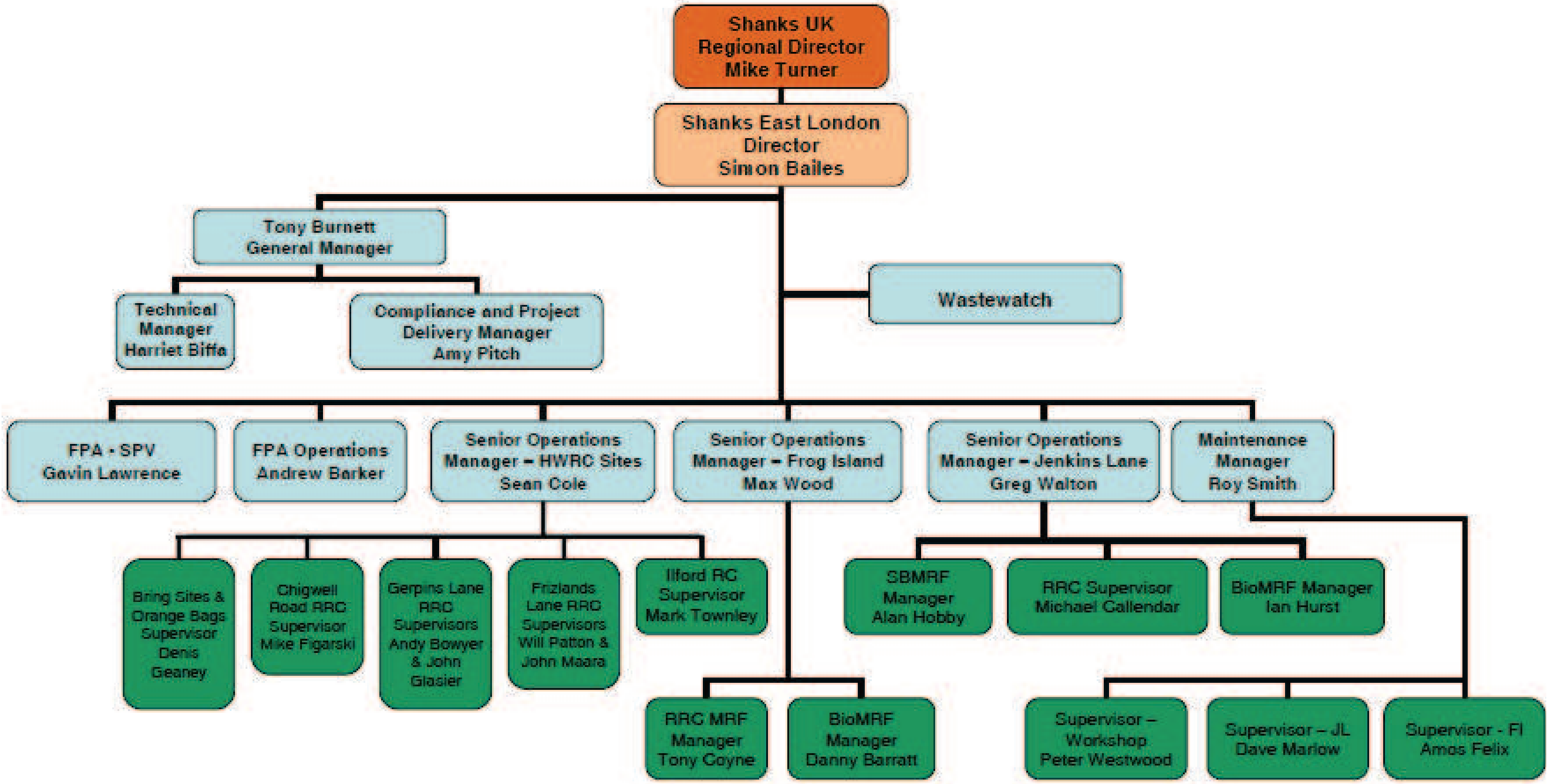
- Karen Taylor, Assistant Recycling Manager, has left the business
- Malcolm Gregory, Gerpins Lane Site Supervisor, has retired
- Andrew Barker, Operational FPA, and Tony Burnett, General Manager, have joined the team at Frog Island

10.2 Headcount

Site	Budgeted Headcount (2012/13)
Jenkins Lane RRC	22
Gerpins Lane RRC	15
Chigwell Road RRC	12
Frizlands Lane RRC	15
Ilford Recycling Centre	8
ELWA Admin Office	13
Bring Sites	6
Direct Deliveries	6
Maintenance	38
Frog RRC MRF	31
Frog Bio-MRF	27
Jenkins Bio-MRF	32
Jenkins OB MRF	40
RRC Site Transport	3
Total	**268**

Staff headcounts are budgeted numbers only, and include seasonal and agency staff. Staffing facilities remain Shanks risk on the premise that standards of service delivery are maintained and targets met.

10.3 Senior Management Structure



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11. Contract Monitoring

From May 2011, Shanks have been submitting a monthly self-monitoring checksheet to ELWA for auditing purposes. Further details on how Shanks compile and present the information, can be found in the Contract Monitoring Procedure and snapshot of the Self-Monitoring Audit Checksheet included at Appendix C.

During Contract Year 11, Shanks will continue to submit self-monitoring data, and will discuss the viability of developing a larger scale Contract Monitoring Manual in partnership with ELWA.

APPENDIX A

AUTHORISED VEHICLE LIST

[Electronic Copy Only]

APPENDIX B

EMERGENCY CONTACT LIST

Jenkins Lane Emergency Incident Team:

Name	Position
Greg Walton	Jenkins Lane Site Manager
Ian Hurst	Jenkins Lane Bio MRF Manager
Michael Callendar	RRC Site Supervisor
Alan Hobby	OB MRF Manager

Frog Island Emergency Incident Team:

Name	Position
Daniel Barratt	Frog Island Bio-MRF Manager
Tony Coyne	Frog Island RRC MRF Manager
Natalie Miller	Maintenance Clerk

APPENDIX C

ELWA CONTRACT MONITORING PROCEDURE

shanks. waste solutions.

ELWA CONTRACT MONITORING PROCEDURE

Denotes Change – New Document

PURPOSE

To ensure that reporting of ELWA contract requirements are completed on a monthly basis.

RESPONSIBILITY

It is the responsibility of all individuals referenced in this procedure to ensure that the requirements are adhered to.

TRAINING

Any queries on the content of this document should be raised with the Compliance and Project Delivery Manager.

1. Reporting Major Incidents

1.1 All major incidents e.g.; RIDDORs, fires, etc. must be reported as per Shanks' Accident/Incident Reporting Standard SHE107 STN.

1.2 Copies of incident reports for the above must be reported to the Frog Island Receptionist by the 1st of every the month, for the preceding month's incidents.

2. Reporting Material Breaches of H&S procedures

2.1 All major incidents and breaches of Health & Safety procedures e.g.; RIDDORs, fires, lock-off breach, permit to work breach etc. must be reported as per Shanks' Accident/Incident Reporting Standard SHE107 STN.

2.2 Copies of incident reports for the above must be reported to the Frog Island Receptionist by the 1st of every the month, for the preceding month's incidents.

3. Monthly Recyclate Stock Reconciliation

3.1 Site Managers at Frog Island, Jenkins Lane and Ilford must ensure that the levels of stock of recyclate stored on site are recorded on the last working day of each month on the monthly recyclate stock form.

3.2 Completed recyclate stock forms must be sent through to the Accounts Assistant & Weighbridge/Contracts Supervisor by the 1st of the month for the preceding month.

4 Site Closure / Non Availability of Sites

4.1 Site managers must report any instance of unforeseen site closure or unavailability of a site to their ELWA representatives immediately, by telephone initially followed up by email.

4.2 In addition the following must be informed;

- All managers in the line management chain up to the Director – ELWA PFI
- Frog Island Receptionist
- Accounts Assistant & Weighbridge/Contracts Supervisor

5 Bring Centre Collections

5.1 The Bring Centre management team must report details of any failures to empty or service bring sites, in accordance with the agreed specification, to the Frog Island Receptionist by the 1st of every the month, for the preceding month's failures.

6 Orange Bag Deliveries

6.1 The Orange Bag management team must report details of the following to the Frog Island Receptionist by the 1st of every the month, for the preceding month's failures;

- Failure to deliver orange bags in accordance with the ABSDP
- Failure to deliver orange bags to a household

.

7 Hygiene Facilities for Council Operatives

7.1 Any instances of the unavailability of hygiene facilities for the use of Council Operatives must be reported to the Frog Island Receptionist by the 1st of every the month.

8 Permit/Licence/Planning Conditions

8.1 The Technical Manager must report the following to the Frog Island Receptionist by the 1st of every the month, for the preceding month;

- Failures to rectify breaches of planning or permit/licence conditions as identified by EA inspections, planning visits etc.
- Failure to take reasonable efforts to limit fugitive emissions

9. Monthly ELWA Report

9.1 On receipt of the information above, the Frog Island Receptionist must ensure that the "Monitored" and "Defaults" columns on the ELWA Self Monitoring Checklist are completed.

9.2 The completed ELWA Self Monitoring Checklist must be passed to the Accounts Assistant & Weighbridge/Contracts Supervisor for approval prior to submitting to ELWA.

9.3 The Frog Island Receptionist must ensure that the ELWA Self Monitoring Checklist is submitted to ELWA, not later than 10 working days from the end of the preceding month.

9.4 On receipt of the completed Checklist from ELWA (i.e. with the "Deductions" column completed) the Frog Island Receptionist must retain this as the live copy.

9.5 If the Checklist is not received back from ELWA within 10 working days the Frog Island Receptionist must chase ELWA for the document.

9.6 The Accounts Assistant & Weighbridge/Contracts Supervisor will retain the summary sheet of deductions issued by ELWA.

Prepared by:	----------------------------------	Amy Pitch	Compliance and Project Delivery Manager
Approved by:	----------------------------------	Simon Bailes	Director – ELWA PFI

SELF-MONITORING AUDIT CHECKLIST (SCREENSHOT)

						May-11				Jun-11			
Indicator Number (provisional)	Deduction category	Contract Monitoring Indicator	Reporting Frequency	Assigned Individual	Relevant Contract Procedure	Monitored	Defaults	Deductions Apply ???	Reason if Applicable	Monitored	Defaults	Deductions Apply ???	Reason if Applicable
A1	A	Failure to accept contract waste delivered by WCA	Report only when incident occurs	Site Managers	ELWA Contract Monitoring Procedure								
A2	A	Failure to accept contract waste delivered by the public	Report only when incident occurs	Site Managers	ELWA Contract Monitoring Procedure								
A3	E	Failure to accurately distinguish, weigh and record waste	Contact immediately if failure	Gary James	Weighbridge Operators Procedure								
A4	VARIOUS	Failure to achieve turnaround times for WCA vehicles	Monthly	Gary James	Weighbridge Operators Procedure								
A6	A	Failure to weigh an authorised vehicle within 10 minutes of arrival	Report only when incident occurs	Gary James	Weighbridge Operators Procedure								
A8	C	Failure to prevent a queue at entrance to RRC sites	Monthly [waivered as of 09 May until further notice]	Sean Cole	Flow Rate Procedure								
A9	C	Failure to prevent unauthorised tipping at RRCs	TBC [Procedure being updated]	Sean Cole	Revised RRC Protocol								
A12	E	Material breach of H&S precedures	Report only when incident occurs	Site Managers	Major Incident Report (see ELWA Contract								
A15	VARIOUS	Failure to empty or service a bring site in accordance with spec	Monthly	Sean Cole	ELWA Contract Monitoring Procedure								
A17	D	Failure to provide welfare facilities for representatives of ELWA	Report only when incident occurs	Janet Lascaris	ELWA Contract Monitoring Procedure								
A19	D	Failure to deliver orange bags in accordance with the ABSDP	Monthly	Sean Cole	ELWA Contract Monitoring Procedure								
A20	C	Failure to deliver orange bags to a household	Monthly	Sean Cole	ELWA Contract Monitoring Procedure								
B1	B	Failure to transport contract waste in conforming containers / vehicles	Report only when incident occurs	Gary James	Weighbridge Operators Procedure								
B4	C	Failure to observe any H&S related procedures relating to transportation of waste	Report only when incident occurs	Gary James	ELWA Contract Monitoring Procedure								
C1	C	Failure to rectify breaches of planning or licencing conditions	Report only when incident occurs	Harriet Biffa	ELWA Contract Monitoring Procedure								
C2	E	Acceptance of waste not covered by the site licence conditions	Report only when incident occurs	Site Managers	ELWA Contract Monitoring Procedure								
C3	C	Failure to take reasonable efforts to limit fugitive emissions	Report only when incident occurs	Harriet Biffa	ELWA Contract Monitoring Procedure								

ABSDP 2012-2013 ONE-YEAR WASTE FLOW SUMMARY

	2011-2012 ABSDP	2012-2013 ABSDP
Total Contract Waste tonnes	469,600	434,890
Contract Recycling & Composting		
Bring site Recyclates	7,800	6,000
Kerbside Recyclates (Inc. separately collected)	16,700	28,400
Other Recycling (Inc. green waste delivered by boroughs 2012-2013)	4,300	13,250
Redbridge Box Recyclates	12,200	12,250
CA Waste Recyclates Processed (Inc. green waste delivered by boroughs 2011-2012)	42,000	32,700
Frog Island RRC MRF Recyclates Processed	11,300	6,700
BioMRF - Recyclates	19,000	10,000
BioMRF - Material composted	14,400	Nil
Total Contract Recycling & Composting - Tonnage	127,700	109,300
Total Contract Recycling & Composting - Performance	27.2%	25.0%
Diversion from Landfill		
Total Secondary Recycling	10,400	6,500
Diversion From Landfill via Ecodeco Process	138,200	77,100
SRF	Inc. Above	61,000
Coarse SRF	Nil	87,000
Total Diversion from Landfill - Tonnage	148,600	231,600
Overall Diversion from landfill Including Recycling & Composting - Tonnage	276,300	340,900
Overall Diversion from landfill Including Recycling & Composting - Performance	58.8%	78.0%

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WASTE WATCH RECYCLE FOR YOUR COMMUNITY CAMPAIGN INFORMATION

1. Activities

1.1 From its beginning in April 2009 to September 2011 the Recycle for Your Community Campaign, run by Waste Watch has had the following outputs:

Community Engagement

a) 22,765 members of the public engaged through 268 events and roadshows
b) 2,810 members of the public engaged through 174 Talks, workshops and tours
c) 652 members of the public attended 6 Swap Shops
d) Run 8 public tours of the Frog Island BioMRF

Schools

a) Over 110 visits to primary and secondary schools providing assemblies and classroom activities
b) Over 60 visits to MuRFy's World Education Centre
c) 7 Love Food Hate Waste sessions to school classes
d) 16 summer sessions with parents and children
e) 9 consultations with schools facilities staff
f) Attending regular education meetings with the boroughs directly and with HEEP and the Barking & Dagenham Millennium Centre
g) Working on a programme of extended schools visits in 2011/12 which will total by March 2012:
   (1) 19 Staff Training Sessions
   (2) 57 visits to these 19 schools to carry out activities with all classes

Resident Engagement (Doorstepping)

a) Made 250,000 visits to 205,000 households
b) Spoken to 81,000 residents
c) Achieved an average contact rate of 39.96%

2. Additional ELWA Funding

2.1 Overall the additional funding brings the Recycle for your Community campaign to a size where economies of scale can be achieved. With a larger staff team, increased time can continue to be dedicated to development, including:

a) Supporting the overall development of the RFYC Partnership (ELWA, Shanks, the boroughs and Waste Watch Delivery Team), including support with 'Team Building'.
b) Seeking new funding opportunities for the campaign and supporting the development of partnership funding bids.
c) Identify issues at a strategic level and potential solutions.
d) Identifying best practice in increasing recycling and waste minimisation from across the UK, sharing these and looking at possible application for the RFYC campaign.

2.2 Furthermore, the ELWA investment will fund:

An additional Community Engagement Officer which will enable the team to:

a) Deliver an additional forty community and flats engagements events each year and forty talks and workshops with voluntary and community groups (reaching an additional 3,000 residents each year).
b) Expand the volunteer programme to a further six residents, training and supporting the volunteers to lead an additional four workshops, donating an additional 100 hours of volunteer time each year.
c) Expand the Frog Island Tour programme, offering an additional four Frog Island Tours for groups and residents each year.
d) Expand the 'Give and Take' day programme, offering a minimum of four additional events per year (reaching an additional 400 residents).

Additional Resident Engagement and monitoring support which will enable the team to:

e) Doorstep an additional 73,000 properties each year.

f) Invest an additional £10k in monitoring and research activity (such as resident surveys, participation monitoring, waste audits) each year.

Additional Communications Support which will enable the team to produce:

g) Two additional 'How to guides' developed and made available to groups online to run their own recycling and waste minimisation events and activities.

h) 70,000 leaflets for boroughs each year to highlight particular issues.

Additional Resources budget for Schools and Communities

i) To develop and purchase specific resources to support the delivery of work with schools and communities which support and reinforce key campaign messages.

3. Quotes and Feedback

3.1 Through engagement work with Communities and Schools the following quotes have been given as feedback to the Recycle for your Community Team.

Roadshows

"I am very happy you're here. You talked to me today, but then I can pass (information) on to other people I know."

Resident, East Ham Local Service Centre, London Borough of Newham. 14 September 2011

"[Cllr Canal] had seen you both at the Wanstead Festival and was extremely complimentary about you both, saying how enthusiastic and engaging you had been. He was extremely impressed and asked me to pass on his thanks."

Tom Lawrence - Recycling Manager - London Borough of Redbridge. 13 September 2011

"Can I firstly say a huge thank you for making Let's Get Rolling with East Ham Summer Festival such a success. I hope you found the day enjoyable and worthwhile and that you would consider taking part in similar events."

Kim Vasa, Community Leaders and Engagement Officer, London Borough of Newham. 17 September 2011

Talks and Workshops

"You've honestly converted me. I didn't believe things were recycled...it's actually really important."

Attendee, RRR Talk, Collier Row Methodist Church Friday Club

"Thank you for Friday; the Brownies had a great time. They loved the recycle game and squirrel game which we will continue to play"

Sharon, Brown Owl, 6th Upminster Brownies

"Thank you for today, the ladies said they found it very interesting"

Liz Graham, Childminding Development Officer, London Borough of Barking & Dagenham

"The two RFYC events in our local hall have been of great interest to the local community. Libi and the team have been very obliging in attending our Saturday morning session free of charge.

From feedback I have had it has encouraged people to think about unnecessary waste and their resolve to continue to recycle. From my point of view it has reinforced my support of something I do and also made clear the yes and no items.

The publicity given out at these events are also helpful reminders. The fridge magnet and flyers have been especially useful. The flyer "yes and no" list for example is now displayed continually on our community notice board.

At Manor Park Village we look forward to meeting again with the RFYC team next year. We are going to have a street party in 2012. One of the requests from residents is that we ask RFYC to attend, Libi has agreed."

Anna Dragonetti, Manor Park Village, London Borough of Newham (a group with whom we have run a RR talk and a Swap Shop)

"Thank you for coming in and speaking to the students. We all really enjoyed the session and I can positively say we all learnt something new about recycling. Many thanks once again for making our topic on recycling that much more interesting"

Ferial Desai, Newham College English as a Second Language (ESOL) Lecturer. April 2011

"I would like to thank you once again for giving such an excellent presentation to our ESOL 19+ students. The students have commented that they found the talk very informative and were surprised by some of the facts."

Jacqui Manning Redbridge College ESOL Lecturer. May 2011

"It was informative, presented in and interesting way, I was impressed overall"

"There should be more workshops, it was an eye opener, very interesting"

Anonymous evaluation forms from the LBH Waste Awareness Week Waste Minimisation Workshops. February 2011

Swap shops

"Many thanks again to you and your team for your fantastic event today. It would be great to continue to include your events in the future."

Rosie Fuller, Families Programme Officer, Valentines Mansion

Litter Picks:

On Sunday 3rd July 2011 we ran a Litter Pick at one of our Valentines Mansions Swap Shops with Apex Primary School. Children and parents from the school joined us on a litter pick around Valentines Park, Ilford.

"The event was a great learning experience for our children. It gave the children a practical opportunity to practice what our religion Islam preaches and give back to the community. One of the children commented 'It was fun, I liked it'. Another child noticed the next day, rubbish on the street next to the school and mentioned 'why don't we pick up the rubbish here?' We would like to take this further by implementing a clean up on a regular basis around the school locality"

Meherun Hamid, Head Teacher, Apex Primary School, London Borough of Redbridge

Summer competition feedback

200 people entered the competition, with around 165 providing feedback. Responses gathered from the entry forms were positive:

a) 61% said they had seen the RFYC Team around before
b) 98% said they got the information they needed
c) 86% said they learnt something new from the RFYC Team
d) The most common aspects that residents found 'interesting or useful' were what can and/or cannot be recycled at home (particularly regarding the types of plastic that are recyclable), composting and food waste information and junk mail prevention.
e) When asked what was missing from the event or roadshow, the most common response was 'nothing' (50% of the 37 responses).
f) Other comments included: '*great service*', '*fabulous idea*' and '*knowledgeable and friendly staff*'. One resident from the London Borough of Barking & Dagenham commented that she wanted to "...*maintain a good quality of life while still doing my bit for the environment, and save money through small changes, and help to make a big difference to the environment.*"

Education

About a MuRFy's world visit: "I think all year groups should visit and learn from the centre. The education packs proved very popular with my class!"

Georgina Ross, Calverton Primary School, London Borough of Newham

"Thank you for coming in to the school. Mr. Nicholson [the head teacher] was very positive about the recycling project...thank you again for all you've done for our school so far."

Mignon Reynolds, Year 4 Teacher, Grafton Junior School (LBBD). June 2011

"We've had very positive responses to your assembly from pupils and staff so thank you very much for your time and very professional delivery."

Nina Gill, Calverton Primary School, LBN. June 2011

"As the workshop was brilliantly planned Lana's calm, positive nature kept the children focused and involved. Lovely! "

Bal Jheeta, Upton Cross Primary School, LBN. 24 January

"[The workshop] was interesting, lively and interactive…it was very well received. Thank you."

Mrs Abeledo, Ardleigh Green Junior School, LBH. 2 February

"Very well presented, lots of pace and different activities. Worked very well for a frequently poorly behaved mixture of classes who on this occasion were kept interested. We would like another visit."

Jim Cohen, Lister Community School, LBN. 3 March

AUTHORITY REPORT: REVENUE & CAPITAL BUDGETS AND LEVY 2012/13

1. Confidential Report

1.1 No

2. Recommendation:

2.1 Members are asked to agree:

a) The revised budget for 2011/12 totalling £53,336,000;

b) The revenue budget for 2012/13, totalling £52,956,000 excluding contributions from reserves;

c) The charges for commercial and industrial waste for 2012/13

Commercial & Industrial Waste – recycled	£70 per tonne
Commercial & Industrial Waste – other	£117 per tonne;

d) That on the basis of 2b to 2c above, ELWA determines its levy for 2012/13 the sum of £44,749,000;

e) The policy on Reserves and associated criteria;

f) The continuation of existing arrangements for the payment of the levy and commercial and other waste charges.

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3. Purpose

3.1 To agree revenue budget for 2012/13.

3.2 To determine the ELWA Levy for 2012/13.

4. Executive Summary

4.1 This report sets out to provide the Authority with information to agree the ELWA revenue budget for 2012/13 and to determine the levy for each constituent council. The proposals set out in this report have been prepared in accordance with the 2012/13 to 2014/15 ELWA financial strategy as agreed at the November 2011 Authority meeting.

4.2 In the financial strategy report, Members were informed of an indicative average increase in the ELWA levy of 4.1%. Members were also informed that this levy figure may change following updated tonnage figures for each borough and further management information on ELWA's recent initiative to divert Solid Recovered Fuel (SRF) away from fuel and towards European markets.

4.3 Initial management information has demonstrated that the SRF scheme has successfully diverted waste from landfill and subsequently created additional financial savings.

4.4 The financial savings are two fold. Firstly it creates a further budgetary saving in the 2011/12 financial year as this scheme was devised and implemented in year and was therefore not part of the assumptions when setting the 2011/12 budget. The budgetary control report elsewhere on your agenda reports that the projected underspend has now increased to £1,661,000. It is recommended that the increase in underspend is used to dampen any levy increase in 2012/13.

4.5 Furthermore, ELWA officers have been able to advise that from reviewing this recently available information on the SRF diversion scheme, there is likely to be an improved diversion rate from that that was used in the modelling of the estimated 2012/13 levy that was presented to you in November 2011. This has also means that the 2012/13 budget has reduced by approximately £1,000,000.

4.6 All other budget assumptions for setting the 2012/13 levy such as landfill tax increases, the impact of the Olympics and additional income streams remain in line with that reported to you in the Budget Strategy report in November 2011. It is important to stress that the proposed levy has been set on the basis that the Authority continues to run down the level of reserves in the short term. The proposed Levy for 2012/13 assumes a transfer £6,639,000 from PFI reserves with £67,000 drawings from revenue reserves. However, this is not a sustainable policy and in the medium term, it is proposed reserves are increased so that ELWA can effectively manage the transition and risks that will need to be faced at the culmination of the PFI contract.

4.7 These new factors have meant that this report is now proposing a 2012/13 average levy increase of 0%. However, this is an average and not the level for any borough.

4.8 As noted in the November 2011 report, the actual levy payments of each individual council is based on

a) waste tonnage levels for costs attributable to household waste

b) Council Tax band D properties numbers to apportion other costs such as Reuse and Recycling Centres.

4.9 Constituent Councils have seen different changes in their comparative waste tonnage levels and band D property numbers. For example; LB Newham have seen significant reductions in their waste tonnage levels compared to the other constituent councils whose waste tonnage levels have remained relatively fixed. This means that whilst the overall proposed levy increase is zero, it masks a wide spread of changes amongst the four constituent councils. The individual levy for each constituent council is

LB Barking and Dagenham	£8,507,000	(an increase of 4.4%)
LB Havering	£10,956,000	(an increase of 0.6%)
LB Newham	£13,293,000	(a reduction of 5.0%)
LB Redbridge	£11,993,000	(an increase of 2.4%)

4.10 The LB Newham figures do not include the additional charge to LB Newham for Olympic related tonnages. This charge is based on 5,000 tonnages and expected to be in the region of £500,000.

4.11 However, Members' attention is drawn to the current projections for the ELWA levy in 2013/14 and 2014/15, which stand at 12.4% and 6.7% respectively. If increases at this level are to be avoided, work must continue to progress between ELWA, constituent councils and Shanks to find further ways to reduce costs.

4.12 The ELWA Management Board supports the contents and recommendations, and the Finance Service of each constituent council has been consulted on and advised of the potential levy increases.

5. Background

5.1 This report sets out the background to the levy, the assumptions and cost pressures determining the levy, the strategic use of reserves to mitigate cost increases to Boroughs and the revenue estimates for 2012/13. Members are asked to consider these matters and determine the levy for 2012/13.

5.2 The key strategic themes of this report were set out in the Financial Projection and Budget Strategy 2012/13 to 2014/15 report as agreed at the 28th November 2011 Authority meeting. The Constituent Authorities were made aware of this and the proposed levy increase.

5.3 ELWA is required to inform the constituent Councils as to the amount of its levy requirement by the 15th February each year. The levy is made by issuing a demand to each Council, specifying the dates on which payment is to be made and the amounts involved.

5.4 There is no specific power enabling ELWA to make a supplementary levy during the course of the year should it require additional resources due to unforeseen circumstances.

5.5 The levy requirement is made up of the ELWA budget plus any contingency provisions, and drawings from/ contributions to reserves including the PFI reserve.

5.6 ELWA recommended and its constituent Councils unanimously agreed to the following levy apportionment arrangements with effect from 2002/03:

a) A levy based on waste tonnage for costs attributable to Household Waste;

b) A levy based on Council Tax Band D to apportion other costs attributable to, for example, Reuse and Recycling Centres, Aveley I landfill site.

5.7 At the September 2010 meeting ELWA agreed to maintain this levy apportionment arrangement and to wait until the 2013/14 levy setting process to formally review the Levy methodology once more.

5.8 In respect of the Equalities Impact Assessment of the proposals, this report builds on previous decisions by the Authority and at the point the decisions were made there were no equality issues. The only proposal underpinning the setting of this levy that has not been subject a previous Authority decision is the one to raise commercial waste charges. This proposal has been subject to an equality impact assessment by the Managing Director and he advises that this proposal does not have any impact on any one group.

6. Cost Pressures on Revenue Budget

6.1 The two broad determinants of the levy are the costs facing ELWA mainly from the Integrated Waste Management Contract and secondly, the ability to use reserves to mitigate against these cost pressures. The following paragraphs detail the main cost pressures.

Annual Budget and Service Delivery Plan (ABSDP)

6.2 The key item within the revenue budget is Shanks East London's Annual Budget and Service Delivery Plan (ABSDP) which forms approximately 95% of ELWA's total gross expenditure. The provisional ABSDP for 2012/13 assumed a total ELWA Waste figure of approximately 435,000 tonnes. A significant reduction partly brought about by the introduction of documentation checks at Recycling and Re use sites (RRC). ELWA technical officer advice is that tonnage delivered to RRC sites reduced by 20% in 2011/12 compared to 2010/11. The current provisional contract cost forecast based on the draft ABSDP for 2012/13 is £53,958,000 which forms approximately 95% of ELWA's total gross expenditure. This is a decrease of 0.1% compared to 2011/12.

6.3 The revenue budget has accounted for further increases in landfill tax of £8 per tonne each year. However, due to the increased diversion rate the overall land tax liability has reduced for the Authority between 2011/12 and 2012/13.

6.4 Under the IWMS contract, landfill tax is met by Shanks up to £15 per tonne. ELWA bears the excess over £15 on the levels of landfilled waste provided the contractor has achieved the contracted diversion from the landfill target.

6.5 As a consequence of additional Landfill Tax rate rises, the revenue budget has assumed subsequent increases in commercial waste disposal charges to the boroughs of the equivalent amount.

6.6 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 2012/13 to 2014/15. This is because the current value of any sale of surplus allowances is likely to be nil.

6.7 Managing waste levels is a key pressure for constituent Councils and it will be affected by the pace of development of the Thames Gateway and the impact of the Olympics and its legacy, which could significantly add to waste growth over the next decade. Based on technical officer advice, an estimated increase in tonnages of 5,000 tonnes for 2012/13 has continued to be reflected in the gross projection to allow for the impact of the Olympics.

6.8 Members agreed at the Authority meeting of 28th November 2011 that Newham would be charged separately in 2012/13 for its tonnage relating to the Olympics as this Authority will receive Central Government Grant funding. This was estimated to be 5,000 tonnages (equivalent to £500,000). The levy increase in 2012/13 assumes that there will be an additional charge to Newham as well.

6.9 As required in the contract, annual cost inflation has been built into the projections. This is based on the Retail Price Index excluding mortgages (RPIX), at the previous October each year (at 80%). At the 80% level, this is 4.5% for 2012/13 and projected to be 3.0% for 2013/14 and 3.0% for 2014/15.

6.10 Members agreed a report in September 2011 which detailed a proposal from Shanks for an increased level of diversion of Solid Recovered Fuel (SRF) from landfill. In the Financial Projection and Budget Strategy Report agreed in November 2011, Members were advised that it was anticipated that for this levy setting report, there would be sufficient data on this proposal to build into the levy setting projections. The budget projections in this report as assumed by the Managing Director assume an increased level of diversion of solid recovered fuel, and although this leads to a greater cost of diversion there is a net saving when the reduced land tax liability is taken into account. The diversion rate assumed for 2012/13 is 75%. ELWA technical officers advise that in December 2011, 2,700 tonnes of SRF were diverted and this is compatible with the rate assumed for 2012/13.

6.11 Elsewhere on the agenda is a report showing the budgetary control and projected outturn position for 2011/12. This shows a projected underspend at year end of £1.661 million. In the Financial Projection and Budget Strategy report agreed in November, it was noted that the revenue underspend would allow the reserves to rise. At the end of November the net revenue underspend was £960,000 and this has been used to supplement projected reserves. The updated revenue underspend projection in 2011/12 is £1.661 million and it is proposed that the additional £701,000 is used directly to support the levy.

Non-Contract Costs

6.12 In the non contract costs part of the budget net economies have been found. These mainly relate to reduced contract monitoring costs and the deletion of the disposal credits budget.

Income

6.13 ELWA receives interest on its balances and the total income generated depends on the level of balances and interest rates. ELWA's Treasury Management Strategy continues to focus on security rather than returns. Interest rates remain low and it is proposed that the budget for bank interest receivable is set at £200,000.

Commercial and industrial waste charges

6.14 There are some other income streams within the revenue budget projections. These are commercial waste charges to the Boroughs and trade waste royalty income.

6.15 Commercial Waste tonnage is anticipated to show a decrease over the three-year period compared to the level assumed in the original 2011/12 Revenue Budget. This reflects reduced tonnage levels.

6.16 ELWA makes charges to Boroughs for commercial and industrial waste disposal based on the tonnage disposed of. Under the IWMS contract Shanks must accept and deal with this waste.

6.17 To reflect the increased cost of landfill tax and inflation within the IWMS contract it is the view of the ELWA Technical officers that the normal charge for 2012/13 is increased from £107 to £117 per tonne, £5 of the increase relates to inflation and £5 to the landfill tax. A charge of £70 would remain for recycled waste.

6.18 Taking account of the above it is proposed that for the next three years income from Commercial Waste charges are set approximately at the 2011/12 projected outturn level.

6.19 The Authority receives royalty income in respect of the waste Shanks processes in any of ELWA's facilities. This relates to waste from other Boroughs and some commercial waste. Based on ELWA technical officer advice, the projected income in 2012/13 will be £310,000.

Capital Expenditure

6.20 Through the IWMS contract, Shanks.east London has had a major capital programme for the provision of new waste disposal facilities and the refurbishment of existing ones in the ELWA area. The costs of this are reflected within the contract charges.

6.21 In addition, consideration will be given by ELWA Officers to making bids for additional funding in appropriate circumstances including recycling and composting initiatives, but no bids are planned at the moment.

6.22 ELWA has had reports on developing its closed landfill sites. Capital works are not anticipated but cannot be ruled out. If such work is required, a report will be brought to Members.

6.23 Existing capital financing charges are taken account of in the revenue estimates. In 2012/13 these are slightly reduced from the 2011/12 budget level due to some debt being paid off.

Summary

6.24 The table below summarises the movement and the increase in cost pressures which will have a direct impact on the levy.

	£m	Reference
Original Budget 2011/12	53.3	
Shanks contract – Increased recycling diversion costs	2.6	Para. 6.10
Shanks contract – Increase due to inflation	2.4	Para. 6.9
Residual landfill tax increase	1.0	Para. 6.3
Changes in Tonnage	(3.1)	Para. 6.2
Change in income	0.3	Para. 6.13 to 6.19
Reduced net landfill tax (greater diversion)	(3.0)	Para. 6.10
Newham Olympics tonnage – separate charge	(0.5)	Para. 6.8
Proposed Budget for 2012/13	53.0	

6.25 Although there is a reduction in cost pressures there is no corresponding reduction in levy because of the reduced dependence on reserves in 2012/13.

7. Reserves Strategy

7.1 The approach to reserves is a continuation of our long-term strategy. A higher level of reserves was put in at the start of the contract due to the uncertainty around the innovative nature of the contract, the technologies used and planning risk. Once the contract was established, reserves have been reduced in stages to an appropriate level. As part of the Levy setting report in February 2011 I advised that there would need to be a process in the medium-term to build up the reserves to reflect risks that may arise towards the end of the life of the PFI asset. Consequently I advised as part of the Financial Projection and Budget Strategy report in November 2011 that at the end of 2014/15 there would be an overall increase of reserves of £1.14 million compared to the original projection to the end of 2013/14).

7.2 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.

PFI Reserve

7.3 The PFI reserve was put in place 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. It is proposed that the PFI reserve remains. Since then other pressures outside ELWA control such as the annual increases in landfill taxes have required financing. With Members agreement, the PFI grant has been used to support this. The current government policy is that the landfill tax will increase annually by £8 per tonne over the next three years to a cap of £80. It is proposed that the PFI reserve will be used to support the impact of these tax increases on the levy to constituent councils. PFI reserves are projected to stand at £3.0 million at 31st March 2013 with further transfers in 2013/14 and 2014/15.

7.4 The effect on PFI reserves in 2011/12 and 2012/13 is shown below:-

	£'000
Balance at 31.3.11	7,664
PFI credit received 2011/12	3,991
Net transfer to support levy 2011/12	(5,987)
Estimated working balance at 31.3.12	5,668
PFI credit to be received 2012/13	3,991
Net transfer to support levy 2012/13	(6,639)
Projected balance at 31.3.13	3,020

7.5 The Department of Communities and Local Government in January 2011 advised that the annual PFI grant would be paid on an annuity basis rather than the declining balance basis with a final payment made in 2026/27. The main impact of this is in the short term is that for the next three years the Authority will receive additional PFI grant of approximately £1.3 million compared to the position if the grant had continued to be paid on the declining balance basis

7.6 As part of the setting of the levy in 2011/12 Members agreed to use the additional grant over the 3 year period to reduce the levy requirement and it is proposed to continue this policy. The table in paragraph 7.4 takes account of the additional income.

Revenue Reserves

7.7 Members will be aware that in previous budget reports the Authority has agreed to set aside a minimum level of normal operational revenue balances based on an analysis of risk. This has been undertaken as part of this Budget Strategy process. It is now estimated that the total level of reserves that need to be held are £5.0 million at the end of 2012/13. This level of revenue reserves must be seen in the context that a 2% increase in waste tonnage creates a cost pressure of £1 million on the Authority.

7.8 The effect on Revenue Reserves in 2011/12 and 2012/13 is shown below:-

	£'000
Working Balance at 31.3.2011	6,607
Net transfer to support Levy for 2011/12	(1,540)
Estimated Working Balance at 31.3.2012	5,067
Net transfer to support Levy for 2012/13	(67)
Projected Working Balance at 31.3.2013	5,000

The 2012/13 Contingency

7.9 In order to deliver a sustainable budget that is able to adapt to uncertainty, it is prudent for the Authority to set aside a provision or contingency for uncertain events.

7.10 The 2012/13 detailed Revenue Estimates do not include provision for pay and price rises. A contingency provision of £150,000 is recommended.

Capital Reserve

7.11 It is to be noted that there is a £400,000 Capital Reserve earmarked for future costs at the Aveley I site. In the opinion of ELWA Officers there continues to be the potential need for significant works e.g. concerning the proper environmental protection of the site and the continuation of existing operations on the site.

8. 2012/13 Levy/Three Year Period

2012/13 Levy

8.1 The levy requirement is made up of the ELWA net revenue estimate plus / minus any contingency provisions, and drawings from or contributions to reserves including the PFI reserve.

8.2 As part of the Financial Projection and Budget Strategy 2012/13 to 2014/15 agreed in November 2011, it was proposed that the two one off receipts (£500,000 from the contractor in respect of the agreement to dispose of 'B' and 'C' shares and £300,000 in respect of reimbursement of performance supplements paid by the Authority) were utilised to mitigate the 2012/13 levy increase.

8.3 The Finance Director's Financial Projection and Budget Strategy report agreed by Members on 28th November 2011 highlighted a potential increase in 2012/13 of 4.1%. The proposal now is no increase in the overall 2011/12 levy. The reason for the movement from 4.1% projected in November to a zero increase in this report is the proposed use of the additional underspend in 2011/12 directly to support the levy and the increased diversion rate based on the current operation SRF diversion.

Levies 2013/14 and 2014/15

8.4 The table below highlights a potential levy in the region of £50.3 million for 2013/14 and £53.7 million for 2014/15. The reserves position at the end of 2014/15 is projected to be £5.0 million for revenue reserves and £2.25 million for the PFI Contract reserve.

8.5 The levy forecasts for 2012/13 to 2013/14 clearly can only be taken as an attempt to provide an indication for planning purposes. However, a change in any of a number of uncertain factors, for example changes in landfill tax, waste growth, inflation assumptions and any new legislation could impact on the overall projections. The effect of the Olympics will mainly be felt in 2012/13 and Newham are to be charged separately for their tonnage.

8.6 The indicative levy position and reserve figures for the next three years based on the data used for the 2012/13 levy is summarised in the table below:

Summary Budget	2012/13 £'000	2013/14 £'000	2014/15 £'000
Revenue Budget	52,956	55,247	57,463
Annual PFI Grant	(3,991)	(3,991)	(3,991)
Transfer to PFI Reserve	3,991	3,991	3,991
Sub Total	52,956	55,247	57,463
Financed By			
Transfer from PFI Reserve	(6,639)	(4,963)	(3,789)
Transfer (from)/to General Reserve	(67)	0	0
2011/12 one off receipts/ underspend	(1,501)		
Levy	(44,749)	(50,284)	(53,674)
Levy Increase over previous year	0%	12.4%	6.7%
Year End Reserves			

PFI Reserve	3,020	2,048	2,250
Capital Reserve	400	400	400
General Reserve	5,000	5,000	5,000

8.7 The above year reserves projections reflect the current understanding and assessment by officers on the risks faced by ELWA. These matters will need to be kept under review and the advice may change in light of any future developments.

8.8 The levy for 2012/13 is recommended to be £44,749,000 including the contingency of £150,000 and after applying £6,639,000 from the PFI reserve and drawings from revenue reserves of £67,000. The levy assumes that there is also a separate charge to Newham for its Olympic tonnage.

8.9 Increases in the levy in future years are likely to put pressure on the budgets of the constituent councils. As I have highlighted before, if increases of this level are to be avoided ELWA should continue to work with Shanks.east London to find further ways to reduce costs.

8.10 Any changes in the estimates provided in the recent three-year plan will be reflected in the next three-year financial strategy and budget projection review due in November 2012.

8.11 The previous Government's capping regime did not apply to Waste Disposal Authorities like ELWA. The new Coalition Government has made public sector financial constraint a key feature of its policies. This reinforces the need for ELWA to seek ways to reduce future levy increases.

<u>Apportionment of the 2012/13 levy and monitoring arrangements</u>

8.12 The basis of the apportionment o the levy is explained in paras 5.6 to 5.8 of the report. The detailed apportionment is given in the table below:-

Actual Levy 2011/12		**Tonnages**	**Apportion Tonnages**	**Band D Basis**	**Apportion Band D**	**Proposed Levy 2012/13**	**Increase in 12/13**
£'000			**£'000**		**£'000**	**£'000**	**%**
8,147	Barking & Dagenham	68,390	6,683	53,087	1,824	8,507	+4.4
10,894	Havering	80,385	7,859	90,138	3,097	10,956	+0.6
13,998	Newham	108,907	10,647	77,030	2,646	13,293	-5.0
11,710	Redbridge	90,643	8,860	91,170	3,133	11,993	+2.4
44,749	**Total**	**348,325**	**34,049**	**311,425**	**10,700**	**44,749**	

8.13 Changes in the relative tonnages between boroughs and between household and non-household waste tonnage may reflect not only volume changes but also the re-classification of waste.

8.14 In the past ELWA has agreed that each year's levy should be sought in four equal instalments payable in the middle of each quarter i.e. 15 May, 15 August, 15 November and 15 February or the nearest banking day thereto. It is recommended that the Levy be paid in the same way in 2012/13.

8.15 It is recommended that commercial and industrial waste charges and other expenditure and income continue to be sought in accordance with the existing arrangements i.e. based on quarterly claims and invoices. Current arrangements have generally worked well and it is recommended that these be continued, subject to further review as necessary.

9. The Localism Act 2011

9.1 The Localism Act 2011 gives local communities the power to decide about Council Tax rises. Where such rises are deemed to be excessive, Authorities will be required to hold a referendum to get approval or a veto from local voters. Currently the rules apply to Local Authorities and Precepting Authorities.

9.2 ELWA is a levying Authority and therefore currently not subject to these rules on referenda. Nevertheless the Authority is indirectly funded via the Council Tax and therefore in setting the levy in 2012/13 to 2014/15 it needs to take account of the potential impact on the Council Tax of Constituent Authorities.

10. Risks

10.1 In line with all public sector organisations, ELWA faces difficult financial challenges over the next few years. Consequently, it is vital that ELWA is aware of the risks it faces and has arrangements in place to mitigate these.

10.2 The risks that ELWA faces include ensuring that contractual performance targets are met to minimize the costs of landfill, Government funding cuts, avoiding major failure in technology, new legislation and ensuring that existing regulations continue to be complied with.

10.3 Controls have been put in place to mitigate against identified risks and the success of these controls will need to be regularly monitored within ELWA's risk management arrangements. This level of reserves has been based on the assumption that these risks will be mitigated in line with ELWA's agreed risk management framework. The level of reserves held will need to be kept under review.

11. Robustness of estimates and adequacy of reserves

11.1 The Local Government Act (LGA) 2003 places duties on local authorities to reinforce good financial practice. In respect of the setting of ELWA's annual estimates and levy, I am required to provide professional advice on the robustness of the estimates and the adequacy of reserves. The Secretary of State has back up powers to impose a minimum level of reserves on any Authority that fails to make adequate provision.

11.2 The framework for the preparation of estimates is ELWA's three-year financial strategy. Monthly budget statements are prepared throughout the year for monitoring and control purposes. These anticipate cost pressures and take a prudent view on income estimates. The advice of the External Auditor and the experience of professional and technical officers of other Waste Disposal Authorities are also taken into account.

11.3 The major component of the estimates is the IWMS contract cost which is formally agreed between ELWA and Shanks, East London via the ABSDP. ELWA's other costs are as advised by ELWA Officers and Constituent Councils who are responsible for and carry out certain functions on ELWA's behalf. These costs are based on the advice of Constituent Council's Technical Officers with appropriate support from their own Officers and in particular their views on waste levels.

11.4 The view of ELWA Directors is that the proposed estimates are robust and the proposed levels of reserves are adequate given the currently known risks facing ELWA. These provide a reasonable and sound basis for the operation of ELWA next year but in the medium term do need to be kept under review.

11.5 ELWA maintains tight financial control but being a single purpose Authority changes in service demand have a more profound impact than say a multi-function London Borough. The proposals for 2012/13 are prudent and reasonable but the level of potential levy increase for future years must raise significant concerns and Members and officers need to find ways of mitigating the level of increase.

11.6 At present ELWA officers maintain detailed systems for budgetary control and also for waste/contract monitoring. It is vital these systems are maintained to supply effective data for Members and senior managers. This will better enable in year variances to be identified and mitigated.

11.7 In my view, having consulted relevant colleagues and following an analysis of the strategic, operational and financial risks and uncertainties facing ELWA, which are set out in this report, these risks and uncertainties are adequately addressed in the setting of the 2012/13 budget and levy and the proposed level of reserves, subject to the various remarks about mitigation in this report. A continued prudent level of reserves is again recommended to ensure levy stability in future years because of the uncertainties faced by the Authority. The levels proposed for future years will need to be kept under review in the light of any new developments which may impact on the Authority.

11.8 The details and balances of ELWA's proposed reserves are contained in this report. Subject to all the above, the levels of these reserves are deemed appropriate based on information supplied to me, my professional judgement and ELWA's previous experiences and future plans.

11.9 In my opinion, if ELWA follows the advice contained in this report then the relevant requirements of the Local Government Act 2003 are met.

12. Relevant Officer

Geoff Pearce, Finance Director / e-mail finance@eastlondonwaste.gov.uk / 020 8708 3588

13. Appendix Attached

Appendix A Summary of original and revised Revenue Budgets for 2011/12 and Forward Budget for 2012/13.

Appendix B Financial Risk Analysis 2012/13.

14. Background Papers

Returns from Constituent Councils

Budget working papers

Report to the ELWA Authority Meeting November 2011

Financial Projection and Budget Strategy 2012/13 to 2014/15 Draft minute

15. Legal Consideration

ELWA needs to inform Constituent Councils of their 2012/13 levy by the 15th February 2012.

16. Financial Consideration

As detailed in the Report.

17. Performance Management Consideration

As detailed in the Report.

18. Risk Management Considerations

As detailed in paragraphs 9 to 11 of the Report.

19. Follow-up Reports

Financial Projections and Budget Strategy 2013/14 to 2015/16.

20. Websites and e-mail links for further information.

None.

21. Glossary

ABSDP – Annual Budget and Service Delivery Plan

ELWA – East London Waste Authority

IWMS – Integrated Waste Management Strategy

PFI – Private Finance Initiative

22. Approved by Management Board

23rd January 2012

23. Confidentiality

None

SUMMARY OF REVENUE ESTIMATES

	Budget 2011/12	Forward Budget 2012/13
EXPENDITURE	**£'000**	**£'000**
Employee and Support Services	530	530
Premises Related Expenditure	107	115
Transport Related Expenditure	5	5
Supplies and Services		
Payments to Shanks.east London	54,033	53,958
Other (inc cost of Support Costs)	720	678
Third Party Payments		
Recycling Initiatives	404	210
Tonne Mileage	525	550
Rent payable - property leases	267	264
Capital Financing Costs	229	213
TOTAL GROSS EXPENDITURE	56,820	56,523
Income		
Commercial Waste Charges	(2,965)	(2,707)
Bank Interest Receivable	(275)	(200)
Other Income	(350)	(310)
Newham Olympics		(500)
TOTAL INCOME	(3,590)	(3,717)
Contingency Allocated	106	150
NET EXPENDITURE ON SERVICES	53,336	52,956
Carry forward 2010/11	(100)	
Additional underspend 11/12		(701)
2011/12 one off receipts		(800)
PFI Grant Receivable	(3,991)	(3,991)
Transfer to PFI Contract Reserve	3,991	3,991
Levy Receivable	(44,749)	(44,749)
Transfer from PFI Contract Reserve	(5,987)	(6,706)
Contribution from Reserves	(2,500)	0
REVENUE DEFICIT/(SURPLUS) FOR PERIOD	0	0

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FINANCIAL RISK ANALYSIS FOR 2012/13 (AS AT JANUARY 2012)

Risk	Likelihood %	Worst Case £m	Value of Risk £m
Law changes i.e. concerning waste management, definition, or regulation	30	2.0	0.6
Cut in Government funding	15	4.0	0.6
Landfill sites – pollution & costs –gradual events	10	7.0	0.7
Aveley Methane contingency plan for gas extraction	20	0.5	0.1
Waste increases above service plan assumptions Olympics tonnage greater than expected Loss of royalty income	25 25 50	5.4 2.0 0.3	1.4 0.5 0.2
Legal action	10	2.0	0.2
Authority Insurances (excluding IWMS Contract) - liability for uninsured losses and deductibles	10	2.0	0.2
IWMS Contract Operational Insurances – Liability for uninsured losses and deductibles	20	2.5	0.5
TOTAL			**£5.0 m**

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AUTHORITY REPORT: CONTRACT MONITORING TO NOVEMBER 2011

1. Confidential Report

1.1 No

2. Recommendations:

2.1 Note this report

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3. Purpose

3.1 To provide an update on the monitoring, outcomes and actions taken with regards to the management of the IWMS contract for the period to November 2011.

3.2 To provide an update on the closed landfill sites.

4. Contract Performance

4.1 The waste collected by the ELWA constituent boroughs, and waste arising at the RRCs continues to fall below the levels budgeted in the ABSDP. The cumulative contract waste tonnage to the end of November was 298,987 tonnes; this is 26,210 tonnes below budget resulting in significant financial savings to the Authority.

4.2 There is a particular focus on the diversion of waste from landfill as, alongside waste reduction, this is viewed as the second largest contributor to financial savings through the avoidance of landfill tax payments. The cumulative diversion from landfill performance stood at 62%, slightly above the ABSDP budget of 60%.

4.3 To further bolster diversion from landfill the contractor has completed the installation of the bailer and wrapper at the Frog Island facility for the export of SRF under the new agreement. The equipment finished being commissioned in November and to date and additional 1,000 tonnes of SRF has been exported. The forecast provided by the contractor is that the end of year diversion performance is likely to be in the region of 65%.

4.4 The cumulative contract recycling performance to November is 29%, slightly higher than the ABSDP profile of 28.7%. The profile of recycling reduces this time of year due to the absence of green waste in the waste streams. Despite the problems relating to the BioMRF fines, officers are forecasting an end of year recycling performance achieving the 27% contract target.

4.5 An overview of the contract performance is provided at Appendix A.

5. Landfill Allowance Trading Scheme

5.1 The LAT scheme is still in operation until the end of the 2012/13 target year. With the decrease in waste tonnages and the level of diversion from landfill currently being achieved, the Authority should not have any concerns about being within its allocation.

5.2 At the end of November 2011 the profiled allocation for the period to November was 126k tonnes. The Authority used up approximately 75k tonnes of its allowance; therefore a surplus of 41k tonnes exists.

6. Potential Legislative Changes and Potential Effect on Borough Recycling Performance

6.1 There are a number of outstanding policies / legislative changes that are awaiting confirmation from Defra. Those that impact the Authority are primarily the repeal of the RDA, the review of the CWR and the interpretation of the rWFD specifically the recycling calculation. The details of these changes were the subject of previous reports to the Authority and can be found in background papers.

6.2 In relation to recycling, the two changes that are of particular interest to the Authority are the repeal of the RDA and the interpretation of the rWFD. Defra are overdue releasing the required information but it is hoped that between the time of writing this report and the Authority meeting, the information will be available to update Members at the meeting.

7. Closed Landfills

7.1 Wennington Farm (Approximately 37 acres) and Hall Farm (Approximately 49 acres)

7.2 Officers are currently seeking advice from advisors on an appropriate strategy.

7.3 Aveley 1(Approximately 67 acres)

7.4 The sale of Aveley 1 closed landfill site is still progressing albeit at a relatively slow pace. The Head of Operations is in regular contact with Infinis (JV partners for AML) and the agents for the potential purchasers. All parties are working towards a completion of sale by the end of the 2011/12 financial year.

7.5 Gerpins Lane (Approximately 19 acres)

7.6 The District Valuer has begun work on the valuation of the site in preparation for the transfer in the ownership of LBH. There has been a significant number of questions raised relating to historical access rights and boundaries. Officers are working to answer these queries to progress this transfer.

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8. Relevant officer:

Mark Ash, Head of Operations / e-mail: mark.ash@eastlondonwaste.gov.uk / 020 8724 5614

9. Appendices attached:

Appendix A – November monthly bulletin report

10. Background Papers:

Minute 1623 Waste Management – September 2008

Minute 45 Waste Management – September 2010

11. Legal Considerations:

11.1 None

12. Financial Considerations:

12.1 Tonnage levels and landfill tax liabilities are the main cost driver of the IWMS contract. The reduced tonnages therefore have led to a financial saving for the Authority in this period. Also improved contract recycling and diversion performance has financial benefits to the Authority as it means that there is a reduced landfill tax liability.

13. Performance Management Considerations:

As specified in the report.

14. Risk Management Considerations:

None

15. Previous Reports:

Previous contract monitoring reports can be found at each agenda.

16. Follow-up Reports:

At the next meeting of the Authority

17. Websites and e-mail links for further information:

None

18. Glossary:

ABSDP = Annual Budget & Service Delivery Plan

AML = Aveley Methane Ltd

BioMRF = Biodegradable Materials Recycling Facility

CWR = Controlled Waste Regulations

ELWA = East London Waste Authority

IWMS = Integrated Waste Management Strategy

JV = Joint Venture

LBH = London Borough of Havering

MRF = Material Recycling Facility

RRC = Reuse and Recycling Centres

RDA= Refuse Disposal Amenity Act 1978

rWFD = Revised Waste Framework Directive

WDF = Waste Data Flow

19. Approved by management board

23 January 2012

20. Confidentiality:

Not applicable

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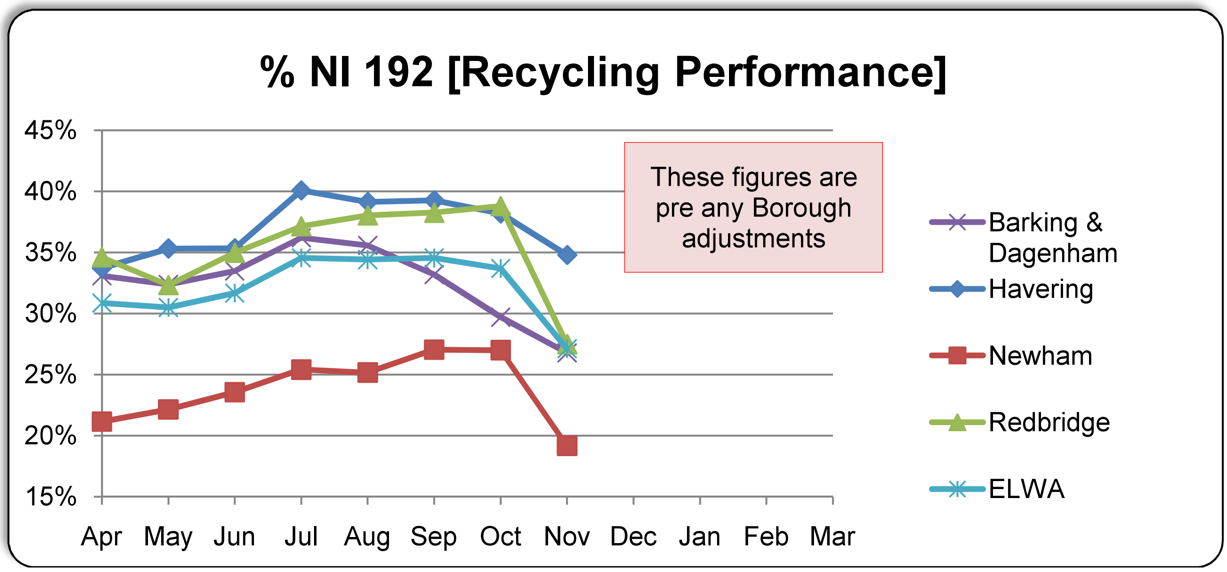

	Nov Data	Cumulative
Barking & Dagenham	26.8%	32.9%
Havering	34.8%	37.3%
Newham	19.2%	24.0%
Redbridge	27.5%	35.4%
ELWA	27.1%	32.4%

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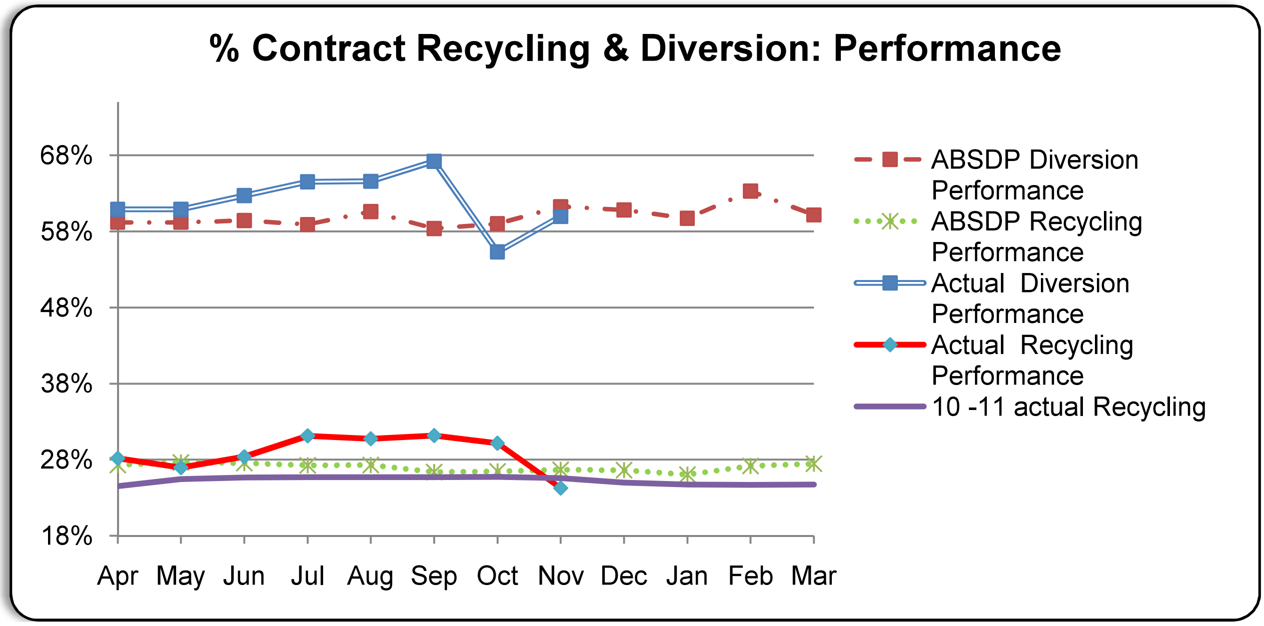

	Nov Data	Cumulative	ABSDP
Actual Recycling Performance	24.3%	29%	28.7%
Actual Diversion Performance	60.0%	62%	60.3%

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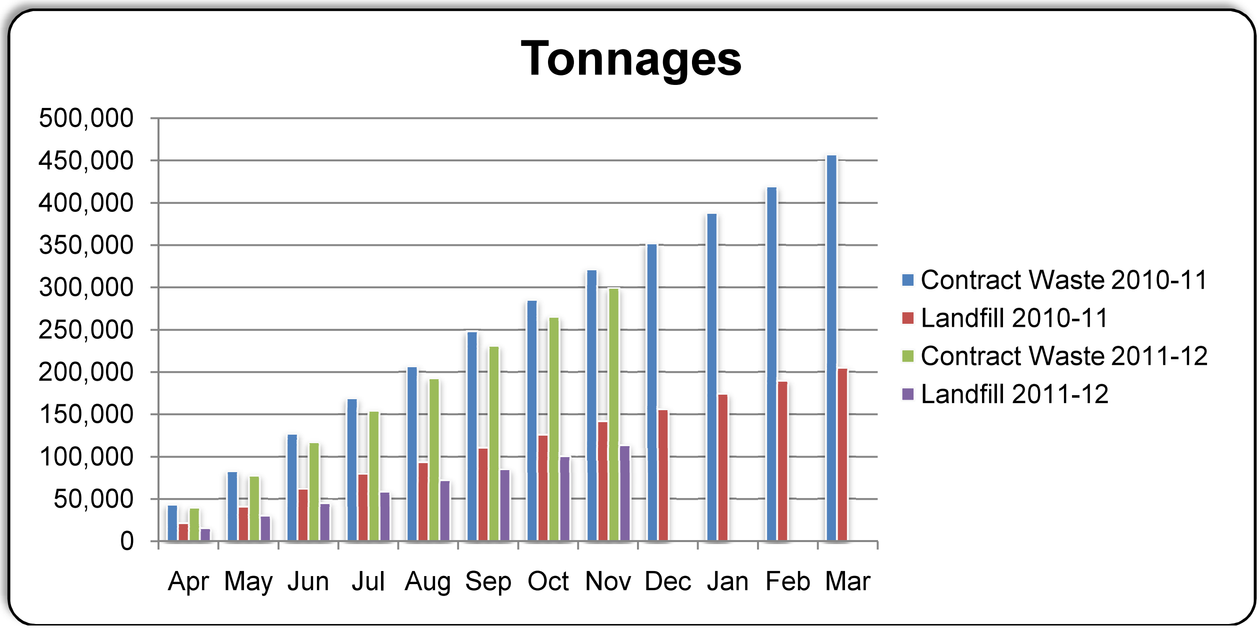
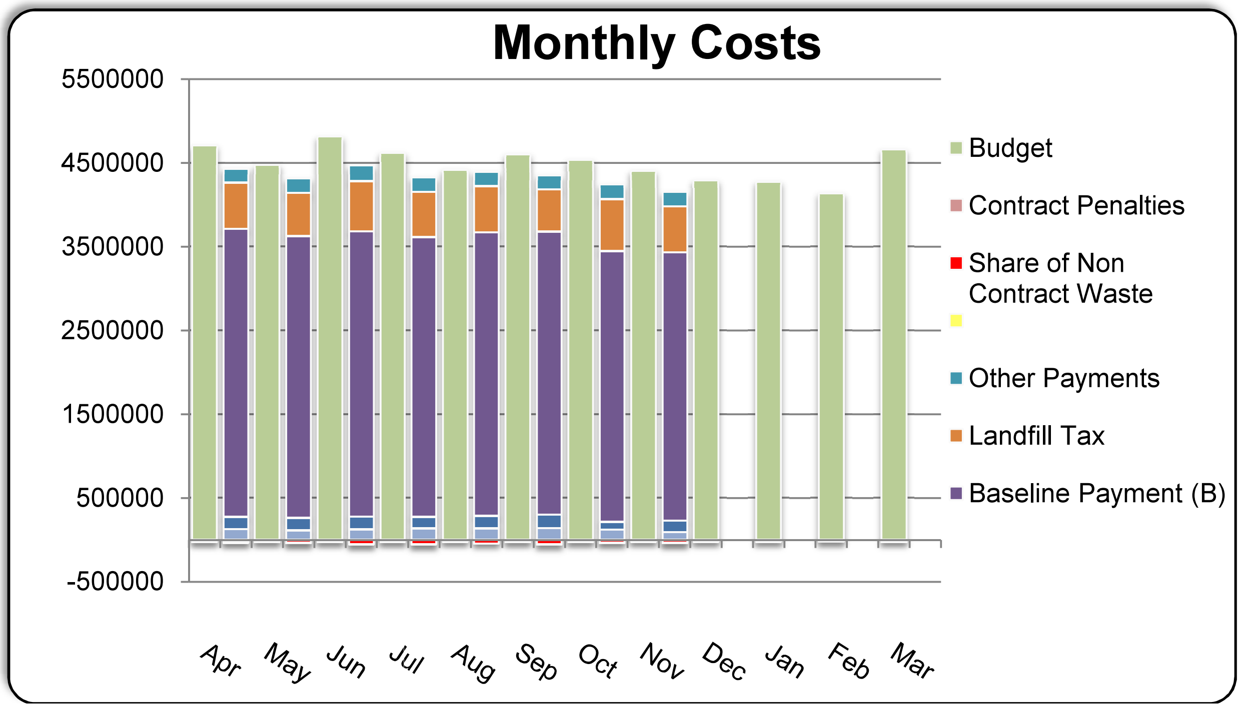


	Nov Data	Cumulative	ABSDP
Contract Waste	33,830 tonnes	298,987 tonnes	325,197 Tonnes
Recycling	8,206 tonnes	86,434 tonnes	
Diverted from Landfill	12,078 tonnes	185,310 tonnes	
Landfill	13,545 tonnes	113,677 tonnes	



	Nov Data
Budget	£4,376,313.
Actual	£4,105,544.

AUTHORITY REPORT: BULKY WASTE - REUSE COLLECTIONS

1. Confidential Report

1.1 No

2. Recommendations:

2.1 Members are asked to recommend the introduction of a robust referral system to the boroughs' call centre scripts to divert reusable items away from the bulky waste collection stream.

2.2 Members are asked to otherwise note this report.

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3. Purpose

3.1 To report on the viability of incorporating reuse activity in to the boroughs' bulky waste collections.

4. Background

4.1 With increasing national focus on the waste hierarchy, which promotes waste minimisation and reuse ahead of recycling, ELWA officers have investigated the viability and potential benefits of diverting suitable items away from the residual waste stream to be sent for reuse.

4.2 A Greater London Authority report defines reuse as follows:

'Reuse is defined as an item or material which becomes unwanted by the current owner but it is still considered to be useable and have an economic value. The owner has however decided to write off its value to expedite its removal and in doing so the item or materials has the potential to enter the waste stream or alternatively be offered for reuse to a reuse organisation.'

4.3 Suitable items for reuse include furniture and household white goods such as fridges.

4.4 In July 2010, the Mayor of London granted the London Community Resource Network (LCRN) £8.1m to deliver a London Reuse Network, and the Mayor's Waste Management Strategy published in November 2011 further detailed the government's intention to see reuse become more prominent in London's waste management.

4.5 In March 2011, ELWA commissioned WRAP, a DEFRA funded body promoting resource efficiency, to report on options for bulky waste diversion in the ELWA region. Working with LCRN, WRAP delivered a paper detailing the available local infrastructure and road maps suggesting how ELWA could make use of it. In the initial stages of their investigation, WRAP's intention was to recommend a partnership approach to introducing reuse activity. However, it became apparent this would not be possible, at least in the short term, because of the boroughs' different waste collection contracts and priorities. Therefore, individual plans were suggested for each borough.

4.6 While the individual plans make reasonable suggestions, they were made without full consideration of ELWA's, and the boroughs', contractual positions. Therefore ELWA's path forward may not reflect the roadmaps outlined in the report.

4.7 The WRAP report suggested that if all recommendations were put in place, approximately 1,000 tonnes of material could be diverted away from landfill in three years. To put that into perspective, over one million tonnes of ELWA contract waste will be processed in that time.

4.8 Bulky waste, like kerbside refuse and recycling, constitutes contractual waste and any bulky waste the boroughs collect must be delivered to Shanks or have Shanks' agreement for it to be delivered elsewhere.

5. Current position

5.1 ELWA officers considered WRAP's report and investigated the possibility of implementing the suggested measures, which fell into two distinct areas:

a) Collections from households.

b) Collections from Reuse and Recycling Centres (RRCs).

5.2 Currently, the four boroughs each run a bulky waste collection service, which represents the primary source of reusable objects from households. However, there is a division in the way that the services are carried out.

a) Barking & Dagenham and Newham both operate a free-of-charge in-house collection service (although LBBD offers a priority service at a charge). Such a service allows for flexibility in altering those operations, without the constraints of a contract. Therefore the introduction of a reuse service is feasible. However, offering a free collection removes one major incentive for residents to opt for a reuse collection, which may also be free or may be chargeable, but will almost certainly be less convenient.

b) Havering and Redbridge offer their residents a chargeable service, which is outsourced. Due to this charge, an alternative service that may be cheaper or free should result in buy-in from residents and any collection costs to the council should be covered. However, the boroughs' existing collection contracts could be a potential stumbling block if implementing a new service would not benefit the contractor.

c) The boroughs also differ in what they will collect through this service. Newham, at one end of the scale, will collect everything barring fixtures and fittings, whereas Redbridge are more selective and will not, for example, collect black sack waste. The more selective the collection is, the easier it is to extract reusable items. All four boroughs carry out bulky waste collections from outside the property.

d) Excluding electrical items, Newham collect bulky waste in compaction vehicles, so nothing is recoverable for reuse. The other boroughs use caged vehicles, which is also less than ideal as the items are open to the elements and can easily be damaged.

5.3 The WRAP report identified the existing reuse organisations local to the ELWA region. These are mostly Third Sector Organisations (TSOs) located at the outer fringes of the region or outside of it. A major drive behind the Mayor of London's funding for the London Reuse Network is to provide more reuse outlets, and it is hoped that the 'East Cluster' will see the benefit of this, but at the current time there are limited options available to the ELWA boroughs.

5.4 ELWA and borough officers have visited four organisations that can offer an alternative to the boroughs' services. As part of the East Cluster of the London Reuse Network, they are set up to work with each other as needed.

a) Homestore, based in Stratford, is a charity that provides affordable second-hand furniture to low income households. They currently collect reusable items from the Chigwell Road RRC in Redbridge and have Service Level Agreements with the London boroughs of Islington and Hackney for bulky reuse collections. Their operations could extend to Redbridge, Newham and Barking & Dagenham, but do not reach as far as Havering.

b) First Fruits, based in Silvertown, has until recently specialised in the reuse of office furniture but is now developing into a domestic reuse facility with capacity for repair and recycling also on site. This is the largest existing reuse organisation in the area and would potentially be of use to all four boroughs; LCRN intend for it to become one of two 'reuse hubs' available to ELWA, where reusable items can be delivered, repaired and sorted, then distributed to smaller outlets across the region for sale. However, whether this is a sustainable model remains to be seen as First Fruits are very much in transition. A location for a second hub is yet to be found, and in all likelihood this will not be addressed until it can be established that such a system will work.

c) Lighthouse Furniture in Brentwood is similar in operation to Homestore, although it benefits from a wealthier local community, which means a higher quality of reusable items is available to them. They would be able to operate in Havering but no further. They put an emphasis on being a part of the local community with work experience and volunteering opportunities available for long term unemployed and disabled people, amongst others.

d) The Reuse Partnership (TRUP), based in East Tilbury, largely mirrors the operation of Lighthouse and will also only reach as far as Havering.

5.5 The WRAP report's eventual solution is for the boroughs to let comprehensive bulky reuse, recycling and waste collection contracts in partnership with TSOs. However, with two boroughs already engaged in collection contracts and two intending to maintain free collections, this is not an option for the short/medium term.

5.6 One route, which would incur minor disruption to existing services and can readily be put in place, is to refer residents who have called the council for a bulky waste collection to a local reuse organisation for them to collect the item(s) free of charge. It would need to be established over the phone that the item is indeed reusable or, if not, the council would carry out the service as it would with the current set up. Referrals are theoretically already happening but in practice there is no robust system in place for referrals at the contact centres.

a) Such an informal approach does not tie the councils in to any contracts and has the added benefit of minimising the waste collected by them. Formalising this arrangement would allow the boroughs to count all collections made towards their recycling rates, as the TSO would provide information on tonnage. However, this would very likely involve payments from the council to the TSO which would effectively cancel out any savings made by diverting the tonnage from the contract/landfill. This is assumed to be the case based on the Service Level Agreements that the London Boroughs of Hackney and Islington have with Homestore, whereby the boroughs pay Homestore £25 for each collection made.

b) The downside is that residents could view such an approach as the council endorsing particular organisations and if the service is not performed adequately the council could be held responsible. However, the organisations in question have a good track record of working with other local authorities.

c) For Redbridge and Havering, this should be an effective means of diverting reusable items as the resident would be incentivised by avoiding a minimum charge of over £20, although they would have to make arrangements to be at home for a collection from inside the property (items left outside will not be collected as they may become damaged). Between Homestore, Lighthouse and TRUP, there is capacity to collect from households in Redbridge and Havering.

d) For Barking & Dagenham and Newham's residents, an option to have their items collected by a reuse organisation could be financially unattractive; it represents no saving (except to those LBBD residents requiring a priority collection), an inconvenience and an unfamiliar service. However, for particularly enthusiastic residents, Homestore would be able to collect from these boroughs if required.

5.7 An alternative option was explored for Redbridge, whereby all bulky material would be delivered by Redbridge's contractor directly to First Fruits rather than a Shanks facility. There it would be sorted into items that could be reused or recycled, which they have the means to do on site, and any residual waste would be delivered to Shanks for disposal. This would allow reuse and recycling to be introduced to Redbridge's bulky waste service without taking the collections out of the council's hands. However, there are several obstacles which make this option impractical and financially unworkable:

a) Redbridge would have to alter their collection service to collect from inside of the property. This would involve booking specific days of collection, which does not currently happen. They would also have to use vehicles which protect the load from rain etc, rather than open top caged vehicles.

b) Even with an extensive monitoring program, there would be potential for error in the return of non-reusable or non-recyclable material to Shanks, as waste from other parties may be mixed in because First Fruits work with other councils and commercial outfits around London.

c) Redbridge would require higher tonne mileage payments for the increase in distance travelled, which would likely negate the savings made in minimising the waste collected. This rules out Havering using this option as they would have considerably further to travel.

d) This option would not be available to Newham due to the high levels of residual waste collected by their bulky waste service and more importantly their use of compaction vehicles. This applies to Barking & Dagenham to a lesser extent as well.

e) It remains unclear to ELWA officers whether or not the First Fruits model is self-sustaining. Until the model can be proved effective, no formal arrangement can be entered into.

5.8 The table below illustrates the significant variations in the services offered by the boroughs and the TSOs. This highlights the fundamental changes all four boroughs would need to make to carry out effective in-house reuse collections.

Service comparison	Borough service	TSO service
Items collected	Varies from virtually everything to specific large items. No restriction on broken/damaged items.	Only items deemed reusable, with appropriate fire safety labels.
Collect from	Outside the property, within a certain number of days from booking	Inside the property, on a specific day
Collection vehicle	Open caged or compaction vehicle	Typically a Luton Transit van
Charge	Two boroughs charge residents, two do not	Free of charge collections for residents
Destination of recoverable waste	Landfill or limited recycling	Reuse or recycling

5.9 WRAP's report suggested a container be placed at each RRC for the receipt and storage of reusable items. The upper limit of this would be to have a workshop and retail space on site, where items could be repaired as necessary and sold on. However, due to limited space this would not be an option at ELWA's sites.

5.10 Chigwell Road is the only RRC which currently utilises a reuse container. This is not promoted to the public; rather, it is kept closed at one corner of the site. Site staff are expected to intercept any items that could be reused and put them in the container themselves. When, previously, the container was promoted and left to the public to use as they would any other area of the site largely at their own discretion, it quickly became apparent that a discerning eye is needed to decide what is and what isn't suitable to be reused. Reuse organisations have to be very selective about what they can collect. Understandably, a person with limited understanding of the reuse process might, with good intention, place items in the container that could not be reused and it would quickly become contaminated. As it isn't sensible to constantly man one container, it was felt more appropriate to run it in this way. When the container is close to full, site staff contact Homestore to empty it.

5.11 ELWA officers believe there is space at each RRC to site a reuse container, and the staff capacity to effectively utilise it. However, this will need to be discussed with Shanks to fully ascertain its viability.

6. Conclusion

6.1 With minimal infrastructure and contractual restraints, there is limited scope for introducing reuse activity to ELWA boroughs' operations at the current time. However, there are measures that can be taken now to increase reuse, with a view to bringing in more comprehensive arrangements as and when they become practical.

a) Reuse containers can be sited at each RRC to divert reusable items brought in by residents, subject to discussions with Shanks.

b) A robust referral system can be introduced to the boroughs' call centre scripts to divert reusable items away from the bulky waste collection stream. While it is anticipated that this will be considerably more effective in Havering and Redbridge, there is a case for implementing it in Barking & Dagenham and Newham.

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7. Relevant officer:

James Kirkham / e-mail: james.kirkham@eastlondonwaste.gov.uk / 0208 724 5458 / 07875 993 664

8. Appendices attached:

None

9. Background Papers:

WRAP report – available to members on request

10. Legal Considerations:

None

11. Financial Considerations:

11.1 The item responds to the report undertaken by WRAP around opportunities to introduce residual waste streams for reuse. The report recommends that reuse containers be sited at RRC sites. This might divert some waste tonnages from diversion but needs to be discussed in advance with Shanks in advance.

11.2 The report highlights that whilst some modest savings could be generated from reuse policies through reduced tonnages, the current inconsistent service delivery methodologies across the 4 constituent councils minimise the type of policies that could be implemented.

12. Risk Management Considerations:

12.1 Implementing reuse activity should help mitigate the following strategic risks:

a) S5 - Adverse media attention
b) S12 – Failure to meet landfill diversion targets
c) S12 – Poor perception of Authority
d) S12 – Increased landfill costs

12.2 Implementing reuse activity should help mitigate the following operational risks:

a) O9 – Criticism of ELWA and ELWA Ltd
b) O9 – Customer complaints
c) O14 - Failure to meet ELWA Pooled/Contractual Targets
d) O14 - Failure to meet waste minimisation strategy targets

13. Follow-up Reports:

None

14. Websites and e-mail links for further information:

Homestore – http://www.quakersocialaction.com/homestore

Lighthouse Furniture - http://www.lighthousefurniture.org/

The Reuse Partnership - http://www.trup.org.uk/

First Fruits - http://www.firstfruit.org.uk/aboutus.htm

15. Glossary:

ELWA - East London Waste Authority

RRC - Reuse and Recycling Centre

LCRN - London Community Resource Network

TRUP - The Reuse Partnership

TSO - Third Sector Organisations

WRAP – Waste and Resources Action Programme

DEFRA – Department for Environment, Food and Rural Affairs

16. Approved by Management Board:

23 January 2012

17. Confidentiality:

No

AUTHORITY REPORT: REVIEW OF THE ELWA IWMS

1. Confidential Report

1.1 No

2. Recommendation:

2.1 Members are asked to note the report.

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3. Purpose

3.1 This report outlines the procedure to be adopted to review the authority's Integrated Waste Management Strategy (IWMS).

4. Background

4.1 The authority approved the IWMS in 1996 and conducted a review in 2005-06, as part of the Best Value Performance Planning regime, to confirm its continued validity (copy IWMS attached at Appendix A).

4.2 The strategy provides objectives and targets for the authority and constituent councils in the pursuit of the vision: "To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value".

4.3 The strategy provides the framework for the waste disposal PFI contract and the waste collection practices of the constituent councils. Also, it reflects the national and regional priorities associated with effective waste management.

5. Current Position

5.1 The previous review of the strategy was undertaken some ten years after the original drafting and acknowledged changes in waste legislation. In recent months, Defra has reviewed the national waste policy and the Mayor of London has published his Municipal waste Management Strategy. Appendix B is a document published by Defra outlining the implications for local authorities of their review. Appendix C is a version of the implementation plan of the Mayor of London's strategy, which includes the implications for ELWA.

5.2 Both feature affirmation of the waste hierarchy, the move towards a zero waste economy and view waste from the perspective of it being a resource.

5.3 ELWA is nine years in to a 25-year contract specifically designed to deliver the IWMS, therefore there is little scope to make significant changes to the strategy. Nevertheless, these latest developments, together with elected members desire to consider waste disposal options post-contract, make it appropriate to once again review the IWMS.

5.4 At least two other statutory waste disposal authorities are undertaking similar reviews and we intend to explore how we can take advantage of their national research to aid our review. The stages of the review are broadly:

a) Analyze current strategy
- Achievement of current aims and objectives
- Contract performance
- Barriers to, and options for, improved performance
- How strategy fits with other local and national strategies
- Changes since previous review requiring reflection in strategy

b) Determine and agree revised strategic objectives
- Consult with members and officers
- Identify technical, environmental, political, commercial, social and regulatory risks
- Identify revised aims and objectives
- Consider actions required to achieve revised aims and objectives
- Determine roles of ELWA and constituent councils

c) Consult with wider stakeholders

- Residents
- Local government
- Central government
- Business community

d) Analyze consultation responses

e) Produce final draft of revised strategy
   - Determine action plan to deliver strategy
   - Seek member approval

f) Publish revised strategy

5.5 Our intention is to commence the review in April and use the July authority workshop as the opportunity to consult with members. Whilst the above stages include consultation with wider stakeholders, the circumstances of ELWA being part-way through a long-term contract limit the likelihood of a fundamental change in direction. Therefore, we will consider whether such wider consultation is required following the July workshop. We aim to produce the revised strategy for member approval by the end of the calendar year.

6. Conclusion

6.1 A review of the IWMS is required to ensure it remains valid in light of changing national, regional and local priorities. Also, the authority and constituent councils should be alert to developments in waste management technology, in order to be prepared for when the current waste disposal contract comes to an end. Whilst this is unlikely to be the final review of the IWMS before 2027, it should help keep the authorities focused on delivering effective and efficient waste management services.

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7. Relevant officer:

Paul Taylor, Managing Director / paul.taylor@eastlondonwaste.gov.uk / 0208 724 5750 / 07875 993 657

8. Appendices attached:

Appendix A: ELWA's Integrated Waste Management Strategy

Appendix B: Government Review of Waste Policy 2011 – what it means for Local Authorities

Appendix C: The implications for ELWA of the Mayor of London's Municipal Waste Management Strategy

9. Background papers:

None

10. Legal considerations:

10.1 The review of the IWMS will help ensure ELWA continues to comply with the legal and regulatory framework associated with waste management.

11. Financial considerations:

11.1 Any costs associated with the review of the IWMS will need to be contained within the ELWA budget.

12. Performance management considerations:

12.1 Undertaking the review will not adversely impact on the achievement of objectives.

12.2 The revised IWMS will include amended aims and objectives for the authorities.

13. Risk management considerations:

13.1 The review of the IWMS should help mitigate the following strategic risks:

a) S1 - Corporate divisions and disagreements

b) S2 – Breakdown of relationship with contractor

c) S5 - Failure to effectively manage waste in accordance with regulations

d) S7 - New statutory requirements

e) S8 - Contract no longer affordable

f) S12 - Failure to deliver improved levels of contractual performance

13.2 The review of the IWMS should help mitigate the following operational risks:

a) O9 – Failure to meet stakeholder expectations

b) O10 – Increased risk of enforcement notice due to failure to comply with regulations

c) O14 - Poor performance of collecting authorities

14. Follow-up reports:

Yes – updates at future authority meetings until approval of the revised IWMS.

15. Websites and e-mail links for further information:

www.defra.gov.uk/environment/waste/review/

www.defra.gov.uk/publications/files/pb13542-action-plan-.pdf

16. Glossary:

IWMS – Integrated Waste Management Strategy

PFI – Private Finance Initiative

Defra – Department for Environment Food and Rural Affairs

17. Approved by management board

23 January 2012

18. Confidentiality:

No

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ELWA's Strategy

The Strategy set out below was approved by the Authority in February 2006.

This strategy shows how the East London Waste Authority, together with the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge, intend to manage municipal solid waste by means of a Vision, Objectives and Targets.

Our vision is:

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

Our objectives are to:

(i) Provide reliable and achievable services in terms of managing and disposing of the waste

(ii) Provide services that are environmentally and economically sustainable in terms of:

- encouraging waste minimisation initiatives
- seeking to maximise waste recycling and composting opportunities potentially supported by energy recovery
- Meeting national recycling and recovery targets whilst recognising regional waste strategies
- complying with legislation on waste management
- contributing to local economic development.

(iii) Help promote the most cost effective delivery of services

(iv) Ensure that the services shall be sufficiently diverse and flexible and not dependent upon a single method of waste treatment

(v) Reduce biodegradable waste landfilled in order to meet the requirements of the Waste and Emissions Trading Act

Our joint targets are to:

- stabilise or reduce the level of waste generated to below 515 kg per year per head of population
- achieve and where possible exceed, statutory recycling and composting standards (See box 1, page 9)
- recycle or compost 25% of our waste from April 2005, 30% from April 2010 and 33% from April 2015
- divert from landfill 40% of waste from April 2007, 45% from April 2010 and 67% from April 2015
- reduce biodegradable municipal waste sent to landfill to below 210,000 tonnes per year from April 2009, 140,000 tonnes per year from April 2012 and 100,000 tonnes per year from April 2019
- find the best methods to serve all households with a recycling collection of at least four materials by 2008.

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

Action plans for how we will achieve the aims and targets have been prepared. The strategy review process conducted in 2005 indicated that we should focus on increasing recycling, improving the efficiencies of the Bio-MRF plants and on investigating advanced thermal treatments of residual waste.

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

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

Box 1 Statutory Targets

Statutory Performance Standards for Household Waste Recycling & Composting		
Authority	2005/06	2007/8
Barking & Dagenham	18%	18%*
Havering	27%	27%
Newham	18%	18%*
Redbridge	21%	21%
East London Waste Authority	18%	18%*

**After the current strategy had been published, the Government increased the 18% targets to 20%*

Why ELWA's Waste Management Strategy was reviewed

The original strategy was approved 10 years ago and had provided a robust and valuable sense of direction for the Authority leading, in 2002, to the joint venture with Shanks Waste Management. The joint venture was tasked with meeting the national waste targets for recycling and recovery of energy from waste and delivering a reliable environmentally and economically sustainable waste management service for our communities.

However, the Government introduced in 2003 new national and local landfill targets in the Waste and Emissions Trading Act (WET Act). The Act requires Waste Disposal Authorities to continually reduce, in the period up to 2020, the amount of biodegradable household waste that they send to landfill. If Authorities do not meet these reducing targets they are liable to heavy fines by central government.

ELWA's strategy review in 2005 and 2006 was therefore amended to look at these new statutory requirements and consult on how they should be addressed.

The outcome of the review was to confirm that the original objectives and targets were still relevant and to add one new objective and some additional targets. The latter are aimed at reducing the amounts of biodegradable household waste that ELWA landfills over the next decade or so.

It is early days but the new strategy has already provided a valuable sense of direction and, as a result of consequential actions, ELWA is on track to meet the new statutory restrictions concerning the landfilling of waste.

Government Review of Waste Policy 2011 – what it means for Local Authorities

Why waste matters

Waste collection is a key frontline service which affects quality of life, and waste sent to landfill is a major contributor to UK methane emissions.

That's why the government is reviewing and improving its policies on waste. This leaflet gives an overview of these policies and what they mean for local authorities.

A zero waste economy

Although local authorities in England have made big strides in reducing and recycling waste, they still handle over 12 million of the 44 million tonnes of waste sent to landfill every year. The government wants to move beyond a throwaway society towards a zero waste economy, where we work to prevent waste, then reuse and recycle – and throw away only as a last resort.

Engaging with customers

All local authorities should seek the views of their customers when designing and delivering waste services. They should provide opportunities for people who want to do more than the minimum and tell them what happens to their waste.

We are encouraging local authorities to sign up to two Recycling and Waste Services Commitments, one for householders and one for businesses. The commitments will give councils a tool to frame discussions with householders, business customers and contractors.

We understand that householders have a reasonable expectation that waste collection services should be weekly, particularly for smelly waste. We will be working with local councils to increase the frequency and quality of rubbish collections and make it easier to recycle, and to tackle measures which encourage councils specifically to cut the scope of collections.

Rewarding good waste management

The government would like to see a shift from enforcement powers that may infringe civil liberties towards reward and encouragement. For example, we're removing the criminal sanction and £1,000 fine for householders who present their waste in the wrong way and replacing them with more appropriate, smaller fines. But we will ensure that you continue to have the powers you need to tackle serious waste crime.

To promote reward and recognition, we have commissioned research to understand the best ways of rewarding people. We have also launched a scheme to fund innovative reward and recognition schemes.

Reducing the burden on local authorities

The government is committed to removing some of the barriers to good service delivery.

We have removed targets – to free local authorities to focus on providing services in the most sustainable way for their local area. We are also looking to reduce the quantity of information that councils have to report and cut the amount of waste management legislation. For example, we are ending the Landfill Allowance Trading Scheme.

Supporting local authorities

The government will help local authorities form partnerships to procure and provide services more effectively. We are also working with iESE and WRAP to improve local authority procurement skills. And with our support, WRAP is also promoting good practice in recycling in public areas and exploring ways to deliver improved reuse and recycling facilities.

We will also promote the use of a carbon metric reporting tool to help councils report the environmental impacts of waste management in carbon terms. We are also supporting anaerobic digestion.

Did you know?

- The waste management industry employs between 120,000 and 150,000 people.
- Anaerobic digestion could produce enough electricity to supply nearly a million households.

Find out more

There's more information about waste on these websites:

Defra - www.defra.gov.uk/environment/waste

WRAP - www.wrap.org.uk

Environment Agency - www.environment-agency.gov.uk/business/topics/waste

defra
Department for Environment Food and Rural Affairs

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THE IMPLICATIONS FOR ELWA OF THE MAYOR OF LONDON'S MUNICIPAL WASTE MANAGEMENT STRATEGY

The following table is based on the implementation plan of the Mayor's municipal waste management strategy, with the addition of a column detailing the actions to be taken by ELWA officers.

Policy	Proposal	Partner Organisation	Timescale	ELWA Implications
Policy 1: Informing producers and consumers of the value of reducing, reusing, and recycling municipal waste	1.1 Setting waste reduction and reuse targets	GLA Group, WRAP, waste authorities, LCRN	10 per cent reduction in household waste per household by 2020, increasing to 20 per cent per household by 2031. Reusing 20,000 tonnes of municipal waste by 2015 and 30,000 tonnes by 2031	Supporting constituent councils with their communications with residents by chairing the communications group and providing supplementary funding (£150k/annum). Co-ordinating reuse proposals across constituent councils with LCRN.
	1.2 Supporting London-wide engagement to promote the reduce, reuse, recycle message	GLA Group, WRAP, waste authorities, LCRN, LWARB	From 2010. First Recycle for London communications programme will run from 2010-2013.	As above.
	1.3 Reducing the amount of municipal waste entering the waste stream	GLA Group, WRAP, interested businesses, waste authorities, LWARB	From 2010	As above. Working with constituent councils to identify different waste management options for non-contract waste.
	1.4 Tackling the barriers to providing effective reuse services	GLA Group, LCRN, waste authorities	From 2010	Co-ordinating reuse proposals across constituent councils with LCRN.
Policy 2:	2.1 The Mayor will work with waste	GLA, waste	From 2011	There is no mandatory

Policy	Proposal	Partner Organisation	Timescale	ELWA Implications
Reducing the climate change impact of London's municipal waste management	authorities to put London on a path for its municipal waste management functions to collectively achieve the EPS	authorities		requirement for ELWA to do anything. Could consider modelling current waste disposal arrangements onto the EPS. Could identify options for achieving EPS within the parameters of the contract and post-contract. Likely to have high cost implications.
	2.2 The Mayor has developed a lifecycle CO_2eq EPS for London's municipal waste management to work towards achieving. The EPS has been set to achieve the greatest climate change mitigation benefits practicable from London's municipal waste at least cost. London's municipal waste management performance against the EPS will be monitored and reported annually.	GLA, Environment Agency, waste authorities, London Councils, LWARB	From 2010	As above. Waste Data Flow report will be available annually to map ELWA achievement against the EPS.
	2.3 The Mayor has set a minimum CO_2eq performance for energy generation from London's municipal waste, known as a "carbon intensity floor". Waste authorities that are considering options for generating energy from waste will need to demonstrate how their preferred solutions will meet the carbon intensity floor, or demonstrate what steps are in place to meet it in the near future.	GLA, Environment Agency, waste authorities, London Councils, LWARB	From 2011	Not relevant to ELWA, as electricity generation is not part of the waste disposal solution.
	2.4 The Mayor will work with the Environment Agency and waste authorities to ensure that achieving the EPS will not have any significant adverse impacts on	GLA, Environment Agency, waste authorities	From 2011	Participate in the relevant studies.

Policy	Proposal	Partner Organisation	Timescale	ELWA Implications
	other environmental considerations, such as air quality and biodiversity.			
	2.5 The Mayor, through Transport for London (TfL), will work with waste authorities to maximise cost efficiencies and reduce the environmental impact of transporting municipal waste. The Mayor will encourage waste authorities to join TfL's Freight Operator Recognition Scheme (FORS) to help make the transport of waste safer, greener and more efficient.	GLA, TFL, waste authorities	From 2010	Explore the implications of the proposal within the parameters of the contract and post-contract.
Policy 3: Capturing the economic opportunities of municipal waste management	3.1 The Mayor will through LWARB develop a four year programme (2001- 2015) to identify and implement efficiencies in municipal waste management in London.	GLA, London Councils, waste authorities, LWARB	From 2011	Participate in the relevant studies.
	3.2 The Mayor, through LWARB, will secure investment in London's municipal waste management infrastructure	GLA Group, LWARB, Defra, EU match funding schemes, External Investors	From 2010	Not identified as a partner organisation but will contribute information if requested.
Policy 4: Achieving high municipal recycling and composting rates resulting in the greatest environmental and financial benefits	4.1 The Mayor has set recycling and composting (including anaerobic digestion) targets for London's municipal waste of 45 per cent by 2015, 50 per cent by 2020 and 60 per cent by 2031	GLA	From 2011	Not identified as a partner organisation.
	4.2 The Mayor, through LWARB's best practice co-ordinator service, will work with waste authorities and the Waste and Resources Action Programme (WRAP) to provide cost-effective and easily accessible	GLA, LWARB, waste authorities, London Councils	From 2010	Not directly involved, as this is a collection issue. See communications involvement at Policy 1.

Policy	Proposal	Partner Organisation	Timescale	ELWA Implications
	recycling and composting services to all London households and small businesses. The aim is to showcase good practice and identify opportunities to deliver high quality, consistent and cost-effective collection services, achieving high rates of recycling and composting.			
	4.3 The Mayor, through LWARB, has allocated £5 million to fund infrastructure measures to increase recycling or composting rates for household waste collected from flats, particularly those providing social housing.	GLA Group, LWARB, waste authorities, London Councils	From 2010	Continue to co-ordinate work across constituent councils and LWARB.
	4.4 The Mayor will work with waste authorities and other stakeholders to provide incentives for Londoners to reduce, reuse and recycle municipal waste.	GLA, LWARB, waste authorities, London Councils, waste incentive organisations (e.g. RecycleBank)	From 2010	Work with constituent councils to explore effective incentive schemes and the funding thereof.
	4.5 The Mayor will work with waste authorities, WRAP, TfL, and the private sector to provide "on-the-go" recycling bins across London.	GLA, TfL, WRAP, LWARB, waste authorities, London Councils	From 2010	Not directly involved, as this is a collection issue. However, Havering and Redbridge have these bins.
Policy 5: Stimulating the development of new municipal waste management infrastructure in	5.1 The Mayor through LWARB will actively support the development of municipal waste management infrastructure in London, in particular the use of low-carbon technologies	GLA Group, LWARB, Defra, EU match funding schemes, External Investors	From 2009	Participate in discussions with the Mayor.

Policy	Proposal	Partner Organisation	Timescale	ELWA Implications
London, particularly low-carbon technologies	5.2 The Mayor will work with waste authorities to manage as much of London's municipal waste as practicable within London to achieve regional self-sufficiency targets as set out in the London Plan	GLA Group, waste authorities, LWARB	From 2009	Participate in discussions with the Mayor regarding post-contract arrangements.
	5.3 The Mayor, through TfL, will encourage the movement of municipal waste using sustainable modes of transport	GLA, TfL, waste authorities	From 2011	Participate in discussions with the Mayor regarding post-contract arrangements.
Policy 6: Achieving a high level of street cleanliness	6.1 The Mayor will encourage London boroughs to adopt Love Clean London, a mobile and online reporting and recording system for litter and fly-tipping	GLA, London Councils, London boroughs	From 2010	Not a direct responsibility of ELWA but will engage with constituent councils on matters affecting disposal.
	6.2 The Mayor will work with local authorities to improve enforcement of environmental crimes, including litter and graffiti.	GLA, London Councils, London boroughs	From 2011/12	Not a direct responsibility of ELWA but will engage with constituent councils on matters affecting disposal.
	6.3 The Mayor will work with boroughs to recycle or compost their street cleaning waste where practicable.	GLA, London boroughs	From 2010	Not a direct responsibility of ELWA but will engage with constituent councils on matters affecting disposal.
	6.4 The Mayor will work with a range of partners including London boroughs and the private sector to provide on-street recycling opportunities and to recycle waste from London's events.	GLA, London Councils, London boroughs, interested private sector organisations	From 2010	Not a direct responsibility of ELWA but will engage with constituent councils on matters affecting disposal.
	6.5 The Mayor will work with the London Organising Committee of the Olympic Games (LOCOG), the Capital Clean- Up campaign, Thames 21 and other voluntary organisations to undertake the biggest clean up ever, in advance of the Olympic	GLA, London Councils, London boroughs, LOCOG, Capital Clean-up, Thames 21,	From 2010	Not a direct responsibility of ELWA but will engage with constituent councils on matters affecting disposal.

Policy	Proposal	Partner Organisation	Timescale	ELWA Implications
	and Paralympic Games.	interested voluntary organisations		
	6.6 The Mayor will work with London Councils and the London boroughs to develop a road map towards a plastic bag-free London	GLA, London Councils, London boroughs	From 2010	Not a direct responsibility of ELWA but will engage with constituent councils on matters affecting disposal.
	6.7 The Mayor will work with gum manufacturers and London boroughs to reduce the blight of chewing gum on London's streets by piloting non-stick and degradable gum in London	GLA, London boroughs, interested gum manufacturers	From 2010	Not a direct responsibility of ELWA but will engage with constituent councils on matters affecting disposal.
	6.8 The Mayor will work with London boroughs, tobacco companies and tobacco retailers to develop a London wide smoking-related litter reduction programme.	GLA, London Councils, London boroughs	From 2010	Not a direct responsibility of ELWA but will engage with constituent councils on matters affecting disposal.
	6.9 The Mayor will work with London Councils and the Chewing Gum Action Group to develop a behaviour change communications programme on chewing gum litter for London to launch in the months leading up to the 2012 Games.	GLA	From 2010	Not a direct responsibility of ELWA but will engage with constituent councils on matters affecting disposal.
	6.10 The Mayor will work with TfL and London Underground to empower Londoners and visitors to be more responsible with their rubbish while on London's transport network.	GLA, TfL, London Underground, London Councils, London boroughs	From 2010	Not a direct responsibility of ELWA but will engage with constituent councils on matters affecting disposal.

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

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